



# EDP

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## 1H09 Results Presentation

**July 31<sup>st</sup>, 2009**

# 1H09: Highlights of the period



**EBITDA: €1,611m, +2% YoY (EBITDA recurrent: €1,607m, +7% YoY)**

## **Hedging in liberalized activities & wind power**

Positive results from proper and well timed decisions on risk management in energy markets

## **Regulated and Long Term Contracted activities\*: 82% of EBITDA**

Lower demand (mostly from industrials) and energy prices had no material impact on returns

## **Wind & hydro represented 90% of expansion capex in 1H09**

Installed capacity Jun-09: 18.9 GW, +16% YoY, (+2.6GW) from which +2.1GW in wind & hydro

## **Corporate-wide efficiency program: €53m cost savings achieved in 1H09**

Operating costs down 2% YoY; Opex/Gross profit improves from 29% in 1H08 to 28% in 1H09

**Risk management + Focused growth + Efficiency improvements**

\* Includes LT contracted generation in Iberia, regulated energy networks in Iberia, operations in Brazil and wind power generation

# 1H09: Highlights of the period



**Net profit: €479m, -32% YoY (net profit recurrent €505m, +7% YoY)**

Average cost of debt fell from 5.6% in 1H08 to 4.2% in 1H09

Regulatory receivables: €1.9bn in Dec-08, down to €0.8bn in Jun-09: Deficit in Portugal securitized

Liquidity: €4.5bn available following new debt issued at competitive cost of funding

Net debt/EBITDA 4.2x ex-regulatory receivables (annual dividend of €0.5bn paid in May-09)

**Low risk profile + Profitable Growth**  
**Maintenance of a sound capital structure**

# 1H09 Financial Headlines



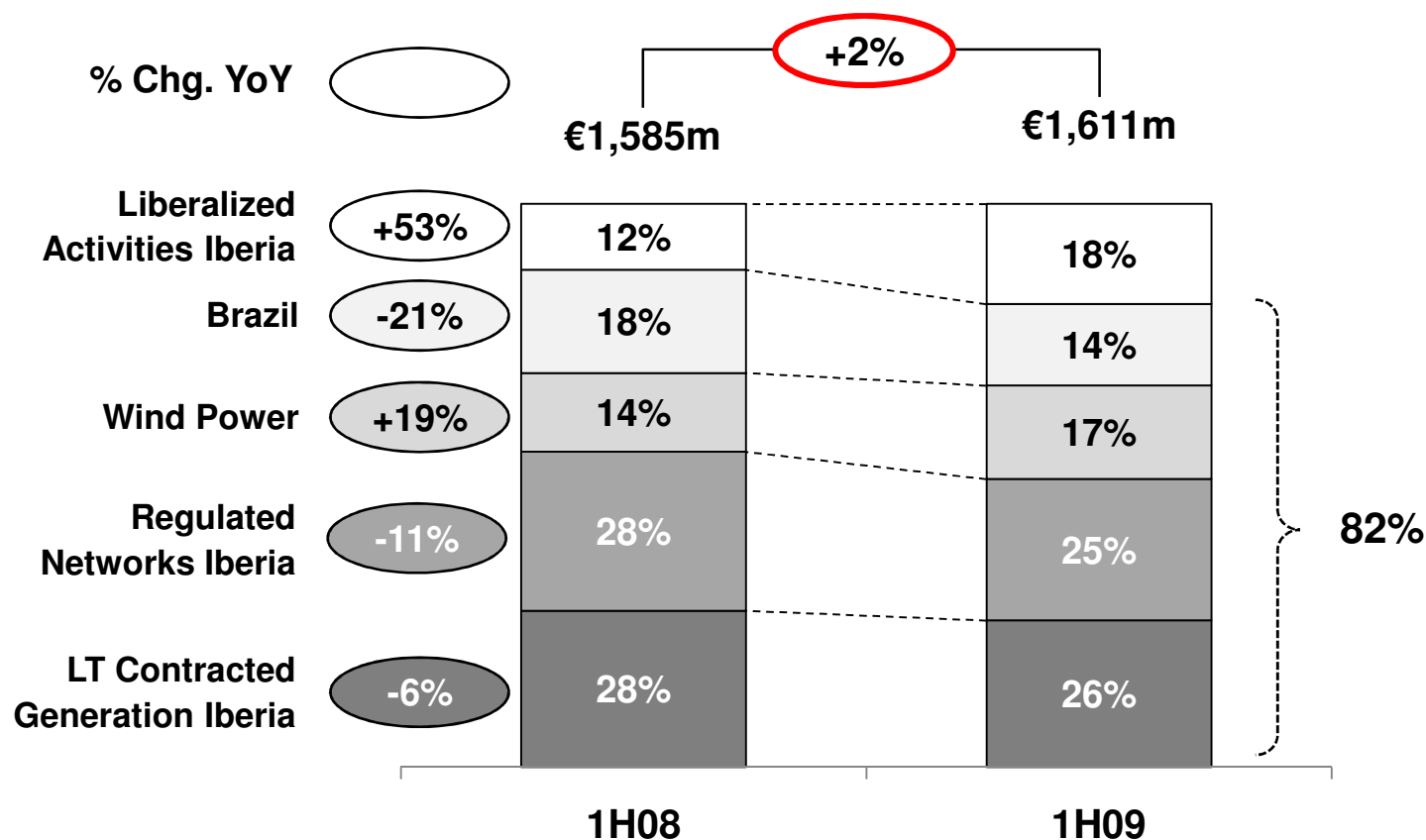
(€ million)	1H08	1H09	% Chg.
<b>EBITDA</b>	<b>1,585</b>	<b>1,611</b>	<b>+2%</b>
<b>Net Profit</b>	<b>703</b>	<b>479</b>	<b>-32%</b>
<b>Capex</b>	<b>1,345</b>	<b>1,653</b>	<b>+23%</b>
<b>Net Debt (€bn)</b>	<b>13.9 *</b>	<b>14.2</b>	<b>+2%</b>
<b>Net Debt / EBITDA (x)**</b>	<b>4.4x *</b>	<b>4.4x</b>	<b>-</b>
<b>Adjusted Net Debt <sup>(1)</sup> / EBITDA (x)</b>	<b>3.8x *</b>	<b>4.2x</b>	<b>-</b>

**Net profit ex-non recurrent items: €505m, +7% YoY**  
**Profitable growth maintaining a low risk and sound capital structure**

# 1H09 EBITDA Breakdown



82% of 1H09 EBITDA came from regulated or LT contracted activities



Specialization accounting issues explain declines in regulated networks and LT Contracted

# Non-recurrent items above the EBITDA line



EDP Group (€ million)	1H08	1H09	Var. %
<b>Reported EBITDA</b>	<b>1,585</b>	<b>1,611</b>	<b>+2%</b>
Portugal Distribution Tariff Adjust. <sup>(1)</sup>	-58	0	-
<hr/>			
Brazil Distribution Tariff Adjust. <sup>(1)</sup>	-20	-3	-
<b>Adjusted EBITDA</b>	<b>1,507</b>	<b>1,607</b>	<b>+7%</b>

**EBITDA ex-non recurrent items grew 7% YoY**

<sup>(1)</sup> Tariff deviations in the period and recoveries relative to previous periods

