



DISPATCH

The shareholder IBERDROLA ENERGIA, S.A. (IBERDROLA), holding 248.437.516 shares, representative of 6.79% of the share capital and of the voting rights of this company, required, on the past 13th of February, to the Chairman of the General shareholders meeting, bearing in mind the items of the agenda of the shareholders meeting convened for the 20th of February 2012, that he declared the prohibition to exercise the voting rights by the shareholders Parpública – Participações Públicas (SGPS), S.A. (PARPÚBLICA) and Caixa Geral de Depósitos, S.A. (CGD) regarding the resolutions corresponding to the items 1, 2, e 3.

I recall that (i) item 1 concerns the amendment of article 10 of EDP Bylaws, by means of addition of a new number 10, (ii) item 2 concerns the amendment of article 14 of the referred Bylaws, by means of the amendment of its number 3, and (iii) item 3 concerns the designation of the members of EDP General and Supervisory board for the mandate 2012-2014.

The resolutions concerned, subscribed by different shareholders that, jointly, represent 41.43% of the share capital and voting rights of this company, were made available to all shareholders on the date the notice to convene meeting was published, according to the Law.

It is publicly acknowledged that, on the 30th of December 2011, the Chinese Company China Three Gorges Corporation (CTG) entered into an agreement with PARPÚBLICA with a view to acquire shares representing 21.35% of the share capital of EDP.

It is also public, as it was disclosed as privileged information by EDP, on the 23rd of December 2011, that CTG entered into a strategic partnership agreement with this company.

The request made by IBERDROLA towards the prohibition of the exercise of the voting rights by the shareholders PARPÚBLICA and CGD, regarding the referred items to be discussed, resolved, and voted on by the next General Shareholders meeting, is submitted, allegedly, as a result of the referred direct sale agreement of EDP shares formalized between PARPÚBLICA and CTG and the strategic partnership agreement signed between EDP and CTG, which would involve, according to the understanding of the requester, a situation of conflict of interests.

We shall now decide.

The reasoning presented by the requester for its request, made on the grounds of conflicts of interests, is clearly diffuse and too generalist.

In this sense, it was up to the requester to specify it within the legal framework.

Actually, pursuant to article 384(6) of the Portuguese Companies Code (PCC), a shareholder is only not allowed to vote at the General shareholders meeting when the Law expressly prevents it.

IBERDROLA didn't express in its requirement the legal provision that grounds its pretention regarding the prohibition of the exercise of voting rights by PARPÚBLICA and CGD.

This prohibition is express in case a shareholder is in delay with respect to its entry of capital and in the case of holding own shares – article 384(4) and article 324(1), both of PCC, or also in the four situations provided in subparagraphs a) to d) of the referred article 384(6) of the same Law, which represent cases of conflicts of interests between a company and a shareholder.

That is what happens in the case of release from an obligation or own liability of the shareholder, when there is a legal dispute between the company and the shareholder about a certain



pretention, in case of resignation of the shareholder as a member of a corporate body, or, more generally, of any relation, already established or to establish, between the company and the shareholder, strange to the Bylaws.

In the present case and considering the allegation by the requester, we do not see any situation of conflict of interests between the shareholders PARPÚBLICA and CGD and the company itself.

It does not exist, nor was it invoked, any discharge from an obligation or liability assumed by the companies that are being referenced, there is no reference to any legal dispute present or future between these shareholders and EDP, not even any relation already established or to establish, between this company and those shareholders, strange to the Bylaws.

In fact, the proposed amendment to the Bylaws, in which PARPÚBLICA didn't intervene alone, respect precisely to the Bylaws, and the same happens with the list that it proposed for the purpose of designation of the general supervisory board.

A last consideration is addressed to refer also that the direct sale agreement of EDP shares, in which PARPÚBLICA entered into with CTG, does not involve any conflict with the company, but, on the contrary, it qualifies as an important step towards its development, pursuant to the strategic partnership agreement entered into by EDP with this future shareholder, as an example of similar agreements signed with other reference shareholders.

Additionally, and contrary to what the requester seems to consider, it is clear that PARPÚBLICA and CGD are totally independent from CTG.

In these terms, and without the need for further considerations, I decide that there is no situation of conflict of interests between PARPÚBLICA and EDP, and for this reason declare that the request to forbid the exercise of voting rights by the shareholder PARPÚBLICA on the next EDP General shareholders meeting regarding Items 1, 2 and 3 of the Agenda is totally rejected.

As a consequence, and regardless of the shareholding structure of PARPÚBLICA and CGD, it no restriction should be imposed on the exercise of voting rights by the shareholder CGD in the referred meeting, although this company is not registered to participate in that meeting.

In these terms, the shareholder PARPÚBLICA will be admitted to participate and vote in relation to all items of the agenda of the General shareholders meeting of 20th February.

Lisbon, 17th of February 2012

The Chairman of the General shareholders meeting

Rui Pena

Dear Sir

Chairman of the General Shareholders Meeting

EDP – Energias de Portugal, S.A.

