EDP
Friday, 29th July 2011
11:00 Hrs UK time
Chaired by Antonio Mexia

Company Participants

- **António Mexia, Chief Executive Officer**
- **Nuno Alves, Chief Financial Officer**
- **Miguel Viana, Head of Investor Relations**

Antonio Mexia

Good morning everybody. Thanks for your presence once again. We are here to talk about the first half 2011 results. I will start as usual with the highlights of this period. My first comment is that, as we can see, once again we have a strong set of results that shows the resilience of our portfolio. That shows the discipline and the execution of our strategic plan; the efficiency on costs; the discipline also on CAPEX; the commitment in terms of keeping financials going into the target levels that we want. So I believe that once again we are having a strong set of results for this first half. We see an increase of EBITDA by 4% to 1.9 billion. We are now above 60% of the operational results outside Portugal and in the context of an Iberian challenging environment where the EBITDA decreased by 4% even on a very weaker liberalized market because of the strong result of the previous years.

The regulated/contracted activities enabled us to limit this decrease of EBITDA at Iberian level that was much more than compensated by the strong growth in Brazil, 15% and of course in renewables by an increase of 19%. So we see here the portfolio effect and the gross options that we have been building in the recent past have proven that we are growing in the sectors and in the countries that make sense and where returns are more protected. I think this is clearly distinctive. I would also like to stress the cost front, once again I think we show that we are strongly committed. As you can see on the more mature markets like Iberia we have been decreasing cost. We have an increase mainly driven by higher capacity in renewables and that increase is lower than the activity so it means that we have been able to keep the net OPEX over gross margin steady at 27% reference level in the sector. The average cost of debt is today at 3.9% so in line with what is our expectation and the average debt maturity are five years as once again was our target.

In terms of net profit, we have an increase of 8% to 609 million euros. The CAPEX down to 840 million euros in the first half, so an important decrease well above 400 million compared to the previous half last year. Driven by mainly a discipline but also the cut in the US market for wind where, as everybody knows, we were among the first to say that we should adjust to the cyclical part and we were in the down cycle of this market, so once again our target—the reduction is clear today and the discipline on CAPEX is obvious and is delivered.

The net debt as it was foreseen increased to 16.9 billion euros impacted by two things, the payment of dividend by around 700 million euros plus the more than 200 million euros for the Genesa put, so clearly what I can say is we are on track to keep the target of lower net debt end of the year and from now on you have only one direction on that. It is going down. So clearly we are exactly delivering what was expected. We keep high financial liquidity, above three billion euros, after 1.9 billion euros paid in the second quarter. That is maturities, plus dividend as I have mentioned and Genesa. So we paid almost two billion euros in the second quarter and we still have three billion liquidity. This does not include the 350 million euros cash proceeds from the placement of EDP Brazil, the 14% that we have sold in July and with this more than 70% of our disposal targets for 2011 already accomplished. So clearly also in that front we feel very comfortable with the targets that we have announced in the market. At the same time we have been keeping the focused growth and the Jari Hydro Power acquisition in Brazil. The right reinforces our vision that Brazil is important and growth in generation is where we want to go and we are committed to focus where we earn money and when we make money. So over all strong operational performance in first half, improvement in free cash flow generation and discipline on cost, discipline on selective growth opportunities, I think they are once again showing that EDP has a very resilient portfolio showing once again increase EBITDA and increasing net profit.

I will now pass as usual to Miguel Viana and then we will revert for the conclusions and Q&A. Thank you.

Miguel Viana

Thanks, Antonio. Moving to page four we can see the evolution in terms of the installed capacity and generation breakdown in the first half. With our installed capacity increasing by 8% driven essentially by the 1.2GW increase in terms of wind power capacity and with hydro and wind representing 67% of total output in the first half 2011. Per market in terms of breakdown we can see that Portugal represented 39% of EBITDA in the first half 2011, so reducing its weight from 45% to 39% with the major contributors to increase EBITDA coming from Brazil and EDP Renováveis namely US, Poland, Romania, Spain and Brazilian markets. Moving to page six we can see that we maintain a high level of percentage of EBITDA coming from regulated and long term contracted activities (89%). In the first half 2011 and in terms of performance per division the major contributors in terms of growth were Brazil, wind power, regulated networks in Iberia, while declines came from the long term contracted and liberalised activates in Iberia. Excluding FOREX impact which was positive by €16 million in Brazil and negative by €9 million in USA, EBITDA grew 3% year on year.