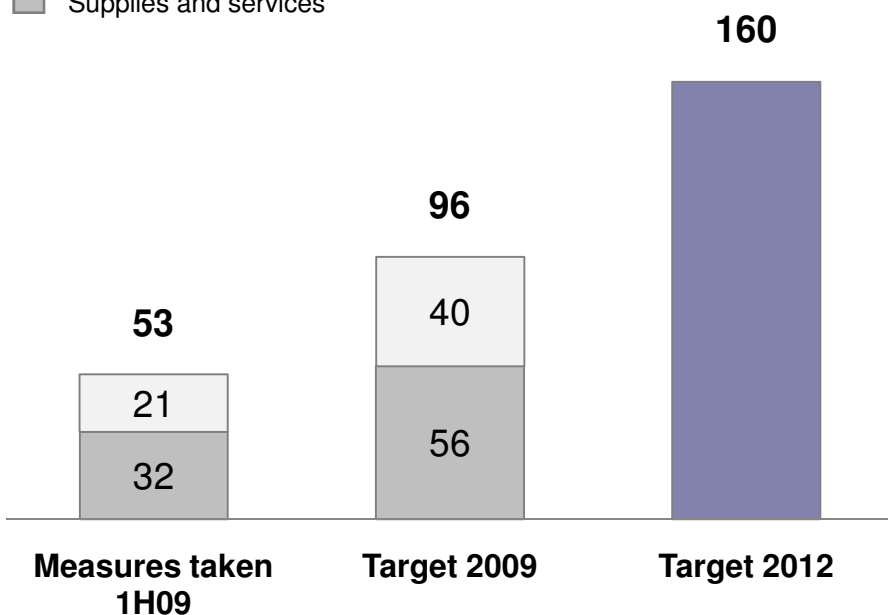
<sup>(2)</sup> Deviations between costs of fuel procured and international indexes at the moment of consumption hedged through financial derivatives (hedging results booked as financial results)

# EDP Consolidated operating costs: new efficiency program



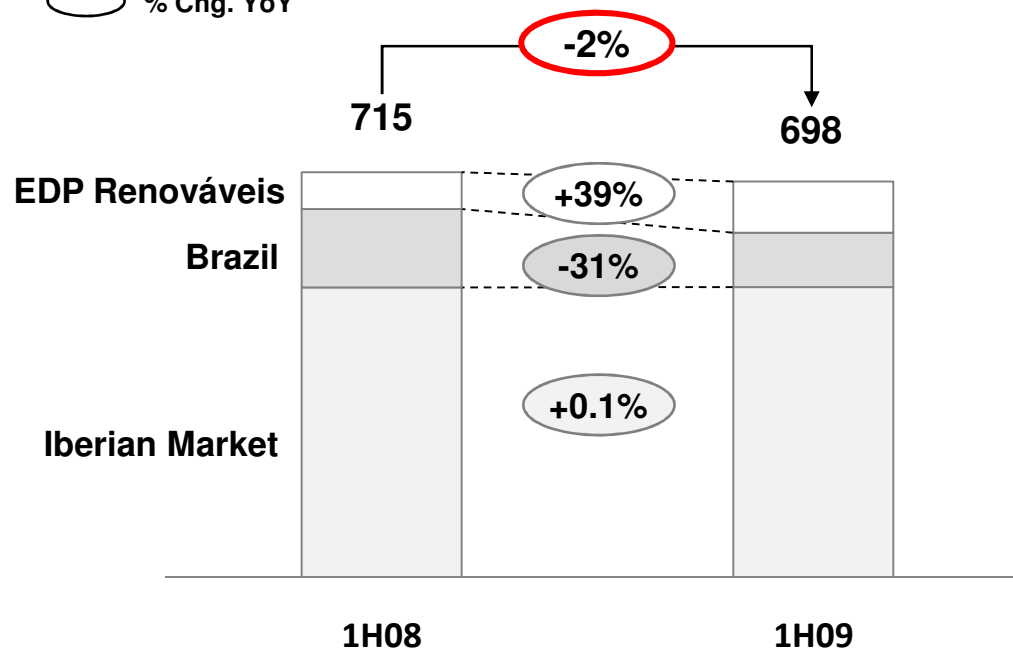
## Efficiency Program 2008-12 annual savings <sup>(1)</sup> (€ million)

- Human Resources
- Supplies and services



## Controllable Operating Costs <sup>(2)</sup> – EDP Group (€ million)

○ % Chg. YoY



### Most relevant measures taken in 1H09:

- HR Restructuring program Brazil
- Optimization of IT services
- Control over outsourcing consulting services

- Growth in EDPR reflects capacity expansion
- Decline in Brazil reflects Disco/Genco asset swap
- Iberia – Continued efficiency improvement

<sup>(1)</sup> Savings measured regarding the 2007 cost base

<sup>(2)</sup> Personnel Costs & Social Benefits + Supplies & Services ex HR restructuring costs



## **Business Areas**

# 1H09: Highlights in LT Contracted Generation Iberia



**EBITDA -6% YoY to €425m**

Recurrent EBITDA +6% YoY to €452m: desox + efficiency in PPA/CMECs; new mini-hydro capacity

PPA/CMECs: Consistently beating contracted availability and efficiency targets; new investments

Special regime: Gross profit +21% YoY to €43m, mini-hydro capacity +103%

Higher CMECs Regulatory receivables: €432m to be recovered in the next two years

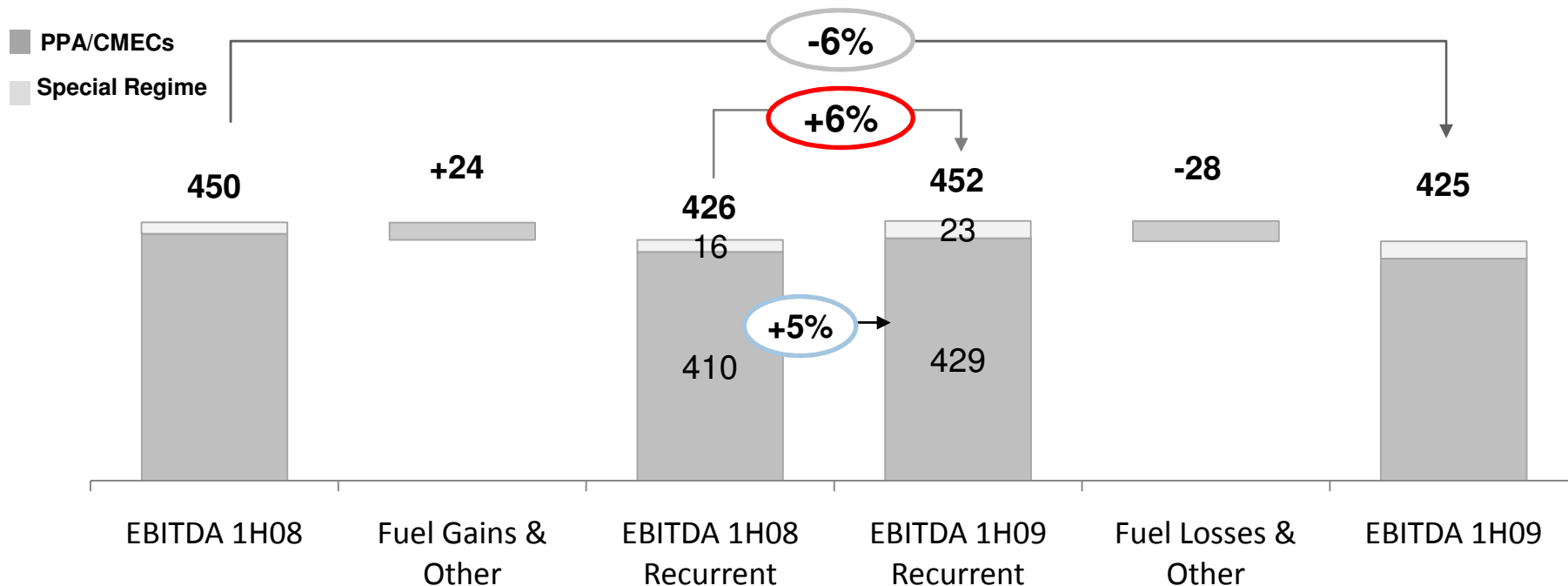
**Low exposure to energy markets: PPA/CMECs**