Praça Marquês de Pombal, n.º 12

1250- 162 Lisboa

Bilbao, 13th of February 2012

Subject: Extraordinary General Shareholders Meeting of EDP – Energias de Portugal, S.A.

Dear Sir,

Iberdrola Energía, S.A., with registered office at Tomás Redondo, No. 1, 28033 Madrid, company registration number A-78932514, holder of 248.437.516 shares, representative of 6,79% of the share capital and voting rights of EDP – Energias de Portugal, S.A. (“**EDP**”), hereby states and requests as follows:

I - Extraordinary General Shareholders Meeting of EDP

- (a) According to the notice to convene meeting regarding the Extraordinary General Shareholders Meeting of EDP that will take place on the 20th of February 2012 (the “General Shareholders Meeting”), the shareholders of EDP are asked to resolve on the items of the agenda regarding the amendment of the ByLaws (Item 1 and 2) and the designation of the members of the Board of Directors and the Supervisory Board of EDP (Item 3 and 4), according to the respective resolution proposals whose content is hereby fully reproduced (“Resolution Proposal(s”).
- (b) Item 1 on the agenda concerns the amendment of article 10 of EDP ByLaws, by means of the addition of a new No. 10.
- (c) Item 2 on the agenda refers to the amendment of article 14, No. 3 of EDP ByLaws.
- (d) Item 3 on the agenda concerns the resolution on the designation of the members of the General Supervisory Board of EDP for the mandate 2012-2014. The concerned proposal of resolution was amended, following the request made by Parpública – Participações Públicas (SGPS), S.A. (PARPÚBLICA) on the 12th of January 2012, on its behalf and on account of the other shareholders of EDP that subscribed the initial resolution Proposal, which was the object of your favourable Dispatch dated of 16th of February 2012, documents which content are hereby fully reproduced.

Following the referred amendment to the Resolution Proposal, there was a replacement - on the list regarding the composition of the General and Supervisory Board of EDP for the mandate 2012-2014 – of the individual persons relating CTG, indicated on the initial version of the Resolution Proposal (disclosed on the 6th of January 2012), by the following legal persons: (i) China Three Gorges Corporation (“**CTG**”) (on their respective quality of Vice Chairman), (ii) China International Water & Electric Corp., (iii) China Three Gorges New Energy Co., Ltd., and (iv) China Three Gorges International (Europe), S.A.

- (e) Although it does not expressly follow from the content of new No. 10 of article 10 of EDP ByLaws (referred on (b) above), the foreword of the respective proposal of resolution makes reference to an agreement between EDP and CTG, named strategic partnership agreement (“**strategic partnership agreement**”), entered into on the context of the 8th privatization process of EDP, whose entry into force, in its turn, is allegedly subordinated to the acquisition by CTG of its capacity as shareholder, as a result of the respective acquisition to PARPÚBLICA of shares representing 21,35% of the share capital of EDP, according to the terms of the reference direct sale agreement entered into, between CTG and PARPÚBLICA, on the 30th of December 2011 (“**Direct Sale Agreement**”).
- (f) Equally, in what concerns the amendment of item 2 of the ByLaws, the increase of the maximum limit to cast votes issued by shareholders, provided in article 14(3) of EDP ByLaws – from 20% to 25% - is allegedly justified, according to the respective Resolution Proposal, “*due to the perspective of evolution of the shareholding structure of EDP*”. In view of the percentage of the share capital represented by shares covered by the Direct Sell Agreement above referred in (e), it is presumed that the evolution concerned (EDP shareholding structure) will lead to the acquisition, by CTG, of shares representative of 21,35% of the share capital of EDP.
- (g) Furthermore, according to the public information that is readily available¹, the approval of the resolutions covered by the proposals referred above in (b), (c), and (d), will be allegedly condition to the partnership agreement, and eventually, the direct sell agreement.

II. - Impediment of vote

In view of the scope of the resolutions to be adopted on the General shareholders meeting in the context of items 1, 2, and 3 of the agenda and the relationship instituted by the strategic partnership agreement and the direct sale agreement, whose material interconnection seems in addition to result from the referred in item I. above, Iberdrola Energía, S.A. understand that PARPÚBLICA is impeded to vote those resolutions since it is under a situation of conflict of interests. Additionally, and taking into account the

¹ *Vide* in particularly the public statement of relevant fact made by EDP on the 23rd of December 2011 regarding the presentation of strategic partnership with CTG.

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shareholding structure of PARPÚBLICA and Caixa Geral de Depósitos, S.A. ("**CGD**"), the latter shall be also impeded to vote the referred resolutions.

In these terms, it is respectfully requested that you declare the impediment of the exercise of the voting rights of the shareholders PARPÚBLICA and CGD regarding the resolutions concerning items 1, 2, and 3 on the agenda.

Kind regards,

Iberdrola Energía, S.A.

José Luis San Pedro Guerenabarrena

Director