



# **1H10 Results Presentation**

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**July 30<sup>th</sup>, 2010**

# 1H10: Highlights of the period



**EBITDA: €1,831m, +14% YoY**

**EBITDA from Brazil: +45% YoY** (+17% in local currency; BRL/EUR +23% YoY)  
Electricity distributed +18% YoY; Brazil represented 18% of EBITDA in 1H10

**Resilient performance of liberalized activities in Iberia**

Higher volumes sold directly to clients (+87% YoY); optimize own production vs. pool purchases

**Installed capacity: +10% YoY (wind power represented 54% of capacity increase)**

Wind & Hydro represented 71% of EDP power production in 1H10

**€73m cost savings achieved in 1H10: above the €120m target for 2010 full year**

Opex/gross profit decreased to 27% in 1H10 (vs. 28% in 1H09)

**Diversification / Risk management + Profitable Growth + Higher Efficiency**

# 1H10: Highlights of the period



**Net Profit: €565m, +18% YoY**

**Net interest costs down 18% YoY**

Average cost of debt down from 4.2% in 1H09 to 3.5% in 1H10

**Maintenance of a high level of financial liquidity: €4.2bn by Jul-10**

Covers our expected funding needs beyond 2011

**Capex: €1,312m in 1H10: 77% in expansion, focused on wind, hydro and Brazil**

3.7GW under construction, accumulated capex: €2.6bn

**Net debt +€2.1bn in 1H10 to €16.1bn, (+€0.7bn due to USD & BRL appreciation vs. EUR)**

Net debt/EBITDA of 4.2x <sup>(1)</sup> in 1H10

**Efficient capital management + Execute attractive growth opportunities  
Maintaining a low risk profile**

<sup>(1)</sup> Excluding Regulatory Receivables

# 1H10 Financial Headlines



(€ million)	1H09	1H10	Δ %
<b>EBITDA</b>	<b>1,611</b>	<b>1,831</b>	<b>+14%</b>
<b>NetProfit</b>	<b>479</b>	<b>565</b>	<b>+18%</b>
Capex	1,653	1,312	-21%
<b>Net Debt</b>	<b>14.0 *</b>	<b>16.1</b>	<b>+15%</b>
Net /EBITDA (x)**	4.2 x *	4.4 x	-
Adjusted Net /EBITDA <sup>(1)</sup>	3.9 x *	4.2 x	-

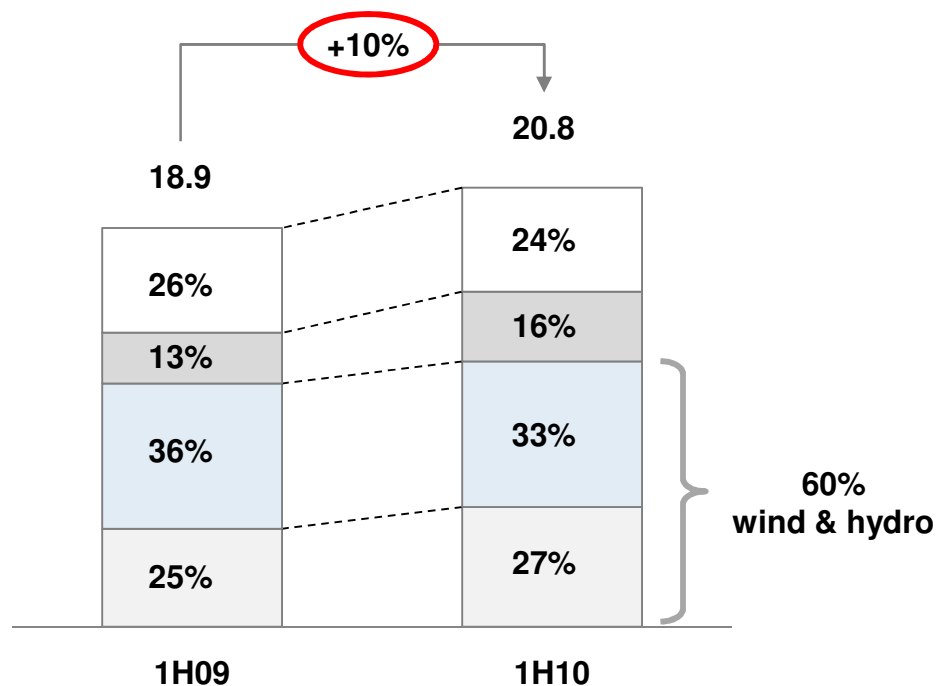
**Net profit: +18% YoY**  
**Profitable growth maintaining a low risk profile**

# 1H10 Operating Headlines

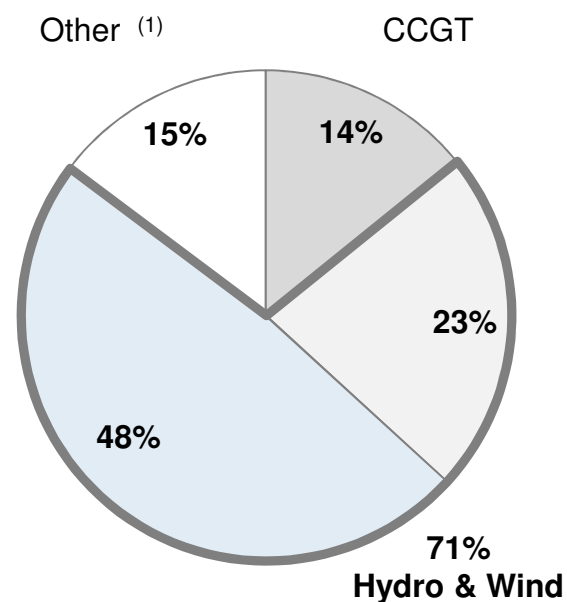


## Installed Capacity (GW)

□ Wind □ Hydro □ CCGT □ Other <sup>(1)</sup>



## 1H10 Generation Breakdown by Technology (%)



**Installed capacity up 10% YoY; Wind & Hydro represent 60% of total capacity**  
**71% of energy produced in 1H10 came from wind & hydro**

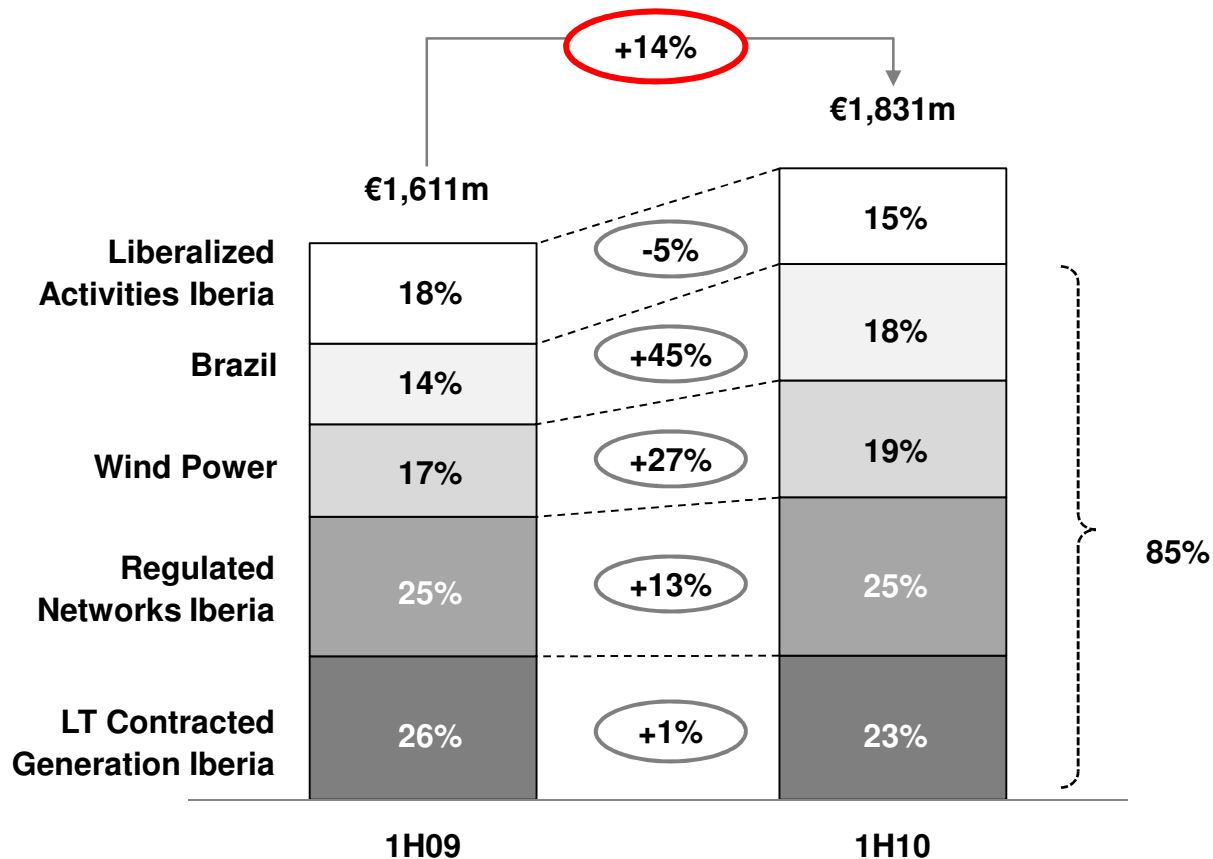
<sup>(1)</sup> Coal; thermal special regime; nuclear and fuel oil / gasoil.

