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2006

March 9, 2007

EDP reported a 13% increase of EBITDA in 2006 net profit fell 12% due to lower extraordinary results

Income Statement
€ million

	2006	2005	Change	% Change
Gross Profit	4,158	3,864	295	+8%
EBITDA	2,305	2,048	258	+13%
EBIT	1,253	1,136	117	+10%
Financial Results and associated companies	38	(364)	402	+110%
Capital Gains	5	492	(487)	-
Net Profit	941	1,071	(130)	-12%
Capex	1,457	1,427		+2%
Net Debt	9,285	9,463	(178)	-2%

Main Highlights (1/2)

1. **EBITDA increased 13% YoY to €2,305m,** above the 11% CAGR target for the 2006-2010 period, including €47m of non-recurrring restructuring costs accounted in 4Q06. **Net Profit decreased 12% to €941m,** following the lower level of extraordinary results in 2006. **Excluding non-recurrent items, current net profit increased 17%**

2. **Gross profit from Iberian generation and supply activities in the liberalized market increased 26%**, on the back of higher capacity (+400MW at Ribatejo CCGT) and the increase of average net supply price. **Gross profit from generation activity under PPAs remained stable**, representing 23% of consolidated gross profit (€934m).

3. **Wind gross generation capacity increased 65% YoY** (+461 MW through organic growth and +155 MW through acquisitions) **up to 1,568 MW in 2006**. As a result, gross profit from renewable energies more than doubled in the period (+€103m).

4. **Gas business gross profit increased 20% in the period (+€38m),** following the **acquisition of Bilbogas and Gasnalsa, an improvement of regulated revenues and a recovery of the liberalized margin (+€2/MWh**).

5. **Distribution gross profit improved €78m**, benefiting from the **recognition of a €125m tariff deficit in Portugal.** Nevertheless, electricity gross profit from distribution activity in Portugal came €118m below allowed revenues – This deviation will be recovered in the next tariff reviews.

* Gross MW of Wind Installed Capacity

Main Highlights (2/2)

6. **In Spain, RD 03/2006 had a €48m negative impact on EBITDA** due to the potential withdraw of the economic value of the CO_2 licenses granted for free related to generation sales to the pool and the netting of intra-group transactions in the Spanish pool at a provisional tariff of €42.35/MWh.

7. **Energias do Brasil gross profit increased 19% (+€119m) benefiting from the start of operations of Peixe Angical hydro plant and from the appreciation of the Real.** These events more than compensated the negative impact tariff deviations to be recovered in the future.

8. Excluding the impact of the Brazilian Real appreciation and a non-recurring cost related to staff reduction in the Iberian Peninsula and Brazil (€68m), **consolidated operating costs decreased in real terms (S&S and Personnel Costs increased 1.5% YoY).**

9. **Financial results and Income from associated companies reflect the positive impact of the interest rate swap that was hedging the CMEC agreement** (+€270m) **and the equity contribution from REN** (+€225m, boosted by the capital gain on the sale of its 18.3% stake in Galp in the 3Q06). Net Debt decreased €178m to €9.3 billion in 2006.

10. **Non-core assets disposal policy**, namely sale of a 15% stake in REN, 8% of SonaeCom, Telecable, ONI [1] and Electra (~€360m of cash-in) and **focus in core business** through reinforcement of gas distribution (€96m) and wind farms acquisitions (€444m). Capital gains in 2006 were €5m vs. €492m in 2005.

(1) Not accounted for in 2006

Consolidated gross profit rose by 8% in 2006

Income Statement
€ million

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Gross Profit	4,158	3,864	295	+8%
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EBIT	1,253	1,136	117	+10%
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Net Income	941	1,071	(130)	-12%
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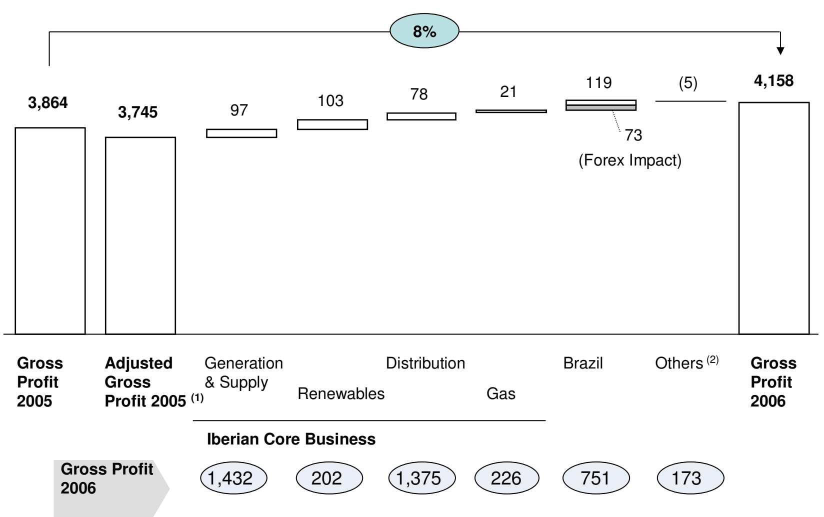
Gross profit grew in all our main business areas

