



edp

energias de portugal

2005 Year End Results

March 8, 2006

Focus on Iberian energy

- Completion of Ribatejo CCGT – capacity up by 392MW to 1,176MW
- Stake in Turbogás (990MW CCGT) raised to 40% from 20%
- Conclusion of Frades - additional 192 MW of hydro capacity
- Strong investment in renewables - wind capacity up 1,793 MW
- Control of Portgás, the 2nd Portuguese gas distributor
- Initiated construction of Castejón 2 (400 MW CCGT)

Progress on efficiency

- Reduction of 2,008 employees
- Tight control over operating costs
- Improved quality of distribution grid in Portugal (-14% interruption time)
- Synergies with HC materialised after integration

Restructuring of Energias do Brasil

- Roll-up of minorities and restructuring of operations
- IPO in July 2005: Proceeds of R\$500m; EDP's stake down to 62.4%

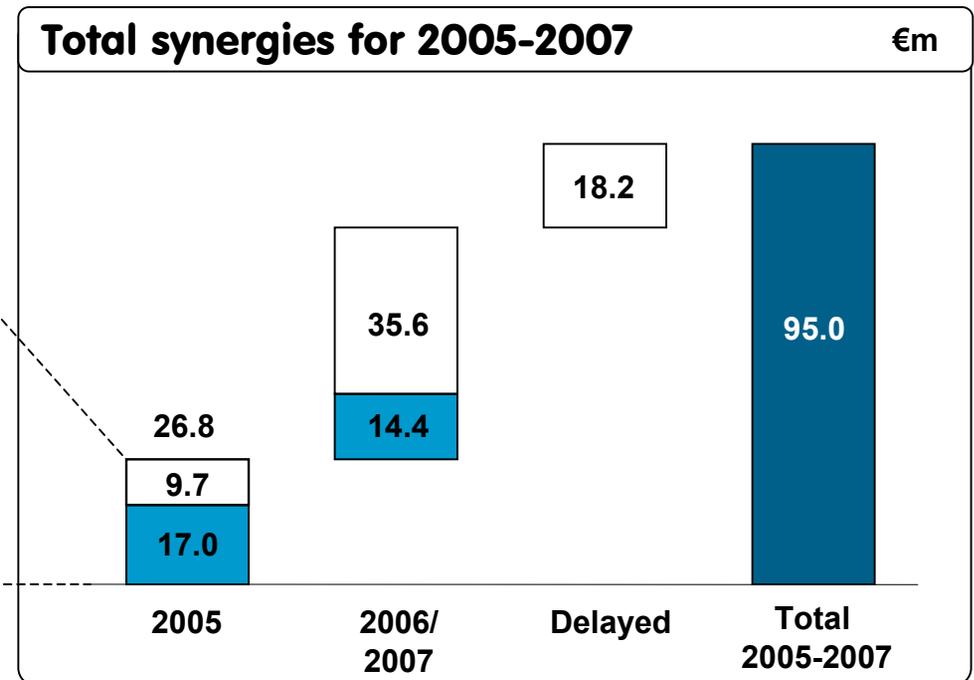
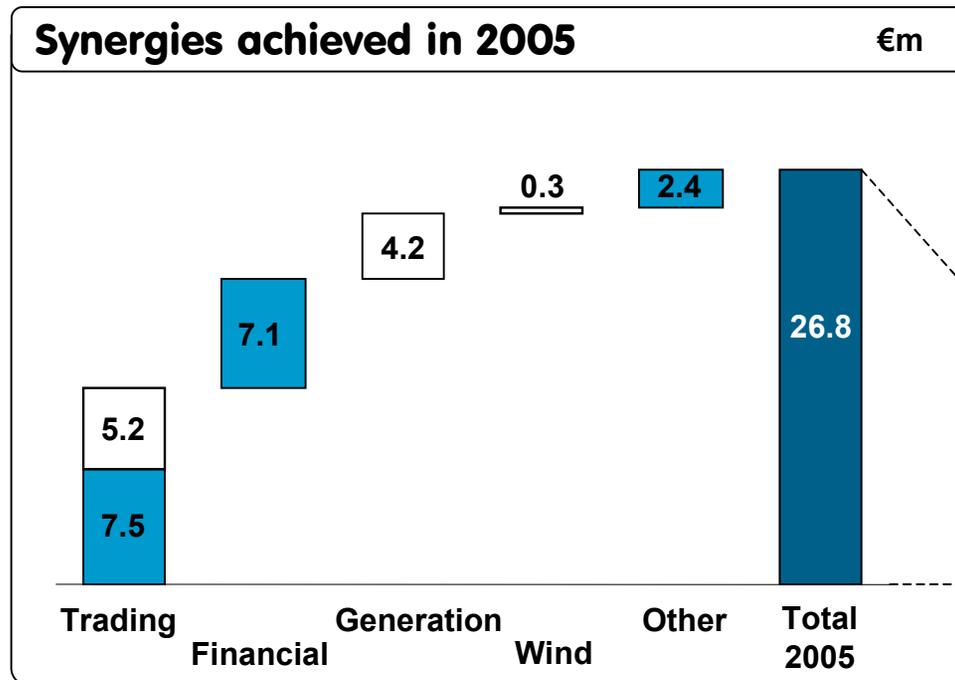
Sale of Non-core assets

