

PROSPECTUS



EDP – ENERGIAS DE PORTUGAL, S.A.

(incorporated with limited liability in the Portuguese Republic)

EDP FINANCE B.V.

*(incorporated with limited liability in The Netherlands
and having its statutory seat in Amsterdam)*

€7,000,000,000

Programme for the Issuance of Debt Instruments

Under this EUR 7,000,000,000 Programme for the Issuance of Debt Instruments (the “Programme”), EDP – Energias de Portugal, S.A. (“EDP”) and EDP Finance B.V. (“EDP B.V.” and together with EDP, the “Issuers”) may from time to time issue instruments (the “Instruments”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

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

The maximum aggregate nominal amount of all Instruments from time to time outstanding under the Programme will not exceed EUR 7,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Instruments may be issued on a continuing basis to one or more of the Dealers party to the amended and restated Dealership Agreement dated January 10, 2006 and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the “relevant Dealer” shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

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

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

References in this Prospectus to Instruments being listed (and all related references) shall mean that such Instruments have been admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange’s Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EEC (the “Investment Services Directive”).

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

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

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

Arranger for the Programme

MORGAN STANLEY

Dealers

ABN AMRO

Banco Espirito Santo Investimento S.A.

Barclays Capital

BNP PARIBAS

Citigroup

Dresdner Kleinwort Wasserstein

Morgan Stanley

Banco BPI, S.A.

Banco Santander Negócios Portugal, S.A.

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

Caixa – Banco de Investimento, S.A.

Deutsche Bank

Mitsubishi UFJ Securities International plc

UBS Investment Bank

January 10, 2006

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

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

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

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

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

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

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

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

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

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

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

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT INSTRUMENTS (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF INSTRUMENTS TO BE ADMITTED TO TRADING ON A REGULATED MARKET IN THE EUROPEAN ECONOMIC AREA, THE AGGREGATE PRINCIPAL AMOUNT OF INSTRUMENTS ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, WILL BE IN COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS.

GENERAL DESCRIPTION OF THE PROGRAMME RISK FACTORS DOCUMENTS INCORPORATED BY REFERENCE

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 Final Terms and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.

Issuers:	EDP – Energias de Portugal, S.A. (“EDP”) 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 BPI, S.A., Banco Espírito Santo Investimento, S.A., Banco Santander de Negócios Portugal, S.A., Barclays Bank PLC, BNP Paribas, Banco Millenium bcp investimento, S.A., Caixa – Banco de Investimento, S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, Mitsubishi Securities International plc, Morgan Stanley & Co. International Limited and UBS Limited and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Instruments.
Issue and Paying Agent:	Deutsche Bank AG, London Branch.
Paying Agent:	Deutsche Bank Luxembourg S.A.
Registrar:	Deutsche Bank Luxembourg S.A.
Authorised Adviser:	Morgan Stanley & Co. International Limited.
Trustee:	Deutsche Trustee Company Limited.
Initial Programme Amount:	€7,000,000,000 (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”.

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 Final Terms 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 Final Terms)) 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”) 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 Final Terms, for Instruments in definitive bearer form (“Definitive Instruments”) and/or (if so specified in the relevant Final Terms) registered form in accordance with its terms (“Registered Instruments”) upon certification as to non-U.S. beneficial ownership as required by United States Treasury regulations. Each Permanent Global Instrument will be exchangeable for Definitive Instruments and/or (if so specified in the relevant Final Terms) Registered Instruments in accordance with its 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 <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer from time to time outstanding.
Issue Price:	Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Instruments – Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the relevant Final Terms.
Instruments having a maturity of less than one year:	Instruments having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of a least £100,000 or its equivalent.
Interest:	Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Denominations:	Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. So long as the Instruments are represented by the Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Instruments shall be tradeable only in principal amounts of €50,000 and integral multiples of €1,000 in excess thereof.
Negative Pledge:	The Instruments will have the benefit of a negative pledge as described in Condition 4.
Taxation:	Payments in respect of Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands (where the Issuer is EDP B.V.) and Portugal (where the Issuer is EDP) or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, (subject to customary exceptions) 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 and admission to trading:	<p>Application has been made to the UK Listing Authority for Instruments issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Instruments to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.</p> <p>Instruments may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Instruments which are neither listed nor admitted to trading on any market may also be issued.</p>
Terms and Conditions:	Final Terms will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be admitted to the Official List and admitted to trading on the London Stock Exchange plc's Gilt Edged Financial Fixed Interest Market be delivered to the London Stock Exchange on or before the date of issue of such Instruments. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Instruments" as supplemented, modified or replaced by the relevant Final Terms.
Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms or as may otherwise be approved by the relevant Issuer, the Issue and Paying Agent and the Trustee.
Ratings:	Unless otherwise specified in the applicable Final Terms, Instruments to be issued under the Programme will be rated A2 in respect of Instruments with a maturity of more than one year by Moody's Investors Service Limited ("Moody's") and A in respect of Instruments with a maturity of more than one year by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies Inc. ("Standard & Poor's"). 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, the United Kingdom, the European Economic Area and Japan. See under "Subscription and Sale".

RISK FACTORS

Each of the Issuers believe that the following factors may affect their ability to fulfil their obligations under Instruments issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme are also described below.

Each of the Issuers believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with any Instruments may occur for other reasons and neither of the Issuers represent that the statements below regarding the risks of holding any Instruments are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuers' ability to fulfil their obligations under Instruments issued under the Programme

RISKS RELATED TO EDP'S CORE ELECTRICITY BUSINESS

The competition that EDP faces in the generation and supply of electricity is increasing. This may affect EDP's electricity sales and operating margins.

The increase in competition from the Portuguese and Spanish implementation of EU directives intended to create a competitive electricity market may materially and adversely affect EDP's business, results of operations and financial condition.

In Portugal, EDP currently faces limited competition from independent power producers in generation, however EDP believes that competition will increase as the industry is further liberalised. Portuguese law requires that contracts for the construction of future power plants in Portugal in the Public Electricity System ("PES") be awarded through competitive tender processes. In a competitive tender process, EDP may lose opportunities to generate electricity in the Binding Sector in Portugal.

In addition, the Portuguese government has implemented selected measures to encourage the development of various forms of electricity production, including auto production (entities generating electricity for their own use that may sell surplus electricity to the national transmission grid), cogeneration, small hydroelectric production (under 10 MVA installed capacity) and production using renewable sources. As an incentive, the electricity generated by these producers has been granted priority of sale in the PES. In 2004, the installed capacity of these producers was 1,862 MW, which represents 15.9 per cent. of the total installed capacity in Portugal. Through its subsidiaries, EDP participates in this generation area with an installed capacity of 322 MW in 2004.

The Portuguese regulatory structure now allows for competition in the supply of electricity, which could adversely affect EDP's sale of electricity. In particular, as more electricity consumers elect to participate in the market-based Non-Binding Sector in Portugal, more electricity will be sold at prices that may be lower than existing tariffs. The minimum annual consumption thresholds set by the Portuguese regulatory structure has declined over time (from 20 GWh in 2000 to zero in 2004), resulting in an increase in the number of Qualifying Consumers. The effects of this increased competition have not yet been fully determined, as the legal regime for full liberalisation in the supply of electricity only entered into effect on August 18, 2004.

Despite the complete liberalisation of the Spanish generation and wholesale market since January 1, 2003, the majority of consumers have not changed their electricity supplier. As at the date of this Prospectus, this liberalisation has mainly produced effects among medium- and high-voltage consumers. Although fixed rate tariffs are expected to predominate, at least in the short and medium term, among Spanish electricity consumers, especially low voltage consumers, there could be a more pronounced move to contractually-agreed prices in the future and these prices could be lower than regulated tariffs.

In the context of liberalisation of the electricity market within the European Union, since the end of 2001 the Portuguese and Spanish governments have entered into several agreements for the creation of an Iberian electricity market, referred to as the Iberian Electricity Market (“MIBEL”), the main principles of which are free competition, transparency, objectiveness and efficiency. The stated intent of MIBEL is to guarantee Portuguese and Spanish consumers access to electricity supply and to create interconnections with third countries on equal conditions applicable to Portugal and Spain. In addition, it is intended that the production of electricity by producers in Portugal and Spain be subject to similar regulation, thereby allowing producers in one country to execute bilateral agreements for electricity supply to consumers in the other country and facilitating the creation of an Iberian common electricity pool.

The scope of increased competition and any adverse effects on EDP’s operating results and market share resulting from the full liberalisation of the European electricity markets, will depend on a variety of factors that cannot be assessed with precision and that are beyond EDP’s control. Accordingly, EDP cannot anticipate the risks and advantages that may arise from this market liberalisation.

When further implemented, the organisational model and resulting competition may materially and adversely affect EDP’s business, results of operations and financial condition.

EDP’s core electricity operating results are affected by laws and regulations, including regulations regarding the prices it may charge for electricity.

Through its laws and regulations, the Portuguese government has created the current legal and regulatory framework governing the Portuguese electricity sector in which EDP operates. EDP understands that the Portuguese government is currently considering regulatory changes that would affect this framework. EDP cannot predict whether any such regulatory changes will be made, nor, if any such regulatory changes were made, the effects these changes would have on EDP’s business, financial condition and results of operations.

As an electricity public service, EDP operates in a highly regulated environment. An independent regulator appointed by the Portuguese government, the *Entidade Reguladora dos Serviços Energéticos*, (“ERSE”) regulates the electricity industry through, among other things, a tariff code that defines the prices EDP may charge for electricity services in the PES. In attempting to achieve an appropriate balance between, on the one hand, the interests of electricity customers in affordable electricity and, on the other hand, EDP’s need and the needs of other participants in the electricity sector to generate adequate profit, ERSE may take actions that adversely impact EDP’s profitability.

Due to uncertainty as to the timing of EDP’s receipt of compensation relating to the early termination of the Power Purchase Agreements (“PPAs”) EDP may not receive such compensation in the same amount as is currently contemplated.

Following the Resolution of the Council of Ministers no. 63/2003, of April 28, 2003, relating to the promotion of liberalisation of the electricity and gas markets in furtherance of the organisational structure of MIBEL, the Portuguese government enacted Decree law no. 185/2003, of August 20, 2003, which contemplates the early termination of existing PPAs. In December 2004, Decree law no. 240/2004 was enacted. Decree law no. 240/2004 provides for the creation of compensation measures designed to ensure that electricity-generating companies obtain an economic benefit equivalent to that of the PPAs. The EU Commission announced on September 22, 2004 that the above mentioned compensation mechanism was not contrary to the state aid rules of the European Union.

However, the early termination of the PPAs, and the resulting implementation of related compensation mechanisms, is subject to the existence of various requirements and the satisfaction of various conditions precedent, the chief among these being the commencement of MIBEL operations. Until the requirements and conditions for the early termination of the PPAs exist, EDP’s generation facilities in the PES will continue to be operated under the existing PPAs.

The estimated amount of the compensation relating to the early termination of the PPAs contemplate, among other things, the commencement of MIBEL operations by June 30, 2005, which did not occur. Currently, the timing for commencement of MIBEL is uncertain. To the extent that the timing of EDP’s receipt of compensation for the early termination of the PPAs is delayed, the amount of such

compensation could be different from that which is currently contemplated. As a result, perceptions of EDP's value in the market that are based on the currently contemplated compensation amount could change.

The compensation mechanisms, which are currently in place, were devised in the context of existing legal and regulatory framework, changes to which could result in changes to the assumptions or other factors underlying the existing compensation mechanisms. This could adversely affect the compensation that EDP receives. However, considering the current liberalisation environment and market integration process, as well as the rules, parameters and procedures set out in Decree law no. 240/2004, the current compensation mechanisms are expected to be applied in should EDP's PPAs be terminated.

If EDP's concessions from the Portuguese government and municipalities were terminated, EDP could lose control over its fixed assets.

As at the date of this Prospectus, most of EDP's revenues stem from the generation and distribution of electricity. EDP conducts these activities by ways of concessions and licenses granted by the Portuguese government and various municipalities in Portugal. These concessions and licenses are granted for fixed periods ranging in most cases from 20 to 75 years, but are subject to early termination under specified circumstances. The expiration or termination of concessions or licenses would have an adverse effect on EDP's operating revenues. Upon expiration of licenses or termination of concessions, the fixed assets associated with licenses or concessions will, in general, revert to the Portuguese government or the municipality in question. Although specified compensatory amounts would be paid to EDP with respect to these assets, the loss of these assets may adversely affect EDP's operations.

Operational cash flow is affected by variable hydrological conditions.

Hydroelectric plants operating in the PES in Portugal account for approximately 45% of the installed capacity in the PES. These plants are dependent on the amount and location of rainfall and river flows from Spain, all of which vary widely from year to year. In years of favorable hydrological conditions, there is an increase in hydroelectric generation, while in years of unfavorable hydrological conditions, there is a decrease in hydroelectric generation and a greater dependence on thermal generation. Thermal generation, which is fired by coal, fuel oil, natural gas or a combination of fuels, is more expensive in terms of variable costs than hydroelectric generation.

To account for the variability of hydrological conditions and their impact on generation costs in the PES, EDP uses the "hydrological correction account" (the "Hydro Account"), which has been established in accordance with Portuguese law. Because the tariffs in Portugal are computed based on the assumption of conditions in an average hydrological year, the purpose of this account is to correct the short-term effect of hydro variability on PES generation costs.

The Hydro Account is reinforced through cash payments by REN–Rede Eléctrica Nacional, S.A. ("REN"), (the system operator of the PES), in years of favorable hydrological conditions, while in years of unfavorable hydrological conditions EDP draws from the Hydro Account and make cash payments to REN, in order to compensate for the increased generation costs in the PES. Both the cash reinforcements and draws are based on the economic reference costs calculated on the basis of an average hydrological year and observed fuel prices. The increased PES generation costs in a dry year could have an adverse impact on EDP's operational cash flow but not on EDP's results of operations, due to the effects of the Hydro Account.

EDP's electricity business is subject to numerous environmental regulations that could affect EDP's operations and its financial condition.

EDP's electricity business is subject to extensive environmental regulations. These include regulations under Portuguese and Spanish law, laws adopted to implement EU regulations and directives and international agreements on the environment.

Environmental regulations affecting EDP's business primarily relate to air emissions, water pollution, waste disposal and electromagnetic fields. The principal waste products of fossil-fueled electricity generation are sulfur dioxide, or SO₂, nitrogen oxides, or NO_x, carbon dioxide, or CO₂, and

particulate matters such as dust and ash. A primary focus of environmental regulation applicable to EDP's business is to reduce these emissions.

