energias de portugal

2005 1st Half Results

July 29th, 2005

EDP Consolidated P&L

	1H2005	1H2004			1H2004*		
	€ m	€ m	Δ %	Δ €m	€ m	Δ %	Δ €m
Gross Profit	1,909	1,761	8%	149	1,859	3%	50
Operating Costs	899	835	8%	65	839	7%	61
EBITDA	1,010	926	9%	84	1,021	-1%	-11
EBIT	607	579	5%	28	637	-5%	-30
Financials	(122)	(173)	-30%	51	(280)	-56%	158
Net Profit	318	288	11%	30	309	3%	9
Capex	516	443	16%	73	512	1%	4

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

Milestones

Focus on Iberian energy

- Exercise call options on additional 20% stake in Turbogás (990MW CCGT) and on 46.625% of Portgás, the 2nd largest gas Dis.Co. in Portugal
- 61% of the Group's capex allocated to Iberian Energy
  - Distribution grid in Portugal: €187m
  - Renewables in Iberia: €10.5m in Portugal and €70.8m in Spain
  - Unit III of TER CCGT in Portugal: €33.4 million
  - Reduction of SO_2 and NO_x emissions in Iberia: €17m
- Dual-fuel offer to liberalised clients in Spain

Progress on efficiency

- Reduction of 890 employees in Iberian core business resulting in 4% fall in costs with active workers YoY.
- Improved quality of service: equivalent interruption time down 18% YoY

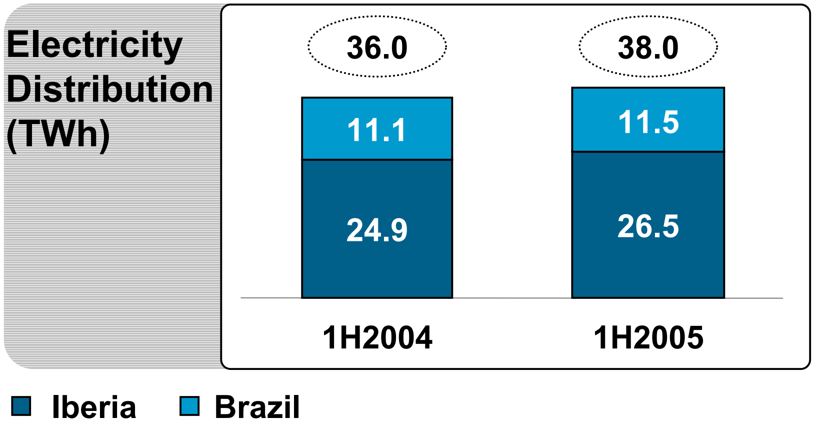
Restructuring of Energias do Brasil

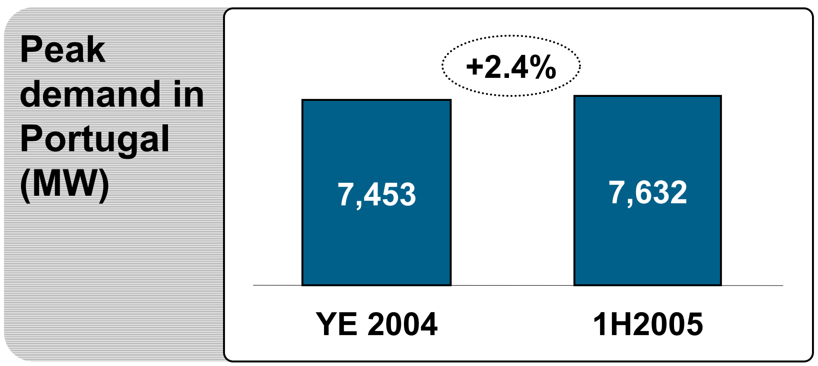
- Full control of Brazilian distribution subsidiaries after roll-up of minorities
- Successful IPO in July 2005: proceeds of R$435m and conversion of R$670m Escelsa Bonds held by EDP into capital
- EDP's stake in Energias do Brasil reduced from 100% to 66% after transactions

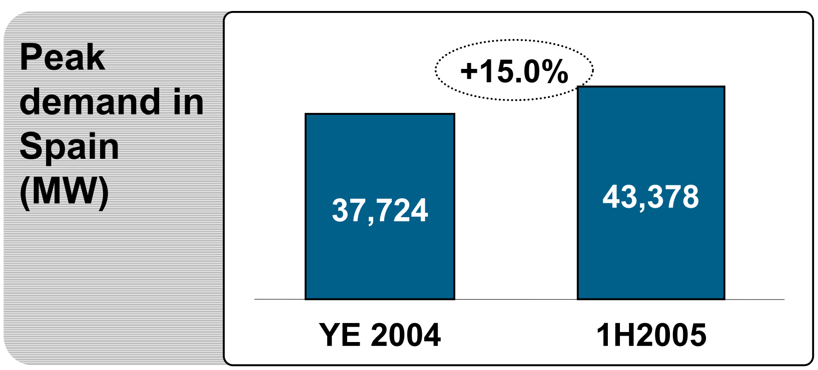
Sale of Non-core assets

- Sale of 3% of REE for €76m
- Transfer of 2.01% share in BCP to EDP's pension funds (mkt value of €139m)
- Sale of an office building to REN (€21m)
- Sale of Comunitel to TELE2 for €215m (in July 2005)

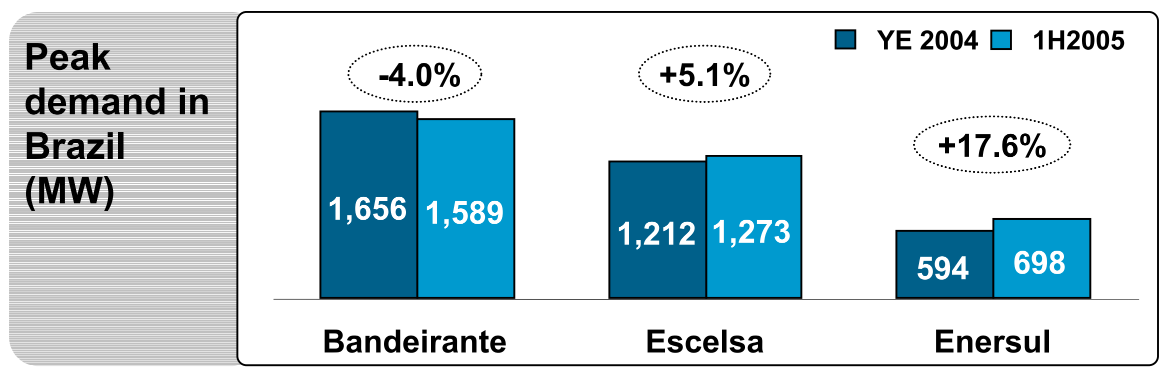
Strong demand growth in all EDP markets and historic record peaks







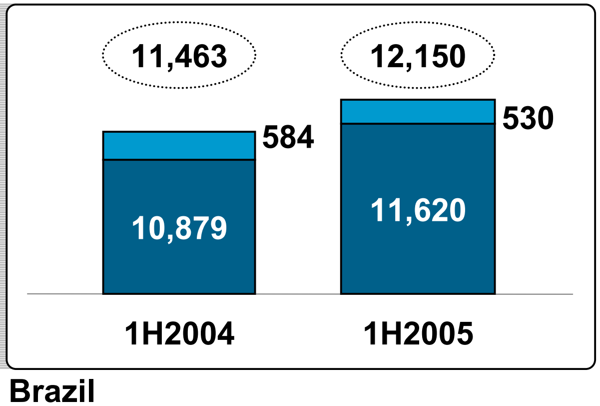
- Continued solid growth in electricity demand across all EDP markets…
  - Portugal: +6.4% (20.4 to 21.8 TWh)
  - Spain: +7.0% (117 to 125 TWh)
  - Brazil: +3.4% (11.1 to 11.5 TWh)
- … sustained by convergence of per capita consumption to EU levels in Portugal and economic growth in Spain and Brazil
- Peak demand has been increasing every year strengthening attractiveness rational of markets



A 687 MW increase in Group's installed capacity and higher load factor of total generation portfolio

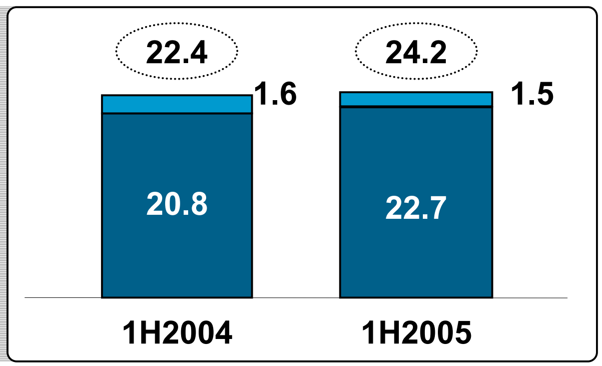
edp

Installed Capacity (MW) (1)



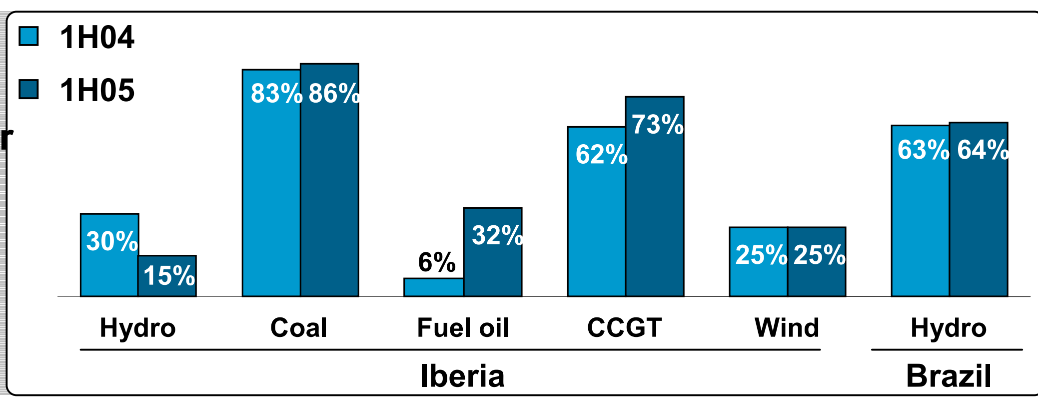
- +400 MW TER II started November 2004
- +170 MW in wind farms in Iberia (and +61 MW in other Special Regime Producers in Spain)
- -79MW of Tapada do Outeiro and Tunes decommission
- -54 MW following sale of Fafen

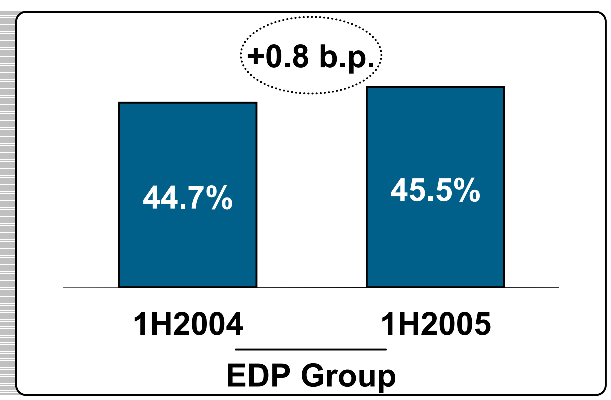
Electricity Generation (TWh) (2)