Gross profit Evolution: 2006 vs. 2005
€ millions



- **26% growth of Iberian liberalized market gross profit due to improvement on gross margin per MWh**
- **65% growth of wind capacity contributed with 24% of EDP gross profit improvement**
- **Allowed revenues in distribution in Portugal grew by 10%**
- **Appreciation of the Brazilian Real, start up of Peixe Angical**

[1] Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portgás
[2] Includes other activities such as cogeneration, Holdings, EDP Bioeléctrica, Shared Services, Telecoms …etc, and consolidation adjustments

RD 03/06 reflected into a €48m negative impact at HC Energia

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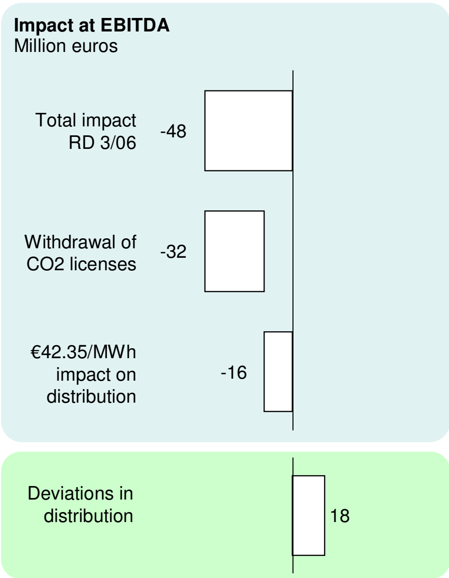

Comments

- Provisional impact of RD 3/06 implies a ~10% reduction on HC's EBITDA.
- Value of withdrawal by generation activity of CO_2 free allowances (in line with the is in line with the CNE preliminary opinion
- €53/MWh average electricity purchase cost in distribution for the assimilated bilateral volumes (1,512 GWh) was higher than the €42.35/MWh cost recognized by regulation: €16m
- In 2006 HC Energia distribution had an average electricity purchase cost lower than the average of Spanish distributors (average price was boosted by significant purchases in secondary markets by other operators)

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Generation and supply liberalized market: market sales were kept at prices above the sourcing cost of electricity

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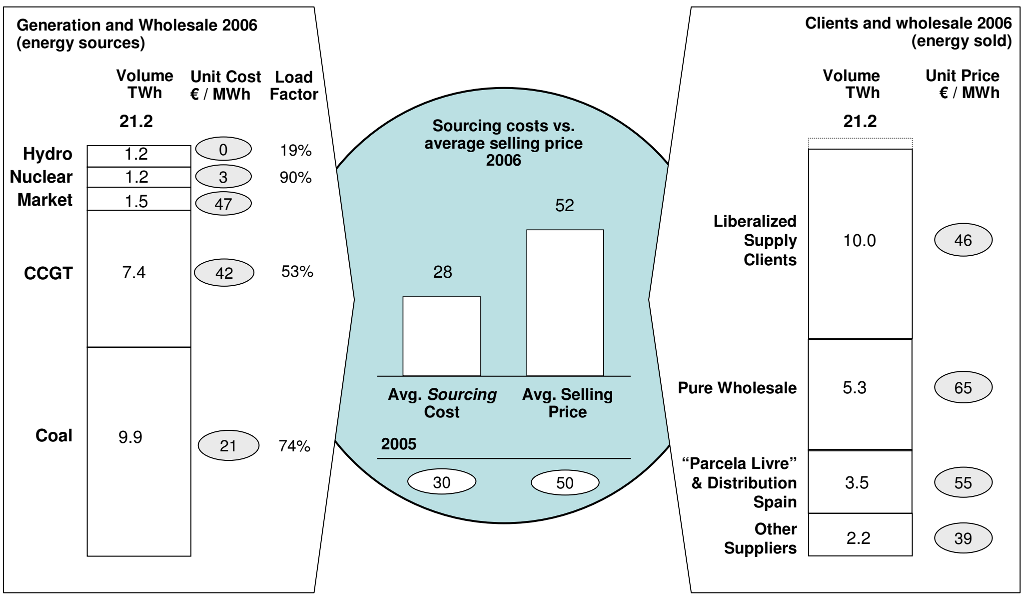

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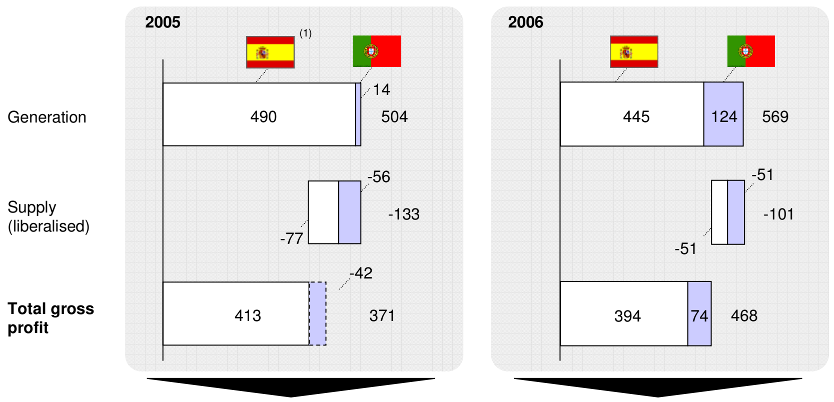
Generation and supply in liberalized market: gross profit grew 26%
Higher selling prices more than compensated lower volumes

