



## Financial Results 2009

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# EDP 2009 Financial Performance: Main Highlights



The financial statements presented in this document are non-audited.

Income Statement (€ m)	2009	2008	% Δ	Δ Abs.
<b>Gross Profit</b>	<b>5,105</b>	<b>4,897</b>	<b>4.2%</b>	<b>+208</b>
Supplies and services	768	736	4.4%	+32
Personnel costs	540	574	-5.9%	-34
Costs with social benefits	158	161	-1.8%	-3
Concession fees	249	236	5.5%	+13
Other operating costs (net)	27	36	-24%	-9
<b>Operating costs</b>	<b>1,742</b>	<b>1,742</b>	<b>0.0%</b>	<b>+0</b>
<b>EBITDA</b>	<b>3,363</b>	<b>3,155</b>	<b>6.6%</b>	<b>+208</b>
Provisions	75	32	133%	+43
Net Depreciation and amortisation <sup>(1)</sup>	1,319	1,193	11%	+126
<b>EBIT</b>	<b>1,970</b>	<b>1,930</b>	<b>2.1%</b>	<b>+40</b>
Capital gains/(losses)	60	482	-88%	-422
Financial Results	(487)	(943)	48%	+456
Results from associated companies	25	35	-27%	-10
<b>Pre-tax profit</b>	<b>1,568</b>	<b>1,504</b>	<b>4.3%</b>	<b>+64</b>
Income taxes	400	284	41%	+116
Discontinued Activities	-	(8)	-	+8
Net Profit for the period	1,168	1,212	-3.6%	-44
<b>Net Profit attribut. to EDP shareholders</b>	<b>1,024</b>	<b>1,092</b>	<b>-6.2%</b>	<b>-68</b>
Minority interests	144	120	19.9%	+24

Key Operational Data	2009	2008	% Δ	Δ Abs.
Employees	12,096	12,245	-1%	-149
Installed Capacity (MW)	20,623	18,589	11%	+2,035

Key Financial Data (€ m)	2009	2008	% Δ	Δ Abs.
FFO (Funds from Operations)	2,310	2,150	7%	+160
Capex	3,235	3,618	-11%	-383
Maintenance	678	780	-13%	-101
Expansion	2,556	2,839	-10%	-282
Net Financial Investment in the period	133	-1,363	-	+1,496

Key Balance Sheet Data (€ m)	Dec-09	Dec-08	% Δ	Δ Abs.
Equity Book Value	7,291	6,367	14.5%	+924
Net Debt	14,007	13,890	0.8%	+117
Regulatory Receivables	596	1,893	-69%	-1,297
Net debt/EBITDA (x)	4.2x	4.4x	-5.3%	-0.2
Adjusted Net debt <sup>(2)</sup> /EBITDA (x)	3.9x	3.8x	2.5%	+0.1

**Consolidated EBITDA rose 7% (+€208m), to €3,363m in 2009, propelled by a 19% YoY increase in 4Q09.** In 2009, the main growth drivers were liberalized activities in Iberia (+€240m, reflecting our successful hedging and commercial strategy and the benefits from the higher flexibility of our power plants) and wind operations (+€105m, backed by capacity additions). EBITDA from regulated networks (-€89m) and LT contracted generation (-€17m), in turn, were penalized by lower non-recurrent results. In 2009, installed capacity rose by 11%, to 20.6GW, mainly driven by wind power (+1,091MW) and CCGTs in Iberia (+863MW). **Recurrent EBITDA in 2009 rose 13% to €3,361m.**

**Operating costs** were flat, at €1,742m, as the important efficiency gains achieved by our OPEX program in 2009 (€109m) allowed to compensate for the costs stemming from increasing activity. Costs with supplies and services rose by 4%, to €768m, reflecting the impact from increasing activity. Personnel costs dropped 6%, reflecting recent HR restructuring effort, namely in Portugal. Cost with social benefits declined 2% supported by lower HR restructuring costs in 2009 (€40m in 2009 vs €49m in 2008). Other operating costs decreased 24% driven by higher revenues from partnerships with institutional investors in US and lower costs with CO<sub>2</sub> clawback in Spain.

**Net depreciation and amortisation charges** increased 11% (€126m), to €1,319m, mainly driven by new capacity on stream. Additionally, it is worth to note negative non-recurrent impacts at Brazil: (1) in 2009, a €44m concession rights accelerated depreciation resulting from the secondary public distribution of 9.76% of treasury stock; and (2) in 2008, a €50m accelerated depreciation (impairment) at Enersul that resulted from regulatory changes.

**Net financial costs** retreated 48%, to €487m in 2009, mainly reflecting: (1) lower net financial interests paid (-33% YoY) following a 160bp decrease in average cost of debt, from 5.6% to 4.0%; (2) Lower other financials costs stemming from lower impairment losses with our financial stakes in BCP and Sonaecom (€29m in 2009 vs. €289m in 2008).

**Net profit** retreated 6% YoY, to €1,024m in 2009, mostly due to the accounting, in 2008, of a non-recurring €405m capital gain stemming from the dilution of EDP's equity stake in EDP Renováveis, as a result of the IPO. **Adjusted for non-recurring items, net profit amounted to €925m in 2008, which reflects into an 11% increase of recurring net profit.**

In 2009, **funds from operations** rose 7% to €2,310m as a result of: (1) a 11% increase in installed capacity, (2) a decline in fuel costs that compensated the decline in electricity prices, (3) efficiency improvements and (4) decrease in average cost of debt. **Capex** totaled €3,235m, 79% of which devoted to expansion projects. Additionally, by Dec-09, EDP had already invested €2.2bn in 3,200MW of power plants under construction and hydro concession rights. **Regulatory receivables** declined from €1,893m in Dec-08 to €596m in Dec-09 as a result of the sale without recourse of Portugal's tariff deficit (€1.2bn in Mar-09, €0.5bn in Dec-09). Overall, **net debt** in Dec-09 remained almost flat YoY at €14.0bn.

By the end of Dec-09, EDP's net debt/EBITDA was 3.9x, excluding regulatory receivables and the acquisition of gas assets from Gas Natural. In 2009, EDP strengthened its financial and liquidity position with a €1bn 5-year bond issue (Feb-09), the replacement of a €1.3bn RCF due in Jul-09 by a 3-year €1.6bn RCF, a €1bn 7-year bond issue (Jun-09) and a US\$1bn 10-year bond (Sep-09).

**Total cash position and available credit lines** in Dec-09 amounted €4.6bn, covering 2010 and 2011 expected funding needs.

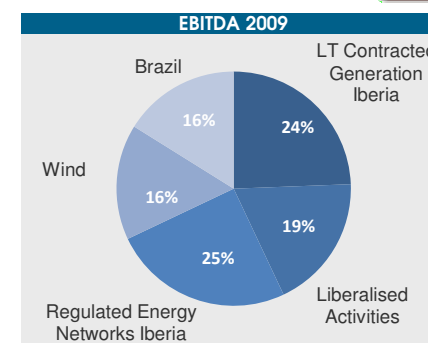
(1) Depreciation and amortisation expense net of compensation of depreciation and amortisation

(2) Excluding Regulatory receivables and the acquisition of gas assets from Gas Natural

# EBITDA Breakdown



EBITDA (€ m)	2009	2008	% Δ	Abs. Δ	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
LT Contracted Generation	832.2	849.3	-2%	(17)	227.5	222.9	212.7	193.5	220.2	204.6	192.7	214.8
Liberalised Activities Iberia	633.4	393.5	61%	240	98.4	91.5	83.0	112.5	161.0	129.2	179.4	163.8
Regulated Networks Iberia	852.4	941.6	-9%	(89)	228.1	230.0	265.7	235.4	218.4	191.0	220.0	223.0
Wind Power	542.5	437.9	24%	105	125.5	101.2	79.7	131.4	154.4	116.4	97.7	174.0
Brazil	550.2	562.3	-2%	(12)	160.7	137.0	156.3	108.3	111.9	124.0	151.0	163.2
Other	(47.9)	(29.6)	-62%	(18)	(31.5)	(6.8)	(11.8)	3.6	(16.8)	(3.8)	(24.2)	(3.1)
<b>Consolidated</b>	<b>3,362.9</b>	<b>3,154.9</b>	<b>6.6%</b>	<b>208</b>	<b>808.7</b>	<b>775.9</b>	<b>785.6</b>	<b>784.8</b>	<b>849.1</b>	<b>761.4</b>	<b>816.6</b>	<b>935.8</b>



**EDP consolidated EBITDA increased 7% YoY (+€208m) to €3,363m in 2009. In 4Q09, EBITDA rose 19% YoY. Excluding non-recurrent items, EBITDA rose 13% YoY, from €2,986m in 2008 to €3,361m in 2009.** Main highlights are as follows:

**LT CONTRACTED GENERATION IBERIA** – 2009 EBITDA decreased 2% YoY (-€17m), reflecting non-recurrent losses of €34m (vs. €14m gain in 2008) mostly related to fuel procurement and higher HR restructuring costs (€22m in 2009 vs. €12m in 2008). Note that as a result of EDP's strategy to hedge through derivative financial instruments the change in fuel prices between the moment of purchase and the moment of consumption, this negative impact is compensated at the level of financial results. **Recurrent EBITDA increased 5% YoY to €888m in 2009**, explained by: i) additional contracted gross profit, resulting from the new Sines coal plant's Desox facilities (under PPA/CMEC); ii) higher than contracted availability and efficiency ratios at our thermal plants; iii) special regime's wider consolidation perimeter; and iv) tight cost control.

**LIBERALISED ACTIVITIES IBERIA** – **EBITDA rose 61% YoY (+€240m)** driven by a 39% increase in gross profit (+€236m): i) gross profit from electricity generation and supply activities went up €215m, backed by higher volumes supplied to retail clients, appealing margins stemming from hedging strategy followed in 2008, lower sourcing costs resulting from higher electricity purchases in the pool and higher revenues arising from capacity payments, ancillary services, restriction and deviation markets (profiting from the flexibility of our generation portfolio); ii) gross profit from gas supply increased €22m, mainly backed by stronger margins in the Spanish residential and commercial segments and by the start-up of operations in the Portuguese market. Following EDP's strategy of forward contracting electricity sales and locking-in its margins, electricity realised spreads increased 5% YoY to €18.5/MWh. Volumes sold to retail clients rose 68%, reflecting the growth of the liberalized market in both Portugal and Spain. In spite of the 22% decline in the cost of electricity produced, output from our liberalised generation plants dropped 11% reflecting the lower cost of buying electricity in the pool (rather than producing). As a result, our electricity sales to final clients in 2009 represented 119% of total liberalised output from our liberalized electricity power plants.

**REGULATED NETWORKS IBERIA** - EBITDA decreased 9% YoY (-€89m) mainly reflecting the performance of our electricity and gas distribution activities in Portugal. **Recurrent EBITDA from regulated networks in Iberia increased 10% YoY, to €835m in 2009.** EBITDA from

electricity distribution in Portugal (c70% of EBITDA from regulated networks Iberia) fell 14% YoY (-€98m) to €590m in 2009. Recurrent EBITDA, excluding tariff adjustments and deviations from previous periods<sup>(1)</sup> (€15m in 2009 vs. €195m in 2008) and HR restructuring costs (€13m in 2009 vs. €38m in 2008), increased 11% YoY to €587m in 2009. EBITDA from gas regulated activities in Iberia decreased 8% YoY (down €13m) to €158m in 2009, due to the accounting in both 2008 and 2009 of some non-recurring items. Recurrent EBITDA increased 4% YoY to €161m in 2009: the good performance of our gas distribution business in Spain was significantly offset by our gas distribution business in Portugal, penalised by the regulatory review occurred in Jul-08, which extended the concession period but decreased short term gross profit.

**WIND POWER** – **EDP Renováveis' EBITDA grew 24% YoY (+€105m) to €543m in 2009**, propelled by higher gross profit (+€122m). The performance of our wind power company reflects a 40% rise of wind power output, backed by a 25% increase of installed capacity (to 5,491MW) and flat load factors, but also a decline in spot energy prices in Spain and USA. Average wind tariffs in Spain fell 17% YoY reflecting the 44% YoY decline in the achieved pool price and forward sales at higher prices which had a positive impact of c€6.0/MWh on average selling price. In USA, average selling price fell 2% YoY: i) avg. selling price for wind power sold in merchant markets fell 51% YoY, following the deterioration of electricity prices in US; this was partially offset by ii) an 8% increase in the avg. price of our long-term contracts (PPAs), reflecting higher prices from the last contracts added during 2008 and 2009 to our PPAs portfolio.

**BRAZIL** – In 2009, Energias do Brasil's contribution to consolidated **EBITDA was 2% lower YoY** (-€12m), being negatively affected by a 5% depreciation of the average Real/Euro exchange rate. EBITDA in local currency increased 3% YoY (+R\$40m) to R\$1,531m in 2009. Note that in 4Q09, EBITDA in local currency grew 33% YoY due to a strong recovery of electricity demand, the positive impact from annual tariff updates at Escelsa (Aug-09) and Bandeirante (Oct-09) and an increase of volumes and prices in generation.

<sup>(1)</sup> 2009: recognition of €15m regulated revenue to settle 2008 tariff deviations; 2008: recovery through the tariffs of previous years' tariff deviations; 2007: tariff deficit recognition; and 2006/08: tariff deficit reposition (Jan-Feb 2008)

## Profit & Loss Items below EBITDA



Provisions, Depreciations & Amortizations (€m)	2009	2008	% Δ	Abs. Δ
<b>EBITDA</b>	<b>3,362.9</b>	<b>3,154.9</b>	<b>6.6%</b>	<b>+208.0</b>
Provisions	74.7	32.1	133%	+42.6
Depreciation and amortisation	1,429.7	1,306.5	9.4%	+123.2
Compensation of deprec. and amortisation	(111.0)	(113.6)	2.3%	+2.6
<b>EBIT</b>	<b>1,969.6</b>	<b>1,930.0</b>	<b>2.1%</b>	<b>+39.6</b>

Financial Results (€m)	2009	2008	% Δ	Abs. Δ
Net financial interest	(481.4)	(721.8)	33%	+240.4
Capitalized financial costs	150.4	94.6	59%	+55.8
Net foreign exchange differences	7.1	(61.4)	-	+68.5
Investment income	25.0	6.7	274%	+18.3
Other Financials	(187.8)	(260.8)	28%	+73.0

<b>Financial results</b>	<b>(486.7)</b>	<b>(942.7)</b>	<b>48.4%</b>	<b>+456.0</b>
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Income from Equity Method (€m)	2009	2008	% Δ	Abs. Δ
CEM (21%)	9.9	9.0	11%	+0.9
DECA II (EEGSA (21%))	5.2	12.8	-59%	-7.6
EDP Renováveis subsidiaries	3.9	4.4	-11%	-0.5
Setgás (19.8%)	2.7	1.5	73%	+1.1
Portines (39.6%)	2.2	0.2	-	+1.9
Turbogás (40%)	-	4.3	-	-4.3
Other	1.3	2.4	-48%	-1.2

<b>Results from associated companies</b>	<b>25.2</b>	<b>34.7</b>	<b>-27%</b>	<b>-9.5</b>
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Capital Gains/(Losses) (€m)	2009	2008	% Δ	Abs. Δ
IPO EDP Renováveis (22.5%)	-	405.3	-	-405.3
Turbogás (40%) & Portugen (27%)	-	49.4	-	-49.4
ESC 90 (49%)	19.1	-	-	+19.1
REN (1.5%)	-	17.0	-	-17.0
Edinfor (40%)	-	4.8	-	-4.8
Soto IV (25%)	12.9	-	-	+12.9
SonaeCom (8%)	28.9	-	-	+28.9
Other	-1.2	5.2	-	-6.4

<b>EDP Group</b>	<b>59.7</b>	<b>481.7</b>	<b>-88%</b>	<b>-422.0</b>
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Income Tax (€m)	2009	2008	% Δ	Abs. Δ
<b>Pre-tax profit</b>	<b>1,567.7</b>	<b>1,503.7</b>	<b>4%</b>	<b>+64.0</b>
Income taxes	399.8	283.6	41%	+116.2
Effective Tax rate (%)	25.5%	18.9%	6.6 pp	-
Discontinued Activities	-	(8.4)	-	+8.4

Minority Interests (€m)	2009	2008	% Δ	Abs. Δ
EDP Renováveis	24.7	20.7	19%	+4.0
HC Energia + Naturgas	0.6	5.7	-89%	-5.1
Gas Portugal Subsidiaries	2.1	2.0	5%	+0.1
Energias do Brasil	116.3	91.5	27%	+24.8
Other	0.4	0.6	-33%	-0.2

<b>EDP Group</b>	<b>144.1</b>	<b>120.5</b>	<b>19.6%</b>	<b>+23.6</b>
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**Depreciation and amortisation** increased by 9% YoY in 2009 (+€123m), and 22% YoY in the 4Q09, on the back of: i) an increase of EDPR depreciations, following the increase of installed capacity (+€105m); ii) the start of operations of Soto 4 CCGT in Spain (Sep-08) and Lares 1 and 2 in Portugal (Oct-Nov-09) (+€12m); and non-recurrent losses in both 2008 and 2009, namely: iii) the recognition in 4Q09 of a €44m concession rights accelerated depreciation at Energias do Brasil subsequent to the secondary public distribution of 9.76% of treasury stock; and iv) the recognition in 2Q08 of a €50m accelerated depreciation at Enersul that resulted from regulatory changes.

### Financial results:

a) **Net financial interests** paid decreased by 33% YoY, to €481m in 2009, following a c160bp reduction in the average cost of debt, from 5.6% in 2008 to 4.0% in 2009, driven by the decline in short term interest rates (note that c50% of EDP's debt has floating rates, with the most significant indexing being the Euribor 3 months, which fell from an average of 4.64% in 2008 to 1.22% in 2009), which offset the 9% rise in average net debt.

b) **Capitalized financial costs** rose €56m YoY to €150m in 2009, reflecting: i) an increase in the capitalization of the financial costs at EDP Renováveis level, related to new debt allocation criteria in US wind operations, and ii) the construction of the Pecém coal Plant in Brazil; iii) the payment of the Fridão and Alvito hydro power plants concession rights; and iv) a 20% increase in the average amount of works in progress (2009 vs. 2008).

c) **Other financials** in 2009 include an impairment loss of €29m to reflect the lower market value of EDP's stake in BCP (vs. an impairment loss of €289m in 2008: €200m from BCP, €67m from SonaeCom and €21m from Ampla Energia).

**Income from associated companies** amounted to €25m in 2009, down €10m YoY: i) in 2009, the major contribution came from the CEM integrated electric utility in Macao, China; ii) 2008 include a €4m contribution from Turbogás (disposed of in May-08); and iii) the contribution from DECA II electricity distribution company in Guatemala fell by €8m YoY.

**Capital gains/(losses)** amounted to €60m in 2009, as a consequence of: i) the entry of Sonatrach into the capital of Soto 4 (with a 25% stake), in line with what was defined in the strategic partnership established in 2007, which reflected into a €13m dilution gain; ii) the recognition of a €19m gain from the sale of Energias do Brasil's stake in ESC 90; and iii) the accounting of a €29m capital gain following the sale of EDP's remaining stake in Sonaecom in Oct-09 (8%). Capital gains in 2008 include: i) a €405m gain stemming from the dilution of EDP's equity stake in EDP Renováveis as a result of the IPO; ii) a €49m gain resulting from the sale of EDP's stakes in Turbogás and Portugen; iii) €17m from the sale of a 1.5% stake in REN; and iv) a €4.8m gain booked on the disposal of the 40% stake owned in the IT services company Edinfor.

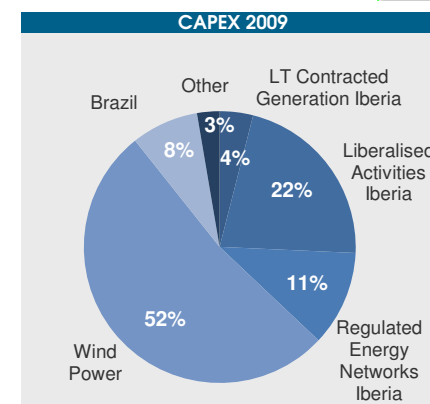
EDP Group's **effective tax rate** was 25.5% in 2009, vs. 18.9% in 2008. Note that in 2008, effective tax rate was abnormally low due to the fact that the capital gain that resulted from EDPR's IPO was not taxable.

**Minority interests** increased 20% YoY to €144m in 2009, on the back of higher minorities at both Energias do Brasil, mostly consequence of a 61% YoY increase in net income, and EDP Renováveis, reflecting the IPO of the company (Jun-08) and a 10% YoY increase in net income.