- Lower hydro generation due to dry period (-3.2 TWh)
- Higher TER's new unit II output (+1.5 TWh)
- Higher emission from HC CCGT's (+0.2 TWh)
- Additional output from wind farms in Iberia (+0.2 TWh) and by other SRP generation in Spain (+0.2 TWh)

Generation facilities Load Factor (%) (1)/(2)





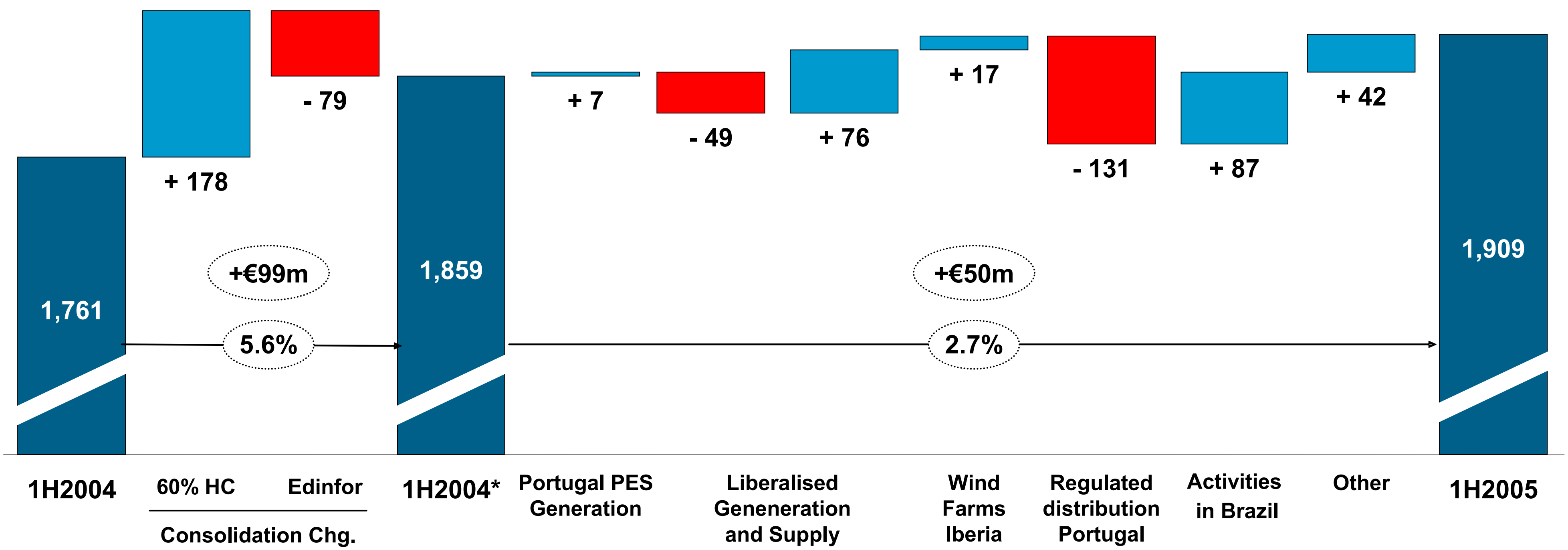
(1) Includes installed capacity of: i) Turbogás (990MW) 20% in 1H04 / 40% in 1H05 and; ii) Tejo Energia (584MW) 10% (1H04 / 1H05)

(2) Includes electricity generation of: i) Turbogás 610GWh in 1H04 / 1,319GWh in 1H05 and; ii) Tejo Energia 197GWh in 1H04 / 247GWh in 1H05

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04

€ million

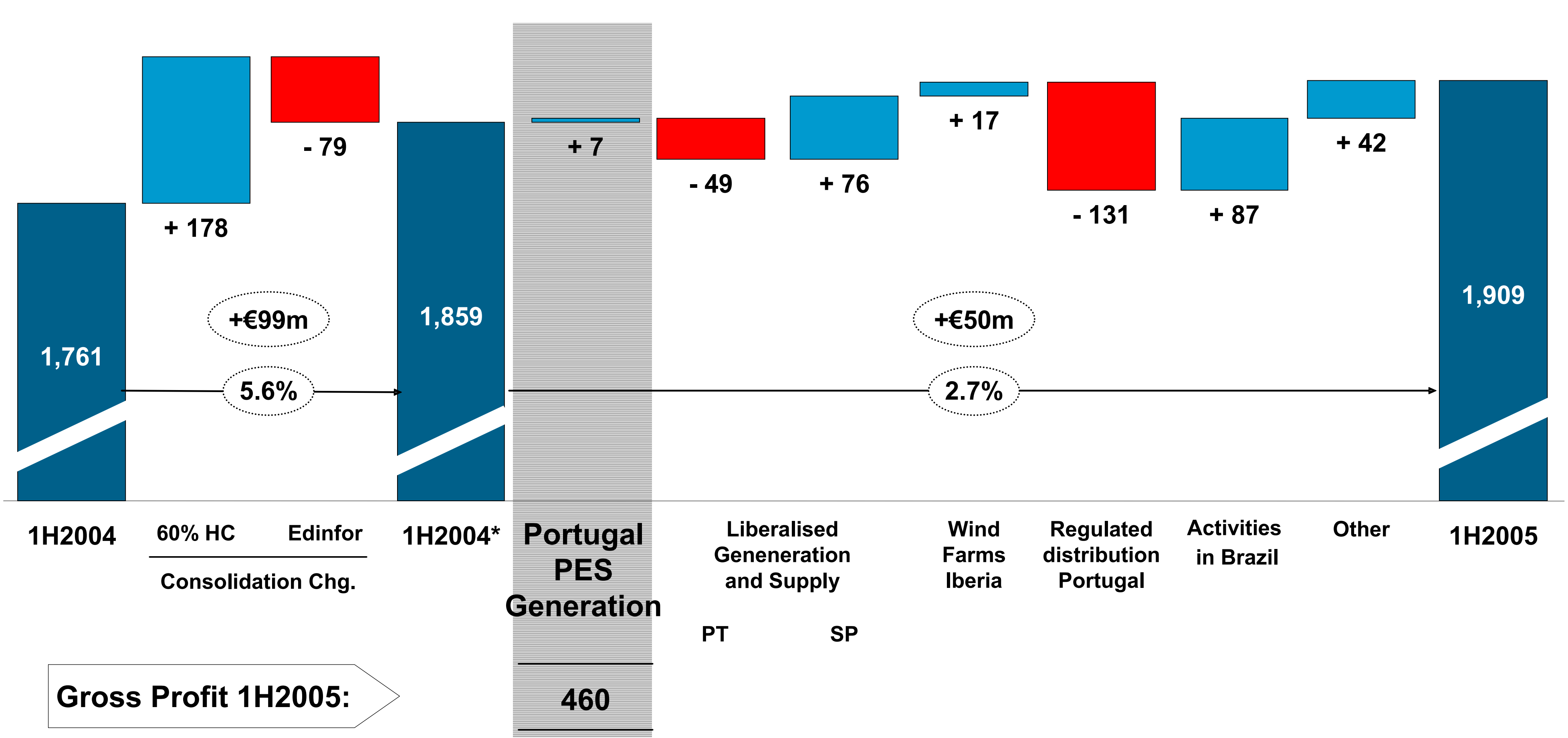


Gross Profit 1H2005:	Portugal PES Generation	Liberalised Genereration and Supply PT	Liberalised Genereration and Supply SP	Wind Farms Iberia	Regulated distribution Portugal	Activities in Brazil	Other
	460	6	209	32	585	274	342
	Stable gross profit from largest contributor to EBITDA	High pool prices: negative impact in Portugal; favours HC		+ 170 MW of wind capacity	Higher demand offset by tariff revision and electr. costs	Increase in electricity demand and tariff revisions	

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04

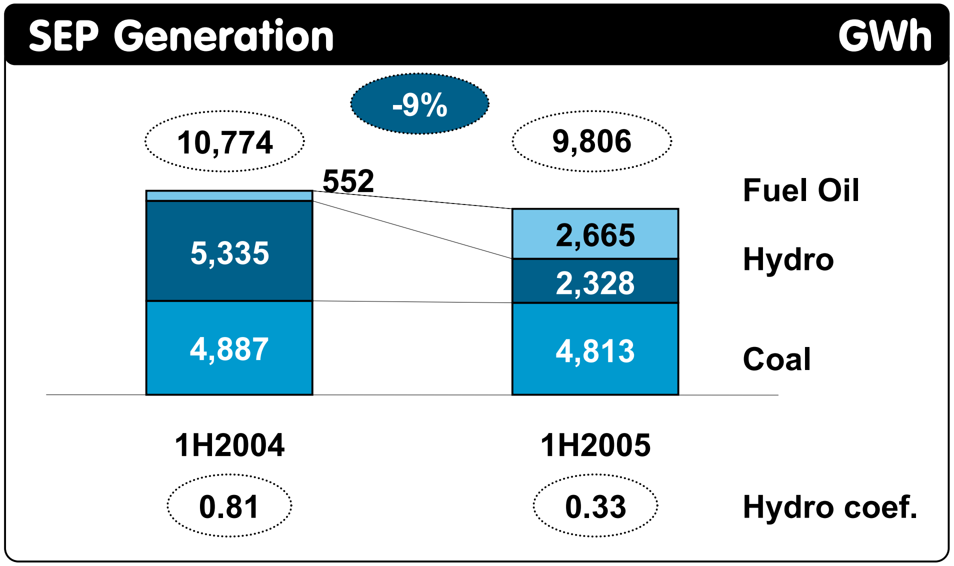


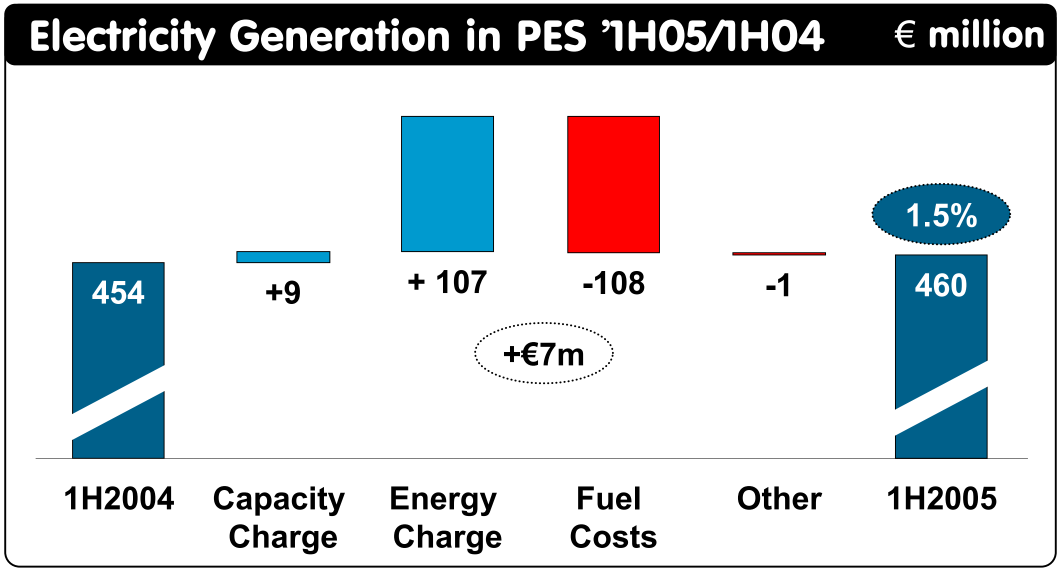
Gross Profit 1H2005:

PPA's: stable gross profit from largest contributor to EBITDA

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

PES(1) gross profit immune to 967 GWh decrease in output and changes in generation mix





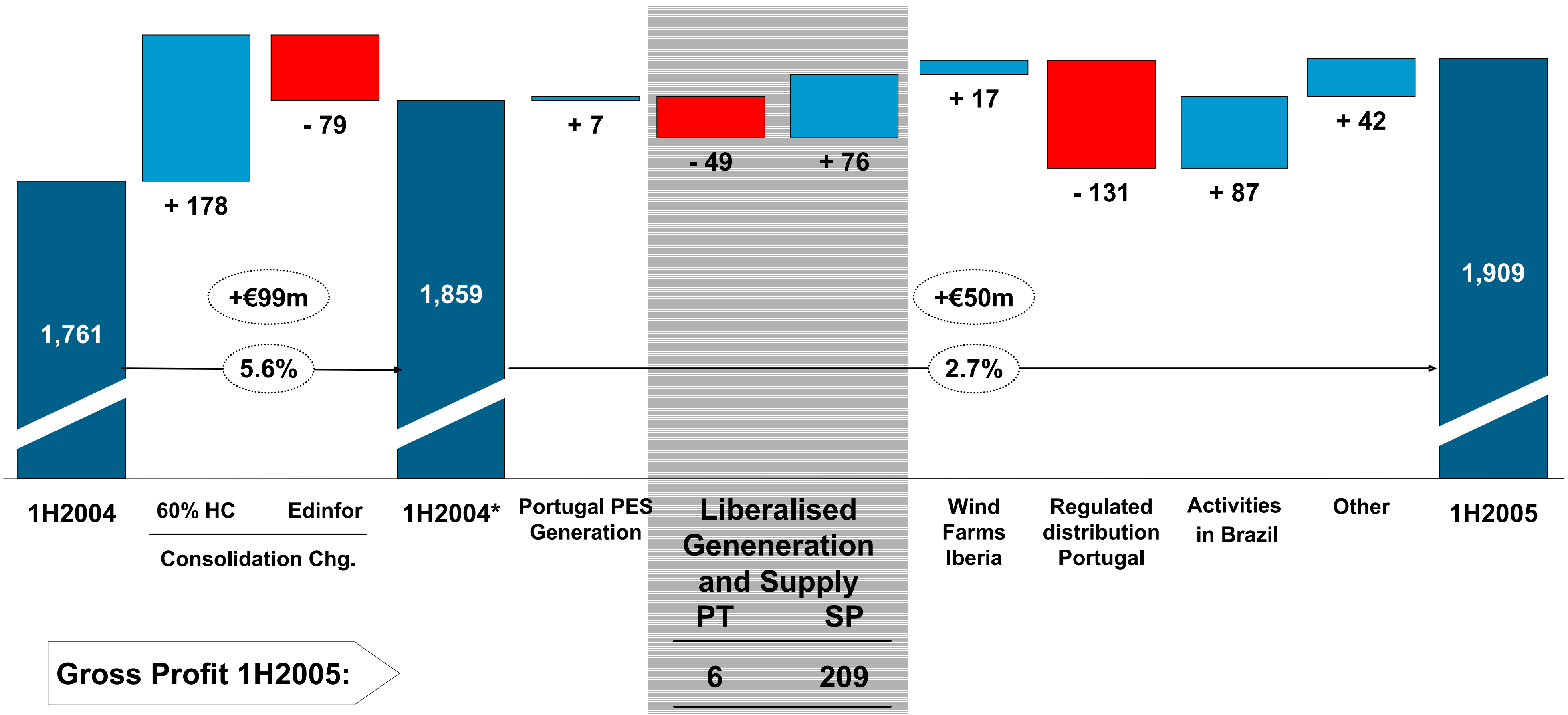
- Poor hydrological conditions (hydro coefficient 0.33 in 1H05 vs 0.81 in 1H04) led to lower contribution of hydro plants and to five-fold increase in fuel-oil output to the system
- Stability of PPAs: increase in capacity charge reflects adjustment of the remuneration to inflation
- Increase in fuel costs are passed through by way of the energy charge
- Fuel procurement margin contributed with €9.0m to 1H2005 gross profit

(1) PES: Public Electricity System

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04

€ million



High pool prices: negative impact in Portugal; favors Hidrocantábrico

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

Short position in liberalized generation in Portugal hurt by high pool prices…

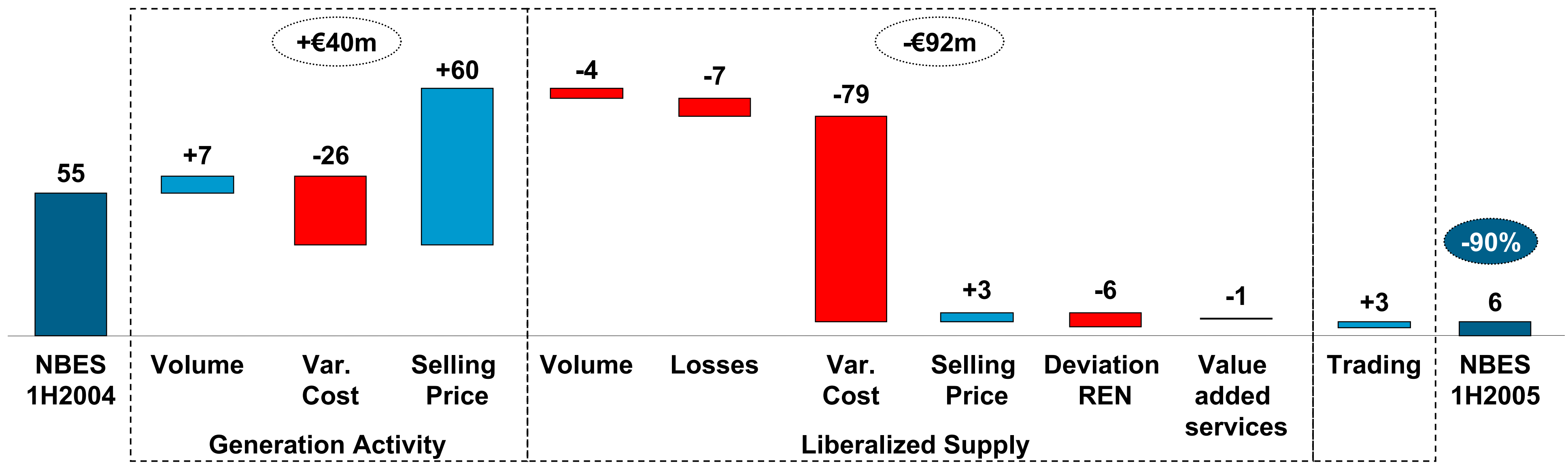
1H2004 — GWh

Energy Sources		Energy Destinations	
Generation Activity	1,390	EDPC	2,195
Purchases Pool	1,799	EDPD	1,621
Other	697	Other	70

1H2005 — GWh

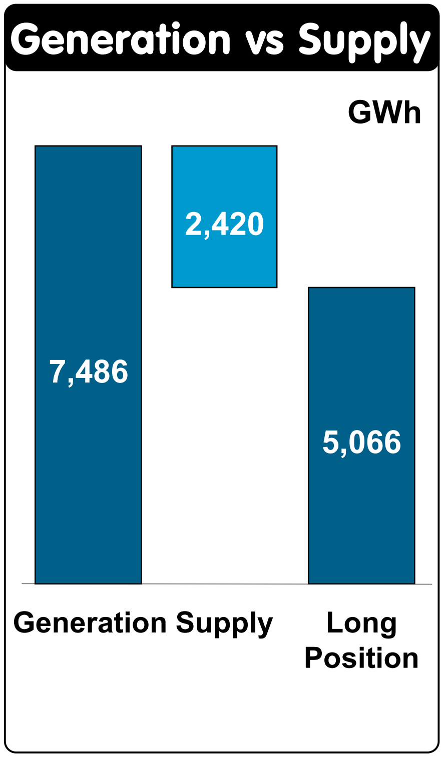
Energy Sources		Energy Destinations	
Generation Activity	2,690	EDPC	3,074
Purchases Pool	981	EDPD	646
Other	127	Other	78

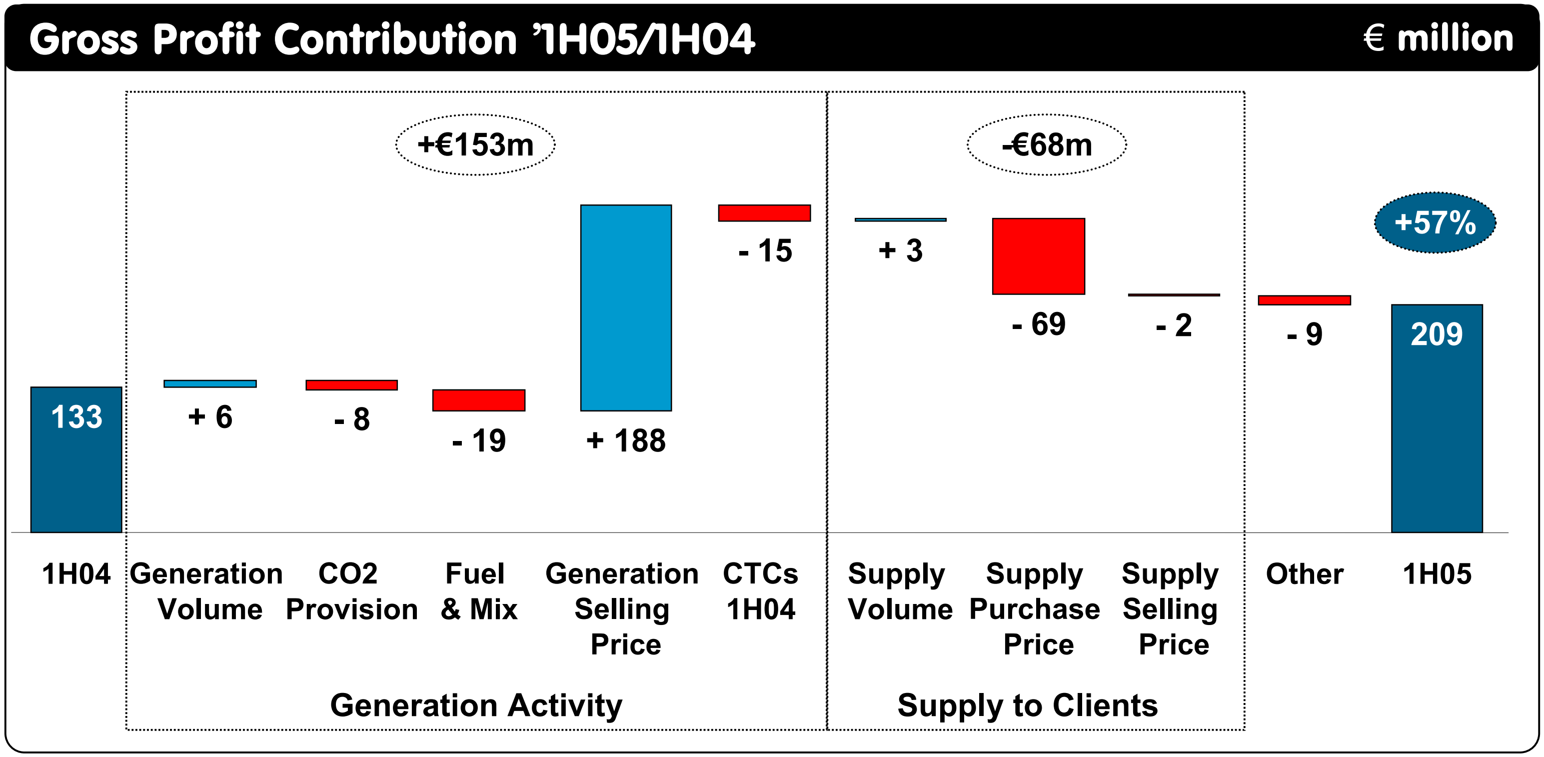
Gross Profit in the NBES '1H05/1H04 — € million



- Increase of CCGT's spark spread on the back of hike in pool prices (€32/MWh to €57/MWh) was insufficient to compensate negative impact of short position in generation vs. supply.