# LT Contracted Generation (26% of EBITDA)



**Recurrent EBITDA: +6% YoY**

**Evolution of LT Contracted Generation EBITDA**  
(€ million)



**PPAs/CMECs: Desox + Efficiency gains; fuel results hedged by financial derivatives**

**Special Regime: new capacity in mini-hydro (+81MW) & Biomass (+20MW); higher load factors**

# 1H09: Highlights in Liberalized Activities Iberia



**EBITDA +53% YoY to €290m**

Net buyer in the pool: Volumes sold at fixed price (clients+forwards) = 110% of generation output

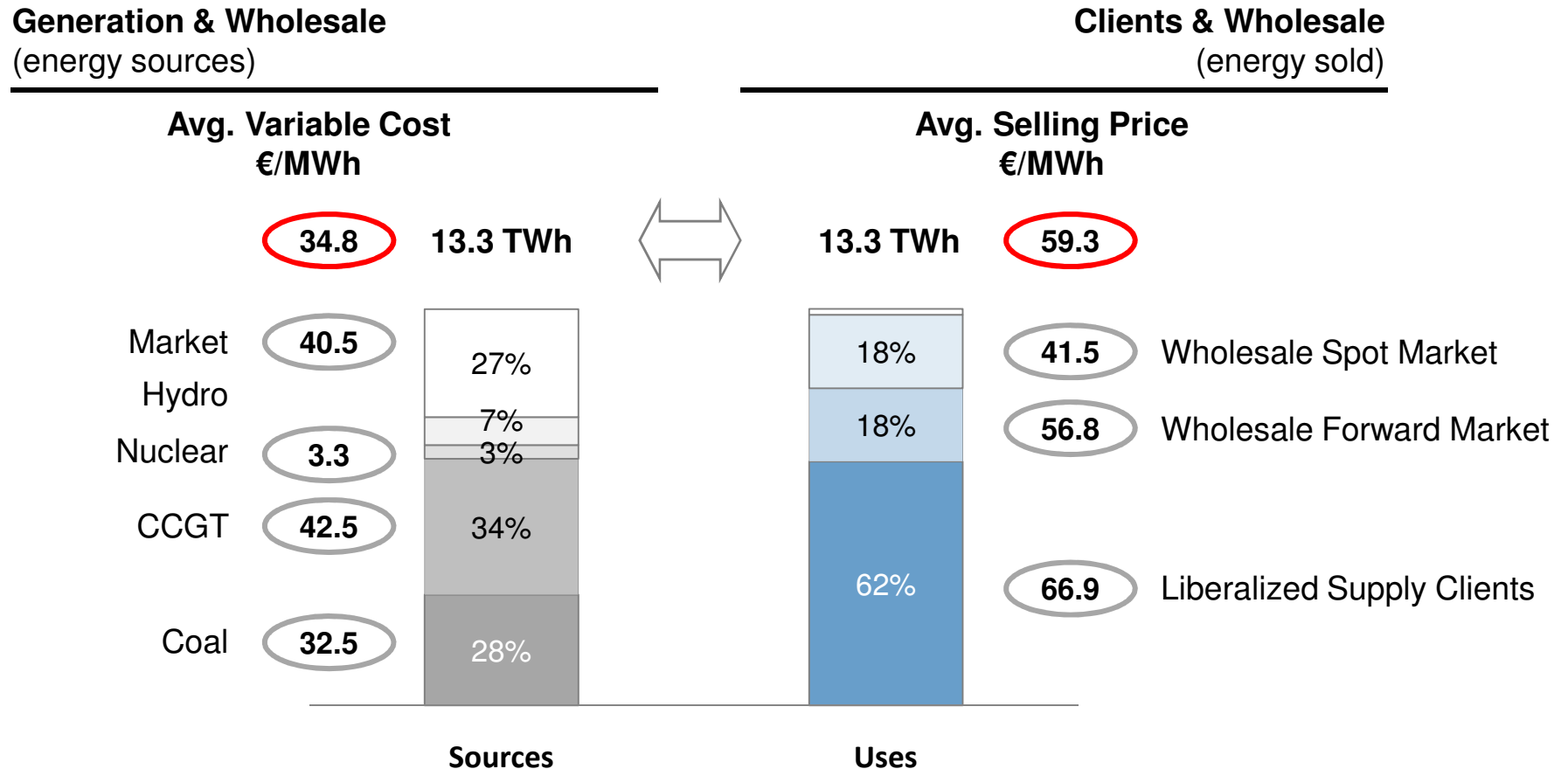
Well timed contracting: volumes sold to clients +31% YoY; average selling price +12% YoY

Generation output -2.6% YoY (vs. -15% in Spanish market): competitive generation portfolio

Avg. generation cost of €32.7/MWh in 1H09, (-14% YoY), lower gas cost, higher coal output

**Hedging strategy: margins locked-in 12 months ahead + short term arbitrage**

# Liberalised Activities Iberia: Hedging strategy (18% EBITDA)



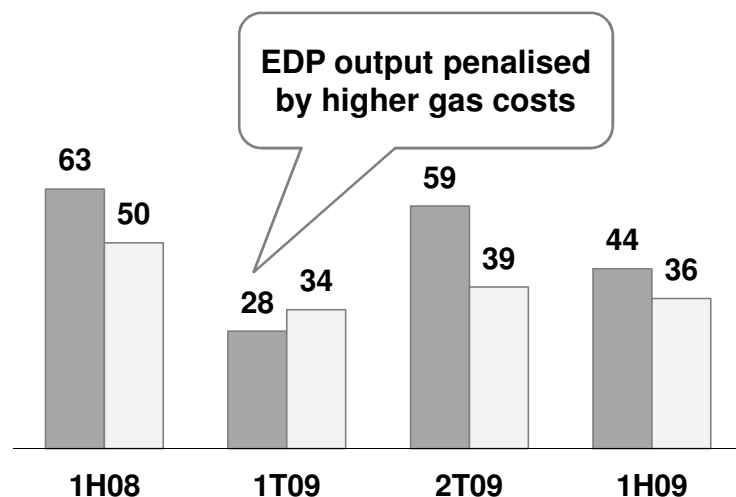
- Generation output -2.6% YoY: Strong recovery of CCGT output in 2Q09; flat QoQ output
- Long position in forward sales (clients & wholesale) average selling price above €60/MWh
- Net short position in the pool in 1H09, profiting from low prices in the pool

# Liberalised Generation & Supply Iberia: Load factors consistently above the Spanish average



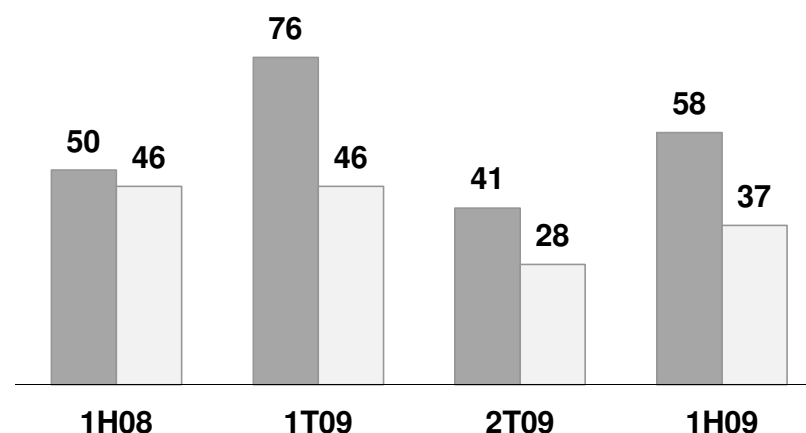
CCGT in Iberia: Load factors 1H09

■ EDP ■ Spain's average



Coal in Iberia: Load factors 1H09

■ EDP (HC) ■ Spain's average



- **Strong recovery in our Spanish output in 2Q09**
- EDP CCGT installed capacity Iberia: +21% YoY
- Lower reserve margin Portugal supports load factors
- Realised CSS <sup>(1)</sup> (with hedging): ~€17 in 1H09

- **The most efficient coal plants' portfolio in Iberia**
- Output very strong in 1Q09, weaker in 2Q09
- Realised CDS <sup>(1)</sup> (with hedging): ~€27 in 1H09

<sup>(1)</sup> Prices based on realized prices excluding capacity payments; Costs net of CO2 free allowances .