In terms of operating cost as it was already referred, we achieved several efficiency improvements with the ratio OPEX per Gross Profit at 27% in first half 2011. In terms of operating cost, they increased 3% below the average inflation in the period in our three key markets, so Portugal, Spain and Brazil. And in terms of each market in Iberia operating costs fell 1% or 2% if we exclude 6 million of restructuring costs at our production division in Portugal. In Brazil operating costs increased 11% in euro terms, but 7% in local currency, so clearly below inflation in Brazil in this period, namely IGP-M inflation. While in our wind farms activities, operating costs increased 16% in euro terms reflecting the 22% increase of installed capacity and the consequent need of increase in terms of O&M costs of our wind farm fleet.

Per business areas and moving to page nine to give a view on the evolution of electricity and gas demand in EDP's key markets. We can see that in Brazil electricity demand continues growing strongly; growing 3.8% year on year in the first half 2010 and 10% in accumulated terms in the last three years. In Portugal and Spain the situation is different. We are showing slight declines in terms of demand evolution of electricity in Portugal and Spain essentially driven by a mix of weaker residential and small business evolution in terms of demand and positive growth in terms of industrial demand. While in gas—in Spain gas demand has been down essentially because of lower utilisation rates in terms of combined cycles and in Portugal gas demand continues increasing, driven by higher residential demand and increase of installed capacity of combined cycles.

Moving to page ten we can see that our division of long term contract generation in Iberia, which included essentially our PPA/CMEC generation in Portugal, showed and EBITDA decline of 5% driven essentially by the end of the of the Carregado PPA contract in December 2010, which had a €43 million negative impact in our EBITDA in the period. Excluding this issue and our pro forma EBITDA increased 7% on higher inflation which had an impact of 13 million and the positive impact from the commissioning of 50% of our Sines DeNOx facilities, which started operations in January 2011. The other 50% will start operations in January 2012. In special regime, the lower hydro output justified the slight decline in terms of EBITDA.

Moving to page 11 we can see that in terms of liberalised activities which represent 11% of our total EBITDA in the first half 2011 showed a 28% decline in terms of year on year EBITDA. The justification for this decline is essentially on an increase in terms of average sourcing cost by 35% in the period, which was more than the increase in terms of average selling price of electricity, which was just 14%. As a result our average margin in terms of electricity segment fell from €14/MWh to around €9/MWh. This decline in margin was not compensated by the 4% increase in terms of volumes sold.

Moving to page 12 we can see that going forward for 2011 we have already contracted with clients, 27TWh of electricity. Currently we have covered 100% of expected output for 2011 and at an average thermal spread above €10 per megawatt hour. For 2012 we have current contracted 30% of our expected output and we continue moving forward in terms of contracting with clients and closing our fuel costs of our plants.

Moving to page 13 in terms of regulated energy networks, our EBITDA increased by 16%. In electricity in Portugal, recurrent EBITDA which excludes intra group real estate capital gain of €21 million. So the recurrent EBITDA increased 5% in electricity in Portugal reflecting essentially lower consumption levels and a lower inflation input in 2010 tariffs setting. In terms of electricity in Spain, the gain on the sale to REE of the transmission assets in Spain of €27 million implied that the EBITDA growth of 74% in fact on a recurrent basis becomes a growth of 29%. Overall our EBITDA in regulated energy networks in Iberia adjusted for non recurrent items, increased 5% year on year based on stable regulatory frameworks and efficiency improvements.

Still on efficiency improvement in the next page, we can see that in terms of ratios of OPEX per kilometre of networks and OPEX per clients connected we had improvement around 3% year on year in the period, while in terms of quality of service, namely in terms of equivalent interruption time in terms of our electricity distribution grid in Portugal there was a strong improvement from 58 minutes to 38 minutes which reflects the efforts made by EDP in terms of quality of service.

Moving to page 15 and now in terms of our subsidiary EDP Renováveis we can see that installed capacity increased 22% with major contributors for this 1.2GW increase of installed capacity being still the US market, rest of Europe, Spain and Brazil. While EBITDA grew quite in line with this increase of installed capacity, EBITDA grew 19% to €409 million with major contributors for this increase being US, Spain and rest of Europe.