Iberian Generation and Supply Gross Profit
Million euros



26% growth of gross profit from generation and supply in the liberalized market

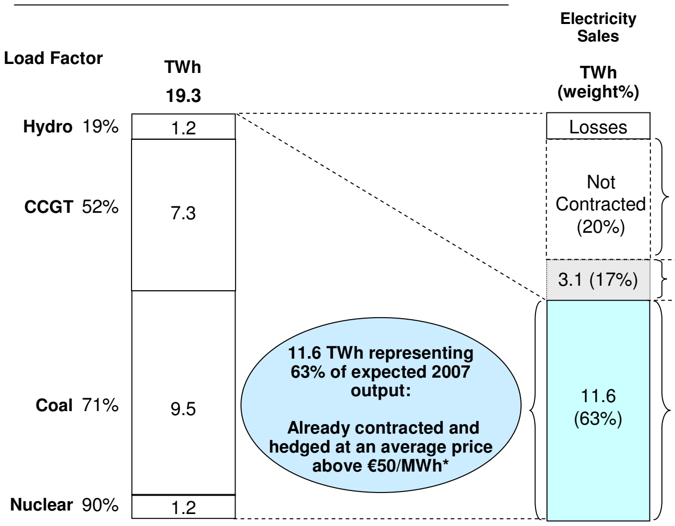
- **In Portugal, short position in wholesale market led to electricity purchases in the pool at high prices to satisfy electricity needs of supply customers**
- **4Q05 commercial strategy in Portugal led to a -€32m negative impact in gross profit**

- **Higher prices in wholesale markets and in retail segment both in Spain and Portugal**
- **Increase of unit gross margin per MWh sold both in Spain and Portugal more than compensated reduction of volumes sold.**

(1) Pro-forma in Spain to adjusted the generation and supply activity with the internal contracted price

Iberian market: Well timed forward contracting for 2007

Liberalized Generation output: Current Base case for 2007



- **Retention of upside potential in case of market improvement**
- **Capacity to play short term volatility**
- **Room for arbitrage with gas LNG spot market and gas retail market in Spain**

In advanced stage to be contracted (attractive price levels)

Already sold through:

Liberalized Retail Spain
+
Liberalized Retail Portugal
+
OMIP/OTC market

* Before capacity payment

Growth in Iberian renewables driven by wind capacity increase and higher average wind tariffs

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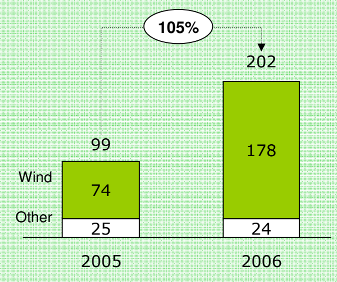
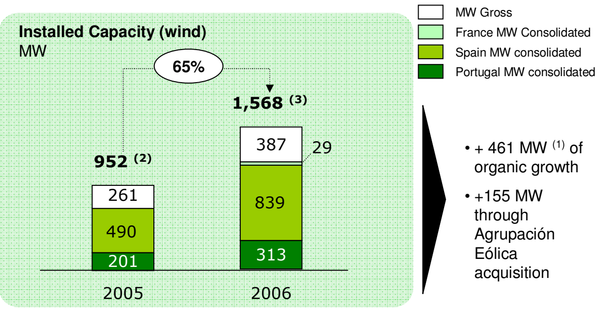
NEO Gross Profit Evolution: 2006 vs. 2005
€ million



Installed Capacity (wind)
MW



- + 461 MW (1) of organic growth
- +155 MW through Agrupación Eólica acquisition

Average selling price (wind)
€/MWh

	2005	2006	% Chg.
Spain	70	90	+14%
Portugal	86	91	+6%

- + €15.5m with the transfer wind farms to the market option in Spain
- +€2.8m through a 6% increased of avg. wind tariff in Portugal (lower avg. load factor)

(1) Including: 112 MW in Portugal, 330 MW in Spain and 20 MW in France
(2) Including 50 MW regarding acquisition of wind farms from Tecneira in Dec-2005 and 274 MW regarding acquisition of Desa in Dec-2005 (3) Including 155 MW regarding AE acquisition

Regulated distribution in Portugal: 10% growth of allowed revenues Gross profit was penalized by a €118m tariff deviation

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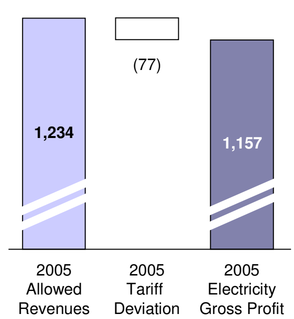
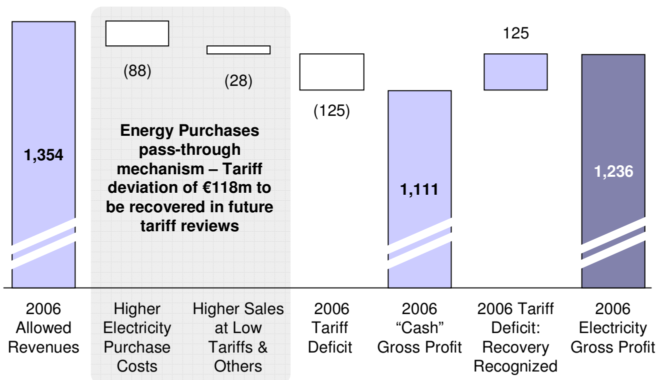
2005 EDP Distribuição Gross Profit (1)
(€ million)