# 1H09: Highlights in Energy Regulated Networks Iberia



**EBITDA down -11% YoY to €409m**

Excluding 1H08 specialization accounting issues, EBITDA grew 4% YoY

Energy demand: residential slowing down, industrial decreasing, no material impact on returns

RoRAB or proxy regulations, with highly predictable regulated revenues

Continued focus on efficiency improvements: Opex/Km of network decreased 1% YoY

**Stable revenue stream, focus on efficiency improvements**

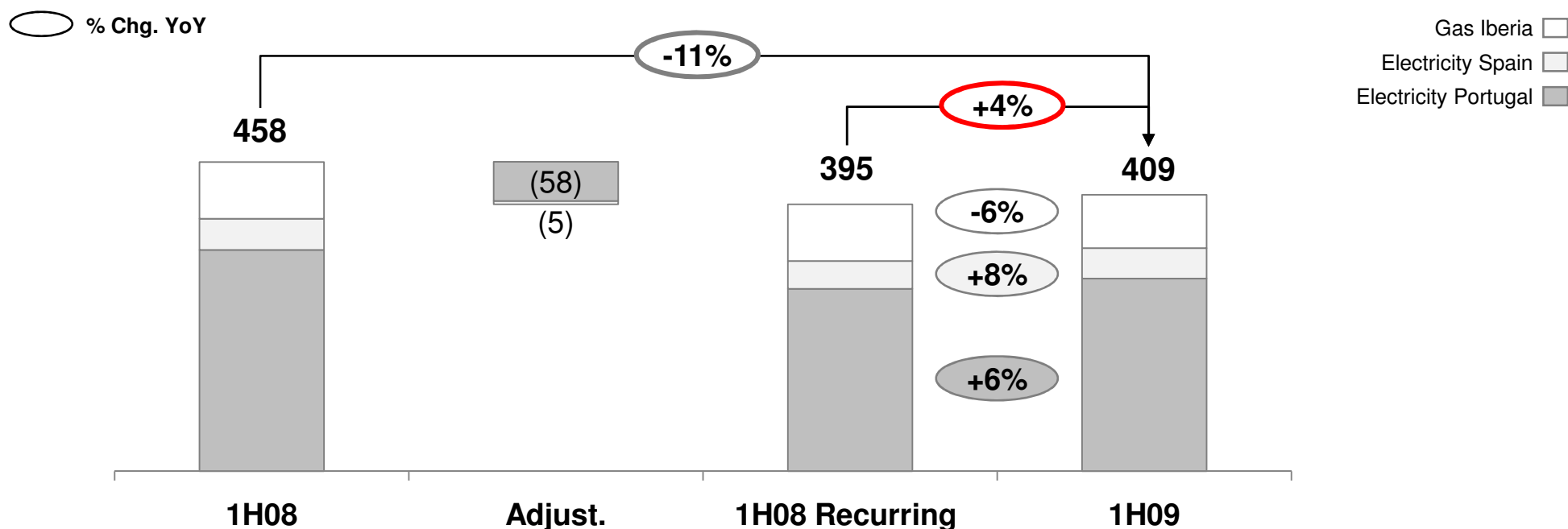
# Regulated Energy Networks Iberia (25% of EBITDA)



Excluding specialization accounting issues (€58m in Portugal and €5m in Spain), EBITDA grew 4% YoY to €409m

## Regulated Networks: Recurring EBITDA Breakdown<sup>(1)</sup>

(€ million)



- **Distribution Portugal:** Higher RoRAB and accepted cost base, Lower RAB (meters -€111m);
- **Gas Iberia:** EBITDA +10% YoY in Spain; -61% YoY in Portugal (new concession profile, NPV neutral)
- **Electricity Spain:** Regulated revenues +6% YoY

<sup>(1)</sup> Electricity Distribution Portugal: adjusted for tariff differences, t-2 and t-1 tariff adjustments (€58m); Electricity Distribution Spain: adjusted for receiving of 2002/03 regulated revenues (€5m)

# 1H09: Highlights in Wind Power



**EBITDA growth of +19% YoY to €271m**

Installed capacity: +43% or +1.4 GW YoY to 4.6 GW (5.3 GW gross) in Jun-09

Output +33% YoY – Load factors of 25% in Europe and 36% in USA – Premium quality assets  
2Q09 Load factors affected by weaker wind resources

Avg. selling price in Spain -8% YoY vs. avg. pool price -38% YoY  
Spain: 70% of output hedged at higher prices; positive impact of €12/MWh

1H09 capex of €913m, works in progress €1.5bn by Jun-09, 1.2-1.3 GWs target 2009 additions

**High quality portfolio of assets in operation and projects in pipeline**  
**Stable revenues:** PPA, fixed tariffs, market price + premium, cap & floor, hedging

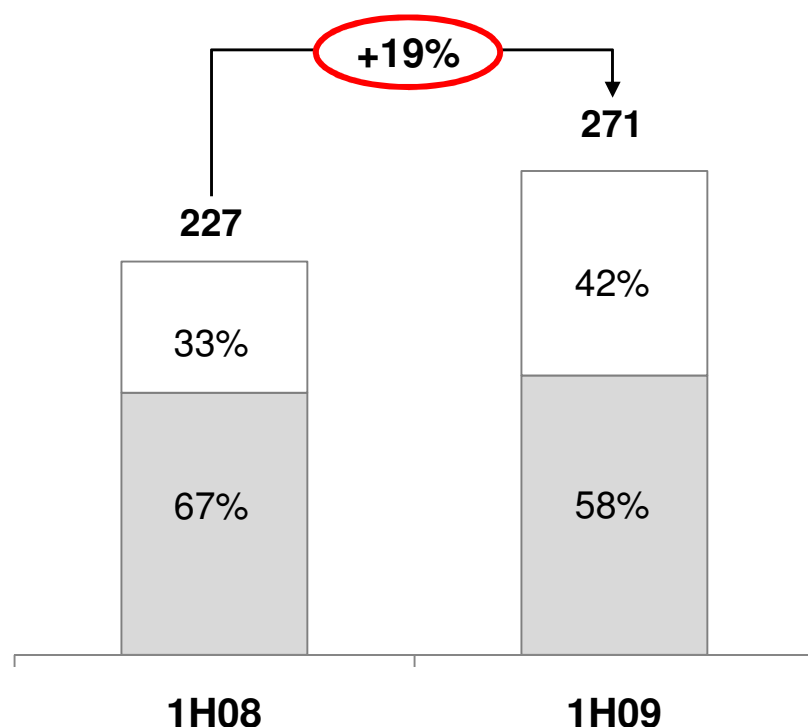
# Wind Power (17% of EBITDA)



## EDP Renováveis: EBITDA Breakdown

(€ million)

■ Europe   ■ USA



### EBITDA growth supported by:

- **Installed capacity +43% YoY**  
(+1.4GW to 4.6GW);
- **Wind power output +33% YoY**  
Load factors: Europe 25%; USA 36%  
Lower YoY due to lower availability, weaker wind resources and different geographical mix in USA;
- **Average price in Spain -8% YoY**  
Spanish pool price <sup>(1)</sup> -38% YoY;  
forward sales with +€12m impact