Moving to Brazil we can see on page 16 that EBITDA in local currency went up by 10% driven by a 5% increase of EBITDA in distribution driven by a 3% growth in volumes and positive tariff updates. In generation the 18% is justified by normalised quarterly sales in first half 2011 versus abnormally low level in first half 2010 and also the normal inflation update to our PPA prices. Including the 4% impact from the appreciation of the real versus the euro; our EBITDA in EDP Brazil in euro terms showed a 15% increase year on year.

In terms of consolidated financials, moving to page 18 we can see that CAPEX fell by 36% year on year, a significant decline to €845 million, which is in line with downward revision of our total CAPEX plan to €2.2 billion for 2011 following the CAPEX cut in wind in US. As you can see our investment in US which represented 40% of total investment in the first half 2010 fell to 15% in the first half 2011. Note that wind, hydro and Brazil represent currently 100% of expansion CAPEX in the first half 2011 and that the expansion CAPEX in Portugal is now 100% concentrated in the new hydro programme which includes the construction ongoing of eight new hydro plants.

In terms of net regulatory receivables by June 2011, this adds €1.4 billion, quite stable versus December 2010, so a strong stability over the year. In Portugal they amounted to close to €900 million with the breakdown being €468 million at level of resource supplier; €136 million increase in the first half due to higher than expected power procurement prices which were €57/MWh versus the €47/MWh assumed by the regulator in the tariffs. This makes deviation of €302 million; note that we have received from tariffs in the first half €267 million relative to this component and we had also an €80 million increase in the first half 2011 driven by gross profit in the market for our thermal generation which was below CMEC reference. Finally, in distribution an amount of €124 million mostly due to the ex ante tariff deficit in 2011 related with cogeneration in Portugal.

In Spain tariff deficit stood at €532 million reflecting the decline in relation with the four securitisation deals achieved in the first half 2011 and €131 million increase in the first half 2011 and some adjustment from previous years. Overall, a decline in Spain following securitisation and an increase in Portugal mostly due to higher than expected power prices.

Moving to evolution of net debt; our net debt increased from €16.3 million in December 2010 to €16.9 million in June 2011, reflecting €1.2 million of free cash flow including EBITDA, income taxes paid, maintenance CAPEX and interest paid. Then we had 0.6 impact from changes in working capital which include essentially a decline in payables to suppliers which reflects also the slowdown in terms of our expansion activity in terms of wind power, expansion CAPEX and financial investments to that €0.7 million which includes the 231 million investment in 20% of Genesa. Finally, we paid €0.7 million of dividends to EDP shareholders and minorities namely in Brazil and we had a positive contribution from the US dollar depreciation versus the euro, €0.3 million, which justified the variation of net debt in the period. So the most important and most relevant components of our net debt in the second quarter is driven by the payment of dividends and the acquisition of 20% in Genesa.

Moving to page 21 we can see the net debt breakdown. Average maturity stands at five years, stable. In terms of breakdown per interest rate term we maintain a balance between fixed and floating, so 47%/53%. Debt in terms of currency, we continue to fund our operations in local currency and we maintain a balanced source of funding between banks and capital markets. In terms of financial ratios our net debt to EBITDA ratio stood stable at 4.1 times adjusted for regulatory receivables.

Moving to financial liquidity position, our financial equity including available credit lines and cash and equivalents stood at €3 billion by June 2011 and this follows close to €1.9 billion of cash payment made in the second quarter 2011, namely €1 billion of debt maturities, the dividends and the referred Genesa payment. In terms of main sources and uses of funds for ’11 and ’12 you can see that the €3 billion referred in the previous page, we should have the cash proceeds from the sale of 14% of EDP Brazil which was closed only in July 2011, so not included in June figures. And this 3.35 billion source of funds is more than enough to cover all our needs, which our comfortable current liquidity position covers all the funding needs until first half 2013. Note also that the target of 500 million of proceeds from disposal in 2011 is already 70% closed following the disposal of 14% of EDP Brazil.