2006 EDP Distribuição Electricity Gross Profit (1)
(€ million)



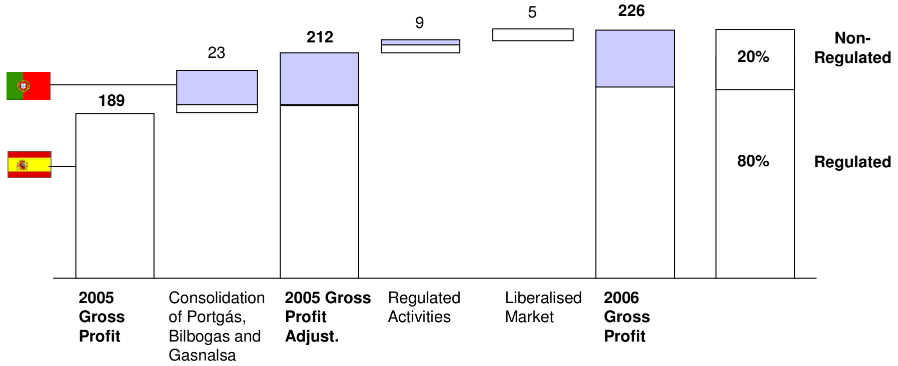
- **Electricity gross profit came €77m below 2005 allowed revenues.**

- **9.7% increase in Allowed Revenues not fully received through final tariffs:**
  (a) €125m 2006 tariff deficit set by the regulator (to be recovered in 10 years starting 2008 and securitizable);
  (b) €118m 2006 tariff deviation (to be recovered in 2008 and can be securitized)

(1) Excluding services provided, other sales and materials

Gas regulated revenues in Spain and Portugal grew by 12.6%, strong recovery of liberalized supply activity in Spain in 4Q06

Iberian Gas Gross Profit Evolution: 2006 vs. 2005
Million euros



- **Regulated gas distribution (80% of gross margin): Regulated revenues grew by 3.8% to €180m.** Full consolidation of Portgás, Gasnalsa and Bilbogas following the reinforcement of the stakes from 59.6% to 72.0% in Portgás and from 50% to 100% in Gasnalsa and Bilbogas.
- **Liberalized gas market in Spain (20% of gross margin):** Strong improvement of the supply margin in 4Q06 more than compensates non-recurrent procurement losses with gas purchases in the spot market during 1Q06

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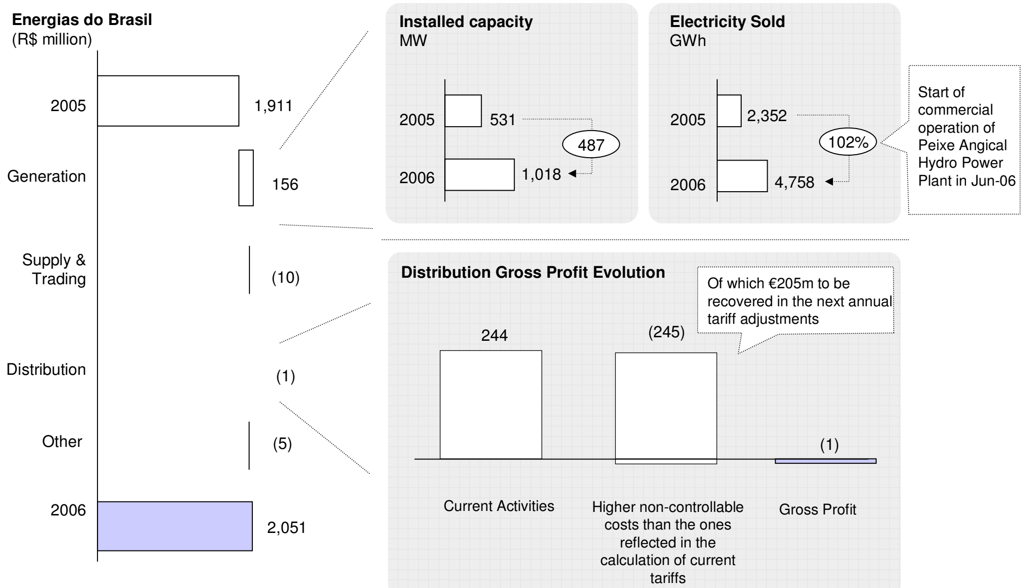
Energias do Brasil gross profit benefited from the start of operations of Peixe Angical hydro plant



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EDP Group EBITDA increased 13% while net income decreased by 12%