Under the EU Directive relating to the emission of pollutants from Large Combustion Plants, Portuguese environmental authorities created a new National Emissions Reduction Plan ("PNRE"), to reduce SO₂ and NO_x emissions. The new PNRE, which replaces the 1996-2003 PNRE, was prepared and discussed with the competent authorities in the first half of 2004 and should be formally approved by the end of 2005. Additionally, with regard to CO₂ emissions, the Emission Trading Scheme ("ETS") is almost set to begin in Portugal. Since January 2005, Portugal has prepared itself by setting the allowances for each sector within the National Allocation Plan ("NAP"). The last step in the process to start emission trading in Portugal is the distribution of allowances to each plant within each sector. It is expected that the government will soon announce this distribution. Although EDP expects to be in timely compliance with these new requirements, such requirements could necessitate additional licenses or the acquisition of emission rights and result in higher electricity costs.

RISKS RELATED TO EDP'S OTHER BUSINESSES

EDP's involvement in international activities subjects EDP to particular risks that could affect its profitability.

EDP's investments in countries, other than Portugal, present a different or greater risk profile than that of its electricity business in Portugal and Spain. Risks associated with EDP's investments outside of Portugal and Spain include but are not limited to:

- economic volatility;
- exchange rate fluctuations and exchange controls;
- strong inflationary pressures;
- government involvement in the domestic economy;
- political uncertainty; and
- unanticipated changes in regulatory or legal regimes.

Exchange rate instability and, in particular, fluctuations in the value of the Brazilian real against the U.S. Dollar (depreciation of 34 per cent. during 2002 and appreciation of 22 per cent. and 9 per cent. during 2003 and 2004, respectively) may result in uncertainty in the Brazilian economy, which may affect the results of EDP's Brazilian operations. In addition, EDP is exposed to currency exchange risks when the accounts of its Brazilian operations, denominated in Brazilian reais, are converted into euros for inclusion in the consolidated accounts. EDP cannot predict movements in Brazil's currency, and, since long-term Brazilian currency hedges are not available, a major devaluation of the Brazilian real might adversely affect EDP's business, results of operations and financial condition.

Regulatory, hydrological and infrastructure conditions in Brazil may adversely affect EDP's Brazilian operations.

EDP holds interests in Brazilian distribution companies and has invested in Brazilian generation projects. EDP's distribution activities and generation projects in Brazil have been adversely affected by regulatory, hydrological and infrastructure conditions in Brazil. These conditions could have an adverse effect on EDP's Brazilian generation and distribution operations in the future.

Delays by the Brazilian energy regulatory authorities in developing a regulatory structure that encourages new generation have led to, and might also in the future contribute to, shortages of electricity to meet demand in some regions of Brazil. As a result, the supply of electricity available for EDP's distribution companies in Brazil has been limited and may be again in the future. In addition, the geographic location of generation plants, combined with transportation constraints, has limited, and might also in the future limit, EDP's ability to transmit electricity generated in abundant rainfall areas to distribution companies operating in areas experiencing drought conditions. Sales by these distribution businesses have been and might in the future be affected by these conditions that limit the supply of electricity available for distribution.

The Brazilian electricity rationing programme that started in June 2001 and ended in February 2002 had an adverse effect on electricity consumption and on consumption habits in affected areas. During this rationing programme, electricity consumption in EDP's concession area decreased and did not return to pre-rationing levels until 2004. Consequently, in 2002 and 2003, EDP's Brazilian operations could only dispose of surplus electricity at depressed prices. Although total electricity distributed by EDP's subsidiaries in the Brazilian market increased in 2004, reflecting a stronger economic environment in that region and an increase in the number of customers, material reductions in electricity consumption or generation, due to below-average rainfall or otherwise, may adversely affect EDP's future financial results.

In 2004, Law no. 10.848, (*Lei do Novo Modelo do Setor Elétrico*) (the "New Electricity Law") was enacted. As the regulations for the New Electricity Law have not yet been fully implemented, there is a risk that the new regulations may not be favorable for EDP. In addition, the New Electricity Law contemplates significant control by the Brazilian government, creating uncertainty regarding competition and further investments in the private sector. Tariffs of distribution companies in Brazil currently consist of two components: non-manageable costs and manageable costs. The main purpose of this split is the maintenance of an adjusted tariff for inflation and the sharing of efficiency gains with consumers. The aim of distribution tariffs is to pass non-manageable costs through and to index manageable costs to inflation. Although it is expected that the New Electricity Law will maintain the pass-through of non-manageable costs, there might be delays in readjustment of the tariffs in the event of large macro-economic fluctuations (e.g.: inflation and exchange rates). EDP cannot be certain that regulations implementing the New Electricity Law will fully mitigate the risk of delayed tariff adjustments.

If Investco is unable to successfully renegotiate the terms of the redemption of its class "R" preferred shares, Energias do Brasil may be adversely affected or may lose its investment in Investco.

Investco, a subsidiary of EDP – Energias do Brasil (formerly known as EDP Brasil) owns the Lajeado hydroelectric plant, is currently renegotiating with Eletrobrás Centrais Elétricas Brasileiras S.A., the terms and conditions of the redemption of its class "R" shares held by Eletrobrás, as a result of Investco's inability to redeem these shares due the lack of capital reserves required by the Brazilian corporation law. If, as a result of Investco's investment agreement, the shareholders of Investco are required to make capital contributions to Investco to redeem the class "R" preferred shares, EDP believes Energias do Brasil will be liable for a portion of the total obligation equivalent to its proportional ownership of Investco's voting shares. However, according to the terms of the investment agreement, EDP cannot guarantee that Energias do Brasil will not be liable for capital contributions in excess of this amount, in which case EDP's financial condition and results of operations may be adversely affected.

If Investco and Eletrobrás do not agree on a new timetable for the redemption of the class "R" preferred shares or to an alternative solution for this matter and Investco's shareholders do not make the required capital contributions for the redemption or repurchase of the shares, the Brazilian Development Bank and other financial institutions that are creditors of Investco may accelerate the debts under their relevant contracts and foreclose the corresponding guarantees (including certain guarantees provided by EDP), including the pledge of the shares Energias do Brasil holds in Investco and EDP Lajeado S.A.. In addition, Investco did not make available to Energias do Brasil certain approvals required by certain financing agreements for the issuance of convertible and non-convertible debentures by Investco. If Investco does not have such approvals or does not obtain them on a timely fashion, and its creditors accelerate Investco's debt, such acceleration could implicate guarantees provided by EDP.

EDP faces new risks and uncertainties related to its activities in the gas sector.

EDP is developing an Iberian gas business as complimentary to and strategically aligned with its electricity business. EDP may face difficulties integrating this business with its current activities and the development of the business will expose EDP to new risks, including governmental and environmental industry regulation and economic risks relating to fluctuation in the price of energy, currencies in which gas prices are quoted and time-lags in prices between the times of purchase and sale. EDP cannot assure that it will successfully manage the development of its gas business, and a failure to do so could have an adverse effect on its business, results of operations and financial condition.

EDP faces various risks in its telecommunications business, including increasing competition from various types of service providers.

The telecommunications sector is highly competitive within Portugal and Spain and across the European Union. EDP expects this competition to remain strong and to increase in the future.

In the fixed line telephone area in Portugal, EDP competes for market share primarily with Portugal Telecom, which has historically held a monopoly on fixed line services in Portugal and continues to hold a dominant position in this market. EDP's fixed line telephone business also faces strong indirect competition from cellular telephone service providers, particularly those in the voice segment. Mobile subscriptions have already overtaken the number of fixed line connections in Portugal and EDP expects this growth to continue.

EDP also faces significant competition from numerous existing operators in the Internet and data services areas. These two sectors have been targeted by EDP and expect that new competitors will emerge as these markets continue to evolve.

EDP faces managerial, commercial, technological and regulatory risks, as well as other risks, related to its telecommunications activity. EDP's ability to develop and successfully achieve profitability in this area may be affected if EDP is not able to manage these risks and this business efficiently in a competitive market. In 2004, EDP's telecommunications activity generated a loss before taxes of €150.8 million.

OTHER RISKS

Restrictions on the exercise of voting rights, as well as special rights granted to the Portuguese government, may impede an unauthorized change in control and may limit EDP's shareholders' ability to influence company policy.

Under our articles of association, no holder of ordinary shares, except the Portuguese Republic and equivalent entities, may exercise voting rights that represent more than 5 per cent. of EDP's voting share capital. In addition, specific notification requirements are triggered under EDP's articles of association when shareholders purchase 5 per cent. of the ordinary shares of EDP and under the Portuguese Securities Code when purchases or sales of EDP's ordinary shares cause shareholders to own or cease to own specified percentages of EDP's voting rights.

Pursuant to article 10 of Decree law no. 218-A/2004, of October 25, 2004 the special rights granted to the Portuguese government by Decree law no. 141/2000, of July 15, 2000, are to be maintained for so long as the Portuguese government or an equivalent entity is an EDP shareholder. These rights provide that, without the favorable vote of the government or an equivalent entity, no resolution can be adopted at EDP's general meeting of shareholders relating to:

- amendments to our by-laws, including share capital increases, mergers, spin-offs or winding-up;
- authorisation for EDP to enter into group/partnership or subordination agreements; or
- waivers of, or limitations on, our shareholders' rights of first refusal to subscribe to share capital increases.

The Portuguese government or an equivalent entity may also appoint one member of EDP's board of directors whenever it votes against the list of directors presented for election at our general meeting of shareholders.

Factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme

The Instruments may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Instruments

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

Instruments subject to optional redemption by the Issuer

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

The Issuers may be expected to redeem Instruments when their cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Instruments and Dual Currency Instruments

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

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;

- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Instruments

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

Variable rate Instruments with a multiplier or other leverage factor

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

Inverse Floating Rate Instruments

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

Fixed/Floating Rate Instruments

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

Instruments issued at a substantial discount or premium

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

Risks related to Instruments generally

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

Integral multiples of less than €50,000

Although the Instruments have a denomination of €50,000, it is possible that the Instruments may be traded in the clearing systems in principal amounts of €50,000 and integral multiples of €1,000 in excess thereof. Should definitive Instruments be required to be issued, Instrumentholders who hold Instruments in the relevant clearing system in amounts that are not integral multiples of €50,000 may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Instruments such that their holding is an integral multiple of €50,000 in order to be able to exercise all of their rights and receive all of their entitlement in respect of their holding.

Trading in the clearing systems

In relation to any issue of Instruments which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Instruments be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Instruments unless and until such time as his holding becomes an integral multiple of the minimum denomination.

Modification, waivers and substitution

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

The conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Instruments or (ii) determine without the consent of the Instrumentholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Instruments in place of the Issuer, in the circumstances described in Condition 16 of the conditions of the Instruments.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Instrument as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Instruments are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Risks related to the market generally

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

The secondary market generally

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Instruments.

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) in respect of EDP, the auditors report and audited consolidated annual financial statements for the financial year ended December 31, 2003 which appear on pages 116 to 120 and pages 40 to 94 respectively, of the annual report for the year ended December 31, 2003; the auditors report and audited consolidated annual financial statements for the financial year ended December 31, 2004 which appear on pages pages 113 to 116 and pages 42 to 94 respectively, of the annual report for the year ended December 31, 2004 and the interim consolidated financial statements for the nine months ended September 30, 2005;
- (b) in respect of EDP B.V., the auditors report and audited annual financial statements for the financial year ended December 31, 2003 which appear on page 14 and pages 4 to 13 respectively, of the annual report for the year ended December 31, 2003; the auditors report and audited annual financial statements for the year ended December 31, 2004 which appear on page 17 and pages 4 to 16 respectively, of the annual report for the year ended December 31, 2004 and the interim financial statements for the nine months ended September 30, 2005; and
- (c) memorandum and articles of association of each of the Issuers.

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

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

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

FORM OF FINAL TERMS

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

[Date]

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

Issue of

[Aggregate Nominal Amount of Tranche]

[Title of Instruments]

under the €7,000,000,000

Programme for Issuance of Debt Instruments

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated January 10, 2006 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuers and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for inspection and collection from the registered office of the Issuer at [if EDP is the issuer insert – Praça Marquês de Pombal, 1250-162 Lisbon, Portugal/if EDP B.V. is the issuer insert – Strawinskylaan 3105, 1077ZX, Amsterdam, The Netherlands] and the specified offices of the Paying Agents.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Prospectus dated [original date]. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated January 10, 2006 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] and [original date]. Copies of such Prospectus are available for inspection and collection from the registered office of the Issuer at [if EDP is the issuer insert – Praça Marquês de Pombal, 1250-162 Lisbon, Portugal/if EDP B.V. is the issuer insert – Strawinskylaan 3105, 1077ZX, Amsterdam, The Netherlands] and the specified offices of the Paying Agents.

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

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

[If the Instruments have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: [EDP – Energias de Portugal, S.A./EDP Finance B.V.]

2. [(i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible)]

3. Specified Currency or Currencies: []

4. Aggregate Nominal Amount:
– Tranche: []
– Series: []

5. Issue Price: [] per cent. of the Aggregate Nominal Amount
[plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]

6. Specified Denominations: []
[]
[So long as the instruments are represented by a Temporary Global Instrument and/or a Permanent Global Instrument or a Registered Global Instrument, the Instruments will be tradeable only in principal amounts of at least the Specified Denomination and integral multiples of the Tradeable Amount (specified in Part B paragraph 9 below) in excess thereof.]
(N.B. If an issue of Instruments is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)

7. [(i) Issue Date: []
(ii) 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]
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Instruments into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. 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 up to and including the Maturity Date]/specify other]
(N.B. This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s): [] 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]
- (vi) Determination Date(s): [] in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)
(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [None/Give details]

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 Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/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: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5 and 7.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. **Index Linked 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: [Include a description of market disruption or settlement disruption events and adjustment provisions]
- (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 or annex 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: []
 - (ii) Optional Redemption Amount of each Instrument and method, if any, of calculation of such amount(s): [] per Instrument of [] Specified Denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
 - (iv) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date: []
 - (ii) Optional Redemption Amount of each Instrument and method, if any, of calculation of such amount(s): [] per Instrument of [] Specified Denomination
 - (iii) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
22. Final Redemption Amount of each Instrument: [[] per Instrument of [] Specified Denomination/specify other/see Appendix]

(N.B. In relation to any issue of Instruments which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: “For the avoidance of doubt, in the case of a holding of Instruments in an integral multiple of [] in excess of [] as envisaged in paragraph [6] above, such holding will be redeemed at its nominal amount”)

(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Instruments will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)

23. Early Redemption Amount of each Instrument payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): []

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) and 18(vi) relate)
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 applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]
 [(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]
30. Other terms or conditions: [Not Applicable/give details]
 (When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

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]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Instruments described herein pursuant to the EUR 7,000,000,000 Programme for the Issuance of Debt Instruments of EDP – Energias de Portugal S.A. and EDP B.V.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By:.....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Instruments to be admitted to trading on [] with effect from [].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

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

3. NOTIFICATION

The UKLA [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

5. YIELD (*Fixed Rate Instruments only*)

- Indication of yield: []
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-Linked Instruments only*)

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

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

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

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

8. OPERATIONAL INFORMATION

- (i) ISIN Code: []

TERMS AND CONDITIONS OF THE INSTRUMENTS

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

This Instrument is one of a Series (as defined below) of Instruments issued by an Issuer (the “Issuer”) which will be, as specified in the Final Terms (as defined below), either EDP – Energias de Portugal, S.A. (“EDP”) or EDP Finance B.V. (“EDP B.V.”) and constituted by an amended and restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated January 10, 2006 made between EDP, EDP B.V. and Deutsche Trustee 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 January 10, 2006 and made between EDP, EDP B.V., Deutsche Bank AG, London Branch as issue and principal paying agent and agent bank (the “Issue and Paying Agent”, which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as registrar in respect of Instruments in registered form and as paying agent (the “Registrar” which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the “Paying Agents”, which expression shall include any additional or successor paying agents) and the Trustee.