In terms of net profit, so follow this 4% increase on EBITDA we had €20 million decline in net depreciations and provisions, which reflect the impact from longer useful life in wind farms, from 20 to 25 years. Our financial results reflect the higher cost of debt by 40 basis points from 3.5% to 3.9% and also the 10% increase in average net debt, an increase of minorities which reflect the increase in net profit in our list of subsidiaries. EDP

Renováveis and EDP Brazil which finally result in an 8% increase of net profit to €609 million in the first half 2011.

I will pass now the last two slides of the presentation to our CEO, Antonio Mexia.

Antonio Mexia

Thank you, Miguel. Once again stressing the strong operating performance—the last comment of Miguel—an 8% increase on net profits, but also the fact that we have been able to deliver growth. That is why I would like to highlight the fact that the new coal plant in Brazil plus the two hydro plants that by the way were estimated by December, they will be anticipated to October and will bring by themselves alone €140 million estimated in new EBITDA for next year. So it means that we have been able to create the pipeline and especially to execute it on time, on cost typically doing what we expected to do. It has come in line with everything that was expected when we decided it. I would also like to highlight the low risk, financial liquidity—an issue that it is important and will be important. We have all the funding needs covered until the first half of 2013 and the discipline on CAPEX—the lower CAPEX, the target disposal, the increased market diversification and I believe that everything that the regulated front has proven very interesting in our business. So, high quality; focused growth; efficiency and controlled risk.

In what concerns the highlights for the second half let's be clear, we have now in terms of guidance the maintenance of EBITDA at a low single digit growth year on year. But in terms of net profit our guidance is from a low single digit to a mid single digit growth for year end. And we keep the net debt commitment in terms of the end of the year 2011 being below the 2010, assuming of course essentially stable FOREX rates and assuming of course the impact of future disposal and normalised in what concerns service deficit. So, as we have already stated last year, we want to have the lower—the net debt lower in 2011 compared to 2010. In terms of corporate governance; the Portuguese government special rights are already eliminated. This was done during July. We have now a shareholders' meeting on the 25th August to decide on Parpública's so it means on the government proposal for amendment of EDP by-laws and the key issue of course is that the proposal to change the voting limits from the 5% that exists today to a new 20% threshold. So a change, a significant change on limited voting power in the company. We see the ongoing privatisation process of the Portuguese government as an opportunity for the company, we can discuss this later but we consider it positive in terms of growth implications.

In terms of regulation, as you know Portugal has very freshly decided to implement a commitment on the Troika Memorandum to end up with the regulated tariffs with a transition period, I think it is very, very positive. It is one of the things that we have been proposing for a long time and I think it is good for us. And so in this front we are satisfied. In what concerns the outlook for 2012/15 we keep the agenda in terms of doing the midterm—the visibility of the midterm cash flow presented on this business plan. Together with the third quarter results and as we have already stated in previous meetings is that we want to give visibility because people sometimes forget of these medium term free cash flow potential, because on the change of the cash profile of the company that we have already delivered in 2011 and will be strengthened in 2012. So based on high quality asset mix; based on very focused growth; based on sustained returns, very resilient and once again this quarter shows this growth; based on increased diversified markets; based on this continuous level risk management approach; based on this financial policy we believe that we are exactly what we should be in a challenging market delivering higher result. So thank you and let's go for the Q&A.

Questions and Answers

Bruno Silva – BPA

I have three questions if I may? The first one just a very quick clarification on your guidance on net profit for full year '11: Is this only driven by the capital gains and the changes in the useful life of wind farms or are you also counting on any other non recurrence towards year end and therefore are we talking about recurrent increase mid single digits or should we adjust for anything else? The second one, if could you give us the numbers related with the forward contracted final prices in your liberalised unit. You only mentioned I guess the margin, the thermal spreads you have closed. And if you could also give us some colour on the impact of the royal decree related with coal and increase in the thermal capacity payments; to what extent has this changed your view on these activities' profitability for the second half? And finally a more general question regarding working capital and deleveraging of the balance sheet; are you noticing any change in terms of chances to commercial terms of your clients trying to increase collection periods? And if that is related with the increase in receivables by €300 million in the first half and deleverage if you could give us some more colour on further actions and if you believe, after Brazil, if you could be selling more minority stakes in other businesses. If things have changed since last time you touched on this issue. Thank you very much.