- Sale of 14.27% stake in GALP (€720.5m)
- Sale of Comunitel (€204m)
- Sale of 3% of REE (€76m)
- Sale of 60% of Edinfor (€81m)

Independent auditor certified €26.8m from first year integration of EDP and HC Energia



■ Cost synergies □ Investment synergies



- Audited synergies in 2005 already account for approximately 70% of the €36-48m (announced target to be achieved with full implementation of synergy program after 2007)
- Cancellation of CCGT licenses in Portugal “delayed” €18.2m in synergies regarding the joint acquisition of gas turbines to period beyond 2007
- Auditor already certified savings of €49.9m for 2006 and 2007

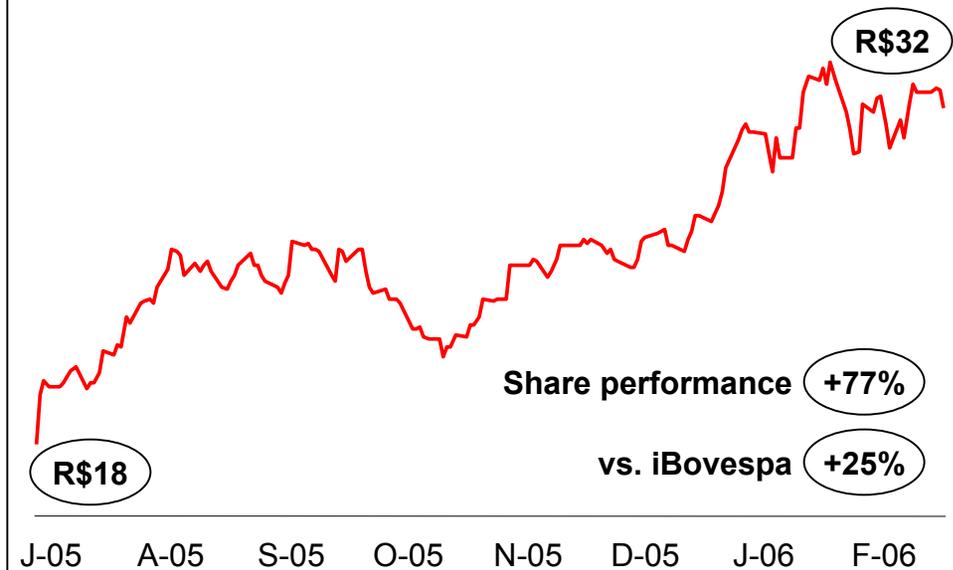
EnBR solid growth strategy and Brazil's improved economic outlook boost share price



