

## BASE PROSPECTUS

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# REN – Redes Energéticas Nacionais, SGPS, S.A.

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EUR 5,000,000,000

### Euro Medium Term Note Programme

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Under this EUR 5,000,000,000 Euro Medium Term Note Programme (the **Programme**), REN – Redes Energéticas Nacionais, SGPS, S.A. (the **Issuer** or **REN**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 5,000,000,000, subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” 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 Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes 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 under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Base 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 Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). The Programme provides that Notes 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 Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes will be issued in book-entry form (*forma escritural*) and nominative form (*nominativos*). The Notes will be registered by *Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa)* as management entity of the Portuguese Centralised System of Registration of Securities (*Central de Valores Mobiliários*) (CVM).

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the **Prospectus Directive**) will be EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Notes issued under the Programme will have a maturity of one year or more.

So long as the Notes are held through Interbolsa, in accordance with applicable rules, and subject to any amendments thereto, the Notes shall be tradeable only in integral multiples of their denomination.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes contained herein, in which event a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

#### Arrangers

Barclays Capital

Caixa – Banco de Investimento

#### Dealers

Barclays Capital

Caixa – Banco de Investimento

Banco Bilbao Vizcaya Argentaria, S.A.

Banco Espírito Santo de Investimento, S.A.

Banco Santander Global Banking and Markets

BNP PARIBAS

Citi

Deutsche Bank

HSBC

J.P. Morgan

Merrill Lynch International

Millennium investment banking

The Royal Bank of Scotland

UBS Investment Bank

The date of this Base Prospectus is 9 September 2008.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus.

To the best of the knowledge of the Issuer (the **Responsible Person**) (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

The Dealers have not 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 as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer 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 expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes 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, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes 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 or the Dealers which is intended

to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Portugal) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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 **euro**, **EUR** 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 Notes, 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 Notes or effect transactions with a view to supporting the market price of the Notes 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 Notes is made and, if begun, 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 Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes contained herein, in which event, in the case of listed Notes only and if appropriate, a supplement to the Base Prospectus will be published.*

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “*Form of Final Terms*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

Issuer:	REN – Redes Energéticas Nacionais, SGPS, S.A.
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” below and include risks relating to the electricity and gas industry the Issuer operates in. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Arrangers:	Barclays Bank PLC and Caixa – Banco de Investimento, S.A.
Dealers:	Barclays Bank PLC Caixa – Banco de Investimento, S.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco Espírito Santo de Investimento, S.A. Banco Millennium bcp Investimento, S.A. Banco Santander de Negócios Portugal, S.A. BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities Ltd. Merrill Lynch International The Royal Bank of Scotland plc  UBS Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Agent:	Caixa – Banco de Investimento, S.A.
Programme Size:	Up to EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Form of Notes:	The Notes will be issued in book-entry form ( <i>forma escritural</i> ) and nominative form ( <i>nominativos</i> ).
Currencies:	Notes will be denominated in euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	<p>The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as set out in the relevant Final Terms).</p> <p>The Notes will have a maturity of one year or more.</p>
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(c) on such other basis as may be agreed between the Issuer and the relevant Dealer.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>

Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree in accordance with Interbolsa procedures and regulations.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.</p>
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction subject to what is provided in Condition 8 (Taxation) as long as certain procedures and certification requirements are complied with. See “ <i>Taxation</i> ”. In the event that any such deduction is made, the Issuer will, save in certain circumstances provided in Condition 8 (Taxation), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of Notes will contain a negative pledge provision as further described in Condition 4 (Negative Pledge).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10 (Events of Default).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (Negative Pledge)) unsecured obligations of the 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 Issuer, from time to time outstanding.
Rating:	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.

Listing and admission to trading:	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.
	Notes 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. Notes which are neither listed nor admitted to trading on any market may also be issued.
	The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law save that, the form ( <i>representação formal</i> ) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Portugal) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA not applicable.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is 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 Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### **Risks Related to Business and Industry of the Issuer**

*REN's results of operations are affected by laws and regulations, including regulations regarding the prices REN may charge for electricity and gas transmission*

As a public service provider, REN operates in a highly regulated environment. The Portuguese State has created the current legal and regulatory framework governing the Portuguese electricity and gas sectors in which REN operates. REN cannot predict what regulatory changes will be made in the future or, if any such regulatory changes were made, the effects these changes would have on its business, financial condition and results of operations.

The Portuguese State established an independent regulator, the Entidade Reguladora dos Serviços Energéticos (ERSE) to regulate the electricity and gas industries in Portugal. ERSE tariff codes define the tariffs that REN may charge for the gas and electricity services it provides in the regulated gas and electricity sectors. ERSE also sets out the operating service levels that it is obliged to maintain. In attempting to achieve an appropriate balance between the interests of electricity and gas consumers and the needs of REN and other participants in the energy sector to generate adequate profit, ERSE may take actions that adversely impact REN's profitability. Although ERSE is an independent regulator, the Portuguese State could pass laws or take other actions that could impact REN's business.

In addition, the Direcção Geral de Energia e Geologia (the DGEG) must approve any proposed improvements to the electricity and natural gas infrastructure which REN operates. DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. In particular DGEG is responsible for (i) assisting in defining, enacting, evaluating and implementing energy policies, (ii) identifying geological resources in order to ensure that their potential uses are properly evaluated, (iii) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity, (iv) promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources, (v) supporting the Ministry of Economy at the international and European level, (vi) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission grid, the electricity distribution grid and the quality of service provided to energy consumers), (vii) providing sector-based support to the Portuguese Government in crisis and emergency situations, (viii) approving the issuance, modification and revocation of electricity generation licences, and (ix) conducting the public tender procedure for the attribution of grid interconnection points in the renewable energy sector. Whilst carrying out its responsibilities, the DGEG must consider the following national objectives: (i) guaranteed energy supply, (ii) energy diversification, (iii) energy efficiency and (iv) the preservation of the environment. If REN is unable to obtain such approvals, it may not be able to expand its transmission network and increase its regulated asset base.

*The regulation of electricity and gas in Portugal is in a state of transition*

The current regulatory scheme in Portugal, following the development of Iberian Electricity Market (MIBEL), is in a period of transition, in which the Portuguese electricity market is being deregulated and REN's role as a single buyer of electricity has terminated. The current regulatory scheme contemplates that the power purchase agreements with EDP – Gestão de Produção de Energia, S.A. (EDP Produção), Tejo Energia, S.A. (Tejo Energia) and Turbogás -Produtora Energética, S.A. (Turbogás) are to be terminated early with compensation paid to them. This compensation is intended to maintain a contractual balance between the parties and guarantee the generators the payment of revenues they would not receive under a market regime. However, REN has no right to compel the generators to terminate their power purchase agreements with it, and termination of these agreements will be subject to certain third party consents, including from their lenders, over which REN has no control. Currently, only EDP Produção has terminated their power purchase agreements, on 1 July 2007.

Until 1 July 2007 REN had the role of “single buyer” for the Portuguese Public Electric System. In this scope, REN had to buy and sell all the energy needed for the System. As a result, REN could act as trader in the market as a way to optimize the assets under its management. To encourage REN's trading activities the Regulator allowed the company to keep the equivalent to 50 per cent. of the gains realised through electricity trading activities. From that date on, the incentives methodology to trade electricity changed. The new methodology set by ERSE to optimize the management and trading of the two remaining PPAs allows REN to retain up to EUR 5,000,000 per year. If the power purchase agreements with Tejo Energia and Turbogás are terminated, REN will cease to trade electricity and its activities in the electricity sector will be limited to acting as the operator of Portugal's national electricity transmission network (the RNT). Accordingly, REN's revenues and profitability in the electricity sector will be dependent entirely upon its success in this role, which includes the construction, operation and maintenance of the RNT and also the technical management of the national electricity system.

The regulation of the natural gas industry in Portugal is also changing significantly. Deregulation of the natural gas industry is in an early stage, and as a result it is more difficult for REN to assess the total potential effect of regulatory changes. REN can give no assurance that such regulatory changes will not have a material adverse effect on its business, financial condition, or results of operations.

*REN may not be able to successfully execute its business strategy*

REN's ability to successfully execute its business strategy depends on a number of factors, including its ability to achieve its objectives of focusing on regulated activities in Portugal, improving operating performance and quality of service, creating an integrated energy infrastructure platform, and optimising its capital structure.

These objectives may not be successful or fully executed. If REN fails to achieve these strategic objectives, its results of operations may decline adversely impacting its financial position. REN's ability to achieve these objectives is subject to a variety of risks, including the specific risks related to its current strategic plan.

*The expiration or early termination of REN's concessions, permits or licenses by the granting authorities may prevent REN from realising the full value of certain assets and cause REN to lose future profits without adequate compensation*

REN conducts its electricity and gas businesses pursuant to concessions and licenses granted by the Portuguese State and various municipalities respectively. REN's concession to operate the RNT has a term of 50 years from 15 June 2007, and REN's three natural gas concessions have each been granted for terms of 40 years from 26 September 2006. However, these concessions are subject to early termination under specified circumstances. These concessions include compensation systems geared to safeguard the recovery of REN's investments. The recovery of these investments is conditional upon the formulation and stability of the concession frameworks in the medium and long term. These are aspects that, in many cases, go beyond REN's control and management capacity. New social, political and economic standards may affect the stability of such frameworks, causing unexpected effects on REN's strategic business plans and compromising the return on long-term investments.

Moreover, failure to comply with the terms of a concession may result in the termination of that concession. The expiration or termination of concessions permits or licenses would have a material adverse effect on REN's operating revenues. Upon expiration or termination of concessions, the fixed assets associated with REN's concessions will, in general, revert to the Portuguese State or relevant municipality, as appropriate. Although compensatory amounts should be paid to REN with respect to these assets in these circumstances, the loss of these assets would have a material adverse effect on its results of operations.

*Upon the termination of certain of its power purchase agreements, REN will lose most of its revenues from trading electricity.*

REN purchases all of the electricity produced in the two power plants whose power purchase agreements (PPAs) have not been terminated (Tejo Energia and Turbogás) and then sells, the electricity in the market or through bilateral contracts. From 1 January 2008, the Regulator published a set of rules (Despacho nº 6/2008, dated 8 April 2008) establishing incentives for good management of the power purchase agreements and optimisation of the trade of the electricity produced by the power plants. These incentives will allow REN to keep up to a maximum of 5 million Euros every year.

Although the two PPAs (Tejo Energia and Turbogás) remained in effect after 1 July 2007, these agreements may be subject to early termination at anytime thereafter should the parties thereto so agree.

*REN's historical and pro forma results of operations may not reflect its future financial performance*

After the termination of all but two of REN's existing PPAs, its activities in the electricity sector are primarily limited to acting as the RNT operator, and REN has lost substantial amounts of revenues from trading electricity, which are included in its historical and *pro forma* financial results. In addition, in September 2006, REN acquired the assets and businesses which form its natural gas business. The natural gas business has been included in REN's historical results since September 2006.

As a result of the foregoing, the historical and *pro forma* financial information contained herein does not necessarily reflect (i) what REN's financial position, results of operations and cash flows would have been had the gas business been owned by the REN and had the PPAs not been in effect during the periods presented or (ii) what REN's financial position, results of operations and cash flows may be in the future. As a result, investors should not place undue reliance on REN's historical and *pro forma* financial information as an indicator of future financial performance.

*The tariffs REN charges for electricity transmission and for the gas regulated activities are based on a number of assumptions, which may prove incorrect*

The tariff schemes currently in effect for the electricity sector and for the gas sector seek to provide REN with a specified return on REN's average cost of capital, with any variation between projected return and actual return being corrected in the tariffs over the two following years. In recent years, the return projected by ERSE in setting electricity tariffs has significantly exceeded REN's actual return, due in part to the higher costs of renewable generation. Although REN will be compensated for the shortfall in actual return compared to projected return in future tariffs, the lower revenues received by REN have adversely affected REN's cash flows as a result of the delay in receiving compensation for this difference. REN can give no assurance that the estimates used in setting future tariffs will not prove to be incorrect, which may have a material adverse effect on its business, financial condition and results of operations.

In addition, projected returns do not take into account disasters, accidents or failures by third-party suppliers to provide electricity or gas for transmission. To the extent any such disasters, accidents or failures by third-party suppliers reduce the amount of electricity or gas transmitted through REN's networks, REN's revenues and cash flows could be adversely affected. Furthermore, any damage to REN's electricity or gas concession assets could result in a devaluation of its regulated asset base upon which its allowed rate of return is calculated. If REN is not able to negotiate higher tariffs to compensate REN for any devaluation of the regulated asset base, REN could experience lower revenues going forward, which could have an adverse effect on its business, financial condition and results of operations. Gas supply for transmission could also be subject to risks of contract fulfillment by counterparties.

*Network construction project delays could adversely affect REN's business, financial condition and results of operations*

The large-scale network construction projects REN undertakes, including interconnection projects and gas storage caverns, present certain risks, such as shortages of materials and labour, increases in the cost of materials and labour, general factors affecting economic activity and borrowing, delays in obtaining regulatory approvals, including environmental permits, opposition to energy infrastructure development by political or other groups, expiration and/or renewal of existing rights in real property, malfeasance by REN's contractors and subcontractors and disruptions, either resulting from adverse weather conditions or from unforeseeable technical or environmental problems. Any of these factors may cause delays in completion or commencement of operations of REN's construction projects and may increase the cost of contemplated projects. An inability to recover the increased costs through higher tariffs on a timely basis could have an adverse effect on its business, financial condition and results of operations.

*The public may react negatively to periodic tariff readjustments*

Adverse public reaction may result in pressure to restrict tariff increases. If Government action restricts tariff increases or reduces tariffs, and REN is not able to secure adequate compensation, its business, financial condition and results of operations could be adversely affected.

*REN may have difficulty in hiring and retaining qualified personnel*

REN intends to expand and develop its business and will need to hire additional employees in order to continue its expansion strategy. This strategy will require REN to recruit and promote additional executive management and technical personnel. The inability in the future to attract and retain sufficient technical and managerial personnel could limit or delay REN's network and associated infrastructure development efforts, which could have an adverse effect on its business, financial condition and results of operations.

*REN may face labour disruptions that could interfere with its operations and business*

Approximately 56 per cent. of the employees of REN's subsidiary REN – Rede Eléctrica Nacional, S.A. (REN Rede Eléctrica) and 29 per cent. of the employees of the subsidiary REN Gasodutos, S.A. (REN Gasodutos) are members of unions.

REN has established a committee of representatives of employees which meets with the board of directors every three months to discuss and resolve any significant employment issues and REN believes that REN maintains satisfactory working relationships with its employees.

In spite of the above REN remains subject to the risk of labour disputes and adverse employee relations that could disrupt its business operations and adversely affect such operations, its business and its financial condition.

REN has not experienced any significant labour disputes or work stoppages, however its existing labour agreements may not prevent a strike or work stoppage at any of its facilities in future. Any such work stoppage could have an adverse effect on REN's business, financial condition and results of operations.

*REN may incur future costs with respect to its defined benefit pension*

REN Rede Eléctrica grants its employees a supplementary retirement and survival plan. In order to address the costs of the supplementary retirement plan, REN Rede Eléctrica invests in an autonomous pension fund, managed by an independent managing entity, to which REN transfers all the liabilities and will pay the necessary contributions to cover the responsibilities arising in each period. The liabilities and corresponding annual costs are determined through annual actuarial calculations, using the projected unit credit method, by an independent actuary.

The most critical risks relating to pensions accounting often relate to the returns on pension fund assets and the discount rate used to assess the present value of future payments. Pension liabilities can place pressure on cash flows. In particular, if REN Rede Eléctrica's pension fund is underfunded, REN may be required to make additional contributions to the fund, which could adversely affect its business, financial condition and results of operations.

*REN's assets could be damaged by natural and man-made disasters and REN could face civil liabilities as a result thereof*

REN's assets include electricity towers and transmission lines, gas pipelines, compression and natural gas storage facilities and related infrastructures, buildings, vehicles and other equipment. These assets could be damaged by fire, earthquakes, acts of terrorism, pipeline ruptures, gas explosions or damages caused by ships in the transport of natural gas and other natural and/or man-made disasters. While REN seeks to take precautions against such disasters, maintain disaster recovery strategies and/or purchase levels of insurance coverage that it regards as commercially appropriate, should any damage occur and be substantial, REN could incur losses and damages not recoverable under insurance policies in force, which could have an adverse effect on its business, financial condition and results of operations.

REN may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in REN being required to make indemnification payments in accordance with applicable laws which may not be covered by its insurance policies, which could have an adverse effect on its business, financial condition and results of operations.

*REN's operations are subject to extensive environmental regulation*

REN is subject to extensive environmental regulation, which, among other things, raises the possibility of fines and civil litigation in the event of non-compliance and requires REN to perform environmental impact studies on future projects, to obtain regulatory licenses, permits and other approvals and to comply with the requirements of such licenses, permits and regulations. REN is subject to the risks that:

- these environmental impact studies may not be approved by governmental authorities;
- public opposition may result in delays or modifications to any proposed project; or
- laws or regulations may change or be interpreted in a manner that increases REN's costs of compliance or adversely affects its operations or its plans for the companies in which it has an investment.

In recent years, environmental requirements have become stricter in Portugal. Although REN has been making the necessary investments to comply with this legislation, the future evolution of environmental regulation may have an adverse effect on its business, financial condition and results of operations.

REN's inability to comply with existing environmental regulations or requirements or changes in applicable environmental regulations or requirements may have an adverse effect on its business, financial condition and results of operations.

*REN relies on expropriation and encumbrances of land in building its networks*

In order to build or extend its electricity and natural gas transmission networks in Portugal, REN relies on governmental expropriation and encumbrances of the land on which the network is to be constructed. This includes land used for transformers, switching stations and the towers of REN's overhead transmission lines and land used for natural gas pipelines, dispatching centers, operation and maintenance centers and pipeline stations. Objections by landowners and environmental and other groups may prevent REN from obtaining necessary expropriation or encumbrances over land, which may cause the process to be more expensive and may cause delays, any of which could adversely affect the expansion and upgrading of REN's electricity and natural gas transmission networks.

*Increases in interest rates and the lack of financing on favorable terms could have a material adverse effect on REN's business, financial condition and results of operations*

REN has historically financed its operations principally through the issuance of floating rate instruments. REN can give no assurance about the availability of financing methods or the conditions under which it may be able to secure funding. If interest rates increase more than REN anticipates, or if obtaining new financing proves more expensive than in the past (for example due to a downgrade in its credit ratings), its business, financial condition and results of operations may be adversely affected.

REN currently does not hedge significantly against interest rate exposure. To the extent REN has not hedged its exposure to adverse changes in interest rates, such changes could have an adverse effect on its business, financial condition and results of operations.