## Capital Expenditure Breakdown



Capex (€m)	2009	2008	% Δ	Abs. Δ	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
LT Contracted Gen. Iberia	127.6	140.1	-9%	-12	24.7	27.2	45.4	42.7	21.0	28.6	22.9	55.0
Liberalised Activities Iberia	703.9	516.8	36%	+187	85.6	167.2	101.7	162.4	292.2	108.8	135.3	167.7
Regulated Networks Iberia	366.7	360.8	1.6%	+6	58.9	73.9	88.8	139.2	63.4	94.7	96.2	112.4
Wind Power	1,690.4	2,090.9	-19%	-400	369.6	390.2	489.1	841.9	403.5	509.0	539.1	238.8
Brazil	258.5	428.9	-40%	-170	57.0	72.6	53.2	246.2	39.7	56.5	64.2	98.1
Other	87.6	80.7	8.5%	+7	10.8	7.2	47.9	14.9	20.6	14.9	17.3	34.8
<b>EDP Group</b>	<b>3,234.7</b>	<b>3,618.2</b>	<b>-11%</b>	<b>-383</b>	<b>606.6</b>	<b>738.2</b>	<b>826.1</b>	<b>1,447.3</b>	<b>840.5</b>	<b>812.5</b>	<b>875.0</b>	<b>706.7</b>
<b>Expansion Capex</b>	<b>2,556.3</b>	<b>2,838.6</b>	<b>-10%</b>	<b>-282</b>	<b>465.6</b>	<b>579.3</b>	<b>606.9</b>	<b>1,186.8</b>	<b>716.3</b>	<b>655.8</b>	<b>713.7</b>	<b>470.5</b>
<b>Maintenance Capex</b>	<b>678.5</b>	<b>779.6</b>	<b>-13%</b>	<b>-101</b>	<b>141.0</b>	<b>159.0</b>	<b>219.2</b>	<b>260.4</b>	<b>124.2</b>	<b>156.7</b>	<b>161.3</b>	<b>236.3</b>



Generation Projects Installed in 2009 (€m)	MW	Capex 2009
Wind Power	1,077	1,238.9
CCGT Iberia	863	80.2
Hydro (Brazil)	36	24.0
Biomass	21	20.9
<b>Total</b>	<b>1,996</b>	<b>1,364.0</b>

**Consolidated capex** totaled €3,235m in 2009, 79% referring to expansion projects. In line with EDP's strategy to reinforce its exposure to low CO<sub>2</sub>-emission technologies and to risk-controlled activities, capex in new hydro/wind capacity represented 83% of expansion capex and 75% of total capex was devoted to regulated and LT contracted activities. **Expansion capex** decreased €282m reflecting the mixed impact from lower capex in wind operations (-€400m partially stemming from €156m cash grants received in US) and higher capex in new conventional generation capacity in Iberia (+€227m driven by higher amount paid in 2009 for hydro concession rights). **Maintenance capex** retreated €101m supported by (i) lower environmental investments (-€59m) in Portugal (PPA coal plant Sines) and Spain (coal plants Aboño and Soto 3) and (ii) the de-consolidation of Enersul as from Sep-08. In 2009, EDP installed 1,996MW of new capacity, the bulk of which in wind (1,077MW, of which 700MW in US and 376MW in Europe) and CCGTs in Iberia (863MW in Portugal).

Gen. Projects Under Development (€m)	MW	Capex 2009	Acc. Capex
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### Under Construction

Hydro Portugal	1,677	161.8	275.9
Wind Power (1)	686	451.5	1,116.1
CCGT Iberia	424	165.2	234.4
Coal Brazil	360	95.9	274.6
Hydro Brazil	19	4.3	15.2
Special regime (ex-wind)	34	15.1	23.1
<b>Total</b>	<b>3,200</b>	<b>893.7</b>	<b>1,939.2</b>
<b>Hydro Concession Payments</b>		<b>232.1</b>	<b>285.2</b>
<b>Total</b>		<b>1,125.8</b>	<b>2,224.4</b>

In **wind power**, capex adjusted for cash grants received (€156m) decreased €400m YoY to €1,690m in 2009: 60% in Europe, 40% in US, reflecting the completion of 1,077MW and the 686MW (excluding Eólicas de Portugal) under construction by Dec-09: 308MW in Spain, 280MW in Europe (Romania, France and Belgium); 99MW in US by Dec-09. Capex with turbines deposits amounted to €65m (4% of total capex of EDPR).

In the **Iberian liberalized activities**, capex increased by €187m in 2009, to €704m, fuelled by investments in new **hydro** capacity in Portugal (€402m): (1) €232m payment of Fridão (238MW) and Alvito (225MW) hydro power plants concession rights (due to start-up in Dec-15); (2) construction works in 4 hydro power plants (repowerings at Picote II, Bemposta II and Alqueva II, totaling 693MW; new dam of Baixo Sabor with 171MW) proceeded, absorbing €157m in 2009; (3) launch of construction works at Ribeiradio, in Oct-09 (77MW, due in 2013) and Venda Nova III, in Jan-10 (736MW, due in 2015). In **CCGTs**, capex totaled €246m in 2009: (1) €80m in Lares 1 & 2 (863MW), which started operations in Oct/Nov-09; (2) €165m in Soto 5 (424MW, due in 1Q2011), raising the cumulated capex incurred to €234m (83% of total).

Capex at our **regulated networks in Iberia** was flat in 2009 at €367m. Capex in the electricity distribution activity in Portugal represented 67% of total capex in this area.

In **Brazil**, capex totaled €259m in 2009: i) €131m was spent in new generation capacity, with the construction of Pecém PPA coal plant (720MW, 50% owned by Energias do Brasil) due to start-up in Dec-2011, and the conclusion of 36MW of new mini-hydro capacity with PPA (Santa Fé, Rio Bonito and Suíça); ii) €110m invested in the electricity distribution grid (maintenance).

By Dec-09, EDP had already invested €2,224m in 3,200MW under construction/development and hydro concession rights, which time-to-market varies from months (wind) to 3-7 years (mostly hydro capacity).

(1) Excludes Eólicas de Portugal (53MW), 40% owned by EDP group



# Cash Flow



Consolidated Cash Flow (€m)	2009	2008	% Δ	Abs. Δ
<b>Net profit before minorities</b>	<b>1,167.9</b>	<b>1,211.7</b>	<b>-4%</b>	<b>(43.7)</b>
Net depreciation and amortization	1,318.7	1,192.0	11%	126.7
Net provisions	231.3	179.7	29%	51.6
Non cash financial results	(7.1)	259.4	-	(266.5)
Taxes	(131.3)	88.0	-	(219.3)
Other adjustments	(269.7)	(781.0)	65%	511.3
<b>FFO (Funds From Operations)</b>	<b>2,309.8</b>	<b>2,149.8</b>	<b>7%</b>	<b>160.0</b>
Net financial interest	539.5	721.8	-25%	(182.2)
Net Income from Associates and other Investments	(50.1)	(34.7)	44%	(15.4)
Change in operating working capital	1,122.4	(1,092.4)	-	2,214.8
Regulatory Receivables	990.1	(667.6)	-	1,657.7
<b>Operating Cash Flow</b>	<b>3,921.6</b>	<b>1,744.5</b>	<b>125%</b>	<b>2,177</b>
Expansion Capex	(2,556.3)	(2,838.6)	-10%	282.3
Maintenance Capex	(678.5)	(779.6)	-13%	101.2
Change in working capital from equipment suppliers	137.9	(626.4)	-122%	764.3
<b>Net Operating Cash Flow</b>	<b>824.7</b>	<b>(2,500.1)</b>	<b>-</b>	<b>3,324.8</b>
Net financial (investments)/Divestments	(132.5)	1,363.0	-110%	(1,495.5)
Net financial interest paid	(470.9)	(732.2)	-36%	261.2
Dividends received from Associates and other Investments	48.8	35.0	39%	13.8
Dividends paid	(507.2)	(454.9)	11%	(52.2)
Anticipated proceeds from institutional partnership in US wind	333.5	320.0	4%	13.5
Other non-operating changes	(213.4)	(228.0)	-6%	14.5
<b>Decrease/(Increase) in Net Debt</b>	<b>(117.1)</b>	<b>(2,197.3)</b>	<b>95%</b>	<b>2,080.2</b>
Major Net Financial Investments (€m)	2009	2008	% Δ	Abs. Δ
<b>MAJOR FINANCIAL INVESTMENTS</b>	<b>451.6</b>	<b>425.2</b>	<b>6%</b>	<b>26.3</b>
Consolidation Perimeter EDP Renováveis	75.4	90.3	-17%	(14.9)
BCP	-	42.0	-	(42.0)
Biomass	-	21.7	-	(21.7)
Energias do Brasil	-	190.4	-	(190.4)
Gas assets	315.3	16.3	-	299.0
Cogeneration assets Spain	-	49.5	-	(49.5)
Other	60.9	15.1	303%	45.8
<b>MAJOR FINANCIAL DIVESTMENTS</b>	<b>319.0</b>	<b>1,788.2</b>	<b>-82%</b>	<b>(1,469.2)</b>
CCGT Soto IV	17.0	-	-	17.0
ESC90 (Brazil)	34.4	-	-	34.4
Treasury Stock Energias do Brasil	164.7	-	-	164.7
Sonaeom	57.9	-	-	57.9
IPO EDP Renováveis	-	1,539.0	-	(1,539.0)
Turbogás/Portugal (40%/27%)	-	126.6	-	(126.6)
REN	-	28.0	-	(28.0)
Consolidation Perimeter EDP Renováveis	-	7.7	-	(7.7)
Edinfor (40%)	-	56.8	-	(56.8)
Other	45.0	30.1	49%	14.9
<b>Major Net Financial Investments</b>	<b>132.5</b>	<b>(1,363.0)</b>	<b>-</b>	<b>1,495.5</b>

**Funds from operations (FFO) rose 7% YoY to €2,310m** as a result of: 1) a 11% increase of installed capacity, 2) a decline of energy sourcing costs that more than compensated the decrease in electricity selling price, 3) efficiency improvements and 4) decrease of our average cost of debt. Note that in 2008, the item "non cash financial results" and "other adjustments" includes impairment losses in our financial stakes and the gain from the dilution of our equity stake in EDP Renováveis as a result of the IPO. FFO does not include the impact of tariff deviations in the regulated and long term contracted activities, reflected at the level of changes in working capital. The variation in the item "Taxes" is related with the transfer in Portugal from deferred taxes in 2008 to current taxes in 2009 of the tax effect from the sale without recourse of the right to receive the 2007, 2008 and 2009 tariff deficit (concluded in Mar-09 and Dec-09).

**Consolidated operating cash flow increased by 125% in 2009 to €3,922m** reflecting the sale without recourse of the right to receive the Portuguese's tariff deficit accumulated in 2007, 2008 e 2009 in the amount of €1.6bn. Excluding this deal, regulatory receivables generated in 2009 had a negative contribution of €396m for EDP's free cash flow in the period, essentially due to tariff deficit in Spain and negative cash flow deviations from the CMECs system in the period to be recovered over the next 2 years.

**Expansion capex decreased 10% to €2,556m in 2009** reflecting lower capex in wind operations. The decrease in "change in working capital related to property and equipment suppliers" reflects the €759M paid, in 2008, for the right to operate the hydro plants currently under PPAs/CMECs after the term of these contracts and includes, in 2009, "cash grants" amounted to €156m received from the US Department of Treasury related to wind parks installed in 2009. Maintenance capex fell 13% supported by lower environmental investments in Iberia and asset swap in Brazil (disposal of Enersul).

Financial divestments mainly include the cash proceeds from the sale of: (1) 15.5 million Energias do Brasil treasury shares (9.8% of its share capital) through a secondary public distribution (2) EDP's remaining stake in Sonaecom (3) telecom company ESC90 in Brazil, and (4) the entry of Sonatrach into the capital of Soto 4 (with a 25% stake). Financial investments in 2009 includes: (1) the acquisition of gas assets from Gas Natural and (2) amounts related to the EDPR activity like payment of success fees related to development of wind projects previously acquired by EDP, restricted cash in wind US equity partnerships and acquisition of wind parks (CENAEEL in Brazil).

On May 14th 2009, EDP paid its annual dividend amounting to €507m (€0.14/share). In 2009, our US wind subsidiary, received from institutional equity partners €336m, related to agreements signed in Dec-08, in Sep-09 and in Dec-09. Overall, net debt in 2009 increased €0.1bn.

# Consolidated Balance Sheet



Assets (€ m)	Dec vs. Dec			QoQ	
	Dec-09	Dec-08	Δ abs.	Sept-09	Δ abs.
Property, plant and equipment, net	24,094	21,250	2,844	22,972	1,121
Intangible assets, net	5,967	5,754	213	6,001	-35
Financial investments, net	618	524	95	621	-2
Deferred Tax asset	661	540	121	682	-20
Inventories	273	277	-3	265	8
Accounts receivable - trade, net	2,008	1,759	249	1,705	303
Accounts receivable - other, net	4,366	4,845	-480	4,598	-232
Financial assets held for Trading	85	83	2	94	-9
Cash and cash equivalents	2,190	714	1,476	2,391	-202
<b>Total assets</b>	<b>40,262</b>	<b>35,745</b>	<b>4,517</b>	<b>39,330</b>	<b>932</b>
Equity (€ m)	Dec vs. Dec			QoQ	
	Dec-09	Dec-08	Δ abs.	Sept-09	Δ abs.
Share capital	3,657	3,657	-	3,657	-
Treasury stock and share premium	382	375	7	381	2
Reserves and retained earnings	2,229	1,243	985	2,221	8
Consolidated net profit EDP shareholders	1,024	1,092	-68	748	276
Minority Interest	2,688	2,201	487	2,458	230
<b>Total equity</b>	<b>9,979</b>	<b>8,567</b>	<b>1,411</b>	<b>9,464</b>	<b>515</b>
Liabilities (€ m)	Dec vs. Dec			QoQ	
	Dec-09	Dec-08	Δ abs.	Sept-09	Δ abs.
Medium/ Long-term debt & borrowings	13,486	10,874	2,612	13,215	272
Short-term debt & borrowings	2,794	3,812	-1,018	3,660	-866
Provisions	343	324	19	361	-18
Hydrological correction account	113	238	-125	246	-133
Deferred Tax liability	759	676	83	755	4
Accounts payable - other, net	12,788	11,254	1,534	11,630	1,158
<b>Total liabilities</b>	<b>30,283</b>	<b>27,178</b>	<b>3,105</b>	<b>29,866</b>	<b>417</b>
<b>Total equity and liabilities</b>	<b>40,262</b>	<b>35,745</b>	<b>4,517</b>	<b>39,330</b>	<b>932</b>
Regulatory Receivables (€m)	Dec vs. Dec			QoQ	
	Dec-09	Dec-08	Δ abs.	Sept-09	Δ abs.
Portugal <sup>(1)</sup>	(509)	1,145	-1,654	(44)	-465
Spain <sup>(2)</sup>	501	416	85	445	57
Brazil <sup>(3)</sup>	18	56	-39	40	-22
Annual Deviation - Mkt vs. CMEC	585	275	311	460	125
<b>Total</b>	<b>596</b>	<b>1,893</b>	<b>-1,297</b>	<b>901</b>	<b>-306</b>
Prov. for Social Benefits & I. P. Liability (€m)	Dec vs. Dec			QoQ	
	Dec-09	Dec-08	Δ abs.	Sept-09	Δ abs.
Pensions <sup>(4)</sup>	1,109	1,083	26	1,031	78
Medical Care	770	751	19	766	5
Adjusted Institutional Partnership Liability <sup>(4)</sup>	835	852	-17	811	24
<b>Total</b>	<b>2,715</b>	<b>2,686</b>	<b>29</b>	<b>2,608</b>	<b>106</b>

**Property, plant and equipments (net)** assets rose by €1.1bn QoQ and by €2.8bn vs. Dec-08 to €24.1bn following: (1) the investments made in the construction of new generation plants, namely wind and hydro power plants, (2) an increase in the extension of our regulated energy network and (3) the acquisition of gas assets from Gas Natural. The €0.2bn increase vs. Dec-08 of **intangible assets** is mainly related to the €232m payment for the concession right to build and operate the Fridão/Alvito hydro plants in Portugal. Note that in Dec-09 EDP's balance sheet include €3.9bn of works in progress, (13% of total consolidated fixed assets of €30bn) largely related to investments already made in plants, equipment or concession rights which are not yet either operating or being depreciated.

The book value of **financial investments & financial assets** amounted to €703m as of Dec-09, including essentially our financial stakes at BCP (2.6%), REN (3.5%), Ampla (7.7%), Deca (21%) and CEM (21%).

**Accounts receivable (other, net)** recorded a decrease by €0.5bn vs. Dec-08, following the securitization of €1.7bn of the Portuguese tariff deficit generated in 2007, 2008 and 2009, which compensated by an increase in regulatory receivables mainly related to CMECs. By Dec-09, EDP's balance sheet continued to include €578m of net regulatory receivables, not including regulatory receivables from Brazil, which are recognized in the balance sheet under Brazilian GAAP but not under IFRS.

The €0.9bn increase YoY of **equity attributable to EDP's shareholders** reflects the net profit in the period, the annual dividend payment of €507m made in May-09 plus reserves variation in the period (related to forex, market value of financial assets, etc.).

The €0.5bn increase YoY of **equity attributable to minority interests** is mostly related to the appreciation of the closing exchange rate of the Brazilian Real against the Euro (2.51 in 31-Dec-09 vs. 3.24 in 31-Dec-08).

The €12.8bn of **accounts payable (other, net)** include €1.9bn of unfunded pension fund and medical care liabilities. This amount is gross of taxes, and more than 70% of these liabilities are related to employees from regulated electricity distribution and supply in Portugal, meaning that most of these liabilities should be part of the regulated cost base in the moment of payment.

The €1.5bn increase YoY in **accounts payable (other, net)** reflects the recognition of a €790m tariff deviation in the Portuguese last resource electricity supply activity, to be repaid to the tariff system mostly over 2010 and a €413m increase in investments made by institutional investors in our wind power plants in USA - "Institutional Partnership".

**Adjusted institutional partnership liability** amounted €835m by Dec-09 vs. €852m by Dec-08. This amounts is adjusted by deferred revenue and restricted cash. The deferred revenue is related to tax credits already benefited by the institutional investor. The adjusted institutional partnership liability, should be gradually reduced over the lifetime of each wind power plant.

<sup>(1)</sup> Tariff deviations to be recovered in the following years through tariffs

<sup>(2)</sup> Pensions include the Provision for the HR Restructuring Program costs of EDP Distribuição, which is being recovered through the tariffs

<sup>(3)</sup> 2009 amount is net of CO2 clawback costs

<sup>(4)</sup> Adjusted by the non-current deferred revenue.



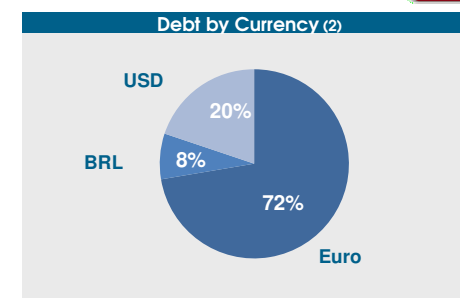
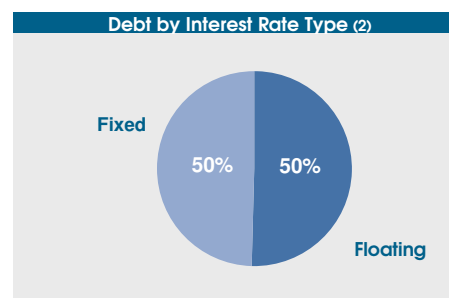
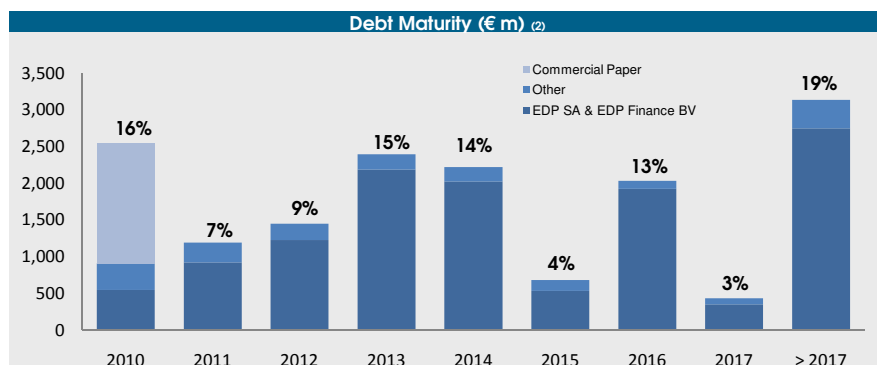
# Consolidated Net Financial Debt



Nominal Financial Debt by Company (€m)	2009	YE2008	EDP %
EDP S.A. and EDP Finance BV	13,704.9	12,417.5	100%
EDP Produção	200.9	190.2	100%
HC Energia	335.8	448.7	97%
EDP Renováveis	539.3	558.1	78%
Portgás	100.9	111.4	72%
Energias do Brasil	1,245.6	935.5	72%
Other	0.0	(0.0)	-
<b>Nominal Financial Debt</b>	<b>16,127.4</b>	<b>14,661.5</b>	
Accrued Interest on Debt	245.5	142.2	
<b>Nominal Financial Debt + Accrued Interest</b>	<b>16,372.9</b>	<b>14,803.7</b>	
Fair Value of Hedged Debt	(91.9)	(117.3)	
<b>Total Financial Debt</b>	<b>16,281.0</b>	<b>14,686.3</b>	
<b>Cash and cash equivalents</b>	<b>2,189.6</b>	<b>713.6</b>	<b>207%</b>
EDP S.A., EDP Finance BV and Other	1,286.1	290.1	
HC Energia and Subsidiaries	19.1	23.8	
EDP Renováveis	443.6	229.7	
EDP Gás	0.3	-	
Energias do Brasil	440.5	170.0	
<b>Financial assets at fair value through P&amp;L</b>	<b>84.9</b>	<b>83.2</b>	
<b>EDP Consolidated Net Debt</b>	<b>14,006.6</b>	<b>13,889.5</b>	

Debt Ratings	S&P	Moody's	Fitch
<b>EDP SA &amp; EDP Finance BV</b>	<b>A-/Neg/A2</b>	<b>A3/Stab/P2</b>	<b>A-/Stab/F2</b>
Last Rating Action	04-08-2009	09-06-2009	06-02-2009

Debt Ratios	2009	2008
Net Debt / EBITDA	4.2x	4.4x
Net Debt / EBITDA adjusted <sup>(1)</sup>	3.9x	3.8x



EDP's net debt/EBITDA adjusted for regulatory receivables and acquisition of gas assets from Gas Natural was 3.9x in 2009.