# 1H10 EBITDA Breakdown



85% of 1H10 EBITDA came from regulated and long-term contracted activities

○ % Chg. YoY



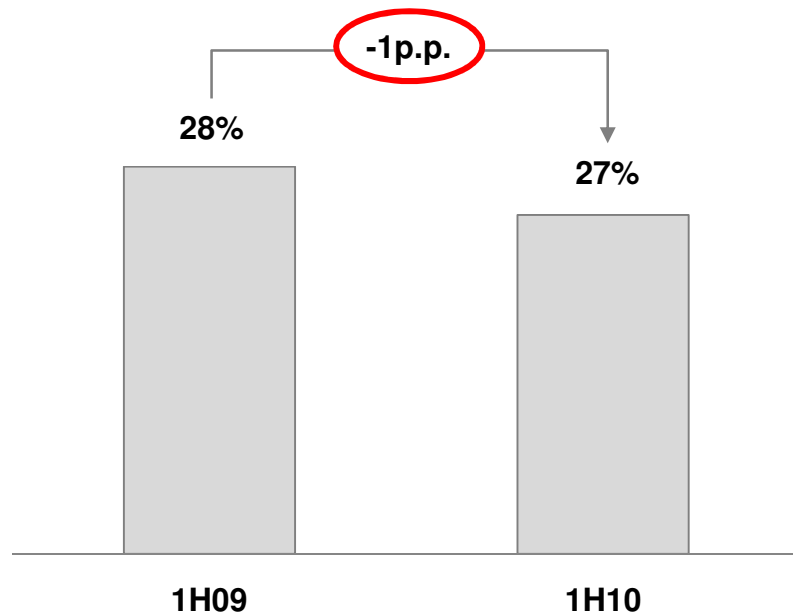
Excluding forex impact (€64m in Brazil), EBITDA grew 10% YoY

# EDP Consolidated operating costs:



## OPEX/Gross Profit: 1H10 vs. 1H09 (%)

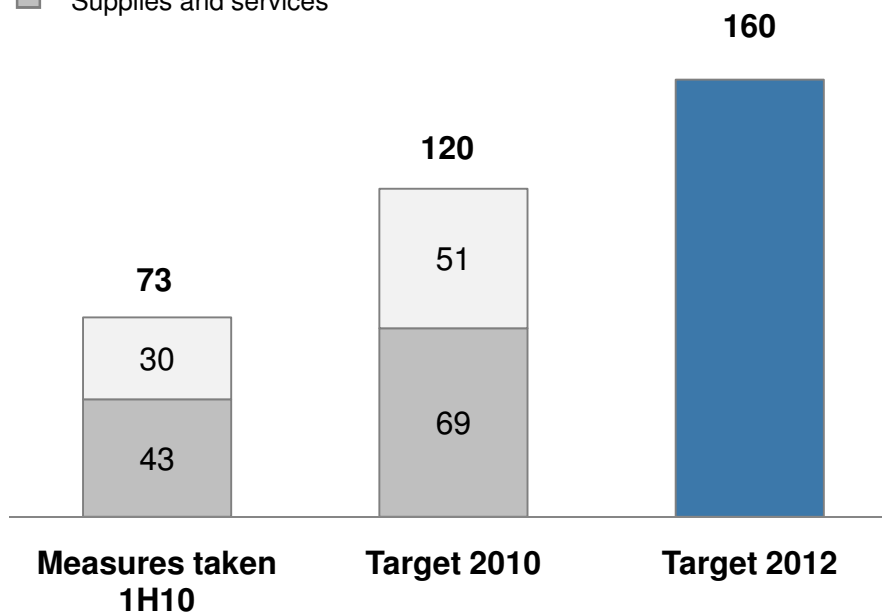
○ Chg. YoY



**Improvement of opex/gross profit  
efficiency ratio**

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

- Human Resources
- Supplies and services



**Cost savings achieved in 1H10:  
61% of 2010 target**

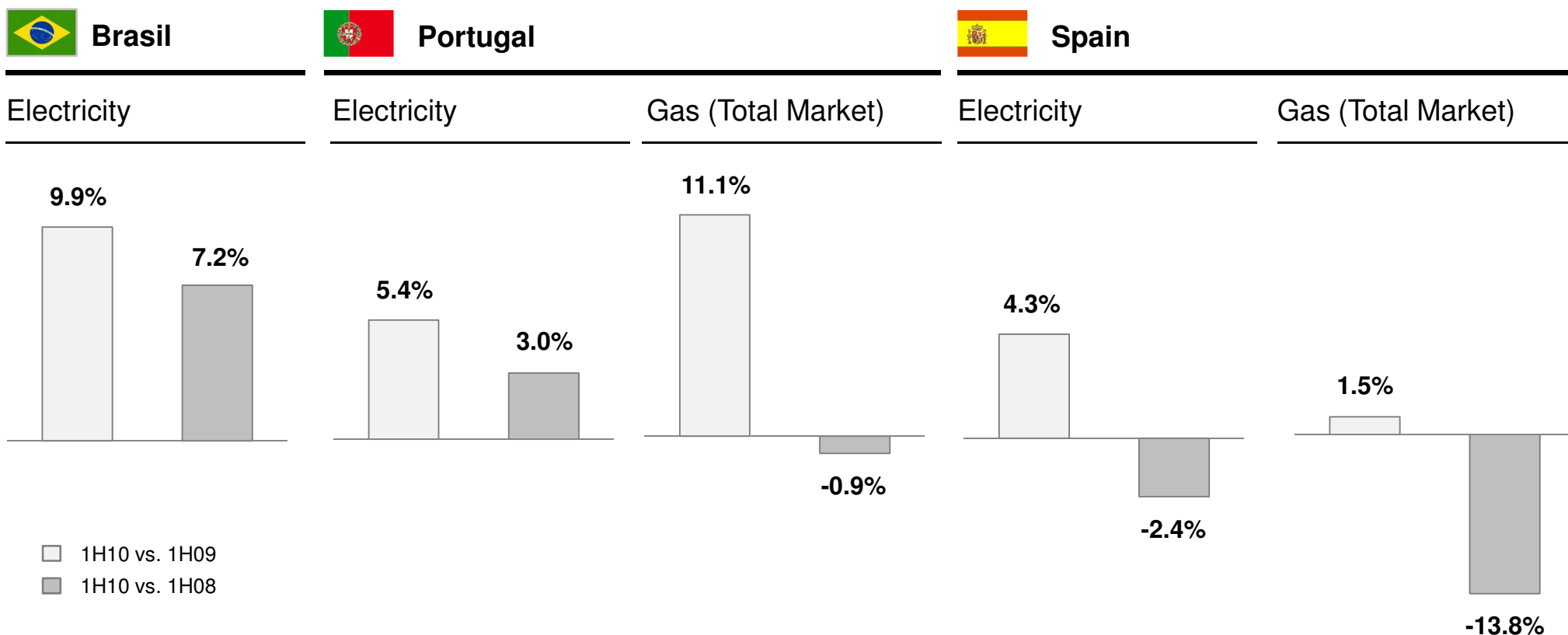
<sup>(1)</sup> Savings measured regarding the 2007 cost base



## **Business Areas**



# Electricity & Gas Demand in EDP's Key Markets



**Brazil:** Sound growth of Brazilian economy, low impact from international crisis

**Iberian electricity:** Portugal less affected by lower demand from construction related activities

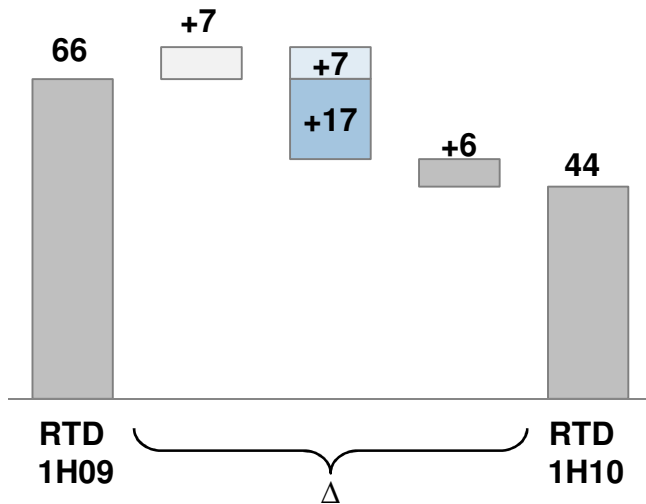
**Gas demand Spain:** Penalized by higher hydro production and lower CCGT utilization in 1H10

# Market Environment in 1H10



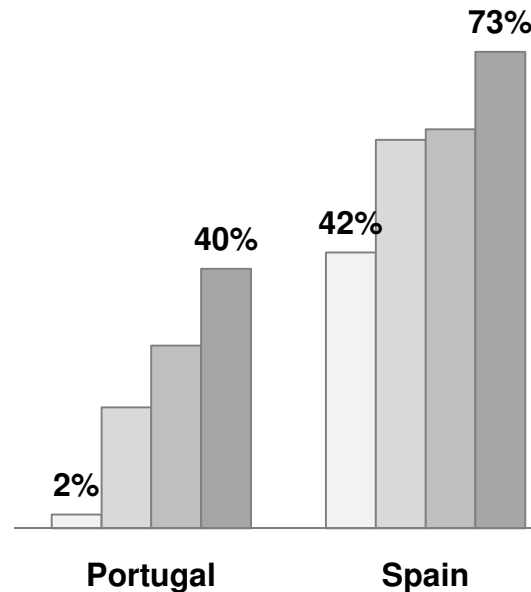
## Residual Thermal Demand in Iberia (TWh)

Total demand  
 Hydro  
 Others <sup>(1)</sup>  
 Wind



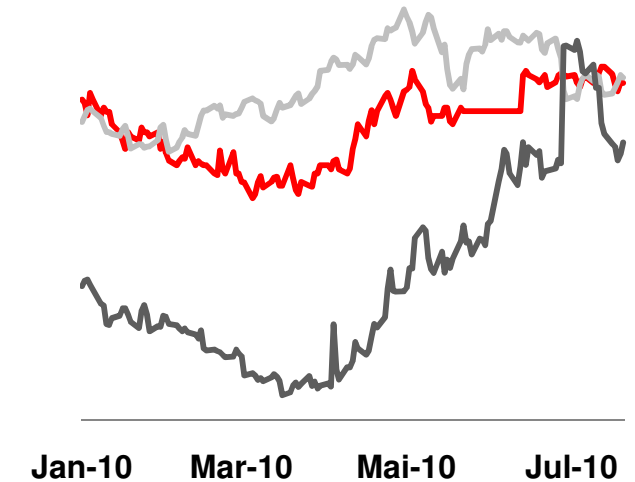
## Free market growth in Iberia (% of total consumption)

2008  
 1H09  
 2009  
 1H10



## Forward Energy Markets for 2011 (€/MWh)

Gas cost NBP (UK)  
 OMIP power price (Spain)  
 Gas cost (Iberian proxy, oil linked)



**Thermal output -34% YoY: Higher hydro & wind output outstands demand growth**

**Volumes supplied to final customers in free market continues to increase**

**Recovery in gas prices improve prospects for 2011 power prices and spark spreads in Iberia**

<sup>(1)</sup> Includes Nuclear, special regime (ex-wind), net imports.