*REN may not be able to finance its planned capital expenditures*

REN's business activities require significant capital expenditures. REN expects to finance a substantial part of these capital expenditures out of cash flows from its operating activities. If REN's operations do not generate sufficient cash flows, however, it may have to finance more of its planned capital expenditures from outside sources, including bank borrowings and offerings in the capital markets. No assurance can be given that REN will be able to raise the financings required for its planned capital expenditures on acceptable terms or at all. If REN is unable to raise the necessary financing, REN may have to reduce its planned capital expenditures. Any such reduction could adversely affect its business, financial condition and results of operations.

*REN is a party to certain litigation*

REN is or has been subject to a number of claims relating to its business and it may be subject to further claims in the future. In addition, REN Rede Eléctrica is party to a number of other disputes which REN does not consider to have a significant negative impact on the REN Group. REN cannot assure that it will prevail in these disputes, or any future disputes, and an adverse decision could have a material adverse effect on its business, financial condition and results of operations.

As a result of the transfer of the regulated gas assets from the Galp Energia, SGPS, S.A. (**Galp**) group to the REN Group an arbitration proceeding has been initiated by Galp to challenge the transfer price of such regulated assets.

As a result of the transfer of REN's participation in the share capital of Galp an arbitration proceeding is pending in the International Chamber of Commerce in respect of an alleged non-fulfilment of contractual obligations on the part of REN.

Although REN does not expect these two proceedings to have a negative outcome, should an unfavourable decision be issued against REN, such decision could have a material adverse effect on the financial condition, results of operation or profitability of REN.

*Part of REN's real estate assets have not been registered in the land registry*

REN owns approximately 1,577 real estate assets of which approximately 546 are inscribed in the land registry and in the tax department. Only a small number of the remaining approximately 1,031 listed assets is inscribed in the land registry or at the tax department. In any case, the majority of REN's real estate assets that are listed are neither inscribed in the real estate registry nor at the tax department.

Although registration is not compulsory, the interests subject to registration are not opposable to third parties unless they are registered. Furthermore, there is a legal presumption that the land registry is correct and no rights over real estate may be transferred to third parties if they are not registered in REN's name.

Consequently, if the entities in whose name the real estate assets are currently registered were to sell or encumber those properties to third parties acting in good faith and the latter registers them in the real estate register prior to REN's doing so, they would become the lawful owners of such real estate or encumbrances.

*Certain liabilities attached to REN's gas assets have not formally been undertaken by Transgás*

Both the promissory agreement and the notarial deed of partial assignment of the commercial establishment as a going concern pursuant to which REN acquired its regulated gas assets from Transgás are silent as to who has liability in respect of pending litigation regarding its regulated gas assets. However, REN is aware of a number of related judicial proceedings but has not been provided with an assessment of the nature, extent, implications and amount of such judicial proceedings. Further to negotiation, Transgás has informally accepted those liabilities, because in practice they have continued to assume all the consequences of those judicial proceedings.

*The natural gas consumption management Agreement REN entered into with Transgás- Sociedade Portuguesa de Gás Natural, S.A. (Transgás) may be interpreted as including a “most favored nation” clause and may violate competition law*

In the Natural Gas Consumption Management Agreement, Transgás has agreed not to sell natural gas to third parties at better prices and conditions than those set forth in the agreement. Because this type of clause may have the effect of harmonising prices and other selling conditions, it may constitute a prohibited agreement under applicable competition law.

*REN may face public opposition or lack of public support from communities established in the vicinities of existing and/or projected electricity and natural gas transmission networks*

If the communities established in the vicinities of existing and/or projected electricity and natural gas transmission networks were to mobilise against existing transmission networks and/or against the construction of new transmission networks or mount legal challenges to the maintenance of existing transmission networks or the construction of new transmission networks, REN may find it to be more difficult, or even impossible, to maintain and/or obtain all necessary licenses, permits and/or authorisations necessary to the maintenance and/or construction of such transmission networks, and that could have a material adverse effect on REN’s business, financial condition or results of operations.

REN has been in the past, and might be in the future, subject to local communities’ mobilisation against the construction of new transmission networks. Some of these mobilisations have evolved into legal proceedings that are still pending and that have stalled the construction of some of REN’s projected transmission networks. These circumstances can have a material adverse effect on REN’s business, financial condition or results of operations.

#### **Risks Related to REN’s Shareholders Structure**

Parpública-Participações Públicas (SGPS), S.A. (**Parpública**) owns approximately a 31 per cent. interest in REN, and Caixa Geral de Depósitos, S.A. (**CGD**) maintains its 20 per cent. interest in REN. These two companies are totally owned by the Portuguese State and, as a result, the Portuguese State has a controlling interest in REN and will be able to determine substantially all matters requiring approval by a majority of REN’s shareholders, including the right to appoint the majority of its directors. Consequently, the Portuguese State will also be able to direct its day-to-day operations, cause or prevent a change in its control and may make decisions that are in its own interests.

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

##### ***The Notes may not be a suitable investment for all investors***

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes 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;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) 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 Notes 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 Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes 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 Notes*

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

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes 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 Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 Notes 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 Notes and Dual Currency Notes*

The Issuer may issue Notes 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 Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all, or a substantial portion of, their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes 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
- (g) 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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly – paid Notes*

The Issuer may issue Notes when 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 Notes with a multiplier or other leverage factor*

Notes 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 Notes*

Inverse Floating Rate Notes 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 Notes 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 Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes 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 Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer 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 Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes 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 Notes generally***

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

#### *Modification*

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

#### *Change of law*

Save for the form (*representação formal*) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes, which are governed by Portuguese law in effect as at the date of this Base Prospectus, the terms and conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or, as the case may be, Portuguese law or administrative practice after the date of this Base Prospectus.

#### *Risks related to withholding tax*

Under Portuguese tax law, income derived from notes issued by Portuguese resident entities are subject to Portuguese domestic withholding tax, currently assessed at the rate of 20 per cent., applicable both to resident and non-resident corporate or individual investors. In respect of non-resident investors and individual resident investors, the 20 per cent. withholding tax rate assessed on income derived from the Notes is final, unless an option for aggregation is made, in which case the withheld tax is creditable against the recipient's final tax liability, or a waiver or withholding tax exemption applies. In respect of resident corporate investors, the 20 per cent. withholding tax rate is on account of the final corporate tax liability. Non-resident investors (both individual and

corporate) eligible for the debt securities special tax exemption regime which was approved by Decree-Law 193/2005, of 7 November (**Decree-Law 193/2005**) and in force as of 1 January 2006, may benefit from an upfront withholding tax exemption, provided that certain formal procedures and requirements are met (see “*Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime*”, for these formal procedures and certification requirements). Failure to comply with these procedures and certifications will result in the application of the Portuguese domestic withholding rate of 20 per cent., or if applicable, in reduced withholding tax rates of up to 15 per cent., pursuant to tax treaties signed by Portugal, provided that the formal procedures and certification requirements established by the relevant tax treaty are complied with (see “*Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime*”).

#### *Risks related to procedures for collection of Noteholders’ details*

It is expected that the direct registering entities, the participants and the clearing systems will follow certain procedures to facilitate the collection from the Noteholders of the information referred to in “*Risks related to withholding tax*” above required to comply with the procedures and certifications required by Decree-Law 193/2005. Under Decree-Law 193/2005, the obligation of collecting from the Noteholders proof of their non-Portuguese resident status and of the accomplishment with the other requirements for the exemption rests with the direct registering entities, the participants and the entities managing the international clearing systems. A summary of those procedures is set out in “*Taxation – Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime*”. Such procedures may be revised from time to time in accordance with applicable Portuguese laws and regulations, further to clarifications from the Portuguese tax authorities regarding such laws and regulations and the operational procedures of the clearing systems. While the Notes are registered by Interbolsa, Noteholders must rely on such procedures in order to receive payments under the Notes free of any withholding, if applicable. Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, the Agent or the clearing systems assumes any responsibility therefor.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required 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 certain dependent or associate territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) 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.

Portugal has implemented the above Directive on taxation of saving income into Portuguese law through Decree-Law no. 62/2005, of 11 March 2005, as amended by Law no.39-A/2005, of 29 July 2005.

If 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 Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

#### *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*

Notes 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 Notes 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 Notes 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 Notes 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 Notes.

### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes 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 Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. 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 Notes. 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.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) an accurate English translation of (i) the unaudited condensed consolidated financial statements and notes to the condensed consolidated financial statements contained on pages 10 to 36 of the consolidated interim report and accounts of the Group for the six months ended on 30 June 2008 and (ii) the limited review report prepared by the auditors contained on pages 43 to 44 of the consolidated interim report and accounts of the Group for the six months ended on 30 June 2008;
- (b) an accurate English translation of (i) the audited consolidated financial statements and notes to the consolidated financial statements contained on pages 72 to 123 of the audited consolidated annual report and accounts for the financial year ended 31 December 2007 and (ii) the auditors report in respect of the consolidated financial information contained on pages 156 to 157 of the audited consolidated annual report and accounts of the Group for the financial year ended 31 December 2007; and
- (c) an accurate English translation of the auditors report and of the audited consolidated annual financial statements of the Group for the financial year ended 31 December 2006.

Following the publication of this Base 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 Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES, CLEARING SYSTEMS, EXERCISE OF RIGHTS AND LISTING

### Form of the Notes

Notes to be issued under the Programme will be represented in book-entry (“*forma escritural*”) and nominative (“*nominativos*”) form.

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the **Prospectus Directive**) will be EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The Notes will be tradeable in integral multiples of their denomination and will be held through the accounts of affiliate members of the Portuguese central securities depository and the manager of the Portuguese settlement system *Interbolsa Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (Interbolsa)*, as operator and manager of CVM (*Central de Valores Mobiliários*).

### Clearing and Settlement

CVM is the centralised system (“*sistema centralizado*”) for the registration and control of securities in Portugal, (the **Book-Entry Registry** and each entry a **Book-Entry**). CVM is composed of interconnected securities accounts, through which securities (and inherent rights) are created, held and transferred. This allows Interbolsa to control the amount of securities created, held and transferred. Issuers of securities, financial intermediaries which are Affiliate Members (Direct Registration Entities) of Interbolsa (as defined below) and the Bank of Portugal, all participate in this centralised system.

CVM provides for all the procedures which allow the owners of securities to exercise their rights.

In relation to each issue of securities, CVM comprises *inter alia*, (a) the issue account, opened by the relevant issuer in CVM and which reflects the full amount of securities issued; (b) the individual accounts, opened in the Affiliate Members of Interbolsa (as defined below) by their respective customers; and (c) the control accounts opened by each of the financial intermediaries which participate in Interbolsa’s centralised system, and which reflect, at all times, the aggregate nominal amount of securities held in the individual securities accounts opened by holders of securities with each of the Affiliate Members of Interbolsa.

Each person shown in the records of an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded.

The expression **Affiliate Member of Interbolsa** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) for the purposes of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

Notes registered with Interbolsa will be attributed an International Securities Identification Number (**ISIN**) code through Interbolsa’s codification system and will be accepted for registration and clearing through the system operated at Interbolsa and settled by Interbolsa’s settlement system.

### Exercise of Financial Rights

Payment of principal and interest in respect of the Notes will be subject to Portuguese laws and regulations, notably the regulations from time to time issued and applied by the *Comissão do Mercado de Valores Mobiliários* (the Portuguese Securities Market Commission) and Interbolsa.

The Issuer must give Interbolsa advance notice of all payments and provide all necessary information for that purpose, notably the identity of the financial intermediary integrated in Interbolsa appointed by the Issuer to act as the paying agent in respect of the Notes responsible for the relevant payment.

Prior to any payment such paying agent shall provide Interbolsa with a statement of acceptance of its role of Paying Agent.

Interbolsa must notify such paying agent of the amounts to be settled, which will be determined by Interbolsa on the basis of the account balances of the accounts of the Affiliate Members of Interbolsa.

On the date on which any payment in respect of the Notes is to be made, the corresponding entries and counter-entries will be made by Interbolsa (i) in the Bank of Portugal current accounts held by such paying agent and by the Affiliate Members of Interbolsa in case of payments in euro or (ii) in the Caixa Geral de Depósitos, S.A. (“Caixa”) current accounts held by such paying agent and by the Affiliate Members of Interbolsa in case of payments in currencies acceptable by Interbolsa other than euro .

Accordingly, payments of principal and interest in respect of the Notes will be (i) transferred by the Issuer to the paying agent, (ii) transferred, on the payment date and according to the applicable procedures and regulations of Interbolsa, from the payment current account held with the Bank of Portugal or Caixa, as applicable by the paying agent to the payment current accounts held with the Bank of Portugal or Caixa, as applicable by the Affiliate Members of Interbolsa, and thereafter (iii) transferred by such Affiliate Members of Interbolsa from the respective payment current accounts held with the Bank of Portugal or Caixa, as applicable to the accounts of the Noteholders or of Euroclear or Clearstream, Luxembourg with said Affiliate Members of Interbolsa, as the case may be.

### **Listing**

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange’s regulated market.

## FORM OF FINAL TERMS

[Date]

### REN – Redes Energéticas Nacionais, SGPS, S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the EUR 5,000,000,000  
Euro Medium Term Note Programme

#### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated 9 September 2008 [and the supplement to the Base Prospectus dated [ ] (the **Supplement**)] which [together] constitute[s] 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 Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [and the Supplement]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms [and] the Base Prospectus [and the Supplement]. The Base Prospectus [and the Supplement] [is/are] available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Notes 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 Base Prospectus dated 9 September 2008 [and the supplement to the Base Prospectus dated [ ] (the **Supplement**)] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms the Base Prospectus dated 9 September 2008[, the Supplement] and the Base Prospectus dated [original date]. Copies of such Base Prospectuses are available for viewing [at [website]] [and] during normal business hours at REN – Redes Energéticas Nacionais, SGPS, S.A., Avenida Estados Unidos da América, 55 1749-061 Lisbon [and copies may be obtained from [address]].]

*[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 subparagraphs. 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 Base Prospectus under Article 16 of the Prospectus Directive.]*

1. Issuer: REN – Redes Energéticas Nacionais, SGPS, S.A.
2. (a) Series Number: [ ]  
 (b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]\*\*
4. Aggregate Nominal Amount:  
 (a) Series: [ ]  
 (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount  
 [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: [ ]  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an 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 EUR 50,000 minimum denomination is not required.)*
7. (a) Issue Date: [ ]  
 (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date\*\*\*:  
 [Fixed rate – specify date/  
 Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis:  
 [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR/other] +/- [ ] 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 per cent. of the nominal value the Notes 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 Notes into another Interest Basis or Redemption/Payment Basis]

\*\* For the time being, Interbolsa will only settle and clear Notes denominated in euro.

\*\*\* Notes to have a maturity of one year or more.

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. (a) Status of the Notes: Senior  
(b) [Date [Board] approval for issuance of Notes obtained: [ ]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]  
*(If payable other than annually, consider amending Condition 5 (Interest))*
- (b) 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)*
- (c) Fixed Coupon Amount(s): [ ] per [ ]
- (d) Broken Amount(s): [ ] per [ ], payable on the Interest Payment Date falling [in/on] [ ]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) [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*  
*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) First Interest Payment Date [ ]
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (d) Additional Business Centre(s): [ ]
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]

- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (g) 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 TARGET2 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 Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (h) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (i) Margin(s): [ +/- ] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
Other]  
*(See Condition 5 (Interest) for alternatives)*
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum
  - (b) Reference Price: [ ]
  - (c) Any other formula/basis of determining amount payable: [ ]
  - (d) 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 Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) 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 subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per [ ]/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) 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)*
21. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per [ ]/specify other/see Appendix]
- (c) 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)*
22. Final Redemption Amount: [[ ] per [ ]/specify other/see Appendix]  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes 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 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): [[ ] per [ ]/specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: Book-entry (“*escriturais*”) and nominative (“*nominativos*”) form held through Interbolsa.
- (b) New Global Note: No

25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(d) and 18(g) relate)*
26. Details relating to Instalment Notes:  
 (a) Instalment Amount(s): [Not Applicable/give details]  
 (b) Instalment Date(s): [Not Applicable/give details]
27. 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)]*
28. Other final terms: [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 Base Prospectus under Article 16 of the Prospectus Directive.)]  
(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)*

## DISTRIBUTION

29. (a) If syndicated, names of Managers: [Not Applicable/give names]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*
- (b) [Date of [Subscription] Agreement: [ ]  
*(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
30. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
31. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA not applicable]
32. Additional selling restrictions: [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on *[specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange’s regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)]* of the Notes described herein pursuant to the EUR 5,000,000,000 Euro Medium Term Note Programme of REN – Redes Energéticas Nacionais, SGPS, S.A.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*]]] has been extracted from [*specify source*].] 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of REN – Redes Energéticas Nacionais, SGPS, S.A.

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)] with effect from [ ].] [Not Applicable.]]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[[Other]: [ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### [3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer [ ]]

[(ii)] Estimated net proceeds: [ ]]

[(iii)] Estimated total expenses: [ ]]

*(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)]*

5. **YIELD** (*fixed rate notes 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 Notes 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.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. **PERFORMANCE OF RATE[S] OF EXCHANGE** (*Dual Currency Notes only*)

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

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. **OPERATIONAL INFORMATION**

(i) ISIN Code:

[ ]

(ii) Common Code:

[ ]

(iii) Any clearing system(s) other than Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. as operator of the Central de Valores Mobiliários and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any):

[ ]

[(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa – Sociedade Gestora de Sistemas de

Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. in its capacity as a securities settlement system, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][Include this text if “yes” selected].

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be applicable to each Note (as defined below) and agreed by the Issuer and the relevant Dealer at the time of issue. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be applicable to each Note. Reference should be made to "Form of Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

Each Note is one of a Series (as defined below) of Notes issued by REN-Redes Energéticas Nacionais, SGPS, S.A. (the **Issuer**) in accordance with the Agency Agreement (as defined below).

References herein to the Notes shall be references to the Notes of this Series and shall mean the book-entries representing the Notes while held in Interbolsa (as defined below) corresponding to the units of the lowest Specified Denomination in the Specified Currency.

The Notes have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 9 September and made and agreed between the Issuer, Caixa – Banco de Investimento, S.A. (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for each Note (or the relevant provisions thereof) supplement 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 such Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof).

Any reference to **holders of Notes** or **Noteholders** shall mean the persons in whose name the Notes are registered in the individual securities account held with an Affiliate Member of Interbolsa in accordance with Portuguese law and the relevant Interbolsa procedures and, for the purposes of Condition 8 (Taxation), the effective beneficiary of the income attributable thereto.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates, interest rates and/or Issue Prices.

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of the Agent. Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of the Agent save that, if the Notes are unlisted, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable 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 Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

### 1. FORM, DENOMINATION AND TITLE

The Notes are in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes are held through Interbolsa in book-entry (*forma escritural*) and nominative form (*nominativos*) and title to the Notes is evidenced by registration in the relevant individual securities

accounts held with an Affiliate Member of Interbolsa in accordance with the provisions of the Portuguese Securities Code and the applicable CMVM regulations. No physical document of title will be issued in respect of the Notes. Each person shown in the relevant individual securities accounts held with an Affiliate Member of Interbolsa as having an interest in Notes shall be treated as the holder of the principal amount of the Notes recorded therein.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Interest Notes, Index Linked Redemption Notes, Dual Currency Interest Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be Index Linked Redemption Notes, Instalment Notes, Dual Currency Redemption Notes, Partly Paid Notes or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Terms applicable to other types and structures of Notes that the Issuer and any Dealer(s) may agree to issue will be set out in the applicable Final Terms.