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

In respect of Instruments issued by EDP B.V., EDP B.V. has the benefit of a Keep Well Agreement (the “Keep Well Agreement”) also dated 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 December 22, 2005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. Copies of the Final Terms are obtainable during normal business hours at the specified office of each of the Paying Agents save that, if this Instrument is an unlisted Instrument of any Series, the Final Terms will only be obtainable by Holders holding one or more unlisted Instruments of that Series and such Holders must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Instruments and identity. The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Final Terms which are applicable to them. The

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

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

1. Form and Denomination

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

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

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

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

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

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

So long as the Instruments are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Instruments shall be tradeable only in principal amounts of €50,000 and integral multiples of €1,000 in excess thereof.

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

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

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.

So long as the Instruments are represented by a Registered Global Note and the relevant clearing system(s) so permit, the Instruments shall be tradeable only in principal amounts of €50,000 and integral multiples of €1,000 in excess thereof.

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

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

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

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

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

3. Status of the Instruments

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

4. Negative Pledge

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

For the purposes of these Terms and Conditions:

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

“Permitted Security” means:

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

and/or such asset (or any derivative asset thereof) and/or the shares held in such project borrower.

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

5. Interest

5A. Interest on Fixed Rate Instruments

Each Fixed Rate Instrument bears interest 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 Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the Final Terms, amount to the Broken Amount so specified.

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

of the Fixed Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Fixed Interest Period falling in a non-leap year divided by 365).

In these 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 Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the Final Terms, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

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

In these 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 Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (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 Final Terms.

5B.3 ISDA Determination for Floating Rate Instruments: Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Final Terms) the Margin (if any). For the purposes of this Condition 5B.3, “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Issue and Paying Agent under an interest rate swap transaction if the Issue and Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 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 Final Terms;
- (2) the Designated Maturity is a period specified in the Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the Final Terms.

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

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

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

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

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

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

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

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

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

The Issue and Paying Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Instruments or Index Linked Interest Instruments in respect of each Specified Denomination for the relevant Interest Period. 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 Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Interest Period divided by 360 (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 Final Terms, 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 Final Terms, as the case may be, and in each case, in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Issue and Paying Agent or the Calculation Agent, as applicable.

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

5C. Interest on Dual Currency Instruments

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

5D. Interest on Partly Paid Instruments

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

5E. Accrual of interest

Each Instrument (or, in the case of the redemption of part only of a Instrument, that part only of such Instrument) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, 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 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 – Energias de Portugal, S.A.

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

Payments of amounts (whether principal, interest or otherwise) due in respect of Registered Instruments will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar 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 Final Terms 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 Final Terms in the relevant Specified Currency on the Maturity Date.

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

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

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

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

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

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

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Instruments then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with interest accrued to but excluding the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount, in each case as may be specified in the Final Terms. In the case of a partial redemption of Instruments, 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 Final Terms, upon the holder of any Instrument giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Final Terms, in whole (but not in part), such Instrument on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to but excluding the Optional Redemption Date.

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

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

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

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

7.8 *Purchases:* EDP or any subsidiary of EDP may at any time purchase Instruments (provided that, in the case of Bearer Instruments, all unmatured Receipts, Coupons and Talons appertaining thereto are

purchased therewith) at any price in the open market or otherwise. 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 European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) presented for payment by or on behalf of a holder of Instruments, Receipts or Coupons who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

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

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

11. Enforcement

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) the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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 Corporate Services Limited at its registered office for the time being (being at January 10, 2006 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process, and undertaken that, in the event of Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

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

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

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

Interests in a Temporary Global Instrument may be exchanged for:

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

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

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

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

(C) Form of Exchange – Global Registered Instruments

- (1) *Global Registered Instrument:* Registered Instruments held in Euroclear Bank and/or Clearstream, Luxembourg (or other clearing system) will be represented by a Global Registered Instrument which will be registered in the name of a nominee for, and deposited with, a common depository 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 Final Terms. The circumstances described in (a) and (b) are each herein referred to as an "Exchange Event".

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

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

(D) Amendment to Conditions

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

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

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 Trustee Company Limited (the “Trustee”, which expression shall wherever the context so admits include any successor as trustee for holders of the Instruments as defined below), EDP and EDP B.V. (each an “Issuer” and together the “Issuers”) have entered into a trust deed dated 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.

EDP GROUP

OVERVIEW

EDP – Energias de Portugal, S.A. (formerly EDP – Electricidade de Portugal S.A.) (“EDP”) is a listed company (*sociedade aberta*) established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 1.805. Its registered head office is located at Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal, and its telephone number is +351 210012500.

EDP was incorporated as a public enterprise (*empresa pública*) in 1976 by Decree-Law 502/76 of June 30, 1976, as a result of the nationalisation and merger of the principal Portuguese companies in the electricity sector in mainland Portugal and was transformed into a limited liability company (*sociedade anónima*) by Decree-Law No. 7/91 of January 8, 1991 and Decree-Law 78-A/97 of April 7, 1997. As a result of the privatisation of EDP’s share capital, which has already involved five phases, commencing in 1997 and concluded on December 2004, EDP as at September 30, 2005, is owned indirectly (20.49 per cent.), by the Portuguese Republic through Parpública – Participações Públicas (SGPS), S.A.. In addition, 4.80 per cent. of EDP’s shares are owned by Caixa Geral de Depósitos, a state-owned bank. Other significant shareholders (i.e. with shareholdings equal or higher than 2 per cent.) include Banco Comercial Português, S.A. (“BCP”) with a direct and indirect holding of 5.98 per cent., Caja de Ahorros de Astúrias with a holding of 5.53 per cent., Iberdrola – Participações, SGPS, S.A. with a holding of 5.70 per cent. and Brisa – Participações, SGPS, S.A. with a holding of 2 per cent.

EDP is a vertically integrated electric utility company, the principal generator and distributor of electricity in Portugal* and, in terms of assets, customer numbers, profits and number of employees, is one of the largest utility operators* in the Iberian market, holding significant electricity and gas operations in Spain. Historically, electricity has been EDP’s core business in Portugal. For geographical and regulatory reasons, the regional electricity market of the Iberian Peninsula is now EDP’s natural market and EDP has elected it as its core market for its main energy business. At the date of this Prospectus, EDP’s two principal subsidiaries are its electrical generation company in Portugal, CPPE – Companhia Portuguesa de Produção de Electricidade, S.A. (“CPPE”), and its distribution company for Portugal, EDP Distribuição de Energia, S.A. (“EDPD”). In addition, EDP has a 95.7 per cent. holding in HC Energias, S.A. (“Hidrocontábrico”), which is the company that operates electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias and Basque regions of Spain. EDP also holds 30 per cent. of REN – Rede Eléctrica Nacional, S.A. (“REN”), the sole transmitter of electricity in mainland Portugal.

In addition to its electricity operations in Portugal, EDP also holds significant interests in the gas market both in Portugal and Spain. In Portugal, EDP holds 59.55 per cent. of Portgás – Sociedade de Produção e Distribuição de Gás, S.A. (“Portgás”), the natural gas distribution company for the northern region of Portugal, and 10.1 per cent. of Setgás – Sociedade de Produção e Distribuição de Gás, S.A. (“Setgás”), the natural gas distribution company for the Setúbal region. In Spain, EDP holds indirectly (through Hidrocontábrico) 56.18 per cent. of Naturgas Energia (“Naturgas”), formerly designated Naturcorp Multiservicios S.A.U., the second largest gas distribution and transmission company in the Spanish market.

EDP is also present in Brazil, focusing in the electricity production and distribution businesses. EDP is the main shareholder of EDP – Energias do Brasil, S.A. (“EDP Brasil”), a company listed in the BOVESPA stock market in São Paulo, Brazil, as a result of the corporate reorganisation carried out between 2003 and 2005. EDP Brasil is a holding company for the majority of EDP’s investments in the Brazilian electric power industry, namely Empresa Bandeirante de Energias, S.A. (“Bandeirante”), Espírito Santo Centrais Eléctricas (“Escelsa”), Empresa Energética do Mato Grosso do Sul, S.A. (“Enersul”), Energest S.A., Enertrade, EDP Lajeado and Enerpeixe.

*Source: Ecofys – Ranking Power: Scorecards Electricity Companies (November 2004).

MARKET AND REGULATION PORTUGAL

Electricity overview

In 1995, Portugal established the National Electricity System, which consists of the public electricity system (the “Public Electricity System”) and the independent electricity system (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. The Public Electricity System includes EDP’s generation company CPPE, the transmission company REN, EDP’s distribution Company, EDPD, as well as two independent power producers: Tejo Energia – Produção e Distribuição de Energia Eléctrica, S.A. with a thermal power plant at Pego, in which EDP has a 10 per cent. stake and Turbogás – Produtora Energética, S.A. with a thermal power plant at Tapada do Outeiro, in which EDP has a 40 per cent. stake. All plants in the Public Electricity System entered into Power Purchase Agreements (“PPAs”) with REN through which they have committed to provide electricity exclusively to the Public Electricity System through REN, which acts as the single buyer in the Public Electricity System and operator of the national transmission grid.

The Independent Electricity System, consists of two parts: (i) the non-binding sector (the “Non-Binding Sector”), which at present includes, as producers, EDP’s Carregado 1,200 MW combined cycle gas turbine (“CCGT”) and its three wholly-owned embedded hydroelectric plants (over 10 MW of installed capacity); and (ii) the other independent producers, which include auto-producers (entities that generate electricity for their own use), co-generators (entities that generate both electric power and heat), small hydroelectric producers (under 10 MW installed capacity) and producers using renewable energy sources. REN is required by law to purchase excess electricity produced by independent producers at a regulated price.

In contrast, the Non-Binding Sector is a market-based system that permits “Qualifying Consumers” to choose their electricity supplier. Over the past several years, the minimum consumption level required to be a “Qualifying Consumer” has progressively declined and, as at May 15, 2003, “Eligible Consumers”, (i.e., all consumers (other than low-voltage consumers)), automatically become “Qualifying Consumers” after communicating their intention to the regulator to be treated as such. From January 1, 2002 until February 25, 2004, all electricity consumers other than low-voltage consumers were Eligible Consumers. From February 26, 2004 to August 18, 2004, the eligibility threshold was extended to include special low-voltage consumers, and with Decree law no. 192/2004, of August 17, 2004, full liberalisation of the electricity market was completed with the opening of the market to the remaining low-voltage consumers.

Electricity tariffs

The prices EDP charges for electricity are subject to extensive regulation. Until 1998, the Portuguese government, through the Department for Trade and Competition (“DGCC”) and the Department of Energy (“DGE” currently “DGGE”), was responsible for the development, execution and evaluation of the policy for the energy sector, notably by presenting proposals for necessary legislation and regulation. In February 1997, Entidade Reguladora do Sistema Eléctrico (“ERSE”), an autonomous public entity, was appointed as the regulator. ERSE sets tariffs for the Public Electricity System and access charges for the Non-Binding Sector. In the Public Electricity System, distribution tariffs for customers are differentiated by voltage level, tariff option and period of electricity consumption. These tariffs, when set, are uniform throughout mainland Portugal within each level of voltage, subject to specified exceptions based on volume.

Currently, the overall electricity tariff comprises charges for generation, transmission and distribution, which includes physical distribution and commercial supply. Prior to 1999, regulation of tariffs was based on annual negotiations between EDP and the government. In December 1998, ERSE implemented a new tariff regulatory code to be applied in mainland Portugal, establishing a three-year periodic definition of regulatory parameters for tariffs and a methodology for setting tariffs.

During the first regulatory period (1999 to 2001) and the second regulatory period (2002 to 2004), prices were set annually according to a series of formulae that were derived primarily upon what was deemed to be an appropriate return on assets in transmission, a return fixed by price cap in distribution

and a return on assets and agreed costs in commercialisation (i.e., the activity of supply measurement and billing of energy sales to final clients).

Based upon such methodology, in the second regulatory period (2002-2004) ERSE applied a four-rate tariff price structure related to the time of day applicable to medium, high and very high-voltage consumers. ERSE introduced some changes mainly in the distribution business – splitting the regulation of the distribution wires, wires commercialisation and Public Electricity System commercialisation. ERSE also introduced some adjustments on the structure of the tariffs, both for the published tariffs to final customers and access tariffs by Non-Binding Sector agents, with the intention of introducing more transparency in the system and reducing cross-subsidies between customers. In light of the expected revision of the legal framework of the Portuguese electricity system, the termination of the PPAs and the commencement of the Iberian Electricity Market (“MIBEL”), ERSE determined that regulatory period ending on December 31, 2005 should be transitory and have a one-year duration, continuing to apply the system used in the second regulatory period (2002-2004).

In real terms, adjusted for inflation, both high and medium-voltage distribution tariffs in the Public Electricity System, generally applicable to industrial customers, have declined by a yearly average of approximately 21 per cent. over the period from 1998 to 2005. The distribution tariffs in the Public Electricity System for low-voltage customers, typically residential, have also declined in real terms by an average of approximately 16.2 per cent. over the same period. In real terms, adjusted for inflation, very high, high and medium-voltage tariffs have declined by an average of 3.9 per cent. over the period from 1998 to 2005. The tariffs for low-voltage customers have also declined by an average of approximately 2.7 per cent. over the same period. In 2005, in nominal terms, distribution tariffs in the Public Electricity System for high and medium voltage levels decreased by an average of 6.9 per cent. and for low-voltage customers increased by 5 per cent., from the 2004 levels. For 2005, in nominal terms, tariffs increased across all voltage levels by an average of 2.3 per cent. from the 2004 levels.