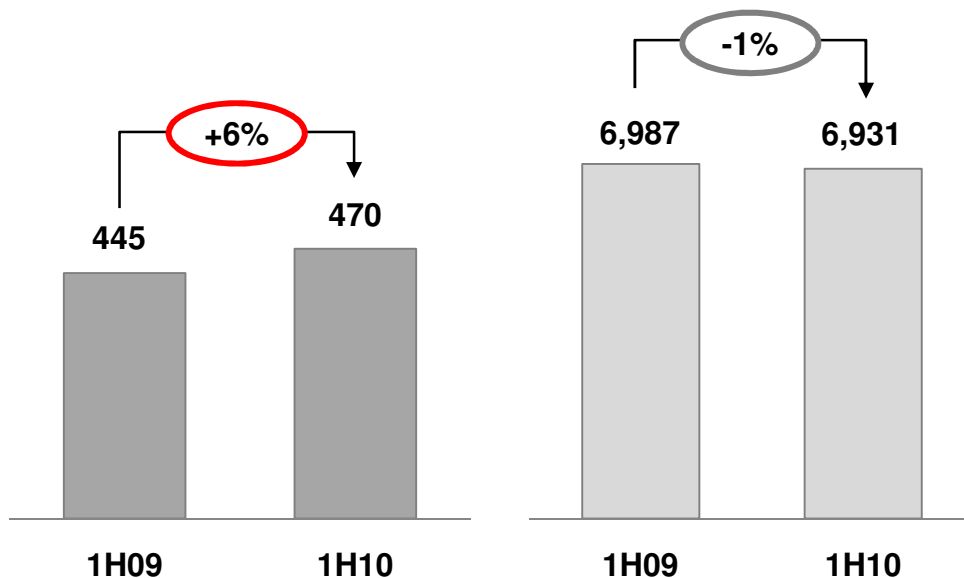
# Long Term Contracted Generation Iberia (23% of EBITDA): Growth prompted by higher mini-hydros output



LT Contracted generation: Installed capacity  
(MW)

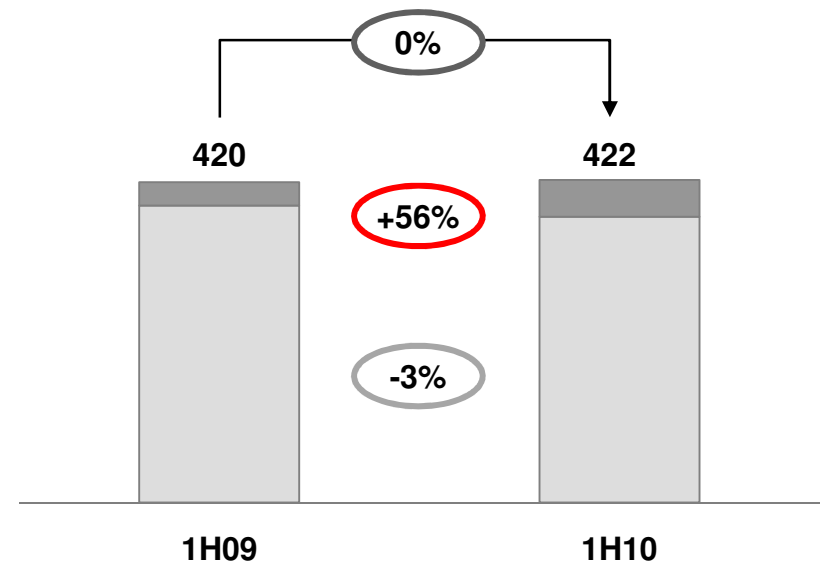
Special regime <sup>(1)</sup>

PPA/CMEC



EBITDA Long Term Contracted Generation  
(€ million)

■ PPA/CMEC  
■ Special regime <sup>(1)</sup>



- **Special regime:** New cogen and biomass plants
- **PPA/CMEC:** 56MW fueloil plant decommissioned

- **Special regime:** mini-hydro output +90% YoY
- **PPA/CMEC:** ROA of 8.5%; 1% decline of capacity, lower inflation, higher operating costs

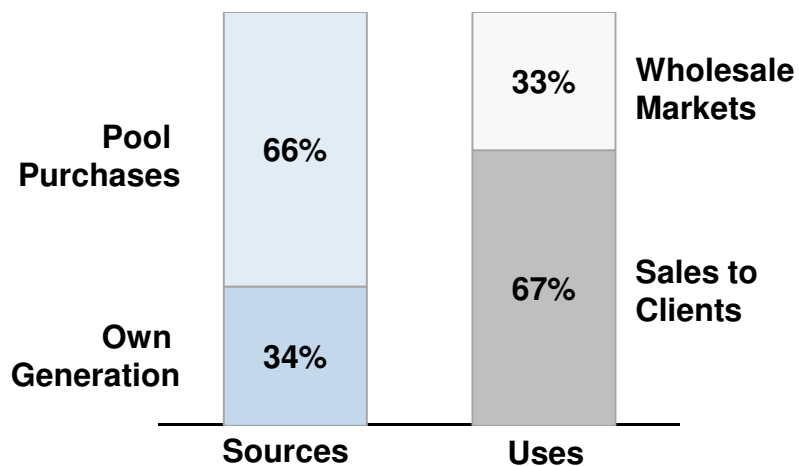
<sup>(1)</sup> includes mini-hydro, co-generation, biomass and waste in Portugal and Spain; does not include wind power

# Liberalised Energy Activities Iberia (15% EBITDA)

## Resilient performance in an adverse market environment



Electricity: Sources and Uses in 1H10  
(GWh)

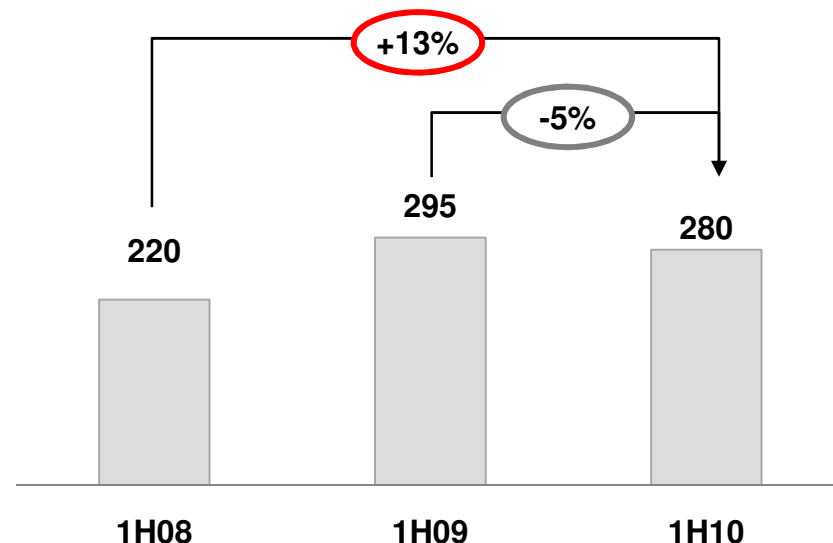


Sales to Clients  
/ Own generation

0.8x

1.9x

EBITDA Liberalised Activities  
(€ million)



Volume sold (GWh)

13.7

+72%

23.6

Gross Margin (€/MWh)

24.4

-43%

13.9

**Strong growth in volumes sold prompted by sales to clients**  
**Reinforcement of long position in clients**  
**Lower arbitrage opportunities in 2Q10 vs. 1Q10**

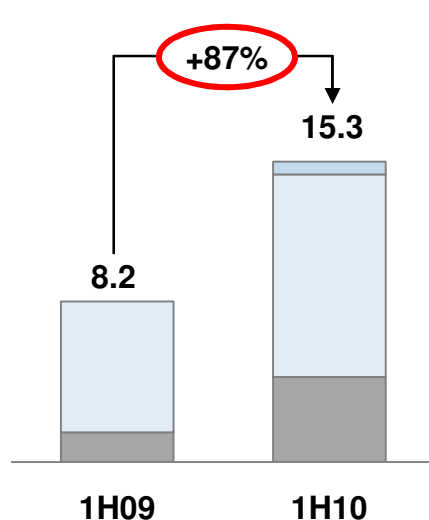
# Liberalised Electricity & Gas Supply in Portugal & Spain



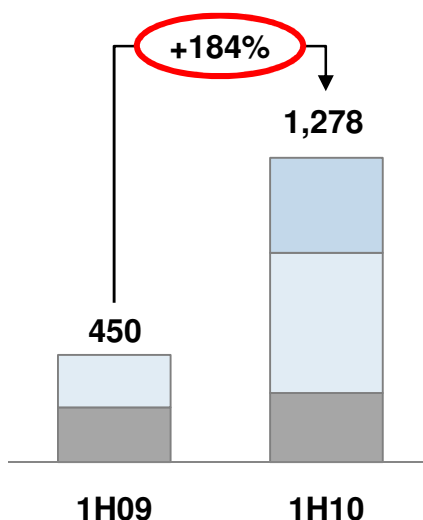
## Electricity Liberalized Supply – Portugal & Spain

### Volume Sold (TWh)

■ Portugal ■ Spain  
■ Last Resource Supply in Spain



### # Clients ('000)

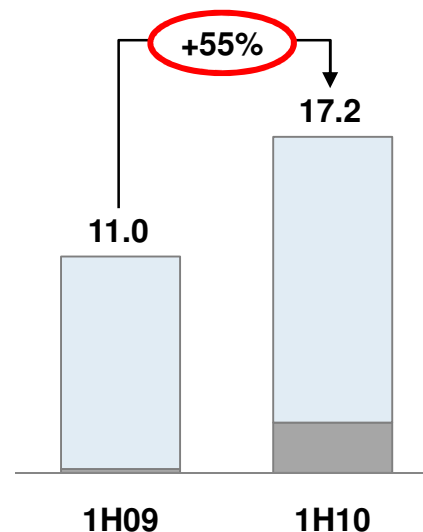


- Growth prompted by liberalisation and low pool prices
- Number of clients grows faster than volumes: focus on client segments with higher margin, inclusion on last resource supply in Spain