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Income Statement
€ million

	2006	2005	Change	% Change
Gross Profit	**4,158**	**3,864**	**295**	**+8%**
EBITDA	**2,305**	**2,048**	**258**	**+13%**
Supplies & Services	741	817	(75)	-9%
Personnel Costs & Social Benefits	747	746	(1)	0%
Other Operat. Income/(Costs)	(364)	(253)	(111)	44%
EBIT	**1,253**	**1,136**	**117**	**+10%**
Financial Results and Income/ (Losses) from associated companies	**38**	**(364)**	**402**	**+110%**
Net Income	**941**	**1,071**	**(130)**	**-12%**
Capex	**1,457**	**1,427**		**+2%**
Net Debt	**9,285**	**9,463**	**(178)**	**-2%**

EBITDA performance was supported by gross profit improvement

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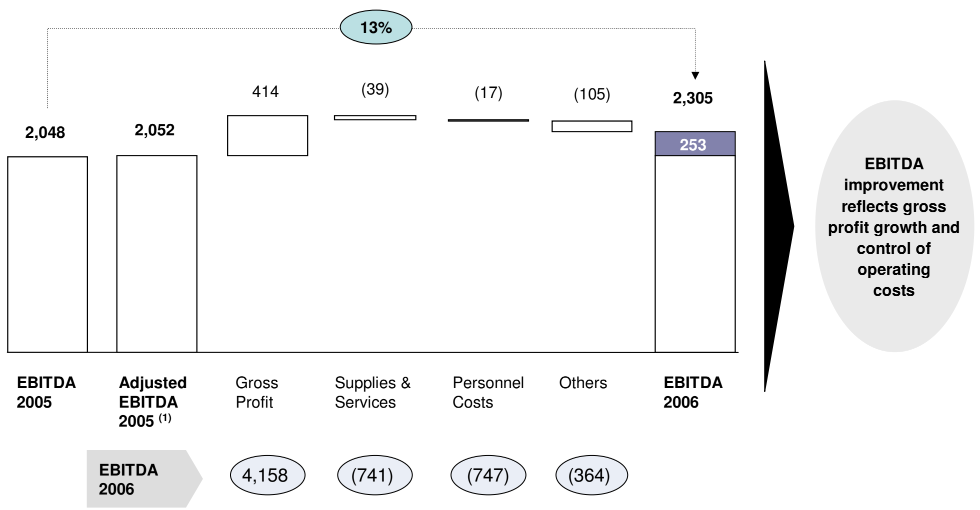
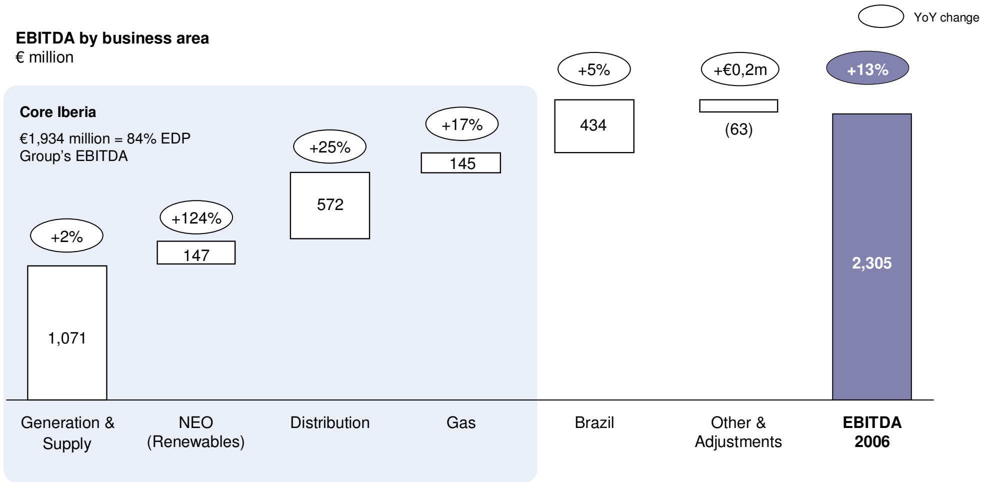
EBITDA Evolution: 2006 vs. 2005
€ million



(1) Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portgás

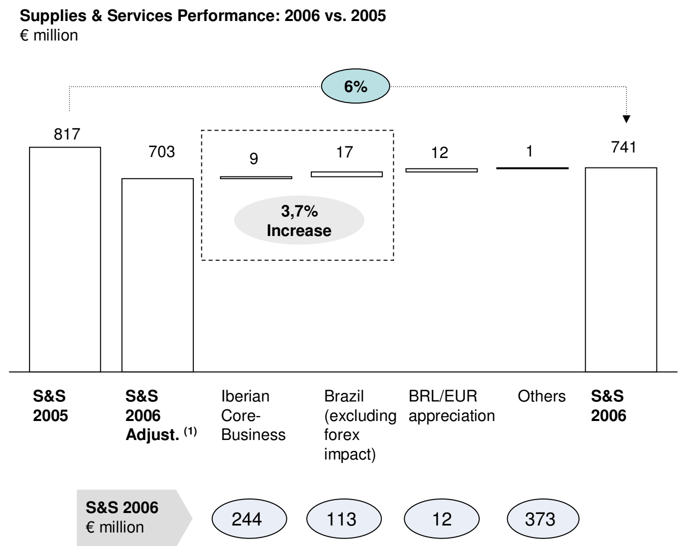
Strong EBITDA growth in all main business areas



EBITDA in 2006 was positively affect by a better operational performance of all activities with evidence for:

- Strong increase in wind installed capacity,
- Decrease of operational costs mainly in electricity distribution activities
- Strong recovery of liberalised activities

Supplies and services: Stable in Iberian activities, growth in Brazil to reduce distribution grid losses and forex impact



Iberian Core:

Distribution in Portugal:

- Lower commercial costs due to bi-monthly invoicing and growth of "conta certa" clients;
- Lower re-branding expenses in 2006 – new corporate branch was launched in 2005

Renewable Energies:

- Higher O&M costs (increase in capacity) and impact on Desa consolidation in 2006

Gas:

- Increase of O&M and gas services (IT and clients)

Energias do Brasil

- Program to reduce commercial losses in distribution grid
- Improvement of commercial services at DisCos.