Generation

According to the current legal regime, power generated by CPPE’s plants and other plants in the Public Electricity System is sold under PPAs that allow these plants to achieve a return on assets of 8.5 per cent. in real terms. The price of electricity provided for in each PPA consists of the capacity and energy charges (which account for 95 per cent. of PPA costs), together with other costs associated to the production of electricity, such as auto production and generation facilities’ operation and maintenance (O&M). The capacity and energy charges have been, and continue to be, passed through to the final tariff paid by customers in the Public Electricity System.

However, within the context of MIBEL, the Portuguese government has determined the early termination of the existing PPAs by means of adequate compensation mechanisms and changing REN’s single buyer status. Pursuant to Law no. 52/2004, of October 29, 2004, enacted by the Portuguese parliament, Decree law no. 240/2004 establishes the conditions for the early termination of the PPAs and defines compensatory measures for the respective contracting parties through the pass-through of charges to all electric energy consumers as permanent components of the Global Use of System Tariff (UGS Tariff). The early termination of the PPAs set forth in Decree law no. 240/2004 has not yet occurred since it is subject to certain conditions being met, which include (i) the ministerial approval of termination agreements between EDP and REN, (ii) the entry into force of an organised electricity market under conditions that allow the sale of electricity produced, and (iii) the granting of non-binding generation licenses to the relevant producers. The first of these conditions was met on March 4, 2005 when the Ministry of Economy approved the termination agreements entered into by EDP and REN on January 27, 2005 for all of CPPE’s power plants operating in the Public Electricity System.

The termination of each PPA grants to the producer a right to cash compensation as a way to guarantee economic benefits equal to the portion of the benefit that is not otherwise sufficiently guaranteed to be received as future revenue under a free market regime. The gross value of the compensation corresponds to the difference between the present value of each PPA and the present value of the forecasted market revenues, net of fuel and variable O&M costs.

For the purposes of calculating this compensation, the value of each PPA is considered to include (i) the depreciation and remuneration of the relevant initial net asset value and the additional investment

value, (ii) the fixed and variable operation costs, and (iii) the forecasted market revenues, deducted of fuel and variable O&M costs. The net present value of these amounts is to be calculated at a discount rate (as of a date closer to the entry into force of an organised electricity market and the effective termination dates of the PPAs) equal to the yield of Portuguese public debt with a maturity date close to the average life of all PPAs of each generator, plus 25 basis points. The reference average annual price of electricity, as defined in Decree law no. 240/2004, is €36/MWh.

The termination agreements that were signed on January 27, 2005 set the global amount of the compensation to be granted to EDP as a result of the early termination of all of its PPAs. At present, total compensation amounts to €3,356 million. This compensation, designed to ensure economic benefits equivalent to those delivered by the PPAs to all parties to these contracts, was calculated based on a number of economic assumptions and parameters including the present value of the existing PPAs, the forecasted revenues of these power plants operating under market conditions and a discount rate of 3.78 per cent.

Distribution

Electricity distribution in Portugal is a regulated business and involves the transfer of electricity from the transmission system and its delivery across a distribution system to regulated consumers and Qualifying Consumers, meter reading and installation, and supply to regulated consumers. The local electricity distribution function in mainland Portugal is carried out almost exclusively by EDPD. Through fourteen network distribution areas, as well as seven commercial areas directed at serving customers supplied in the Public Electricity System, EDP distributed electricity to approximately 5.8 million consumers in 2004 (out of a total of approximately 5.9 million according to DGGE), amounting to 41,315 GWh, of which 6,763 GWh was distributed to Qualifying Consumers.

On a revenue basis, EDPD's Portuguese electricity sales grew from €3,011 million in 2000 to €3,518 million in 2004. The most significant increase in sales has been to low-voltage customers (typically residential and services), to whom sales increased from €2,080 million in 2000 to €2,665 million in 2004. Recent growth in revenue from electricity sales was mainly due to expansion in consumption and average tariff increases set by the regulator of 2.1 per cent. in 2004 and 2.8 per cent. in 2003.

Gas

EDP has within the last 2 years established a presence in the natural gas market in Portugal and Spain in accordance with its strategic objectives, as indicated below. In Portugal, EDP is present in the natural gas market through ownership interests of 59.55 per cent. in Portgás and 10.11 per cent. in Setgás. EDP acquired its interests in Portgás and Setgás as a result of the exercise, in 2004, of two options granted in two agreements signed in November 2003. Pursuant to the agreement among EDP, GALP Energia, SGPS, S.A. ("GALP Energia"), GDP – Gás de Portugal, SGPS, S.A. ("GDP") and GDP Distribuição, SGPS, S.A. ("GDP Distribuição"), EDP acquired a shareholding equivalent to 46.625 per cent. of the share capital and respective shareholder loans of Portgás for €86.4 million. Pursuant to an agreement signed in November 2003 between EDP and Caixa Geral de Depósitos, S.A. ("CGD"), EDP acquired for €66.9 million, the total share capital of NQF – PTE S.A. ("NQF"), which indirectly holds 12.9 per cent. and 10.1 per cent. of the share capital of Portgás and Setgás, respectively. Under a shareholders agreement between NQF, Endesa Gás and Gaz de France/Elyo, EDP has joint control of Portgás.

On September 5, 2005 EDP concluded negotiations with Endesa Gas, S.A. for the acquisition of a 49 per cent. shareholding in NQF Gás, S.A. ("NQF Gás"). NQF Gás directly holds a 25.348 per cent. shareholding in Portgás and, indirectly, a 19.8 per cent. shareholding in Setgás. Upon completion of this transaction, which is conditional in obtaining the necessary authorisations, other than the Portuguese competition authority's approval that has been granted on October 25, 2005, EDP will become the sole shareholder of NQF Gás, thus increasing its direct and indirect shareholdings in Portgás and Setgás to 72.0 per cent. and to 19.8 per cent., respectively.

Portgás and Setgás are two of six local distribution companies in Portugal. Portgás covers 29 municipalities in the northern coast area of Portugal. Setgás covers 10 municipalities on the right southern bank of the Tagus River.

SPAIN

Electricity overview

The two major characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market (also referred to as the Spanish pool), and the fact that any consumer has been free to choose its supplier since January 1, 2003.

Generation facilities in Spain operate either in the “conventional regime” or the “special regime”. The electricity system must acquire all electricity offered by “special regime” generators, which comprise small or renewable energy facilities, at tariffs fixed by decree law that vary depending on the type of generation and are generally higher than Spanish market prices. “Conventional regime” generators provide electricity, at market prices, to the Spanish pool and under bilateral contracts to qualified consumers and other liberalised suppliers at market prices.

Companies with the capability to sell and buy electricity may participate in the Spanish pool. Electricity generators sell electricity to the pool. The regulated electricity distributors or suppliers in the liberalised or unregulated market and consumers that are permitted to participate in the pool, which are designated as qualified consumers, buy electricity in this pool. Foreign companies or consumers that have foreign agent status may also sell and buy in the Spanish pool.

The market operator and agency responsible for the market’s economic management and bidding process is *Compañía Operadora del Mercado Español de Electricidad* (“OMEL”). In addition to selling electricity to regulated consumers (customers that are subject to a regulated final tariff and are not qualified consumers), transmission companies and regulated distributors must provide network access to all qualified consumers that have chosen to be supplied in the liberalised market. However, qualified consumers must pay an access tariff to the distribution companies if such access is provided.

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

Electricity tariffs

At the beginning of each year, the Spanish government sets both the access and final tariffs. In December 2002, the Spanish government established a new calculation method for the 2003-2010 period, which allows tariffs to be fixed under more objective, transparent and predictable conditions. Tariffs cannot be increased by more than 2 per cent. annually and electricity companies may recover the losses (known as “*deficit tarifarios*” or “rate deficits”) caused by the reduction of tariffs during the 2000-2002 period. The cumulative rate of reduction in nominal terms for all Spanish customers from 1996-2004 was 14 per cent. in nominal terms and 34 per cent. in real terms. The fixed tariff for 2005 increased by an average of 1.71 per cent. on the 2004 average tariff (or reference tariff, which includes all applicable tariffs and costs).

Under some of the provisions of the new regulatory scheme, electricity transmission and distribution activities will continue to be regulated since their particular characteristics impose severe limitations on the possibility of introducing competition. However, the new regulatory framework changed the manner in which electricity businesses receive payments, in order to promote efficiency and quality of service. The regulations take into account the investment and operational costs related to transmission activities. Fixed remuneration for distribution is based on investment, operational and maintenance costs. They also take distribution areas, incentives for supply quality, loss reduction and commercial management costs into account.

Generation

Hidrocantábrico’s installed capacity represents 4.3 per cent of Spain’s mainland generation capacity, or 5.1 per cent., excluding special regime facilities. In 2004, Hidrocantábrico had a total installed capacity of 2,941 MW, approximately 54.5 per cent. of which are coal-fired facilities, 13.4 per cent. a CCGT facility, 14.8 per cent. hydroelectric facilities, 1.4 per cent. co-generation facilities, 2.4 per cent. waste to energy facilities and 7.9 per cent. renewable energy facilities other than special regime

hydroelectric. Hidrocantábrico also holds a 15.5 per cent. interest in Central Nuclear Trillo I, A.I.E., which owns the Trillo nuclear power plant, corresponding to 165 MW of the plant's total installed capacity of 1,066 MW.

A special regime generation is developed by Hidrocantábrico through Genesa I, an 80 per cent. owned subsidiary, which mainly focuses on cogeneration and wind power. Throughout 2004, Hidrocantábrico worked on the restructuring of its shareholdings and industrial activities, with the objective of providing a basis for stable and sustained development focusing on the promotion, operation and management of renewable energy sources, mainly wind power. As part of this restructuring, on July 31, 2004, Hidrocantábrico merged its subsidiaries Genesa and Sinae to form a new company, Genesa I.

In 2005, EDP created NEO Energias, a Madrid based holding company, under which EDP aims to concentrate its Iberian subsidiaries which produce renewable energy.

Distribution and supply

Hidrocantábrico has a network infrastructure that covers the regions of Asturias (accounting for the vast majority of its network), Valencia, Madrid and Alicante, totaling 19,572 km. Electricity distributed in 2004 through Hidrocantábrico's own network amounted to 9,002 GWh, a 4.0 per cent. increase from 2003 levels. As at December 31, 2004, Hidrocantábrico's distribution business had 574,560 customers out of a total number of consumers of 22,832,749, according to the *Comisión Nacional de Energía*, representing a 2.4 per cent. increase from 2003 and including 6,723 qualified consumers that are being supplied by non-regulated suppliers. Since January 1, 2003, every consumer in Hidrocantábrico's market can elect to be supplied by non-regulated suppliers. In 2004, there were a total of 28.7 million consumers in the Iberian electricity market according to the Portuguese DGGE and the Spanish Comisión Nacional de Energía.

Gas

In March 2003, Hidrocantábrico won the auction privatisation process that led to its acquisition of 62 per cent. of Naturgas. Subsequently, Naturgas reorganised its gas holdings, as a result of which Hidrocantábrico's ownership of Naturgas decreased from 62 per cent. to 56.18 per cent.. As a result of the reorganisation of Naturgas, Hidrocantábrico has become the second largest gas company in the Spanish market, with more than 500,000 customers.

Gas invoiced in 2004 to the regulated market amounted to 7,227 GWh, representing a 65.4 per cent. increase from 4,370 GWh in 2003. This increase was due to the contribution of Naturgas. Additionally, the volume of gas distributed in the liberalised market (in which EDP provide third-party access to EDP's network) reached 14,832 GWh. The total number of gas consumers that are connected to Hidrocantábrico's distribution network increased from 542,794 in 2003 to 577,802 in 2004, representing approximately 10.3 per cent. of the 5,632,136 total number of consumers in Spain, according to the *Comisión Nacional de Energía*.

IBERIAN ELECTRICITY MARKET

In 2004, total generation in the Iberian electricity market amounted to approximately 227.7 TWh in the ordinary regime (i.e., excluding special regime), of which EDP and Hidrocantábrico were responsible for approximately 38.2 TWh.

Although there is not yet an integrated electricity market in operation in the Iberian Peninsula, governments from Portugal and Spain share the common view of creating a single, integrated and competitive electricity market for Portugal and Spain, designated as MIBEL, within the wider context of the European single electricity market, which is provided for in Directives 96/92/EC and 2003/54/EC.

After several delays in the process, the international agreement entered into by the Portuguese and Spanish governments at the Iberian Summit at Santiago de Compostela on October 1, 2004, called for the beginning of operations of MIBEL on June 30, 2005. While this has not occurred yet, both governments have undertaken to create an Iberian electricity market based on the principles of free and fair competition, transparency, objectivity and efficiency.

Under the international agreement, MIBEL will operate with a spot market, which includes daily and intra-daily markets and will initially be managed by the current market operator of the Spanish market (OMEL), and a forward market, which will initially be managed by a market operator located in Portugal (OMIP). In addition, electricity transactions may also be negotiated by means of bilateral contracts with a term not less than one year. The international agreement also clarifies that the existence of two market operators, OMEL and OMIP, is temporary and that the two operators will eventually be merged into a single market operator.

Pursuant to the international agreement, within one year from the implementation of MIBEL, each market operator is expected to limit the amount of its share capital held by any single shareholder to 5 per cent. and the shareholding of any system operator will be limited to a maximum of 3 per cent. Within two years from the implementation of MIBEL, it is expected that both market operators will merge and create a single market operator designated as the Iberian Market Operator (*Operador do Mercado Ibérico*).

For the purpose of implementing MIBEL, the development of interconnections between Spain and Portugal has been a priority. Two such interconnections were put into operation in 2004: the Alqueva-Balboa 400kV line and a second 400kV circuit in Alto-Cartelle-Lindoso. In addition, for the Douro Internacional-Aldeadavila interconnection, either the construction of a new 400kV interconnection or an increase of the existing interconnection capacity is scheduled for completion in 2006. Within the context of MIBEL, the Portuguese government has determined the early termination of the existing PPAs by means of adequate compensation mechanisms and changing REN's single buyer status, as set forth in Decree law no. 240/2004. Decree law no. 240/2004 sets out adequate compensation for the investments and commitments provided for in each PPA that are not achievable through the expected market revenues once the PPAs are terminated. It is also expected that both Portugal and Spain should take all necessary measures to open the market to all consumers and harmonise both tariff structures through clear and transparent rules, particularly in Spain.

Pursuant to the Iberian Summit of November 18, 2005, the Portuguese and Spanish governments have announced July 2006 as the expected date for the start of operations of MIBEL.

STRATEGY

Overview

EDP's principal strategic objective is the creation of shareholder value through the achievement of sustained real earnings growth and its primary strategic focus is on consolidating and expanding its position in energy activities in the Iberian Peninsula. Accordingly, EDP has redefined its concept of domestic market to include the Iberian Peninsula and is positioning itself for the Iberian electricity market that will develop in the future, particularly following the implementation of MIBEL. In this context, EDP has acquired operating control of Hidrocantábrico in 2002, which, in turn, acquired Naturgas, in 2003, and in December 2004 acquired full control of Hidrocantábrico by increasing its stake to 95.7 per cent.