... while HC's long position on generation in Spain benefits from high pool prices

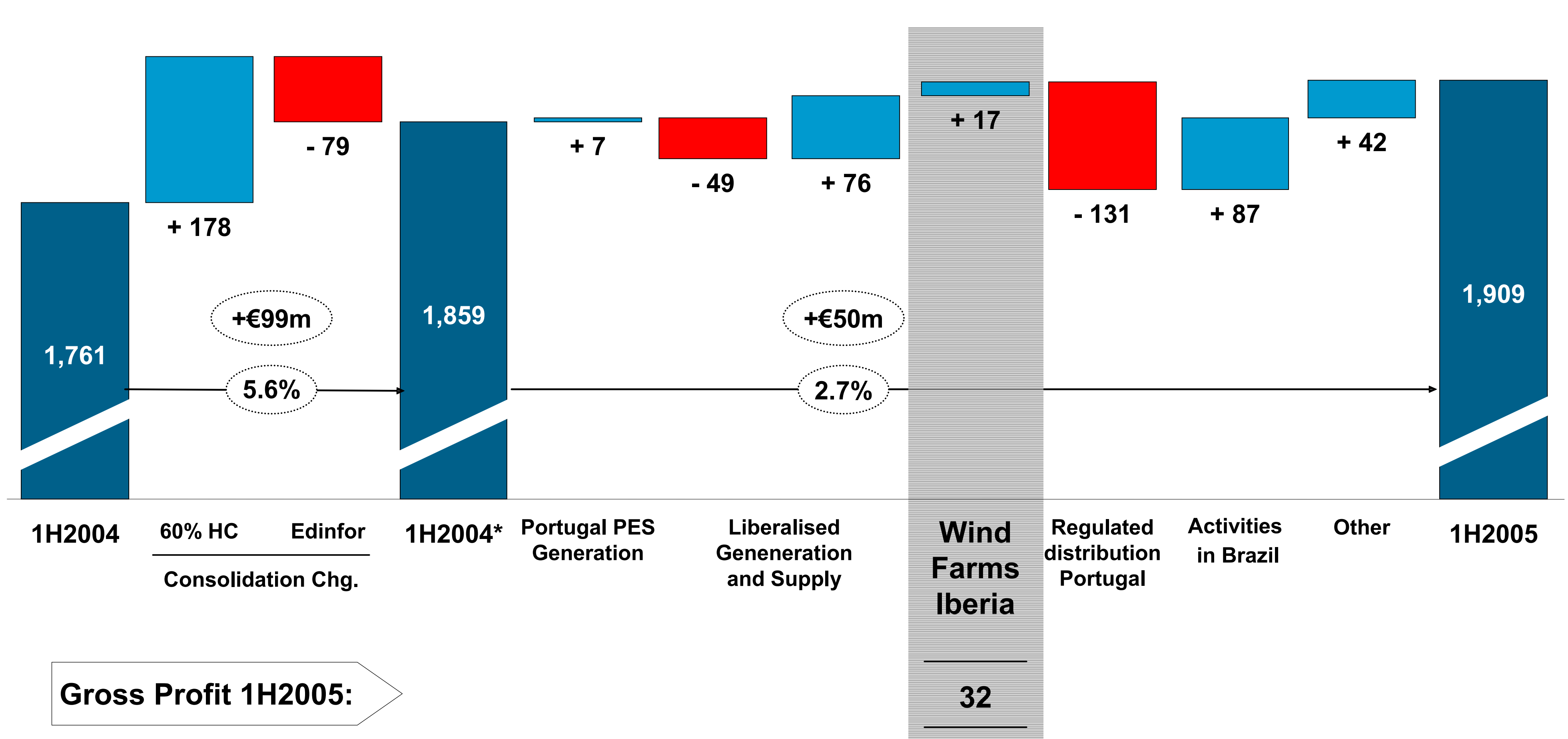




- Despite stoppages at Aboño and Soto, generation volumes up 7% on the back of a very dry period
- Higher utilization of thermal power plants resulted in an excess of 0.3m tons in CO_2 emissions fully provisioned in the 1H2005
- Fuel costs mainly affected by higher gas costs, while coal costs have been coming down since 4Q2004
- System tariff deficit for the period amounted to €89m for HC

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04

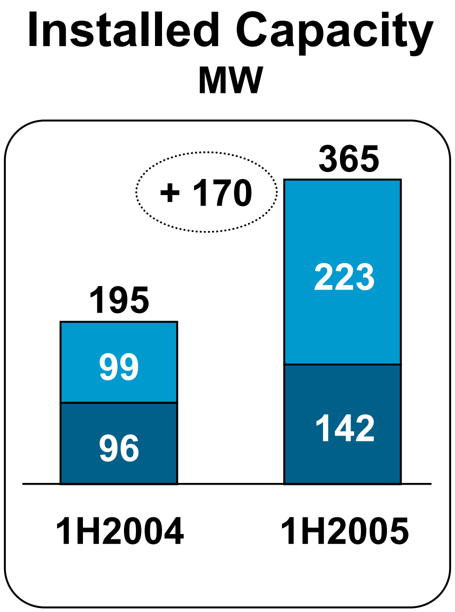


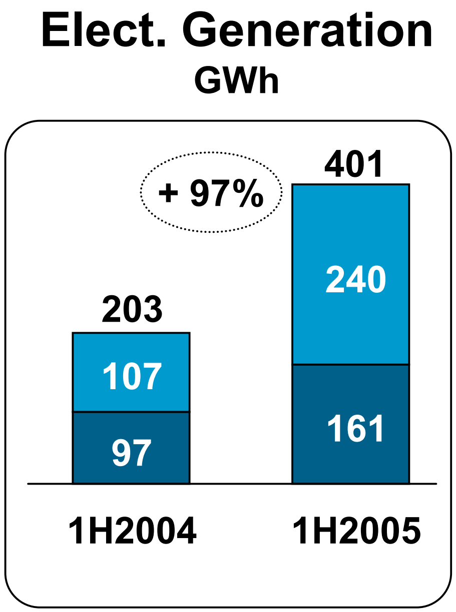
+170 MW of new wind capacity in Portugal and Spain

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

Additions to wind capacity in Iberia provided extra 198 GWh at regulated tariffs

Wind Farms





Portugal Spain

- Wind installed capacity increased following entry into service of:

  PT: Vila Nova I – 20 MW (July 2004) and re-powering of 6MW (April 2005); Serra do Açor – 20 MW (September 2004)

  SP: Albacete wind farm – 124 MW (Nov. 2004)

- Tariffs in both countries are an incentive to investment as they are guaranteed for the life time of the wind farm[(1)]

Portugal

	1H04	1H05	△ %
Avg. Tariff (€/MWh)	88.1	91.1	+3%
Gross Profit (€m)	8.5	14.7	+72%

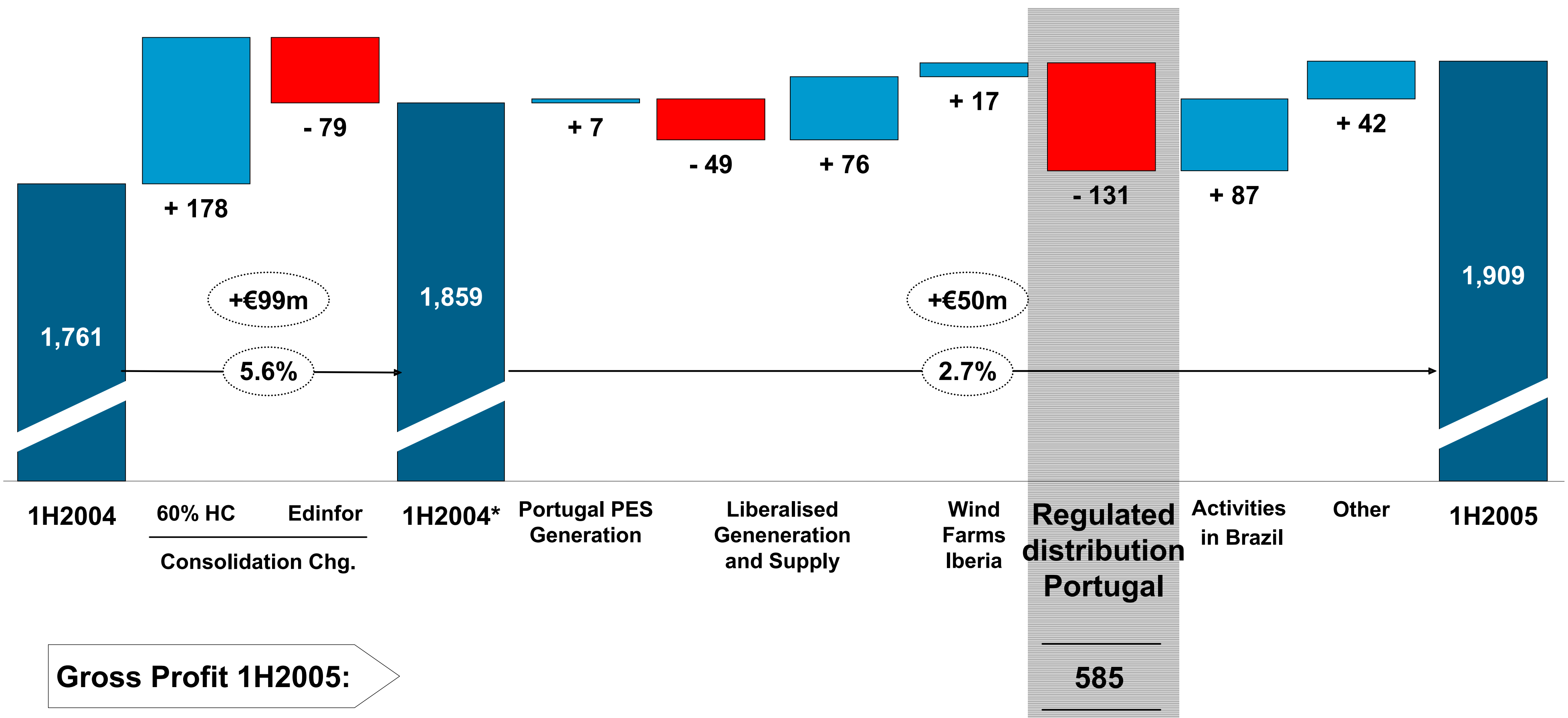
Spain

	1H04	1H05	△ %
Avg. Tariff (€/MWh)	58.9	71.1	+22%
Gross Profit (€m)	6.3	17.2	+174%

