

EDP WRONG NUMBERS

May 12th, 2014

Today is the EDP Shareholding Meeting. As usual over this last years, the statutory accounts show significant profits.

Regrettably, EDP administration has not presented to the shareholders and to the market a number of financial vulnerabilities, in two levels:

1. Most of the profits made by EDP comes from financial balance contracts of certain power stations, commonly known as “electric rents”. Since the beginning, this contracts are based upon unrealistic assumptions, namely electricity consumption estimations grossly optimistic. Regarding the conditions of the Portuguese and European energy policies increasingly more demanding and the closer monitoring of the international community of the market competitive conditions it is very likely that the profits coming from these contracts is reduced.

2. EDP is today the first in the destruction of the environment in Portugal, considering Baixo Sabor and Foz Tua dams. This fact creates large financial vulnerabilities that were never admitted or reported by EDP:

a) These dams were approved upon false grounding. Despite the fact the Portuguese State has issued construction permits these dams are under litigation, in consequence of serious law infringements. In the case of Baixo Sabor, *Rede Natura 2000* is particularly damaged; in the case of Foz Tua, the Tua Railway Line is destroyed and the World Heritage site of the Alto Douro Wine Region is endangered in complete disrespect with UNESCO requirements. If the final disposal of any of these legal process on going is against EDP this will bring a big lost for the investors

b) EDP propaganda wants to convince people that the newly-built dams will produce “clean energy”. This is an hypocrite attitude and scientifically wrong, which was and will continued to be unmasked in face of the public opinion. As tells the portuguese popular saying “*what is under the sunlight does not need a candle*”. No propaganda can hide obvious facts: these dams don't have any public interest, they have huge impacts at a social, economic and environmental level impossible to compensate, but they will be beard by local communities, consumers and tax-payers. Foz Tua and Baixo Sabor are unreasonable aberrations impossible to hide and they are a continuous threat to EDP integrity;

c) The financial engineering of these dams is kept secret. Independent estimates point out good expectations of profits, that are nevertheless based upon three optimistic but unreliable assumptions: (i) the non-contractual subsidies will be maintained (which is scandalous and and unacceptable), (ii) its use will result mainly of a water pumping system (in surplus and therefore redundant), and (iii) the level of rainfall is maintained (threatened by climate change). Any short-cut in this assumptions will imply significant losses in the profits estimations.

All these risks are omitted in the accounts presented by EDP. In conclusion, we can state that Foz Tua and Baixo Sabor aren't only environmental and social nightmares: in a short-term they will become real nightmares for EDP investors.