While expanding into the Spanish gas and electricity sectors, EDP is also strengthening its core electricity business and its gas business in Portugal. During recent years, EDP has been making considerable efforts to optimise and restructure its Portuguese generation and distribution activities in preparation for the full liberalisation of electricity supply in Portugal and the expected integration of the Portuguese and Spanish electricity markets. In connection with these efforts, EDP is taking steps to improve the quality of service through cost-conscious investment in technical and commercial infrastructure, particularly in the areas of electricity distribution and sales, and further restructure its human resources, primarily in its distribution business. In this regard, EDP has had programmes in place that are aimed at reducing its headcount and intends to expand its sales and customer service capabilities. EDP is also increasing its electricity generation capacity through modernisation of existing facilities and selective development of new facilities, in each case mindful of environmental requirements and concerns.

Outside of its Iberian energy activities, EDP has also sought to focus on its core business through divestiture of non-strategic investments, as demonstrated by the sale in 2004 of a 60 per cent. stake in EDP's information technology company Edinfor, and to selectively pursue other business activities that

are complementary to its Iberian energy activities. These other business activities include selectively pursuing international opportunities in electricity, which have so far mainly focused in the Brazilian electricity market and developing EDP's telecommunications business in Portugal.

Iberian Energy

In the Iberian energy market EDP's strategic objectives are:

- preserving the value of EDP's business in the Portuguese energy sector in light of the liberalisation of the Portuguese electricity market and the creation of an integrated Iberian market;
- growing EDP's electricity Iberian platform through Hidrocantábrico; and
- developing an Iberian gas business by leveraging EDP's existing assets.

Preserving the value of EDP's business in the Portuguese energy sector

In the Portuguese energy sector, EDP faces increasing competition arising from the liberalisation of the electricity market in Portugal, in the Iberian Peninsula and throughout the European Union. On August 18, 2004, the electricity market in Portugal was fully liberalised and all customers, including all low-voltage customers, became free to choose their electricity supplier. Competition in electricity supply will also increase as the newly created Iberian electricity market comes into operation. Additionally, EDP faces increasing pressure on the operating margins of its electricity distribution business in Portugal due to regulation of electricity tariffs in the Public Electricity System.

In response to these challenges, EDP plans to:

- continue efforts to enhance earnings and maintain its 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, particularly in the Iberian electricity market; and
- continue its programme to increase the efficiency of its operations in the Portuguese energy sector, reduce related costs with the goal of achieving international best practice standards, and minimise the impact of tariff reductions in the current regulatory period on operating margins of its electricity distribution business.

In pursuing these objectives, EDP intends to:

- pursue effective marketing to both new and existing customers, particularly those that benefit, or will benefit, from competitive alternatives in the Non-Binding Sector (where EDP is present through its subsidiary EDP Comercial, S.A., or "EDP Comercial");
- continue to provide high quality and cost-effective services to the Public Electricity System and the Non-Binding Sector;
- further centralise its corporate structure, as it has done with the merger of its four distribution companies into EDPD and the centralisation of most of EDP's generation companies in EDP Produção;
- continue to centralise and improve the efficiency of its administrative activities, such as accounting, and procurement, with the aim of achieving cost savings in supplies of goods and services and personnel reduction, to which end EDP has created EDP Valor, a company that integrates some of EDP's service companies by consolidating resources and centralising purchasing activities;
- identify opportunities to achieve future reductions in overhead expenses; and
- continue to monitor the level of recurring capital expenditures in its Portuguese electricity business.

Growing its Iberian electricity platform

In light of the intended integration of the Spanish and Portuguese electricity sectors, EDP has expanded the definition of its domestic market to embrace the entire Iberian Peninsula. EDP is the first Iberian company to have significant generation and distribution assets, as well as a meaningful customer base, in both Portugal and Spain – two EU countries with among the highest electricity consumption growth rates in the European Union.

To grow its Iberian electricity platform, EDP intends to:

- through Hidrocantábrico, enhance management flexibility and further synergies between its operations and EDP's existing ones, namely through the operation of a single energy trading unit for Iberia and the centralisation of procurement in respect of EDP's investment in wind and CCGT generation;
- position itself to benefit from the creation of an Iberian electricity market and pursue growth opportunities in Spain by leveraging on its investment in Hidrocantábrico;
- grow its customer base by capitalising on the fully liberalised electricity market in Spain;
- take advantage of a combined electricity and gas service offering in Spain through the activities of both Hidrocantábrico and Naturgas and in Portugal through the activities of EDP and Portgás in connection with the expected liberalisation of the Portuguese gas sector; and
- increase generation capacity through the construction of one or more new CCGT power plants, the development of renewable energy generation projects, primarily through the construction or acquisition of new wind farms, and the increase of capacity in existing plants to cope with strong consumption growth.

Developing an Iberian gas business

EDP views the gas business as being highly complementary to electricity and of great strategic attractiveness. Both Portugal and Spain have gas and electricity consumption growth rates above the EU average. Each country requires new capacity to be gradually added and CCGT plants, fired by gas, are considered to be an advantageous option to meet the Iberian electricity system expansion requirements because of their lower investment costs required per MW, greater efficiency, lower operating and maintenance costs and lower emission levels compared to other thermal generation plants. Since new gas-fired generation capacity is expected to be added to the Iberian electricity system, power generators, which are already among the largest gas consumers in the Iberian Peninsula, are and will continue to be the facilitators of the development and sustainability of the gas business in the Iberian Peninsula, although their competitive position will increasingly depend on gas prices and the flexibility of gas contracts. The natural gas market is characterised by the existence of long-term contracts. For electricity generators, long-term contracts in the natural gas market are usually indexed to the price of oil, are of a take-or-pay nature and restrict the final destination of contracted gas. Since gas represents a substantial portion of gas-fired power plants' total costs, access to flexible and competitive gas contracts is necessary to increase the efficiency of CCGT power plants.

There are two main reasons for EDP to develop an integrated Iberian gas business:

- to increase the competitiveness and efficiency of its gas-fired power plants. By being involved in both gas distribution and electricity generation EDP expects to be able to mitigate the risk presented by variable gas prices while increasing the flexibility of gas sourcing and placing; and
- to capture synergies from distributing both gas and electricity to final consumers, leveraging on EDP's existing electricity client base and on the sharing of infrastructure and system costs.

After a decision of the European Commission in December 2004 which prevented EDP's planned acquisition of joint control of GDP – Gás de Portugal, SGPS, S.A., or GDP, which operates in the Portuguese gas sector and owns assets for the transport and distribution of gas, EDP filed an appeal to the

Court of First Instance of the European Court of Justice from the European Commission's decision, but the Court dismissed its appeal and has upheld the Commission's decision. Nonetheless, EDP continues to understand that, in the current national and international energy sector environment, the strategic rationale for the integration of gas and electricity activities is adequate. Therefore, EDP will proceed with the implementation of the necessary measures for an organic growth and for profiting from opportunities that arise from market consolidation movements, aiming at strengthening its electricity and gas business portfolio at an Iberian level, in accordance with the legal and regulatory frameworks.

INTERNATIONAL ACTIVITIES

EDP's international investments are focused primarily in Brazil, where it believes it can play an active role in managing electricity operations and where potential returns may be attractive.

Since 2003, EDP has been reassessing its strategy in Brazil and has undertaken several initiatives with the goal of rationalising its Brazilian operations by making them more self-sustained and independently managed. Such initiatives culminated in the corporate restructuring and Initial Public Offering of EDP Brasil in 2005. As a result of this strategy EDP aims to:

- integrate all activities in Brazil under its subsidiary, EDP Brasil, which will consolidate not only financial results but also planning and strategic control;
- harmonise and align the corporate governance structures and procedures of EDP Brasil's subsidiaries, with a view towards improving the efficiency and transparency of governance and the decision-making process;
- ensure that EDP Brasil is worth more than the sum of its parts, thus providing adequate remuneration of capital employed, through initiatives such as the re-launch of an efficiency programme and analysis of the feasibility of shared services.

EDP regularly reviews its international investments and may change its focus consistent with its strategic objectives.

TELECOMMUNICATIONS

In Portugal, EDP's telecommunications and related activities are conducted by ONI, SGPS, S.A. ("ONI"). The current shareholder structure in ONI is as follows: EDP 56.607 per cent., BCP 23.062 per cent., Brisa – Auto Estradas de Portugal, S.A. 17.176 per cent., GALP Serviços 3.114 per cent. and GALP Energia 0.041 per cent..

In the first quarter of 2003, ONI revised its organisational structure to better achieve the goals and strategies defined for its business segments. This process was concluded in the fourth quarter of 2003, by the merger of ONI Grandes Redes, ONI Sistemas de Informação, ONI One, ONI Solutions, Shopping Direct and Brisatel into ONI Telecom. Accordingly ONI's businesses are currently pursued in two main areas: fixed-line Portugal and fixed-line Spain.

Fixed-line Portugal comprises:

- ONI Telecom, a wholly-owned subsidiary of ONI, which is a licensed telecommunications company that develops and provides fixed-line communication services to corporate and residential clients and also serves as a "carrier's carrier" selling fixed-line capacity to other communications companies.

Fixed-line Spain comprises:

- uCall, a 60 per cent. owned subsidiary of ONI offering call center services, which fulfills ONI's needs in back office support, as well as providing services to companies outside the ONI group.
- Comunitel, a 99.93 per cent. owned subsidiary of ONI, which is a telecommunications operator specialising in providing communication services to corporate clients. Comunitel was one of the first operators to provide advanced telecommunication services in Spain.

However, on July 14, 2005, ONI announced that it had signed an agreement to sell its entire stake of Comunitel to Tele2 Telecommunication Services, S.L. for €215 million. This transaction enables ONI to focus on its wireline Portugal business, while also allowing ONI to significantly reduce its financial debt.

In early 2004, ONI became the owner of 99.98 per cent. of Germinus XXI, (“Germinus”), an “incubator” company developing services in the market combining telecommunications, media, hardware and software solutions, increasing its previous ownership of approximately 80 per cent. of Germinus. The Germinus group offers services in four activities: applications and technological platforms, professional services, information services and network business.

INFORMATION TECHNOLOGY

EDP is involved in the information technology sector through Edinfor – Sistemas Informáticos, S.A., (“Edinfor”), which owns 100 per cent. of ACE – Holding SGPS, S.A. (“ACE”). ACE owns 100 per cent. of CASE – Conceção e Arquitectura de Soluções Informáticas Estruturadas, S.A., (“CASE”). CASE provides consulting and information systems services to EDP and to third parties. Following EDP’s sale of 60 per cent. of Edinfor to LogicaCMG Corporate Holdings Limited, (“LogicaCMG”), in April 2005, EDP currently owns 40 per cent. of Edinfor. As a result of this sale a partnership was established with LogicaCMG, pursuant to which EDP will be able to maintain the availability and security of key systems and enhance Edinfor’s growth potential. Under the terms of this sale, EDP may have the option to sell its remaining 40 per cent. interest in Edinfor to LogicaCMG after two years.

BUSINESS OPERATIONS

EDP Group’s 2004 operating revenues amounted to €7,222 million, approximately 89 per cent. of which derived mainly from electricity sales, yielding operating income of €1,058 million. As at December 31, 2004, EDP Group’s total assets were €22,589 million, and shareholders’ equity was €6,402 million. The EDP Group had 16,057 employees as at December 31, 2004.

Electricity (Portugal)

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, as per data made available by ERSE at its website (www.erse.pt). According to such data, in 2004, the EDP Group accounted for approximately 82 per cent. of the installed generation capacity in the Public Electricity System and 99 per cent. of the distribution in the Public Electricity System. The Portuguese electricity business accounted for 73.3 per cent. of EDP Group’s EBITDA, with 45.5 per cent. emerging from generation activities and the remainder 27.8 per cent. from distribution and supply activities.

Generation

In its generation function in Portugal, the EDP Group creates power for consumption in both the Public Electricity System and the Independent Electricity System. In 2004, EDP Group’s Portuguese generating facilities had a total maximum capacity of 8,402 MW, approximately 50 per cent. of which was represented by hydroelectric facilities, 30 per cent. by fuel oil/natural gas facilities, 14 per cent. by coal-fired facilities, 2 per cent. by gas oil facilities and 3 per cent. by wind-driven, cogeneration and biomass facilities. The EDP Group does not own or operate any nuclear-powered facilities in Portugal.

Distribution

In its distribution function, EDPD carries out approximately 99.99 per cent. of Portugal’s local electricity distribution. In 2004, EDPD provided more than 5.8 million customers with 41,315 GWh of electricity. Under the terms of binding licences, EDPD must supply electricity to all customers in the Public Electricity System. EDPD must also provide access to the distribution network to producers in the Independent Electricity System.

In 2004, Portuguese distribution and supply revenues amounted to €3,872 million, accounting for 53.6 per cent. of EDP Group's consolidated revenues.

Electricity (Spain)

Generation activity in 2004 was characterised by the high availability and efficiency of Hidrocantábrico's power plants. Net production in the ordinary regime, was 14,408 GWh in 2004, an increase of 1.8 per cent. from 14,154 GWh in 2003 (out of a total generation in the Spanish market in 2004 of approximately 197.7 TWh, according to Red Eléctrica Española).

Electricity distributed in 2004 through Hidrocantábrico's own network amounted to 9,002 GWh, a 4.0 per cent. increase from 2003 levels. As at December 31, 2004, Hidrocantábrico's distribution business had 574,560 customers out of a total number of consumers of 22,832,749, according to the *Comisión Nacional de Energía*. This represents a 2.4 per cent. increase from 2003 and includes 6,723 qualified consumers that are being supplied by non-regulated suppliers.

In 2004, Electricity activity revenues in Spain amounted to €548.6 million, accounting for 7.6 per cent. of EDP Group's consolidated revenues. EBITDA totalled €105.6 million, and amounts to 5.4 per cent. of EDP Group's consolidated EBITDA.

Gas (Portugal)

As at December 31, 2004, Portgás and Setgás had approximately 139,300 customers and 98,900 customers, respectively, constituting estimated market shares of 17 per cent. and 12 per cent., respectively. Total revenues in 2004 for Portgás and Setgás were €68.0 million and €27.7 million, respectively.

Gas (Spain)

Hidrocantábrico's gas distribution activities revenues of €299.9 million in 2004 compared with €157.0 million in 2003, the increase primarily reflecting the acquisition of Naturgas. In 2004, Hidrocantábrico had 9.0 per cent. of the gas consumers in Iberia (according to GALP Energía there were approximately 0.8 million consumers in Portugal in 2004 and according to the *Comisión Nacional de Energía* there were approximately 5.6 million consumers in Spain in 2004).