[(1)] Portugal: New DL ensures renewable tariff for the first 33 GWh delivered to the system for a period no longer than 15 years.
Spain: Royal Decree guarantees tariff for the life time of wind farms (80% of reference Spanish tariff from year 15 onwards)

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04



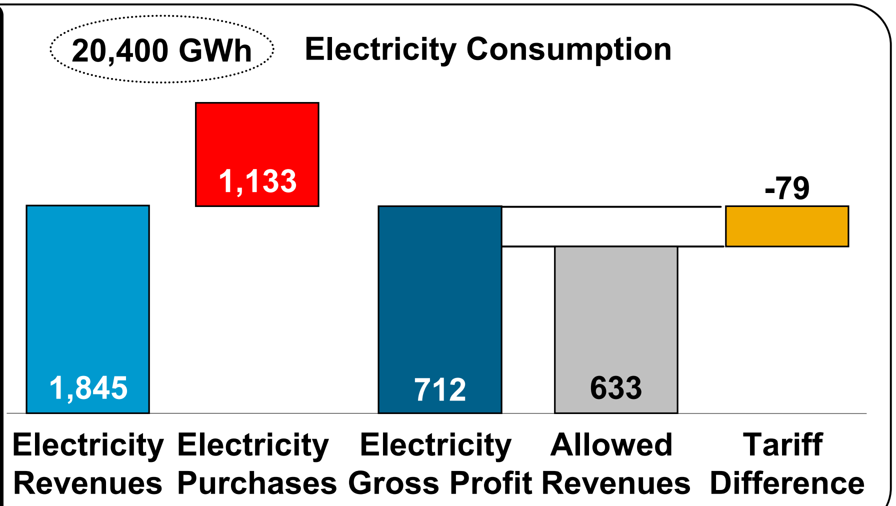
Higher demand offset by 2005 tariff revision and higher costs of electricity purchased

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

EDPD gross profit decreased 19% but allowed revenues fell only 3% backed by strong demand

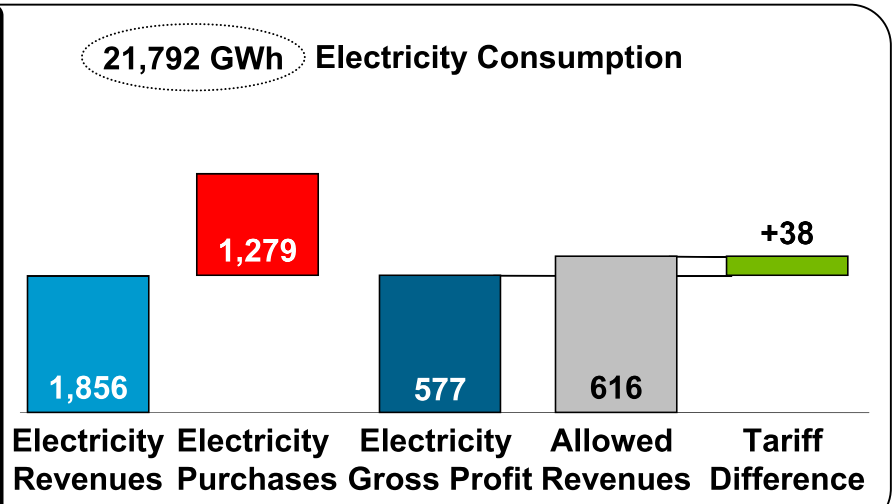
Electricity Distribution Gross Profit - € million

1H2004



+1% +13% -19% -3%

1H2005



Tariff difference (€79m in 1H2004) amounted to €13.2m by YE2004:

- €7m are being returned to the tariffs in 2005 (€3.5m in the 1H2005).
- €6.2m will be returned in 2006

Tariff difference of €38m in 1H2005:

- €52.3m to recover in 2006 related to fuel costs adjust.
- €13.8m to return in 2007 mostly from fixed component of elec. purchase received in excess, through the 2005 tariffs, due to higher consumption

- Allowed revenues decreased 2.7%:

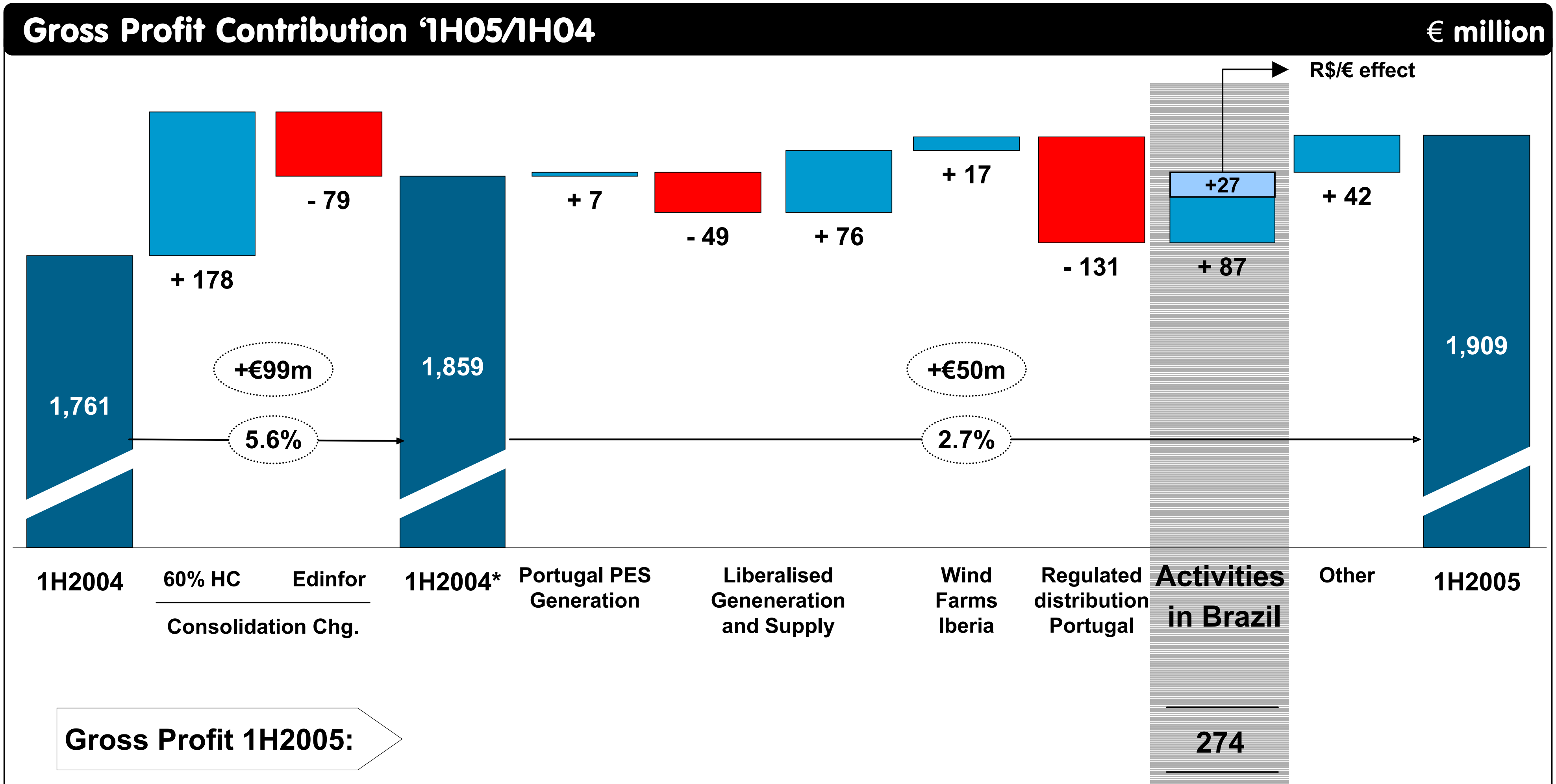
- UDGr up 1.8% on the back of 6.8% growth in consumption;

- NS and SPS down 20% following a 50bps decrease in regulated rate of return and 13.8% decrease in structural commercial costs;

- €18.9m in 1H2005 from recovery of costs incurred with the HR Restructuring Program

Main Gross Profit drivers

Gross Profit Contribution '1H05/1H04

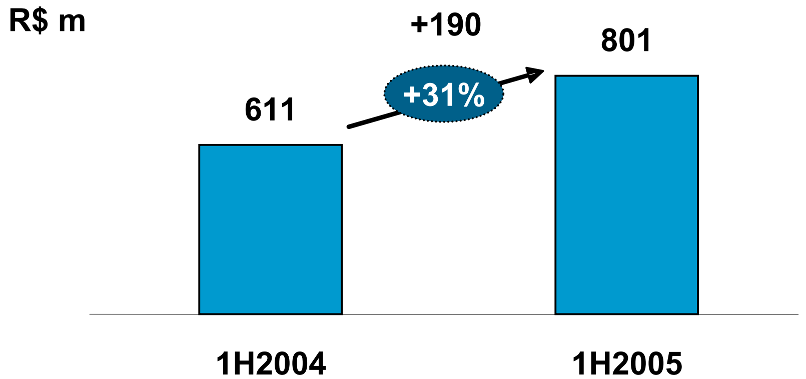


Higher demand, tariffs and currency appreciation in Brazil

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

All activities in Brazil up on higher volumes and tariff increases

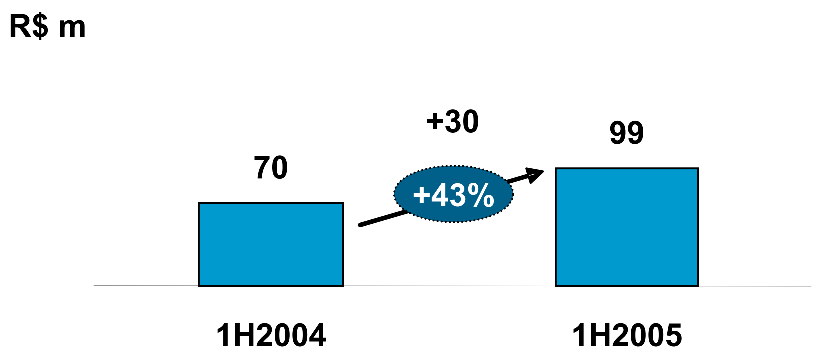
Distribution Gross Profit '1H05/1H04



	1H2004	1H2005	
Distribution	11.1	11.5	TWh
Avg. Tariff	207	237	R$/MWh

- Consumption up 3.4% driven by healthy economic growth
- Average tariff increase up 14% following tariff adjustments and revisions in 2004 and 2005
  - Bandeirante: 15%
  - Escelsa: 7%
  - Enersul: 20%
- Lower electricity purchase costs than those recognised on regulation (R$51m difference) due to new electricity auction and Real appreciation vs. Dollar in purchases to Itaipú