The Notes to be issued on or after the date hereof will be issued in a denomination specified in the relevant Final Terms, provided that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 50,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

## 2. TRANSFERS OF NOTES

The transferability of the Notes is not restricted.

Subject as set out below, title to Notes will pass upon registration of transfers in the relevant individual securities accounts held with an Affiliate Member of Interbolsa in accordance with the provisions of the Portuguese Securities Code and the relevant procedures of Interbolsa. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue) for all purposes.

Notes may, subject to compliance with all applicable rules, restrictions and requirements of Interbolsa and Portuguese law, be transferred to a person who wishes to hold such Note. No holder of a Note will be able to transfer such Note, except in accordance with Portuguese law and with the applicable procedures of Interbolsa.

Any reference herein to Interbolsa, Euroclear or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. The holders of Notes will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## 3. STATUS OF THE NOTES

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured (subject to the provisions of Condition 4) and unsubordinated obligations of the Issuer from time to time outstanding.

## 4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding the Issuer will not create, save by operation of law, or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) other than any Permitted Security, as defined below, upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by the Issuer under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement).

In these Terms and Conditions:

**Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities (not including for the avoidance of doubt, preference shares or other equity securities) which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness.

**Permitted Security** means:

- (i) in the case of a consolidation or merger of REN with or into another company (the **Combining Company**) any Security Interest over assets of REN if it is the surviving company or the company (if other than REN) 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 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.

## 5. INTEREST

### 5.1. *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

In these Terms and Conditions, **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.

If interest is required to be calculated for a period other than a Fixed Interest Period, 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.

In these Terms and Conditions, **Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
  - (a) in the case of Notes 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 Notes 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 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 applicable 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 a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

- (i) **Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and
- (ii) **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, one cent.

## 5.2. Interest on Floating Rate Notes and Index Linked Interest Notes

### (A) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable 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 applicable 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:

- (i) in any case where Specified Periods are specified in accordance with Condition 5.2.(ii) 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
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) 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
- (iv) 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:

- (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 and Lisbon and any Additional Business Centre(s) specified in the applicable Final Terms; 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 London and Lisbon and any Additional Business Centre(s)) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

**(B) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

- (i) *ISDA Determination for Floating Rate Notes*: Where ISDA Determination is specified in the applicable 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 applicable Final Terms) the Margin (if any). For the purposes of this Condition, **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

1. the Floating Rate Option is as specified in the applicable Final Terms;

2. the Designated Maturity is the period specified in the applicable Final Terms; and
3. the relevant Reset Date is either (A) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or the Euro-zone interbank offered rate (EURIBOR), the first day of that Interest Period, or (B) in any other case, as specified in the applicable Final Terms.

For the purposes of this Condition 5.2(B), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

- (ii) *Screen Rate Determination for Floating Rate Notes:* Where Screen Rate Determination is specified in the applicable 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:

1. the offered quotation; or
2. 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 applicable Final Terms) the Margin (if any), all as determined by the Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified. 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) or, as applicable, the relevant Calculation Agent, 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 Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(C) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable 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 Condition 5.2 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 applicable 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 Condition 5.2 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(D) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, 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. The Calculation Agent, if any, will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, will calculate the amount of interest payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination (each an **Interest Amount**) 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/Actual (ISDA)** or **Actual/Actual** is specified in the applicable 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) 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 applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable 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 applicable 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 applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case  $D_2$  will be 30;

- (vii) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case  $D_2$  will be 30.

*(E) Notification of Rate of Interest and Interest Amounts*

The Agent, or where the applicable Final Terms specifies a Calculation Agent for this purpose, the Calculation Agent so specified, 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 and to any Stock Exchange or other relevant competent listing authority or quotation system on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed, quoted and/or traded (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 12 (Notices) as soon as possible after their determination but in no event later than the fourth Lisbon 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 notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each Stock Exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing or trading and to the holders of Notes in accordance with Condition 12 (Notices). For the purposes of this paragraph, the expression **Lisbon Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Lisbon.

*(F) 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 5.2, whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all holders of Notes and (in the absence of wilful default or bad faith) no liability to the Issuer or the holders of Notes shall attach to the Agent or, if applicable, the Calculation Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*5.3. Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

*5.4. Interest on Partly Paid Notes*

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

*5.5. Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) 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 until whichever is the earlier of: (i) the date on which all amounts due in respect of such Note have been paid; and (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the holders of Notes in accordance with Condition 12 (Notices).

## **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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (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; and
- (iii) payments in US dollars will be made by a transfer to a US dollar account maintained by the payee with a bank outside the United States (which expression as used in this Condition 6 (Payments), means the United States of America including the State, and District of Columbia, its territories, its possessions and other areas subject to its jurisdiction or by cheque drawn on a US bank. In no event will payment be made by a cheque mailed to an address in the United States. All payments of interest will be made to accounts outside the United States except as may be permitted by United States tax

law in effect at the time of such payment without detriment to the Issuer. Payments will be subject in all cases to any clearing system regulations, fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (Taxation).

#### 6.2. *Payments in relation to Notes held through Interbolsa*

Payments of principal and interest in respect of Notes held through Interbolsa may only be made in euro, U.S. dollars, Sterling, Japanese Yen and Swiss francs until such date as Interbolsa accepts registration and clearing of securities denominated in other currencies.

Whilst the Notes are held through Interbolsa, payment of principal and interest in respect of the Notes will be (i) credited, according to the procedures and regulations of Interbolsa, by the relevant Paying Agent (acting on behalf of the Issuer) to the payment current-accounts held in the payment system of the Bank of Portugal or the payment system of Caixa by the Affiliate Members of Interbolsa whose control accounts with Interbolsa are credited with such Notes and thereafter (ii) credited by such Affiliate Members of Interbolsa from the aforementioned payment current-accounts to the accounts of the owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

#### 6.3. *Payment Day*

If the date for payment of any amount in respect of any Note 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 (Prescription)) 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:
  - (A) Lisbon and London; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; 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 and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

#### 6.4. *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## **7. REDEMPTION AND PURCHASE**

### **7.1. *Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, in the relevant Specified Currency on the Maturity Date.

### **7.2. *Redemption for Tax Reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 12 (Notices), the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (Taxation)) 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 Notes; 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 Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer 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.

Notes redeemed pursuant to this Condition 7.2 (Redemption and Purchase – Redemption for Tax Reasons) 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 (Call Option)***

If Issuer Call Option is specified in the applicable Final Terms, the Issuer may, having given (unless otherwise specified, in the applicable Final Terms) not less than 15 nor more than 30 days' notice to the Agent and, in accordance with Condition 12 (Notices), the holders of Notes (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem all or some only (as specified in the applicable Final Terms) of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the nominal amount of all outstanding Notes will be reduced proportionally.

#### 7.4. *Redemption at the option of the holders of Notes (Investor Put)*

If Investor Put Option is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 12 (Notices) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note 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**) and 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. Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable. While Notes are held through Interbolsa, the right to require redemption will be exercised directly against the Issuer, through the relevant Paying Agent.

#### 7.5. *Early Redemption Amounts*

For the purpose of Condition 7.2 above and Condition 10 (Events of Default), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield expressed as a decimal; and

**y** is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

#### 7.6. *Instalments*

Instalment Notes 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 Notes*

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

## 7.8. *Purchases*

Subject to applicable provisions of Portuguese law, the Issuer or any of its subsidiaries may at any time purchase or otherwise acquire Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary (as the case may be), cancelled.

## 7.9. *Cancellation*

All Notes which are redeemed will forthwith be cancelled in accordance with Interbolsa regulations. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above shall be cancelled by Interbolsa or the Agent (as applicable) and cannot be held, reissued or resold.

## 7.10. *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note, upon redemption of such Zero Coupon Note 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 (Events of Default) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (Notices).

## 8. TAXATION

### 8.1. *Payment of interest without Withholding*

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature (Taxes) imposed or levied by or on behalf of any of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (i) to, or to a third party on behalf of, a Noteholder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or
- (ii) 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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) to, or to a third party on behalf of, a Noteholder in respect of whom the information (which may include certificates) required in order to comply with Decree-Law 193/2005 of 7 November, and any implementing legislation, is not received or which does not comply with the formalities in order to benefit from tax treaty benefits, when applicable; or
- (iv) to, or to a third party on behalf of, a Noteholder resident for tax purposes in the Relevant Jurisdiction, or a resident in a country, territory or region subject to a clearly more favourable tax regime (a tax haven jurisdiction) as defined in Order 150/2004, of 13 February 2004 (*Portaria do Ministro das Finanças e da Administração Pública n. 150/2004*) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration with the exception of central banks and governmental agencies

located in those black-listed jurisdictions, or a non resident legal entity more than 20 per cent. of which is owned (directly or indirectly) by entities resident in the Republic of Portugal; or

- (v) to, or to a third party on behalf of (i) a Portuguese resident legal entity subject to Portuguese corporation tax with the exception of entities that benefit from an exemption of Portuguese withholding tax or from Portuguese income tax exemptions, or (ii) a legal entity not resident in Portugal with a permanent establishment in Portugal to which the income or gains obtained from the Notes are attributable; or
- (vi) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (vii) presented for payment by or on behalf of a Noteholder 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.

For the purposes of this Condition 8:

- (i) **Noteholder** means the ultimate beneficial owner of the Notes who is the effective beneficiary of the income attributable thereto; and
- (ii) **Relevant Jurisdiction** means the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

## 8.2. *Additional Amounts*

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 9. PRESCRIPTION

The Notes will become void unless presented for payment within 20 years (in the case of principal) and 5 years (in the case of interest) in each case from the date on which such payment first becomes due, subject in each case to the provisions of Condition 6 (Payments).

## 10. EVENTS OF DEFAULT

### 10.1. *Events of Default*

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (i) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 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 these Terms and Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (iii) (a) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); or (b) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment and the failure continues for 5 days in case of principal and 10 days in case of interest; or (c) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable; or (d) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed

Money of any other person PROVIDED THAT the aggregate amount of Indebtedness for Borrowed Money in respect of which one or more of the events listed in (a) to (d) of this paragraph have occurred equals or exceeds EUR 40,000,000 or its equivalent; or

- (iv) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- (v) the Issuer or any of its Material Subsidiaries ceases to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Material Subsidiaries stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, unless (other than in the case of the appointment of an administrator) (A) such proceedings or applications are frivolous or vexatious and contested in good faith and appropriately by the Issuer having been advised by recognised independent legal advisers of good repute that it is reasonable to do so, and/or (B) are discharged within 60 days; or
- (vii) the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (viii) it is or will become unlawful for the Issuer to perform or comply with any of its material obligations under or in respect of the Notes; or
- (ix) any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes, as the case may be, or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which materially impairs the ability of the Issuer to comply with its obligations under the Notes or adversely affects any rights or claims of any of the Noteholders; or
- (x) any of the concessions previously awarded to the Issuer is suspended, terminated or revoked and such suspension, termination or revocation has, as a direct result, a material adverse effect on the business or results of operations of the Issuer or any of its Material Subsidiaries and continues for a period of 30 days; or
- (xi) except in the context of a reorganisation of the Group, all of the assets of any Material Subsidiary are transferred, sold, assigned or contributed to a third party or parties (whether associated or not) otherwise than for full consideration received by the Issuer or the Material Subsidiary on an arm's length basis and such transfer, sale, assignment or contribution has a material adverse effect on the financial condition, assets or liabilities of the Group; or
- (xii) the Issuer ceases to control or have power to control, whether by ownership of share capital or voting rights, contract, the power to appoint or remove members of the governing body or otherwise, any of its Material Subsidiaries; or

(xiii) any event occurs which, under the laws of the Republic of Portugal, has or may have, an analogous effect to any of the events referred to in subparagraphs (iv) to (vii) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## 10.2. Interpretation

For the purposes of this Condition 10:

**Group** means REN and its Subsidiaries;

**IFRS** means International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB).

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any bank loan or acceptance or acceptance credit;

**Material Subsidiary** means at any time any Subsidiary of the Issuer:

- (a) whose total assets or revenues (consolidated in the case of a company which itself has subsidiaries) represent not less than 10 per cent. of the consolidated total assets or consolidated revenues of the Group taken as a whole, all as calculated by reference to the then most recent financial statements and in accordance with IFRS (consolidated or, as the case may be, unconsolidated) of that Subsidiary and the most recent consolidated financial statements of the Group; or
- (b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary; and

**Subsidiary** means an entity from time to time in respect of which REN (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. of (i) the share capital or similar right of ownership or (ii) voting rights (by contract or otherwise).

## 11. PAYING AGENTS

(A) The names of the initial Paying Agents and their initial specified offices are set out below.

(B) The Issuer is entitled 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:

- (i) there will at all times be an Agent;
- (ii) so long as any of the Notes are registered with Interbolsa there will at all times be a Paying Agent having a specified office in such place of registration and complying with any requirements that may be imposed by the rules and regulations of Interbolsa;
- (iii) so long as any of the Notes are listed on any Stock Exchange or admitted to trading by any other relevant authority, 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 Stock Exchange or as the case may be, other relevant authority; and
- (iv) there will at all times be a Paying Agent in a member state of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. 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.

## 12. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in accordance with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading, which may include publication in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall comply with disclosure obligations applicable to listed companies under Portuguese law in respect of Notices relating to the Notes, which are integrated in and held through Interbolsa in dematerialised form. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any Noteholder shall be in writing and given by lodging the same either with the Issuer or with the Agent.

## 13. MEETINGS OF HOLDERS OF NOTES

- (A) The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Resolution of a modification of these Terms and Conditions or any of the provisions of the Agency Agreement.
- (B) The quorum at any meeting convened to vote on: (i) a Resolution not regarding a Reserved Matter will be any person or persons holding or representing whatever the nominal amount of the Notes so held or represented; or (ii) a Resolution regarding a Reserved Matter of the Notes, will be any person or persons holding or representing at least 50 per cent. in nominal amount of the Notes for the time being outstanding or, at any adjourned meeting, any person being or representing whatever the nominal amount of the Notes so held or represented. Each Note grants its holder one vote.
- (C) The majorities required to approve a Resolution at any meeting convened in accordance with the applicable rules shall be: (i) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or (ii) if in respect to a Resolution regarding a Reserved Matter, at least 50 per cent. in nominal amount of the Notes for the time being outstanding or, at any adjourned meeting 2/3 of the votes cast at the relevant meeting.

For the purposes of these Terms and Conditions, a **Reserved Matter** means any proposal: (i) to change any date fixed for payment of principal or interest in respect of the Notes of all or of a given Series, (ii) to reduce the amount of principal or interest due on any date in respect of the Notes of all or of a given Series or to alter the method of calculating the amount of any payment in respect of the Notes of all or of a given Series on redemption or maturity; (iii) to effect the exchange, conversion or substitution of the Notes of all or of a given Series into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iv) to change the currency in which amounts due in respect of the Notes of all or of a given Series are payable; (v) to alter the priority of payment of interest or principal in respect of the Notes of all or of a given Series; (vi) to amend this definition; and (vii) any other changes to the conditions of the credits held by the Noteholders.

- (D) A Resolution approved at any meeting of the holders of Notes of a Series shall, subject as provided below, be binding on all the holders of Notes of such Series, whether or not they are present at the meeting.
- (E) Any such meeting to consider a Resolution may be convened by the Chairman of the General Meeting of Shareholders of the Issuer or if the Chairman of the General Meeting of Shareholders of the Issuer refuses to convene the meeting, then 5 per cent. of the holders of Notes of any Series may petition the court to order a meeting to be convened.

- (F) A Resolution passed at any meeting of the holders of Notes of all Series shall be binding on all holders of Notes of all Series, whether or not they are present at the meeting.
- (G) In connection with any meeting of the holders of Notes of more than one Series where such Notes are not denominated in euro, the nominal amount of the Notes of any Series not denominated in euro shall be converted into euro at the relevant exchange rate at the date of the meeting.

#### 14. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the holders of Notes to create and issue further notes having terms and conditions the same as the Notes 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 Notes of such Series.

#### 15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

#### 16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

##### 16.1 Governing law

The Notes are governed by, and shall be construed in accordance with, English law save that the form (*representação formal*) and transfer of the Notes, the creation (if any) of security over the Notes and the Interbolsa procedures for the exercise of rights under the Notes are governed by, and shall be construed in accordance with, Portuguese law.

The Agency Agreement is governed by, and shall be construed in accordance with, Portuguese law.

##### 16.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

##### 16.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom, as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, 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.

#### 17. DEFINITIONS

In these Terms and Conditions, the following defined terms have the meanings set out below:

**Affiliate Member of Interbolsa** means any authorised financial intermediary entitled to hold control accounts with Interbolsa on behalf of Noteholders and includes any depository banks appointed by Euroclear and Clearstream, Luxembourg, for the purposes of holding accounts on behalf of Euroclear and Clearstream, Luxembourg.

**Clearstream, Luxembourg** means Clearstream Banking société anonyme, Luxembourg.

**CMVM** means the *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Market Commission.

**Euro, € or euro** means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.

**Euroclear** means Euroclear Bank S.A./N.V.

**Final Terms** means, in relation to each Tranche, the applicable final terms attached to, or endorsed on, such Notes.

**Interbolsa** means *Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.*, as operator of the *Central de Valores Mobiliários*.

**Portuguese Securities Code** means the *Código dos Valores Mobiliários* approved by Decree Law 486/99 of 13 November as amended.

**Prospectus Directive** means Directive 2003/71/EC, as amended.

**Resolution** means a resolution adopted at a duly convened meeting of holders of Notes and approved in accordance with the applicable provisions.

**Stock Exchange** means the London Stock Exchange or any other stock exchange where Notes may be listed as per the relevant Final Terms.

**Terms and Conditions** means in relation to the Notes, the terms and conditions applicable to the Notes and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly.

**Treaty** means the treaty establishing the European Communities, as amended by the Treaty on European Union.

## USE OF PROCEEDS

The net proceeds resulting from each issue of Notes will be applied by the Issuer for general corporate purposes.

## REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REN – Redes Energéticas Nacionais, SGPS, S.A. (REN) is a limited liability holding company organised as a “*Sociedade Gestora de Participações Sociais*” and a “*Sociedade Anónima*” under the laws of the Portuguese Republic.

REN has its registered office at Avenida Estados Unidos do América, 55, Lisbon, Portugal (Telephone: +351 21 001 35 00) and is registered in the Lisbon Company Register Office under number 503.264.032.