(1) Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portgás

Personnel costs remained under control
Net reduction of 742 employees

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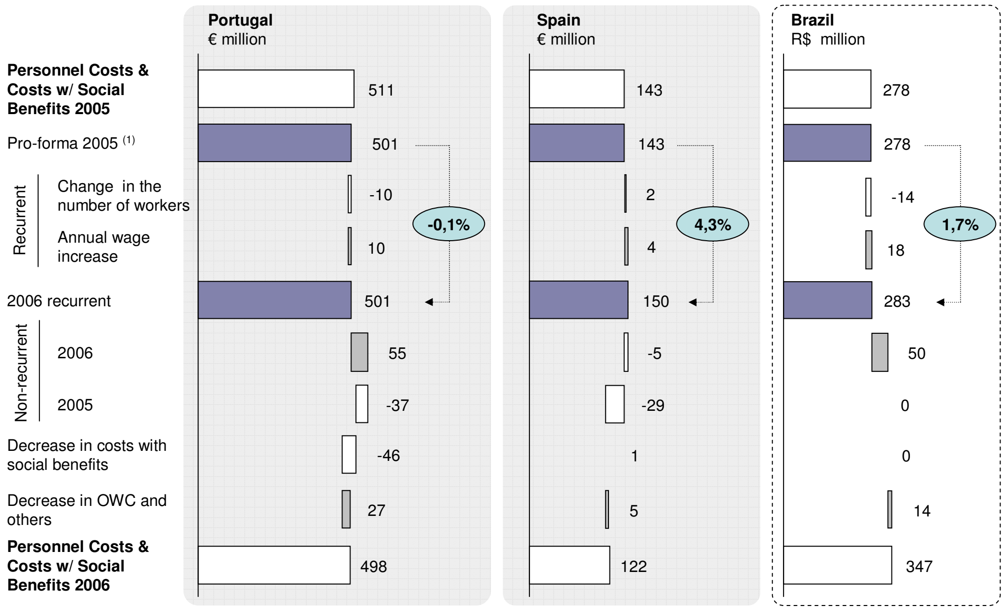

(1) Includes the disposal of Comunitel and the full consolidation of Portgás

Other net operating costs reflect RD 03/2004 and 2005 recovery of the 2002 tariff deficit from Spain

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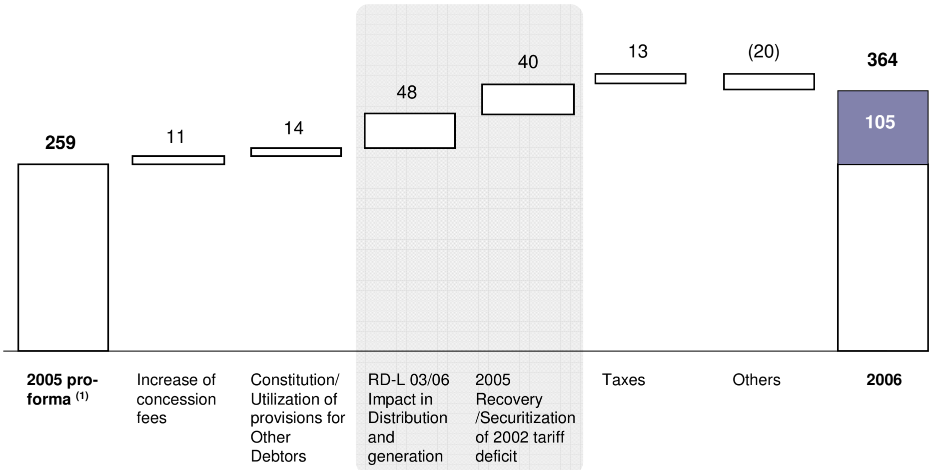
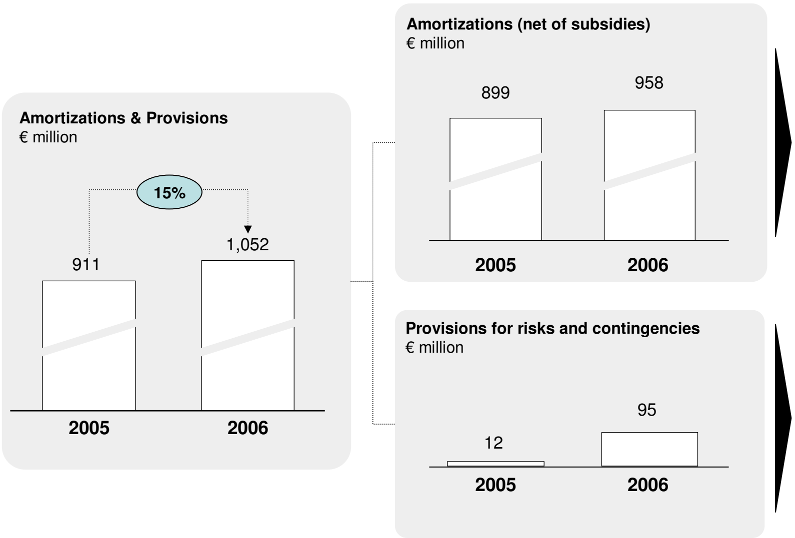
Other Operating Costs/(Revenues) Evolution: 2006 vs. 2005
€ million