IPO – July 2005

- Ring-fence operations and achieve self-sustainability
- Strengthen capital structure through capital increase (R\$500m) and debt restructuring
- Ability to capture growth opportunities in the sector
- Establishment of a long-term partnership with the equity capital markets

Energias do Brasil – Share Performance



Become one of the leading companies in Brazil's electricity sector

- Benefit from the growing opportunities in the Brazilian market, with an emphasis on the generation activity, following a strict investment criteria
- Focus on operating efficiency and synergy gains, mainly in the distribution business
- Maintain a solid financial structure, with liquidity and scale to sustain expansion plan



Hedging on Iberian electricity market with acquisition of HC

- Improved balance of Iberian integrated portfolio
- EDP's long position in generation benefited from high wholesale prices



Distribution in Portugal penalised by tariff revision and energy costs

- Energy acquisition costs to be recovered between 2007 and 2011 (inflation cap on the 2006 LV tariff)



Improved operations in Brazil and BRL strengthening

- Tariff revisions, lower energy acquisition costs and appreciation of BRL



Progress on efficiency

- Completion of the HR Restructuring Programme
- Flat operating costs in a context of business growth



Lower effective tax rate

- Capital gain on Galp: tax free
- Tax savings with the corporate restructuring in Brazil



Increased focus of Group's portfolio around Iberian energy activities

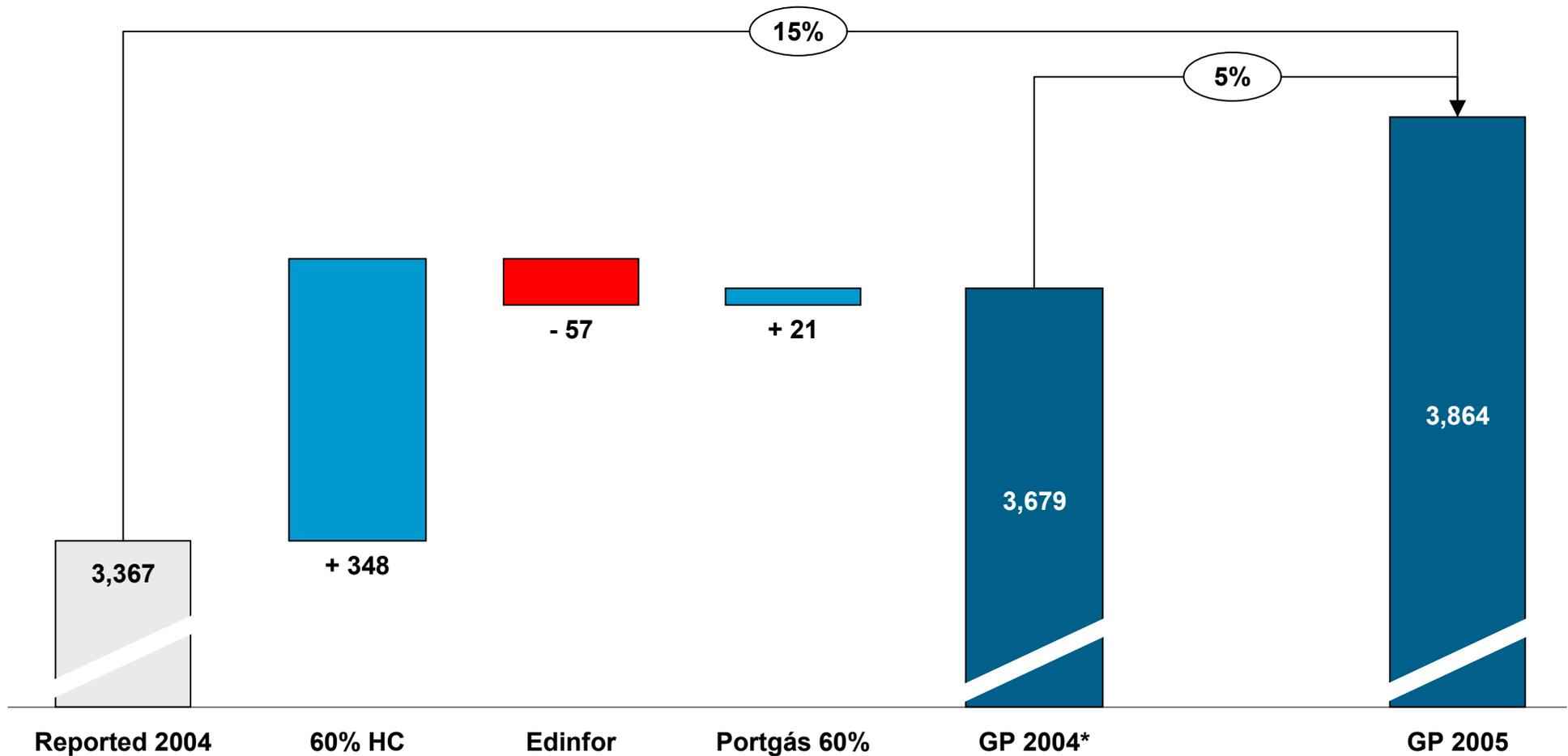
- Full consolidation of HC and stakes in Portugás and Turbogás
- Sale of non-core assets (Galp, Edinfor, Comunitel, REE)