In 1994 REN was incorporated under the name of REN – Rede Eléctrica Nacional, S.A. as a result of the spin-off of a business unit of EDP – Energias de Portugal, S.A. (EDP). In November 2000, the Portuguese State acquired a 70 per cent. stake in REN from EDP as part of the liberalisation of the domestic energy market, which required the legal separation of electricity transmission, electricity distribution and generation companies.

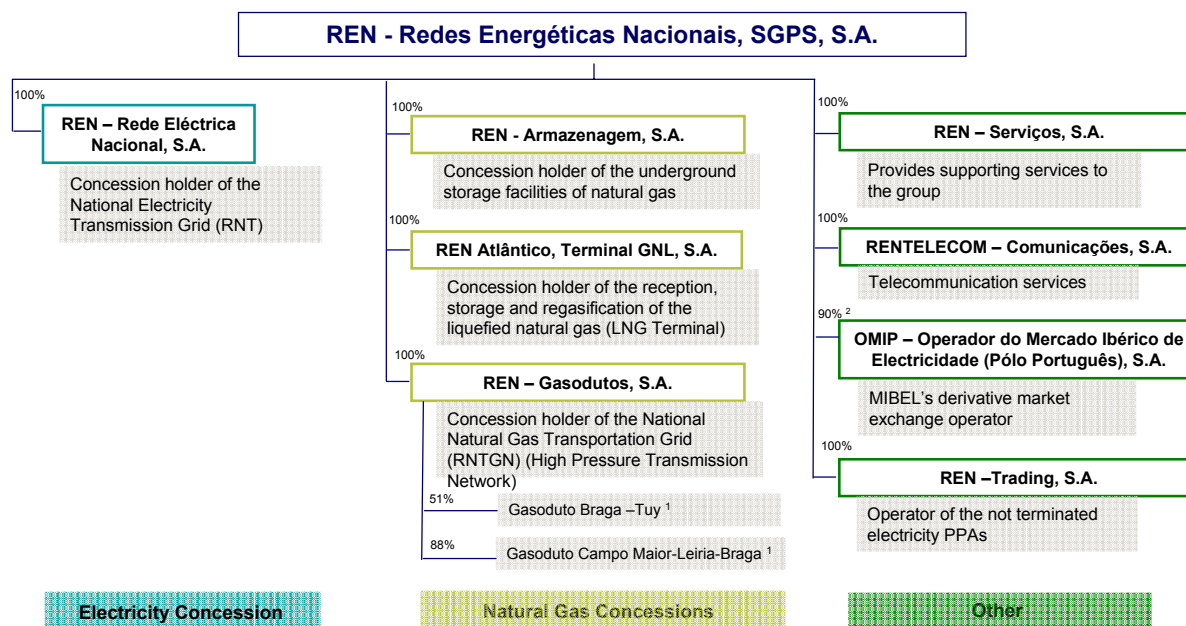
Until September 2006, REN’s core business was the operation and technical management of the National Electricity Transmissions Grid (the RNT), acting also as a sole purchaser of electricity, through the long-term power purchase agreements (PPAs) executed between 1993 and 1996 with the hydro and thermal electricity generation plants in mainland Portugal.

In September 2006, REN acquired certain assets and companies relating to the transportation, underground storage of natural gas (NG) and the liquefied natural gas (LNG) terminal and regasification facility in Sines from Transgás.

On 5 January 2007, REN changed its by-laws to reorganise the group (the **REN Group**) becoming a holding company that operates electricity and gas businesses through its subsidiaries. It also changed its name to REN – Redes Energéticas Nacionais, SGPS, S.A.

On 1 July 2007, the majority of the PPAs terminated and REN’s activity as sole purchaser of electricity was replaced with a new trading activity set in a market environment, involving the two non-terminated PPAs.

The table below sets out the structure of the Group as at the date of this Base Prospectus:



<sup>1</sup> Paper companies aimed at sharing the transmission capacity on the Portuguese pipelines with Enagás

<sup>2</sup> Stake to be reduced up to 10% in the near future

In July 2007 two new companies were incorporated by REN: REN Trading, which manages the two remaining PPAs (entered into with Turbogás and Tejo Energia) and sells the energy acquired pursuant to those PPAs in the market (operating since 1 July 2007); and REN Serviços, which provides back office services to the Group.

### Business Overview

REN engages in two principal lines of business: electricity transmission and system operation where it operates the RNT, (the only electricity transmission network in mainland Portugal); and natural gas, where it is engaged in the operation of the national high-pressure natural gas transmission network (the only natural gas transmission network in mainland Portugal), reception, storage and regasification of LNG, and underground storage of natural gas. REN owns all the respective infrastructures that are operated under public concessions.

REN's businesses are the result of the deregulation of the electricity and natural gas industries in Portugal. This involved, in the case of electricity, the unbundling of certain regulated functions previously carried out by EDP (the vertically integrated electricity company in Portugal) into separate companies. In the case of natural gas, the regulated activities of Transgás (a former subsidiary of GALP Energia S.A. (GALP)) were split up under a reorganisation that included, among other things, the segregation of the natural gas regulated infrastructure for transport, underground storage, reception and regasification.

REN's electricity transmission business is conducted through its subsidiary REN – Rede Eléctrica, which holds concession to operate the electricity transmission network in Portugal (renewed for a 50 year period commencing on 15 June 2007). Pursuant to this concession, REN provides a public utility service in Portugal, which includes planning, constructing, operating and maintaining the electricity transmission network and managing the technical aspects of the national electricity system.

REN's natural gas business comprises the ownership and operation of (i) the high-pressure natural gas transmission network in Portugal; (ii) the LNG terminal in Sines, which is engaged in the reception, storage and regasification of LNG; and (iii) the underground storage and related facilities

in Carriço. REN operates these businesses through 40 year concessions granted by the Portuguese State on 26 September 2006.

REN also operates certain other businesses that complement its core electricity and natural gas businesses: a telecommunications business which exploits the excess telecommunications capacity of its electricity and natural gas networks, an energy trading business (under the PPAs that were not subject to early termination) and it is also involved in the Portuguese marketplace for trading Iberian electricity derivatives.

For the year ended 31 December 2007, REN's total operating revenue, total operating profit (including share of profit of Joint Ventures) and net profit were €610.7 million, €265.0 million and €145.2 million, respectively, of which 62.7 per cent. of operating profit and 55.7 per cent. of net profit, were attributable to its electricity business and 24.3 per cent. of operating profit and 25 per cent. of net profit, respectively, were attributable to its gas business.

The management of REN believes that its combined electricity and natural gas businesses have considerable growth potential, driven by its stable core business environment and long-term concessions, the historical and projected growth in electricity and natural gas consumption in Portugal and its integrated energy infrastructure platform.

## ELECTRICITY INDUSTRY

### Overview

The electricity industry in Portugal has experienced consistent growth throughout the last ten years, with a compound annual growth rate of approximately 5 per cent. This growth has been driven by a number of factors, including growth in gross domestic product (GDP) and narrowing of the gap in per capita consumption in Portugal compared with other EU countries (the per capita electricity consumption in Portugal in 2006 was 4.5MWh, compared with 5.7MWh in Spain and an average of 7.9MWh across the European Union). Portugal has the lowest per capita consumption of the EU countries. The table below indicates the per capita electricity consumption in the listed EU countries:

	<i>Consumption per capita (MWh), 2006</i>
Finland	16.3
Sweden	14.5
Luxembourg	14.2
Average EU-15	7.9
Belgium	7.9
Austria	7.0
France	6.8
Netherlands	6.5
Germany	6.4
Denmark	6.3
Ireland	6.1
UK	5.7
Spain	5.7
Italy	5.2
Greece	4.7
Portugal	4.5

Source: Eurostat

Between 2000 and 2006, the rate of growth of per capita electricity consumption was 1.3 per cent. in the 15 countries comprising the European Union prior to its expansion in 2004 (the EU-15) and 3.1 per cent. in Portugal. The table below illustrates the growth in annual electricity consumption, by source in Portugal, between 2000 and 2007:

<i>Consumption by source (TWh)</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Coal	13.69	12.70	14.33	13.64	13.95	14.29	14.07	11.66
Hydro	10.29	12.91	6.59	14.18	8.81	3.95	9.50	9.52
Gas	6.46	6.17	7.72	6.10	9.81	11.49	9.90	10.49
Fuel	4.11	5.44	7.32	2.65	1.98	4.84	1.50	1.27
SRG (*)	2.46	2.55	2.82	3.69	4.46	6.55	8.76	10.15
Imports	0.92	0.24	1.90	2.79	6.48	6.82	5.44	7.49
<b>TOTAL</b>	<b>37.93</b>	<b>40.01</b>	<b>40.68</b>	<b>43.05</b>	<b>45.49</b>	<b>47.94</b>	<b>49.17</b>	<b>50.59</b>

(\*) Special Regime Generators

Source: REN

Portugal has experienced an increase in the diversity of its sources of electricity, reducing its dependence on any single source. While coal fired and hydroelectric plants remain significant contributors to electricity production there was no growth in this sector; gas-fired and special regime generation using both cogeneration, in which the generation of electricity is combined with the production of heat for industrial purposes, and renewable resources, particularly wind, has experienced a strong increase. REN expects these trends to continue in the future. In particular, it expects that renewable sources, especially wind generation, will continue to grow in the future in order to meet Portugal's target of providing 39 per cent. of generation capacity from renewable sources in 2010.

The electricity industry in Portugal can be divided into five major functions: generation, transmission, distribution, supply and operation of the regulated electricity market.

Electricity generators produce electricity in power plants using a variety of primary sources and technologies (coal, gas, fuel, water, wind and/or biomass, among others). The principal electricity generators in Portugal currently are EDP Produção (a subsidiary of EDP), Tejo Energia and Turbogás.

REN Rede Eléctrica Nacional, S.A. (**REN Rede Eléctrica**) operates the transmission grid connecting generators and distributors and matching supply with demand. It is currently the only electricity transmission company in mainland Portugal.

Electricity distribution companies distribute electricity received from the national transmission and distribution grids directly to consumers. EDP Distribuição Energia, S.A. (a subsidiary of EDP), is currently the largest high voltage and medium voltage distribution company in Portugal.

Electricity supply companies are responsible for managing client relationships with customers, including billing and customer service. EDP Serviço Universal, which acts as a last resort supplier of the national electricity system, is currently the main supplier in Portugal. At the date of this Base Prospectus, the other relevant supply companies in Portugal are EDP Comercial-Comercialização de Energia, S.A. (a subsidiary of EDP), Endesa, Iberdrola and Unión Fenosa.

### **The development of the national electricity system**

Until 1999, the generation, transmission, distribution and supply components of the electricity industry in Portugal were united in one group of companies, the EDP Group. Since 2000, the electricity industry in Portugal has been partially deregulated, which has resulted in the division of the components of this group among different companies. In the organisation of the electricity business under the legislation approved in 1995 (the **Old Electricity Framework**), a public sector (the **Sistema Eléctrico de Serviço Público** or **SEP**) and a market sector (the **Sistema Eléctrico Não Vinculado** or **SENV**) were developed, referred to as the binding and non-binding sectors, respectively. In accordance with SEP, public power generators sold energy to a single buyer, REN Rede Eléctrica, pursuant to long-term PPAs, and clients purchased energy pursuant to regulated tariffs. In accordance with SENV, private power generators sold energy in the bulk power markets through bilateral contracts, and supply companies competed for eligible consumers. The transmission and distribution networks were available to all power generators and supply companies on a regulated basis. Ultimately, customers would decide whether to purchase electricity in the binding or non-binding markets, although until 2004, the non-binding market was only available to higher voltage corporate customers.

Following implementation of the new electricity framework pursuant to Decree-Law no. 29/2006, of 15 February and Decree-Law no. 172/2006, of 23 August (the **New Electricity Framework**), the binding and non-binding sectors of the national electricity system have been replaced by a single market system, and the generation and supply of electricity and management of the organised electricity markets are now fully open to competition, subject to obtaining the requisite licenses and approvals. The transmission and distribution components of the electricity industry continue to be provided through the award of public concessions. As a consequence of the deregulation of the electricity generating market, since 1 July 2007, the power generators that operated under PPAs which were terminated early are currently being compensated for any differences between the electricity prices paid to them in the Iberian market and the amounts payable under their legacy PPAs through the payment of contractual balance maintenance costs (**CMECs**).

### **The current national electricity system**

Under the New Electricity Framework, the national electricity system (the **Sistema Eléctrico Nacional** or **SEN**), can be divided into five major functions: generation, transmission, distribution, supply and operation of the electricity market. Each of these functions must be operated independently from the others from a legal, organisational and decision-making standpoint, subject to certain exceptions.

#### *Electricity generation*

Electricity generation is now fully competitive, subject to obtaining the requisite licenses and approvals. Electricity generation is divided in two regimes: ordinary regime generation, which refers to the generation of electricity through traditional non-renewable sources and large hydroelectric

plants, and special regime generation, which refers to the use of alternative indigenous and renewable sources for electricity generation and for cogeneration. Special regime generation is subject to different licensing requirements and benefits from special tariffs. Under the New Electricity Framework, the last resort supplier (currently EDP – Serviço Universal, S.A.) is obliged to purchase all electricity generated by special regime generation.

Under the New Electricity Framework, centralised planning of power generators has been replaced by market forces in the private sector, with intervention of the system manager only coming into play to cover market failures.

Electricity in Portugal is produced from a number of thermal sources, including coal, natural gas and fuel oil, and from hydroelectric and other renewable sources, principally wind. In addition, electricity is imported through the interconnections with Spain, as an alternative source.

The base load in Portugal is principally provided by coal-fired plants, which met 23 per cent. of total consumption in 2007. In years of medium or low hydrological conditions, the base load is also met to a lesser degree by natural gas-fired plants. The remaining demand is met by hydroelectric sources, which have low operating costs and can be brought on line immediately. However, hydroelectric supply depends greatly on meteorological conditions and it therefore fluctuates widely depending on availability and existent storage of water. Renewable sources, particularly wind generation, must continue to grow in the future in order to meet the Portuguese State's target of providing 45 per cent. of generation capacity from renewable sources in 2010.

#### *Electricity transmission*

Electricity transmission activities are carried out through the RNT, through an exclusive concession granted by the Portuguese State to REN Rede Eléctrica on 15 June 2007 for a 50 year period. REN's electricity transmission activities are described below in greater detail.

#### *Electricity distribution*

Electricity distribution is operated through the national distribution grid, consisting of a medium and high voltage network, and through the low voltage distribution grids. The national distribution grid is operated through an exclusive concession granted by the Portuguese State. At the date of this Base Prospectus, the exclusive concession for the activity of electricity distribution in high and medium voltage has been awarded to EDP Distribuição. The low voltage distribution grids continue to be operated under concession agreements awarded by municipalities primarily to EDP Distribuição.

#### *Electricity supply*

The supply of electricity is now fully competitive, subject to obtaining the requisite licenses and approvals. Suppliers are able to freely buy and sell electricity, and have the right of access to the transmission and distribution grids upon payment of access charges set by the *Entidade Reguladora do Sector Energético* (ERSE). Under the New Electricity Framework, consumers are free to choose their supplier, and may switch suppliers without incurring any additional charges. A new entity, whose activity will be regulated by ERSE, will be created to oversee the logistical operations for switching suppliers.

Suppliers are subject to certain service standards in respect of the quality and continuous supply of electricity and are required to provide access to information in simple and understandable terms.

In addition, the new role of the last resort supplier, which is subject to regulation by ERSE, has been undertaken by EDP – Serviço Universal, S.A. and by a few local low voltage distribution companies. This company is responsible for the supply of electricity to customers that purchase electricity under tariffs or Regulated Customers and is subject to universal service obligations. It is also responsible for the purchase of all electricity generated by Special Regime Generators, an obligation which until 1 January 2007 was carried out by REN – Rede Eléctrica Nacional.

#### *Operation of the Electricity Markets*

The organised electricity markets operate on a free market basis, subject to authorisations jointly granted by the Minister of Finance and by the Minister responsible for the energy sector. Electricity market operation is to be integrated into the functioning of any organised electricity market established between the Portuguese State and other EU Member States. Generators operating under the ordinary regime generation and suppliers, among others, can become market members.

## *Tariffs*

Electricity tariffs are uniform across mainland Portugal and are set annually ex-ante by ERSE, based on investment, cost and quantity reviews, according to the rules set out in the “Tariff Code”. The activities established under the Tariff Code for REN Rede Eléctrica, with the obligation to keep them in separate regulated accounts, are set out below.

On 1 July 2007 the Iberian electricity market started trading and the great majority of the PPAs were effectively terminated. As a consequence, REN ceased acting in the capacity of “single buyer” of electricity and focused on its regulated activities which are: (i) electricity transmission activity, which ensures the establishment, expansion and operation of the electricity transmission network in adequate technical and economic conditions; (ii) general managing of the system activity, which ensures (a) inter-operationally and real-time functioning of all the facilities of the transmission network and the facilities physically attached to it in order to ensure a constant production – consumption balance, (b) hiring of system services through efficient, clean and competitive mechanisms for the operational reserve of the system and the compensation of electricity production and consumption deviations, (c) receipt from the market agents of information on the materialisation of the bilateral agreements established and of the quantities traded by each participant in the organised markets, (d) liquidation of system services agreed with producers and provided to the market agents, (e) calculation of the CMECs adjustments, (f) monitoring of the safety of supply, (g) payments of global costs of the system included in the respective USG tariff, as a compensation given to the commercial agent for the difference between the cost of the PPAs and their market value, the payment to ERSE of its electricity sector related costs, the payment to the electric companies of Açores and Madeira of the difference existing in relation to the mainland tariffs, the payment of the CMEC costs to the respective generators and the payment to the last resort supplier of the costs incurred in connection with interruptability agreements (in this case the reflection in the tariffs is made two years after the event and REN's role is to finance the payments during that period of time); and (iii) commercial agent activity, which includes buying all the electricity deriving from the PPAs still in place (those with Turbogás and Tejo Energia) and the sale of such electricity in the market (this function is currently carried out by REN Trading).

REN's regulated activities are remunerated basically through two tariffs connected with the electricity transmission and activities of global management of the system, which are, respectively, the use of transportation grid tariff (URT) and the global use of the system tariff (UGS) (the latter includes the compensation – represented by a positive or a negative number – for the difference between the costs of the two PPAs managed by REN and their actual market value). The legislation and the tariff regulation establishes the permitted revenues for REN, in its role of “commercial agent” ” for the remaining two PPAs. The mechanisms to encourage the efficient optimisation of this activity allow REN to keep up to 5 million Euros every year.

Until the end of 2006, the annual average increase of low voltage regulated end-users tariffs was limited by the forecasted inflation rate. By the end of 2006, increases for the purposes of a step-up in 2007 of tariffs for low voltage end-users were exceptionally limited to 6 per cent., applicable to the normal low voltage of Regulated Customers (as defined below). This historic cap resulted in tariff deficits that affected negatively the cash flows of REN.