Hi, Bruno. Regarding the foward contracted for 2011, so the margins are above ten as we say. There was no material change in terms of pricing. For 2012 we have 30% covered as we said. In terms of prices we would expect—prices and margins—expect the third quarter results presentation in order to give more information, due to competition reasons we prefer to stand as you are, but there are no material changes. In terms of the royal decree on coal and increase in thermal capacity payments and the impact that has had in terms of guidance. So we are not changing the guidance of EBITDA at consolidated level and we are not changing the guidance in terms of what we provided before in terms of liberalised activities. I will pass now to Nuno for the next question.

Good morning. In as far as working capital and conditions of suppliers, we have not noticed any change and we would not expect any change. So it is business as usual in that sense. The deleveraging will come as we have mentioned all along from what has been expected. The disposals and the cash flow positive for the second half once we have had all the dividends paid and the put option paid, we see no reason why we cannot bring these levels down. It is just pure math. In as far as the net income, we are upping the guidance to middle single digit and this is all recurrent so there is no impact from any capital gain that expect on any trade that we will do. So this is as clear as it can be, just that we seem to be more comfortable today to say that net income will be at least in that region at the end of the year.

Pablo Cuadrado – Bank of America Merrill Lynch

*Three quick questions if I may. The first one is, I wonder whether you can tell us a little bit about your conversation with the new government that was implementing the country(?) particularly in the context of the bailout terms for the industry that was commented the potential assessment of the PPA/CMEC mechanism on top of other measures. Wondering whether you can tell us if you have already met with the new members of the government or if you have any update on that which clearly has been driving potentially the stock price performance in the last months. The second question is on the liberalised activities in Spain, clearly I think you have Spain perfectly clear. The rationale behind the EBITDA growth versus last year and we have seen other competitors in the last few days basically saying that they will expect more or less an improvement going for the second half of the year as the impact of the forward price increase is already passed through to the *audio*. Do you feel that that could be the case as well for your activities in the liberalised market? And the third one will be focused on the regulatory receivables in Portugal. Wondering whether you can refresh us more or less which is the timing that you are expecting for the recovery of these items in Portugal with the last resort with the CMEC etc.*

So I will start with CMEC and other issues. Let's be as clear as we can. As concerns the decisions that were already taken, concerning the Troika Memorandum, until now they are positively; namely the one that was taken on tariff fronts. We expect other decisions to follow and since the beginning we stated that there are obvious ones, natural ones and fair ones that should be taken, namely for example the cogeneration front where limited to the age where you have a price guarantee should be taken and this is important for the sector. That we also tend to be very clear in one front, whenever you have contracts for us because it is the case in both directions. Our intention to respect contracts and we expect the contracts to be also respected by counterparties. We are ready as we have mentioned to analyse solutions that will support rational solutions for 2012 and '13 but nothing that will change the NPV of the contract. So we are—and will not affect the P&L. We will not consider any change that will have material impact on P&L so let's be very clear. Why? Because this represents also the insurance for the sector, it can play both ways, so it can be positive or negative relating the reference price to the market price, so we cannot pick one point on the curve, we should see the curve related—always the market price related to the reference price, so we don't see any major reason why it should change. So we will not accept anything that will have a material impact on P&L.

We have already stated this and we will keep these moods but always bearing in mind that solutions must be foreseen and even on renewables front, what I have been stating publically and to everybody is that the new tariff in Portugal is already the lowest in Europe, so I don't see any reason to change something that is very competitive already. And in the oil contracts what I see is of course only voluntary approaches where people can swap price for a longer term tariff contract so some value creation options. So in this front we are quite comfortable and we see things progressing on a rational way and—very important—we believe that all these measures will clarify before the sale of the Portuguese state because it makes sense. If you want to sell such an important part on the capital and if you want to maximise proceeds, by the way it is one of the key issues of the Troika bailout is that the government is supposed to have revenues. You should at the same time clarify it to take away uncertainties that of course has penalised slightly probably the shares. The market never likes uncertainty, but we tend to be a certain company. If you want to talk about liberalised market, Nuno?

Hi, Pablo. In terms of—as I stated before—liberalised activities, we don't see any reason to change our previous expectation so for the second half in fact if you look to the forward curves the prices even decreased a little bit. CO2 price has decreased, so also the oil and coal prices continue high, so we don't see any reason that justifies any reason to be more optimistic on the second half. The only issue that we have, let's say which is known is as the CEO stated before that for the fourth quarter we should start having the positive contribution from the two new hydro plants, but excluding that—and this was already in our guidance, so we don't have any reason to change our guidance.