Gross profit influenced by growth of Iberian energy portfolio and sale of non-core activities

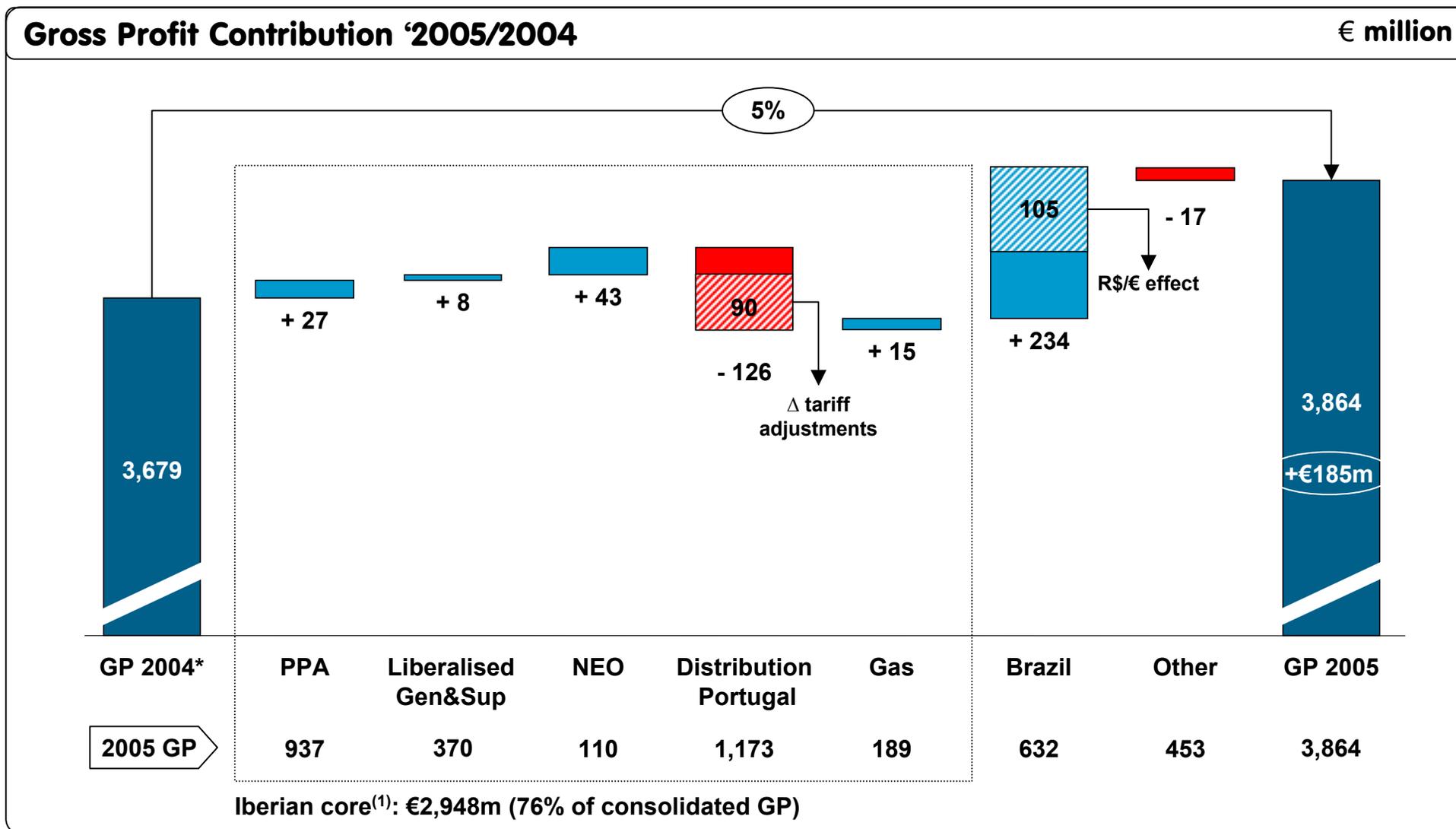