(1) Includes the disposal of Comunitel and the full consolidation of Portgás

EBIT was penalized by the increase in depreciations and provisions for risks and contingencies



- Increase of installed capacity (Ribatejo CCGT and wind farms)

- Impairment on the future transfer of cogen and biomass assets in Spain from Neo to HC Energia
- Provisions for risks and contingencies with municipalities and other
- Other provisions such as for fiscal and legal contingencies

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€ million

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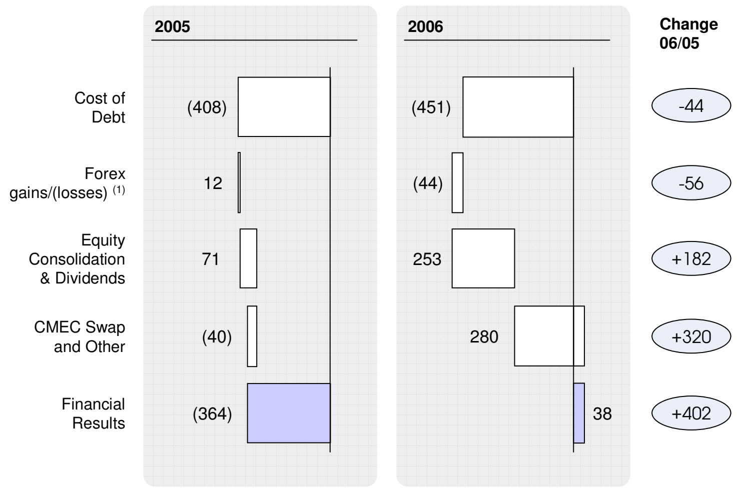
CMEC's interest rate swap revaluation and improvement of REN's equity contribution support financial results

Financial Results and Income/(Losses) from Group and Associated companies
€ million



- **Fair value and early termination of the CMECs interest rate Swap and revaluation of the portfolio of derivatives…**
- **…and REN's Equity contribution (that includes capital on the sale of its 18.3% stake in Galp) …**
- **… mitigated by an increase of the average cost of debt**
- **… and BRL/USD appreciation in 2005**

(1) Net of hedging instruments

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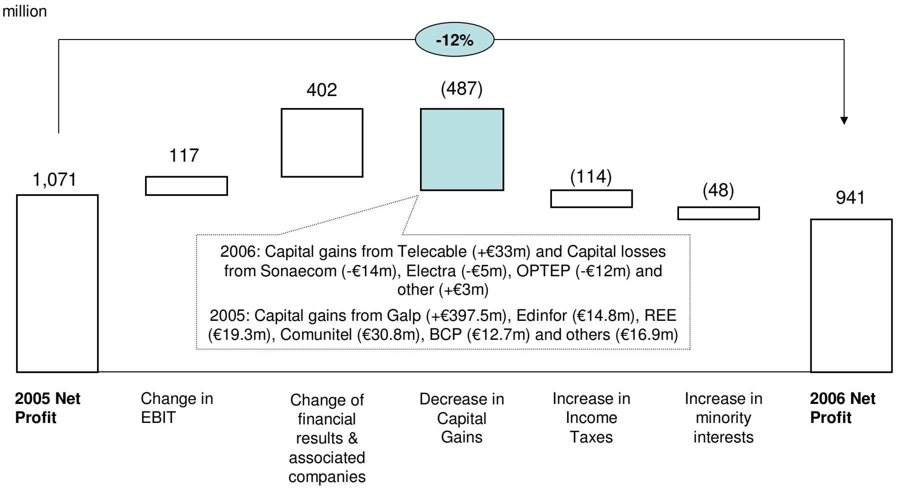
Net profit fell 12% due to lower non-recurring results

Net Profit Evolution: 2006 vs. 2005
€ million



Lower capital gains in 2006 (-€487m) more than justifies the 12% decline of net profit