Now, regulatory receivables, the answer is very simple. The regulator will state in October how this will be paid, so let's wait for the 15th October to know exactly. We don't expect any new solution, so…probably business as usual.

Manuel Palomo – Citigroup

Just a couple of questions; First one: I would like to have an update on it and how do you see it when it is finally expected and whether you foresee that 20% stake being purchased by one investor or being a split between two, three, four different investors if you would have any preference? The second one would be on a little bit more big picture on Iberia and on Iberian generation assets. Looking at the Iberian fundamentals, well demand growth it is lower than initially expected, also it seems that reserve margins are still I would say extremely healthy. My question is also looking at level that continue to be high. Are you—or would you rethink any of the investments in generation assets, which were decided under other assumptions years ago? Thank you very much.

So…privatisation; once again let's be very clear, there is no chance that you will be through a public offering. I think it is important. I think also it is obvious, but nevertheless I think it is always good to stress this. So the government will be probably selling a block or blocks. We don't have preferences. We have just the fiduciary duty that is clear, this privatisation is important for EDP, it is important for—the success of the operation is important for EDP. It is important for the government, it is important for Portugal because it is a big chunk of the privatisation programme and it is important in terms of credibility. So I believe that the only thing that we have to do is give all the support to have a successful deal. I think that this deal can represent an opportunity for the company in terms of growth potential and I believe that we will do this of course in the process of protecting the value for the company and for all shareholders. Once again we tend to do fiduciary duties in a way to create value.

In terms of revising the investment decisions in Iberia. Once again the only thing that we are now building is hydro, so the only thing that we consider is that we are in the most attractive assets that we can have in these markets and I believe that if anything the hydro value, especially in the market with a lot of renewables the only thing that I see adds worthy financial value by having a hydro fleet as we have that is quite unique relatively in European markets. So I think that the decision makes even more sense today because technology—if you are placing your money in technology like hydro and wind, you are protecting your value and you are protecting your shareholders.

Javier Garrido – JP Morgan

I have a few questions if I may? The first question is on the Portuguese network business. Given that the bond yields in Portugal are basically way too high, where do you expect to see the regulatory terminations come? Basically would you expect to see some kind of transitional period with stable revenues until we have a normalised bond yield situation? Or which could be the reference rate in order to calculate a low rate of return in the business? The second question is again on the guidance in Greece; I understand that there is no one off included in your higher guidance for net income, but is it fair to say that the change is fully reviewed to the change in the accounting principles for the wind farm business? Or excluding that effect has there been any additional change in the outlook? The third question is regarding the dividend; once the government completes the privatisation of its stake would there be any obstacle for you to decide to pay the dividend with a script dividend? Basically is there anything that could have stopped you from doing it? Thank you.

As far as the return, I wish I could tell you. Up until now it has been Portuguese debt ten years plus 400 basis points, which used to be roughly 8.5 and today would mean above 15. What I can tell you it is probably going to fall somewhere in between, but we would expect to have a double digit. But those negotiations with the regulator will have to take its course and by October we will know. In as far as the results; I mean what I have seen written today on the results is that everybody talks about the 21 million euros of the life extension, plus the booking of ten million euros of capital gain, but nobody talked about the 32 million euros of the write off of the Brazilian issue. So if you do the math there is no extraordinaries on the first semester and already the result is up 8%, so we cannot have complain that my guidance is always conservative and that they are moving upwards a little bit, you go and try to get the extraordinaries. There is no extraordinaries in the account and even if you didn't have the life extension, we would still be middle single digit.

In terms of dividend policy; the dividend policy until today was clear. I think it was adequate. Of course it is important to be committed but not stubborn, so the issue is clearly at each stage, at each moment we will also consider of course. The key word is creating options and flexibility in your options, so we don't see any major change. Why? We would not be discussing and considering the best value creation for the shareholders. Whenever I meet the investors, sometimes in the recent past they say, you pay a lot of dividend. It is good. The fact is we have been able to grow faster than the rest of the sector and I think it is fair to share these with the shareholders. So clearly I think the fact that we were able to keep the commitment that we have settled in 2006 up to now, after the small crisis that we have in the market that was not anticipated in 2006, I think it shows that we have been able to create all the options, deliver, executing and growing and at the same pace giving the return to the shareholders. But this is commitment, but it is not being stubborn and we will look for options of course. The exit of the government gives additional flexibilities because as you know until now any script dividend was considered a privatisation issue, you needed to decree laws, you needed a lot of steps, so it got more difficult to implement or even to consider because technically it was really a heavy burden. So we will discuss this and we will, in our medium term, in our plan at 2015 we will talk about it. But we will take always the option that makes the most sense for our shareholders.