REN is regulated at operational results level. REN's operational results are equal to assets remuneration (resulting from the application of a specified rate of return to the regulatory asset base), plus interests on tariff deviations of previous years and commercial gains (ex-post profit). A variation between projected return and actual return results in a variation of expected and realised profits and is corrected in the tariffs over the following two years. In recent years, the return projected by ERSE in setting tariffs has significantly exceeded REN's forecasted actual returns, due in part to the higher costs of renewable generation and in part to an exceptional limitation on the inflation rate for calculating the tariffs for low voltage regulated customers (customers supplied by the last resort supplier of electricity or natural gas, as applicable, the **Regulated Customers**). Although REN will be compensated for the shortfall in actual return compared to projected return in future tariffs, the lower revenues received by REN have adversely affected REN's cash flows as a result of the delay in payment of compensation for this difference.

## REN's Electricity Transmission Business

### Overview

The exclusive concession for electricity transmission was awarded to REN by the Portuguese State on 15 June 2007 and has a duration of 50 years. This concession includes the construction, operation and maintenance of the RNT. It also includes research and development relating to electricity transmission and the technical global management of the electricity system to ensure the coordination of the electricity distribution and electricity transmission infrastructures, thereby protecting the continuity and security of supply and ensuring the integrated and efficient operation of the national electricity system.

As the concessionaire for the national transmission network, REN Rede Eléctrica is obliged to ensure the continuous supply of electricity, to meet quality standards and to meet safety criteria set forth by the Direcção Geral de Energia e Geologia (DGEG). DGEG approved a "Quality of Service Regulation" that seeks to enhance the quality of service with a system of penalties assessed against electricity companies that fall below DGEG's benchmarks. REN strives to maintain and improve its quality of service through appropriate planning for safety and to ensure continuous supply, adequate investment in the renovation of older power lines and substations, suitable maintenance policies and strategies and efficient use of technical and human resources in the operation and maintenance of the RNT.

For the purpose of calculating the regulated income, the relevant net assets in 2007 amounted to almost €1,567.6 million.

### The national transmission network in Portugal

RNT covers the length of mainland Portugal and is interconnected with the Spanish electricity network (*Red Eléctrica de España (REE)*) at nine points, including four 400 kV interconnections, three 220 kV interconnections, one 130 kV connection and one 60 kV connection. The actual capacity of the interconnections depends on a variety of factors related to the operation of the network. REN had an average interconnection capacity for commercial purposes during the first quarter of 2007 of 1,333MW and is currently considering the addition of two further interconnections, which would be installed around 2010.

At 31 December 2007, the RNT consisted of 1,588 kilometers of 400kV power lines, 3,177 kilometers of 220kV power lines and 2,661 kilometers of 150kV power lines or a total of 7,426 kilometers of lines and a total capacity of transformation of 23,097 MVA.

The very high voltage grid is based on 400kV lines running in a north-south direction near the coast, from the Sines power plant in the south to the Alto Lindoso plant in the north by the interconnection to Spain. This is supplemented by 220kV lines, principally between Lisbon and Porto, and diagonally from Coimbra to Miranda do Douro. In addition, 400 kV lines run east-west from Sines to the interconnection with Spain near Balboa (interconnection Alqueva-Balboa) and from Rio Maior to the interconnection with Spain near Cedillo (interconnection Pego-Cedillo). A series of 150 kV lines provide further coverage to the very high voltage grid.

At 31 December 2007, the RNT had 53 transformer substations and 12 switching substations. These substations connect the different parts of the RNT and provide the entry and exit points at which the power stations, sub transmitters, distributors and large users are connected to the RNT.

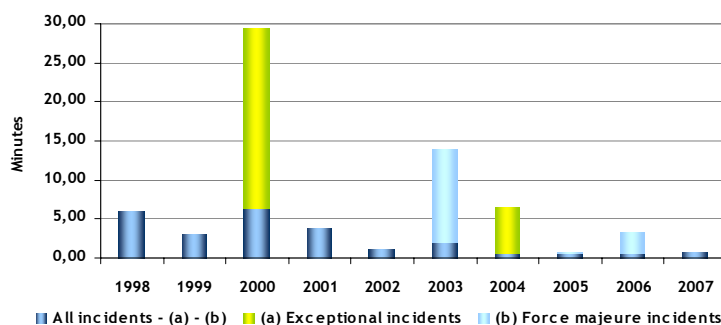
The major components of the RNT have an average estimated useful life of between 35 to 40 years from the date of initial construction, with the exception of the power lines, which have an average estimated useful life of about 50 years from the date of initial construction. The RNT was first built during the 1950s, but has been subject to regular repairs and renovations, including the renovation of all of REN's oldest transmission lines. Most of such lines have been replaced during this period.

### Quality of service of the national transmission network

Management believes that the quality of service provided by REN Rede Eléctrica in its capacity as operator of the RNT, which is based on the security and continuity of the supply of electric power, has reached a high level. According to the annual evolution of the five general continuity of service indicators established by the Quality of Service Regulation (QSR) for the Portuguese electricity transmission network, REN continued to achieve a good performance in 2007.

The RNT's equivalent interruption time has been on a downward trend and was only 0.74 minutes in 2007, the third best equivalent interruption time in the history of the RNT. This is slightly above 2006 levels, although lower than the average figure of the last five years. REN's low equivalent interruption time places it as one of the leading European electricity transmission companies in terms of continuity of electric power supply.

The following graph shows the equivalent interruption time in the RNT for the period from 1998 to 2007, including a generic separation of the causes of such interruption:



Source: REN

During 2007, there was a significant improvement in the performance of the RNT and the total number of incidents was 25 per cent. lower. Most of these incidents did not affect the continuity of the services rendered to clients because of the operating structure of the network. Only eight incidents (one of them due to force majeure causes) resulted in a long interruption, which corresponds to 3.5 per cent. of the total interruption incidents.

In 2007, the rate of unavailability of service due to failures and scheduled maintenance of power transformers and line circuits was, respectively, 0.65 per cent. and 0.46 per cent. The availability of service has remained above 99 per cent. for the past four years.

### Voltage Wave

In order to monitor the voltage waveform quality, REN established an annual monitoring plan under which tests were carried out throughout 2007 to measure voltage quality indicators such as harmonic content, flicker, imbalance of the three phase system and deviation of the effective value of the voltage and frequency. The QSR sets the voltage waveform quality limits for the delivery points to high voltage and very high voltage customers that should be respected by entities operating in the electricity sector. In relation to the voltage deviations, the QSR establishes the relevant monitoring procedures but not the limits to be adhered to.

REN Rede Eléctrica's control systems have been able to restore power failures efficiently, with little disruption to the overall functioning of the power supply system. The restoration efficiency of the automatic operator was 93 per cent. in 2007 and the remote restoration efficiency was 99.4 per cent. in 2007.

### Upgrading and expansion of the RNT

REN looks to upgrade and/or expand the RNT in response to demand and supply dynamics. The following are the main drivers for its current upgrading and expansions plans:

- *Increase capacity in line with growing electricity consumption:* REN believes that long-term growth in electricity consumption in Portugal, driven by GDP growth, is bringing Portugal closer in alignment with European consumption standards and special projects such as the Porto-Lisbon-Madrid high speed train and the new international airport in Lisbon, will require increases in REN's electricity transmission capacity, driving growth in its regulated asset base.
- *Facilitate connections to larger power plants and special regime generators:* Increasing demand for electricity in Portugal, together with the deregulation of electricity generation, should lead to the construction of additional large power plants as well as a growing number of special

regime generators using renewable power. REN expects electricity generation capacity from installed special regime generators in Portugal to increase from 3.718 MW in 2006 to 7.500 MW in 2013.

- *Increase interconnections with Spain:* REN is currently planning to install two further interconnections with Spain, which it expects will be operational in 2010, and which are expected to increase the interconnection capacity from 1,800 MW to 3,000 MW. REN is also considering installing additional interconnections.

REN has planned investments of approximately €1.4 billion over the period from 2007 to 2012. The planned allocation of this amount is expected to be 34.2 per cent. for grid reinforcement, 8.4 per cent. for clients, 27.2 per cent. for distribution, 7.4 per cent. for interconnection capacity, 11.1 per cent. for small generation, 7.5 per cent. for large generation, 1.5 per cent. for the secondary equipment system, and 1.9 per cent. for information technology systems.

### Monitoring of the transmission network

The monitoring plan prepared and executed by REN in 2007 included measurements in 65 substations and interconnection points of the RNT, covering 100 per cent. of the delivery points where measurement was feasible. The execution rate of the monitoring plan was 99 per cent.

In 2007, REN met the reference values adopted by the QSR to measure voltage wave quality indicators. However, occasional limited line disturbances occurred in some delivery points.

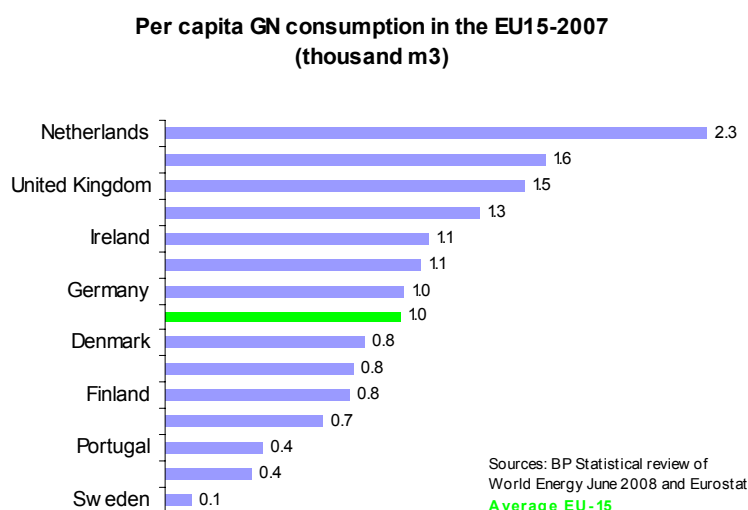
### Technical management of the national electricity system

In addition to the construction and operation of the RNT, REN is also the system operator of the national electricity system. This involves scheduling generation to match, as closely as possible, the demand on the RNT, and to control in real time the facilities to correct imbalances. As part of managing the RNT, REN is also responsible for controlling the schedule of imports and exports with Spain and it manages the mechanisms to cope with interconnection congestions.

## NATURAL GAS INDUSTRY

### Overview

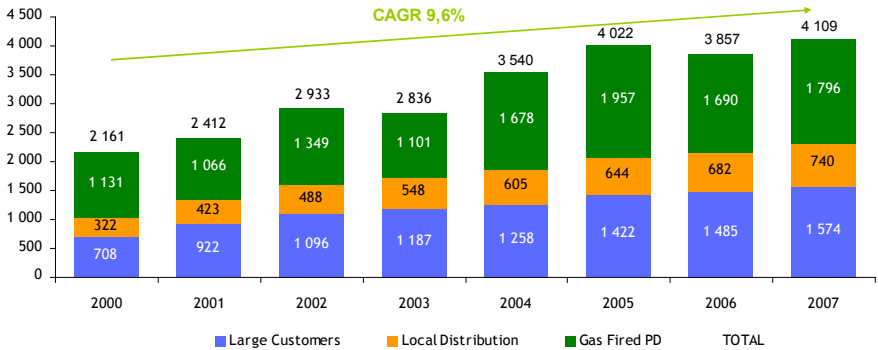
The natural gas industry in mainland Portugal supplied approximately 48.8 TWh of energy in 2007. Demand for natural gas in mainland Portugal can be divided into three main market segments: power plants, large industrial consumers and local distribution. Large combined cycle electricity power plants and gas-fired power plants comprised approximately 21.4 TWh (43.9 per cent.) of the market in 2007. However, natural gas demand for this segment varies from year to year depending on the availability of other generating sources, particularly hydroelectric. Natural gas used for the remaining of the market (industry and distribution) comprised approximately 27.4 TWh (56.1 per cent.) of the demand in 2007. The following graph illustrates the per capita gas consumption in the EU-15 countries in 2007:



The average per capita consumption in the EU-15 countries in 2007 was 1.0 thousand cubic meters with total gas consumption nearly stable (415 billion m<sup>3</sup>) after a strong increase period from 2002 (386 billion m<sup>3</sup>) to 2005 (422 billion m<sup>3</sup>). EU consumption declined in the face of warm winter weather. The demand for natural gas in mainland Portugal has experienced a general increase over the past five years, with the growth in demand driven by all three market segments.

The table below illustrates the growth in demand for natural gas in mainland Portugal from 2000 to 2007:

**Annual demand by Segment (millions m<sup>3</sup>(n))**



Source: REN

The development of electricity generation using natural gas combined cycle power plants is of particular importance to the growth in demand for natural gas. This technology consists of utilising natural gas combustion in a gas turbine cycle combined with a Rankine cycle, which uses the steam produced by the exhaust gases to generate electricity. These two processes are complementary and enable high energy performance and efficiency levels to be reached as energy is extracted from the fuel in two stages, expanding the potential of both cycles. Electricity generation using natural gas combined cycles is both efficient and has minimal environmental impact. It is the principal technology used for large-scale electricity generation projects currently being implemented in developed countries due to its low initial costs, high efficiency and low carbon dioxide emissions compared with other fuels.

Industrial use of natural gas is becoming more widespread because of its recognised advantages over traditional fuels, including cleaner and easier operation and repair, multiple uses for the same fuel, and lower cost than most fuels. In large industries, natural gas permits the use of cogeneration, where natural gas is used both for industrial purposes and to generate electricity. REN believes that growth in its natural gas transmission network will be driven principally by increased capacity demand. With the concurrent growth of the distribution networks, increased coverage will allow medium and small industries to use natural gas as a main fuel.

The domestic use of natural gas continues to grow as the gas distribution companies connect more users to the distribution network, particularly in newly developed urban areas.

Demand for natural gas in Portugal is expected to continue to grow in the coming years.

**The national natural gas system**

The national natural gas system can be divided into six major activities: reception, storage and regasification of LNG, underground storage of natural gas, transmission of natural gas, distribution of natural gas, supply of natural gas and operation of the natural gas market. As with electricity, each of these functions must be operated independently, subject to certain exceptions.

In much the same manner as the national electricity system, an integrated national natural gas system has been established, in which the supply of natural gas and management of the organised markets are open to competition, subject to obtaining the required licenses and authorisations. The reception, storage and regasification of LNG, underground storage of natural gas and transmission of natural gas continue to be provided through the award of public service concessions. The distribution of natural gas is provided through the award of public service concessions or licenses.

As is the case for many European countries, Portugal is not a producer of natural gas. Natural gas is purchased from other countries pursuant to long-term supply contracts. Natural gas is fed into the national gas transmission network through three entry points: the Campo Maior entry point, which receives natural gas from Spain; the LNG terminal located at Sines, which receives shipments of LNG from methane tankers; and the Valença do Minho entry point, which occasionally receives natural gas from Spain.

#### *Reception, storage and regasification of LNG, underground storage of natural gas and transmission of natural gas*

In the Sines terminal, LNG is offloaded and pumped into storage tanks, where it remains until a regasification dispatch order is issued by the owner of the gas. LNG undergoes regasification prior to delivery into gas pipelines. Regasification occurs at the Sines LNG terminal in order to convert the LNG delivered at the terminal into gaseous form prior to delivery into the national gas transmission network. The Sines terminal also has the facilities to fill up road tankers to transport LNG.

#### *Underground Storage*

Unlike electricity, excess natural gas can be stored for future use. Underground storage involves natural gas compression and injection into salt gas caverns, where the compressed gas is stored until it is reintroduced into the national gas transmission network. These types of caverns enable a speedy mobilisation of the stored gas.

#### *Transmission*

Natural gas is transmitted through various high pressure pipelines forming the national gas transmission network, which is connected to medium and lower pressure pipelines operated by the distribution companies for distribution to end users.

The activities of the reception, storage and regasification of LNG, underground storage of natural gas and transmission of natural gas are carried out under 40 year concessions granted by the Portuguese State. The concessions are required to allow third party access at published tariffs applicable to all eligible consumers, energy traders and supply companies. These tariffs must be applied objectively without discrimination to all system users, and without prejudice to entering into any long-term supply contracts in compliance with competition law provisions.

#### *Distribution of natural gas*

The distribution of natural gas through medium and low-pressure pipelines is carried out through concessions or licenses granted by the Portuguese State by public tender. The entities operating the natural gas distribution grid at the date of enactment of Decree-Law no. 30/2006 of 15 February, have maintained their right to operate the natural gas distribution grid as concessionaires or licensed entities under an exclusive territorial public service regime.

Natural gas from the high pressure pipelines of the national gas transmission network is transported to a network of medium and lower pressure pipelines owned by local distribution companies, which deliver natural gas to end users.

Third party access to the distribution system must be ensured by the relevant concessionaires based on published tariffs applicable to all eligible customers, including supply companies, and applied objectively without discrimination among system users.

Certain local distributors also carry out regasification in cryogenic facilities in limited capacities. In this case, the LNG is transported and stored to supply customers who are not connected to the national natural gas transmission network.

#### *Supply of natural gas*

The liberalisation of the natural gas supply commenced in 2007 (with respect to power plants) and is expected to be extended to consumers of over one million cubic meters of natural gas per year in 2008 and to consumers of over ten thousand cubic meters of natural gas per year in 2009. The activities of supply of natural gas are scheduled to be fully competitive by 2010, subject only to obtaining the requisite licenses. Suppliers will be able openly to buy and sell natural gas in the open market or by means of bilateral agreements (although they are already allowed to do so in order to supply customers which are already under the liberalised market). Under the new regime, consumers are free to choose their supplier, and may switch suppliers without incurring any

additional charges. A new entity, whose activity will be regulated by ERSE, will be created to oversee the logistical operations for switching suppliers.

Suppliers are subject to certain public service obligations and are required to ensure the quality and continuous supply of natural gas.

In addition, the role of the last resort supplier has been created until the liberalised market is fully efficient. This new role has been assumed by a wholly owned subsidiary of Galp for wholesale customers and by all other present concessionaires or licensed natural gas distributors within their area of coverage for retail customers, subject to licensing requirements.

#### *Operation of the natural gas markets*

The natural gas markets in Portugal are operated on an open market basis, subject to authorisations to be jointly granted by the Minister of Finance and by the Minister responsible for the energy sector. The entity managing the organised market is also subject to authorisation granted by the Minister responsible for the energy sector and, whenever required by law, the Minister of Finance.

#### **REN's Natural Gas Business**

The national natural gas system has been restructured such that the reception, storage and regasification of LNG, underground storage of natural gas and transmission of natural gas are now carried out by three entities wholly owned by REN under three different concessions:

- REN Gasodutos, S.A. (**REN Gasodutos**) holds the concession for the transport of natural gas through its high pressure network. This concession also includes the technical global management of the national natural gas system and the coordination of the natural gas distribution and natural gas transportation infrastructures, in order to protect the continuity and security of supply and ensure the integrated and efficient operation and development of the natural gas system;
- REN Atlântico, Terminal GNL, S.A. (**REN Atlântico**) holds the concession for the reception, storage and regasification of LNG at Sines LNG terminal; and
- REN Armazenagem, S.A. (**REN Armazenagem**) holds a concession for the underground storage of natural gas, in Carriço, in the municipality of Pombal.