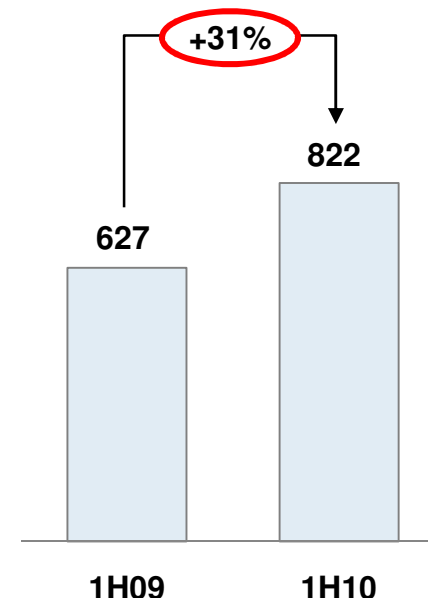
## Gas Supply – Portugal & Spain

### Volume Sold (TWh)

■ Portugal ■ Spain



### # Clients ('000)



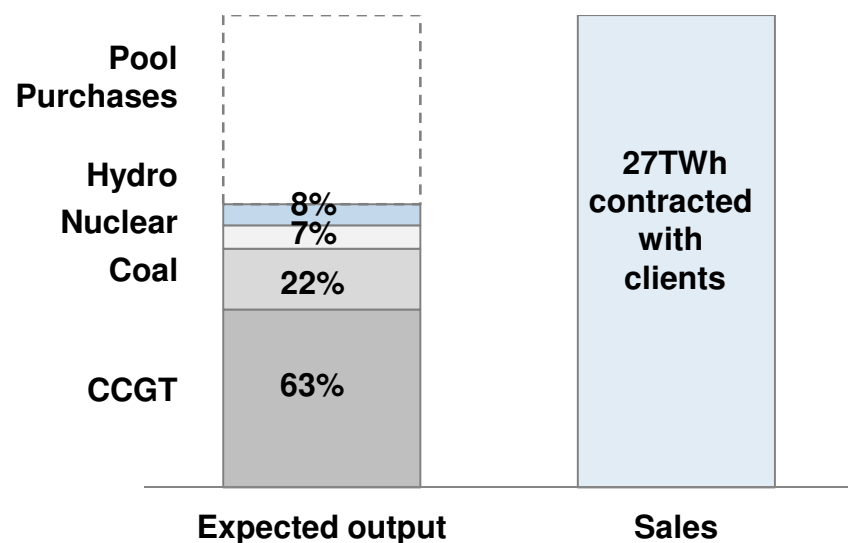
- Recovery in industrial demand
- Integration of clients acquired from Gas Natural
- Portugal: 33%<sup>(1)</sup> market share in 1H10

<sup>(1)</sup> Based on annualised consumption, including cogeneration plants

# Liberalised Energy Activities Iberia:

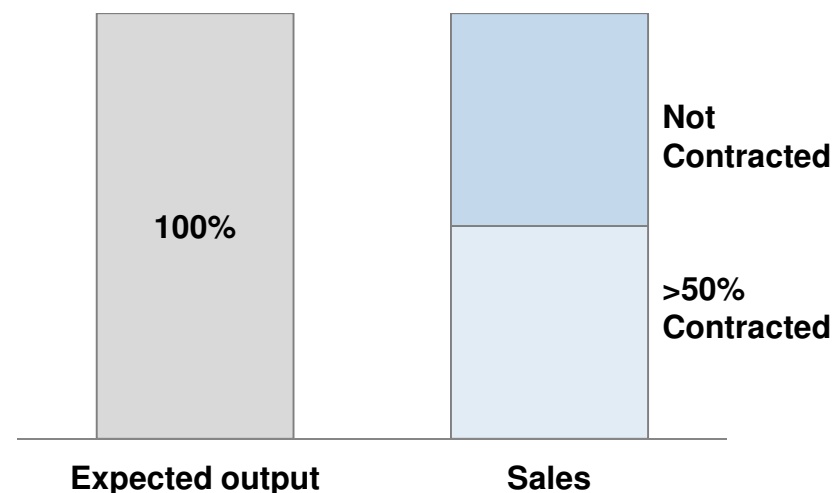


**EDP: Electricity forward contracting - 2010**  
(%)



- 27 TWh forward contracted with clients in free market
- Avg. price: ~€50/MWh
- Avg. Clean Thermal Spread Locked in: ~€10/MWh

**EDP: Electricity forward contracting – 2011**  
(%)



- Continuing strategy to forward contract sales and lock-in margins at satisfactory levels
- 10TWh sold to clients in free market
- Price and Thermal Spread Locked in: similar to 2010

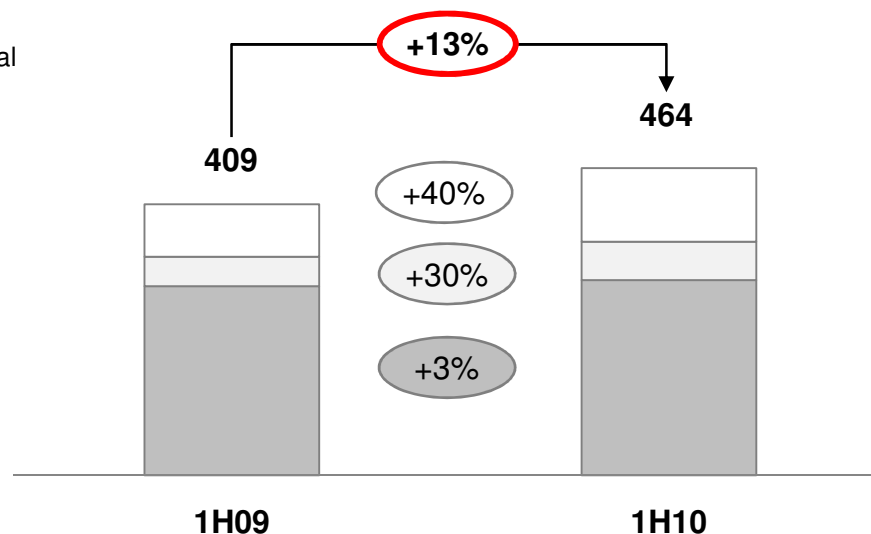
**Hedging through forward contracting of electricity sales & fuel costs to reduce risk**

# Regulated Energy Networks Iberia (25% of EBITDA):



## EBITDA (€ million)

- Gas Iberia
- Electricity Spain
- Electricity Portugal



- **Electricity Portugal:** 1% YoY rise in regulated revenues, 1%YoY decline in operating costs.
- **Electricity Spain:** Lower costs YoY; Positive accounting impact IFRIC18<sup>(1)</sup> (€7.5m; neutral at EBIT level)
- **Gas Iberia:** EBITDA +13% YoY ex-assets acquired from GasNat (€22m EBITDA contribution in 1H10)

**Excluding IFRIC18 and gas acquisitions, EBITDA of regulated energy networks in Iberia +6% YoY**

(1) IFRIC 18: asset received from clients is registered by estimated cost of construction vs. operating revenues. Considering that IAS 16 establishes that the depreciation of the asset should be done within the time period during which economic benefits are generated, assets are depreciated almost fully within the same year.

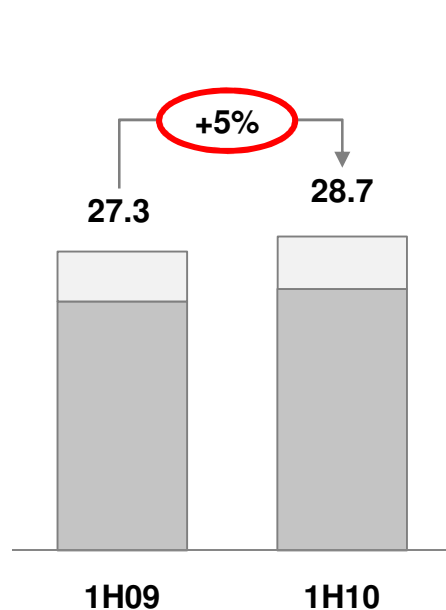
# Regulated Energy Networks Iberia:

## Demand recovery from industrial sector, efficiency improvements

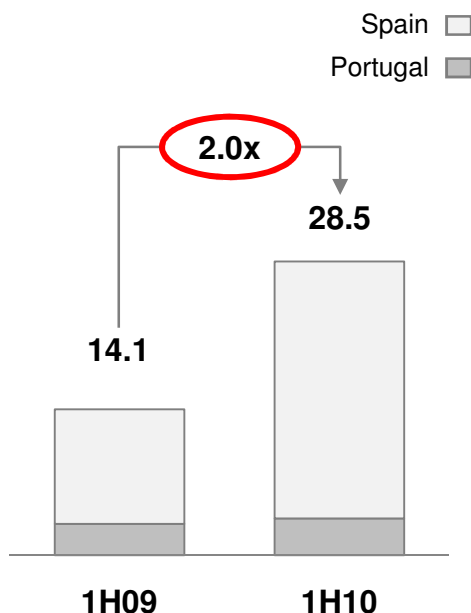


### Energy Distributed (TWh)

#### Electricity Distributed

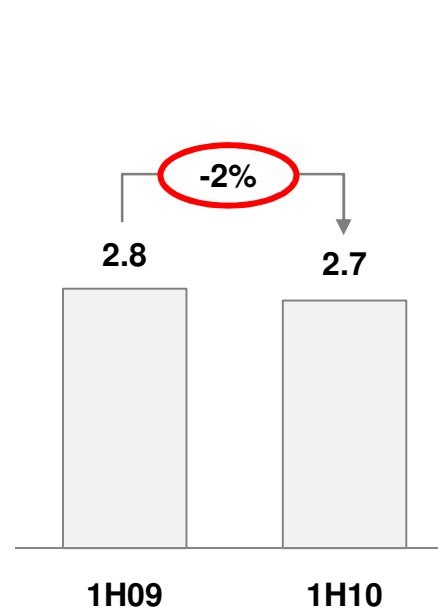


#### Gas Distributed

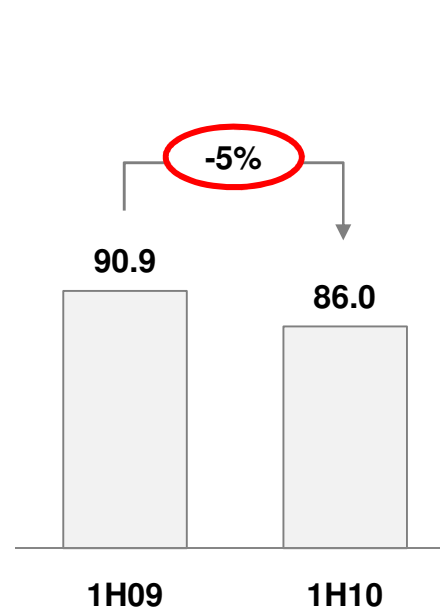


### Efficiency Ratios (annualised) (€)

#### Opex<sup>(1)</sup>/Km Network



#### Opex<sup>(1)</sup>/Client Connected



**Electricity:** industrial sector recovery and cold winter

**Gas:** consolidation of distribution assets acquired from GN and industrial sector recovery

**Improvements of Efficiency ratios even considering the adverse weather conditions in Portugal in 1Q10**

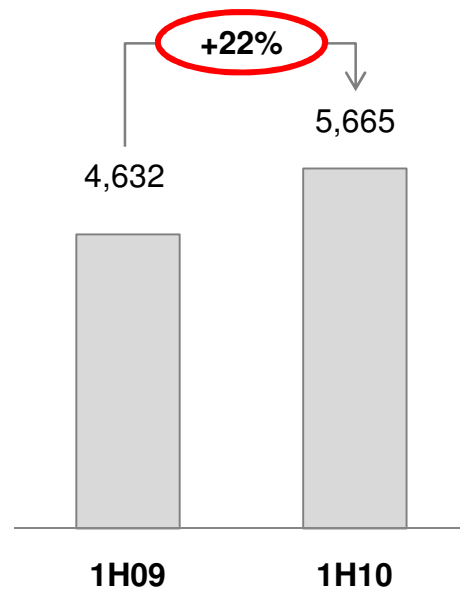
<sup>(1)</sup> Supplies & Services, Personnel Costs and Costs with Social Benefits (excluding HR Restructuring costs)



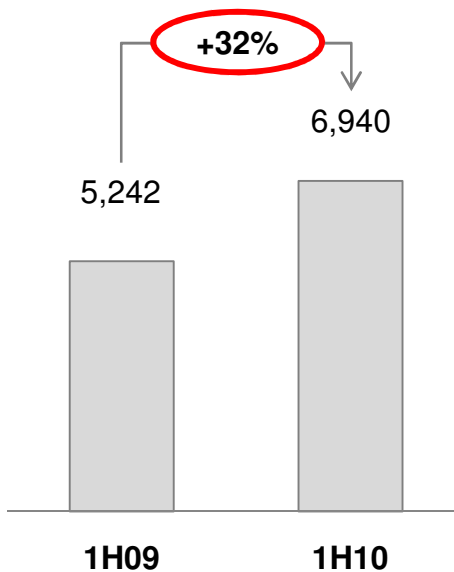
# EDP Renováveis (19% of EBITDA): EBITDA up 27% YoY



**Installed Capacity**  
(EBITDA MW)

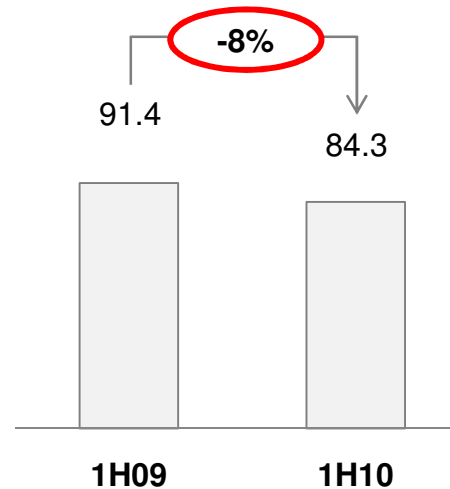


**Output**  
(GWh)

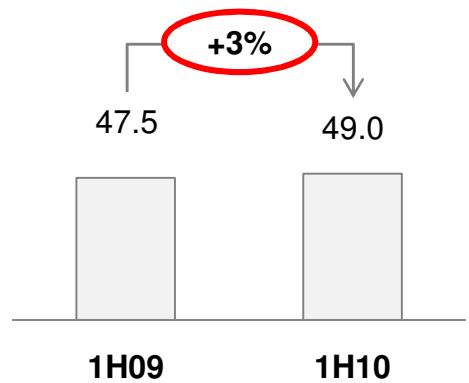


**Average Selling Prices**

**Europe** (€/MWh)



**USA** (\$/MWh)



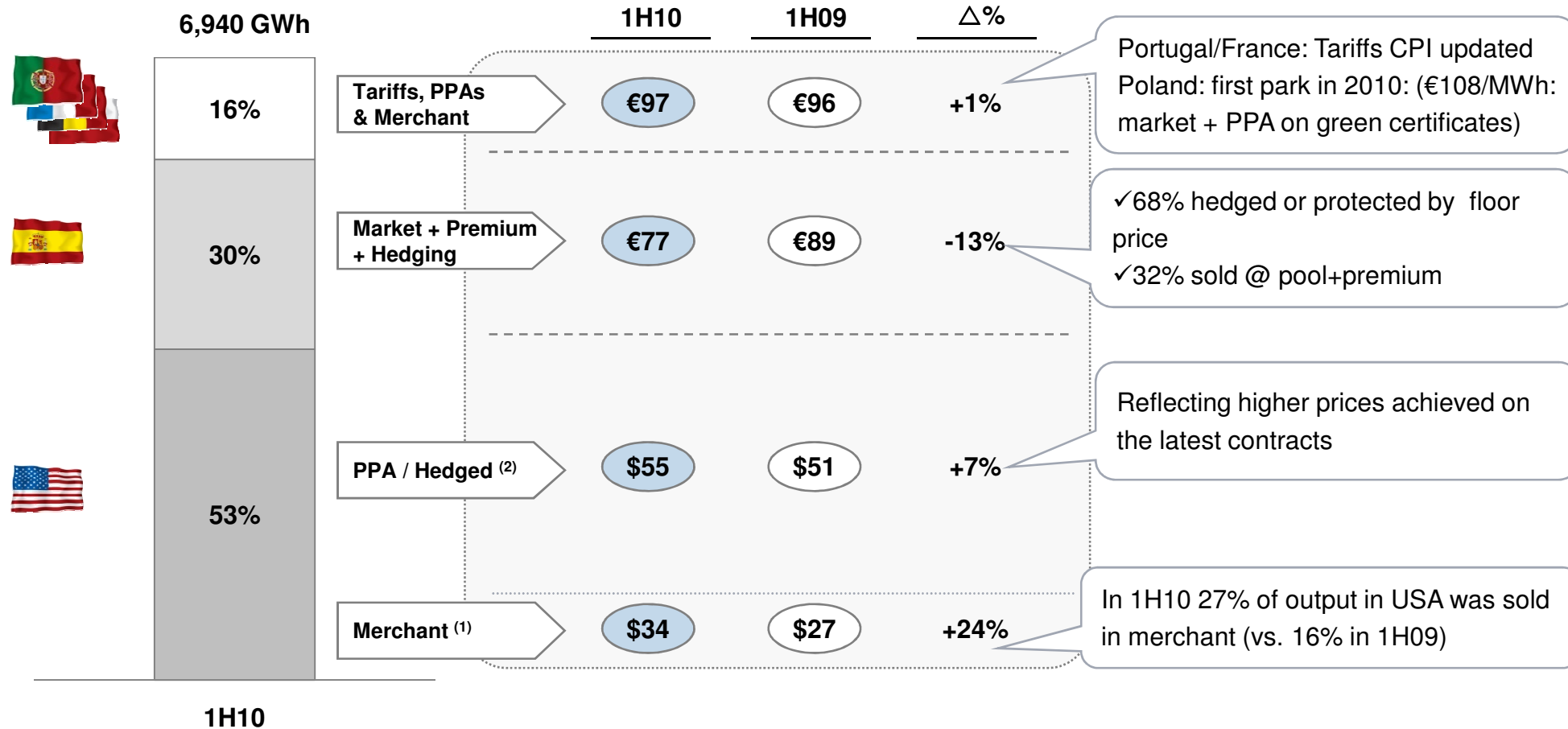
**22% increase of installed capacity, 32% growth of total wind power production**  
**Decline of average selling prices in Spain, slight recovery in USA**

# Wind power prices



## Production Breakdown

## Avg. Selling Price per MWh



**81% of production in 1H10 sold with no exposure (or limited) to market volatility**

<sup>(1)</sup> Excluding sale of interests in institutional partnerships.