In Dec-09, EDP agreed to sell without recourse the right to receive the Portuguese 2009 ex-ante tariff deficit, defined by the regulator, for an amount of €435m. Earlier in the year (March), EDP concluded a similar transaction but regarding the tariff deficit generated in 2007 and 2008 in the amount of €1.2bn.

In Sep-09, EDP issued a USD1bn 144A/Reg S bond maturing in 10 years (Oct-19) with a coupon of 4.9%. The proceeds of the offering will be used to fund the capital expenditure requirements of EDP Renováveis, S.A. and EDP's general corporate purposes.

In Jun-09, EDP issued a Eurobond in the total amount of €1bn maturing in 7 years (Sep-16) with a 4.75% coupon. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of extending the average life of its debt portfolio and reinforcing its financial flexibility.

In Mar-09, EDP signed a three year revolving credit facility ("RCF") in the amount of €1,600m. This RCF replaced the €1,300m RCF signed in 2004 that was due to mature in July 2009, keeping the same purpose: backup credit facility.

In Feb-09, EDP issued a €1bn bond maturing in 5 years (Feb-14).

The weight of fixed rate in the Group's consolidated debt increased essentially due to the above mentioned issues (67% Floating/33% Fixed by Dec-08 vs. 50% Floating/50% Fixed by Dec-09). EDP's main references in floating interest rate are Euribor 1 month/3 months.

In Aug-09, S&P confirmed EDP's long term credit rating of 'A-' and revised the outlook from stable to negative.

In Jun-09, Moody's downgraded EDP to "A3" with stable outlook. Moody's noted that EDP's investment plan for 2009-12, 60% of which is devoted to the expansion of its renewable business, should lead to increasing cash flows for the company as the plants come on stream and therefore gradually improve the company's credit metrics in the latter period of the plan.

In Feb-09, Fitch had confirmed EDP's long term credit rating of 'A-' with stable outlook.

As at Dec-09, committed liquidity facilities amounted to €3,667m, of which €2,303m were available. All in all, EDP has €4,577m of cash and liquidity facilities available. Cash and cash equivalents increased by 207% primarily due to the net proceeds related to the sale without recourse of the rights to receive the tariff deficit for 2007, 2008 and 2009 (€1,635m), the issue of Eurobonds in Feb-09, Jun-09 and 144A/Reg S bond in Sep-09. This liquidity allows the EDP to finance its cash needs until 2011.

The only material debt issue maturing until the end of 2010 will be the €0.5bn bond issue in Jun-10.

<sup>(1)</sup> Net debt/EBITDA adjusted for regulatory receivables and acquisition of gas assets from Gas Natural.

<sup>(2)</sup> Nominal Value



**Business Areas**

# Iberian Electricity and Gas Markets



Electricity Balance (GWh)	Portugal			Spain <sup>(1)</sup>		
	2009	2008	Δ%	2009	2008	Δ%
Hydro	7,891	6,435	23%	23,844	21,428	11%
Nuclear	-	-	-	52,731	58,973	-11%
Coal	11,942	10,424	15%	33,859	46,275	-27%
CCGT	11,464	12,574	-8.8%	78,296	91,286	-14%
Fuel/Gas/Diesel	307	801	-62%	2,082	2,378	-12%
Own consumption	-	-	-	(7,081)	(8,338)	-15%
(-)Pumping	(929)	(639)	45%	(3,736)	(3,731)	0.1%
<b>Conventional Regime</b>	<b>30,675</b>	<b>29,594</b>	<b>3.7%</b>	<b>179,995</b>	<b>208,271</b>	<b>-14%</b>
Wind	7,493	5,699	31%	36,188	31,312	16%
Other	6,924	5,860	18%	43,346	34,767	25%
<b>Special Regime</b>	<b>14,417</b>	<b>11,559</b>	<b>25%</b>	<b>79,534</b>	<b>66,079</b>	<b>20%</b>
Import / (Export) net	4,777	9,438	-49%	(8,106)	(11,040)	-27%
<b>Gross demand (before grid losses)</b>	<b>49,869</b>	<b>50,591</b>	<b>-1.4%</b>	<b>251,423</b>	<b>263,310</b>	<b>-4.5%</b>
Adjusted to temperature and working days			-1.8%			-4.3%

Gas Demand (GWh)	Portugal			Spain		
	2009	2008	Δ%	2009	2008	Δ%
Conventional Demand	n.a.	27,616	-	241,112	261,921	-7.9%
Demand for Electricity Generation	22,699	24,897	-9%	160,888	187,468	-14%
<b>Total Demand</b>	<b>n.a.</b>	<b>52,513</b>	<b>-</b>	<b>402,000</b>	<b>449,389</b>	<b>-11%</b>

Electricity demand in the Iberian market retreated 4% in 2009, with Portugal proving more resilient than Spain throughout the year and even in the 4Q09: -1.0% in Portugal vs -3.6% in Spain.

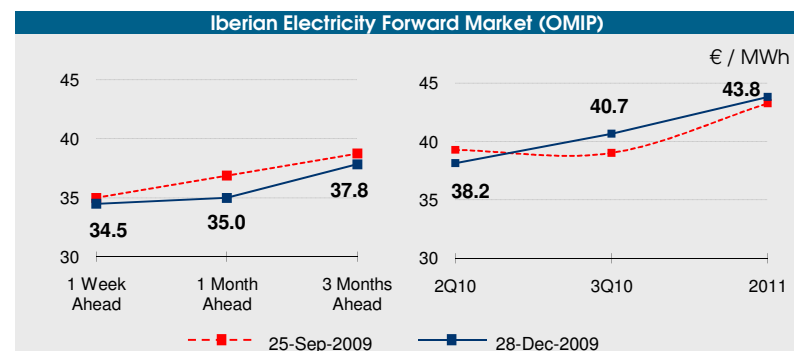
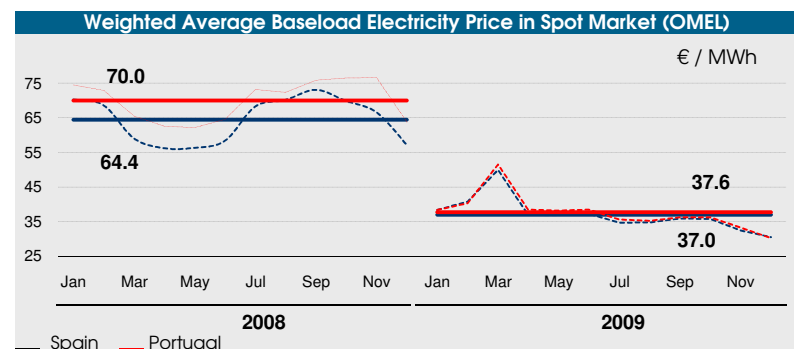
In 2009, residual thermal demand dropped by 16% (-26TWh) reflecting: (1) lower demand in Iberia (-13TWh), (2) +6.7TWh of wind output, backed by a 16% increase in installed capacity and high quality wind resources in 4Q09; (3) +9.6TWh of other special regime output, propelled by new capacity installed (+13%); (4) +3.9TWh of hydro output supported by a very strong 4Q09. The decline in thermal demand was driven by Spain (-18%, -26TWh), since demand in Portugal (-0.4%) was supported by a 49% (-4.7TWh) reduction in net imports in 2009. As a result of higher weight of wind in the system, ancillary services, restriction and deviation markets have gained size. In 4Q09 alone, residual thermal demand dropped 8.7TWh (-22%) YoY reflecting abnormally high wind and hydro output (+3.9TWh and +2.0TWh respectively) resulting from better weather conditions.

In 2009, load factors from CCGT plants in Spain remained higher than coal's (40% vs 34%), reflecting lower production cost throughout the year (except in 1Q09) and gas sourcing conditions in Iberia, mainly based on long term take-or-pay contracts. In line with the past, load factors of CCGTs in Portugal (54%) were higher than in Spain, reflecting Portugal's lower reserve margin. While output from both CCGT and coal plants in Iberia retreated in 2009, the fall in CCGTs was sharper than in coal (-14TWh vs -11TWh) due to Portugal's highly cost-competitive coal fleet and Sines' outage in 2008 (for environmental investments).

In spite of the increase in gas and coal prices (+4% and +20% QoQ) in 4Q09, average electricity spot price in Spain retreated 6% QoQ, to €32.9/MWh reflecting the sharp reduction of thermal demand and the excess of gas in Iberia. In Portugal, average pool price was only €0.6/MWh higher than in Spain in 2009 (vs €5.6/MWh in 2008) reflecting the combined impact of higher reserve margin in both markets, higher hydro output in Portugal and higher number of hours in which CCGT technology marked the price in both markets.

In the Iberian gas market, the decline in demand is being mainly driven by electricity generation (-14% in 2009). In turn, conventional demand proved more exposed to the industrial demand reduction than electricity: in spite of slower volume decline in 4Q09 (-4% YoY), full year demand retreated 8% in Spain.

Installed Capacity in Electricity Generation (MW)	Iberian Peninsula		
	2009	2008	Δ%
Hydro	21,235	21,248	-0.1%
Nuclear	7,439	7,439	-
Coal	12,210	12,072	1.1%
CCGT	24,088	22,878	5.3%
Fuel/Gas/Diesel	5,952	6,427	-7.4%
Wind	21,089	18,207	16%
Other Special Regime	16,539	14,573	13%
<b>Total</b>	<b>108,553</b>	<b>102,844</b>	<b>5.6%</b>



Main Drivers of Generation Costs	2009	2008	Δ%
Hydro Coefficient (1.0 = average year)			
Portugal	0.77	0.57	35%
Spain	0.81	0.68	19%
CO <sub>2</sub> Allowances (EUA) €/ton <sup>(2)</sup>	13.3	23.0	-42%
Coal (API2 CIF ARA) USD/t <sup>(2)</sup>	69.9	151.1	-54%
Gas (CMP Spain) €/MWh <sup>(2)</sup>	21.9	24.2	-9.4%
Brent (USD/bbl) <sup>(2)</sup>	62.2	98.5	-37%
Eur/USD <sup>(2)</sup>	1.39	1.47	-5.2%

(1) Source: REE

(2) Average in the period

# LT Contracted Generation in the Iberian Market: PPAs/CMECs and Special Regime



Income Statement (€ m)	2009	2008	Δ %	Δ Abs.
<b>PPA/CMEC Revenues</b>	<b>1,224.5</b>	<b>1,612.4</b>	<b>-24%</b>	<b>-388</b>
Revenues in the market <sup>(i)</sup>	689.0	1,311.9	-47%	-623
Annual Deviation <sup>(ii)</sup>	395.5	161.7	145%	+234
PPAs/CMECs Accrued Income <sup>(iii)</sup>	140.1	138.7	1.0%	+1
<b>PPA/CMEC Direct Costs</b>	<b>279.0</b>	<b>629.6</b>	<b>-56%</b>	<b>-351</b>
Coal	225.1	253.1	-11%	-28
Fuel Oil	24.7	69.4	-64%	-45
CO2 and Other Costs (Net)	29.2	307.1	-90%	-278
<b>Gross Profit PPAs/CMECs</b>	<b>945.5</b>	<b>982.8</b>	<b>-3.8%</b>	<b>-37</b>
Thermal (Cogener., Waste, Biomass)	51.8	55.7	-7.1%	-4
Mini-Hydro	32.2	15.3	110%	+17
<b>Gross Profit Special Regime</b>	<b>84.0</b>	<b>71.0</b>	<b>18%</b>	<b>+13</b>
Operating Costs	197.3	204.6	-3.6%	-7
<b>EBITDA</b>	<b>832.2</b>	<b>849.3</b>	<b>-2.0%</b>	<b>-17</b>
Net Depreciation and Provision	272.5	254.4	7.1%	+18
<b>EBIT</b>	<b>559.7</b>	<b>594.9</b>	<b>-5.9%</b>	<b>-35</b>
At Fin. results: <b>Hedging Gains (Losses)</b> <sup>(i)</sup>	-9.5	54.6	-	-64

Employees	1,354	1,449	-6.6%	-95
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PPA/CMECs: key data	2009	2008	Δ %	Δ Abs.
<b>Real/Contr.Availability Factor (Km)</b>				
Hydro Plants	1.02	1.04	-1.2%	-0.0
Thermal Plants	1.10	1.08	1.8%	+0.0
<b>Installed Capacity (MW)</b>	<b>6,987</b>	<b>6,987</b>	-	-
Hydro <sup>(2)</sup>	4,094	4,094	-	-
Coal	1,180	1,180	-	-
Fueloil	1,713	1,713	-	-

Special Regime: Key data	2009	2008	Δ %	Δ Abs.
<b>Output (GWh)</b>	<b>2,115</b>	<b>1,830</b>	<b>16%</b>	<b>+286</b>
Mini-Hydro Portugal	368	170	117%	+198
Thermal Portugal	854	699	22%	+155
Thermal Spain	894	961	-7.0%	-67

<b>Average Gross Profit (€/MWh)</b>				
Mini-Hydro Portugal	88	91	-3.1%	-3
Thermal Portugal	25	34	-25%	-9
Thermal Spain	34	33	1.4%	+0

Capex (€ m)	2009	2008	Δ %	Δ Abs.
<b>PPA/CMEC Generation</b>	<b>83.8</b>	<b>105.4</b>	<b>-20%</b>	<b>-22</b>
Hydro Recurrent	21.0	17.2	23%	+4
Thermal Recurrent	35.6	30.1	18%	+6
Non recurrent (environmental)	27.1	58.2	-53%	-31
<b>Special Regime</b>	<b>43.8</b>	<b>34.7</b>	<b>26%</b>	<b>+9</b>
Expansion	36.2	28.1	29%	+8
Maintenance	7.6	6.6	16%	+1
<b>Total</b>	<b>127.6</b>	<b>140.1</b>	<b>-8.9%</b>	<b>-12</b>

In 2009, **EBITDA from LT contracted generation** declined 2% (-€17m), reflecting lower non-recurrent results at gross profit level (€34m loss in 2009 vs €14m gain in 2008), mainly driven by fuel procurement, and higher HR restructuring costs (€22m in 2009 vs €12m in 2008), on the one hand; good cost cutting and the consolidation of Pebble Hydro as from Jul-08 (+€11m in 1H09), on the other hand. Overall, recurrent gross profit was 2% higher in 2009 and **recurrent EBITDA grew 5% to €888m**.

In 2009, gross profit from LT contracted generation retreated 2% YoY (-€24m), mainly penalised by lower results from fuel procurement (-€44m to a loss of €34m), reflecting deviations between fuel procurement costs and the international indexes accepted in PPA/CMECs. Note that as a result of EDP's strategy to hedge through derivative financial instruments the change in fuel prices between the moment of purchase and the moment of consumption, this negative impact is compensated at the level of financial results, either in the previous, current or following quarters.

**PPA/CMECs' recurrent gross profit in 2009 was 1% higher YoY to €979m**, mainly reflecting (i) additional contracted gross profit resulting from the new Sines coal plant's Desox facilities (€23m), which involved a total investment of €196m (last 50% commissioned in Jun-08) and (ii) higher than contracted availability and efficiency ratios in thermal plants (€7m). Having said this, growth was partially mitigated by: (1) lower inflation (-€25m), as contracted gross profit is monthly adjusted for annual average inflation rate (at -1.0% in 2009 vs 2.6% in 2008) and (2) lower availability of some hydro plants penalised by major works in Frades and Cabril (concluded in late 2009).

The annual deviation ('revisibility') between CMECs assumptions and real market revenues amounted to -€395m in 2009. This deviation resulted from low pool prices (€37.6 vs €52/MWh<sup>(3)</sup> CMEC reference) and from below-the-average hydro output (hydro coefficient at 0.77 vs average 1.0), which led to a 47% drop in revenues in the market in 2009. This deviation is due to be recovered in up to 24 months, through tariff paid by all Portuguese electricity consumers.

**Special regime's gross profit rose 18% in 2009** fuelled by mini-hydros (+110%) which benefited from the acquisition of Pebble Hydro in Jul-08 and from a surge in 2009 output (+117%) on exceptional weather conditions in 4Q09 (output up by 222% YoY). Gross profit from thermal plants dropped 7% penalised by volumes 7% lower in Spain (reflecting slower economic activity) and by average unit gross profit 25% YoY lower in Portugal (as the decrease in tariffs overstated the decrease in costs).

**Capex** in LT contracted generation amounted to €128m in 2009, 49% of which relating to non-recurrent investments: (1) €36m in new capacity under special regime, namely cogeneration (24MW in Barreiro, Portugal, and 10MW in Spain, both due in 2010) and biomass projects in Portugal (29MW in Figueira da Foz and 13MW in Constância, in place since Jun-09 and Sep-09, respectively); (2) €27m in the new DeNox facilities at Sines, due until 2011, an investment under PPA/CMECs system to be fully depreciated until 2017 and remunerated at 8.5% ROA before inflation and taxes.

## Explanatory note on PPA/CMECs:

In June 2007 the long term contracts that EDP had with the Portuguese electricity regulated system (PPAs) were replaced by the CMECs financial system to conciliate: (1) the preservation of the NPV of PPAs, based on real pre-tax ROA of 8.5%, and a stable contracted gross profit over the next 10 years; and (2) the increase in liquidity of the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from CMECs' financial system will keep the same profile over the next 10 years as the former PPA

PPA/CMECs gross profit has 3 components:

(i) **Revenues in the market**, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments.

(ii) **Annual deviation ('revisibility')**, equivalent to the difference between CMECs' main assumptions (outputs, market prices, fuel and CO2 costs) and market real data, which will be paid/received by EDP, through regulated tariffs, up to two years after taking place.

(iii) **PPAs/CMECs Accrued Income**, reflecting the differences in the period, in terms of cash flow profile, between PPAs and CMECs assumed at the beginning of the system.

(1) Includes €45m of realised gains in 2009 (vs -€23m in 2008);

(2) Includes Aguieira and Raiva (360MW), subject to a tolling agreement, for a 5-year period starting in Apr-09

(3) Includes ancillary services and capacity payment

# Liberalised Activities in the Iberian Market



Income Statement (€ m)	2009	2008	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>847.6</b>	<b>611.6</b>	<b>39%</b>	<b>+236</b>
Electricity Generation	676.0	466.1	45%	+210
Portugal	252.5	174.5	45%	+78
Spain	441.4	299.6	47%	+142
Electricity Supply	76.4	71.9	6.3%	+5
Gas Supply	95.3	73.7	29%	+22
Operating costs	214.3	218.1	-1.8%	-3.9
<b>EBITDA</b>	<b>633.4</b>	<b>393.5</b>	<b>61%</b>	<b>+240</b>
Provisions	44.6	30.4	47%	+14.1
Net Depreciation and amortisation	172.8	156.1	11%	+17
<b>EBIT</b>	<b>416.0</b>	<b>207.0</b>	<b>101%</b>	<b>+209</b>
At Financial results:				
<b>Hedging Gains (Losses) in Energy Markets</b>	<b>2.8</b>	<b>(68.6)</b>	<b>-</b>	<b>+71.4</b>

Performance in Electricity	2009	2008	Δ%	2009	2008	Δ%
	Output (GWh)			Variable Cost (€/MWh) (1)		
Generation Output	18,206	20,416	-11%	32.5	41.6	-22%
Electricity Purchases	16,098	4,845	232%	38.3	69.2	-45%
<b>Electricity Sources</b>	<b>34,304</b>	<b>25,261</b>	<b>36%</b>	<b>35.2</b>	<b>46.9</b>	<b>-25%</b>
	Volumes Sold (GWh)			Average Price (€/MWh) (2)		
Grid Losses & Other	1,420	559	154%	n.a.	n.a.	-
Retail	21,673	12,863	68%	62.0	62.0	0.1%
Wholesale						
Spot	7,813	2,737	185%	38.5	69.0	-44%
Forward	3,398	9,101	-63%	58.8	70.7	-17%
<b>Total Volume</b>	<b>34,304</b>	<b>25,261</b>	<b>36%</b>	<b>53.8</b>	<b>64.5</b>	<b>-17%</b>
<b>Avg. Gross Profit (€/MWh) (3)</b>				<b>22.9</b>	<b>21.8</b>	<b>5.1%</b>

Gas Sources and uses (TWh)	2009	2008	Δ%	Δ Abs.
Consumed by own power plants	22.8	25.5	-11%	-2.8
Sold to Clients	22.2	24.7	-10%	-2.5

**EBITDA from liberalised activities rose 61% (+€240m) driven by a 39% (+€236m) increase in gross profit:** (1) +€215m in electricity generation and supply activities backed by higher volumes supplied to retail clients, appealing margins arising from hedging strategy followed in 2008, lower sourcing costs (on higher electricity purchases in the pool) and higher revenues from capacity payments, ancillary services, restriction and deviation markets; (2) +€22m in gas supply, mainly backed by stronger margins in the residential and commercial segments, in Spain, and by the start-up of operations in Portugal. **In the 4Q09 alone, EBITDA surged 49% YoY.**

EDP's platform of electricity supply to its liberalised clients and the flexibility of its generation plants (both in terms of technical features and of the need to burn coal/gas), stands out as a competitive advantage under current market conditions. The flexibility of EDP's merchant fleet allowed to benefit from opportunities brought about to the markets of complementary services by the increasing weight of (instable) wind technology in the system. As a result of low prices in the pool, electricity purchases grew and electricity sales to final clients represented 119% of output from our liberalized electricity power plants in 2009 (c180% in 4Q09).