The agreements for these three concessions were entered into on 26 September 2006 between the Portuguese State and the relevant concessionaires for 40 year terms.

For the purpose of calculating the regulated income for the gas segment, the relevant net assets in 2007 amounted to €958.1 million.

#### *Natural gas transmission*

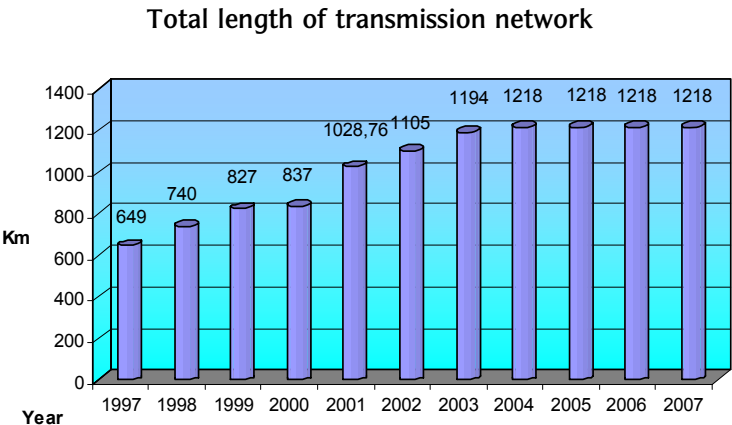
REN acquired the national gas transmission network and other related assets, which are held by REN Gasodutos, on 26 September 2006, from the Galp group. The natural gas transmission concession comprises the transmission of high pressure natural gas activity through the network, including:

- The reception, transmission and delivery of natural gas through the network.
- The construction, operation and maintenance of the national natural gas transmission network infrastructure and its connections to networks and the premises necessary for such operation.
- The planning, development, expansion and technical management of the national natural gas transmission network and the construction of the necessary operation and facilities.
- The maintenance of the connections between the national natural gas transmission network and the international natural gas pipelines, underground storage infrastructures and LNG terminals.
- The infrastructure planning of the national LNG reception, storage and regasification facilities.
- Global technical management of the national natural gas system.
- Monitoring of natural gas safety reserves.

The national natural gas transmission network consists of a main trunk line and branch lines totalling 1,218 kilometers, which is divided into seven sections, and 198 kilometers of high pressure branch lines, with pipes ranging from a nominal size of 150 mm to 800 mm in diameter, of which more than half exceed 700 mm in diameter. In 2007, the national gas transmission network transported 51.3 TWh of natural gas. The national gas transmission network includes 173 pipeline stations, which consist of 41 block valve stations, 61 junction stations, 70 gas regulating and metering systems, and one custody transfer station. The national natural gas transmission network's main dispatching center is located in Bucelas (Loures) and it also has an unmanned emergency dispatching center in Pombal, which is located in a different seismic zone than the main dispatching center. There are also four operation and maintenance centers located on the grid at Sandim (Vila Nova de Gaia), Pombal, Portalegre and Bucelas (Loures).

As the construction of the national gas transmission network only commenced in 1994, it is one of the newest natural gas transmission grids in Europe and accordingly incorporates the latest technology, including cathodic corrosion protection, double slam shut valves, a built-in leak detection system and online simulation, supervisory control and data acquisition system, and a redundant telecommunications system in addition to a land mobile radio system.

The following table describes the evolution of the construction process of the national natural gas transmission network, including total kilometers, from 1997 to 2007:



Source: REN

REN seeks to maintain the national natural gas transmission network at the highest operational standards. To date, REN has had zero incidents according to the Accumulated Performance Indicator of Non-Intentional Gas Leaking Index published by the European Gas Pipeline Incident Data Group (EGIG). This index measures the number of incidents per 1,000 km of exposed infrastructure per year. REN is a member of the EGIG, which collects and disseminates safety-related data on gas pipeline related incidents.

The natural gas market in Portugal continues to develop, and more infrastructures are planned in order to support the expected growth in capacity demand, including connections with new power stations and a gas compressor station. All infrastructure investment is subject to the approval of DGEG.

Through REN Gasodutos, REN also holds a 51 per cent. stake in Gasoduto Braga-Tuy, S.A. and an 88 per cent. stake in Gasoduto Campo Maior-Leiria-Braga, S.A., which it acquired from Transgás on 26 September 2006. These companies are co-owned by REN and Enagas, S.A., the Spanish natural gas transmission operator. These companies were created to share the transmission capacity on the Portuguese pipelines from Campo Maior-Leiria-Braga-Tuy while allowing the transit of natural gas through Portugal to and from the Spanish natural gas system.

*Reception, storage and regasification of LNG*

REN acquired the LNG terminal in Sines on 26 September 2006, by acquiring the total share capital of SGNL – Sociedade Portuguesa de Gas Natural Liquefeito, S.A. (SGNL) (the company is now named REN Atlântico) through which REN operates the reception, storage and regasification

concession for LNG, subject to the public service regime. This concession involves the reception of LNG, the storage of LNG, the regasification of LNG and the delivery of LNG to the national natural gas transmission network. REN Atlântico, under the terms of the concession, also performs the activities of loading and dispatching tanker trucks, marine tankers and also the construction, operation, maintenance and expansion of its infrastructures.

The Sines LNG terminal entered the first phase of its commercial operation in January 2004. The LNG terminal consists of a ship docking station with a unloading capacity of 40,000 cubic meters to 165,000 cubic meters with an average unloading time of 20 hours, two storage tanks each having a capacity of 115,000 cubic meters and five open rack vaporisers for regasification. The LNG terminal has a guaranteed (nominal) send out capacity of 675,000 cubic meters per hour (5.26 bcm per year), with a peak (interruptible) capacity of 900,000 cubic meters per hour, and is able to load up to 3,000 trucks per year (or an equivalent of 0.08 bcm per year).

#### *Underground storage*

REN incorporated REN Armazenagem on 26 September 2006 using assets acquired from the Galp group, which include the gas stations, the leaching facilities and three underground storage caverns with an estimated capacity of 47, 53 and 52 million cubic meters respectively. Two of the gas storage caverns are in operation and one is under construction with completion expected in the first quarter of 2009. Subject to Ministry authorisation, REN has the right to build and acquire additional natural gas caverns for the expansion of the system. REN Armazenagem holds these assets and rights. REN's underground storage concession include:

- The underground storage of natural gas in the gas caverns and the extraction, treatment and delivery of natural gas to the national gas transmission network.
- The construction, operation, maintenance and expansion of the facilities and infrastructure related to the storage of natural gas.

Currently, the two operational gas caverns have a combined storage capacity of 1.19 TWhrs. REN estimates that its combined storage capacity for natural gas will increase to 1.5 TWhrs with the completion of the third gas storage cavern in 2008/2009.

The gas station, above ground infrastructures, has two reciprocating natural gas engine-driven compressors with an injection capacity of 110,000 cubic meters per hour and gas dehydration facilities for extraction with a capacity of 300,000 cubic meters per hour. It also serves two other gas caverns at the site, which are not owned by REN Armazenagem.

The gas caverns are constructed by leaching salt out of a naturally occurring salt formation at a depth of more than 1,000 meters. Fresh or salt water is pumped through a cavern and leaches the salt, leaving a salt cavern where the salt was dissolved. The cavern undergoes a leakage test after the leaching phase and an inner pipe string is lowered into the cavern to remove as much brine as possible. Finally, a subsurface safety valve is installed at a depth of approximately 50 meters in order to prevent unintentional gas flow out of the cavern.

#### *Control systems*

REN's natural gas infrastructure was recently constructed using the latest technology. It is monitored by state-of-the-art systems employing fiber-optic based telecommunications technology connecting the remote stations in the pipeline to the main components of the infrastructure, such as the LNG terminal in Sines and the underground storage facilities in Carriço (Pombal).

REN Gasodutos relies on the Supervisory Control and Data Acquisition (SCADA) system and skilled onsite maintenance teams to keep the pipelines and the remote stations secure. The SCADA system, which employs built-in redundancy, allows for early problem diagnosis and quick response to any malfunctions. The onsite maintenance teams regularly inspect the right-of-way to ensure that parties using the infrastructure are complying with safety requirements and minimising the risk of interference with, or damage to, the infrastructure. Data is electronically collected, reducing the margin for human error, and recorded both onsite and centrally, allowing analyses to be conducted at a later stage on equipment performance in order to detect malfunction trends and to anticipate problems.

REN Atlântico and REN Armazenagem both have developed automated monitoring and control systems.

For example, the truck loading bay at the LNG terminal of REN Atlântico is fully automated. The level of automation allows REN to employ a reduced team to manage the facilities and to ensure that the infrastructure is operating at capacity, and allows quick access to data on the state of the infrastructure.

#### *Technical global management of the national natural gas system*

The technical global management of the national natural gas system involves the coordination of the different infrastructures in the system to ensure open and non-discriminatory access to the infrastructure, as well as monitoring, capacity, planning and the management of the national natural gas transmission system in order to ensure safe access to it by users.

As technical manager of the system, REN Gasodutos is responsible for overseeing the access of gas to the infrastructure in its different cycles, including managing the nominating process and gas metering for each user, in order to promote an efficient and cost-effective use of the network.

From a technical perspective, REN Gasodutos must ensure that the pipelines have enough capacity to meet user demand, managing the varying pressures and flows in order to maintain the responsiveness and availability of the network. In addition, REN is also responsible for monitoring compliance by other participants operating in the national natural gas system with legal and operational obligations in relation to the security of supply.

#### *Investments in natural gas infrastructure*

REN intends to invest approximately €330 million from 2007 to 2012 in its natural gas infrastructure, of which 27.1 per cent. is expected to be applied to a third LNG tank for the Sines terminal, 22.1 per cent. to client connections, 19.6 per cent. to underground storage caverns, 16.5 per cent. to interconnections with Spain, 6.3 per cent. to transmission grid compressor stations and 5.3 per cent. to improve of the infrastructure.

The main drivers of investment in the natural gas sector are the increase of capacity as a result of the increase in demand for natural gas in Portugal in the long run, the construction of interconnections to new power plants and the construction of new interconnections with Spain.

#### *New tariff regime for natural gas*

REN's natural gas infrastructures mainly perform regulated activities. Until 1 July 2007, the start of the first gas regulatory year under the new tariff regime, the natural gas concessions which REN holds concessions, were carried out under a set of bilateral contracts between the companies which had been conducting these activities and their single user, Galp. After that date, REN's regulated natural gas activities are conducted on the basis of the regulations and tariffs published by ERSE.

## **OTHER BUSINESSES**

### **Telecommunications**

REN formed RENTELECOM in 2002 as a wholly owned subsidiary to manage the commercial exploitation of the surplus capacity that exists on the telecommunications safety network. In 2006, this capacity has increased with the integration of the national natural gas transportation grid fiber optic network surplus activity. RENTELECOM focuses on providing telecommunications carrier services within the telecommunication public grid operator permit it holds.

Revenues totalled €1.9 million in 2004, €3.6 million in 2005, €3.2 million in 2006 and €4.1 million in 2007. Approximately €1.6 million of the total revenues for 2005 came from the sale of services that had been contracted for in previous years but had not been provided for until 2005.

### **Energy Trading**

In connection with the phasing out of the PPAs, the Portuguese State has stipulated that PPAs which have not been terminated will be managed until the expiration of their respective terms by REN Trading which was incorporated by REN in June 2007.

REN Trading was incorporated to manage the two remaining PPAs, one of which was entered into with Tejo Energia, in relation to the 600 MW coal fired power plant in Pego, and the other which was entered into with Turbogás, in relation to the 990 MW natural gas combined cycle power plant in Tapada do Outeiro. The objective of REN Trading is to maximise the revenues from selling energy in the markets and to minimise production costs. In the regulated part of this business, the

expected benefits obtained through this activity will be divided between REN and the consumers, according to a formula defined by ERSE in the document “Despacho no. 11210/2008”.

### **Electricity Derivatives Trading Platform**

In 2003, REN established the *Operador do Mercado Ibérico de Energia – Pólo Português, S.A.*, (OMIP), the Portuguese marketplace for the exchange of Iberian electricity derivatives, to capitalise on its experience and knowledge of the electricity markets and on its experience as an electricity buyer. The Portuguese and the Spanish governments plan to merge OMIP with the *Operador del Mercado Ibérico de Energia – Polo Español, S.A.* (OMEL), the Spanish branch of the Iberian Energy Market Operator and have established limitations on the share capital of OMIP. REN currently holds a 90 per cent. stake in OMIP after transferring a 10 per cent. stake in OMIP to OMEL in January 2004. REN intends to transfer its holding in OMIP in the near future in accordance with the 10 per cent. limitations imposed by the Portuguese and Spanish governments and to reduce its holding in OMIP to an approximate 10 per cent. stake in the single Iberian Energy Market Operator.

OMIP revenues for 2006 were €0.7 million, which increased to €4.0 million in 2007.

### **EMPLOYEES**

At the end of 2007, REN had a total of 815 employees (including 27 temporary staff) in the REN Group, of whom 607 are employed at REN Rede Eléctrica, 4 are employed at REN SGPS, 149 are employed at REN Gasodutos, 37 are employed at REN Atlântico, and 5 at REN Armazenagem. Seven are employed at OMIClear and 6 are employed at OMIP. During 2007, REN employed on average 29 temporary employees. Approximately 56 per cent. of REN Rede Eléctrica’s employees and 29 per cent. of REN Gasoduto’s employees are members of unions.

REN has established a workers’ committee of representatives of its employees that meets with REN’s board of directors every three months to discuss and resolve any significant employment issues. REN believes that it maintains satisfactory working relationships with its employees and has not experienced any significant labour disputes or work stoppages.

### **ENVIRONMENTAL**

REN regularly reviews the environmental impact of its business and seeks to minimise the environmental consequences of its activities by promoting the rational use of natural resources, preventing pollution and supporting the development of renewable energy sources. Since 2003, REN’s environmental management system has been certified to the ISO 14001 standard and, in 2006, this certification was renewed for a further three years. In 2007, REN spent approximately €5.7 million on environmental costs, relating to both mandatory and voluntary expenditures, including the development of power lines, waste management, landscaping and the protection of birds.

REN’s gas and electricity infrastructures are subject to environmental impact assessment. In this context, in 2006, REN started preparing a guide on assessing the environmental impact of power lines and substations in collaboration with the Portuguese Environmental Protection Agency. In 2007 the modules of the guide concerning the overhead lines were published.

Because REN does not generate electricity, its activities do not involve significant discharges of pollutants or carbon dioxide into the air or water, nor does it consume significant quantities of water. The waste that REN produces is principally from the construction and maintenance of power lines, substations and buildings, and it has implemented procedures to manage compliance with applicable laws.

REN also carries out regular surveys of the public exposure to electromagnetic fields generated by its transmission system, either in the context of monitoring further to the construction of these infrastructures or in the context of providing information required by entities and by the public in general. The same applies in respect of the monitoring and mitigating the noise impact of some of its installations.

REN, in collaboration with the Ministry of Environment and non-governmental organisations, has carried out studies on the protection of endangered bird species. During the development phase of the infrastructures all available alternatives are studied in order to protect land reserved for endangered bird species, such as the national environmental network, the national ecologic network or natural reserves.

Natural gas poses fewer environmental concerns compared to many other energy sources. REN devotes significant resources to ensure the integrity of its natural infrastructures to prevent accidental releases of natural gas. Management believes that REN complies with all material aspects of environmental regulation and it assumes a pro-active attitude regarding policies and actions under sustainability principles.

#### **RESEARCH AND DEVELOPMENT**

REN engages in a number of projects aimed at improving its management and operation of the national electricity transmission grid and reducing the environmental impact of its operations. REN's research and development activities from 2004 to 2007 totalled €450,000.

#### **PATENTS AND INTELLECTUAL PROPERTY**

REN owns certain proprietary software that it has developed in connection with its business. Other than this software, there are no patents, trademarks or other intellectual property that are material to REN's business.

#### **MATERIAL CONTRACTS**

The principal material contracts to which REN is a party are described below:

##### *Power purchase agreements*

Under the Old Electricity Framework, REN has entered into 33 PPAs, most of which are with EDP Produção, one with Tejo Energia and another with Turbogás. Pursuant to the liberalisation process of the electricity sector, several PPA termination agreements were signed on 27 January 2005 between EDP Produção and REN, which related to termination of the hydro and thermal power plants operated by EDP Produção. These termination agreements came into effect on 1 July 2007. As a consequence of this early termination, according to Decree-Law 240/2004 of 27 December and Decree-Law 99/2007 of 18 May, EDP Produção is entitled to receive an initial compensation from the tariff, which will be passed through under the tariff structure pursuant to a stranded costs mechanism designated by costs for the maintenance of the contractual balance (CMECs). The amounts necessary to pay the initial compensation to EDP Produção will be recovered through the tariffs. In addition, the initial compensation will be subject to a yearly adjustment system during the initial 10 years and a final adjustment in the 10th year. Tariffs will reflect the accrued amounts paid to EDP Produção pursuant to the reviseability system.

The PPAs related to the thermal power plants operated by Tejo Energia and Turbogás are not expected to be terminated early and REN will maintain its status as single buyer under such PPAs until their expiry dates in 2021 and 2024, respectively.

##### *Natural gas management agreement*

On 7 December 1994, REN and Transgás entered into a natural gas consumption management agreement that defines the rights, obligations and procedures to be established between REN and Transgás with respect to the supply of natural gas to the thermal power plants nominated by REN. This agreement is valid for a period of 25 years from the entry into operation of the thermal combined cycle gas turbine (CCGT) power plant of Tapada do Outeiro.

Pursuant to this agreement, Transgás entered subsequently into individual agreements for gas supply with the relevant thermal power plants.

##### *Concession agreements*

REN has entered into:

- a 50 year concession agreement for the activities of electricity transmission;
- a 40 year concession agreement for the activities of reception, storage and regasification of LNG;
- a 40 year concession agreement for the activities of underground storage of natural gas; and
- a 40 year concession agreement for the activities of natural gas transmission.

## PROPERTY, PLANT AND EQUIPMENT

REN's principal properties are related to its electricity and gas infrastructures, as well as certain office buildings. REN's properties are for the most part held free of encumbrances. In general, REN's properties will revert to the Portuguese State or to the municipalities, as the case may be, upon the termination of its concessions. Despite the fact that REN holds the right to receive compensatory amounts in relation to these assets, the loss of such assets may have a negative impact on its business.

## LITIGATION AND ARBITRATION

In the past 12 months REN has been subject to a number of claims relating to its business and may be subject to further claims in the future. In addition, REN Rede Eléctrica is party to a number of other disputes which REN would not consider to have a significant negative impact on the REN Group. REN does not believe that any of the pending judicial proceedings against it would have a material adverse effect on its business, results of operations, financial condition or cash flows.