Carolina Dores – Morgan Stanley

I have two questions. The first one in your guidance for net debt you said it assumes future securitisation of regulatory receivables. How much of additional securitisation are you assuming for 2011? And also on the acquisition that you did in Brazil, was this—I calculated €125 million additional CAPEX in 2011—was this already included in your CAPEX plan or have you don't any exchange of some other investments that you are planning and not doing any more?

Let me start with Brazil. Basically when we bid for Jari, part of the decision that we imposes on ourselves—to go to that investment was to reduce certain investments. We had a few mini hydros that we were supposed to be building and we will not be building those mini hydros. In terms of CAPEX overall, the end number is the same as it was before, or roughly the same. So there is no change in the CAPEX. We put in a new investment and we took some out of the Brazilian business plan. In terms of the tariff deficit, we still expect some tariff deficit to be sold in the rest of the year depending on how much gets done. We will have more or less divestments to be made, so we will balance one against the other, but I would say today we are still counting on about €200 million of securitisation to be done this year.

Rodolphe Ranouil – HSBC

I just have really three questions. The first one is what do you think about your current bond yields? The second is on the back of this would you potentially contemplate opportunistic bond buybacks? Then do you have a contingency plan if you are downgraded to non investment grade or your name is pushed outside of the main bond indices? And my last question would be your views on the notching down, or potential notching down highlighted by Moody's in their Portugal telecon rating action in relation to the Keep Well Agreement linking the BV and the SA?

That is four questions, so there is one I am going to miss. Again, bond yields, I personally don't like them but that is what we have today. They are trading roughly I guess 600 basis points. It is crazy but that is what it is today, so I guess there has been more sellers than buyers. In as far as the buybacks, no we don't contemplate buybacks. We let the market work and we are more concerned today with the product ratios than to do bond buybacks. In terms of the Keep Well Agreement; clearly we have talked to Moody's and clearly as you have seen in the report there is no mention of our Keep Well Agreement, so that might be an issue with the PT, I don't know. Clearly we were asked—we asked Moody's and there is no reference whatsoever to that in our Moody's report. In as far as ratings are concerned, hopefully we will see—we will have a quiet period. I think I have talked enough about what I think about the ratings downgrade. It seems that regardless of your ratios there is an indexation by each rating agency, so companies today are an index to the sovereign which in my view is totally unacceptable they way it is being done and it is having a cap at two or three notches is not even— It doesn't leave me any happier. I think we deserve a premium, we deserve to be analysed on a standalone basis and unfortunately that is what we are seeing. But there is not much I can do. I am not expecting any—I have no view, or heard anything about a further downgrade to EDP, but as I say, we are indexed it seems to the sovereign hopefully the sovereign will stay stable for the next few months. But I don't control that part.

Jose Lopez – HSBC

I have two questions but one has already been answered and the second one would be at the next AGM, would you consider proposing removing all voting rights from the company rather than just raising the limit to 20%? Voting right limits, I meant sorry.

I think that is quite material that it is the government that is proposing a change from 5 to 20. At this meeting, the government by the way still votes with the 25%. I think that everybody else will like this important increase on the voting rights, so—and I don't see why the government would not change between now and then. But what I would like to stress is changing from 5% into 20%, whenever the government is getting out, the state is getting out, I think it quite material and gives room for of course flexibility. But I don't see anybody today proposing something even more ambitious. 20% is already very material, but it depends on the shareholder. I am also a shareholder, but I don't have enough shares to impose at this stage even if I wanted I cannot impose with my shares.