Generation & Trading Gross Profit '1H05/04



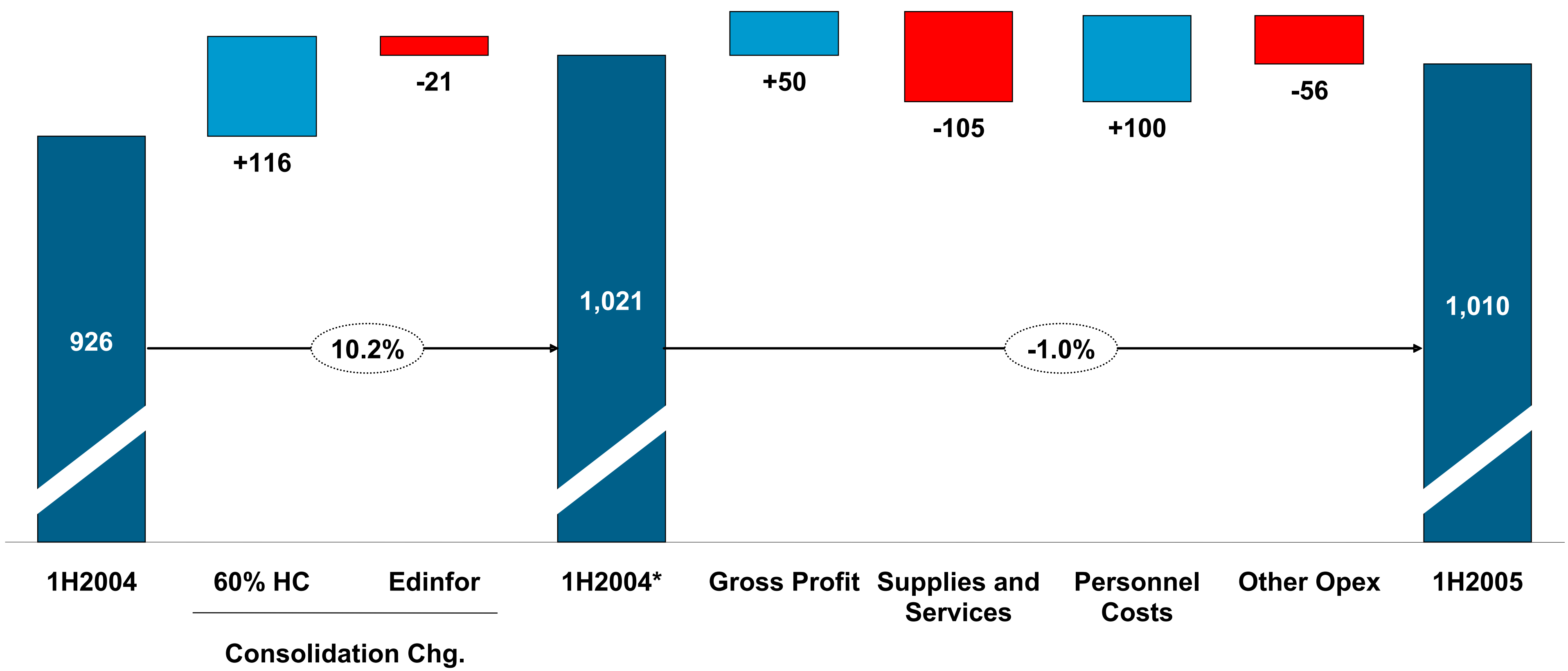
	1H2004	1H2005	
Generation	876	759	TWh
Trading	2,336	3,179	TWh

- Lower generation volumes due to sale of Fafen
- Revenues at Lajeado up 14.7% following tariff increase which reflects 2004 inflation (12.4%)
- Higher margin at Enertrade due to 36% increase in electricity volumes following new contracts with clients in liberalized market.

EBITDA up 9.1% driven by higher energy prices and changes in consolidation perimeter

EBITDA changes by item '1H05/1H04

€ million



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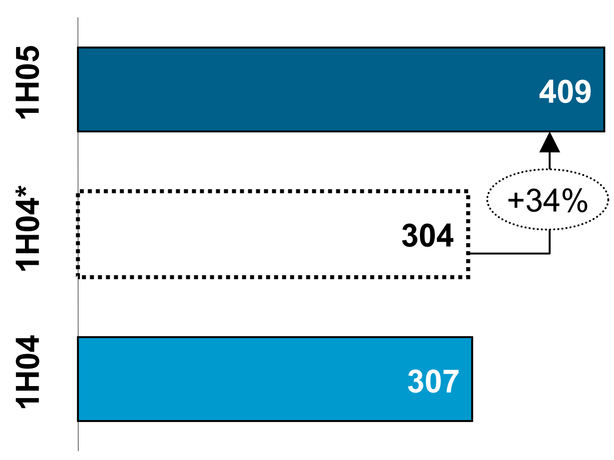
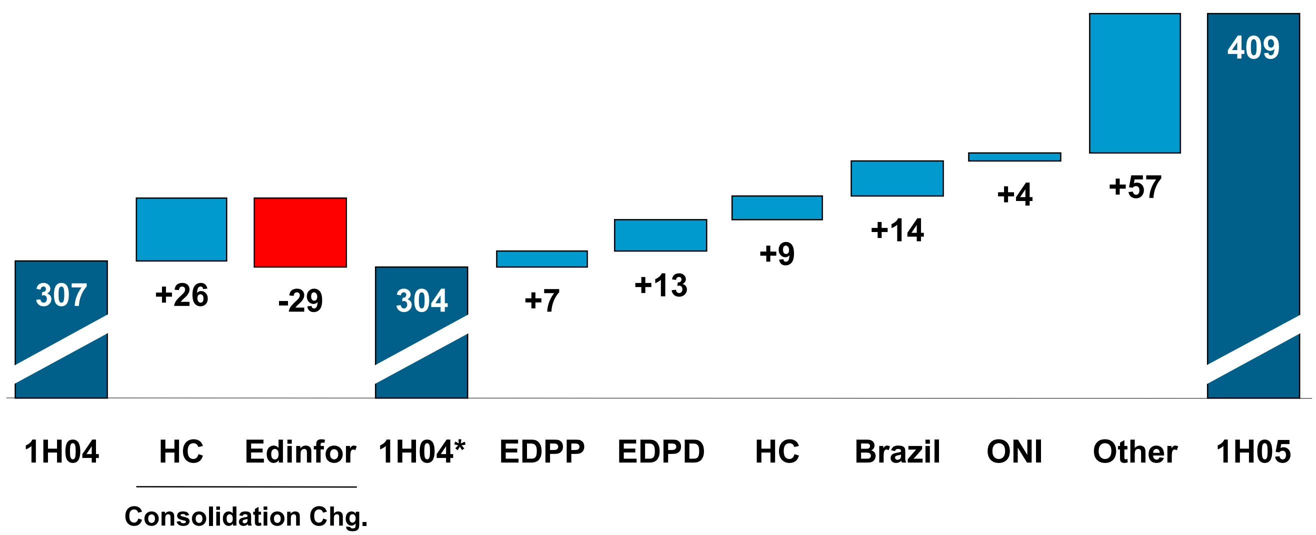
Increase in S&S mainly driven by sale of Edinfor

Supplies & Services € million



Supplies and Services by company € million



- EDPP: higher maintenance costs in TER and repair works at Sopogen (+€2.9m); consultancy services related to CMECs (+€1.3m)
- EDPD: re-branding of EDPD's commercial network (+€3.2m), Contact Center and other IT services (+€3.8m) and increase in maintenance costs due to higher outsourcing (+€1.3m)
- HC: O&M on increased Special Regime's capacity (+€6.3m) and promotion of dual-fuel offer (+€2m)
- Brazil: Focus on improving client service and network operations (€5m respect to fx R$/€ effect)
- Other: +€49m related to IT services of which €32m were paid to Edinfor. After the sale of Edinfor, IT services rendered by the company are booked as an external S&S. In 1H2004, Edinfor charged EDP €38.7m related to IT Services.

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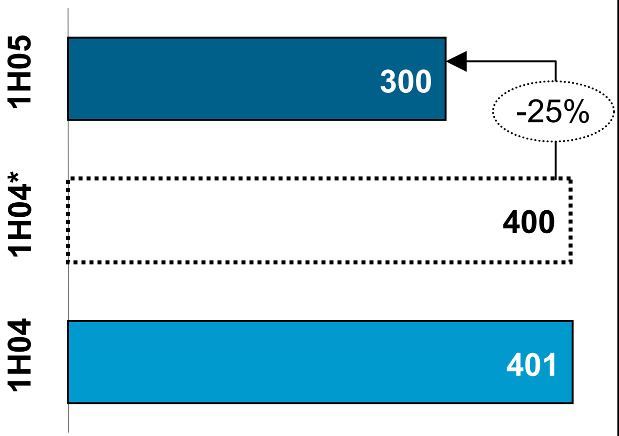
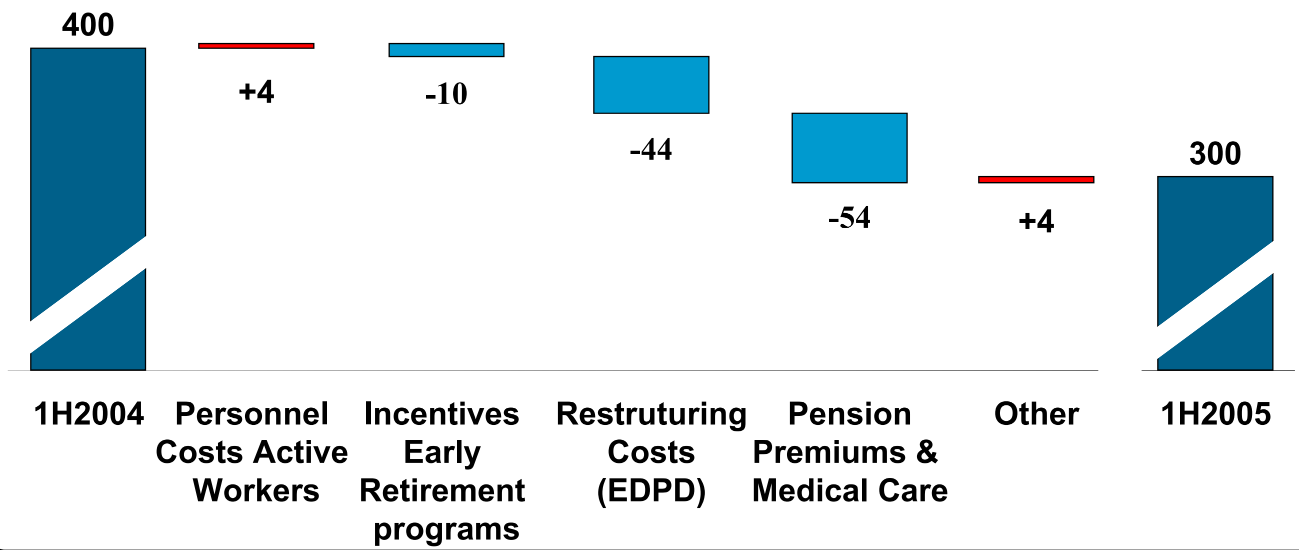
Personnel costs reflects restructuring programme in 2004 and yearly actuarial study

