

**Banking and Capital Markets**

The Portuguese Government approved this week the main terms and conditions of the re-privatisation of 10% of EDP's share capital, which will be carried out through the issuance of convertible bonds by Parpública.

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Government approves conditions applicable to EDP's re-privatisation

The Portuguese Government issued this week Resolution 79/2010 which approved the main terms and conditions of the eighth phase of the re-privatisation of EDP – Electricidade de Portugal, S.A. ("EDP").

EDP is the Portuguese producer and distributor of electricity. It holds investments in the USA, Brasil, Spain, France, Belgium, Poland and Romania.

Presently, EDP is the third largest renewable energy operator in the Iberian market and the third largest player in wind energy world-wide. It was recently recognised as number one in the utilities sector of the Dow Jones Sustainability Indexes.

The re-privatisation of EDP started in June 1997, with the sale of 30% of EDP's share capital. The others phases took place in May and June 1998, October 2000, October 2004, December 2005 and November 2007.

The new phase of EDP's re-privatisation was included in the Portuguese Stability and Grow Programme with a view to reducing the public debt and the debt charges. The 2010 State Budget approved the re-privatisation programme of certain public companies and public owned shareholdings, including Galp Energia and EDP. The target is to obtain 1,200 million Euros, corresponding to 0.73 % of the gross domestic product.

Before EDP's re-privatisation, the Portuguese Government launched the fifth phase of re-privatisation of Galp Energia, through the issuance of convertible bonds corresponding to 7% of Galp Energia's share capital, worth 885 million Euros.

Decree-Law 105/2010, of 1 October 2010, approved the eighth phase of the re-privatisation of EDP. Under this Decree-Law, the re-privatisation of EDP will also be carried out through the issuance of convertible bonds by Parpública corresponding up to 10% of capital stock of EDP.

Resolution 79/2010, of 12 October, set out the re-privatisation of a maximum of 365 million shares of EDP. The convertible bonds will be distributed by a restrict group of national and international institutions, including, among others, Caixa Geral de Depósitos, Bank of America – Merrill Lynch, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Royal Bank of Scotland and UBS.

Each convertible bond will give its holder the rights to earn interest, the repayment of principal or the delivery of certain EDP's shares. The maturity of the bonds will be 7 years. The reference price will be determined based on the average stock prices in the previous 5 days of the beginning of the subscription period. These bonds may, at Parpública's option be listed at Euronext or other markets.

If any of the shares that are being re-privatised are not used by Parpública to repay the bonds to the investors, Parpública must sell those shares in the national or international stock exchanges.

After this eighth phase of re-privatisation, the Portuguese State will keep a shareholding of, approximately, 12.55% of EDP's share capital.

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