Brazil

EDP operations in Brazil consist of generation and distribution of electricity and related activities. In 2004, Brazilian operations contributed with 16 per cent. (€1,154 million) to EDP Group's consolidated revenues and 15 per cent. (€293 million) of the Group's EBITDA. EDP distribution companies in Brazil (Bandeirante, Escelsa and Enersul) served more than 2.9 million customers and distributed 22,396 GWh in 2004, while the Group's Brazilian generating facilities had a maximum total capacity of 529.6 MW, mostly composed of hydroelectric power plants.

Telecommunications

In 2004, ONI had revenues of €325.4 million, of which €10.0 million was generated from services provided to the EDP Group, and an operating loss of €45.9 million compared with, in 2003, revenues of €331.1 million, of which €15.3 million was generated from services provided to the EDP Group, and an operating loss of €68.7 million.

International Investments

EDP has made a number of international investments in the electricity sector in Cabo Verde, Guatemala and Macao. Since 2003 and up to the date of this Prospectus, no new international investment projects were initiated.

RECENT DEVELOPMENTS

EDP sold its stake in GALP

EDP signed on December 7, 2005 a sale and purchase agreement with the Américo Amorim Group for the sale, by EDP, of 23,663,875 shares corresponding to a 14.268 per cent. stake in the share

capital of GALP Energia, SGPS, S.A. The value of the transaction was €720.5 million. The completion of this transaction is conditional on EDP receiving full consideration for the sale of its stakeholding. On December 7, 2005 EDP received 20 per cent. of the consideration with the remaining 80 per cent. due on January 30, 2006.

EDP Group reaches agreement to acquire Nuon España

NEO – Novas Energías do Ocidente, S.A. (“NEO”) – EDP’s subsidiary responsible for the development of projects in the renewables energy sector in the Iberian Peninsula and Europe signed a contract on December 9, 2005 with Nuon International Renewables Projects B.V. (“Nuon”) establishing the main conditions for the acquisition of 100 per cent. of the share capital of Grupo Nuon España, S.L.U. and of Desarrollos Eólicos, S.A. (“Nuon España”). The agreed value for the mentioned acquisition is €478 million. Nuon España’s net financial debt, as at December 31, 2005, is expected to be approximately €223 million. Nuon España operates in the renewables energy sector in the Spanish market and has a portfolio of wind farms projects with a total capacity of 1,407 MW, of which 221 MW are already fully operational and 1,186 MW are in different stages of development. The wind farms are located in the regions of Galicia, Aragon, Andalusia and the Canary Islands.

MANAGEMENT

Board of Directors

The Board of Directors, together with the executive officers 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. 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
Mr. Francisco de la Fuente Sánchez	63	Chairman (former CEO)	2000
Mr. João Ramalho Talone	53	Chief Executive Officer	2003
Mr. Rui Miguel Horta e Costa	44	Chief Financial Officer	2000
Mr. José Manuel Trindade Neves Adelino	51	Director	2003
Mr. Carlos Jorge Ramalho dos Santos Ferreira	56	Director	2005
Mr. José Manuel Gonçalves de Morais Cabral	58	Director	2003
Mr. Luis Filipe Rolim de Azevedo Coutinho	44	Director	2003
Mr. Jorge Manuel Oliveira Godinho	52	Executive Director	2003
Mr. António Afonso de Pinto Galvão Lucas	49	Director	2004
Mr. Arnaldo Pedro Figueirôa Navarro Machado	59	Executive Director	2002
Mr. José Alfredo Parreira Holtreman Roquette	68	Director	2005
Mr. Pedro Manuel Bastos Mendes Rezende	44	Executive Director	2003
Mr. Paulo de Azevedo Pereira da Silva	44	Director	2003
Mr. José Pedro da Silva Sucena Paiva	62	Director	2004
Mr. Manuel Menéndez Menéndez	45	Director	2005

Mr. Francisco de la Fuente Sánchez is Chairman of EDP’s board of directors and has been on EDP’s board of directors since January 1997. In addition, Mr. Francisco Sánchez is Chairman of the board of directors of ONI SGPS, Honorary Chairman of Hidrocantábrico, Chairman of EDP Foundation, Chairman of BCSD Portugal, Chairman of PROFORUM, Chairman of ELECPOR, the Portuguese Electricity Industry Association, Portuguese representative to EURELECTRIC and member of the Superior Council of Banco Comercial Português. Mr. Francisco Sánchez served as Director of EDP, S.A. since 1997, Chairman and CEO of EDP, S.A. between 2000 and 2003, Chairman of EDP Produção and EDPD between 2002 and 2003, and Chairman of EDP Energia and EDP Valor between 2001 and 2003. From 1997 to 1998, Mr. Francisco Sánchez was a member of the board of directors of EN, CENEL, LTE and SLE and between 1998 and 2001, he was Chairman of CERJ and EDP - Cogeração, Vice-Chairman of Bandeirante, and a member of the board of directors of EDP Internacional. Mr. Francisco Sánchez

also served as member of the boards of directors of LTE and Hidrotejo from 1994 to 1996. He was General Manager of one of EDP's distribution divisions from 1990 to 1994 and Central Commercial Manager of EDP from 1988 to 1989. He was assistant to EDP's board of directors from 1987 to 1988. Mr. Francisco Sánchez holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa.

Mr. João Ramalho Talone was appointed EDP's Chief Executive Officer in May 2003. In addition Mr. Talone is Chairman of the board of directors of EDP Produção and EDPD and a member of the board of directors of ONI SGPS and Hidrocantábrico. In April 2003, he was elected deputy-chairman of the board of directors of Lusotur. Until 2002, Mr. Talone served as Chairman and CEO of the Executive Board of Directors of Eureko (appointed in September 1999), member of the Board of Directors of BCP – Banco Comercial Português, S.A. (appointed in 1991) and Chairman of Seguros & Pensões (appointed in 1995). In January 2003, by appointment of the Council of Ministers, he was charged with rethinking the corporate strategy of the national energy sector. Between December 2002 and January 2003, he headed the project to terminate IPE – Instituto de Participações do Estado, a state owned company holding the Republic of Portugal's interests in several of its subsidiaries. Mr. Talone is a member of the Board of Directors of "Association de Gênevè" (international insurance forum), to which he was elected in June 1995. In 1988-89, he was a guest lecturer at the Universidade Nova de Lisboa in the International Business area. Mr. Talone holds a degree in civil engineering from Instituto Superior Técnico de Lisboa, an MBA from Universidade Nova de Lisboa in association with the Wharton School of Pennsylvania and has completed the Higher Management Course at the National Institute for Industrial Research and the Advanced Management Program at Harvard Business School.

Mr. Rui Miguel Horta e Costa was appointed to EDP's board of directors in May 2000 and re-elected in May 2003. Mr. Horta e Costa is also a member of the boards of directors of Hidrocantábrico, GALP Energia, EDPD, EDP Produção and ONI. Mr. Horta e Costa is also EDP's chief financial officer. He served as Executive Director of UBS Warburg in London from 1995 to 2000, and from 1990 to 1995, he was a member of the board of directors of Grupo Jorge de Mello. Mr. 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. Mr. Horta e Costa holds a degree in economics from Universidade Católica Portuguesa, as well as an MBA in management from the University of Minnesota.

Mr. José Manuel Trindade Neves Adelino was appointed to EDP's board of directors in May 2003. He has been a full Professor of Finance at Universidade Nova de Lisboa since 1995. He is also a member of the National Education Council and of the board of the Deposit Insurance Fund, and he belongs to the strategic councils of Portugal Telecom and CTT-Correios de Portugal. He was a non-executive member of the board of Banco Português do Atlântico and has acted as a consultant to several companies and government organizations in his areas of expertise. Mr. Neves Adelino holds a degree in Finance from Universidade Técnica de Lisboa and a graduate degree in Business Administration (DBA) from the Kent State University, USA.

Mr. Carlos Jorge Ramalho dos Santos Ferreira was elected to EDP's board of directors in August 2005. He is currently the Chairman of the Caixa Geral de Depósitos Bank. In 2005, he was a board member of the Seng Heng Bank. Between 2003 and 2005 he was Vice-Chairman of Estoril-Sol SGPS, S.A, Vice-Chairman of Finansol-SGPS, S.A. and Non-Executive President of Willis Portugal – Corretores de Seguros, S.A. Between 1999 and 2003 he was a board member of several companies of the BCP Group, namely Servibanca, Vice-Chairman of Seguros e Pensões Gere SGPS, S.A. and Chairman of Império Bonança, insurance companies Ocidental and Ocidental Vida, Seguro Directo, of ICI – Império Comércio e Indústria, of the Companhia Portuguesa de Seguros de Saúde, of Autogere – Companhia Portuguesa de Seguros, S.A., of Corretores S.A. and a Board Member of Eureko, B.V. He was also the General Assembly Vice-Chairman of Estoril-Sol between 1992 and 2001. At the same time, between 1992 and 1999, he was a board member and became Chairman of Companhia de Seguros Mundial Confiança and President of the General Assembly of Banco Pinto & Sotto Mayor. From 1989 to 1991 he was Chairman of the Companhia do Aeroporto de Macau and Chairman of the Fundação de Oeiras between 1987 and 1989. From 1977 until 1987 he was also a member of the Management Board of

the Empresa Pública Aeroportos e Navegação Aérea – ANA. He has a degree in Law by the Faculdade de Direito da Universidade Clássica in Lisbon.

Mr. José Manuel Gonçalves de Morais Cabral was appointed to EDP's board of directors in May 2003. He is also Director of Efacec Capital, SGPS, S.A. and José de Mello Participações II, SGPS, S.A., and Senior Manager of José de Mello Serviços, Lda. From 1995 to 1999, he served as Director and CEO of Lisnave, S.A. Previously, he was Director of IPE, S.A. between 1992 and 1994, and Director of Celbi, S.A. between 1993 and 1995. From 1989 to 1992, he served as Chairman of Air Atlantis, S.A., and between 1970 and 1989, he was Controller and CFO of METAL Portuguesa, S.A. Mr. Morais Cabral holds a degree in Economics from I.S.C.E.F., Lisbon.

Mr. Luis Filipe Rolim de Azevedo Coutinho was appointed to EDP's board of directors in May 2003. He is also Senior Adviser of the Holding of Grupo Abrantina, as well as Professor in Economics at Universidade Nova de Lisboa. Between 1984 and 2002, he served as Senior Advisor at José Bento Pedroso & Filhos, Lda., I.P.E., Grupo V.I/B.T.A., Grupo Abrantina, Bank of Portugal, Lisbon Municipality, Calouste Gulbenkian Foundation Portuguese and Finance Secretary of State. He was a member of the boards of directors of several companies of Abrantina Group and CFO of Valora – Serviços de Apoio à Emissão Monetária. He holds a degree in Management from Universidade Católica Portuguesa and an MBA from Universidade Nova de Lisboa.

Mr. Jorge Manuel Oliveira Godinho was appointed to EDP's board of directors in May 2003. From March 2001 to May 2003, Mr. Godinho was President of the Executive Committee at Edinfor and Chairman at Ace-Holding, SGPS, S.A. Between 1998 and 2000 he was Adviser of the Board of Electricidade de Portugal, S.A., Executive Member of the Board of OPTEP and Vice-Chairman of the Board of Optimus. Between 1991 and 1998, Mr. Godinho was Chairman of the Board of Portucel SGPS, Portucel Industrial and Portucel Florestal. From 1985 to 1990, he served as Secretary of State for Fisheries. He was also chairman of the board of directors of Docapesca, deputy-chairman of the Portuguese Industrial Association and member of the Social Security Financial Management Institute, the National Scientific and Technological Research Board, the Forum for Competitiveness, Efacec Capital SGPS, S.A. and the Fund for the Internationalization of the Portuguese Economy. He was Assistant and Senior Lecturer at the Instituto Superior Técnico. Mr. Godinho holds a degree in Engineering from Instituto Superior Técnico and an MBA from Universidade Nova de Lisboa.

Mr. António Afonso de Pinto Galvão Lucas was appointed to EDP's board of directors in 2004. He is presently Chairman of the board of directors of EPM – Sociedade Gestora de Participações Sociais, S.A. and of its subsidiaries Fábrica Cerâmica de Valadares S.A., Valadares Espanha S.A. and CCS – Serviços de Gestão Lda., companies operating in the ceramics sector. Also in this sector, he is Chairman of the board of directors of Secla. Previously, he was manager and director of the CUF Group and SAPEC Group. He was also director of CIP – Portuguese Industry Confederation and is currently the President of APICER – Portuguese Ceramics Association and member of the Superior/Consultive Councils of AEP – Portuguese Entrepreneurship Association, COTEC – Association for Innovation, Forum for Competitiveness and ERSE – Energy Services Regulator. Mr. Galvão Lucas holds a degree in industrial-chemical engineering from Instituto Superior Técnico.

Mr. Arnaldo Pedro Figueirôa Navarro Machado was appointed to EDP's board of directors in May 2002 and he is presently the Chief Executive Officer of EDPD – Energia. Mr. Navarro Machado served as Chief Executive Officer of Sociedade Central de Cervejas from 2000 to 2002. He acted as member of the board of directors of HLC - Engenharia de Gestão e Projectos, S.A. between 1998 and 2000. In the EDP Group he has served as Vice-Chairman of the board of directors of EDP, S.A. from 1992 to 1998, Chairman of the board of directors of MRH – Mudança e Recursos Humanos, S.A. in 1997 and 1998, member and Chairman of the board of directors of INTERNEL - Electricidade de Portugal Internacional, S.A. from 1992 to 1998 and of CPPE, S.A. between 1994 and 1997, member of the board of directors of CERJ from 1996 to 1998, of INVESTCO – Veículo de Investimento de Empreendimento and of Hidroeléctrica do Lajeado in Brazil during 1998, of OPTEP from 1997 to 1998, of Turbogás from 1995 to 1998 and of EDP, S.A. in 1991 and 1992. Prior to this, he has served as member of the Management Council of Sociedade Central de Cervejas from 1988 to 1991, as Chairman of the board of directors of Sociedade da Água de Luso, S.A. during January 1990 and as member of the board of directors of

Setenave from 1984 to 1988. Mr. Navarro Machado holds a degree in Naval Engineering from the University of the Stracholyde, Glasgow.