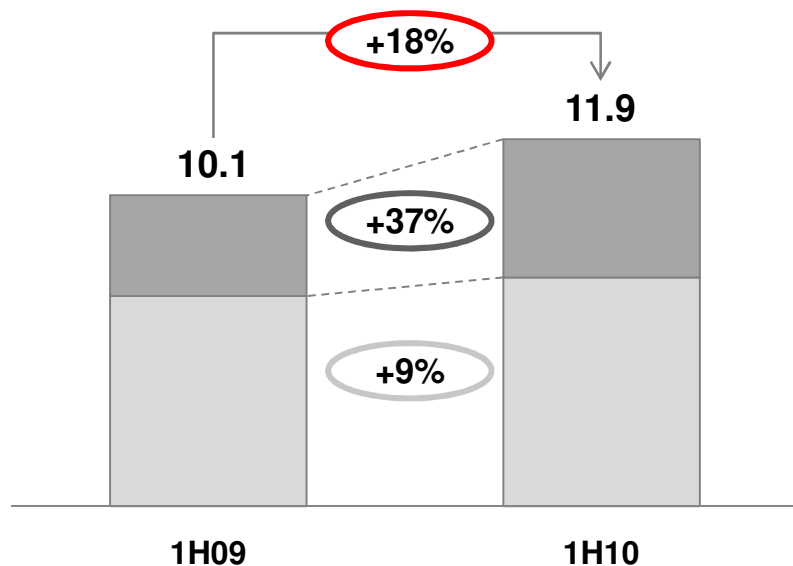
# Brazil: Evolution of energy demand and BRL/EUR



## Electricity Distributed (TWh)

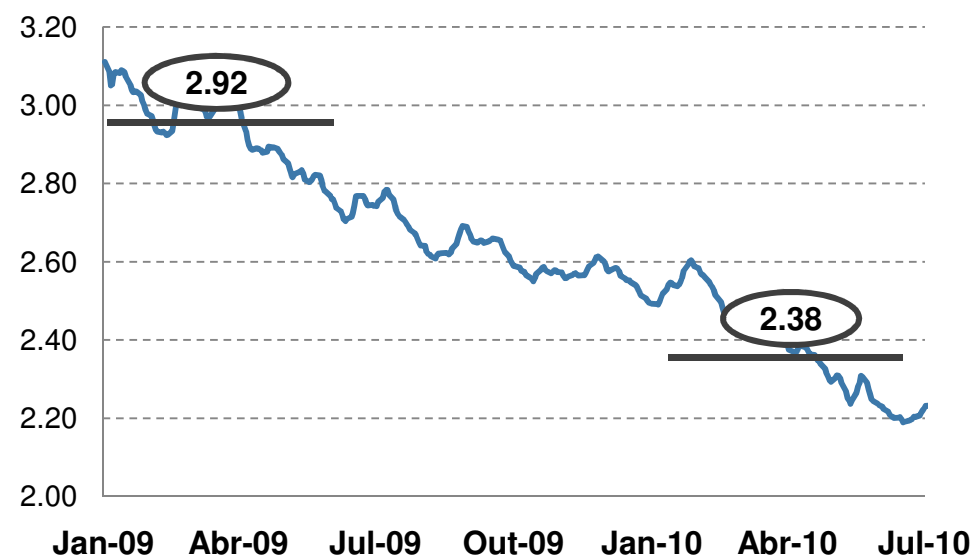
Bandeirante & Escelsa Concession Areas

- Third-party access
- Final Clients



## BRL/EUR exchange rate<sup>(1)</sup>

○ Average in the 1H



Industrial Segment: Sound internal demand / exports (+15%)  
Residential & Commercial (+7%): higher consumption/capita

**Real vs. Euro: +23% YoY in 1H10**

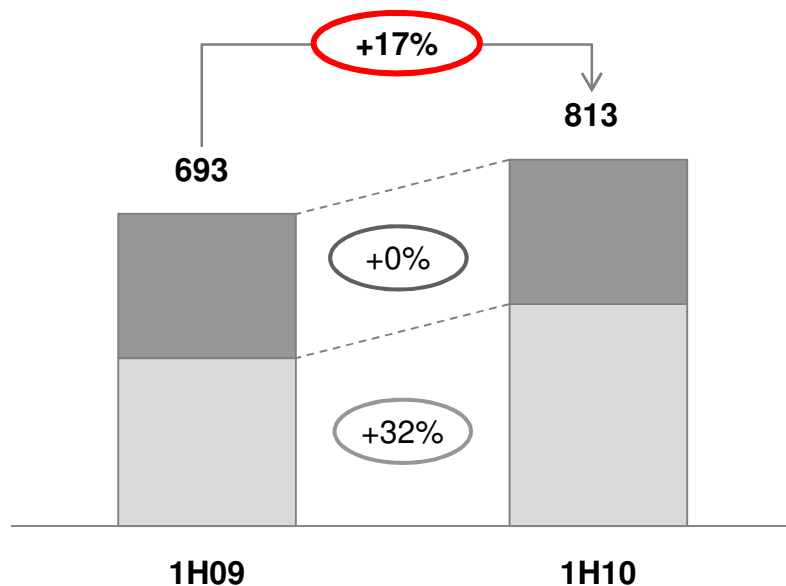
<sup>(1)</sup> Source: Bloomberg

# Brazil (18% of EBITDA)

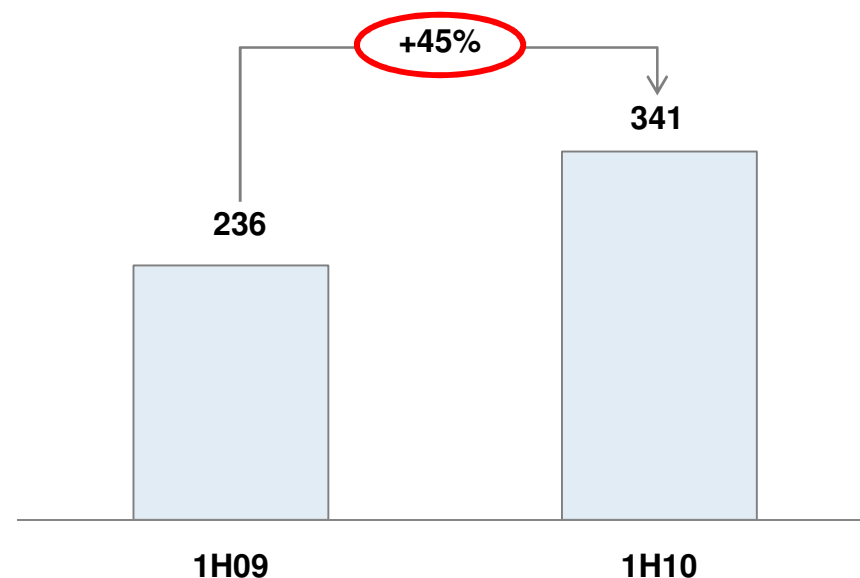


Evolution of EBITDA of EDP Brasil  
(BRL millions)

- Generation & Other
- Distribution



Evolution of EBITDA of EDP Brasil  
(€ million)



**EBITDA Distribution +32% YoY.** Excluding tariff deviations: +17% YoY on strong volume growth  
**EBITDA generation flat YoY, expected to recover in 2H10:** Higher portion generation sales in 2H  
**Strong operating performance + Positive forex impact**



# **Consolidated Financials**

# EDP reinforces control over Naturgas



**EDP to acquire 29.43% of Naturgas from EVE for a €617m equity value**

in three similar tranches to be paid until 1H13, allowing EDP to control 95% of Naturgas until 1H13.



**> 90% of the transaction's implied EV related to gas regulated assets with a low risk profile and stable regulatory framework**

**EDP with option to buy remaining 5% between 2016 and 2018.** Revision of EDP/EVE shareholder agreement, with EVE's involvement in Naturgas strategic management adjusted together with its participation in Naturgas.



**Room to further improvements in terms of synergies & efficiency** at level of EDP's Spanish operations and Iberian gas business.

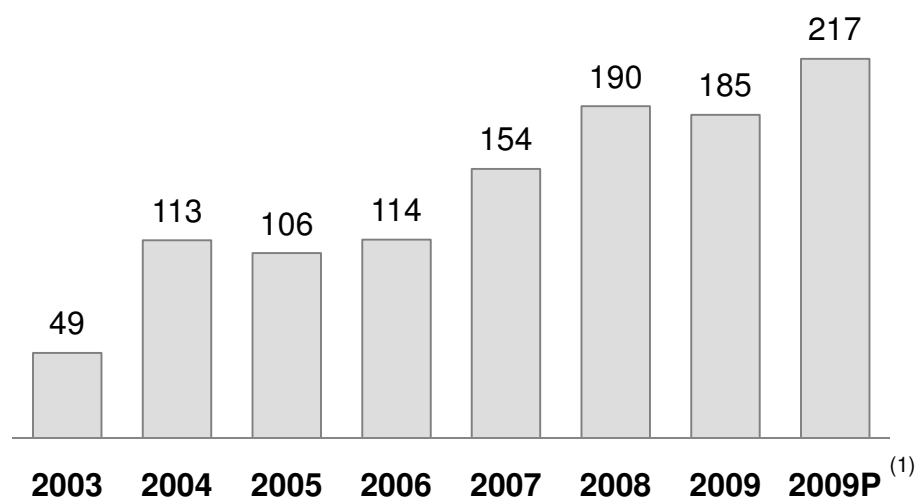
Acquisition already reflected in consolidated figures provided by EDP in May-2010 investor day:  
**Current deal does not affect EDP's 2010-2012 guidance**

# Naturgas evolution 2003-2009

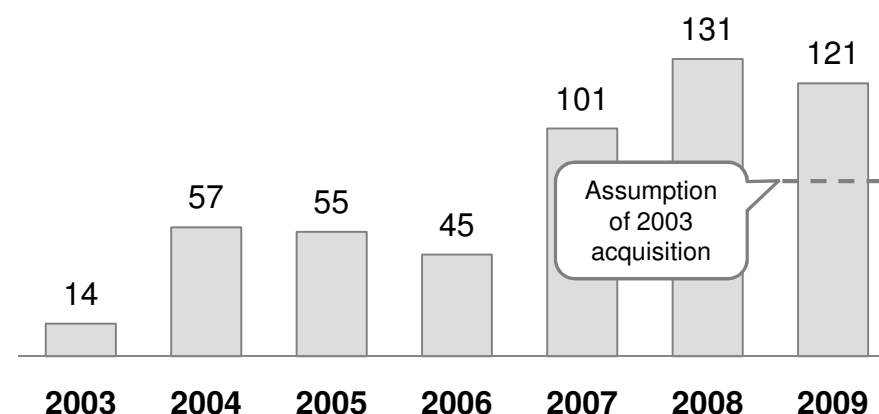
## A successfull low risk / high growth operation



**Naturgas: Consolidated EBITDA**  
(€ million)



**Net Profit attributable to Naturgas Shareholders**  
(€ million)



**Naturgas: Evolution of Key balance figures**

(€ milliom)	Dec-03	Dec-09	Chg.
Equity Book Value	974	1.453	+49%
Net cash Position	18	66	+266%

**Naturgas Accumulated Figures 2003-2009:**

EBITDA	~€900m
Capex + Financial Investments	~€800m
Dividends Paid	~€50m

<sup>(1)</sup> EBITDA Pro-forma 2009: Includes €32m contribution for the assets acquired from Gas Natural on December 31st 2009.