As a result of the transfer of the regulated gas assets from the Galp group to the REN Group, judicial proceedings are pending concerning liabilities related to pipeline construction and payments.

The companies Gasoduto Campo Maior-Leiria-Braga and Gasoduto Braga-Tuy are parties to tax proceedings arising from events occurring prior to September 2006. REN does not expect the outcome to be unfavourable.

REN Gasodutos, REN Armazenagem and REN Atlântico do not have any significant pending judicial or arbitration proceedings.

## INSURANCE

REN maintains the types and amounts of insurance customary in the industries in which it operates, including coverage for third-party liability, employee-related accidents and injuries, property damage and directors and officers liability.

## REGULATION

REN operates primarily in the energy and natural gas sectors, along with secondary involvement in the telecommunications sector. As a result, its activities are subject to legislation and regulation on a number of fronts. In particular REN is subject to EU legislation applying to the electricity and natural gas sector. REN is also subject to extensive Portuguese legislation applying to the electricity sector such as Decree-law no. 29/2006, of 15 February and Decree-law no. 172/2006, of 23 August, which established the new basis, principles and model of organisation and functioning of the electricity sector in Portugal in accordance to the relevant EU legislation. On the other hand, REN is also subject to extensive Portuguese legislation applying to the natural gas sector such as Decree-law no. 30/2006, of 15 February and Decree-law no. 140/2006, of 26 July which established the new basis, principles and model of organisation and functioning of the natural gas sector in Portugal in accordance to the relevant EU legislation.

REN is subject to the supervision and regulations issued by the *Direcção Geral de Energia e Geologia* (DGEG) and ERSE and, in particular, to the several regulatory codes issued by these entities for both the electricity and natural gas sectors. These regulatory codes include (i) the Quality of Service Regulation, (ii) the Tariff Regulation, (iii) the Commercial Relations Regulation, (iv) the Grid Operations Regulation, (v) the Access to the Grid and Interconnections Regulation, (vi) the Transmission Grid Regulation and Distribution Grid Regulation in respect of the electricity sector. In respect of the natural gas sector the regulatory codes are (i) the Quality of Service Regulation, (ii) the Tariff Regulation, (iii) the Commercial Relations Regulation, (iv) the Access to the Grid, Infrastructure and Interconnections Regulation, (v) the Infrastructure Operation Regulation, (vi) the Project, Construction, Use and Maintenance of the Underground Storage Technical Regulation, (vii) the Project, Construction, Use and Maintenance of the LNG Reception, Storage and Regasification Terminal Technical Regulation, (viii) the Project, Construction, Use and Maintenance of the National Natural Gas Transmission Network Technical Regulation.

Moreover, given the nature of the services it provides, and given that the majority of REN's share capital is held by public companies, particularly Parpública – Participações Públicas (SGPS), S.A. and Caixa Geral de Depósitos, S.A., REN qualifies as a public company under Decree-law no. 558/99, of 17 December.

## MANAGEMENT

### Board of Directors

#### Members

At its general shareholders meeting on 28 March 2007, a resolution was passed to elect REN's board of directors, who will serve until 2009.

The members of REN's board of directors, their principal past affiliations, information on their business experience and other principal business activities and selected other information are set forth below:

Name	Age	Function	Year originally elected	Date of expiry of term
Mr. José Rodrigues Pereira dos Penedos	62	Chairman and CEO	2001	2009
Mr. Vítor Manuel da Costa Antunes Machado Baptista	55	Executive Director	2001	2009
Mr. Aníbal Durães dos Santos	60	Executive Director	2001	2009
Mr. Rui Manuel Janes Cartaxo	55	Executive Director	2007	2009
Mr. Fernando Henrique Viana Soares Carneiro	58	Executive Director	2007	2009
Mr. Luís Maria Atienza Serna	50	Director	2007	2009
Mr. Gonçalo José Zambrano de Oliveira	37	Director	2007	2009
Mr. Manuel Carlos Mello Champalimaud	61	Director	2007	2009
Mr. José Luís Alvim Marinho	55	Chairman of the Audit Committee Director	2007	2009
Mr. Jose Frederico Vieira Jordão	63	Member of the Audit Committee Director	2007	2009
Mr. José Isidoro d'Oliveira Carvalho Netto (*)	63	Director	2008	2009
Mr. Fernando António Portela Rocha de Andrade (*)	37	Member of the Audit Committee Director	2008	2009
Mr. Filipe de Botton (*)	50	Director	2008	2009

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(\*) Elected in the general shareholders meeting that took place on 28 April 2008.

Mr. Carlos Manuel Baptista Lobo was a member of the Board but resigned on 31 January 2008 following his appointment as member of the Portuguese government.

The business address of each of the above members is that of REN's principal head office at Avenida Estados Unidos do América, 55, Lisbon, Portugal.

There are no family relationships between members of the board of directors or between the members of the board of directors and the statutory auditor.

### Corporate Governance

The majority of the share capital of REN is held by entities included in the public companies of the State, notably by Parpública and Caixa Geral de Depósitos, S.A. Consequently, Decree-Law no. 558/99, of December 17, concerning public companies, is applicable to REN, and Decree-Law no. 71/2007, of March 27, concerning public managers, is applicable to the directors appointed by the State.

The purpose of these regulations is to assure compliance by public companies with internationally recognised principles of good corporate governance, promoting high standards, accuracy, efficiency and clearness, on terms similar to those applicable to privately-held companies. Adherence to these principles is assessed through an evaluation of management performance (set forth in articles 6 and 7 of Decree-Law no. 71/2001, of March 27) and through the enforcement of rules concerning conflicts of interest (set forth in article 22 of the same Decree-Law).

Companies rendering public services are subject to article 18 of Decree-Law no. 71/2001, of March 27, which requires the directors of such companies to enter into a management agreement with the State. This agreement sets standards for management efficiency and, if possible, the goals of the management, as well as the remuneration amounts, whether fixed or variable, and any other benefits of a social character. Such agreements are to be executed during the three months following the appointment of the director. In REN's case, however, such agreements have not yet been proposed.

This regime applies only to those companies whose share capital is held primarily by the State or by other public sector entities.

The following functions outside the Issuer are currently exercised by the directors of the Issuer:

Name	Functions
José Rodrigues Pereira dos Penedos	REN Rede Eléctrica – Chairman of the Board of Directors RENTELECOM – Chairman of the Board of Directors CIGRE – Chairman of the Comité Nacional Português (“National Portuguese Committee”) UCTE – Chairman APE – Associação Portuguesa da Energia (“Portuguese Association of Energy”) – Chairman Gasoduto Braga-Tuy – Chairman of the Board of Directors Gasoduto Campo Maior-Leiria-Braga – Chairman of the Board of Directors REN Serviços – Chairman of the Board of Directors REN Gasodutos – Chairman of the Board of Directors REN Atlântico – Chairman of the Board of Directors Ren Armazenagem – Chairman of the Board of Directors Red Eléctrica de España, S.A. – Member of the Board of Directors
Aníbal Durães dos Santos	REN Rede Eléctrica – Member of the Board of Directors Member of Elecpor's Management Board REN Serviços – Member of the Board of Directors REN Gasodutos – Member of the Board of Directors REN Atlântico – Member of the Board of Directors Member of Portugal Telecom, SGPS, S.A.'s consultative Committee
Vítor Manuel da Costa Antunes Machado Baptista	REN Rede Eléctrica – Member of the Board of Directors Non executive member of OMIP's Board of Directors Representative of REN Rede Eléctrica before ASAE- Associação dos Agentes Externos do Sistema Eléctrico Espanhol (“Association of the External Agents of the Spanish Electric System”) Representative of REN Rede Eléctrica in IESOE – Interligação Eléctrica do Sudoeste da Europa (“Electric Interconnection of Southwest Europe”) Chairman of the Comité Técnico de Seguimento da Operação do Sistema Eléctrico Ibérico – CTSOSEI (“Technical Committee for the Follow-up of the Operation of the Iberian Electric System”) REN Serviços – Member of the Board of Directors REN Gasodutos – Member of the Board of Directors REN Armazenagem – Member of the Board of Directors REN Atlântico – Member of the Board of Directors RENTELECOM – Member of the Board of Directors
Rui Manuel Janes Cartaxo	REN Rede Eléctrica – Member of the Board of Directors REN Atlântico – Member of the Board of Directors REN Gasodutos – Member of the Board of Directors REN Serviços – Member of the Board of Directors RENTELECOM – Member of the Board of Directors
Fernando Henrique Viana Soares Carneiro	REN Rede Eléctrica – Member of the Board of Directors REN Serviços – Member of the Board of Directors

<b>Name</b>	<b>Functions</b>
	REN Armazenagem – Member of the Board of Directors REN Gasodutos – Member of the Board of Directors REN Atlântico – Member of the Board of Directors RENTELECOM – Member of the Board of Directors Independent director of Portugal Telecom, SGPS, S.A.
Luís Maria Atienza Serna	Chairman and executive Member of the Board of Directors of Red Eléctrica de España, S.A.
Gonçalo José Zambrano de Oliveira	Executive Director of Olinveste SGPS Lda
Fillipe de Botton	Director of Logoenergia, SGPS
Manuel Carlos Mello Champalimaud	Chairman of the Board of Directors of Gestmin SGPS, S.A.
José Isidoro d'Oliveira Carvalho Netto	REN Armazenagem – Member of the Board of Directors

### ***Service contracts***

No member of the board of directors has a service contract with REN or any of its subsidiaries.

### ***Conflicts of interest***

Mr. José Penedos, chairman of REN's board of directors, holds a labour contract with EDP Distribuição, which, pursuant to the Portuguese labour law has been suspended.

Mr. Vítor Baptista, member of REN's Board of Directors, holds a labour contract with REN Rede Eléctrica, which, pursuant to the Portuguese labour law, has been suspended.

No other potential conflicts exist between the private interests of the members of the board of directors or the supervisory bodies and their duties to REN or to any company of REN Group.

### **Executive Committee**

#### ***Members***

The members of the Executive Committee are Mr. José Rodrigues Pereira dos Penedos, Mr. Aníbal Durães dos Santos, Mr. Vítor Manuel da Costa Antunes Machado Baptista, Mr. Rui Manuel Janes Cartaxo and Mr. Fernando Henrique Viana Soares Carneiro.

### **Remuneration Committee**

#### ***Members***

The Remuneration Committee is composed of the following members elected by the general meeting that took place on 28 April 2008 for the 2008-2009 term: Mr. João Manuel de Castro Plácido Pires (Chairman), Mr. Francisco Manuel Marques Bandeira and Mr. José Alexandre de Oliveira.

## **SUPERVISORY BODIES**

### **Audit Committee**

#### ***Members***

The Audit Committee is composed of the following members: Mr. José Luís Alvim Marinho, Mr. Fernando António Portela Rocha de Andrade and Mr. José Frederico Vieira Jordão.

### **Statutory auditor**

#### ***Members***

At REN's general shareholder meeting of 28 March 2007, a resolution was passed to elect the board of directors including the three members of the Audit Committee, Mr. José Luís Alvim Marinho, Mr. Carlos Manuel Baptista Lobo, who has resigned on January 2008 and was replaced by Mr. Fernando António Portela Rocha de Andrade and Mr. José Frederico Vieira Jordão.

### **Terms for the members of the management and supervisory bodies**

Members of the management and supervisory bodies are elected for three years; their present term ends in 2009.

Although Mr. Vítor Baptista holds a labour contract with REN – Rede Eléctrica, this contract has been suspended since January 2001, when Mr. Victor Baptista was appointed, for the first time, to act as member of the board of directors.

The other members of the management or supervisory boards have not concluded any labour contracts with the Issuer, or with its affiliates, and were appointed by the shareholders' meeting of the Issuer, which also sets, under a proposal of the remuneration committee, the remuneration of each member.

### Secretary of the Company

REN's board of directors appointed Mr. Pedro Jorge Cabral Silva Nunes as secretary of the company and Ms. Daniela Alexandra Pinto Pizarro de Sá as substitute secretary. They will exercise these functions, as defined in the Portuguese Companies Code.

Their term ceases with the end of the term of the present board of directors.

### Market Relations Representative

REN has appointed Mr. Rui Manuel Janes Cartaxo, Chief Financial Officer of REN, as the market relations representative.

### PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of REN's shares at the date of this Base Prospectus.

Owner	Business address	Number of shares owned	Percent
Parpública – Participações Públicas (SGPS), S.A.	Rua Laura Alves, no. 4, Lisbon	165,545,340	31.0%
EDP – Energias de Portugal, S.A.	Praça do Marquês de Pombal, no. 12, Lisbon	26,700,000	5.0%
Caixa Geral de Depósitos S.A.	Avenida de João XXI, no. 63, Lisbon	106,794,660	20.0%
Gestmin, SGPS, S.A.	Rua José Carvalho Araújo, no. 262, 1, Cascais	27,054,420	5.07%
Logoenergia, SGPS, S.A.	Edifício Logoplaste, Estrada da Malveira, 900, Cascais	39,065,959	7.32%
Oliren, SGPS, S.A.	Pousada de Saramagos, Vila Nova de Famalicão	26,700,000	5.0%
Red Eléctrica de España, S.A.	Paseo del Conde de los Gaitanes, 177, Alcobendas (Madrid)	26,700,000	5.0%
Free Float		115,439,621	21.6%
<b>Total</b>		<b>534,000,000</b>	<b>100.0%</b>

### Controlling shareholder

The Portuguese State wholly owns two of REN's other principal shareholders, Parpública-Participações Públicas (SGPS), S.A. and Caixa Geral de Depósitos, S.A.

### Voting Rights

REN's share capital is composed by Class A and Class B shares.

The voting rights exercised by a single holder of Class A shares for themselves or on behalf of another shareholder are limited to a maximum of 10 per cent. of the aggregate voting rights of the share capital. In the case of holders of Class A shares engaged in activities or holding interests within the energy sector, the exercise of the voting rights is limited to 5 per cent. of the aggregate voting rights of the share capital. For purposes of computing the votes corresponding to the

percentage of the share capital held by a participant in a general meeting, the votes corresponding to the following shares are aggregated:

- the shares held by the participant as a shareholder or of which the participant has the usufruct;
- the shares held by any other entity controlled directly or indirectly by the participant;
- the shares held by other persons or entities in their own name or in the name of another for the benefit of the participant;
- the shares held by an entity belonging to the same corporate group as the shareholder entity;
- the shares held by third parties with whom the participant has an option or any other right to buy shares;
- the shares held by third parties with whom the participant has entered into an agreement related to the exercise of voting rights, except if under such agreement the participant is bound to follow instructions from third parties;
- the shares held as security by any person entitled to exercise the voting rights corresponding to the shares;
- the shares held by the members of the corporate bodies of the participant, where the shareholder is a company;
- the shares that the participant may acquire pursuant to an agreement entered into with the respective holders of such shares;
- the shares held by persons with which the participant has entered into an agreement that aims to assure the control over REN or to avoid the change of control of REN or that, in any way, constitutes a form of cooperation to exercise influence over REN.

Under article 13 of REN's by-laws, the shareholders should, for purposes of computing the percentage of the share capital held, provide the board of directors with the information requested by the board, in a true, objective and complete manner. Should shareholders fail to comply with such obligation, the voting rights inherent to shares exceeding 5 or 10 per cent. of the share capital depending on whether the shareholder engages or not in activities or holding interests within the energy sector they hold in REN may not be exercised.

REN's Class B shares are not subject to restrictions on the exercise of voting rights.

## TAXATION

*The following is a summary of certain tax consequences with respect to the Notes based on the tax laws of Portugal as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date, including changes that could have retroactive effect. It is not a complete analysis of all of the potential tax effects relevant to a decision to invest in our Notes. Potentially applicable transitional rules have not been considered. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Noteholder, including tax considerations that arise from rules of general application or that are generally assumed to be known to Noteholders. The following summary neither takes into account nor discusses investors' individual circumstances or the tax laws of any country other than Portugal, and it relates only to the position of persons who are absolute beneficial owners of the Notes.*

*Prospective investors in the Notes should consult their professional advisers with respect to particular circumstances and the effects of state, local or foreign laws to which they may be subject. Noteholders who are in doubt as to their tax position should consult their professional advisers.*

### **Taxation in Portugal and eligibility for the Portuguese debt securities tax exemption regime**

Income derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from notes issued by private entities is characterised as investment income for Portuguese tax purposes.

### **General Portuguese tax regime applicable to debt securities**

Investment income on the Notes paid to a Noteholder, who is a beneficial owner (the **Beneficial Owner** or Beneficial Owners), tax resident in Portugal for tax purposes or to a non-Portuguese resident having a permanent establishment therein to which income derived from the Notes is attributable, is subject to withholding tax at a current rate of 20 per cent., except where the Beneficial Owner is either a Portuguese resident financial institution (or a non-resident financial institution having a permanent establishment in the Portuguese territory to which the income is attributable) or benefits from a reduction or a withholding tax exemption as specified by current Portuguese tax law.

In relation to Beneficial Owners that are corporate entities resident in the Portuguese territory (or non-residents having a Permanent establishment therein to which income is attributable), withholding tax is treated as a payment in advance and hence the withheld tax is creditable against their final tax liability.

In relation to Beneficial Owners that are Portuguese tax resident individuals, withholding tax shall be considered as final, unless an option for aggregation is made in which case the withheld tax is creditable against the recipient's final tax liability.

Investment income on the Notes paid to Portuguese non-resident Beneficial Owners and with no permanent establishment in Portugal to which income is attributable) is subject to a final withholding tax rate of 20 per cent. Reduction at source may be available in accordance with any applicable double taxation treaty, provided certain procedures and certification requirements are met, namely aimed at verifying the non-resident status and entitlement to Tax Treaty benefits.

Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are excluded from taxation for personal income tax purposes.

Capital gains obtained by legal person resident in Portugal for tax purposes or foreign legal person with a permanent establishment in Portugal to which the income is attributable with the transfer of the Notes are subject to corporate income tax, currently at the normal corporate tax rate of 25 per cent. plus a municipality surcharge ("*derrama*") of a maximum of 1.5 per cent resulting in a combined tax rate of up to 26.5 per cent.

Capital gains obtained on the transfer of the Notes by a legal person non-resident in Portugal and without permanent establishment in Portugal to which the income is attributable are exempt from Portuguese capital gains taxation provided that: (a) the share capital of the corporate Noteholder is not more than 25 per cent., directly or indirectly, held by Portuguese resident entities; and; (b) the Noteholder is not resident in a country included in a list of countries and territories approved by the Ministry of Finance of Portugal ("*black list*" published by the Portuguese Government in

Ministerial order no. 150/2004 of February 13, 2004). If any of the above circumstances is 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, in some circumstances, not be subject to taxation.