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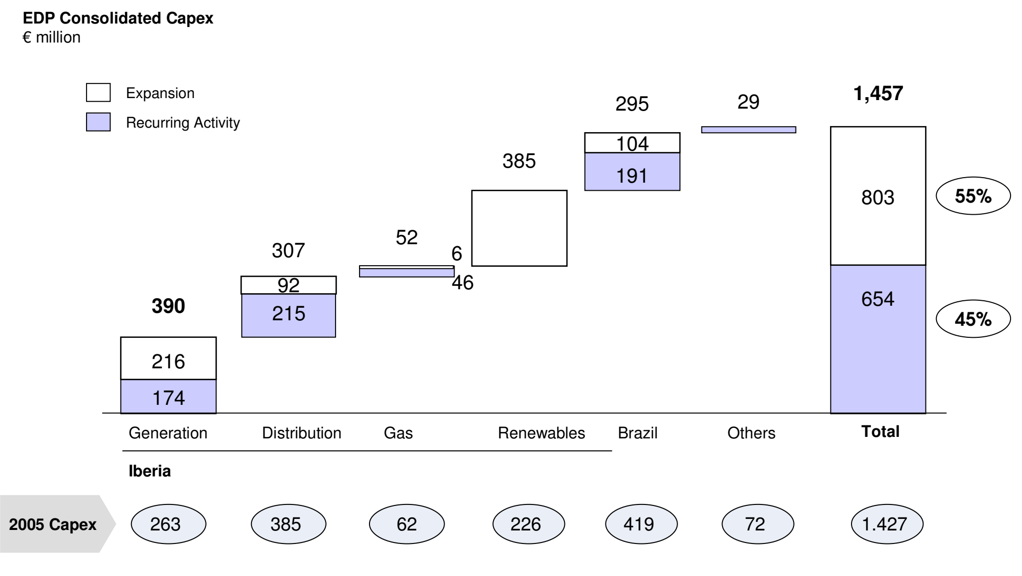
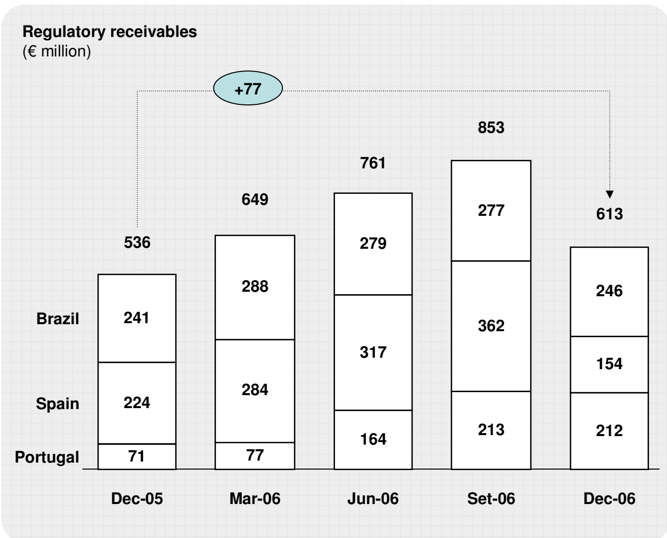
Consolidated capex of €1.457 million
Expansion capex represents 55%



Regulatory receivables to be recovered by EDP through tariffs over next years rose €77m in 2006 to €613m.



- **Accumulated tariff deviations**
- **Deferred tariff increases**
- **Rationing losses and "Parcela A" to be received through extraordinary tariffs until 2007**

- **2006 tariff deficit of €154m**
- **2005 tariff deficit fully securitized in Nov-06**

- **2006 Tariff Deficit of €125m**
- **Accumulated Tariff Deviations**

Net Debt decrease and improvement of net debt/EBITDA ratio

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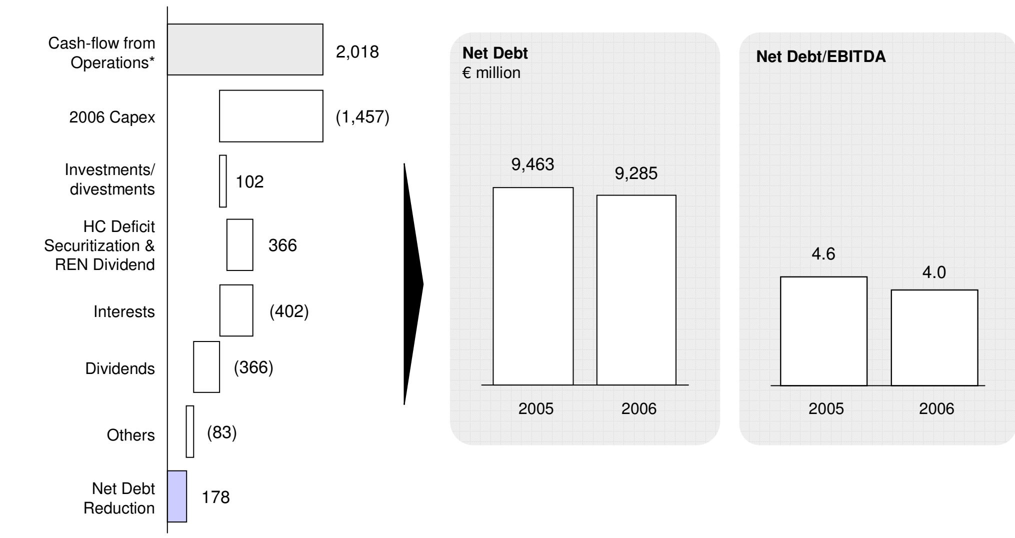
Consolidated Net Debt Dec-2006 vs. Dec-2005
€ million



* Net Profit + Amortizations – Amortizations' Compensation + Provisions + EDPD Tariff Deficit & Restructuring Costs in Iberia and Brazil

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