Mr. José Alfredo Parreira Holtreman Roquette was appointed to EDP's board of directors in January 2005. He is currently Chairman of Finagra and a member of the Senior Board of BCP. He was formerly a member of the Executive Committee of BES (1971-1975). He was a director of the Espírito Santo Group's main holding companies (after 1975), Chairman of Banco Inter-Atlântico, Brazil (1976-1981), Chairman of Emptel – Empresa de Equipamentos de Telecomunicações (partly controlled by Siemens) (1986-1993), Chairman and CEO of Valores Ibéricos, SGPS (Banco Totta & Açores) (1989-1993), Chairman of BTA, Totta Gespar, Totta Urbe (1991), Chairman of Mantero (1992), Chairman of the Board of Sporting Club de Portugal and the main companies of the SCP Group (1996-2000), Chairman of Sirius (2000) and Chairman of SAIP, Sociedade Alentejana de Investimentos e Participações (2003). Mr. Roquette holds a degree in Economics from the University of Oporto.

Mr. Pedro Manuel Bastos Mendes Rezende was appointed to EDP's board of directors in May 2003. In addition to serving as a member of the board of directors of EDP, he is also serving as President of the Executive Committee of EDP Produção and Chairman of its subsidiaries, as well as a board member of EDP Comercial, EDPD and Hidrocantábrico. Since 1990, Mr. Pedro Bastos Rezende has been a member of The Boston Consulting Group, where he served in the Madrid office until 1995 and in the Lisbon office thereafter. He was elected Partner and Director in May 1997 and has co-led the Lisbon office since then. He was also the local leader of the Energy Practice Area. From 1985 to 1989, he was Head of the Testing Department for VALEO – Clutch Division in Spain. Mr. Pedro Bastos Rezende holds a degree in Industrial Mechanical Engineering from ICAI – Madrid, Spain and an MBA from Insead – Fontainebleau, France.

Mr. Paulo de Azevedo Pereira da Silva was appointed to EDP's board of directors in May 2003. He is also General Manager of BCP – Banco Comercial Português, S.A., Director of LEASEFACTOR S.G.P.S. and CREDIBANCO – Banco de Crédito Pessoal and a non-executive director of ONI. He was also Chairman of the Board of Directors of BCP LEASING, of BCP Factoring and of Luso-Atlântica. He was a director of CISF, of Sociedade Portuguesa de Risco, of Comercial Dealer, of Sociedade de Capital de Risco do CISF and of Interfinança and manager of CISF. Mr. Paulo Azevedo holds a degree in Economics from the Faculty of Economics of the University of Oporto. He also attended the training course run by the Euromoney Institute of Mergers and Acquisitions at Cranfield, and the INSEAD Executive Education Programme.

Mr. José Pedro Sucena Paiva was appointed to EDP's board of directors in November 2004. He is currently a professor in the Department Electric Energy Systems of Instituto Superior Técnico, where he earned his degree of Aggregate Professor, since 1980. He is Chairman of the Scientific Council of the Electric Energy Center of Instituto Superior Técnico, member of the Board of Directors of COGEN Portugal, member of the Consultant Council of GOGEN Europe. Former Secretary of State of Science and Technology (1988-1991), Chairman of Tagusparque (1992-1996) and Chairman of the General Meeting of the Enersis Group. Mr Sucena Paiva holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa and a doctorate degree from the Imperial College of Science and Technology, University of London.

Mr. Manuel Menéndez Menéndez was appointed to EDP's board of directors in January 2005. He is currently Chairman of Cajastur, of Hidrocantábrico and of Naturgas, a voting member of the boards of the Spanish Confederation of Savings Banks and of UNESA and a member of the Official Registry of Auditors of Accounts. He was previously a voting member and member of the boards of directors of Cajastur and Hidrocantábrico, a voting member of the board of directors and a member of the Executive Committee and Audit and Control Committee of AIRTEL, a voting member of the Board of the LICO Corporación, Vice-Chairman of SEDES, S.A. and Executive Chairman of the Sociedad de Garantías Recíprocas de Asturias (Asturgar). He has been a professor in the Department of Business Administration and Accountancy at the University of Oviedo, where he earned his doctorate in Economic Sciences in 1985 (cum laude and with a Special Mention from the Board of Examiners). He graduated in Economics and Business Administration in 1982.

Executive Officers

We have twenty-nine 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. Selected information is set forth below for the executive officers in charge of a principal business function.

Name	Age	Year of appointment	Position
Mr. António Manuel Barreto Pita de Abreu	55	2003	General Manager, General Secretary, Secretary of the Company
Mr. António Pacheco de Castro	46	2003	General Manager
Mr. António Martins da Costa	50	2003	General Manager
Mr. João Manuel Manso Neto	47	2003	General Manager
Mr. Joaquim Armando Ferreira Silva Filipe	56	2003	General Manager
Mr. Jorge Manuel Ribeirinho Soares Machado	61	2003	General Manager
Mr. Manuel Luís Machado Norton Brandão	59	2005	General Manager
Mr. Vasco Manuel de Castro Coucello	53	2003	General Manager
Ms. Ana Paula Pinto da Fonseca Morais	44	2003	Head of Quality Office
Mr. António José Marrachinho Soares	44	1998	Alternate Secretary of the Company
Mr. António José da Silva Coutinho	36	2003	Head of Energy Planning Office
Mr. António Manuel Neves de Carvalho	55	2000	Head of Sustainability and Environment Office
Mr. António Maria Ramos da Silva Vidigal	55	2003	Chief Risk Officer
Mr. António Pedro Alfaia de Carvalho	59	1998	Head of Legal Office
Mr. Bernardo Sá Nogueira Dantas Cunha	29	2005	Chief of Staff, Cabinet of the CEO
Mr. Eugénio André Purificação Carvalho	51	2001	Head of Human Resources
Mr. Joaquim Pedro de Macedo Santos	51	2003	Head of Brazil Link Office
Mr. José Manuel Ferrari Bigares Careto	42	2003	Head of Gas Project
Mr. Luís Manuel da Costa Veloso	43	2004	Head of Pension Fund Office
Mr. Luís Pedro Ferraz Flores	42	2004	Head of Information Systems Office
Ms. Magda Abdool Magid Vakil	42	1998	Head of Financial Management Office
Ms. Maria Joana Mano Pinto Simões	44	2000	Head of Regulation and Tariff Office
Mr. Miguel Ribeiro Ferreira	37	2003	Head of Planning and Control, Consolidation Accounting and Tax Office
Mr. Miguel Stilwell de Andrade	29	2005	Head of Business Analysis Office
Mr. Pedro Manuel Carreto Pires João	35	2000	Head of Investor Relations Office
Mr. Rui Ferin Cunha	41	2005	Corporate Coordination Office
Mr. Vitor Manuel Silva Leitão	51	2000	Head of Internal Audit Office
Mr. Salvador Carlos da Cruz Teres	51	2005	Co-ordinator of Communication and Image Office

The business address of each member of the Board of directors and each executive officer is Praça Marquês de Pombal, 12, 1250-162 Lisbon.

Conflict of interests

The members of the administrative, management or supervisory bodies of EDP do not have any conflicts, or any potential conflicts, between their duties to EDP and their private interests or other duties.

Trend Information

There has been no material adverse change in the prospects of EDP since December 31, 2004, being the date of its last published audited financial statements.

Financial and Trading Position

There has not been any significant change in the financial or trading position of the EDP Group since December 31, 2004, being the end of the last financial year.

Legal Proceedings

There are no, nor have there been any governmental, legal or arbitration proceedings, involving EDP or any of its subsidiaries (and, so far as EDP is aware, no such proceedings are pending or threatened) which may have or have had during the twelve months prior to the date of this Prospectus a significant effect on the financial position of EDP or the EDP Group.

FINANCIAL STATEMENTS OF THE EDP GROUP

The following financial information is extracted without material adjustment from the audited consolidated financial statements of EDP as at December 31, 2003 and December 31, 2004 prepared in accordance with the generally accepted accounting principles in Portugal, and from the unaudited consolidated financial statements of EDP as at September 30, 2004 and 2005 prepared in accordance with recognition and measurement requirements of International Financial Reporting Standards.

EDP – ENERGIAS DE PORTUGAL CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2005

	<u>September 2005</u>
	<u>Euro</u>
Assets	
Tangible fixed assets	13,222,434,145
Intangible fixed assets	827,335,036
Goodwill	2,055,409,707
Investments in associates	372,189,398
Other investments	1,083,678,444
Deferred tax assets	1,329,566,549
Customers	100,103,103
Debtors and other sundry assets	163,887,377
Total Non-Current Assets	19,154,603,759
Inventories	174,928,158
Customers	1,514,572,438
Debtors and other sundry assets	1,060,817,409
Income tax receivable	368,820,390
Trading securities	204,639,327
Cash and bank deposits	284,202,742
Total Current Assets	3,607,980,463
Total Assets	22,762,584,222
Equity	
Share capital	3,656,537,715
Treasury stock	-39,953,083
Reserves and retained earnings	170,791,029
Profit for the period	353,434,110
Total Equity attributable to Shareholders	4,140,809,771
Minority interests	1,092,727,102
Total Equity	5,233,536,873
Liabilities	
Medium/Long term debt	7,961,084,566
Employees benefits	1,902,363,773
Provisions for liabilities and charges	354,967,741
Hydrological correction account	245,933,522
Deferred tax liabilities	612,574,755
Creditors and other liabilities	139,836,293
Total Non-Current Liabilities	11,216,760,649
Short term debt	1,823,054,419
Creditors and other liabilities	4,158,460,601
Income tax payable	330,771,680
Total Current Liabilities	6,312,286,699
Total Liabilities	17,529,047,349
Total Equity and Liabilities	22,762,584,222

EDP – ENERGIAS DE PORTUGAL, S.A.
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2004 AND 2003

	December 2004	December 2003
	Euro	Euro
Assets		
Tangible fixed assets	13,559,324,598	11,651,599,272
Intangible fixed assets	968,663,901	950,183,203
Goodwill	1,989,822,215	899,514,105
Investments	1,615,292,986	1,582,783,855
Deferred taxes	589,093,869	609,337,743
Customers	95,140,531	85,797,892
Debtors and other sundry assets	850,283,031	350,045,136
Total Non-Current Assets	19,667,621,131	16,129,261,207
Inventories	168,566,688	159,236,265
Customers	1,202,250,494	1,022,870,274
Debtors and other sundry assets	631,839,400	429,388,862
Accrued income and deferred costs	641,037,589	622,417,208
Trading securities	81,921,943	143,953,248
Cash and bank deposits	196,082,664	143,542,539
Total Current Assets	2,921,698,778	2,521,408,396
	22,589,319,909	18,650,669,603
Shareholders' Equity		
Share capital	3,656,537,715	3,000,000,000
Treasury stock	(31,662,124)	(49,019,637)
Share premium	472,955,213	-
Reserves and retained earnings	1,863,730,537	1,965,917,872
Consolidated net profit	440,152,402	381,108,991
Total Shareholders' Equity	6,401,713,743	5,298,007,225
Minority interests	801,017,609	236,484,847
Hydrological correction account	364,197,341	387,506,424
Liabilities		
Long term debt	6,741,013,936	5,913,579,510
Provisions for liabilities and charges	1,257,696,901	819,573,631
Deferred taxes	545,901,070	616,056,102
Creditors and other liabilities	588,129,946	542,942,080
Total Non-Current Liabilities	9,132,741,853	7,892,151,323
Short term debt	1,857,829,564	1,579,129,950
Creditors and other liabilities	1,599,454,012	1,238,990,503
Accrued costs and deferred income	2,432,365,786	2,018,399,331
Total Current Liabilities	5,889,649,362	4,836,519,784
Total Liabilities	15,022,391,216	12,728,671,106
	22,589,319,909	18,650,669,603

EDP – ENERGIAS DE PORTUGAL, S.A.
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>December 2004</u>	<u>December 2003</u>
	Euro	Euro
Sales	6,699,294,047	6,456,360,724
Cost of sales	(4,017,270,506)	(3,921,045,567)
Gross Margin	<u>2,682,023,541</u>	<u>2,535,315,157</u>
Other operating income		
Services rendered	522,396,380	521,158,949
Own work capitalised	258,774,132	235,622,934
Other operating income	17,731,292	18,081,098
	<u>798,901,803</u>	<u>774,862,981</u>
	<u>3,480,925,344</u>	<u>3,310,178,138</u>
Other operating costs		
Supplies and services	(649,503,827)	(632,518,161)
Personnel costs	(642,618,637)	(646,635,938)
Other operating costs	(220,761,575)	(203,984,518)
	<u>(1,512,884,039)</u>	<u>(1,483,138,617)</u>
Gross Operating Results	1,968,041,305	1,827,039,521
Provisions	(114,077,814)	(75,705,925)
Depreciation and amortisation	(795,517,031)	(845,591,792)
Operating Results	<u>1,058,446,460</u>	<u>905,741,804</u>
Financial income/(expense)	(239,728,084)	(266,598,957)
Amortisation of goodwill and concession rights	(95,524,338)	(92,421,146)
Current Results	<u>723,194,039</u>	<u>546,721,700</u>
Extraordinary gains/(losses)	(164,731,871)	(14,443,172)
Profit before tax	558,462,168	532,278,528
Provision for income taxes	(159,617,110)	(195,533,884)
Profit after tax	<u>398,845,058</u>	<u>336,744,644</u>
Minority interests	41,307,345	44,364,346
Consolidated Net Profit	<u>440,152,402</u>	<u>381,108,991</u>
Net Profit per share – Basic – Euros	<u>0.14</u>	<u>0.13</u>

EDP – ENERGIAS DE PORTUGAL
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	<u>September 2005</u>	<u>September 2004</u>
	Euro	Euro
Sales	6,984,047,493.14	5,046,944,718.50
Cost of sales	(4,578,427,542.97)	(2,905,765,315.45)
Gross Margin	2,405,619,950.17	2,141,179,403.05
Other operating income		
Services rendered	439,193,642.98	398,532,875.09
Other operating income	92,557,878.74	63,635,825.91
	<u>531,751,521.71</u>	<u>462,168,701.00</u>
	2,937,371,471.88	2,603,348,104.05
Other operating costs		
Supplies and services	(604,205,170.63)	(456,297,751.98)
Staff costs	(423,108,717.86)	(420,258,310.97)
Employees benefits costs	(76,915,975.38)	(272,308,055.29)
Other operating costs	(431,875,633.27)	(260,694,412.14)
	<u>(1,536,105,497.13)</u>	<u>(1,409,558,530.38)</u>
Gross Operating Results	1,401,265,974.75	1,193,789,573.67
Provisions	(19,775,009.99)	1,675,510.97
Net depreciation and amortisation	(614,947,728.26)	(523,457,096.93)
Operating Results	766,543,236.50	672,007,987.70
Share of profit of associates	28,979,148.01	10,133,063.16
Financial income/(expense)	(287,908,390.52)	(268,076,452.05)
Profit before tax	507,613,993.98	414,064,598.82
Income tax expense	(155,793,531.80)	(125,211,054.87)
Profit after tax but before gain on discontinued operation	351,820,462.18	288,853,543.95
Gain on sale of discontinued operation, net of tax	49,542,947.50	–
Profit for the period	<u>401,363,409.68</u>	<u>288,853,543.95</u>
Attributable to:		
Equity holders of EDP	353,434,111.23	278,068,040.48
Minority interests	47,929,298.45	10,785,503.47
Profit for the period	<u>401,363,409.68</u>	<u>288,853,543.95</u>
Earnings per share (Basic and diluted) – Euros	<u>0.10</u>	<u>0.09</u>

EDP FINANCE B.V.