# Acquisition Multiple



Equity Value €2,097m

Cash and equivalents €66m

**Enterprise Value €2,033m**

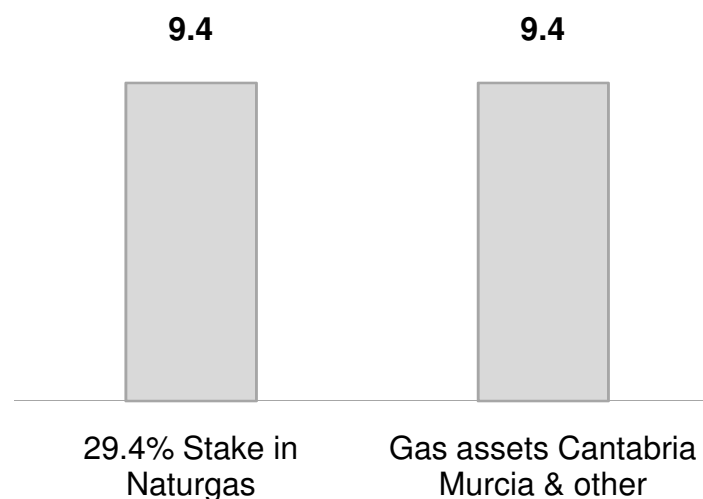
**EBITDA 2009 Pro-forma <sup>(1)</sup> €217m**



**Transaction multiple**

**EV/EBITDA 9.4 x**

## EV/EBITDA multiple comparison (x)



**Current transaction multiple in line with EDP's last gas assets acquisition in Spain**

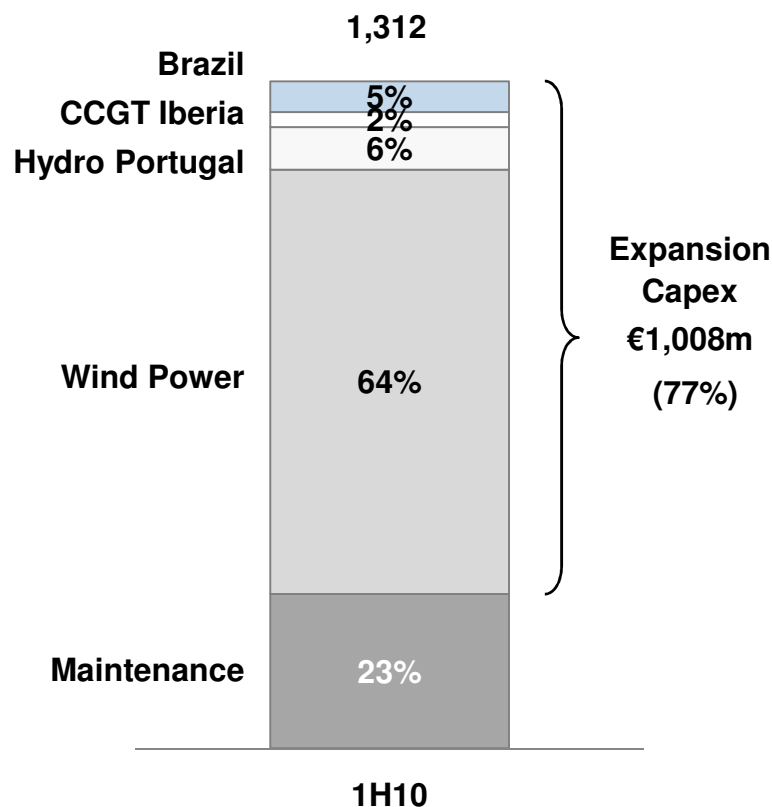
<sup>(1)</sup> EBITDA Pro-forma 2009: Includes €32m contribution for the assets acquired from Gas Natural on December 31st 2009.



# Consolidated Capex 1H10: 77% in expansion; 91% of expansion capex was wind and hydro power



Consolidated Capex  
(€ million)



## Wind Power

- 63% USA, 11% Spain, 23% Rest of Europe
- Projects ongoing: 82%; projects concluded: 18%

## Hydro in Portugal under construction

- 1.7GW, €0.3bn accumulated capex by Jun-10

## Brazil New Generation Plant with PPAs

- €0.3bn of accumulated capex, to start in Jan-12

## New CCGT in Spain

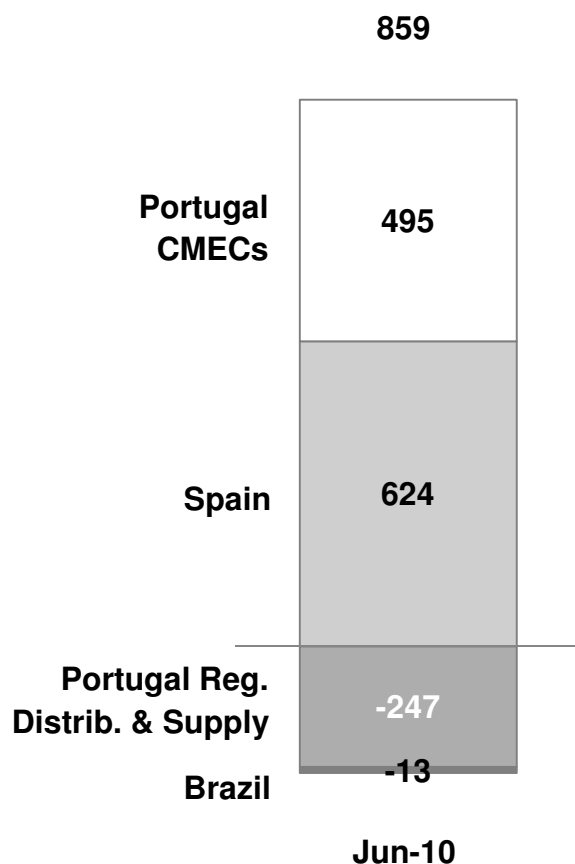
- 424MW, 86% capex incurred, to start tests 3Q10

**By Jun-10 €2.6bn were already invested on the 3.7GW of capacity under construction (representing 18% of EDP's capacity by Jun-10)**

# Net Regulatory Receivables by Jun-10



## Regulatory Receivables (€ million)



### Regulatory Receivables from CMECs: €495m (-€90m vs. Dec-09)

- €92m created in 1H10 (low coal production and low electricity prices)
- ~€275m are being recovered in 2010; remaining to be recovered in 2011

### Spanish Tariff Deficit: €624m (+€123m vs. Dec-09):

- €317m from 2006-08 deficit included in the ongoing securitization process
- Additional tariff deficit being created in 2010

### Portugal last resource supply & distribution: -€247m (+€262m vs. Dec-09)

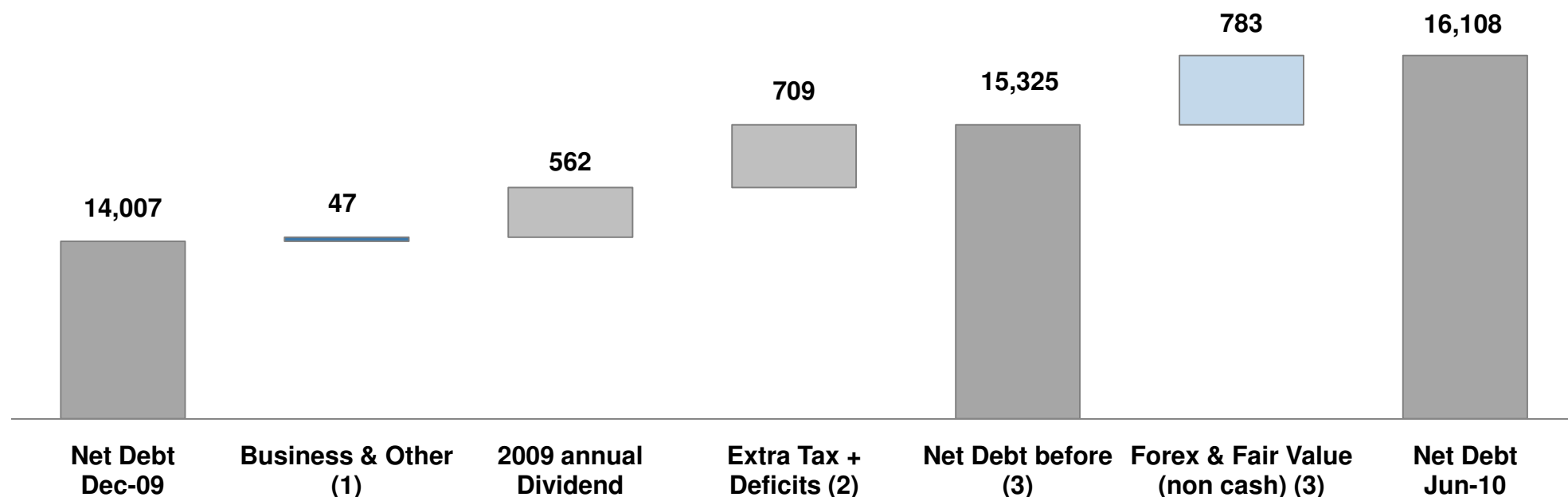
- €509m being returned to the tariffs in 2010
- Total amount expected to become closer to zero by Dec-10

**Spanish tariff deficit is the largest component, but represents 4% of EDP's net debt**

# Change in Net debt: Forex impact reflects hedging policy; Funding of operations in local currency



Change in Net Debt: Jun-10 vs. Dec-09  
(€ million)



BRL & USD appreciation vs. EUR in 1H10: +5% impact on net debt, slower on P&L (+4% on EBITDA)

**Low risk approach: Forex with no material impact on credit ratios, namely on net debt/EBITDA**

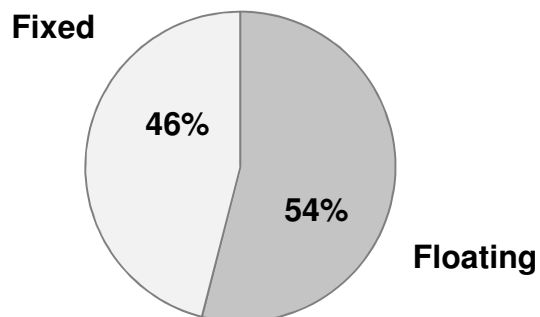
Annual dividend + corporate tax on €1.7bn deficit securitization: cash payments made in May-10