Gross Profit Contribution '2005/2004

€ million



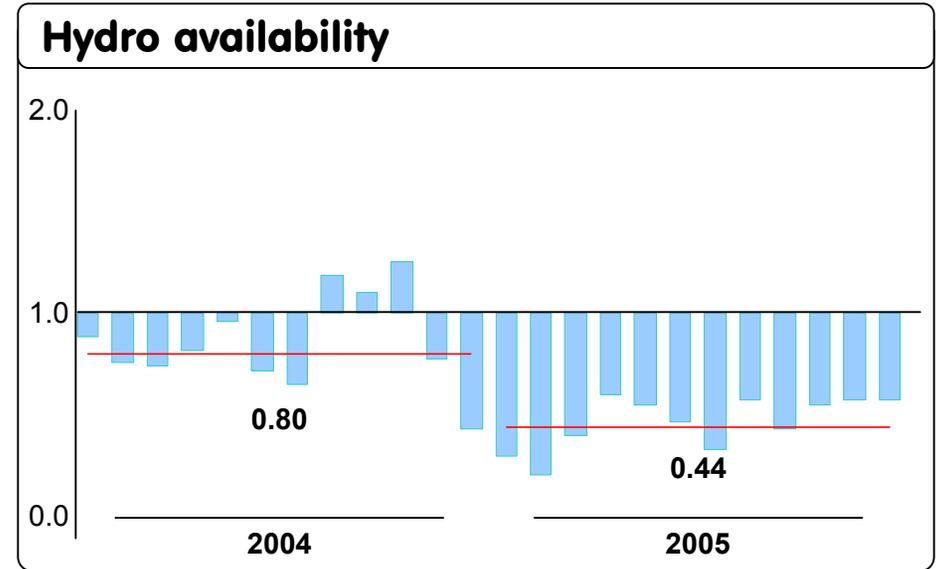
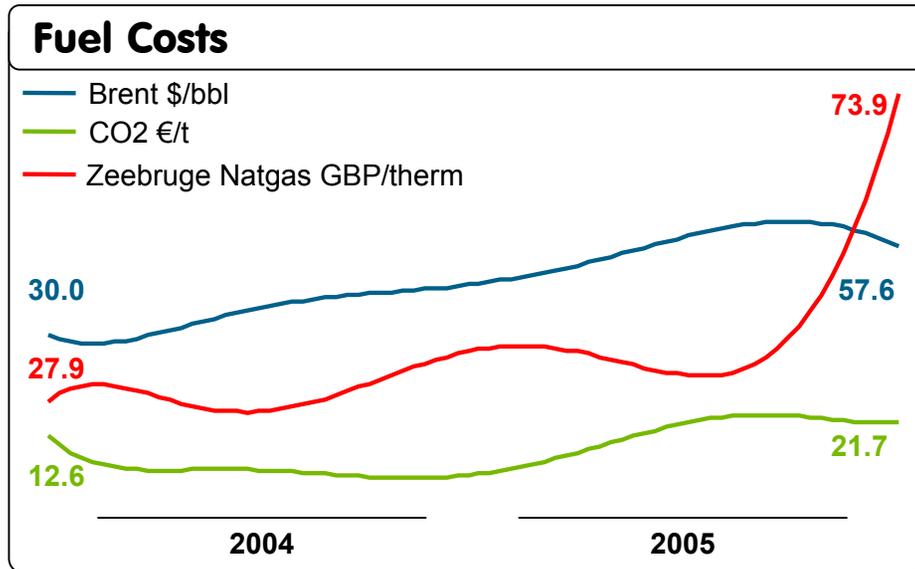
Main gross profit drivers