Raimondo Fernadez-Cuesta – Nomura

I just wanted to ask you in general about—I mean we have been talking about the current ratings, liquidity, etc. And I just wonder whether the change in the environment for EDP in the last few months with Portugal being bailed out, your credit ratings which fairly or unfairly they have come down significantly and your bond yields have gone up, I wanted to ask you whether you think that you can continue business as usual as opposed to perhaps trying to do more things to increase that liquidity? Whether your business plan still holds given the big deterioration in the environment? The second question related to this would be whether the liquidity which has declined as you have explained well because of the dividend payment, the acquisitions, etc. is declined from 4.8 billion three months ago, well at the end of March, to 3 billion now, whether this is the low point in the year? Whether the second half you are going to see internal cash flow generation that will help that liquidity to go up assuming that you don't issue more bonds or have access to new credit lines? And thirdly what is the practical implications of the changes we have seen; has you access to refinancing markets changed apart from the cost which *is obvious but in terms of being able to have access to bond markets or to the bank market? Whether you think that is deteriorated or in reality the access is still strong? Thank you.*

Let me start with the liquidity. The liquidity position as of today is comfortable and since we have said that net debt would come down to levels below what they were at the end of 2010, and since I only have 100 million to pay till the end of the year, that should trigger that my position at the end of the year is going to be better than what it is today. So we are comfortable in as far as the liquidity is concerned. We have at least 18 months of safe liquidity right now. In terms of refinancing, sure the interest rates are higher, we have not been to the bond market so I cannot tell you what the demand looks like, but at this levels we will not go to the bond market. So we will use or utilise other means to refinance in the future if the spreads remain where they are today. Was there any more questions?

In what concerns keeping business as usual or changing because of environment, as you know in this sector you cannot stop investments when we start them. What you hope is to have made the best solution first. I think we did. Bearing in hydro as a value that everybody—a lot of people is missing, the fact that we have programmes by 27 years and the average age of our hydro plus the 3.5GW of new and repowering that we are building I think has enormous value. The fact that we are now currently building at eight sites, it makes a lot of sense, so the decisions that we took makes today even more sense than two years ago. In what concerns the other technologies, mainly wind, as you know much more flexible, time to market is more reduced and we were among the first to put the brakes on the market that was at that market, the US. We were also very different in what concerns being pre-bought turbine with less commitments that gives us the possibility to have better prices and take advantage of lower turbine prices to be competitive so I think that it is clear that bearing in mind what is the time to market decisions we made smart moves.

Second in terms of disposals, when we fix commitments we delivered we have more than 70% of the disposals. As Nuno already mentioned if there is deficit changes, sales change by any means that we don't expect that if they change we will compensate with additional disposals that will not be on the core business, in what concerns not changing the profile of the company, not changing any business that we control. And the fact that we have decided to present the market a new plan 2012-2015 before the year-end is exactly to show that not only have we been in the last two years doing what was needed to do in this environment but also we want to highlight the free cash flow generation that we will have because when you invest in hydro it takes time to have the hydro ready. When you invest in Brazil like in coal fire plant you need to have the machine running to show how it is a high value creation project. When you put the brakes on markets and resource investment in wind and relative the new additions go down compared to the stock of course you bring additional value. So all of these decisions are coherent delivering and we want to give the visibility to the good asset allocation and highlight the free cash flow profile of our company that will change strongly starting now into the next period, so hopefully Raimondo I was clear.

Olek Keenan – JP Morgan

I just have two detailed questions. In terms of the government stake sale, do you expect the full 25% to be sold or do you think that some will be held back in relation to the Parpública exchangeable bond? And secondly in the first quarter results presentation you had a US$1.5 billion revolving credit facility which I don't see in the first half presentation. Is that facility now removed or cancelled? And if so, what exactly happened to it?

So I will start with the government stake; as you know of the 25% that the government holds, 4.1% I believe is backing a convertible, so what we expect is as the maturity of this 4% is at the end of next year that at this stage most probably that they will sell 20%, maximum 21% but we are talking basically over 20% in 2011.

As far as the US dollar RCF, it has always been fully utilised so we just took it out of the line. I think it matures in 2014 and we will use it to the last day.

It is fully drawn now?

Yes. It has always been fully drawn from day one and will be till the end, because I don't think those conditions exist anymore.

Closing Comments

So thank you for your presence, thank you for your questions. Hopefully we have been clear in what concerns strong results, clear of what is expected on the company both in terms of our business visibility but also in terms of the process of privatisation. We consider this gives additional opportunities. Let's take care of those opportunities. Thank you very much.