**Volumes:** Our sales to retail clients surged 68% in 2009 (+113% YoY in 4Q09) reflecting the effective room for growth created by regulatory changes in Portugal and Spain. While total volumes sold by EDP in the Iberian retail and wholesale markets rose 36% in 2009, output from our liberalised generation plants dropped 11%, reflecting the lower opportunity cost of buying electricity in the pool (volumes surged 232%), which was even more striking in 4Q09.

**Spreads (1)(2):** Realised spreads in electricity business rose 5% (+€1.0/MWh) to €18.5/MWh, as a result of EDP's successful forward contracting sales and locking-up of spreads in 2008. Average realised prices dropped 17% on lower prices in the spot and forward market (-44% and -17%, respectively). In turn, average selling price to retail clients was flat at €62/MWh. Average sourcing costs dropped 25% driven by higher contribution from electricity purchases (at prices 45% lower) and by generation costs 22% lower. **For 2010**, EDP has already forward contracted 100% of expected output at prices around €50/MWh and thermal spreads around €10/MWh. **For 2011**, EDP has already contracted over 35% of expected output at prices around €50/MWh.

**Electricity gross profit(3):** Gross profit per MWh sold grew 5% (€1.1/MWh) to €23/MWh, driven by higher realised spreads (+€1.0/MWh) and higher revenues from capacity payments, ancillary services, revenues in the restriction and deviation markets, which have been gaining size (+40% to €107m in 2009) in the wake of new capacity on stream in EDP group (Spain, 2008) and of the increasing weight of wind in the system.

Our gas sourcing activity in 2009 was based on a 4.1bcm portfolio of contracts. In 2009, our consumption of gas dropped 10%, to 45TWh, driven by lower demand in retail and lower consumption at our CCGT/cogeneration plants, which was only slightly compensated by three new CCGT in operation: Soto 4 (since Sep-08), Lares 1 (Oct-09) and Lares 2 (Nov-09). Looking forward, we expect gas needs in 2010 to be supported by the full-year operation of Lares 1 and 2, start-up of tests in Soto 5, by the activity increase of retail operations, namely in Portugal, and by the supply of gas to the client portfolio acquired from Gas Natural in Dec-09.

Regarding our coal sourcing activity we have extended in 2009 our sourcing contract of Spanish coal with Hunosa until 2012 (650,000 tonnes/year, with price based on international coal prices). In 2009, national coal represented 21% of total coal consumed at our plants, despite the flexibility to increase its weight in the production mix in 2010.

(1) Variable costs: includes fuel cost, CO2 cost net of free allowances, hedging costs (gains)

(2) Average selling price: includes selling price (net of TPA tariff) and hedging gains (losses); Excludes capacity payments, ancillary services and others

(3) Includes capacity payments, ancillary services, revenues in deviations and restriction market, services rendered and others; Unit price based on total volumes sold (net of grid losses)



# Liberalised Electricity Generation in the Iberian Market



Income Statement (€ m)	2009	2008	Δ%	Δ Abs.
<b>Gross Profit</b>	<b>676.0</b>	<b>466.1</b>	<b>45%</b>	<b>+210</b>
Portugal	252.5	174.5	45%	+78
Spain	441.4	299.6	47%	+142
Supplies and services	72.2	63.3	14.1%	+9
Personnel costs	39.2	39.8	-1.3%	-1
Costs with social benefits	-0.2	5.3	-	-6
Other operating costs (net)	22.0	34.8	-37%	-13
<b>Operating costs</b>	<b>133.3</b>	<b>143.2</b>	<b>-6.9%</b>	<b>-10</b>
<b>EBITDA</b>	<b>542.7</b>	<b>322.9</b>	<b>68%</b>	<b>+220</b>
Provisions	25.2	26.1	-3.4%	-1
Net Depreciation and amortisation	168.7	152.5	11%	+16
<b>EBIT</b>	<b>348.8</b>	<b>144.3</b>	<b>142%</b>	<b>+205</b>
Employees	<b>780</b>	<b>832</b>	<b>-6%</b>	<b>-52</b>

Key Operating data	2009	2008	Δ%	Δ Abs.
<b>Generation Output (GWh)</b>	<b>18,206</b>	<b>20,416</b>	<b>-11%</b>	<b>-2,209</b>
CCGT	9,690	11,311	-14%	-1,621
Coal	5,865	6,575	-11%	-710
Hydro	1,538	1,331	16%	+207
Nuclear	1,113	1,198	-7.1%	-85
<b>Generation Costs (€/MWh) (1)</b>	<b>32.5</b>	<b>41.6</b>	<b>-22%</b>	<b>-9.1</b>
CCGT	42.8	58.1	-26%	-15.3
Coal	29.5	28.7	2.8%	+0.8
Hydro	-	-	-	-
Nuclear	3.4	3.3	1.4%	+0.0
<b>Load Factors (%)</b>				
CCGT	43%	61%	-	-18p.p.
Coal	46%	51%	-	-5p.p.
Hydro	19%	17%	-	3p.p.
Nuclear	82%	88%	-	-6p.p.
<b>Installed Capacity (MW)</b>				
CCGT	3,268	2,405	36%	+863
Coal	1,460	1,460	-	-
Hydro	910	910	-	-
Nuclear	156	156	-	-
Gasoil	165	165	-	-

Capex (€m)	2009	2008	Δ%	Δ Abs.
<b>Expansion</b>	<b>648.0</b>	<b>448.6</b>	<b>44%</b>	<b>+199</b>
CCGT	245.9	311.9	-21%	-66
Hydro	402.1	136.7	194%	+265
<b>Maintenance</b>	<b>47.4</b>	<b>61.5</b>	<b>-23%</b>	<b>-14</b>
Recurrent	48.7	34.6	41%	+14
Non recurrent (environmental)	(1.3)	26.9	-	-28
<b>Total</b>	<b>695.4</b>	<b>510.1</b>	<b>36%</b>	<b>+185</b>

Our liberalised generation activities are jointly managed with supply activities as most of its own production is sold to the supply units of the group at fixed prices.

The performance of our merchant electricity generation fleet in 2009 was marked by: (1) start-up of operations in two CCGT groups in Portugal in Oct-09 and Nov-09; (2) lower average generation costs per MWh (-22% YoY) and (3) lower volume of production (-11%), as electricity purchases in the pool proved to be a cheaper source of electricity to meet growing needs of our supply activities.

**CCGTs: Output** declined 14% in 2009, in line with Iberian average and penalised by a weaker 4Q09 (-17%). In spite of the extremely rainy and windy weather conditions in 4Q09 and of the additional capacity brought on stream (863MW in Lares 1 & 2), load factors in Portugal remained higher than in Spain: 52% vs Spanish market average of 40% in 2009, 45% in 4Q09 vs 37% in Spain. Output from our Spanish CCGTs fell 9% in 2009, penalised by weak 1Q and 4Q09 (the former on high gas cost, not yet reflecting the drop in brent price since Jul-08; the latter on low thermal demand). **Average production costs** dropped 26% in 2009, thanks to lower brent and CO<sub>2</sub> prices (partially explained by the group's successful hedging strategy) and lower deficit of CO<sub>2</sub> emissions.

**Coal: Output** dropped 11% in 2009, penalised by a 52% fall in 4Q09 output driven by weaker thermal demand and a tough comparison basis (since coal was clearly cheaper than gas in 4Q08). Even so, load factor at our coal plants remained above the Spanish average in 2009 (46% vs 34% in 2009), supported by its superior efficiency and the use of blast furnace gases at Aboño plant. Coal **variable cost** rose 3% in 2009, driven by higher average coal cost (penalised by the low cost of coal consumed in most of 2008, forward contracted in 2007) and the lower contribution from blast furnace gases at Aboño plant.

In 2009, and more markedly in 4Q09, our thermal power plants have significantly increased the volumes sold in the markets of complementary services, making use of its flexibility and therefore, improving the profitability of its operations.

**Hydro & Nuclear:** Hydro output rose 16% YoY in 2009, as favourable weather conditions in 1Q09 and 4Q09 more than compensated very dry quarters in 2Q09 and 3Q09. In turn, nuclear output retreated 7% as a result of Trillo's 7-week outage for maintenance works in 1Q09 (ending on April 3th).

**Operating costs** retreated 7% (-€10m) in 2009, mainly reflecting lower costs from CO<sub>2</sub> clawback: €16m in 2009 (mostly related to RDL11/2007, partially mitigated by previous years' adjustments following NEC resolutions issued in 15-Sep-09) vs €49m in 2008. This impact was partially compensated by higher costs stemming from maintenance works at Trillo and new projects on stream (CCGT plants and DeSox facilities).

**Capex** in liberalized generation amounted €695m (+€185m), the bulk of which (93%) corresponding to expansion projects: (1) €232m payment of Fridão and Alvito's hydro concession rights, in Jan-09, (2) €162m spent in the execution of hydro plants Picote II, Bemposta II, Alqueva II, Venda Nova III (all repowerings) and Baixo Sabor, Ribeiradio (new plant), due in 2011/15, (3) €246m spent on construction works of 3 new CCGT groups. In Portugal, Lares 1 & 2 (863MW) responsible for €80m of capex in 2009 started commercial operations in Oct-09 and Nov-09, respectively. Investment in Soto5 (424MW, due in 1Q11) totalled €165m in 2009. Maintenance capex declined by €14m, to €47m reflecting the mixed impact of lower environmental capex (following the completion of Soto and Aboño coal plants desox facilities) and higher maintenance capex driven by works at Trillo nuclear plant.

(1) Includes fuel costs, CO<sub>2</sub> emission costs net of free allowances, hedging results.



# Liberalised Electricity and Gas Supply in the Iberian Market



Income Statement (€ m)	Electricity Supply				Gas Supply			
	2009	2008	Δ%	Δ Abs	2009	2008	Δ%	Δ Abs
<b>Gross Profit</b>	<b>76.4</b>	<b>71.9</b>	<b>6.3%</b>	<b>+5</b>	<b>95.3</b>	<b>73.7</b>	<b>29%</b>	<b>+22</b>
Supplies and services	52.7	49.8	5.8%	+3	21.8	18.8	16%	+3
Personnel costs	10.8	9.8	10%	+1	3.8	4.2	-9.2%	-0
Costs with social benefits	0.4	0.3	20%	+0	0.1	0.1	0.1%	+0
Other operating costs (net)	-19.1	-22.0	-13%	+3	10.5	13.9	-24%	-3
<b>Operating Costs</b>	<b>44.8</b>	<b>38.0</b>	<b>18%</b>	<b>+7</b>	<b>36.2</b>	<b>36.9</b>	<b>-2.0%</b>	<b>-1</b>
<b>EBITDA</b>	<b>31.6</b>	<b>33.9</b>	<b>-6.7%</b>	<b>-2</b>	<b>59.1</b>	<b>36.7</b>	<b>61%</b>	<b>+22</b>
Provisions	19.2	4.4	339%	+15	0.1	-0.1	-	+0
Depreciation and amortization	3.6	3.1	19%	+1	0.5	0.6	-2.4%	-0
<b>EBIT</b>	<b>8.7</b>	<b>26.4</b>	<b>-67%</b>	<b>-18</b>	<b>58.4</b>	<b>36.2</b>	<b>61%</b>	<b>+22</b>
Capex	8.1	6.2	30%	+2	0.3	0.5	-32%	-0
Employees	195	167	17%	+28	105	76	38%	+29

Key data	2009	2008	Δ%	Δ Abs
<b>Electricity in Portugal</b>				
Volume Sold (GWh)	5,529	947	484%	+4,582
Market Share (%)	65%	80%	-	-15 p.p.
Avg. Selling Price (€/MWh)	66.4	68.5	-3.1%	-2
Number Clients (th.)	260	197	32%	+63
<b>Electricity in Spain</b>				
Volume Sold (GWh) (1)	15,445	11,916	30%	+3,529
Market Share (%)	11%	12%	-	-1 p.p.
Avg. Selling Price (€/MWh) (1)	61.5	61.8	-0.5%	-0
Number Clients (th.)	527	117	350%	+410
<b>Gas in Spain &amp; Portugal</b>				
Spain - Volume Sold (GWh)	21,261	23,164	-8.2%	-1,904
Spain - Market Share (%)	8.7%	8.9%	-	0 p.p.
Portugal - Volume Sold (GWh)	983	-	-	-
Portugal - Market Share (2) (%)	25%	na	-	-
Avg. Gross Margin (€/MWh)	2.4	1.6	55%	+1
Number Clients (th.)	834	628	33%	+205

EDP has a solid platform of operations in electricity and gas liberalized supply in Portugal and Spain, which is developed by HC Energia and Naturgas Comercialization, in Spain, and by EDP Comercial and EDP Gás.Com, in Portugal. Our supply subsidiaries have intra-group electricity and gas procurement contracts with other companies of the group.

**Portugal Electricity Supply** – In 2009, volumes supplied by EDP surged 484%, to 5.5TWh, showing a steady increase on a quarterly base (+30% in 4Q09 QoQ). As a result of growth opportunities introduced by 2009/2010 tariffs defined by ERSE, free market expanded significantly (reaching 43% of total consumption in Dec-09 vs 2.7% in Dec-08), competition intensified and EDP's share in volume supplied in the free market declined to 65%. By segment, residential and SMEs unveiled a good performance, both in terms of volumes per client and number of clients (+32% YoY), but the industrial segment was the main growth driver, with a strong recovery in both clients and volumes. Average selling price in Portuguese electricity retail retreated 3.1% as the higher weight of industrial consumption and lower margins stemming from current market conditions start taking its toll.

**Spain Electricity Supply** – Performance was marked by the end of the option to choose last resource supplier for all industrial and residential clients (excluding low-voltage consumers whose contracted power is less than or equal to 10KW) as from Jul-09. In 2009, electricity volumes supplied to our liberalised clients in Spain rose 30% (44% YoY in 4Q09) reflecting a sharp expansion in the client base (+350%), prompted by the switching of residential clients, with lower per capita consumption, and by the agreement reached with CIDE<sub>(3)</sub> in Jul-09. Market share declined 1p.p. to 11%. Average selling prices were almost flat, at €62/MWh, reflecting the significant contribution from contracts closed in late 2008 (when electricity forward prices were at higher levels), on the one hand, and lower prices implicit in contracts recently closed, on the other hand.

**Spain & Portugal gas Supply** – In Spain, notwithstanding lower volume of gas supplied in 2009 (-8%) it is worth to note the stabilisation observed in 4Q09 (-1% YoY), mainly driven by the industrial segment. The number of clients in our portfolio in 2009 already includes clients acquired from Gas Natural in 31-Dec-09, which consumption (c1.1TWh/year) shall only be accounted for as from Jan 1, 2010. In Portugal, EDP initiated operations in the industrial segment in Apr-09, with 983GWh supplied up to end 2009 and reaching a market share of 25% (based on the annualised consumption with sales to cogeneration plants included). Average gross margin in Iberia increased to €2.4/MWh from €1.6/MWh, reflecting faster decline of sourcing cost (almost in line with the movement of CMP) than in net selling prices (benefiting from more favourable prices at the moment of client contracting). This said, margin contraction in 4Q09 (to c€0.80/MWh) hints tougher operating conditions for 2010.

**Controllable operating costs<sup>(4)</sup>** in electricity supply rose 6% reflecting increasing activity. In gas supply, total operating costs dropped 2% in 2009 as higher costs stemming from increasing activity were offset by lower non-recurring costs em 2009.

**Prospects: Electricity supply** margins in both Portugal and Spain should become under higher pressure in 2010, as selling prices adjust to current sourcing conditions, and reflecting current competition environment. This said, EDP had already forward contracted for 2010, at fixed prices, around 100% of the volumes supplied to retail clients in 2009. **In gas supply**, EDP expects to reinforce its position in the residential segment in Spain, backed by the addition of portfolio acquired from Gas Natural as of Dec 31, 2009. Margins-wise we expect a compression in the coming quarters as a result of lower average selling prices (reflecting new sourcing conditions) and current competition environment (as players try to place its excess of gas in the retail market). Having said this, our gas position in terms of take-or-pay contracts may allow us to partially compensate some price pressure in 2010, through punctual cheaper gas sourcing in the spot market.

(1) Includes electricity sold by Naturgas

(2) Based on annualised consumption

(3) CIDE is an association of small electricity distributors in Spain

(4) Supplies & services and personnel costs

# EDP Renováveis: Financial Performance



Income Statement	Europe (€ m)			USA (USD m)			EDP Renováveis (€ m) <sup>(1)</sup>			EDP Renováveis	2009	2008	Δ %
	2009	2008	Δ 09/08	2009	2008	Δ 09/08	2009	2008	Δ 09/08				
<b>Gross Profit</b>	<b>436.4</b>	<b>388.9</b>	<b>12%</b>	<b>282.7</b>	<b>193.9</b>	<b>46%</b>	<b>642.0</b>	<b>520.2</b>	<b>23%</b>	Share price at end of period (€/Share)	6.63	5.00	33%
Supplies and services	68.7	55.8	23%	90.9	67.0	36%	148.3	106.4	39%	Number of Shares Issued (million)	872.3	872.3	-
Personnel costs	13.9	18.7	-26%	29.2	26.6	10%	42.5	38.6	10%	Stake Owned by EDP (%)	77.5%	77.5%	-
Other operating costs (net)	5.5	7.6	-28%	(135.3)	(104.2)	30%	(91.4)	(62.7)	46%	USD/EUR - End of Period Rate	1.44	1.39	4%
<b>Operating Costs</b>	<b>88.0</b>	<b>82.1</b>	<b>7%</b>	<b>(15.3)</b>	<b>(10.6)</b>	<b>-44%</b>	<b>99.5</b>	<b>82.3</b>	<b>21%</b>	USD/EUR - Average of Period Rate	1.39	1.48	-6%
<b>EBITDA</b>	<b>348.4</b>	<b>306.8</b>	<b>14%</b>	<b>298.0</b>	<b>204.5</b>	<b>46%</b>	<b>542.5</b>	<b>437.9</b>	<b>24%</b>	<b>EDPR Key Balance Sheet Figures (€ m)</b>			
Provisions	(0.2)	(0.8)	-	-	-	-	(0.2)	(0.8)	-	Bank Loans and Other	61.0	294.7	-79%
Net Deprec. and amortisation	153.3	119.4	28%	218.7	129.5	69%	311.9	207.1	51%	Loans with EDP Group companies	2,072.5	774.3	-
<b>EBIT</b>	<b>195.3</b>	<b>188.2</b>	<b>4%</b>	<b>79.3</b>	<b>75.0</b>	<b>6%</b>	<b>230.8</b>	<b>231.6</b>	<b>-0.4%</b>	<b>Net Financial Debt</b>	<b>2,133.5</b>	<b>1,069.1</b>	<b>-</b>
Capital gains/(losses)	0.3	2.4	-89%	-	-	-	0.3	2.4	-89%	Minority Interests	107.5	91.5	17%
Financial Results	(167.9)	(148.9)	13%	(69.8)	(62.6)	11%	(72.4)	(77.2)	-6%	Adj. Inst. Partnership Liability <sup>(2)</sup>	835.1	851.8	-2%
Results from associates	4.2	4.4	-	(0.4)	(0.0)	-	3.9	4.4	-	<b>Equity Book Value</b>	<b>5,220.1</b>	<b>5,107.4</b>	<b>2%</b>
<b>Pre-tax profit</b>	<b>31.9</b>	<b>46.1</b>	<b>-31%</b>	<b>9.1</b>	<b>12.4</b>	<b>-26%</b>	<b>162.5</b>	<b>161.2</b>	<b>1%</b>	<b>EDPR Financial Debt by Currency (€ m)</b>			
Income taxes	7.3	17.0	-57%	-	-	-	(44.8)	(49.0)	-9%	US Dollar	1,321.2	862.8	53%
Discontinued Activities	-	-	-	-	-	-	-	-	-	Euro	1,352.3	599.5	126%
Profit for the period	24.5	29.1	-16%	9.1	12.4	-26%	117.8	112.2	5%	<b>Financial Debt</b>	<b>2,673.4</b>	<b>1,462.3</b>	<b>83%</b>
<b>Equity holders of EDPR</b>	<b>21.0</b>	<b>24.9</b>	<b>-16%</b>	<b>9.1</b>	<b>12.4</b>	<b>-26%</b>	<b>114.3</b>	<b>104.4</b>	<b>10%</b>	<b>EDPR Financial Results (€ m)</b>			
Minority interests	3.5	4.2	-17%	-	-	-	3.4	7.9	-56%	Net Interest Costs	(87.3)	(48.6)	-80%
										Institutional Partnership costs (non-cash)	(54.1)	(43.6)	-24%
										Capitalised Costs	74.7	39.2	91%
										Other	(5.7)	(24.2)	76%
										<b>Financial Results</b>	<b>(72.4)</b>	<b>(77.2)</b>	<b>6%</b>

EDP Renováveis (EDPR) owns, manages and develops all the wind power assets of EDP Group. EDPR has operations in 10 countries with the major markets being USA (c40% of EBITDA in 2009, operations in 9 states ) and Spain (41% of EBITDA in 2009).