<sup>(1)</sup> Includes €1008m of expansion capex <sup>(2)</sup> includes extraordinary corporate tax paid in May-10 on the securitization of 2009 of 2007/2008/2009 Portuguese tariff deficits and change in regulatory receivables (+€275m in 1H10) <sup>(3)</sup> Includes impact from change in forex rates and mark-to-market of foreign currency and fixed rate debt

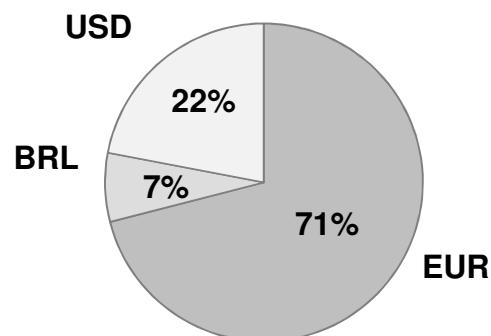
# Net Debt Breakdown



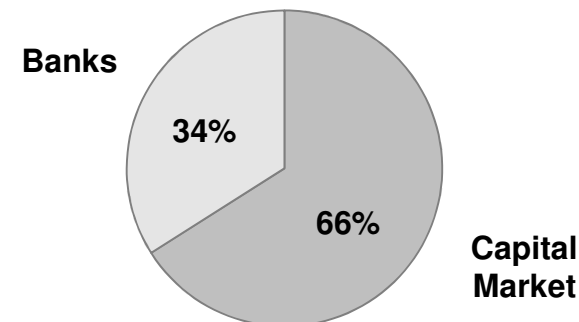
**Debt by Interest Rate Term**



**Debt by Currency**



**Debt by Source of Funds**



	Dec-09	Jun-10
Net Debt/EBITDA	4.2x	4.4x
<hr/>		
Net Debt/EBITDA Adjusted <sup>(1)</sup>	3.9x	4.2x

	Rating	Last Rating Action
Standard & Poors	A-/Negative/A2	04/08/2009
Moody's	A3/Stable/P2	13/07/2010
Fitch	A-/Stable/F2	17/06/2010

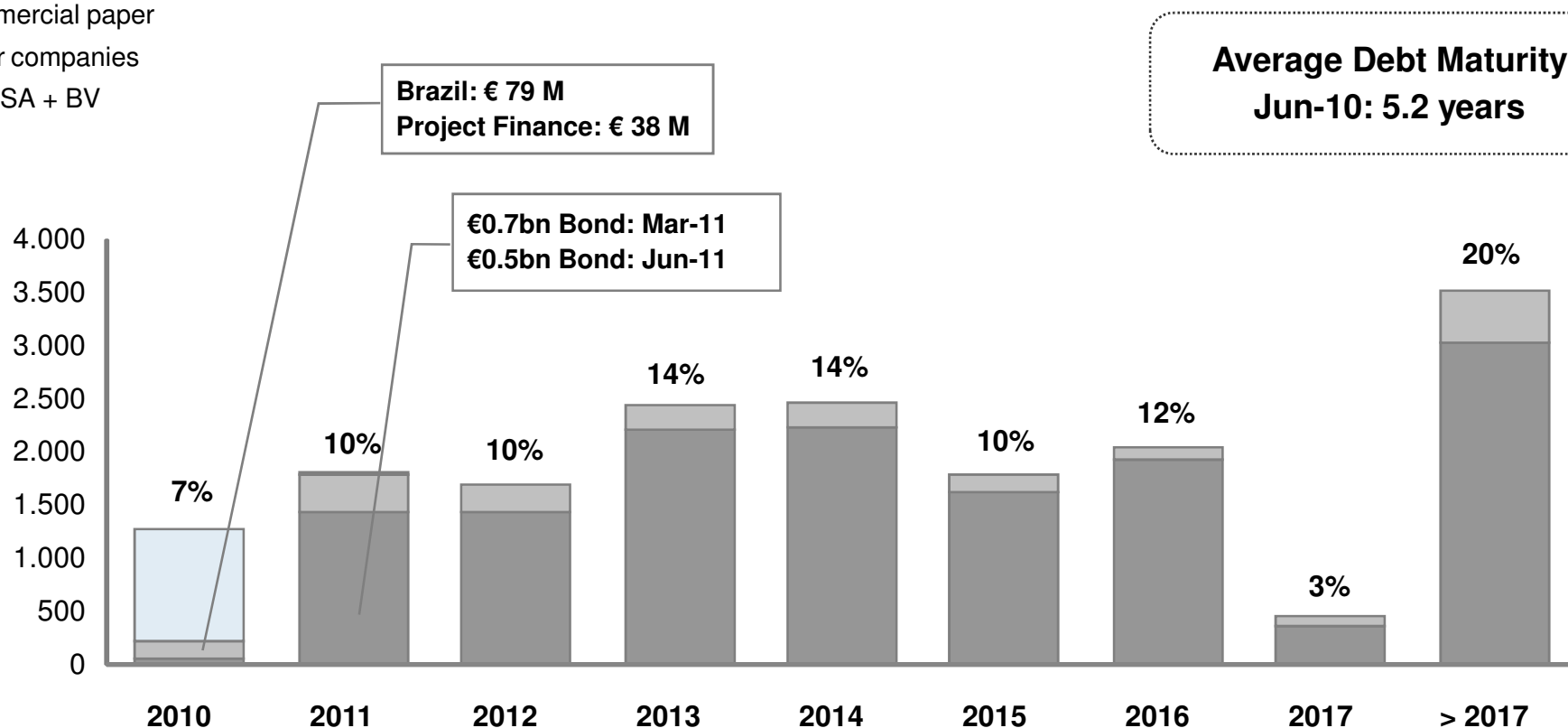
**A- reaffirmed by Fitch in Jun-10 and A3 reaffirmed by Moody's in Jul-10**

# EDP consolidated debt maturity profile



EDP consolidated debt maturity profile (June 30, 2010)  
(€ million)

- Commercial paper
- Other companies
- EDP SA + BV



**€4.2bn financial liquidity by Jul-10 enough to cover funding needs beyond 2011**

# EDP main sources and uses of funds in 2010-2011



## Sources of funds

• Cash & Equivalents (Jun-10):	€1.5bn
• Available Credit Lines (Jun-10):	€2.3bn
• Loans Contracted after Jun-10:	€0.3bn
<b>Total:</b>	<b>€4.2bn</b>

## Use of funds

- Refinancing needs in the bond market 2010-2011:

Bond issue maturing in Mar-11:	€0.7bn
Private Placement maturing in Jun-11:	€0.5bn
<b>Total:</b>	<b>€1.2bn</b>

**Comfortable liquidity position**

# Net Profit up 18% YoY



(€ million)	1H09	1H10	Δ %	Δ Abs.	
<b>EBITDA</b>	<b>1,611</b>	<b>1,831</b>	<b>+14%</b>	<b>+220</b>	
Net Depreciations and Provisions	632	744	+18%	+112	10% increase of installed capacity Acquisition of gas networks + IFRIC18 in Spain
<b>EBIT</b>	<b>979</b>	<b>1,086</b>	<b>+11%</b>	<b>+108</b>	
Net Interest Costs	(295)	(241)	-18%	+54	Lower cost of debt: 3.5% in 1H10 vs. 4.2% in 1H09
Other <sup>(1)</sup>	49	26	-46%	-22	€28m capital gains in 1H09 vs. immaterial in 1H10
Income Taxes	193	232	+20%	+39	Effective tax rate flat YoY: 26.6% in 1H10
Minority Interests	60	75	+24%	+14	
<b>Net Profit</b>	<b>479</b>	<b>565</b>	<b>+18%</b>	<b>+86</b>	Brazil: Strong growth of net profit in 1H10 and EDP's economic interest down from 72% to 65%

<sup>(1)</sup> Results from associated companies, capital gains, impairments and discontinued activities

# Prospects for 2010YE



## EBITDA 2010E

Regulated & LT contracted activities: Stable operating performance in line with low risk profile.  
Liberalized activities: No change in guidance (EBITDA 2010E €100m-€150m lower vs. 2009).  
**EDP expects to deliver current consensus <sup>(1)</sup> (€3,522m)**

## Net Debt 2010E

Timing for securitization of Spanish tariff deficit still not 100% clear  
Unstable Forex markets create some uncertainty on absolute figure in € terms  
**Net debt 2010E: ~€16.0bn (assuming forex rates of Jun-10 and securit. in Spain before YE)**

## Net Profit 2010E

Average cost of debt expected to be below 4.0% in 2010  
No material forex impact on net profit  
**EDP expects to deliver current consensus <sup>(1)</sup> (€1,036m)**

**High weight of regulated & LT contract + hedging policy (both in forex and energy markets)**  
**Visibility and predictability on EDP's financial performance**

<sup>(1)</sup> Consensus figures published by Bloomberg in 28-Jul-2010



# A resilient business model in a challenging environment



## Improvement of returns

- Reported EBITDA +14% (key growth drivers: Brazil and Wind Power)
- Net interest costs: -18% (cost of debt down from 4.2% to 3.5%)
- Net Profit: +18%



## Continued Profitable Growth

- Total Installed capacity: +10% YoY in 1H10 (wind capacity +22%)
- Focus: Wind, Hydro in Portugal, Brazil: high returns, controlled risk
- €2.6bn already invested in 3.7GW capacity under construction



## Controlled risk

- >80% EBITDA from regulated or LT contracted activities
- Market diversification with forex hedging: funding in local currencies
- €4.2bn financial liquidity by Jul-10, covers funding needs beyond 2011
- A- reaffirmed by Fitch in Jun-10 and A3 reaffirmed by Moody's in Jul-10

**Maintaining a low risk + profitable growth profile**



## Visit EDP Website

Site: [www.edp.pt](http://www.edp.pt)

Link Results & Presentations:

<http://www.edp.pt/EDPI/Internet/EN/Group/Investors/Publications/default.htm>

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## Next Events

**Madrid Meetings with Investors: September 8<sup>th</sup> & 9<sup>th</sup>**

**BBVA Conference London: September 15<sup>th</sup>**

**Morgan Stanley Conference London: September 16<sup>th</sup>**

**BPI Conference Lisbon: September 17<sup>th</sup>**

**EDP's 3Q10 Results Announcement: November 4<sup>th</sup>**