*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portgás (+ €21m) and excluding Edinfor (- €57m)

⁽¹⁾ Includes €170m of other business in Iberia

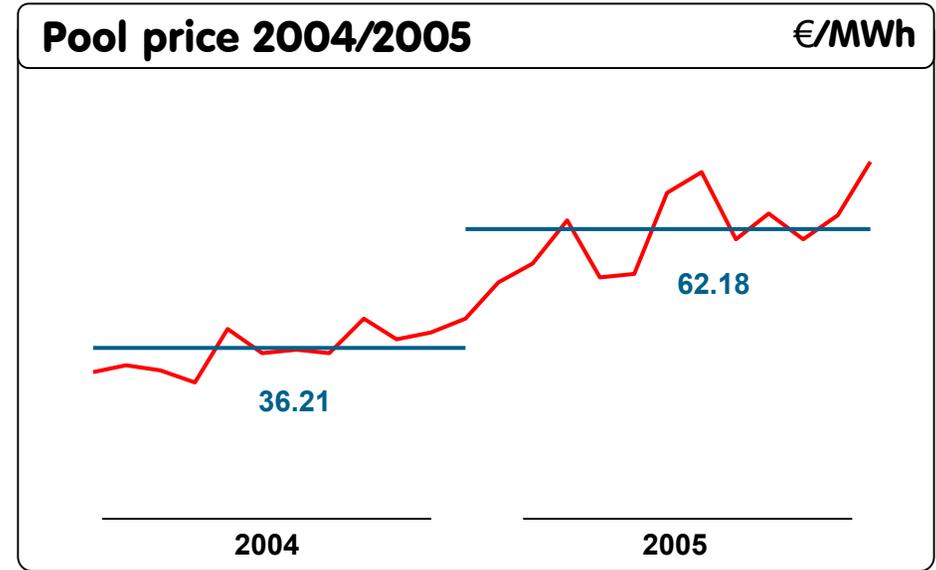
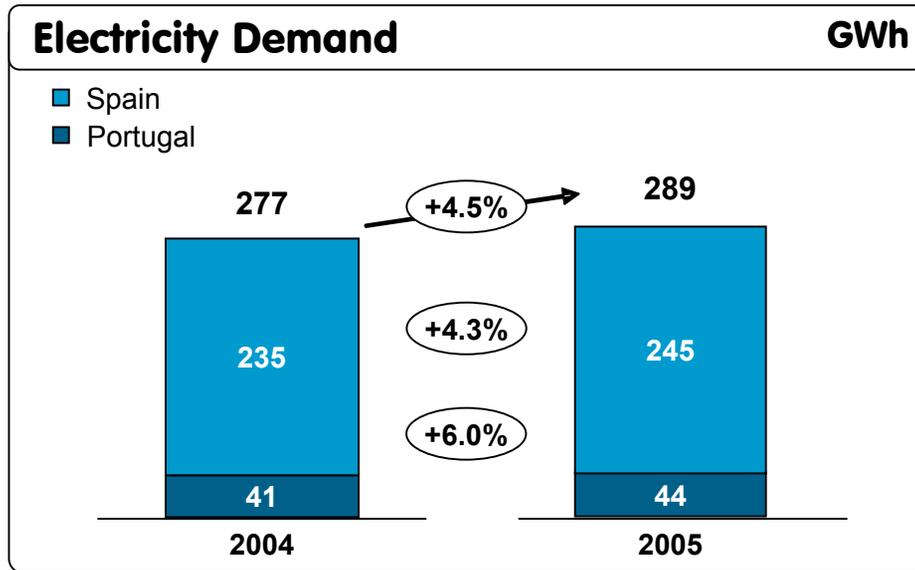
2005 Iberian market: increased pressure on generation costs ...