<sup>(1)</sup> Average pool price achieved by EDPR in the pool

# 1H09: Highlights in Brazil



**EBITDA decreased 21% YoY to €236m**

-11% forex impact: EBITDA in BRL terms decreased 11% YoY

Distribution: disposal of Enersul and lower industrial demand

Generation: increase of installed capacity, non recurrent trading gains in 1H08

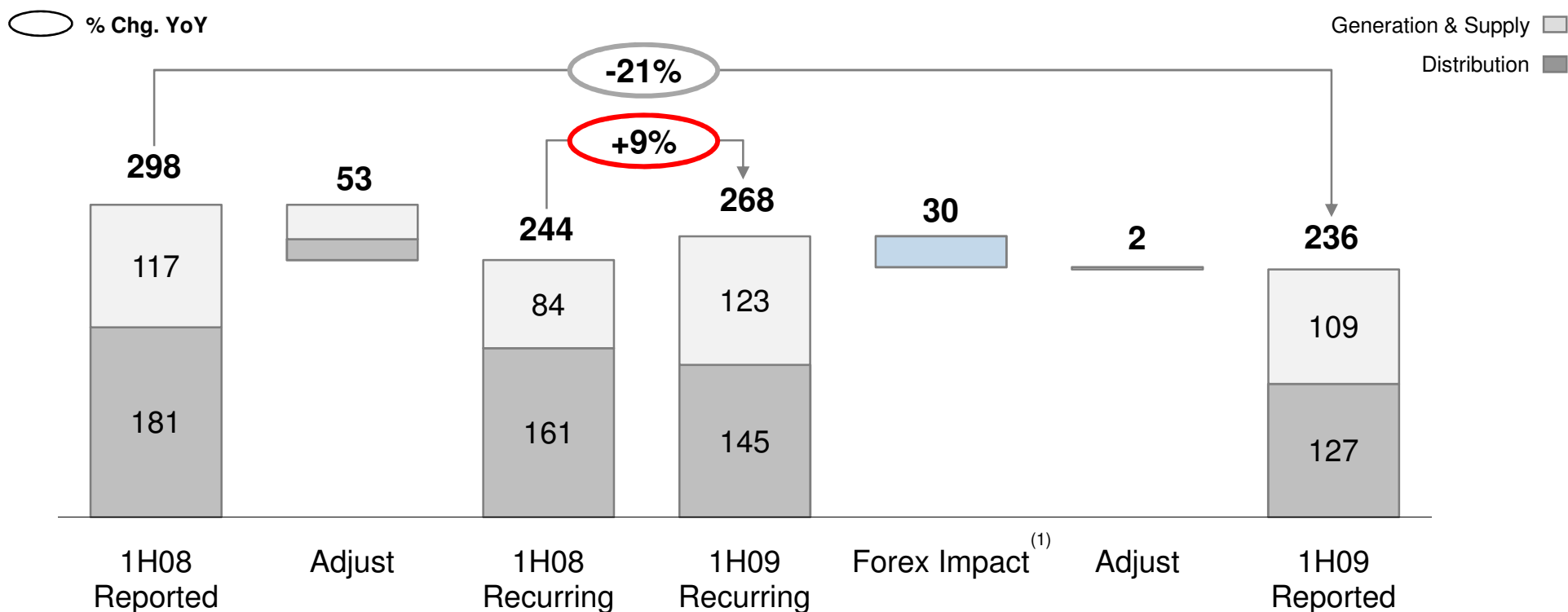
Efficiency improvement: Opex/Clients (Bandeirante+Escelsa) decreased 1% YoY

**Stable regulated and contracted revenues, improvements on efficiency**

# Brazil (14% of EBITDA)



## Brazil: Recurring EBITDA Breakdown (€ million)



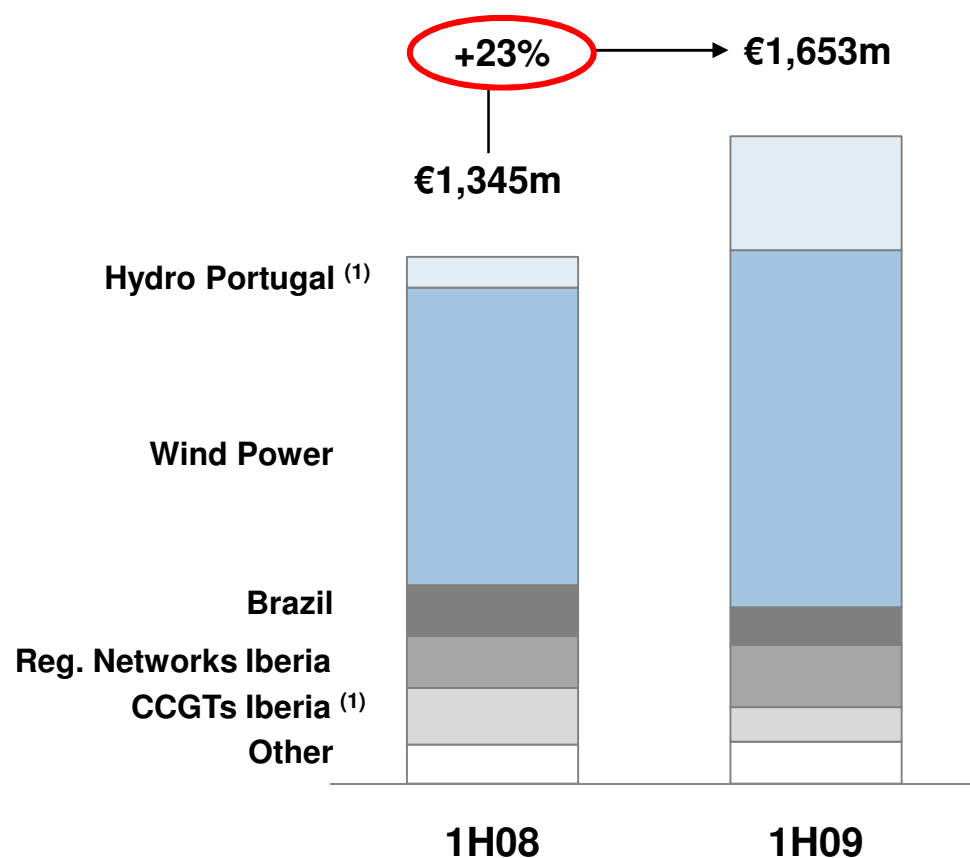
- **EBITDA 1H08:** Including non-recurring impacts from trading gains in generation and deviations in distribution
- **EBITDA 1H09:** Mostly affected by an 11% devaluation of the Brazilian Real against the Euro

**Excluding non-recurring and Forex impacts, EBITDA would have increased 9% YoY**



# **Consolidated Financials**

# Consolidated Capex



- **Hydro:** €232m payment in Jan-09 for concession right to build Fridão/Alvito hydro plants in Portugal; 847 MW of hydro currently under construction;
- **Wind Power:** +218MW installed in 1H09; 1,261MWs under construction by Jun-09<sup>(2)</sup>
- **Brazil:** construction works at Pecém PPA coal plant (720 MW@50%)
- **CCGTs:** 1,286 MW under construction (862MW in Portugal to start operating in Jul-09 and Sep-09)