### **Special Debt Securities Tax Regime**

Pursuant to Decree-Law 193/2005, November 7, (the **Special Debt Securities Tax Regime**) as amended, investment income and capital gains derived by non-Portuguese resident Beneficial Owners, in respect of debt securities registered with a clearing system recognised by the Portuguese Securities Code (such as the Central de Valores Mobiliários, managed by Interbolsa), as well as capital gains derived from a sale or other disposition of such Notes, will be exempt from Portuguese income tax provided that the following conditions are met. Regarding the investment income and capital gains derived on the Notes, for the withholding tax exemption to apply, the Special Debt Securities Tax Regime requires that: (i) the Noteholders do not have a place of residence, head office, effective management or permanent establishment in the Portuguese territory to which the income is attributable; (ii) they are not domiciled in a country, territory or region subject to a clearly more favourable tax regime included in the blacklist approved by an Order issued by the Portuguese Minister of Finance and Public Administration (currently *Portaria do Ministro das Finanças e da Administração Pública* n. 150/2004, of 13 February 2004), with the exception of central banks and agencies of a governmental nature resident in those blacklisted jurisdictions; and (iii) no more than 20 per cent. of the shareholding of such non-resident entities is held, directly or indirectly, by Portuguese residents.

*The following is a general description of the rules and procedures effective as at the date of this Base Prospectus as regards evidence required for the exemption to apply at source:*

For purposes of application of the Special Debt Securities Tax Regime, fulfilment of certain formal procedures and certifications, which are aimed at verifying the non-resident status of the Beneficial Owners. The Beneficial Owner is required to have the Notes held through an account opened with one the following entities: (a) a direct registering entity, which is an entity affiliated with the clearing system recognised by the Portuguese Securities Code; (b) an indirect registering entity, which although not assuming the role of the “direct registering entities”, is a client of the latter; or (c) entities managing an international clearing system holding an account with a clearing system recognised by the Portuguese Securities Code, which are entities operating within the international market to clear and settle securities transactions. For the purposes of article 2, item (d) of the Special Debt Securities Tax Regime, the Portuguese Government has recognised both Euroclear and Clearstream, Luxembourg as entities managing an international clearing system.

#### **1. Domestic Cleared Notes – held through a direct registering entity**

Direct registering entities are required, for purposes of Decree-Law 193/2005, to register the Noteholders in one of two accounts:

- (a) an exempt account; or
- (b) a non-exempt account.

Registration of the Notes in the exempt account is crucial for the exemption to apply. For this purpose, the registration of the non-resident Beneficial Owners in an exempt account, thus allowing application of the exemption up-front, requires evidence of the non-resident status. The Beneficial Owner of Notes must provide proof of non-residence in Portuguese territory substantially in the terms set forth below.

- (i) If a holder of Notes is a central bank, a public law institution or an international organisation, a declaration of tax residence issued by the holder of Notes, duly signed and authenticated or proof pursuant to (ii) or (iv) below;
- (ii) If the beneficial owner of Notes is a credit institution, a financial company, a pension fund or an insurance company domiciled in any OECD country or in a country with which Portugal has entered into a double taxation treaty and is subject to a special supervision regime or administrative registration, certification shall be made by means of the following: (A) its tax identification or (B) a certificate issued by the entity responsible

for such supervision or registration confirming the legal existence of the holder of Notes and its domicile or (C) proof of non-residence pursuant to the terms of paragraph (iv) below.

- (iii) If a beneficial owner of Notes is either an investment fund or other type of collective investment undertaking domiciled in any OECD country or any country with which Portugal has entered into a double tax treaty, certification shall be provided by means of any of the following documents: (A) declaration issued by the entity which is responsible for its registration or supervision or by the tax authorities, confirming its legal existence and the law of incorporation or (B) proof of non-residence pursuant to the terms of paragraph (iv) below.
- (iv) In any other case, confirmation must be made by way of (A) a certificate of residence or equivalent document issued by the relevant tax authorities or (B) a document issued by the relevant Portuguese consulate certifying residence abroad or (C) a document specifically issued by an official entity of the public administration (either central, regional or peripheral, indirect or autonomous) of the relevant country certifying the residence; for these purposes, an identification document such as a passport or an identity card or document by means of which it is only indirectly possible to assume the relevant tax residence (such as a work or permanent residency permit) is not acceptable.

There are rules on the authenticity and validity of the documents mentioned in paragraph (iv) above, in particular that the holder of Notes must provide an original or a certified copy of the residence certificate or equivalent document. This document must be issued up to until 3 months after the date on which the withholding tax would have been applied and will be valid for a 3 year period starting on the date such document is issued. The holder of Notes must inform the register entity immediately of any change that may preclude the tax exemption from applying to be provided by the Beneficial Owner.

Pursuant to paragraph (A) above, when the Notes are held by central banks or governmental agencies, the relevant evidence of non-residence in Portuguese territory is provided only once, its periodical renewal not being necessary.

## 2. Internationally Cleared Notes – held through an entity managing an international clearing system

If the Notes are held through a centralised system recognised under the Portuguese Securities Code and complementary legislation, and are registered in an account with an international clearing system recognised by the Minister of Finance in accordance with the Special Debt Securities Tax Regime (such as Euroclear or Clearstream, Luxembourg) and the management entity of such international clearing system undertakes not to provide registration services to (i) residents for tax purposes in Portugal which do not benefit from either an exemption from Portuguese taxation or an exemption from Portuguese withholding tax, and (ii) non-resident entities for tax purposes which do not benefit from the above Portuguese income tax exemption, special rules apply under which proof of the requirements to benefit from the exemption will be made through documents provided by the participants to the direct register entity through the international clearing system managing entity. These documents must take into account the total accounts under their management regarding each holder of Notes that are tax exempt or benefit from an exemption from Portuguese withholding tax.

The relevant procedures are as follows:

Filing a certificate, on a yearly basis, with the name of each beneficial owner, address, taxpayer number (if applicable), specification of the securities held and the legal basis for the exemption from taxation or from Portuguese withholding tax. The following corresponds to the current form (English version) for these purposes and was approved by Order (*Despacho*) n. 4980/2006 (2nd. series), of the Portuguese Minister of Finance and Public Administration (currently "*Ministro das Finanças e da Administração Pública*"), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006, and may be available for viewing at [www.dgci.min-financas.pt](http://www.dgci.min-financas.pt).

**CERTIFICATE FOR EXEMPTION FROM PORTUGUESE WITHHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 1 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)**

The undersigned Participant hereby declares that he holds debt securities covered by the special tax regime approved by the Decree-Law nr. 193/2005, 7 of November (the “Securities”), in the following securities account number ..... (the “Account”) with ..... (name and complete address of the international clearing system managing entity).

We will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:.....  
 Name:.....  
 Residence for tax purposes (full address):.....  
 Tax ID Number:.....

2. We hereby certify that, from the date hereof until the expiry date of this certificate:

(A)  We are the Beneficial Owner of the following Securities:

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

and we hereby declare that we are not liable to Portuguese withholding tax, in accordance with the applicable legislation, indicated hereafter:

- Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November .....
- Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax .....

(B)  We are intermediaries of the following Securities:

<i>Security ISIN or Common Code</i>	<i>Security description</i>	<i>Nominal position</i>

which are held on behalf of:

- Name:.....  
 Residence for tax purposes (full address): .....  
 Tax ID Number: .....

and we attach a statement of beneficial ownership, which includes the justification for the exemption of personal or corporate income withholding tax.

3. We hereby undertake to provide the .....  
(*name of the international clearing system managing entity*) with a document proving the exemption of personal or corporate income withholding tax referred in the attached statement of beneficial ownership, whenever the beneficial owner is not a central bank, public institution, international body, credit institution, financing company, pensions fund and insurance company resident in any OECD country or in a country with which Portugal has concluded a Convention for the Avoidance of International Double Taxation, on behalf of which we hold Portuguese debt securities in the Account.
4. We hereby undertake to notify the .....  
(*name of the international clearing system managing entity*) promptly in the event that any information contained in this certificate becomes untrue or incomplete.
5. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise .....  
(*name of the international clearing system managing entity*) and its Depository to collect and forward this certificate or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.
6. This certificate is valid for a period of twelve months as from the date of signature.

Place:..... Date:.....

.....  
Authorised Signatory Name

.....  
Title/Position

.....  
Authorised Signatory Name

.....  
Title/Position

APPENDIX 1

STATEMENT OF BENEFICIAL OWNERSHIP

The undersigned beneficiary:

- Name: .....
- Address: .....
- Tax ID number: .....

Holding via the following financial intermediary:

- Name of the financial intermediary: .....
- Account number: .....

The following securities:

- Common /ISIN code: .....
- Security name: .....
- Payment date: .....
- Nominal position: .....

1. Hereby declares that he/she/it is the beneficial owner of the above-mentioned securities and nominal position at the payment date / / ; and

2. Hereby declares that he/she/it is not liable to withholding tax, in accordance with the applicable legislation, indicated herein after (tick where applicable):

- Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November
- Art. 90 of *CIRC* (Corporate Income Tax Code) – Exemption from withholding tax
- Art. 9 of *CIRC* – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- Art. 10 of *CIRC* – General Public Interest Companies, Charities and other non-governmental social entities; exemption by Ministerial Regulation no. .... published in the *Diário da República*
- Art. 14 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- Art. 22 – A of EBF – Venture Capital Investment Funds
- Art. 24 of EBF – Stock Savings Funds (FPA)
- Other legislation (indicate which)

This document is to be provided to the Portuguese tax authorities, if requested by the latter, as foreseen in the Article 17 of the Special Tax Regime approved by the Decree-Law nr. 193/2005, 7 of November.

Authorised signatory:

Name: .....

Function: .....

Signature: .....

Alternatively, filing a yearly declaration that states that the beneficial owners are exempt or not subject to withholding tax. This declaration is complemented with a disclosure list, on each coupon payment date, of the beneficial owners, stating their address, taxpayer number (if applicable), quantity held, and legal basis for the exemption from taxation or from Portuguese withholding tax. The following corresponds to the current form (English version) for these purposes and was approved by Notice (**Aviso**) n. 3714/2006 (2.nd series), published in the Portuguese official gazette, second series, n. 59, of 23 March 2006 issued by the Portuguese Secretary of State for Tax Affairs (currently "*Secretário de Estado dos Assuntos Fiscais*") and may be available for viewing at [www.dgci.min-financas.pt](http://www.dgci.min-financas.pt).

**STATEMENT FOR EXEMPTION FROM PORTUGUESE WITHOLDING TAX ON INCOME FROM DEBT SECURITIES (PARAGRAPH 2 OF ARTICLE 17 OF THE SPECIAL TAX REGIME APPROVED BY THE DECREE-LAW NR. 193/2005, 7 OF NOVEMBER)**

The undersigned Participant hereby declares that he holds or will hold debt securities covered by the special tax regime approved by the Decree-Law no. 193/2005, 7 of November (the “Securities”), in the following securities account number (the “Account”) with .....  
*(name and complete address of the international clearing system managing entity).*

We hold or will hold these Securities in our capacity of beneficial owner or in our capacity of intermediary, holding Securities on behalf of one or more beneficial owners, including ourselves, if applicable, all of whom are eligible for exemption at source from Portuguese withholding tax according to Portuguese legislation.

1. We are:  
 Name: .....  
 Residence for tax purposes (full address): .....  
 Tax ID Number: .....
2. We hereby undertake to provide the .....  
*(name of the international clearing system managing entity)* with a list of Beneficial Owners at each relevant record date containing the name, residence for tax purposes, Tax Identification Number and nominal position of Portuguese debt Securities for each Beneficial Owner, including ourselves if relevant, on behalf of which we hold or will hold Portuguese debt securities in the Account.
3. We hereby undertake to notify the.....  
*(name of the international clearing system managing entity)* promptly in the event that any information contained in this certificate becomes untrue or incomplete.
4. We acknowledge that certification is required in connection with Portuguese law and we irrevocably authorise .....  
*(name of the international clearing system managing entity)* and its Depository to collect and forward this statement or a copy hereof, any attachments and any information relating to it, to the Portuguese authorities, including tax authorities.
5. This statement is valid for a period of twelve months as from the date of signature.

Place: ..... Date:.....

.....  
 Authorised Signatory Name  
 .....  
 Title/Position

.....  
 Authorised Signatory Name  
 .....  
 Title/Position

APPENDIX 2

LIST OF BENEFICIAL OWNERS

For:

Interest due \_\_\_/\_\_\_/\_\_\_

Security code (ISIN or Common Code): .....

Security description: .....

Securities Clearance Account Number: .....

We certify that the above Portuguese debt securities are held on behalf of the following Beneficial Owners:

Name	Tax identification number	Residence for tax purposes	Quantity of securities	Legal basis of the exemption from withholding tax	
				Code (*)	Legislation (**)

(\*) Indicate the legal basis of the exemption from withholding tax in accordance with the following table:

**Code Legal basis of the exemption**

- 1 Special Tax Regime approved by the Decree-Law no. 193/2005, 7 of November
- 2 Art. 90 of CIRC (Corporate Income Tax Code) – Exemption from withholding tax
- 3 Art. 9 of CIRC – State, Autonomous Regions, local authorities, their associations governed by public law and social security federations and institutions
- 4 Art. 10 of CIRC – General Public Interest Companies, Charities and other non-governmental social entities
- 5 Art. 14 of EBF (Tax Incentives Statute) – Pension Funds and assimilated funds
- 6 Art. 21 of EBF – Retirement Savings Funds (FPR), Education Savings Funds (FPE), Retirement and Education Savings Funds (FPR/E)
- 7 Art. 22 – A of EBF – Venture Capital Investment Funds
- 8 Art. 24 of EBF – Stock Savings Funds (FPA)
- 9 Other legislation

(\*\*) The fulfilment of this column is mandatory when the code “9” is indicated in the previous column.

In addition, the international clearing system managing entity shall inform the direct register entity of the income paid to each participant for each security payment.

No Portuguese exemption shall apply at source under the regime approved by Decree-law 193/2005 if the above rules and procedures are not followed. Accordingly, the general Portuguese tax provisions shall apply as described above.

If the conditions for the exemption to apply are met, but, due to inaccurate or insufficient information, tax was withheld, a special refund procedure is available under the regime approved by Decree-law 193/2005. The refund claim is to be submitted to the direct or indirect register entity of the Notes within 90 days from the date the withholding took place. A special form for these purposes was approved by Order (*Despacho*) n. 4980/2006 (2.nd series), published in the Portuguese official gazette, second series, n. 45, of 3 March 2006 issued by the Portuguese Minister of Finance and Public Administration (currently “*Ministro das Finanças e da Administração Pública*”) and may be available for viewing at [www.dgci.min-financas.pt](http://www.dgci.min-financas.pt).

The refund of withholding tax in other circumstances or after the above 90 days period is to be claimed to the Portuguese tax authorities under the general procedures and within the general deadlines.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required 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 certain dependent or associate territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) 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.

Portugal has implemented the above Directive on taxation of saving income into Portuguese law through Decree-Law no. 62/2005, of 11 March, 2005, as amended by Law no.39-A/2005, of 29 July.

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 9 September, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of Final Terms*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **United States**

The Notes have not been and will not be registered under 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 the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes 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 a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes 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 Notes 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 Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### **Public Offer Selling Restriction under the Prospectus Directive**

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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) 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;

- (b) 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;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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.

### **United Kingdom**

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Market Act 2000 (the **FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 Notes in circumstances in which Section 21(1) of the **FSMA** does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the **FSMA** with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No.25 of 1948, as amended; the **FIEL**) 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 Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (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, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the **FIEL** and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Portugal**

Each Dealer has represented, warranted and agreed that and each further Dealer appointed under the Programme will be required to warrant and agree that the Base Prospectus has not been and will not be registered with or approved by the Portuguese Securities Market Commission

("Comissão do Mercado de Valores Mobiliários", CMVM) nor has a prospectus recognition procedure been commenced with the CMVM and therefore the Notes 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 Decree Law no. 486/99 of 13 November, 1999 unless the requirements and provisions applicable to the public offerings in Portugal are met and the above mentioned registration approval or recognition procedure is made. In addition, each Dealer has represented and agreed, and each further Programme Dealer or Issue Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, marketed invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer ("*oferta pública*") of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code or other securities legislation or regulations, qualify as a private placement of Notes only ("*oferta particular*"); (iii) it has not distributed, made available or caused to be distributed and will not distribute, make available or cause to be distributed the Base Prospectus or any other offering material relating to the Notes to the public in Portugal; (iv) if the Notes are subject to a private placement addressed exclusively to qualified investors ("*investidores qualificados*"), such private placement will be considered as a private placement of securities pursuant to the Portuguese Securities Code; (v) private placements addressed by companies open to public investment ("*sociedades abertas*") or by companies issuing securities listed on a market shall be notified to the CMVM for statistics purposes; (vi) it will comply with all applicable provisions of the Portuguese Securities Code, the Prospectus Regulation implementing the Prospectus Directive, and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be including the publication of a Base Prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

### **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 23 July 2008. Each issue of Notes shall be duly authorised by a specific resolution of the Issuer.

### Listing of Notes

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Lisbon:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the audited consolidated annual report and accounts of the Issuer in respect of the financial year ended 31 December 2007 and the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2006 (with an accurate English translation thereof), in each case together with an accurate English translation of the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated financial statements on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published interim financial statements (if any) of the Issuer (in each case with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement and the Agency Agreement;
- (e) a copy of this Base Prospectus;
- (f) any future base prospectuses, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note 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 Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### Clearing Systems

Notes to be issued under the Programme have been accepted for registration and clearance through CVM managed by Interbolsa.

The address of Interbolsa is Avenida da Boavista 3433, 4100-138 Porto, Portugal.

The Notes will also be eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg holding Notes through a custodian that is an Affiliate Member of Interbolsa.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Group since 30 June 2008 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2007.

### **Litigation**

Save as described under “*Risk Factors*” – “*REN is a party to certain litigation*” and “*REN may face public opposition or lack of public support from communities established in the vicinities of existing and/or projected electricity and natural gas transmission networks*”, on pages 16 and 17, respectively, of this Base Prospectus, the Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Group.

### **Auditors**

The auditors of the Issuer are PricewaterhouseCoopers & Associados – S.R. O.C., Lda, members of *Ordem dos Revisores Oficiais de Contas* (Institute of Statutory Auditors), who have audited the Issuer’s accounts without qualification, in accordance with applicable auditing standards in the Republic of Portugal for each of the two financial years ended on 31 December 2007 and 31 December 2006. The Issuer’s audit committee (the **Audit Committee**) have also issued a report on the audited consolidated financial statements for the financial year ended 31 December 2007 of the Issuer. J. Monteiro e Associados, SROC, members of *Ordem dos Revisores Oficiais de Contas* (Institute of Statutory Auditors), has issued the legal certification of accounts for the financial year ended 31 December 2007 and Luis Borges de Assunção (**ROC**) issued the legal certification of accounts for the financial year ended 31 December 2006 and is therefore responsible for the legal certification of accounts under the Portuguese Securities Code.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Dealers transacting with the Issuer**

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 Issuer and its affiliates in the ordinary course of business.

### **Third party information**

Where information in this Base Prospectus has been sourced from third parties such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

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**PAYING AGENT**

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