- International gas prices influenced by upsurge in Brent and shortage in the USA and UK gas markets
- Price of CO₂ rights incorporate potential deficit to EU's 2007 green house emission targets

- Approximately 40% of Portugal and 25% of Spain's installed capacity is hydro
- Extremely dry weather conditions intensify reliance on thermal generation

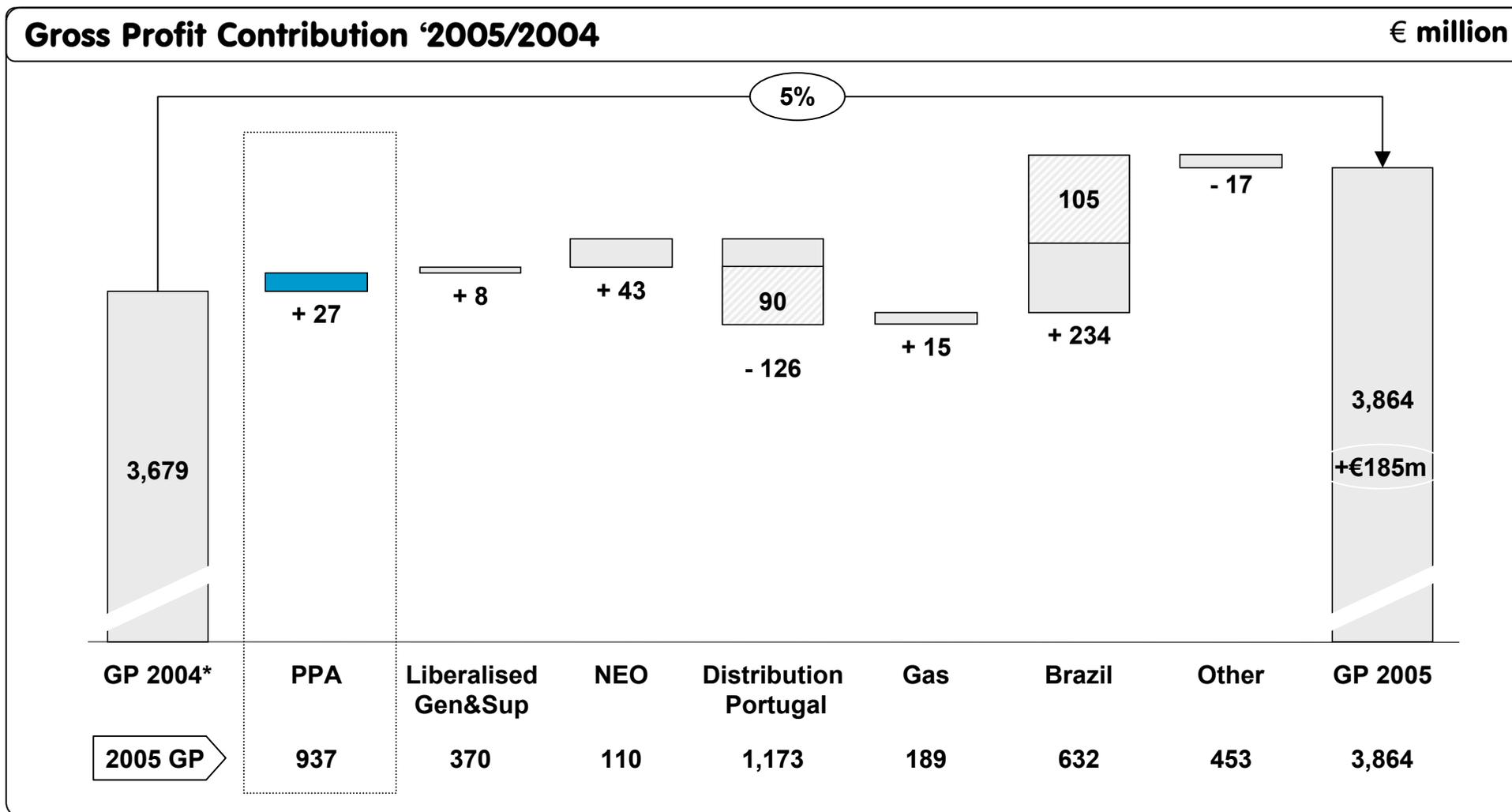
2005 Iberian Market: strong demand growth and surge in wholesale electricity prices