**Total generation installed capacity increased by 16% YoY to 18,888 MW  
c3,800 MW under construction by Jun-09**

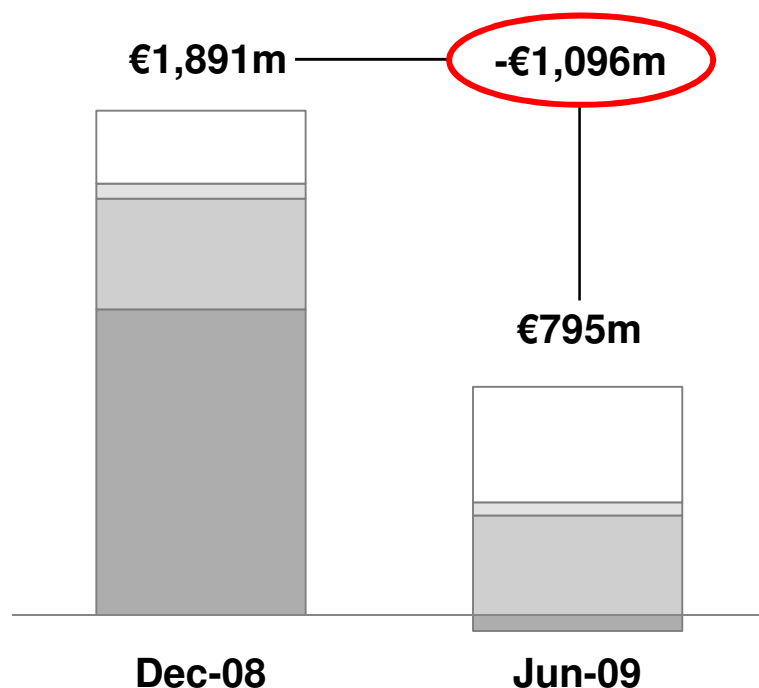
<sup>(1)</sup> Expansion Capex

<sup>(2)</sup> Including Eólicas de Portugal (91 MW)

# Regulatory Receivables



- CMECs Portugal
- Brazil
- Spain
- Portugal Reg. Distrib. & Supply



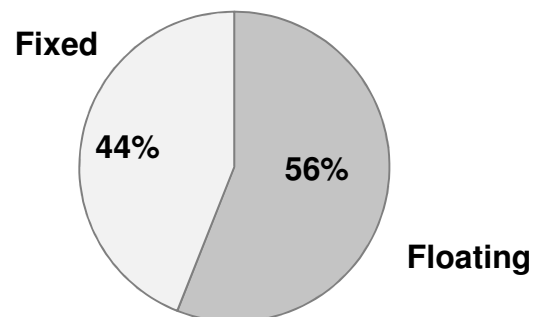
- Securitization of tariff deficit in Portugal (Mar-09)
- Lower than expected electricity prices in Portugal imply tariff surplus in 1H09
- Slight increase of regulatory receivables from CMECs due to low electricity prices (to be recovered in 2010/2011).
- Spanish Tariff deficit: continued growing, securitization process being prepared

**Amount of regulatory receivables down by €1.1bn during the 1H09 to €795m as of Jun-09**

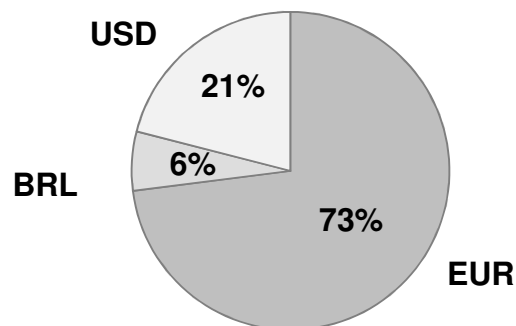
# EDP Consolidated Net Debt



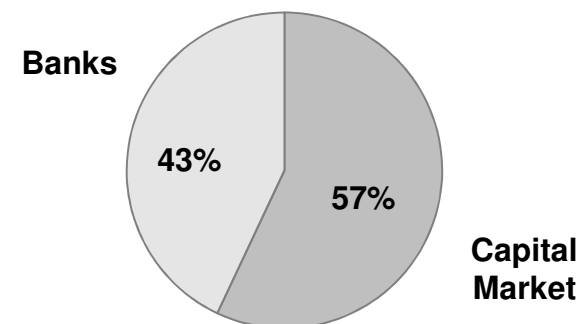
Debt by Interest Rate Term



Debt by Currency



Debt by Source of Funds



	2008	1H09
Net Debt/EBITDA	4.4x	4.4x
<hr/>		
Net Debt/EBITDA ex Reg.Receivables	3.8x	4.2x

	Rating	Last Rating Action
Standard & Poors	A-/Stable/A2	03/07/2008
Moody's	A3/Stable/P2	09/06/2009
Fitch	A-/Stable/F2	06/02/2009

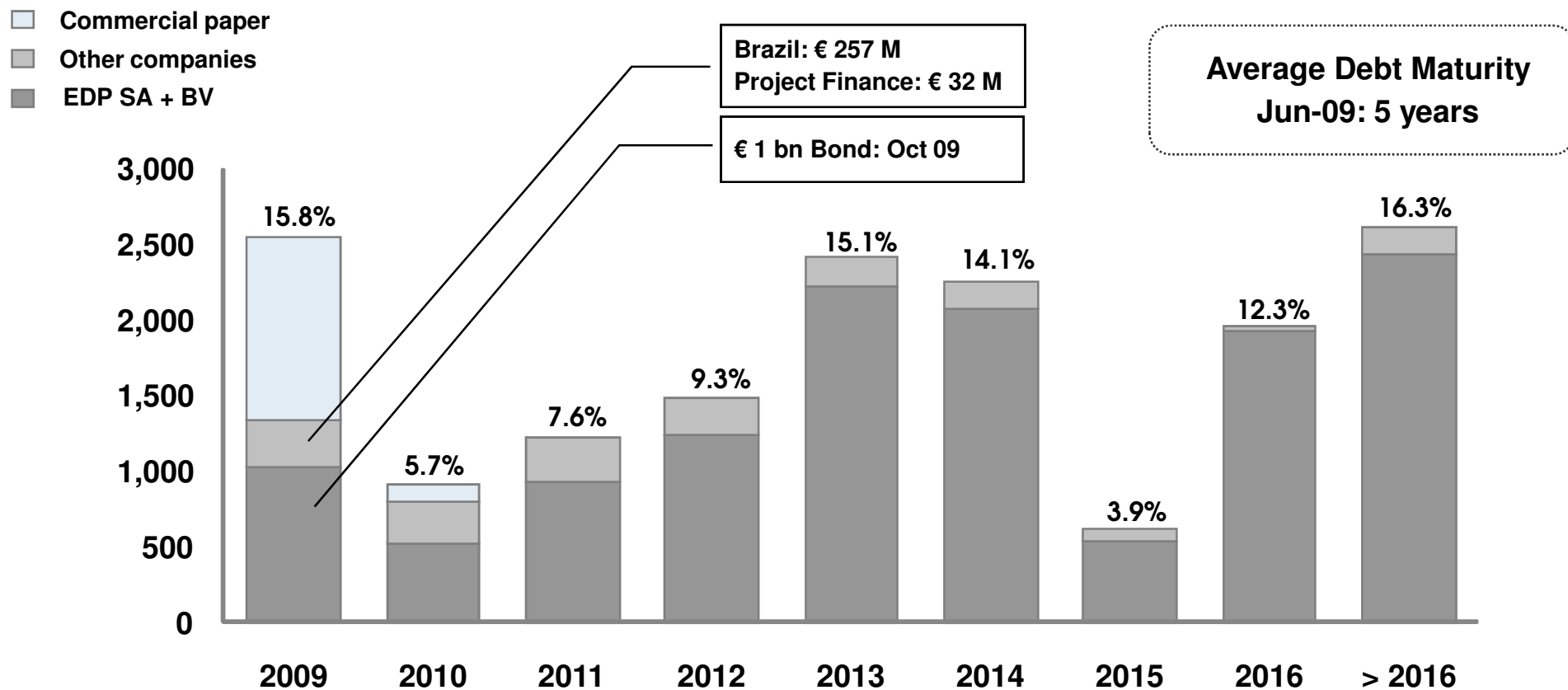
**Consolidated Net debt of €14.2bn by Jun-09**

# EDP consolidated debt maturity profile



## EDP consolidated debt maturity profile (June 30, 2009)

(€ million)