In 2009, EDPR's EBITDA grew 24% to €543m reflecting a 25% YoY increase of its installed capacity (to 5,491MW) a 40% increase on wind power output and a decline in spot energy prices in Spain and USA in this period.

The USD appreciated 6% against the Euro in the period having a positive impact of €3.5m at EBIT level. As of December 2009, approximately 50% of EDP Renováveis' financial debt was in US Dollars, as USA operations are fully funded in USD denominated debt (loans with EDP) and by tax equity or partnerships with USA institutional investors. As a result, the impact of volatility in USD/EUR exchange rate is immaterial at EDPR net profit level.

EDP Renováveis' financial debt increased 83% YoY to €2.7bn in the Dec-09, being 78% of loans with EDP Group, which are made through a fixed rate for 10 years, while external debt with financial institutions is mostly related to project finance with a long-term profile.

Liabilities referred as institutional partnerships, which reflects the "tax equity agreements" in the US, slightly decreased to €835m in 2009 from €852m in 2008 reflecting: i) the ongoing amortization of this liability as a consequence of the tax credits that the institutional partners are benefiting from, ii) the positive impact by forex translation, and iii) the institutional partnerships closed throughout 2009.

In 2009, EDPR successfully raised USD687m through the monetization of tax credits in the US, of (i) which USD278m through traditional institutional partnership structures, (ii) USD216m through cash grants and (iii) USD193m through institutional partnership structures incorporating the cash grant). In Sep-09 EDPR closed the Rail Splitter institutional partnership deal (USD101.9m, ITC + cash grant component) in exchange for an economic interest. This new institutional partnership incorporates the ITC equivalent value, and its monetisation, under the cash grant agreement, as well as the MACRS associated tax credit. This transaction represented EDPR's first institutional equity transaction that incorporates the cash grant in lieu of production tax credits improving the company's fiscal efficiency. In Dec-09 EDPR signed two new other institutional partnership structures, one of USD111m referring to an additional stake in Vento III and another of USD117m for Blue Canyon V.

2009 financial costs declined 6% to €72m, supported by higher capitalised costs YoY following the capitalised costs from net debt at EDPR holding level, associated to investment in wind farms under construction in US. Net interest costs rose 80% as a result of higher debt and average cost of debt from 4.6% in 2008 to 4.8% in 2009.

(1) Includes Holding, other and consolidation adjustments;

(2) Includes deferred revenue and restricted cash

## EDP Renováveis: installed capacity & capex



Installed Capacity (MW)	Gross	% Held <sup>(1)</sup>	Capacity Contrib. to EBITDA			
			Dez-09	Dez-08	Δ %	Δ Abs
<b>Spain</b>	<b>2,278</b>	<b>1,787</b>	<b>1,861</b>	<b>1,692</b>	<b>10%</b>	<b>+169</b>
Transitory Regime	1,414	1,064	1,091	1,101	-1%	-10
RD 661/2007	864	723	770	591	30%	+179
<b>Portugal</b>	<b>680</b>	<b>660</b>	<b>595</b>	<b>553</b>	<b>8%</b>	<b>+42</b>
Old Remuneration	595	575	595	553	8%	+42
New Remuneration	85	85	-	-	-	-
<b>France</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>185</b>	<b>19%</b>	<b>+35</b>
<b>Poland</b>	<b>120</b>	<b>112</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>+120</b>
<b>Belgium (PPA)</b>	<b>57</b>	<b>40</b>	<b>57</b>	<b>47</b>	<b>21%</b>	<b>+10</b>
<b>USA</b>	<b>2,859</b>	<b>2,642</b>	<b>2,624</b>	<b>1,923</b>	<b>36%</b>	<b>+700</b>
PPA	1,825	1,769	1,750	1,459	20%	+292
Hedged	264	138	138	138	0%	-
Merchant	770	735	735	327	125%	+409
<b>Brazil</b>	<b>14</b>	<b>8</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>+14</b>
<b>Total</b>	<b>6,227</b>	<b>5,469</b>	<b>5,491</b>	<b>4,400</b>	<b>25%</b>	<b>+1,091</b>

Gross MW	Under Constr.	Pipeline			Prosp.	Total
		Tier 1	Tier 2	Tier 3		
<b>Spain</b>	<b>308</b>	<b>320</b>	<b>485</b>	<b>1,822</b>	<b>2,341</b>	<b>5,275</b>
<b>Portugal</b>	<b>53</b>	<b>344</b>	<b>18</b>	<b>9</b>	<b>200</b>	<b>624</b>
<b>Rest of Europe</b>	<b>280</b>	<b>106</b>	<b>526</b>	<b>792</b>	<b>1,855</b>	<b>3,558</b>
France	39	49	70	294	726	1,177
Belgium	13	-	-	37	25	74
Poland	-	-	456	406	604	1,466
Romania	228	57	-	56	500	841
<b>USA</b>	<b>99</b>	<b>748</b>	<b>5,634</b>	<b>8,710</b>	<b>4,154</b>	<b>19,345</b>
<b>Brazil</b>	<b>-</b>	<b>70</b>	<b>234</b>	<b>336</b>	<b>869</b>	<b>1,509</b>
<b>Total</b>	<b>739</b>	<b>1,587</b>	<b>6,897</b>	<b>11,669</b>	<b>9,419</b>	<b>30,310</b>

Capex (€m)	2009	2008	Δ %	Δ Abs.
Spain	561	684	-18%	-124
Portugal	102	85	19%	+16
Rest of Europe	351	123	-	+228
<b>Europe</b>	<b>1,014</b>	<b>893</b>	<b>13%</b>	<b>+120</b>
USA- Gross Capex	826	1,198	-31%	-371
USA- Cash Grant Received	-156	-	-	-156
<b>USA- Net Capex</b>	<b>670</b>	<b>1,198</b>	<b>-44%</b>	<b>-527</b>
Other	6	-	-	+6
<b>Total</b>	<b>1,690</b>	<b>2,091</b>	<b>-19%</b>	<b>-400</b>

Works in Progress (€ m)	2009	2008	Δ %	Δ Abs.
<b>Under Constr. and Development MW</b>	<b>1,116</b>	<b>1,061</b>	<b>5%</b>	<b>+55</b>

(1) MW not adjusted for the fact that EDPR has an 80% stake in Genesa sub-holding in Spain.

**Installed capacity of EDPR** increased by 1,091MW in 2009 representing a 25% YoY increase. As a consequence, EDPR currently manages a portfolio of 5,491 MW of capacity (or 6,227 MW of gross capacity). From 2009 EDPR total additions of 1,091MW, as referred above, 700MW were installed in USA, 169MW in Spain, 42MW in Portugal, 10MW in Belgium and 35MW in France. In Poland the first 120MW were also installed (Margonin). In Brazil 14 new MW were added through acquisition in Mar-09. In the 4Q09 alone, EDPR added 329 MW in US (Meadow Lake I and Blue Canyon V), 109 MW in Spain and 9 MW in France. Additionally in Portugal, the consortium Eólicas de Portugal (40% owned by EDPR consolidated by equity method) installed 212MW, from which 85MW are attributable to EDPR (included in EDPR gross installed capacity).

**Capacity under construction** by Dec-09 was 739MW, of which 640 MW in Europe and 99 MW in the US. In Europe, 48% of this capacity (308MW) is under construction in Spain, 8% in Portugal (53MW, for the attributable capacity in the Eólicas de Portugal consortium) and 44% in the Rest of Europe, where is worth mentioning the start of the construction of EDPR's first wind farm in Romania (228MW project).

**Capex amounted to €1,690m**, reflecting the end of the construction of 1.1GW and 739MW under construction. Capital expenditures related with the construction and development activities amounted to €1,625m, which reflects the final works with the capacity in operation, the capacity installed in the period and capacity under construction and development. Capex with turbines deposits amounted to €65m, representing 4% of total expenditures. It is important to highlight that total work in progress related to capacity under construction/development amounted to €1,116m by Dec-09, reflecting the capex already incurred with these projects.

**In the U.S.** the approval in 1Q09 of the American Recovery and Reinvestment Act, provided the right framework for the monetization of US tax incentives for wind power development, namely with the introduction of a cash grant option corresponding to 30% of a wind farm investment as an alternative to the PTC scheme. Regarding the market environment for new wind power installations in US, the lower energy prices have turned PPA approvals more challenging by PUCs (Public Utility Commissions) while the lower electricity demand is postponing utilities' short-term needs on new PPAs with renewable operators. Moreover, the current uncertainty on the approval by the US Congress of a Federal RES, is not putting homogeneous pressure on utilities to close PPAs or to purchase renewable credits. Taking into consideration the current regulatory and market environment in US, EDPR should adjust its growth pace of around 1.4GW new installations per year and reduce it by up to 500 MW in 2010-2011. This reduction can be reverted in case of an improved PPA's market or/and on the approval of a new Energy Bill with effective renewable targets.

It is worth mentioning that in early 2010 EDPR entered 2 new geographies: UK and Italy. In the UK EDPR entered the market through a joint venture, in which it holds 75% shareholding, that was awarded the exclusive rights to develop 1.3GW of off-shore wind farms. In Italy EDPR entered the wind energy market through the acquisition (€12m) of Italian Wind, srl, adding to its portfolio several projects in Italy, totaling 520MW in different

# EDP Renováveis: Operating Performance



Income Statement (€ m)	EUROPE			USA			EDP Renováveis		
	2009	2008	Δ 09/08	2009	2008	Δ 09/08	2009	2008	Δ 09/08
<b>Gross Profit</b>	<b>436.4</b>	<b>388.9</b>	<b>12%</b>	<b>203.5</b>	<b>131.3</b>	<b>55%</b>	<b>642.0</b>	<b>520.2</b>	<b>23%</b>
Supplies and services	68.7	55.8	23%	65.4	45.4	44%	148.3	106.4	39%
Personnel costs and soc. benefits	13.9	18.7	-26%	21.0	18.0	16%	42.5	38.6	10%
Other operating costs (net) (1)	5.5	7.6	-28%	(97.4)	(70.6)	-38%	(91.4)	(62.7)	-46%
<b>Operating Costs</b>	<b>88.0</b>	<b>82.1</b>	<b>7%</b>	<b>(11.0)</b>	<b>(7.2)</b>	<b>-53%</b>	<b>99.5</b>	<b>82.3</b>	<b>21%</b>
<b>EBITDA</b>	<b>348.4</b>	<b>306.8</b>	<b>14%</b>	<b>214.4</b>	<b>138.5</b>	<b>55%</b>	<b>542.5</b>	<b>437.9</b>	<b>24%</b>
Provisions	(0.2)	(0.8)	77%	-	-	-	(0.2)	(0.8)	77%
Net depreciation and amortisation	153.3	119.4	28%	157.4	87.7	79%	311.9	207.1	51%
<b>EBIT</b>	<b>195.3</b>	<b>188.2</b>	<b>4%</b>	<b>57.0</b>	<b>50.8</b>	<b>12%</b>	<b>230.8</b>	<b>231.6</b>	<b>0%</b>
<b>Employees</b>	<b>365</b>	<b>324</b>	<b>+41</b>	<b>303</b>	<b>276</b>	<b>+27</b>	<b>721</b>	<b>630</b>	<b>+91</b>
Opex / Ava MW (€ 000) (2)	34.8	42.8	-19%	32.9	42.7	-23%	38.7	44.0	-12%
Opex / MWh (€) (2)	17.7	21.1	-16%	12.1	14.7	-17%	16.7	18.4	-9%
<b>EUROPE Gross Profit (€ m)</b>	<b>2009</b>	<b>2008</b>	<b>Δ %</b>	<b>USA Adjusted G. Profit (€ m)</b>			<b>2009</b>	<b>2008</b>	<b>Δ %</b>
Portugal	123.1	97.9	26%	Electricity Revenues & RECs			204.6	131.8	55%
Spain	273.3	264.9	3%	Direct Costs			-1.2	-0.5	-
Rest of Europe	39.1	17.0	130%	<b>Gross Profit</b>			<b>203.5</b>	<b>131.3</b>	<b>55%</b>
Wind	435.6	379.8	15%	PTC Revenues & Other			82.7	61.2	35%
Other & Adjustments	0.8	9.1	-91%	<b>Adjusted Gross Profit</b>			<b>286.1</b>	<b>192.5</b>	<b>49%</b>
<b>Total</b>	<b>436.4</b>	<b>388.9</b>	<b>12%</b>						

Wind Electricity Output (GWh)	2009	2008	Δ %
Portugal	1,275	1,028	24%
Spain	3,275	2,634	24%
Rest of Europe	426	238	79%
<b>Europe</b>	<b>4,975</b>	<b>3,900</b>	<b>28%</b>
<b>USA</b>	<b>5,905</b>	<b>3,907</b>	<b>51%</b>
<b>Brazil</b>	<b>26</b>	<b>-</b>	<b>-</b>
<b>Electricity Output (GWh)</b>	<b>10,907</b>	<b>7,807</b>	<b>40%</b>
Avg. Wind Load Factors (%)	2009	2008	Δ
Portugal	28%	27%	1 pp
Spain	26%	26%	0 pp
Rest of Europe	23%	23%	0 pp
<b>Europe</b>	<b>26%</b>	<b>26%</b>	<b>0 pp</b>
<b>USA</b>	<b>32%</b>	<b>34%</b>	<b>(2 pp)</b>
<b>Brazil</b>	<b>22%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>29%</b>	<b>30%</b>	<b>(1 pp)</b>
Avg. Wind Tariffs	2009	2008	Δ %
<b>Europe Avg. Tariffs (€/MWh)</b>	<b>87.2</b>	<b>98.0</b>	<b>-11%</b>
Portugal	94.5	93.8	1%
Spain	84.0	100.7	-17%
Avg. Achieved Pool Price	34.5	62.1	-44%
Rest of Europe	89.7	70.7	27%
<b>USA Avg. portfolio price (USD/MWh)</b>	<b>48.2</b>	<b>49.0</b>	<b>-2%</b>
Avg. PPA/Hedged price	52.4	48.3	8%
Avg. Merchant price	29.8	60.5	-51%

**EBITDA of EDPR rose 24% YoY in 2009 and 31% YoY in 4Q09.** Gross profit in 2009 rose 23%, based on a (i) 40% increase of wind power output prompted by a 25% increase in installed capacity and flat load factors; which was only partially compensated by (ii) a 14% YoY decline of adjusted gross profit/MWh, reflecting the lower prices YoY in US and Spain. Operating costs increased 21% YoY and net depreciation and amortization increased 51% YoY, reflecting the increase of installed capacity. As a result, EDPR EBIT remained flat YoY in 2009.

**Wind power output rose 40% YoY in 2009.** In Europe, wind output increased 28% YoY on the back of a 15% YoY increase of installed capacity and average load factor flat YoY at 26%. In USA, electricity output went up 51% YoY following a 36% YoY increase of installed capacity while load factors fell by 2% YoY to 32%. Note that availability reductions in newly operated wind farms are financially covered under the existing manufacturers' warranties (USD17m revenues in 2009). For 2010, EDPR expects its wind power output to grow more than 35% YoY.

**Average selling price in US fell 2% YoY in 2009.** Average price of our long-term selling contracts (PPAs) rose 8% YoY in 2009, reflecting higher prices from the last contacts added during 2008 and 2009 to our PPAs portfolio. Note that in 2009, our wind power output sold through PPAs amounted to 4,798 GWh (81% of our output in US). Average selling price for wind power sold in merchant markets fell 51% YoY in 2009, reflecting the deterioration of electricity prices in US, namely the lower power demand from the industrial segment and lower gas prices. Note that in 2009 we sold 1,107 GWh in US merchant power markets (19% of our wind output in US), with PJM being the major destiny merchant market for our wind power output.

**In 4Q09, our average selling price in US merchant markets rose 54% QoQ to USD34.9MWh** from USD22.6/MWh in 3Q09, reflecting essentially the recovery of prices in the PJM market in the period. Also related with merchant production, EDPR sold 1.1 million RECs at USD9/REC. In Feb-10, EDPR closed a 20-year PPA contract with TVA (Tennessee Valley Authority) for the 115MW of its Pioneer Prairie I wind farm. Moreover EDPR continues actively negotiations or marketing efforts to close new PPA contracts in US for its wind power plants under construction, in late development and already in operation but without PPA, aiming to continue to reduce its exposure to short term energy markets. For 2010 EDPR expects wind output sold in merchant markets to represent around 25% of total wind output in US.

**Average wind tariffs in Spain fell 17% YoY in 2009** reflecting the 44% YoY decline in the achieved pool price and forward sales at higher prices which had a positive impact of €6.0/MWh on average selling price in Spain or €19m at gross profit level. Note that 21% of EDPR wind power output in Spain in 2009 (697 GWh) were protected by the cap & floor system, 61% of output (1,991 GWh) were sold forward while just 18% of output (587 GWh) were exposed to pool price performance. For 2010, the wind power output protected by the cap & floor system (€75/MWh floor price) is expected to represent 40% of total wind output in Spain, given that all new capacity additions are under this system. Moreover for 2010 EDPR has sold forward 1,400GWh (c50% of expected wind power output out of the cap & floor system) fixing a selling price of €78/MWh (€40MWh pool price + €38/MWh fixed premium).

**In the rest of Europe, average tariff rose 27% YoY in 2009** following the abnormal low average tariff in 2008 (high weight of capacity in testing period in France which implies a very low tariff).

(1) Includes generation centre rentals; (2) Annualized; In USA, operational costs exclude PTC revenues and other revenues related to Horizon's Institutional partnerships



# Electricity Distribution and Last Resource Supply in Portugal



Income Statement (€ m)	Distribution Portugal			
	2009	2008	Δ %	Δ Abs.
<b>Gross Profit</b>	<b>1,371.0</b>	<b>1,482.1</b>	<b>-7.5%</b>	<b>-111</b>
Supplies and services	289.2	284.3	1.7%	+5
Personnel costs	164.3	173.8	-5.5%	-9
Costs with social benefits	94.4	132.1	-29%	-38
Concession fees	239.5	227.5	5.3%	+12
Other operating costs (net)	(6.1)	(23.5)	74%	+17
<b>Operating Costs</b>	<b>781.2</b>	<b>794.3</b>	<b>-1.6%</b>	<b>-13</b>
<b>EBITDA</b>	<b>589.9</b>	<b>687.9</b>	<b>-14%</b>	<b>-98</b>
Provisions	8.6	(1.5)	-	+10
Net depreciation and amortisation	258.1	248.6	3.8%	+9
<b>EBIT</b>	<b>323.2</b>	<b>440.7</b>	<b>-27%</b>	<b>-118</b>

**Recurrent EBITDA from electricity distribution and last resource supply activities increased 11% YoY to €587m in 2009**, excluding tariff adjustments from previous periods<sup>(1)</sup> (€15m in 2009 vs. €195m in 2008) and HR restructuring costs (€13m in 2009 vs. €38m in 2008). **Regulated gross profit** fell 8% YoY to €1,336m in 2009 (up 5% excluding tariff adjustments). Note that in 2008 (subsequent to law changes) tariff deviations started being recognized as gross profit. As such, for the first time in 2009, gross profit excluding services rendered and other converged to regulated revenues for the period.

**Electricity inflow into the grid** decreased 1.4% YoY to 49TWh in 2009 (down 1.8% when adjusted for temperature and working days). In 4Q09, electricity demand recorded a slight 1% YoY reduction. Looking at electricity consumption by voltage segment, Low Voltage (LV) segment (mostly residential clients) increased by c3% YoY, while Non-Low Voltage<sup>(3)</sup> (NV) segment (mostly industrial clients) decreased by c5% YoY.

**Distribution grid regulated revenues** for the period totaled €1,207m, in accordance with what was defined by the regulator (ERSE) and benefiting from lower distribution losses. Note that c55% of distribution grid regulated revenues are fixed, c35% depend on electricity distributed in the LV segment and c10% on electricity distributed in the NV segment. As such, significant changes in consumption from industrial clients have a low impact on regulated revenues. In 2009, the distribution activity recorded a €18m positive tariff deviation to be returned to the tariffs, mostly consequence of a consumption mix (per voltage) more favourable than ERSE's assumptions.

In 2009, our **last resource supplier EDP Serviço Universal** (EDP SU) supplied 38TWh of electricity, which came 6TWh below ERSE's assumption, essentially due to a switching of clients to liberalized suppliers, namely in the industrial segment, with the market share of EDP SU in electricity supply in Portugal falling from 97% in 2008 to 82% in 2009 (71% in the 4Q09). Additionally, EDP SU avg. electricity purchase cost was €47/MWh in 2009 vs. ERSE's assumption of €71/MWh. As a result of lower volumes purchased at a lower than expected cost, EDP SU recorded a €790m positive tariff deviation in 2009, to be returned to the tariffs mostly during 2010. This tariff deviation, along with the €447m ex-ante tariff deficit defined by ERSE when setting 2009 tariffs, reflected into a €343m positive tariff deviation (booked as gross profit in 2009).