Personnel Costs



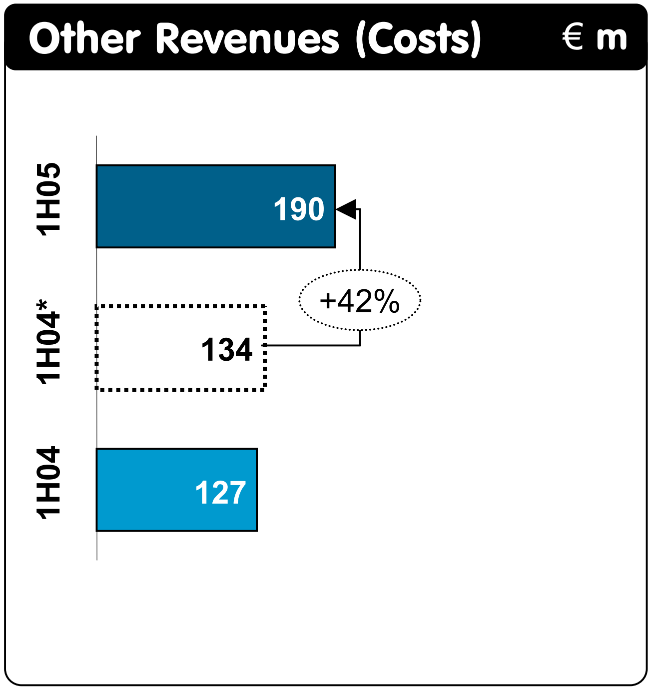
Personnel Costs

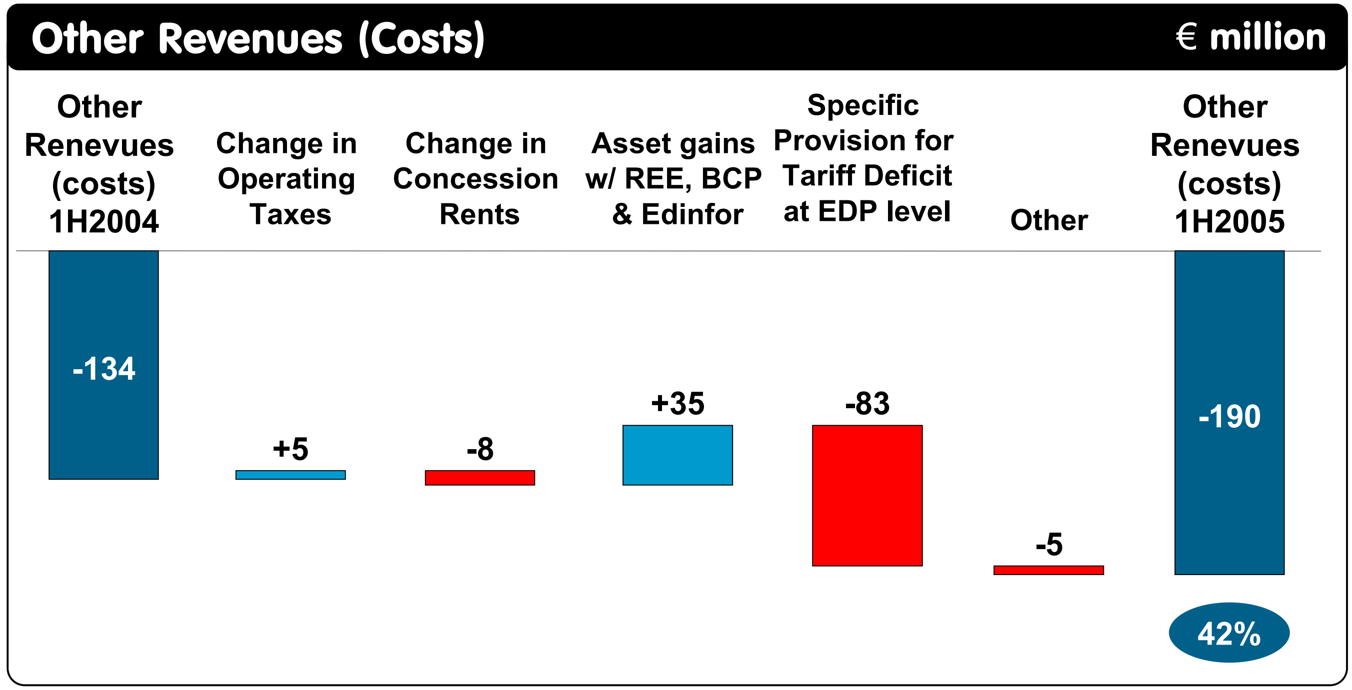


- Reduction of 2600 in workforce (890 in Iberian Core Business) led to €11m decrease in costs with active personnel, partly offset by yearly salary increases and promotions and the forex R$/€ effect on Brazil
- Lower incentives paid to early retirees in 2005 (€10.9m in 1H2004) within the scope of the anticipated retirement programmes
- Costs with HR Restructuring programme at EDPD in 1H2004 amounted to €44m
- Net reduction in Pension and Medical Care liabilities in the amount of €54m resulting from excess provisioning identified in the 2005 independent actuarial study

* Adjusted by consolidation effects: 100% of HC and excluding Edinfor

Other revenues affected by positive impact of capital gains and one-off provision charge





- Capital gains in the period:
  - REE: EDP booked a €8m capital gain from HC sale of its 3% stake in REE
  - BCP: EDP transferred to its pension fund 2.01% of BCP shares. Capital gain of €12m
  - Edinfor: Completion of the sale of 60% of Edinfor to LogicaCMG. Capital gain of €15m
- HC's share of the tariff deficit in Spanish system is partly covered by a provision at EDP

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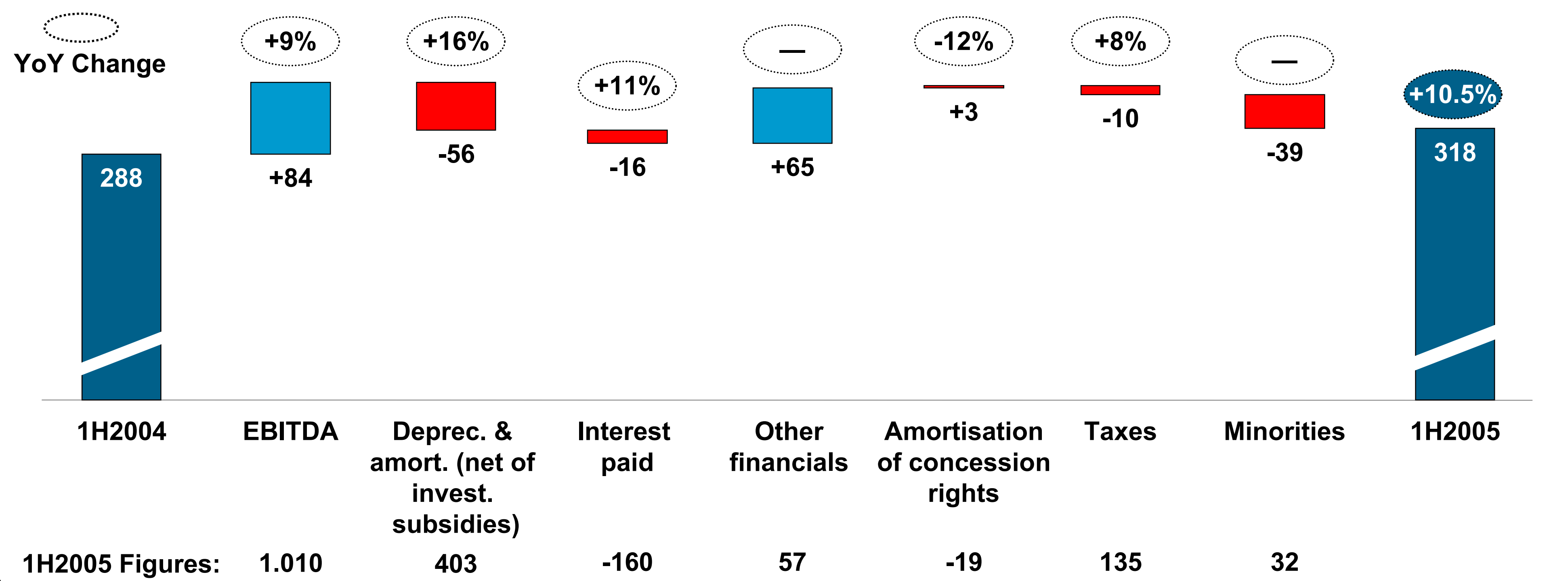
Net Profit growing in line with EBITDA

Net Profit Contribution '1H05/1H04

€ million

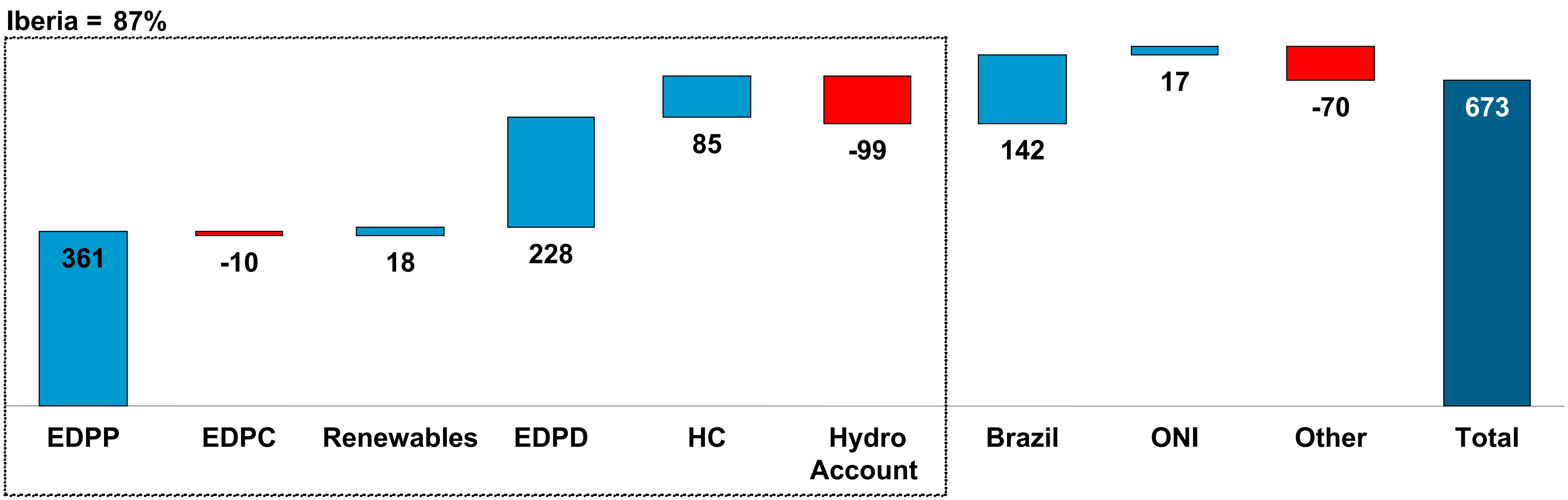


- Increase in depreciation from consolidation of HC (+€50m)
- Higher interest paid following full consolidation of HC (+€25m), mitigated by a 24 bps fall in the Group's average cost of debt
- €36m improvement from +13% Real appreciation on Energias do Brasil's Dollar denominated debt
- Equity consolidation of REN and GALP's dividends contributed €37m
- Change in minorities reflects higher Net Profit from Brazil and full consolidation of HC and Naturcorp