Balanced maturity profile of EDP consolidated debt

# EDP liquidity position Jun-09



(€ million)					
Sources of liquidity (Jun-09)					
Instrument	Maximum Amount	Number of counterparties	Utilised	Available	Maturity
Revolving Credit Facility (US\$1.5bn)	1,061	22	1,061	-	02-07-2014
Revolving Credit Facility	1,600	19	-	1,600	04-03-2012
Domestic Credit Lines	187	5	-	187	Renewable
Domestic Credit Lines – HC Energia	170	8	30	140	Renewable
Underwritten CP Programmes	650	3	-	650	Renewable
Total Credit Lines	3,668		1,091	2,577	
Cash and Equivalents:				1,962	
Total Liquidity Available				4,539	

**€4.5bn of cash and liquidity facilities available by Jun-09**

# Net Profit Break-down



(€ million)	1H08	1H09	Δ %	Δ Abs.
<b>EBITDA</b>	<b>1,585</b>	<b>1,611</b>	<b>2%</b>	<b>+26</b>
Net depreciations & provisions	611	631	3%	+20
<b>EBIT</b>	<b>973</b>	<b>979</b>	<b>1%</b>	<b>+6</b>
Net Interest Costs	(341)	(295)	-14%	+46
Other <sup>(1)</sup>	322	49	-85%	-273
Income Taxes	(184)	(194)	5%	+9
Minority Interests	67	61	-9%	-6
<b>Reported Net Profit</b>	<b>703</b>	<b>479</b>	<b>-32%</b>	<b>-224</b>
<b>Recurring Net Profit</b>	<b>473</b>	<b>505</b>	<b>+7%</b>	<b>+32</b>

- **Net interest costs down 14% YoY:**  
Decline in avg. cost of debt, from 5.6% in 1H08 to 4.2% in 1H09, offset higher Net Debt.
- **Others include:** In 1H08: €405m capital gain related to EDPR IPO and loss with financial stakes in BCP & SonaeCom (€148m); In 1H09: capital gains (€28m).
- **Effective tax rate** up 7.3pp to 26%:  
1H08 capital gain from EDPR IPO not considered for tax purposes.
- Lower **minority interests** from Energias do Brasil (increase of treasury stock) offset higher minority interests from EDPR (IPO)

<sup>(1)</sup> Including results from Associates Companies, Capital Gains and Discontinued Activities

# Recurring Net Profit up 7% YoY



EDP Group (€ million)	1H08	1H09	Var. %
Reported Net Profit	703	479	-32%
Gain from EDP Renováveis IPO	-405	0	-
<hr/>			
Other: Capital Gains & Impairments <sup>(1)</sup>	175	26	-
Recurring Net Profit	473	505	+7%

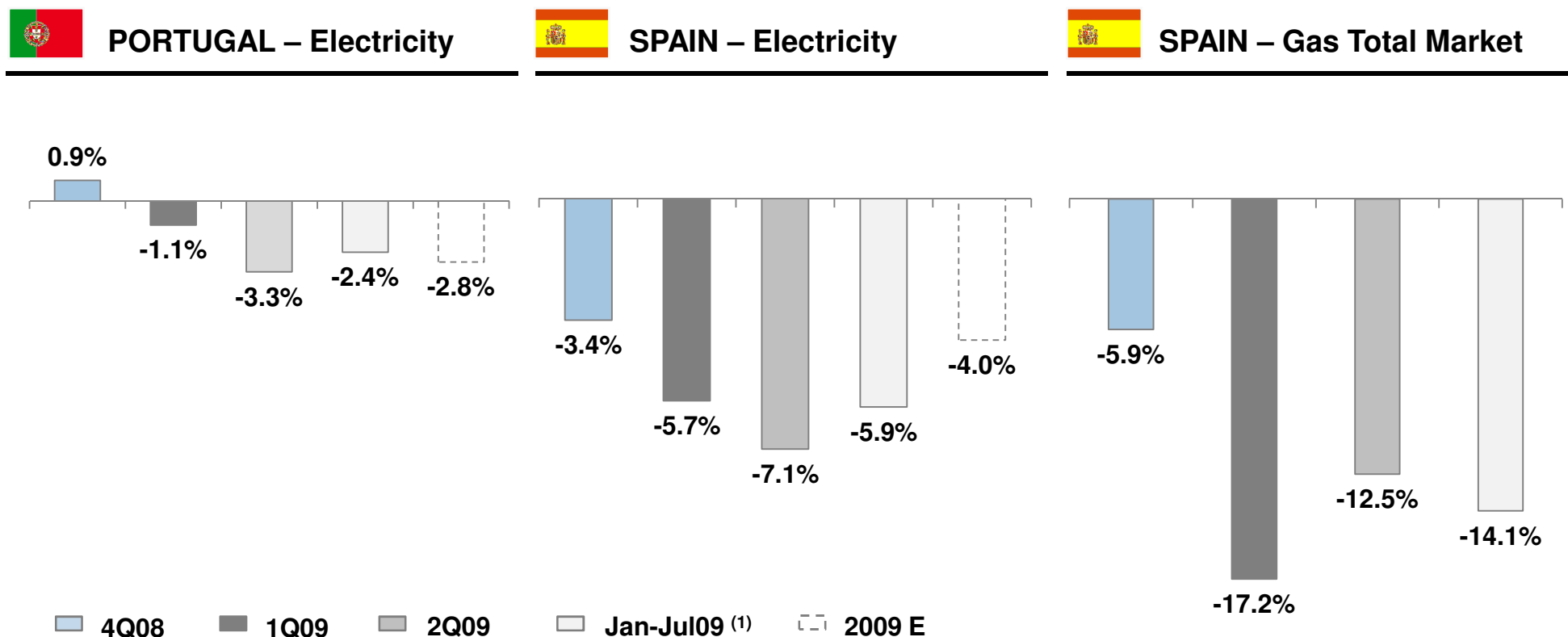
**Excluding non recurrent items, Net profit grew 7% YoY**

<sup>(1)</sup> Capital Gains from Turbogás and Portugal (€49m in 1H08); impairments from EDP's stakes in BCP and Sonaecom (€148m in 1H08 and €26m in 1H09); and one-of cost with Enersul (€75m)



# Prospects 2009

# Demand: Recent decline was lower in Portugal than in Spain

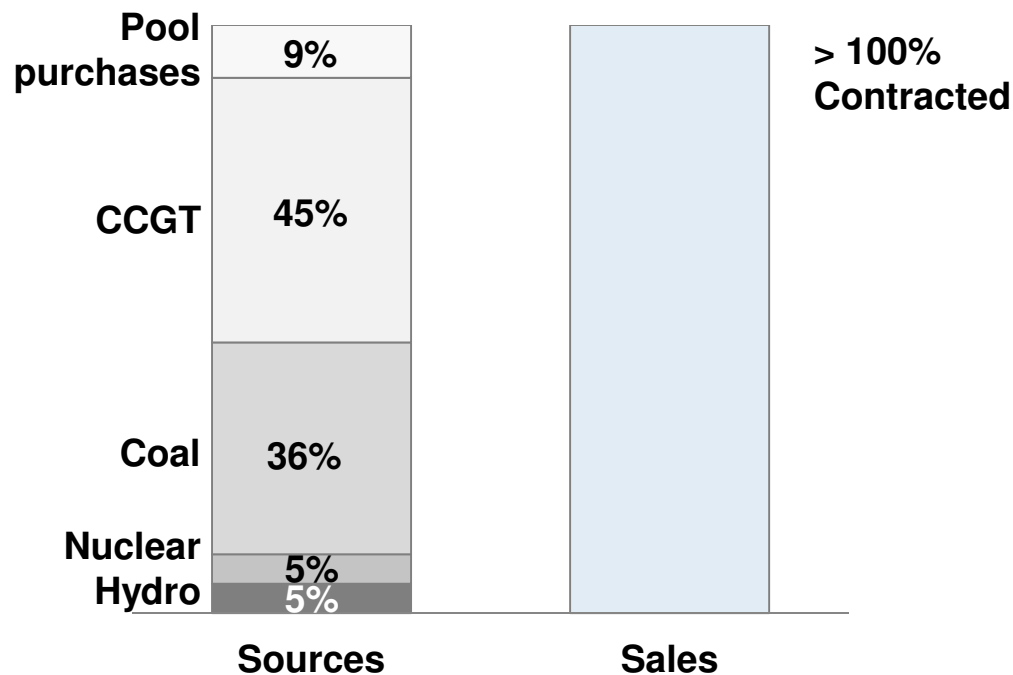


**Demand destruction from industrial segment with less impact in Portugal than in Spain**  
**Heavy equipment industries (Auto, steel, etc) with lower weight on Portuguese demand**  
**YoY contraction in construction sector more relevant in Spain**