All in all, a €361m positive tariff deviation was recognized in 2009, which in conjunction with the securitization of €1.7bn of tariff deficits (Mar-09: €1.2bn regarding the 2007/08 acc. tariff deficits; Dec-09: €0.4bn regarding the 2009 ex-ante tariff deficit), among other, enabled a **sharp reduction of the amount of regulatory receivables, from a positive €1.15bn in Dec-08 to a negative €509m in Dec-09.**

**Controllable operating costs decreased 1% YoY:** (i) higher S&S mostly due to an increase in back-office and other costs imposed by new regulation (change from bi-monthly to monthly invoicing and more frequent mandatory readings), and higher O&M expenses due to worst weather conditions, namely in 4Q09; (ii) personnel costs fell 2% YoY (excluding severance payments, indemnities and personnel costs capitalization) reflecting the decrease of the number of employees. **Costs with social benefits fell 29% YoY** on the back of lower HR Restructuring costs: €13m in 2009 regarding 38 early retirements undertaken in Dec-09 vs. €38m in 2008 regarding 148 early retirements that signed to leave in 1Q09, and lower provisions for medical care.

**Capex** amounted to €245m and was mostly dedicated to network expansion and service quality improvement. As a consequence of particularly adverse weather conditions in 4Q09 in Portugal, equivalent interruption time went up 18min. in 4Q09 vs. 4Q08 (+8min. in 2009 vs. 2008).

In Dec-09, ERSE set a 2.9% avg. increase for **2010 electricity tariffs in Portugal**, assuming, for 2010, electricity consumption in line with its 2009 forecast (45.1TWh) and an average cost of electricity of €50.8/MWh. ERSE established an 8.39% rate of return for the regulated activities, which set 2010 regulated gross profit at €1,300m.

Gross Profit Performance	2009	2008	Δ %	Δ Abs.
<b>Regulated Gross Profit (€m)</b>	<b>1,336.5</b>	<b>1,452.9</b>	<b>-8.0%</b>	<b>-116</b>
Current period	1,321.2	1,257.8	5.0%	+63
Adjustments from previous periods <sup>(1)</sup>	15.3	195.1	-	-180
<b>Cash-flow Adjust. to Gross Profit (€m)</b>	<b>56.1</b>	<b>(977.4)</b>	<b>-</b>	<b>+1,034</b>
Tariff deviation in the period	361.1	(977.4)	-	+1,339
Adjustments from previous periods	(305.0)	-	-	-305
<b>Distribution Grid</b>				
Reg. revenues - Current period (€m)	1,207.4	1,162.6	3.9%	+45
Electricity inflows (GWh)	49,422	50,102	-1.4%	-679
Number of clients connected (th)	6,120	6,088	0.5%	+32
<b>Last Resource Supply</b>				
Reg. revenues - Current period (€m)	116.0	97.5	19%	+19
Number of clients supplied (th)	5,843	5,890	-0.8%	-48
Electricity inflows (GWh)	40,452	48,796	-17%	-8,345
Wholesale procurement price (€/MWh)	46.9	76.5	-39%	-30
<b>Accum. Regulatory Receivables (€m)</b>	<b>(508.9)</b>	<b>1,145.4</b>	<b>-</b>	<b>-1,654</b>
Capex & Opex Performance	2009	2008	Δ %	Δ Abs.
<b>Controllable Operating Costs <sup>(2)</sup></b>	<b>453.4</b>	<b>458.1</b>	<b>-1.0%</b>	<b>-5</b>
Opex/client (€/client connected)	74.1	75.2	-1.5%	-1
Opex/km of network (€/Km)	2,078	2,130	-2.4%	-52
Employees (#)	4,455	4,675	-4.7%	-220
<b>Capex (net of subsidies) (€m)</b>	<b>244.9</b>	<b>239.1</b>	<b>2%</b>	<b>+6</b>
Network ('000 Km)	218.2	215.1	1.4%	+3
Equivalent Interruption Time (min) <sup>(4)</sup>	121	113	7.1%	+8

(1) 2009: recognition of €15m regulated revenue to settle 2008 tariff deviations; 2008: recovery through the tariffs of previous years' tariff deviations; 2007 tariff deficit recognition; and 2006/08 tariff deficit reposition (Jan-Feb 2008)

(2) Supplies & services and personnel costs

(3) Non-Low Voltage: Very High Voltage + High Voltage + Medium Voltage

(4) Adjusted for non-recurring impacts (rainstorms, high winds and summer fires)

# Electricity Distribution and Last Resource Supply in Spain



Income Statement (€ m) <sup>(1)</sup>	2009	2008	Δ 09/08	Δ Abs.
<b>Gross Profit</b>	<b>186.0</b>	<b>158.1</b>	<b>18%</b>	<b>+28</b>
Supplies and services	63.7	59.9	6.2%	+4
Personnel costs	18.5	20.9	-12%	-2
Costs with social benefits	2.9	3.6	-19%	-1
Other operating costs (net)	(3.2)	(8.3)	61%	+5
<b>Operating Costs</b>	<b>81.9</b>	<b>76.1</b>	<b>7.5%</b>	<b>+6</b>
<b>EBITDA</b>	<b>104.2</b>	<b>81.9</b>	<b>27%</b>	<b>+22</b>
Provisions	5.4	0.1	-	+5
Net depreciation and amortisation	30.7	25.7	19%	+5
<b>EBIT</b>	<b>68.1</b>	<b>56.1</b>	<b>21%</b>	<b>+12</b>
<b>Regulated Revenues</b>	<b>148.9</b>	<b>145.2</b>	<b>2.6%</b>	<b>+4</b>
Transmission	7.4	6.4	15%	+1
Distribution	133.5	130.8	2.1%	+3
Supply	8.1	8.0	0.7%	+0
<b>Regulatory Receivables (Tariff Deficit) <sup>(2)</sup></b>	<b>501.4</b>	<b>416.2</b>	<b>20%</b>	<b>+85</b>
Tariff deficit in the period	171.8	252.6	-32%	-81
Tariff deficit previous periods	329.7	163.6	102%	+166

**Recurrent EBITDA from our electricity distribution and last resource supply activities in Spain increased 13% YoY, to €87m in 2009.** Gross profit went up 18% YoY to €186m in 2009, reflecting a 3% YoY increase in electricity distribution regulated revenues recognized in 2009 tariffs, a €7m contribution from our last resource supply activity, which started its activity in Jul-09, and a €17m rise in other revenues, explained by: i) a €3m increase in revenues related to upfront connection fees paid by new clients; ii) the accounting in 2009 of a non-recurrent €18m income related to the recognition of the upfront connection fees previously paid by new clients (consequence of the end of the regulated final tariff in Jul-09); and iii) the accounting of a €5m non-recurring income in 2008 related to the receiving of previous years regulated revenues.

Regarding **electricity distribution activity**, the new regulation introduced last year in Spain aims at remunerating the investments made in grid expansion, improvements in service quality and grid losses reductions, being much less dependent on volumes distributed. Note that 2009 regulated revenues were set upon a transitory calculation model, while the final model is still under discussion. Electricity distributed by HC Distribución posted a 6% YoY decrease, to 9.1TWh in 2009, reflecting the current economic crisis. In Asturias, capital intensive industries, such as steel, have a significant weight in energy demand, which reflected into an 7% reduction of electricity consumption from HV and MV segments (mostly industrial), while the LV segment (mostly residential) fell by only 1% YoY. Nevertheless, during the 4Q09, electricity distributed by HC Distribución increased by 0.6% YoY, on the back of a recovery of the industrial segment.

On the **supply** side, starting Jul-09, regulated tariffs were terminated and a last resource tariff was introduced for LV clients with contracted power less than or equal to 10kW. In 1H09, volumes supplied to regulated clients fell 37% YoY, due to the switching of clients to the liberalized market, consequence of lower market prices when compared to regulated tariffs. In 2H09, our last resource supply company, HC Energia Ultimo Recurso, supplied 614 GWh to clients under the last resource tariff, down 81% when compared to the volume of electricity supplied to clients under the regulated tariff during the 2H08.

Distribution in Spain	2009	2008	Δ %	Δ Abs.
<b>Electricity Consumers (th)</b>	<b>645</b>	<b>628</b>	<b>2.6%</b>	<b>+16</b>
Regulated Supply <sup>(1)</sup>	422	549	-23%	-127
Liberalized Market Supply	222	79	182%	+143
<b>Electricity Distributed (GWh)</b>	<b>9,131</b>	<b>9,679</b>	<b>-5.7%</b>	<b>-548</b>
Low Voltage	2,594	2,633	-1.5%	-39
Medium Voltage	1,215	1,284	-5.4%	-69
High Voltage	5,322	5,762	-7.6%	-440
<b>Electricity Supplied (GWh) <sup>(1)</sup></b>	<b>3,133</b>	<b>7,240</b>	<b>-57%</b>	<b>-4,107</b>
Low Voltage	1,563	2,043	-23%	-480
Medium Voltage	11	133	-92%	-122
High Voltage	1,559	5,064	-69%	-3,505
<b>Controllable Operating Costs <sup>(3)</sup></b>	<b>82.1</b>	<b>80.8</b>	<b>1.6%</b>	<b>+1</b>
Opex/client (€/client)	127.4	128.7	-0.9%	-1
Opex/km of network (€/Km)	3,755	3,786	-0.8%	-30
Employees (#)	368	366	0.5%	+2
<b>Capex (net of subsidies) (€m)</b>	<b>44.4</b>	<b>51.2</b>	<b>-13%</b>	<b>-7</b>
Network ('000 Km)	21.9	21.4	2.4%	+1
Equiv. Interruption Time (min)	132	65	104%	+68

**Controllable operating costs went up 2% YoY:** (i) the increase in S&S reflects higher O&M expenses, mostly due to the Klaus cyclone that affected the north of Spain in the beginning of the year; and (ii) personnel costs fell by €2m, reflecting the decrease of the number of employees that occurred in the 4Q08.

**Capex** decreased 13% YoY to €44m in 2009, mostly due to a reduction in investments with new connections and metering equipments. The above mentioned Klaus cyclone that affected our distribution grid implied a 68 min. raise in Equivalent Interruption Time.

In Dec-09, the Spanish government published a Ministerial Order with the remuneration for the electricity distribution regulated activity. Regulated revenues attributable to HC Distribución for the year 2010 amount to €146m, up 3% YoY. Note that this amount does not include €7m for the transmission activity, which has to be sold to REE before July 3<sup>rd</sup>, 2010 (Law 17/2007).

2009 tariffs were insufficient to cover for electricity system costs, which translated into an estimated €4.6bn deficit for the Spanish system in 2009, out of which €172m were reflected at the level of HC Energia's regulatory receivables as of Dec-09. Note that these amounts are net of the impact from RD 11/2007 ("CO2 clawback"). RDL 6/2009 (May-09) allows the securitization of the Spanish tariff deficit and set a calendar for its gradual elimination (starting Jan-13, access tariffs should be enough to cover regulated activities' costs). The securitization of 2006-08 acc. tariff deficit, which amounts to €6bn (net of "CO2 clawback") for the Spanish electricity system as a whole, is ongoing. As of Dec-09, HC Energia share of this 2006-08 acc. tariff deficit amounted to c€330m. For 2010, the Spanish electricity system tariff deficit is estimated at €3.0bn.

(1) Including Last Resource Supply activity as of Jul-09, following the liberalization process.

(2) 2009 amount is net of CO2 clawback costs

(3) Supplies & services and personnel costs



# Gas - Regulated Activity



Income Statement (€ m)	Portugal			Spain			Total		
	2009	2008	Δ 09/08	2009	2008	Δ 09/08	2009	2008	Δ 09/08
<b>Gross Profit</b>	<b>39.9</b>	<b>42.7</b>	<b>-6.4%</b>	<b>180.3</b>	<b>187.7</b>	<b>-3.9%</b>	<b>220.3</b>	<b>227.9</b>	<b>-3.3%</b>
Supplies and services	11.0	12.4	-11%	22.8	25.7	-11%	33.8	33.7	0%
Personnel costs	4.8	4.2	13%	19.4	18.4	5.2%	24.2	22.3	8.4%
Costs with social benefits	0.1	0.1	56%	0.4	0.4	8.3%	0.6	0.5	16%
Other operating costs(net)	2.9	5.9	-	0.4	-7.0	-	3.3	-0.4	-
<b>Operating Costs</b>	<b>18.8</b>	<b>22.6</b>	<b>-17%</b>	<b>43.0</b>	<b>37.5</b>	<b>15%</b>	<b>61.9</b>	<b>56.1</b>	<b>10.3%</b>
<b>EBITDA</b>	<b>21.1</b>	<b>20.0</b>	<b>5.4%</b>	<b>137.3</b>	<b>150.1</b>	<b>-8.6%</b>	<b>158.4</b>	<b>171.8</b>	<b>-7.8%</b>
Provisions	0.7	(0.0)	-	0.2	0.5	-63%	0.9	0.5	98%
Net Deprec. and amortisation	11.1	10.3	8.1%	33.8	31.8	6.2%	44.9	42.1	6.7%
<b>EBIT</b>	<b>9.3</b>	<b>9.8</b>	<b>-5.3%</b>	<b>103.3</b>	<b>117.8</b>	<b>-12%</b>	<b>112.6</b>	<b>129.2</b>	<b>-13%</b>
<b>Capex (€m)</b>	<b>33.4</b>	<b>27.0</b>	<b>24%</b>	<b>48.2</b>	<b>63.8</b>	<b>-24%</b>	<b>81.6</b>	<b>90.8</b>	<b>-10%</b>
Distribution	33.4	27.0	24%	23.6	25.8	-8.4%	57.0	52.8	8.1%
Transmission	-	-	-	24.6	38.0	-35%	24.6	38.0	-35%
<b>Employees (#)</b>	<b>60</b>	<b>103</b>	<b>-42%</b>	<b>285</b>	<b>271</b>	<b>5.2%</b>	<b>345.0</b>	<b>374.0</b>	<b>-7.8%</b>

**EBITDA from gas regulated activities** fell 8% YoY to €158m in 2009, due to the accounting in both 2008 and 2009 of some non-recurring items. **Recurrent EBITDA increased 4% YoY to €161m in 2009.**

In **Spain**, gas regulated activities gross profit decreased 4% YoY, following the accounting of some non-recurring items, including a €14m revenue in 2008 related to the recognition of retroactive upfront connection fees paid by new clients (consequence of the end of the regulated tariffs in Jul-08). Excluding these one-off impacts, gross profit went up 5% YoY to €183m. **Regulated revenues** rose 7% YoY to €161m in 2009:

(i) Gas distribution regulated revenues grew 8% to €140m, reflecting a 2% increase in the number of supply points to 706 th<sup>(3)</sup>, and a 2% increase of the extension of our gas distribution network to 5,623Km<sup>(3)</sup>. The volume of gas distributed in Spain fell 8% YoY (in line with the 8% decrease of conventional gas demand in the Spanish market), following a 15% decrease in gas distributed through high pressure distribution network (mostly industrials) as a result of the current economic crisis, which more than offset the 6% increase of gas distributed through low pressure network (mostly residential);

(ii) Gas transmission regulated revenues rose 22% YoY, due to both a 17% increase of transmission network length and higher remuneration per kilometer in recent investments;

(iii) Regulated supply activity ended in Jul-08 and was replaced by the last resource gas supply activity, which is now included in our liberalized gas supply activities.

In Dec-09, the Spanish government published a Ministerial Order with the remuneration for the gas regulated activities. Regulated revenues attributable to Naturgas Energia (NGE) in 2010 amount to €168m, up 5% YoY, excluding the contribution of the assets acquired from Gas Natural, which will represent another €50m of regulated revenues in 2010.

In **Portugal**, a new concession contract was signed in 2008 with the Portuguese State (40 years duration, started in Jan-08) which when compared with the previous contract implies lower annual

Regulated Activity	2009	2008	% Δ	Abs. Δ
<b>Number of supply points (th)</b>	<b>1,185.2</b>	<b>891.1</b>	<b>33%</b>	<b>+294</b>
Portugal	221.4	201.1	10%	+20
Final Clients	221.3	201.0	10%	+20
Access Clients	0.1	0.1	94%	+0
Spain (2)	964	690	40%	+274
<b>Gas Distributed (GWh)</b>	<b>25,101</b>	<b>26,640</b>	<b>-5.8%</b>	<b>-1,539</b>
Portugal	6,133	5,952	3.0%	+181
Final Clients	2,313	2,693	-14%	-381
Access Clients	3,820	3,258	17%	+562
Spain	18,968	20,688	-8.3%	-1,720
<b>Regulated Revenues (€ m)</b>	<b>200.5</b>	<b>193.0</b>	<b>3.9%</b>	<b>+7.5</b>
Portugal	39.9	42.7	-6.4%	-2.7
Spain	160.5	150.3	6.8%	+10.2
Transmission	20.2	16.6	22%	+3.6
Distribution	140.3	130.1	7.9%	+10.3
Regulated Supply	0.01	3.6	-100%	-3.6
<b>Network (Km)</b>	<b>12,573</b>	<b>9,048</b>	<b>39%</b>	<b>+3,525</b>
Portugal - Distribution	3,508	3,220	9.0%	+289
Spain - Distribution (2)	8,703	5,519	58%	+3,183
Spain - Transmission	362	309	17%	+53

revenues but for a longer period, roughly maintaining the NPV of the concession. This new reality came in place in Jul-08 and translated into a **6% YoY reduction of gas regulated revenues** in 2009. Looking at operational data, the extension of our distribution network increased 9% YoY, while the number of supply points rose 10% YoY. The volume of gas distributed went up by 3% YoY, supported by the increase of the number of supply points.

In Jun-09, the Portuguese regulator (ERSE) set the gas tariffs for Portugal for the year going from Jul-09 to Jun-10. The 9% return on assets for gas distribution, which was set at the beginning of this 3 years regulatory period (Jul-08 to Jul-11) translated into a regulated gross profit of €51m, up 47% YoY. This increase is mostly consequence of the 2010 retroactive recognition of the assets revaluations not considered in 2009.

**Controllable operating costs**<sup>(4)</sup> increased 4% YoY, in line with the growth of the gas regulated activity. **Other operating costs** (up €3.7m YoY) were affected by the accounting in 2008 of a €5m non-recurring cost in Portugal and an €8m non-recurring income in Spain.

**Capex** decreased 10% YoY to €82m in 2009 following the anticipation, by the end of 2008, of investments in transmission, namely on the Bergara-Irun pipeline, which should be fully operational by the end of 2010, representing a total capex of €68m.

On December 31st, 2009, NGE completed the acquisition from Gas Natural of its low pressure natural gas distribution and supply (including last resource) activities in the regions of Cantabria and Murcia, as well as the high pressure natural gas distribution assets in the regions of the Basque Country, Asturias and Cantabria. These assets represented at the end of 2009 3,080 Km of gas network and 257,573 points of gas supply. Together with the associated supply activity, these assets, which started being consolidated at P&L level only in Jan-10, are forecasted to contribute with a c€35m EBITDA by 2010<sup>(1)</sup>.

# Energias do Brasil: Financial Performance



Income Statement	Consolidated - R\$ Million			Consolidated - € Million		
	2009	2008	Δ 09/08	2009	2008	Δ 09/08
<b>Gross Profit</b>	<b>2,273.7</b>	<b>2,257.4</b>	<b>1%</b>	<b>817.0</b>	<b>851.3</b>	<b>-4%</b>
Supplies and services	363.0	383.8	-5%	130.5	144.7	-10%
Personnel costs	204.6	254.7	-20%	73.5	96.0	-23%
Costs with social benefits	45.9	27.4	68%	16.5	10.3	60%
Other operating costs (net)	128.8	100.6	28%	46.3	37.9	22%
<b>Operating Costs</b>	<b>742.4</b>	<b>766.4</b>	<b>-3%</b>	<b>266.8</b>	<b>289.0</b>	<b>-8%</b>
<b>EBITDA</b>	<b>1,531.3</b>	<b>1,490.9</b>	<b>3%</b>	<b>550.2</b>	<b>562.3</b>	<b>-2%</b>
Provisions	35.6	22.3	-	12.8	8.4	52%
Net Depreciation and amortisation	329.0	460.6	-29%	118.2	173.7	-32%
<b>EBIT</b>	<b>1,166.7</b>	<b>1,008.0</b>	<b>16%</b>	<b>419.2</b>	<b>380.2</b>	<b>10.3%</b>
Capital gains/(losses)	127.1	-	-	45.7	-	-
Financial Results	(239.8)	(255.7)	-6%	(86.2)	(96.4)	-11%
Results from associates	(0.2)	(0.1)	-	(0.1)	(0.0)	-
<b>Pre-tax profit</b>	<b>1,053.8</b>	<b>752.2</b>	<b>40%</b>	<b>378.7</b>	<b>283.7</b>	<b>33%</b>
Income taxes	238.6	264.5	-9.8%	85.7	99.7	-14%
Effective Tax Rate (%)	23%	35%	-12.5 pp	23%	35%	-12.5 pp
Profit for the period	815.2	487.8	67%	292.9	183.9	59%
<b>Equity holders of Energias do Brasil</b>	<b>670.1</b>	<b>395.9</b>	<b>69%</b>	<b>240.8</b>	<b>149.8</b>	<b>61%</b>
Minority interests	145.1	91.9	58%	52.1	34.2	52%
<b>Capex</b>	<b>719.4</b>	<b>1,137.3</b>	<b>-37%</b>	<b>258.5</b>	<b>428.9</b>	<b>-40%</b>
<b>Employees (#)</b>	<b>2,357</b>	<b>2,342</b>	<b>+15</b>			

In local currency, Energias do Brasil's 2009 EBITDA rose 3% YoY, reflecting an acceleration in 4Q09 (+33% YoY), driven by (i) a strong recovery of electricity demand in 4Q09, (ii) the positive impact from annual tariff updates in Escelsa (Aug-09) and Bandeirante (Oct-09); and (iii) higher volumes and prices in generation. In Euro terms, 2009 EBITDA decreased 2% YoY following the 5% depreciation of average Real/Euro exchange rate in the period (-€27m impact on EBITDA 2009). In 4Q09, EBITDA (in Euro terms) went up 51% YoY supported by the 17% YoY appreciation of average Real/Euro exchange rate.