Incorporation, Duration and Domicile

EDP B.V., a wholly-owned subsidiary of EDP, was incorporated under Dutch law as a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam on October 1, 1999 for an unlimited period of time.

EDP B.V. has its registered office at Strawinskylaan 3105, 1077 ZX Amsterdam (phone number: +31 20 406 4444) and its statutory seat is in Amsterdam. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce and Industry in Amsterdam under No. 34121496.

Objects and Activities

The main objects of EDP B.V. are to assist EDP and EDP Group in raising funds in the international markets and to provide financial and investment services to group companies.

Management

The management of EDP B.V. is conducted by a Management Board which may consist of one or more members.

Members of the Management Board are elected by the general meeting of shareholders of EDP B.V. and may be recalled from this position at any time.

The current Management Board is composed of two members, being EQ Management Service B.V. and EDP. Details of the directors of EDP can be found on pages 71 to 75 of this Prospectus.

The details of the directors/proxyholders of EQ Management Service B.V. are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Elected</u>
Mr. Jacob Cornelius Willem van Burg	46	Director	2003
Mr. Hendrik Justus Wirix	58	Proxyholder	1999
Mr. Paul Josef Schmitz	55	Proxyholder	1999
Mr. Benjamin de Koe	35	Proxyholder	2002
Mr. Rob Vehoef	60	Proxyholder	1999
Mr. Paul Johannes Antonius Wilbrink	39	Proxyholder	2004
Mr. Rumoldus Geertruda Antonius de Schutter	62	Director	2005
Mr. Floris van der Rhee	51	Director	2005

The contact address for the above directors is EQ Management Service B.V., Strawinskylaan 3105, 1077ZX Amsterdam (Tel: +31 20 406 4444).

EDP B.V. may be legally represented by EQ Management Service B.V. and EDP acting jointly as managing directors.

Conflicts of Interest

The members of the management board of EDP B.V. do not have any conflicts, or any potential conflicts, between their duties to EDP B.V. and their private interests or other duties.

General Meeting of the Shareholders

The annual general meeting of shareholders must be held in Amsterdam, the Netherlands, within 6 months following the end of each fiscal year. Each share is entitled to one vote.

Financial Statements and Distribution of Profits

EDP B.V.'s fiscal year coincides with the calendar year. The annual general meeting of the shareholders determines the use of the annual surplus.

Trend Information

There has been no material adverse change in the prospects of the Issuer since December 31, 2004.

TAXATION

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

Portugal

The summary below in relation to Instruments issued by EDP assumes that such Instruments would be treated by the Portuguese tax authorities as corporate bonds (“*obrigações*”) as defined under Portuguese law. If Portuguese tax authorities would not treat Instruments as “*obrigações*” no assurance can be given that the same tax regime would apply.

Unless an exemption has been granted under article 27 of the Portuguese Tax Benefits Code with regard to payments of interest, payments of interest to be made by EDP on Instruments to be issued by it to entities non-resident in Portugal for tax purposes and without permanent establishment to which the income is attributable are subject to Portuguese withholding tax at the rate of 20 per cent., which may be reduced (to 10 per cent., 12 per cent. or 15 per cent., depending on the applicable treaty) 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, to the extent that all formalities required for application of such lower rate are met.

The gains obtained on the disposal of Instruments issued by EDP by an individual not resident in Portugal for tax purposes will not be subject to Portuguese capital gains taxation.

The gains obtained on the disposals of Instruments issued by EDP by a legal entity non-resident in Portugal for tax purposes and without permanent establishment to which the income is attributable will also not be subject to Portuguese capital gains taxation, pursuant to article 26 of the Portuguese Tax Benefits Code, provided that:

- (a) the share capital of the corporate holder is not more than 25 per cent. directly or indirectly held by Portuguese resident entities;
- (b) the holder is not domiciled in a country, territory or region subject to a tax regime clearly more favourable, included in a list approved by Ordinance issued by the Portuguese Minister of Finance.

If any of the above circumstances is not met, such gains will be subject to taxation at a rate of 25 per cent., subject to the provisions of specific treaties for the avoidance of double taxation under which such gains may not be subject to taxation to the extent that all formalities required for the application of such lower rate are met.

Payments to be made by EDP B.V., of interest or principal on Instruments issued by it to an individual or legal entity non-resident in Portugal for tax purposes and without permanent establishment to which the income is attributable are not subject to Portuguese withholding tax.

Portuguese Decree-Law no 193/2005, of November 7, 2005 approved a new “Special Tax Regime for Income derived from Debt Securities”, which will enter into force in January 1, 2006. Under the new regime, provided some formal legal requirements are met, income obtained by non-resident investors from Instruments issued directly by EDP will be exempted from Portuguese personal and corporate income tax. However in order to benefit from the regime the Instruments must be integrated and settled in centralised system for securities recognised under the terms of the Portuguese Securities Code and complementary legislation. Currently Euroclear and Clearstream Luxembourg are not so recognised.

The Netherlands

General

The following summary 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, who are not a resident nor deemed to be a 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 Netherlands tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

An individual holder, alone, or together with his or her partner (statutory defined term) or certain other related persons does not hold, directly or indirectly, a “substantial interest” (*aanmerkelijk belang*) in the Issuer, within the meaning of Section 4.3 of The Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of shares holds a “substantial interest” (*aanmerkelijk belang*) in a company, if such holder of shares, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (a) an interest of 5 per cent. or more of the total issued capital of the company or of 5 per cent. or more of the issued capital of a certain class of shares of a company, (b) rights to acquire (including a conversion right), directly or indirectly, such interest or (c) profit sharing rights in the company entitled to 5 per cent. of the yearly profits or liquidation rights of the company.

Withholding Tax

All payments on the Instruments, Receipts and Coupons by EDP B.V. may be made free of withholding or deduction of, for or on account of taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Instruments, Receipts and Coupons do not in fact have the function of equity of EDP B.V. within the meaning of Article 10(1)(d) of the Corporate Income Tax Act.

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 redemption, 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 Netherlands permanent establishment or permanent representative 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 or Coupons are attributable; or
- (iii) the holder of Instruments, Receipts or Coupons is an individual and such income or gains qualify as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) in the Netherlands within the meaning of Section 3.4 of the Income Tax Act 2001, which include the performance of activities in the Netherlands with respect to the Notes that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).

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) the Instruments, Receipts or Coupons are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or the death of the deceased; 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.

Treaties

Treaties may limit the Dutch sovereignty to levy gift and inheritance tax.

Other Taxes and Duties

No Dutch VAT, 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 non-resident 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.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Also with effect from July 1, 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

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 BPI, S.A., Banco Espírito Santo de Investimento, S.A., Banco Santander de Negócios Portugal, S.A. Barclays Bank PLC, BCP Investimento-Banco Comercial Português de Investimento, S.A., BNP Paribas, Caixa-Banco de Investimento, S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, Mitsubishi Securities International plc, Morgan Stanley & Co. International Limited and UBS Limited (the “Dealers”). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated January 10, 2006 (the “Dealership Agreement”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

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

Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. 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 Final Terms.

Portugal

Each Dealer has represented and agreed that the Prospectus has not been registered with the Portuguese Securities Exchange Commission (“*Comissão do Mercado de Valores Mobiliários*”) and

therefore the Instruments may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code (“*Código dos Valores Mobiliários*”) enacted by Dedree Law no. 486/99 of November 13, unless the requirements and provisions applicable to public offerings in Portugal are met and the above mentioned registration is made. In addition, no offering materials have been and will be publicly distributed in Portugal and no publicity or marketing activities related to the Instruments have been conducted in Portugal and will not be conducted unless the requirements and provisions applicable to public offerings in Portugal are met and the above mentioned registration is made.

The Netherlands

Each Dealer has represented and agreed that any Notes with a maturity of less than 12 months will either have a minimum denomination of EUR 50,000 or be offered in or outside the Netherlands in circumstances where another exemption or a dispensation from the requirement to make a prospectus publicly available has been granted under Article 4 of the Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*).

Zero Coupon Instruments (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either EDP, EDP B.V. or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake Spaarbewijzen*) of 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 Instrument in global form; or (b) the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof; or (c) transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession, or (d) the transfer and acceptance of such Zero Coupon Instruments within, from or into The Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed within The Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificate Act applies, certain identification requirements in relation to the issue and transfer of and payments on Zero Coupon Instruments have to be complied with. For the purposes of this paragraph “Zero Coupon Instruments” are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

United Kingdom

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

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- (2) in relation to any Instruments having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal and agent) for the purposes of

their businesses where the issue of the Instruments would otherwise constitute a contravention of section 19 of the FSMA by the Issuer; and

- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and, 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 (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan 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, ministerial guidelines and regulations of Japan.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Instruments to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Instruments to the public” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

Other than with respect to the listing of the Instruments on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

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

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

GENERAL INFORMATION

1. The admission of Instruments to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Instruments which is to be admitted to the Official List and to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Instruments of such Tranche. Application has been made to the UK Listing Authority for Instruments issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Instruments to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The listing of the Programme in respect of Instruments is expected to be granted on or before January 10, 2006.
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 increase in the amount of the Programme to EUR 5,000,000,000 and the entering into of the Trust Deed and the Keep Well Agreement was authorised by the Board of Directors of EDP at a meeting held on March 13, 2001 and by the management board of EDP B.V. at a meeting held on March 8, 2001. The update of the Programme was authorised by the Board of Directors of EDP at a meeting held on February 2, 2004 and by the management board of EDP B.V. at a meeting held on December 17, 2004. The update of the Programme and the increase of the nominal amount of the Programme to EUR 7,000,000,000 was authorised by the Board of Directors of EDP at a meeting held on November 22, 2005 and by the management board of EDP B.V. at a meeting held on November 23, 2005. 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 and Clearstream, Luxembourg (which are the entities in charge of keeping records). The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

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. For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available from the registered office of EDP, EDP B.V. and from the specified 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, 2003 and December 31, 2004 and the audited financial statements of EDP

B.V. in respect of the financial years ended December 31, 2003 and December 31, 2004, in each case with the audit reports prepared in connection therewith;

- (iii) the most recently published audited annual financial statements of EDP and EDP B.V. and the most recently published unaudited interim financial statements (if any) of EDP and EDP B.V. in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Dealership Agreement, the Trust Deed, the Keep Well Agreement, the Agency Agreement and the forms of the Instruments, the Receipts, the Coupons and the Talons;
- (v) a copy of this Prospectus;
- (vi) any future information memoranda, prospectuses, offering circulars and supplements including Final Terms (save that Final Terms relating to an Instrument which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Instrument and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Instruments and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of Instruments admitted to trading on the Gilt Edged and Fixed Interest Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gh/pricenews/marketnews/.

- 6. There has been no significant change in the financial or trading position of EDP, EDP B.V. or the Group since September 30, 2005, and there has been no material adverse change in the financial position or prospects of EDP, EDP B.V. or the Group since the date of the last audited annual accounts being December 31, 2004.
- 7. None of EDP, EDP B.V. and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP or EDP B.V. is aware) in the 12 months preceding the date of this document which may have or have had a significant effect on the financial position of EDP, EDP B.V. or the Group.
- 8. PricewaterhouseCoopers, audited the financial statements for the three years ended December 31, 2003 of EDP in accordance with generally accepted auditing standards in Portugal and issued an unqualified auditors' report thereon. PricewaterhouseCoopers Accountants N.V., audited the financial statements for the three years ended December 31, 2003 of EDP B.V., in accordance with generally accepted auditing standards in The Netherlands and issued an unqualified auditors' report thereon.

The auditors of the EDP are KPMG & Associados, SROC, SA, independent certified public accountants, who have audited EDP's accounts, without qualification, in accordance with generally accepted auditing standards in Portugal for the financial year ended on December 31, 2004. The auditors of EDP have no material interest in EDP.

The current auditors of EDP B.V. are KPMG Accountants N.V. PricewaterhouseCoopers Accountants N.V. audited EDP B.V.'s accounts, without qualification, in accordance with generally accepted auditing standards in The Netherlands for the financial year ended on December 31, 2004. The auditors of EDP B.V. have no material interest in EDP B.V. Both KPMG Accountants N.V. and PricewaterhouseCoopers Accountants N.V. are chartered accountants ("registeraccountants") in The Netherlands.

The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the relevant Issuer or any other person called for by or provided to the Trustee (whether or not

addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the relevant Issuer or such other person in respect thereof.

9. The price and amount of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
10. The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuers and their affiliates in the ordinary course of business.

**REGISTERED OFFICE OF
EDP FINANCE B.V.**
Strawinskylaan 3105
1077ZX
Amsterdam
Tel: +31 20 406 4444

**REGISTERED AND
HEAD OFFICE OF EDP**
Praça Marquês de Pombal
1250-162 Lisbon
Tel: +351 21 001 2647

DEALERS

ABN AMRO Bank N.V.
250 Bishopsgate
London EC2M 4AA

Banco BPI, S.A.
Largo Jean Monnet, 1-4th Floor
1269-067 Lisbon

Banco Espírito Santo Investimento, S.A.
R. Alexandre Herculano, 38
1269-161 Lisbon

Banco Millenium bcp investimento, S.A.
Av. José Malhoa
Lote 1686,1º
1070 157 Lisbon

Banco Santander de Negócios Portugal, S.A.
Av. Eng Duarte Pacheco
Torre 1-6
Amoreiras
1099-024 Lisbon

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB

BNP Paribas
10 Harewood Avenue
London NW1 6AA

Caixa-Banco de Investimento, S.A.
Rua Barata Salgueiro, 33
1269-057 Lisbon

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

Dresdner Bank Aktiengesellschaft
Juergen-Ponto-Platz 1
60301 Frankfurt-am-Main

Mitsubishi Securities International plc
6 Broadgate
London EC2M 2AA

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

AUDITORS

To EDP

KPMG

KPMG & Associados – Sociedade de Revisores
Oficiais de Contas, S.A.,
Edeficio Monumental Av
Praia da Vitoria,
71-A, 11º
1069-006 Lisbon
Portugal

To EDP B.V.

KPMG

Burgemeester
Rijnderslaan 10
1185 MC Amstelveen
Amsterdam
The Netherlands

TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB

ISSUE AND PAYING AGENT

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR AND PAYING AGENT

Deutsche Bank Luxembourg S.A.

2 Boulevard Konrad Adenauer
L-1115 Luxembourg

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