Iberian cash flow pressured by extremely poor hydro conditions in Iberia and high energy costs

Cash Flow before capex '1H2005

€ million



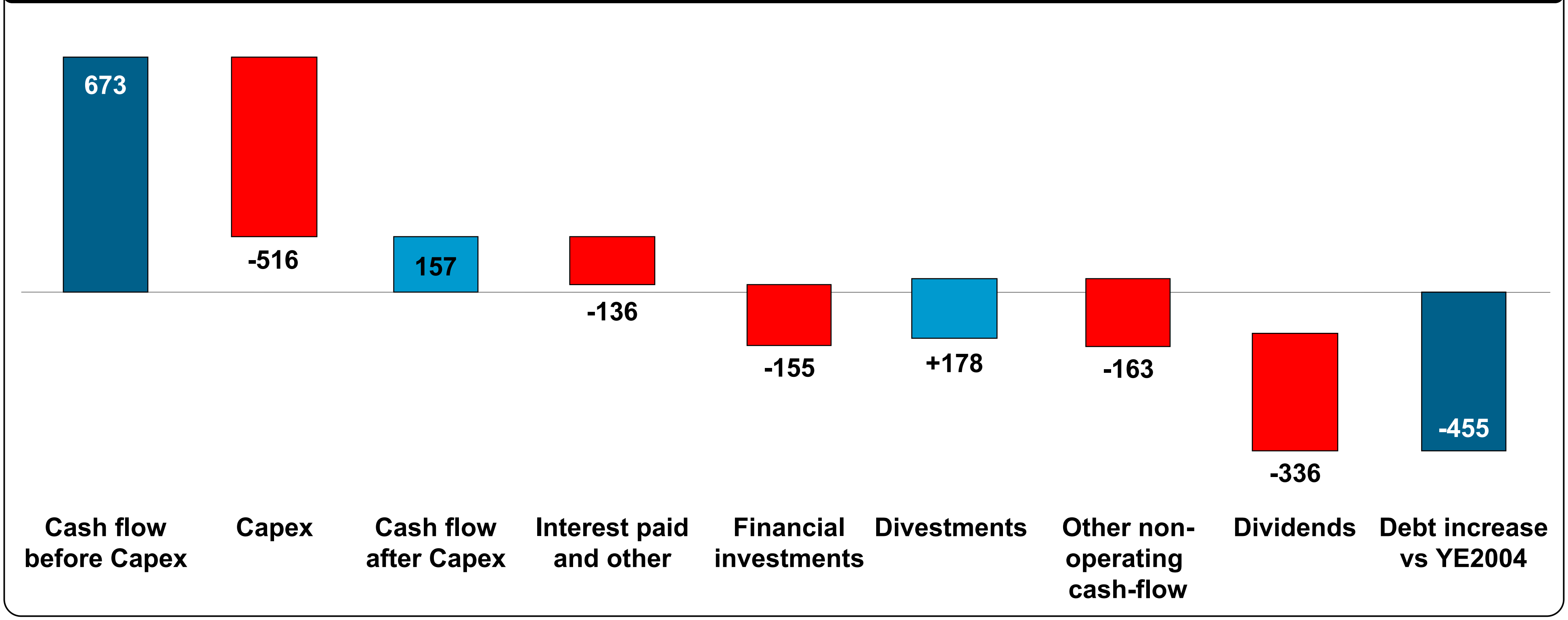
	EDPP	EDPC	Renewables	EDPD	HC	Hydro Account	Brazil	ONI	Other	Total
Capex	(63)	(1)	(10)	(133)	(109)	-	(181)	(15)	(4)	(516)
CF after Capex	299	(11)	7	96	(24)	-	(39)	2	(73)	157

- Non recurring impacts on cash flow:
  - Hydro correction paid to REN due to extreme dry period (€99m)
  - HC's share on Spanish tariff deficit (€89m)
- Capex focused on expansion of the Iberian Core Business and high capex in Brazil related to the construction of Peixe Angical hydro plant drown approximately 80% of operating Cash-Flow

Cash Flow before Capex: Operating cash flow after taxes, change in working capital, before capex, interests, divestments, non-operating cash flow and dividends

Debt increases following high investments, dry period and dividend payment

Cash-flow to debt '1H2005

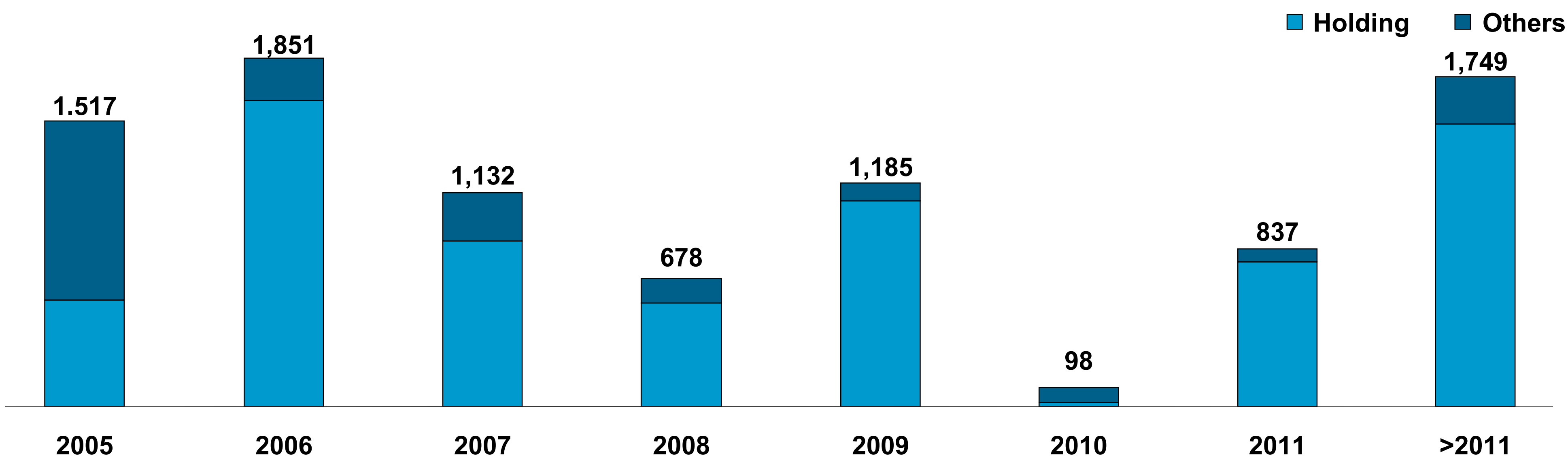


- **Financial investments:**
  - Purchase of 46.6% stake in Portgás: €85m
  - Acquisition of additional 20% stake in Turbogás: €52m
  - Acquisition of two wind farms (53 MW in pipeline): €18m
- **Divestments:**
  - Sale of 3% stake in REE: €76m
  - Sale of 60% stake in Edinfor do LogicaCMG: €81m
  - Sale of office building to REN: €21m

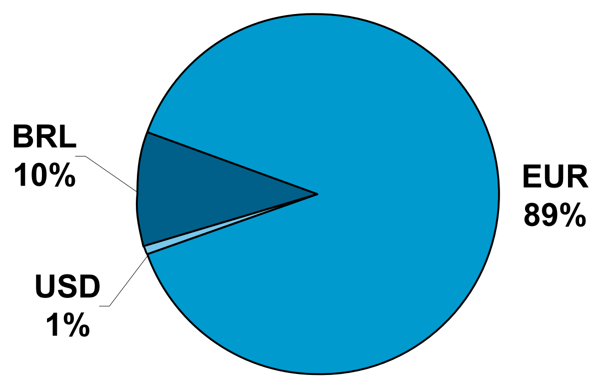
Debt profile

Debt Maturity Profile

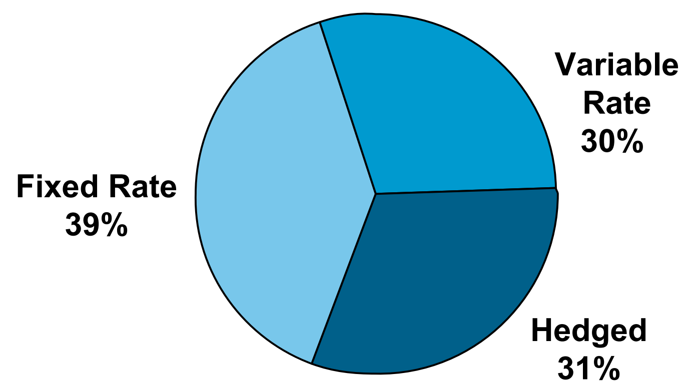
€ million



Debt by Currency '1H2005



Medium/Long Term Debt '1H2005



EDP Consolidated P&L

	1H2005	1H2004	Δ%	Δ€
Revenues	4,844	3,660	32%	1,184
Direct Costs	2,935	1,900	54%	1,035
Gross Profit	1,909	1,761	8%	149
Supplies & services	409	307	33%	102
Personnel Costs	300	401	-25%	-101
Other costs (net)	190	127	50%	63
Operating Costs	899	835	8%	65
EBITDA	1,010	926	9%	84
Depreciation	444	385	15%	59
Subsidized assets' depreciation	(41)	(38)	8%	-3
EBIT	607	579	5%	28
Financials	(122)	(173)	-30%	51
Taxes	135	125	8%	10
Minorities	32	(7)	—	39
Net Profit	318	288	11%	30

The 10 Strategic Drivers

1 – Market Liberalization – "Adapting to a new environment"

2 - Core Business and Original Geography – "Generation and Trading"

3 - Core Business and Original Geography – "Transmission"

4 - Core Business and Original Geography – "Marketing and Commercialization "

5 – Expanding Core Business and Original Geography - "Integration of gas business"

6 - Expanding Core Business and Original Geography – "Iberian Company"

7 - Core Business and Different Geography – "Activities in Brazil"

8 – Different Business and Original Geography – "Telecoms" and "IT Services"

9 - Structure – "Human Resources: organization; efficiency"

10 – Financial Structure

Financial and Operating Targets for 2006

edp

	2002	2006 Target	Change	Current Status
Clients (million)	9.0	10.0	+ 11 %	√
Generation (TWh)	40.8	52.6	+ 29 %	√ –
Energy Sold (TWh)	67.8	74.9	+ 10 %	√ +
Number of Employees	18.5	16.0	- 13 %	√ +
Gross Profit (€ bn)	2.8	3.7	+ 32 %	√
Operating Costs (€ bn)	1.2	1.3	+ 8 %	√ –
EBITDA (€ bn)	1.6	2.4	+ 50 %	√ –
Capex [a] (€ bn)	1.2	1.0	- 16 %	√
Operating Cash Flow[b] (€ bn)	0.3	0.9	× 3.0	√
Financial Debt (€ bn)	8.0	6.8	- 15 %	—
ROIC (%) [c ; d]	3.5	7.7	× 2.2	≤ 6.0

a – Average for 2003-2006

b – 2003, cash flow after Capex and change in Working Capital

c – Adjusted EBIT × (1-t) / invested capital (including goodwill)

d – Adjusted EBIT = EBIT adjusted by subsidized investments depreciation energias de portugal

2005 1st Half Results

July 29th, 2005