Note that 2009 YoY comparison is impacted by **some non recurrent issues** from which we highlight: (1) The asset swap made with Grupo Rede in Sep-08, through which our distribution company Enersul was exchanged for an increase in our stake in Lajeado hydro plant from 27.65% to 73% (from September 1<sup>st</sup> 2008 onwards Lajeado consolidation method changed from proportional to full consolidation and Enersul was fully excluded from consolidation) (2) R\$77m non-recurrent gain in 2008 generation & supply activities, (3) the non recurrent R\$130m booked at net depreciation and amortization level in 2008 from the accelerated amortisation (impairment) at Enersul due to regulatory changes and (4) R\$15m HR restructuring costs related to headcount reduction program.

Energias do Brasil	2009	2008	Δ 09/08
Share Price at end of period (R\$/share)	33.55	22.60	48%
Number of Shares Issued (million)	158.8	158.8	0%
Treasury Stock (million)	0.3	15.8	-98%
Number of Shares owned by EDP (million)	102.9	102.9	0%
Real/Euro - End of period Rate	2.51	3.24	29%
Real/Euro - Average of period Rate	2.78	2.65	-4.7%
Inflation Rate (IGP-M - 12 Months)	-1.7%	-	-
Interest Rate (SELIC)	8.65	13.67	-502 pp

Key Balance Sheet Figures (€ million)	2009	2008	Δ 09/08
Net Financial Debt	809	797	1%
Regulatory Receivables	18	56	-68%
Minority interests	680	532	28%

Rating	Moody's
Energias do Brasil	Ba1/Sta
Last Rating Action	04-03-2009

Debt Ratios	2009	2008
Net Debt / EBITDA	1.5x	1.4x

In Nov-09, Energias do Brasil sold 15.5 million treasury shares (9.8% of its share capital) through a secondary public distribution offer at a price of R\$28.50 per share leading Energias do Brasil to decrease its treasury stock position to 0.2% of share capital by Dec-09. This deal implied gross proceeds of R\$442m (€170m) used to pay-back short term and more expensive banking loans. As a result, Energias do Brasil net debt in BRL terms decreased 21% YoY to R\$2,035m by Dec-09, and average maturity in debt increased from 3 years in Dec-08 to 4.3 years in Dec-09. In Euro terms, the 29% YoY appreciation of EUR/BRL led to a 1% YoY increase of net debt to €809m in Dec-09. **Net financial costs in BRL terms decreased 6% YoY** impacted not only by the decline in net debt, but also by lower average cost of debt (from 11.4% in 2008 to 9.4% in 2009).

**Minority interests** rose both at income statement and balance sheet levels following the asset swap which implied the start of accounting of minority interests at Lajeado's hydro plant level (minority interests with a 27% stake of Lajeado since Sep-08). **Capital gains** in 2009 are fully explained by the sale in Jun-09 of our stake in the telecom company Esc90.

**Overall, Energias do Brasil net profit in 2009 (under IFRS) rose 69% YoY in BRL terms and 61% YoY in Euro terms.**

The Board of Directors of Energias do Brasil will propose at the General Meeting the payment of an **annual dividend** of R\$296.3m, corresponding to R\$1.87 per share.

# Brazil: Electricity Distribution



Income Statement (R\$ m)	Bandeirante + Escelsa			Enersul			Distribution		
	2009	2008	Δ 09/08	2009	2008	Δ 09/08	2009	2008	Δ 09/08
<b>Gross Profit</b>	<b>1,382.9</b>	<b>1,212.8</b>	<b>14%</b>	-	<b>302.4</b>	-	<b>1,382.9</b>	<b>1,614.4</b>	<b>-14%</b>
Supplies and services	264.0	234.4	13%	-	74.2	-	264.0	308.6	-14%
Personnel costs	149.9	164.5	-8.9%	-	42.4	-	149.9	207.0	-28%
Costs with social benefits	37.1	20.0	86%	-	4.8	-	37.1	24.8	50%
Other operating costs (net)	101.7	43.8	132%	-	14.6	-	101.7	157.7	-36%
<b>Operating Costs</b>	<b>552.7</b>	<b>462.8</b>	<b>19%</b>	-	<b>136.0</b>	-	<b>552.7</b>	<b>698.0</b>	<b>-21%</b>
<b>EBITDA</b>	<b>830.2</b>	<b>750.0</b>	<b>11%</b>	-	<b>166.4</b>	-	<b>830.2</b>	<b>916.4</b>	<b>-9%</b>
Provisions	10.8	7.7	41%	-	10.8	-	10.8	18.5	-42%
Net Deprec. and amortisation	176.3	166.3	6.0%	-	45.2	-	176.3	353.6	-50%
<b>EBIT</b>	<b>643.1</b>	<b>576.0</b>	<b>12%</b>	-	<b>110.3</b>	-	<b>643.1</b>	<b>544.3</b>	<b>18%</b>
<b>IFRS Gross Profit</b>	<b>1,382.9</b>	<b>1,212.8</b>	<b>14%</b>	-	<b>302.4</b>	-	<b>1,382.9</b>	<b>1,614.4</b>	<b>-14%</b>
Tariff Deviation <sup>(2)</sup>	67.2	107.1	-37%	-	30.3	-	67.2	137.4	-51%
Deviat. from previous year <sup>(1)</sup>	(140.2)	(165.9)	-16%	-	(32.1)	-	(140.2)	(198.0)	-29%
Others	16.4	38.1	-57%	-	(30.6)	-	16.4	(91.5)	-
<b>Brazilian GAAP Gross Profit</b>	<b>1,326.4</b>	<b>1,192.1</b>	<b>11%</b>	-	<b>270.0</b>	-	<b>1,326.4</b>	<b>1,462.0</b>	<b>-9%</b>
<b>Regulatory Receivables (R\$ m)</b>	<b>51.1</b>	<b>149.7</b>	<b>-66%</b>	-	-	-	<b>51.1</b>	<b>149.7</b>	<b>-66%</b>
<b>Capex (R\$ m)</b>	<b>306.2</b>	<b>353.5</b>	<b>-13%</b>	-	<b>92.8</b>	-	<b>306.2</b>	<b>446.2</b>	<b>-31%</b>

In electricity distribution in Brazil, the 2009 YoY comparison reflects the exclusion of Enersul from the consolidation perimeter since Sep-08. Excluding Enersul contribution in 2008, **EBITDA in 2009 was up 11% YoY and 28% YoY in 4Q09**. Gross profit in 2009 decreased 14% YoY (+14% YoY excluding Enersul) while in 4Q09 gross profit increased 7% YoY mainly reflecting:

**(1) Significant recovery of electricity volumes sold and distributed in 4Q09:** Volume of electricity sold (excluding Enersul) increased by 2% YoY in 2009 and by 4% YoY in 4Q09. In the residential & commercial segment, volume sold in 2009 rose 5% YoY accelerating to +6% YoY in 4Q09 reflecting (i) a rise of 3% YoY in the number of clients connected and (ii) an increase of consumption per client supported by higher penetration of electrical home appliances. Note that use of grid electricity tariff for residential and commercial segment is much higher than for industrials, meaning that the evolution of volumes in this segment has a more relevant impact than changes in industrial demand. In the industrial segment, electricity volumes sold fell 6% in 2009 but this decline was just 0.2% in 4Q09 reflecting the recovery of Brazilian industrial production. Regarding electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), volume of electricity distributed fell 13% YoY in 2009, but showed already a strong 12% YoY growth in 4Q09 reflecting a fast recovery of demand namely from the mining sector.

**(2) Positive impact from annual tariff updates (Escelsa since Aug-09 and Bandeirante since Oct-09)**, which reflect essentially annual updates on cost base (CPI-X) and pass-through costs. Note that the Return on RAB defined by the regulator is set at 15% before taxes for the entire regulatory periods of Escelsa (from Aug-07 to Jul-10) and Bandeirante (from Oct-07 to Sep-11). The regulated accepted cost base over the current regulatory periods had been initially set on a preliminary base, and was set in final terms for Escelsa in Aug-09 and for Bandeirante in Oct-09.

Distribution	2009	2008	% Δ	Abs. Δ
<b>Number of Clients (th)</b>	<b>2,668.0</b>	<b>2,582.9</b>	<b>3.3%</b>	<b>+85</b>
Bandeirante	1,482.5	1,438.8	3.0%	+44
Escelsa	1,185.4	1,144.1	3.6%	+41
<b>Electricity Distributed (GWh)</b>	<b>21,313</b>	<b>22,206</b>	<b>-4.0%</b>	<b>-893</b>
Bandeirante	13,292	13,554	-1.9%	-262
Escelsa	8,021	8,652	-7.3%	-630
From which:				
To clients in Free Market (GWh)	7,423	8,563	-13%	-1,140
<b>Electricity Sold (GWh)</b>	<b>13,890</b>	<b>13,643</b>	<b>1.8%</b>	<b>+247</b>
<b>Bandeirante</b>	<b>8,585</b>	<b>8,471</b>	<b>1.3%</b>	<b>+114</b>
Resid., Commerc. & Other	5,633	5,370	4.9%	+264
Industrial	2,951	3,101	-4.8%	-150
<b>Escelsa</b>	<b>5,305</b>	<b>5,172</b>	<b>2.6%</b>	<b>+134</b>
Resid., Commerc. & Other	4,350	4,116	5.7%	+234
Industrial	955	1,055	-9.5%	-100
<b>Technical Elect. Losses</b>				
Bandeirante	5.2%	5.2%	-1.0%	-
Escelsa	8.8%	8.7%	0.7%	-
<b>Commercial Elect. Losses</b>				
Bandeirante	6.0%	5.5%	9.6%	-
Escelsa	6.8%	5.2%	29.6%	-
<b>Employees (#)</b>	<b>2,014</b>	<b>2,033</b>	<b>-0.9%</b>	<b>-19</b>
Bandeirante+Escelsa	2,014	2,033	-0.9%	-19

The negative deviation between the preliminary and the final regulated accepted cost bases of the two companies represented a retroactive negative impact of R\$46m, to be paid back to clients through tariffs over the next 12 months.

**(3) Positive impact from tariff deviations at gross profit level was lower in 2009 than in 2008.** Gross profit under IFRS for distribution in Brazil includes the cash flow impact from tariff deviations, while gross profit under Brazilian GAAP is closer to the normalized regulated gross profit. Tariff deviations created in previous years and being recovered through tariffs in 2009 amounted to R\$140m (vs. R\$166m in 2008). On the other hand, new tariff deviations created were just R\$67m in 2009 (vs. R\$107m in 2008) most of which are related to the R\$46m tariff deviation referred in the previous paragraph. As a result, the amount of regulatory receivables pending collection decreased from R\$150m by Dec-08 to a very low level of R\$51m by Dec-09.

**Controllable costs (supplies & services + personnel costs) rose 4% YoY in 2009** (excluding Enersul) and rose 15% YoY in 4Q09 as a consequence of staff reduction and efficiency programs implemented but also an increase of marketing and commercial costs. Costs with social benefits in 2009 include R\$15m one-off HR restructuring costs related to a middle-management headcount reduction program. Other operating costs in 2009 include one-off expenses and provisions on legal issues.

Electricity losses increased, due to the higher weight of residential and commercial segments (low voltage), in the total mix of electricity distributed, a segment that has structurally higher percentage of losses.

<sup>(1)</sup> Regulatory receivables that EDP is recovering in current tariff, related to amounts that the system owed us due to lower than expected gross profit in past periods

<sup>(2)</sup> Regulatory receivables being generated in the current period to be recovered by EDP through tariffs in the next annual tariff adjustment.

# Brazil: Electricity Generation and Supply



Income Statement (R\$ m)	Generation		
	2009	2008	Δ 09/08
<b>Gross Profit</b>	<b>832.0</b>	<b>664.5</b>	<b>25%</b>
Supplies and services	57.3	42.4	35%
Personnel costs	33.6	27.1	24%
Costs with social benefits	3.0	1.3	137%
Other operating costs (net)	15.3	25.8	-40%
<b>Operating Costs</b>	<b>109.3</b>	<b>96.6</b>	<b>13%</b>
<b>EBITDA</b>	<b>722.7</b>	<b>567.9</b>	<b>27%</b>
Provisions	1.7	0.2	-
Net Depreciation and amortisation	139.5	102.9	36%
<b>EBIT</b>	<b>581.5</b>	<b>464.7</b>	<b>25%</b>

Generation	2009	2008	Δ 09/08
<b>Gross Profit (R\$ million)</b>	<b>832.0</b>	<b>664.5</b>	<b>25%</b>
Lajeado	364.7	173.8	110%
Peixe Angical	283.3	297.9	-4.9%
Energest (15 Hydro plants)	184.0	192.8	-4.6%
<b>Installed Capacity - Hydro (MW)</b>	<b>1,732</b>	<b>1,697</b>	<b>2.1%</b>
Lajeado	902.5	902.5	-
Peixe Angical	452.0	452.0	-
Energest (15 Hydro plants)	377.9	342.2	10.4%
<b>Electricity Sold (GWh)</b>	<b>7,985.2</b>	<b>6,411.1</b>	<b>25%</b>
<b>Electricity Generated (GWh)</b>	<b>6,893.0</b>	<b>5,473.1</b>	<b>26%</b>
Lajeado	3,169.4	1,795.2	77%
Peixe Angical	2,093.1	2,249.8	-7.0%
Energest (15 Hydro plants)	1,630.5	1,428.1	14%
<b>Average Selling Price (R\$/MWh)</b>	<b>119.0</b>	<b>114.6</b>	<b>3.8%</b>
Lajeado	106.7	96.9	10%
Peixe Angical	149.2	137.4	8.6%
Energest (15 Hydro plants)	105.4	105.0	0%
<b>Capex (R\$ million)</b>	<b>409.2</b>	<b>689.7</b>	<b>-41%</b>
Lajeado	11.9	8.8	36%
Peixe Angical	21.1	12.3	71%
Energest (14 Hydro plants)	11.7	32.3	-64%
New Capacity	364.5	636.4	-43%
<b>Employees (#)</b>	<b>260</b>	<b>236</b>	<b>+24</b>

Supply	2009	2008	Δ 09/08
Gross Profit (R\$ m)	54.1	77.8	-30%
Operating Costs (R\$ m)	16.6	26.6	-37%
EBITDA (R\$ m)	37.5	51.2	-27%
Electricity Sales (GWh)	8,586	7,282	18%
Number of clients (#)	120	88	36%

## GENERATION:

**EBITDA in our electricity generation activities in Brazil rose 27% YoY in 2009 and 39% YoY in 4Q09.** The key driver of YoY growth of EBITDA in 2009 was the change of consolidation method of Lajeado hydro plant from proportional to full consolidation from Sep-08 onwards (increase in our stake from 27.65% to 73%). Note also that in 2008 the generation activity had R\$51m non recurrent trading gains in the spot market. Excluding these two impacts EBITDA in 2009 grew 9% YoY.

**Electricity volume sold rose 25% YoY in 2009 (+1,574 GWh)** reflecting the increase in our stake in Lajeado hydro plant (+1,416 GWh in 2009), the start up of the 29MW Santa Fé mini hydro in Jun-09 (+140 GWh) and, to less extent, the start up of the 2.9MW repowering of Suíça and two new groups of 3.8MW at Rio Bonito mini hydro plant. In 4Q09, electricity volume sold rose 18% YoY (+333GWh) mainly reflecting an abnormally low electricity volume sold in 4Q08 in order to take advantage of an arbitrage opportunity between stable PPA prices and extremely high prices in the residual electricity spot market in 1Q08. That particular market environment allowed our generation division to achieve in 2008 a R\$51m non-recurrent gain. Note that following regulatory changes in 2008, generation companies have now to define in December of each year the electricity volumes that they want to sell in each month of the next year, reducing room for such short term volumes arbitrage between PPA and spot market prices.

**In 2009 the volume of electricity sold was 16% higher than the volume generated in our plants.** The difference between the allocation of the electricity generated and sold was bought in residual electricity spot market, at a price that covers the marginal costs of the plant and which in 2009 was R\$8.2/MWh. Note that hydro plants in Brazil are dispatched by ONS (National Operator of Electricity System) removing the autonomy of agents in the determination of its order. This centralized dispatch optimizes the generation system, allows to share hydrological risks and benefits of systemic generation.

**Average selling price rose 4% YoY in 2009, or 7% YoY in 4Q09.** All Energias do Brasil's installed capacity is contracted under PPAs with prices updated to inflation and an average maturity of 15 years. As a result, average selling price in Lajeado and Peixe Angical increased by 10% and 9% YoY in 2009. Note that the PPA contract of the new Santa Fé hydro plant has a price above the average of our portfolio (R\$137/MWh for a 30-year period, volume of average 16 MW). In Aug-09 we closed an additional small size PPA contract for Rio Bonito mini-hydro (price of R\$144/MWh for a 30-year period, volume of average 1 MW).

**Operating costs rose by 13% YoY** due to an increase in personnel costs and supplies and services driven by full consolidation of Lajeado.

**Capex decrease by 41% YoY**, mainly driven by a decline of R\$273m in expansion capex (which represents 89% of total capex). The main driver was the concentration of higher capex level related to the construction of Pécem coal plant in 2010 and the end of construction of Santa Fé mini hydro.

The construction of **Pécem coal plant** started in Jul-08 and Energias do Brasil holds a 50% stake in partnership with MPX Mineração e Energia. The conditions contracted in the electricity auction promoted by the Brazilian regulatory authorities include the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross profit of R\$417.4m per year (amount at 2007 nominal prices to be updated at inflation) with the full pass through of fuel costs. According to the engineering and procurement contracts signed with suppliers, the new plant will represent a USD1.2bn capex. The project will be financed with 75% of long term debt, that is already contracted. In 2009, capex amounted to R\$267m. This investment will represent a 21% increase in our installed capacity in Brazil.

Regarding **new hydro capacity**, Santa Fé plant was concluded in Jun-09 with capex in 2009 amounting to R\$42m. In Dec-09, the repowering of Suíça and two groups of Rio Bonito were installed. The forecast for the end of the repowering of the last group of Rio Bonito (1.9 MW) is the 1Q10. The completion of the repowering of Mascarenhas (17.5 MW) is planned for 2012. In 2009, capex related to these repowering investments amounted to R\$37m.

## LIBERALIZED ELECTRICITY SUPPLY:

Our trading and supply activity is carried out by Enertrade in the free market essentially through a service of energy sourcing to large industrial clients without incurring in material energy market risk. **In 2009, EBITDA in supply decreased 27% YoY** due to existence in 2008 of non recurrent gains related to the abnormally high electricity spot price in the period (R\$25m). Excluding the trading gains in 2008, EBITDA in 2009 rose +44% YoY. Operating costs decreased by 37% due to a reduction in the provision associated to the supply contract with Ampla.