# Liberalized activities: Outlook for 2H09



## 2009: Electricity forward contracting



- Avg. Selling price<sup>1</sup>: ~€60/MWh;  
Spark Spread <sup>2</sup> locked in: >€15/MWh;  
Dark Spread <sup>2</sup> locked in: >€20/MWh;
- New Capacity: +862MW CCGT Portugal (3Q09)
- End of regulated tariffs in Spain (Jul-09):  
Increased operations in liberalized market.
- Arbitrage opportunities in spot market

**Over 100% of expected output contracted**

**Gross profit preserved from lower market spreads in 2009**

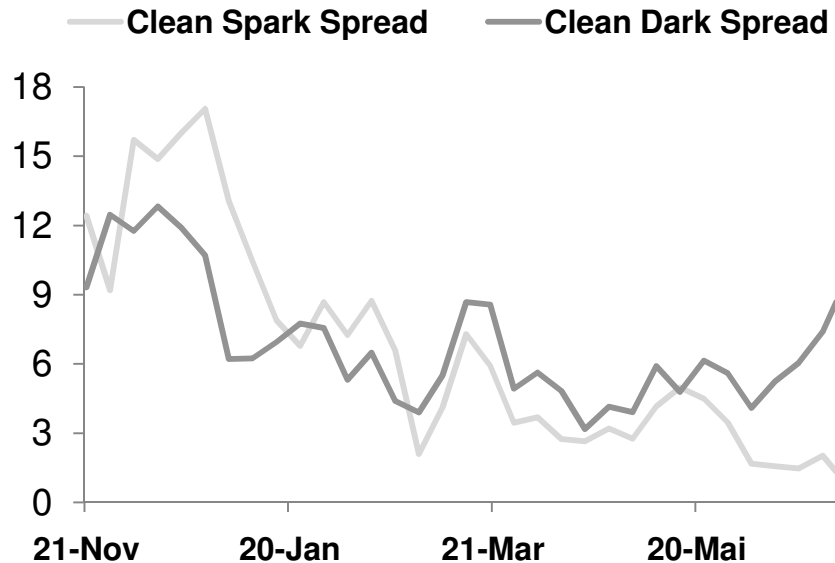
(1) Before Capacity Payment

(2) Including CO<sub>2</sub> Costs, excluding free CO<sub>2</sub> allowances

# Liberalized activities: Outlook for 2010



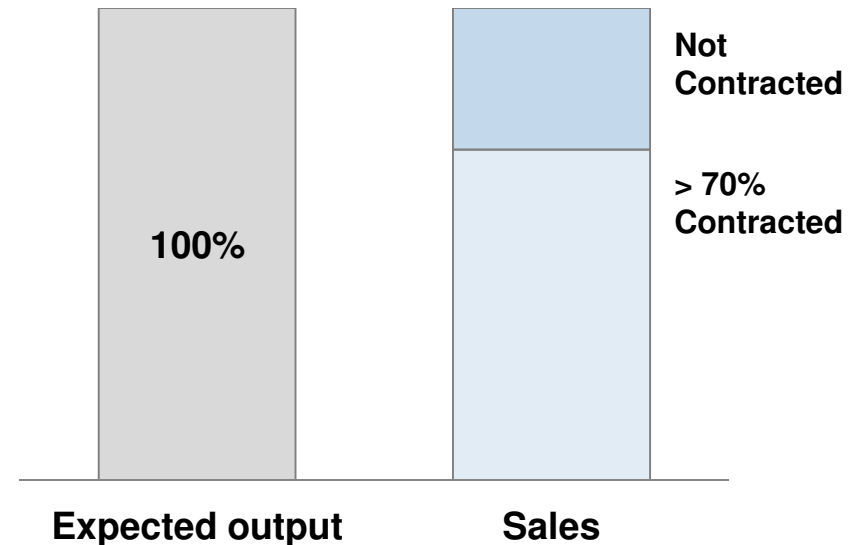
## Iberian Market: Forward spreads for 2010 <sup>1</sup> (€/MWh)



Source: Market Data from Reuters

- Increase of fuel costs (namely brent) for 2010 deliveries not fully reflected on electricity forward prices.
- Pace of recovery of energy demand not clear yet.

## EDP: Electricity forward contracting - 2010 (%)



- Contracting done essentially with liberalized clients
- Avg. price<sup>2</sup>: ~€50/MWh (vs. current forward of €44/MWh)
- Average Thermal Spread<sup>3</sup> Locked in: ~€10/MWh

**Hedging through forward contracting of electricity sales & fuel costs to reduce risk**

(1) Source: Market Data from Reuters

(2) Before Capacity Payment

(3) Including CO<sub>2</sub> Costs, excluding free CO<sub>2</sub> allowances

# Prospects for 2009: Regulatory Receivables



## Tariff Deficit Portugal

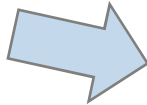


2007 and 2008 tariff deficit: already securitized in Mar-09

Tariffs Portugal 2009: electricity price assumed at €71/MWh vs. current €48/MWh level

Marginal tariff surplus expected for 2009, not enough to compensate 2008 deficit

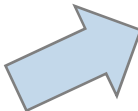
## Tariff Deficit Spain



Pre 2009: possibility to securitize the €0.4bn tariff deficit in 2H09

2009 E: gradual elimination of the tariff deficit; no further ex-ante tariff deficits expected after 2013.

## CMECs



Expected increase due to:

- Hydraulicity levels in 1H09 below avg. hydro year
- Energy prices below the €50/MWh assumption of CMEC calculation

To be recovered through tariffs in 2 years time

**Positive prospects in terms of evolution of consolidated regulatory receivables over 2009**

# Conclusion



## Stable, low-risk returns

### EBITDA strongly resilient, stable and predictable

- **>85% EBITDA** with low sensitivity to economic cycle
- **Hedging strategy** in liberalized activities
- **Demand destruction lower in Portugal** than in rest of Europe
- **Tariff deficits:** no material amount expected in 2009



## Selective investment criteria

### Clear room for value creation in investments committed:

- **New Wind:** Stimulus bills improved visibility on US returns
- **New CCGTs:** +860MW in Portugal, low reserve margin, low capex/MW
- **New Hydro Portugal:** Scarce assets, attractive IRRs even at current prices
- **PPA generation in Brazil (Pecém):** Low risk and an attractive expected return



## Balanced financial structure

### Efficient match between capital structure / business risk profile

- **Comfortable liquidity position:** €4.1bn available in cash position, credit lines
- **Diminishing cost of debt in 2009 on Euribor:** 57% of net debt at floating rate



## IR Contacts

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## Next Events

**Meetings with Investors London: August 4<sup>th</sup>-5<sup>th</sup>, 2009**

**BPI Conference Lisbon: September 10<sup>th</sup>, 2009**

**3Q09 Results Release: October, 29<sup>th</sup>, 2009**