**Income Statements**

## Income Statement by Business Area



2009	LT Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	Wind Power	Brazil	Other & Adjustments	EDP Group
(€ m)							
<b>Gross Profit</b>	<b>1,029.5</b>	<b>847.6</b>	<b>1,777.3</b>	<b>642.0</b>	<b>817.0</b>	<b>(8.2)</b>	<b>5,105.3</b>
Supplies and services	84.7	146.7	386.6	148.3	130.5	(128.6)	768.2
Personnel costs	64.1	53.8	206.9	41.9	73.5	99.8	540.0
Costs with social benefits	43.5	0.2	97.8	0.6	16.5	(0.4)	158.4
Concession rents	5.3	0.0	239.5	5.0	-	(1.2)	248.6
Other operating costs (net)	(0.3)	13.5	(6.0)	(96.4)	46.3	70.1	27.1
<b>Operating costs</b>	<b>197.3</b>	<b>214.3</b>	<b>924.9</b>	<b>99.5</b>	<b>266.8</b>	<b>39.8</b>	<b>1,742.4</b>
<b>EBITDA</b>	<b>832.2</b>	<b>633.4</b>	<b>852.4</b>	<b>542.5</b>	<b>550.2</b>	<b>(47.9)</b>	<b>3,362.9</b>
Provisions	1.0	44.6	14.9	(0.2)	12.8	1.7	74.7
Net Depreciation and amortisation <sup>(1)</sup>	271.6	172.8	333.7	311.9	118.2	110.4	1,318.7
<b>EBIT</b>	<b>559.7</b>	<b>416.0</b>	<b>503.9</b>	<b>230.8</b>	<b>419.2</b>	<b>(160.1)</b>	<b>1,969.6</b>

2008	LT Contracted Generation	Iberian Liberalised Activities	Regulated Networks Iberia	Wind Power	Brazil	Other & Adjustments	EDP Group
(€ m)							
<b>Gross Profit</b>	<b>1,053.8</b>	<b>611.6</b>	<b>1,868.1</b>	<b>520.2</b>	<b>851.3</b>	<b>(7.9)</b>	<b>4,897.2</b>
Supplies and services	93.2	131.9	378.0	106.4	144.7	(118.5)	735.8
Personnel costs	74.0	53.7	216.9	37.5	96.0	95.4	573.7
Costs with social benefits	32.6	5.7	136.2	1.1	10.3	(24.7)	161.2
Concession rents	4.8	-	227.5	4.3	-	(1.0)	235.7
Other operating costs (net)	(0.0)	26.8	(32.1)	(67.1)	37.9	70.5	35.9
<b>Operating costs</b>	<b>204.6</b>	<b>218.1</b>	<b>926.5</b>	<b>82.3</b>	<b>289.0</b>	<b>21.7</b>	<b>1,742.2</b>
<b>EBITDA</b>	<b>849.3</b>	<b>393.5</b>	<b>941.6</b>	<b>437.9</b>	<b>562.3</b>	<b>(29.6)</b>	<b>3,154.9</b>
Provisions	(8.1)	30.4	(0.9)	(0.8)	8.4	3.1	32.1
Net Depreciation and amortisation <sup>(1)</sup>	262.8	156.1	316.5	207.1	174.3	76.1	1,192.9
<b>EBIT</b>	<b>594.6</b>	<b>207.0</b>	<b>626.0</b>	<b>231.6</b>	<b>379.6</b>	<b>(108.7)</b>	<b>1,930.0</b>

<sup>(1)</sup> Depreciation and amortisation expense net of compensation of depreciation and amortisation



## Quarterly Income Statement



Quarterly P&L (€m)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Electricity Sales	3,152.7	2,888.8	3,147.3	3,180.8	2,866.6	2,391.4	2,706.5	2,969.7
Gas Sales	336.0	254.3	288.1	348.5	316.3	199.8	177.9	250.6
Other Sales	17.2	10.1	75.0	34.2	12.6	20.4	18.7	73.4
Services Provided	25.7	35.6	31.9	68.0	37.9	44.9	62.8	48.9
<b>Operating Revenues</b>	<b>3,531.6</b>	<b>3,188.7</b>	<b>3,542.3</b>	<b>3,631.6</b>	<b>3,233.3</b>	<b>2,656.5</b>	<b>2,965.9</b>	<b>3,342.5</b>
Electricity	1,694.0	1,563.3	1,693.0	1,677.0	1,464.8	1,045.2	1,343.9	1,486.6
Gas	218.6	167.0	167.2	270.3	218.3	128.0	98.5	196.4
Fuel	351.7	255.0	427.0	448.8	272.3	273.4	287.3	222.7
Materials and goods for resale	8.9	16.6	18.6	19.9	17.1	16.8	11.1	10.5
<b>Direct Activity Costs</b>	<b>2,273.2</b>	<b>2,001.9</b>	<b>2,305.8</b>	<b>2,415.9</b>	<b>1,972.5</b>	<b>1,463.5</b>	<b>1,740.8</b>	<b>1,916.1</b>
<b>Gross Profit</b>	<b>1,258.3</b>	<b>1,186.7</b>	<b>1,236.5</b>	<b>1,215.7</b>	<b>1,260.8</b>	<b>1,193.0</b>	<b>1,225.1</b>	<b>1,426.4</b>
Supplies and services	170.6	184.6	174.9	205.7	165.5	187.9	176.3	238.4
Personnel costs	148.5	153.0	133.4	138.7	141.3	142.5	124.5	131.7
Costs with social benefits	29.1	28.7	76.2	27.1	35.4	30.6	44.1	48.2
Concession fees	59.1	58.4	59.3	58.8	61.8	62.5	61.9	62.4
Other operating costs (net)	42.3	(14.0)	7.1	0.5	7.6	8.0	1.8	9.8
<b>Operating costs</b>	<b>449.6</b>	<b>410.8</b>	<b>450.9</b>	<b>430.9</b>	<b>411.7</b>	<b>431.5</b>	<b>408.5</b>	<b>490.6</b>
<b>EBITDA</b>	<b>808.7</b>	<b>775.9</b>	<b>785.6</b>	<b>784.8</b>	<b>849.1</b>	<b>761.4</b>	<b>816.6</b>	<b>935.8</b>
Provisions	0.3	17.2	11.0	3.6	4.7	14.1	15.2	40.7
Depreciation and amortisation	293.1	355.0	309.2	349.2	338.5	327.8	337.5	425.8
Compensation of depreciation and amortisation	(26.6)	(27.8)	(27.3)	(31.9)	(26.2)	(27.7)	(29.0)	(28.2)
<b>EBIT</b>	<b>541.8</b>	<b>431.6</b>	<b>492.6</b>	<b>464.0</b>	<b>532.1</b>	<b>447.2</b>	<b>492.8</b>	<b>497.4</b>
Capital gains/(losses)	27.0	454.6	1.3	(1.1)	12.9	15.0	2.8	29.1
Financial Results	(184.3)	(327.1)	(182.3)	(249.0)	(165.5)	(121.7)	(92.1)	(107.4)
Results from associated companies	9.8	9.2	8.5	7.2	4.6	9.1	7.2	4.3
<b>Pre-tax profit</b>	<b>394.2</b>	<b>568.2</b>	<b>320.2</b>	<b>221.1</b>	<b>384.1</b>	<b>349.6</b>	<b>410.6</b>	<b>423.4</b>
Income taxes	92.8	91.3	57.4	42.1	88.0	105.5	115.6	90.6
Discontinued Activities	-	(8.5)	0.0	-	-	-	-	-
Net Profit for the period	301.4	468.5	262.8	178.9	296.1	244.1	295.0	332.7
<b>Net Profit Attributable to EDP</b>	<b>263.3</b>	<b>439.7</b>	<b>236.9</b>	<b>151.6</b>	<b>265.3</b>	<b>214.1</b>	<b>268.6</b>	<b>275.8</b>
Minority interests	38.1	28.8	25.9	27.4	30.8	30.0	26.4	57.0

## Income Statement by Business Area



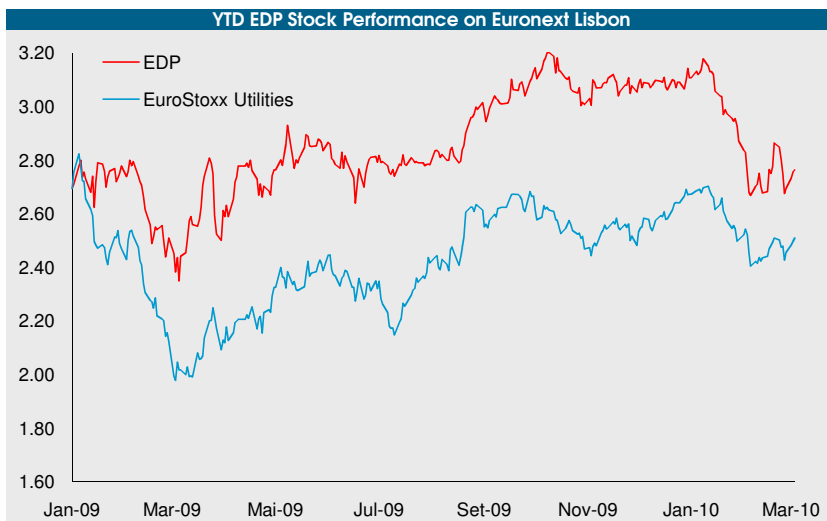
<b>2009</b> (€ m)	Generation Iberia	Supply Iberia	EDP Renováveis	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
<b>Operating Revenues</b>	<b>3,708.8</b>	<b>1,784.8</b>	<b>648.2</b>	<b>4,987.8</b>	<b>1,189.0</b>	<b>1,680.0</b>	<b>(1,800.5)</b>	<b>12,198.2</b>
<b>Direct Activity Costs</b>	<b>2,003.3</b>	<b>1,708.4</b>	<b>6.2</b>	<b>3,430.7</b>	<b>873.5</b>	<b>863.0</b>	<b>(1,792.3)</b>	<b>7,092.9</b>
<b>Gross Profit</b>	<b>1,705.5</b>	<b>76.4</b>	<b>642.0</b>	<b>1,557.1</b>	<b>315.6</b>	<b>817.0</b>	<b>(8.2)</b>	<b>5,105.3</b>
Supplies and services	156.9	52.7	148.3	352.8	55.6	130.5	(128.6)	768.2
Personnel costs	103.3	10.8	41.9	182.8	28.0	73.5	99.8	540.0
Costs with social benefits	43.3	0.4	0.6	97.3	0.6	16.5	(0.4)	158.4
Other operating costs (net)	27.0	(19.1)	(91.4)	230.2	13.9	46.3	68.9	275.8
<b>Operating costs</b>	<b>330.5</b>	<b>44.8</b>	<b>99.5</b>	<b>863.0</b>	<b>98.0</b>	<b>266.8</b>	<b>39.8</b>	<b>1,742.4</b>
<b>EBITDA</b>	<b>1,374.9</b>	<b>31.6</b>	<b>542.6</b>	<b>694.0</b>	<b>217.5</b>	<b>550.2</b>	<b>(47.9)</b>	<b>3,362.9</b>
Provisions for risks and contingencies	26.2	19.2	(0.2)	13.9	1.0	12.8	1.7	74.7
Net Depreciation and amortisation <sup>(1)</sup>	440.2	3.6	311.9	288.8	45.5	118.2	110.4	1,318.7
<b>EBIT</b>	<b>908.6</b>	<b>8.7</b>	<b>230.8</b>	<b>391.3</b>	<b>171.0</b>	<b>419.2</b>	<b>(160.1)</b>	<b>1,969.6</b>

<b>2008</b> (€ m)	Generation Iberia	Supply Iberia	EDP Renováveis	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
<b>Operating Revenues</b>	<b>4,095.8</b>	<b>1,130.0</b>	<b>532.4</b>	<b>6,213.2</b>	<b>1,442.4</b>	<b>1,844.9</b>	<b>(1,364.6)</b>	<b>13,894.1</b>
<b>Direct Activity Costs</b>	<b>2,575.8</b>	<b>1,058.1</b>	<b>12.2</b>	<b>4,573.0</b>	<b>1,140.9</b>	<b>993.6</b>	<b>(1,356.7)</b>	<b>8,996.9</b>
<b>Gross Profit</b>	<b>1,519.9</b>	<b>71.9</b>	<b>520.2</b>	<b>1,640.2</b>	<b>301.5</b>	<b>851.3</b>	<b>(7.9)</b>	<b>4,897.2</b>
Supplies and services	156.5	49.8	106.4	344.3	52.5	144.7	(118.5)	735.8
Personnel costs	113.8	9.8	37.5	194.7	26.5	96.0	95.4	573.7
Costs with social benefits	37.9	0.3	1.1	135.7	0.6	10.3	(24.7)	161.2
Other operating costs (net)	39.6	(22.0)	(62.7)	195.8	13.5	37.9	69.5	271.6
<b>Operating costs</b>	<b>347.8</b>	<b>38.0</b>	<b>82.3</b>	<b>870.4</b>	<b>93.0</b>	<b>289.0</b>	<b>21.7</b>	<b>1,742.2</b>
<b>EBITDA</b>	<b>1,172.2</b>	<b>33.9</b>	<b>437.9</b>	<b>769.8</b>	<b>208.5</b>	<b>562.3</b>	<b>(29.6)</b>	<b>3,154.9</b>
Provisions for risks and contingencies	18.0	4.4	(0.8)	(1.3)	0.4	8.4	3.1	32.1
Net Depreciation and amortisation <sup>(1)</sup>	415.3	3.1	207.1	274.4	42.7	174.3	76.1	1,192.9
<b>EBIT</b>	<b>738.9</b>	<b>26.4</b>	<b>231.6</b>	<b>496.8</b>	<b>165.5</b>	<b>379.6</b>	<b>(108.7)</b>	<b>1,930.0</b>

<sup>(1)</sup> Depreciation and amortisation expense net of compensation of depreciation and amortisation



# EDP Share Performance



EDP Stock Market Performance	2009	52W (03-03-2010)	2008
<b>EDP Share Price (Euronext Lisbon - €)</b>			
Close	3.11	2.76	2.70
Max	3.22	3.22	4.76
Min	2.34	2.34	2.06
Average	2.88	2.90	3.52
<b>EDP's Liquidity in Euronext Lisbon</b>			
Turnover (€ m)	5,027	5,602	9,864
Average Daily Turnover (€ m)	19	21	38
Traded Volume (million shares)	1,743	1,931	2,801
Avg. Daily Volume (million shares)	6.7	7.4	10.7
<b>EDP Market Value</b>			
Market Capitalisation (€ million)	11,365	-	9,854
Enterprise Value (€ million)	28,059	-	25,944

Source: Bloomberg

## EDP's Main Events

- Feb-05:** EDP signs a €145 million loan with European Investment Bank
- Feb-06:** Fitch confirms EDP's long term credit rating to 'A-'
- Feb-10:** EDP issues EUR1bn 5 year bond
- Mar-05:** EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2007 and 2008
- Mar-05:** EDP signed credit facility of €1,600 million
- Mar-11:** Tolling agreement with Iberdrola on Aguieira and Raiva hydro plants in Portugal
- Apr-23:** EDP announces dividend payment to May 14th (€0.14 - Gross dividend)
- May-7:** Publication of RDL defining the conditions for the elimination of the Spanish tariff deficit
- Jun-09:** Moody's downgrades EDP to "A3" with stable outlook
- Jun-18:** EDP issues a €1bn 7 year bond
- Jun-30:** Energias do Brasil completes the sale of telecom company ESC90
- Aug-04:** Standard&Poor's affirms EDP's 'A-' rating and revised "outlook " from stable to negative
- Aug-05:** ANEEL approves a 15.12% tariff increase at EDP Escelsa's annual tariff readjustment process
- Sep-01:** EDP Renováveis establishes a new type of institutional partnership structure for 101 MW in the US
- Sep-23:** EDP to issue US\$1,000 million of Notes
- Oct-7:** EDP Bandeirante: ANEEL approves final parameters for the Oct-07/Oct-11 regulatory period
- Oct-20:** ANEEL approves a 5.46% tariff increase at EDP Bandeirante's annual tariff readjustment process
- Nov-25:** Conclusion of the secondary public distribution of common treasury shares by Energias do Brasil
- Dec-02:** EDP Renováveis closes two institutional partnership structures in the US amounting to \$228 million
- Dec-03:** EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2009
- Dec-15:** ERSE sets electricity tariffs in Portugal for 2010

## EDP installed capacity & electricity generation



Installed Capacity - MW <sup>(1)</sup>	2009	2008	Δ MW	Δ 09/08
<b>LT Contracted Generation (PPAs/CMECs)</b>	<b>6,987</b>	<b>6,987</b>	-	<b>0%</b>
<b>Hydro</b>	<b>4,094</b>	<b>4,094</b>	-	
Run off the river	1,860	1,860	-	
Reservoir	2,234	2,234	-	
<b>Coal</b>	<b>1,180</b>	<b>1,180</b>	-	
Sines	1,180	1,180	-	
<b>Fuel oil</b>	<b>1,713</b>	<b>1,713</b>	-	
Setúbal	946	946	-	
Carregado	710	710	-	
Barreiro	56	56	-	
<b>Special Regime (Ex-Wind)</b>	<b>455</b>	<b>408</b>	<b>46</b>	<b>11%</b>
Small-Hydro	160	160	-0	
Cogeneration+Waste	257	231	26	
Biomass	38	18	21	
<b>Liberalised Electricity Generation</b>	<b>5,959</b>	<b>5,096</b>	<b>863</b>	<b>17%</b>
<b>Hydro</b>	<b>910</b>	<b>910</b>	-	
Portugal	484	484	-	
Spain	426	426	-	
<b>Coal</b>	<b>1,460</b>	<b>1,460</b>	-	
Aboño I	342	342	-	
Aboño II	536	536	-	
Soto Ribera II	236	236	-	
Soto Ribera III	346	346	-	
<b>CCGT</b>	<b>3,268</b>	<b>2,405</b>	<b>863</b>	<b>36%</b>
Ribatejo (3 groups)	1,176	1,176	-	
Lares (2 groups)	863	-	863	
Castejón (2 group)	811	811	-	
Soto IV (1 group)	418	418	-	
<b>Nuclear</b>	<b>156</b>	<b>156</b>	-	
Trillo	156	156	-	
<b>Gasoil</b>	<b>165</b>	<b>165</b>	-	
Tunes	165	165	-	
<b>Wind (More detail on page 16)</b>	<b>5,491</b>	<b>4,400</b>	<b>1,090</b>	<b>25%</b>
Europe	2,853	2,477	376	15%
USA	2,624	1,923	701	36%
Brazil	14	-	14	-
<b>Brazil (Ex-Wind)</b>	<b>1,732</b>	<b>1,697</b>	<b>35</b>	<b>2%</b>
<b>Hydro</b>	<b>1,732</b>	<b>1,697</b>	<b>35</b>	<b>2%</b>
Lajeado	902	903	-1	0%
Peixe Angical	452	452	-	0%
Energest	378	342	36	10%
<b>TOTAL</b>	<b>20,623</b>	<b>18,589</b>	<b>2,035</b>	<b>11%</b>

Electricity Generation (GWh)	2009	2008	Δ GWh	Δ 09/08
<b>LT Contracted Generation (PPAs/CMECs)</b>	<b>16,158</b>	<b>13,643</b>	<b>2,515</b>	<b>18%</b>
<b>Hydro</b>	<b>6,982</b>	<b>5,916</b>	<b>1,066</b>	<b>18%</b>
Run off the river	4,624	3,892	732	
Reservoir	2,358	2,024	334	
<b>Coal</b>	<b>8,869</b>	<b>6,926</b>	<b>1,944</b>	<b>28%</b>
Sines	8,869	6,926	1,944	
<b>Fuel oil</b>	<b>307</b>	<b>801</b>	<b>-494</b>	<b>-62%</b>
Setúbal	188	680	-492	
Carregado	-2	44	-46	
Barreiro	120	76	44	
<b>Special Regime (Ex-Wind)</b>	<b>2,117</b>	<b>1,569</b>	<b>548</b>	<b>35%</b>
Small-Hydro	370	172	198	
Cogeneration+Waste	1,613	1,342	271	
Biomass	135	55	80	
<b>Liberalised Electricity Generation</b>	<b>18,207</b>	<b>20,416</b>	<b>-2,209</b>	<b>-11%</b>
<b>Hydro</b>	<b>1,538</b>	<b>1,331</b>	<b>207</b>	<b>16%</b>
Portugal	661	519	142	
Spain	877	812	65	
<b>Coal</b>	<b>5,865</b>	<b>6,575</b>	<b>-710</b>	<b>-11%</b>
Aboño I	1,264	1,767	-503	
Aboño II	3,291	3,447	-156	
Soto Ribera II	508	490	18	
Soto Ribera III	802	871	-69	
<b>CCGT</b>	<b>9,690</b>	<b>11,311</b>	<b>-1,621</b>	<b>-14%</b>
Ribatejo (3 groups)	5,818	7,481	-1,663	
Lares (2 groups)	382	-	382	
Castejón (2 group)	2,137	3,244	-1,107	
Soto IV (1 group)	1,354	586	767	
<b>Nuclear</b>	<b>1,113</b>	<b>1,198</b>	<b>-85</b>	<b>-7%</b>
Trillo	1,113	1,198	-85	
<b>Gasoil</b>	<b>0</b>	<b>-0</b>	<b>0</b>	
Tunes	0	-0	0	
<b>Wind</b>	<b>10,907</b>	<b>7,807</b>	<b>3,100</b>	<b>40%</b>
Europe	4,975	3,900	1,075	28%
USA	5,905	3,907	1,999	51%
Brazil	26	-	-	-
<b>Brazil (Ex-Wind)</b>	<b>6,893</b>	<b>5,473</b>	<b>1,420</b>	<b>26%</b>
<b>Hydro</b>	<b>6,893</b>	<b>5,473</b>	<b>1,420</b>	<b>26%</b>
Lajeado	3,169	1,795	1,374	
Peixe Angical	2,093	2,250	-157	
Energest	1,630	1,428	202	
<b>TOTAL</b>	<b>54,282</b>	<b>48,907</b>	<b>5,375</b>	<b>11%</b>

<sup>(1)</sup> Installed capacity that contributed to the revenues in the period.

## EDP CO2 Emissions



CO2 Emissions	CO2 Emissions (absolute, ktCO2)		Specific (tones/MWh)		Production (GWh)	
	2009	2008	2009	2008	2009	2008
<b>TOTAL PPA's/CMECs</b>	<b>8,136</b>	<b>6,985</b>			<b>9,568</b>	<b>8,075</b>
Coal	7,706	6,151	0.87	0.89	8,869	6,926
Fuel Oil + Natural Gas	430	833	0.62	0.73	699	1,149
<b>TOTAL LIBERALISED GENERATION</b>	<b>10,878</b>	<b>11,831</b>			<b>15,556</b>	<b>17,886</b>
Coal	7,038	7,990	1.20	1.22	5,865	6,575
CCGT	3,840	3,841	0.40	0.34	9,691	11,311
<b>SPECIAL REGIME</b>	<b>993</b>	<b>968</b>	<b>0.29</b>	<b>0.32</b>	<b>3,392</b>	<b>2,978</b>
<b>TOTAL PRODUCTION THERMAL</b>	<b>20,007</b>	<b>19,784</b>	<b>0.70</b>	<b>0.68</b>	<b>28,516</b>	<b>28,939</b>
<b>CO<sub>2</sub> FREE GENERATION</b>					<b>26,689</b>	<b>20,699</b>
<b>TOTAL PRODUCTION</b>			<b>0.36</b>	<b>0.40</b>	<b>55,205</b>	<b>49,637</b>