- Demand propelled by economic growth in Spain, temperature effect, cogenerator's repurchases and consumption convergence to EU patterns in Portugal
- Combined effect of growth in electricity consumption and fall in hydro availability puts pressure on Iberian reserve margin

- Trend in electricity wholesale prices reflect escalating generation costs and increased thermal utilization

Main gross profit drivers



PPA bound generation in Portugal represent 25% of the Group's Gross Profit and offer long term cash flow stability

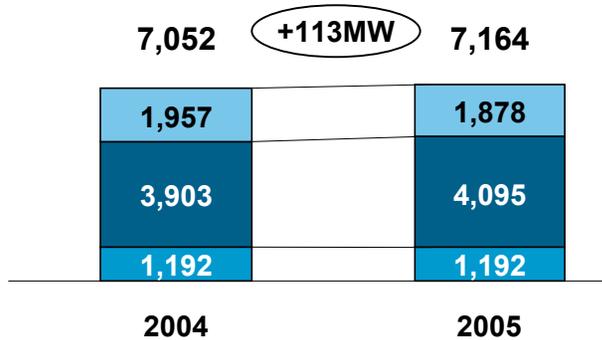
*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portgás (+ €21m) and excluding Edinfor (- €57m)

PPAs⁽¹⁾ ensure gross profit immunity to 1,650 GWh decrease in output and hike in fuel costs

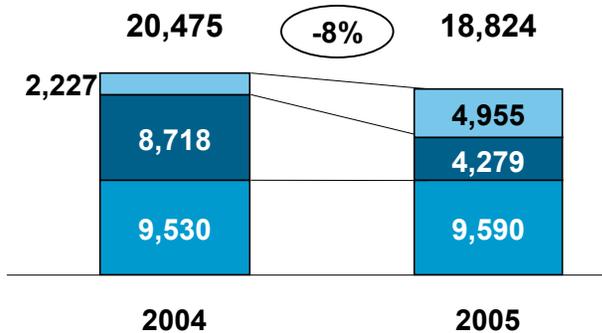


■ Coal ■ Hydro ■ Fuel oil

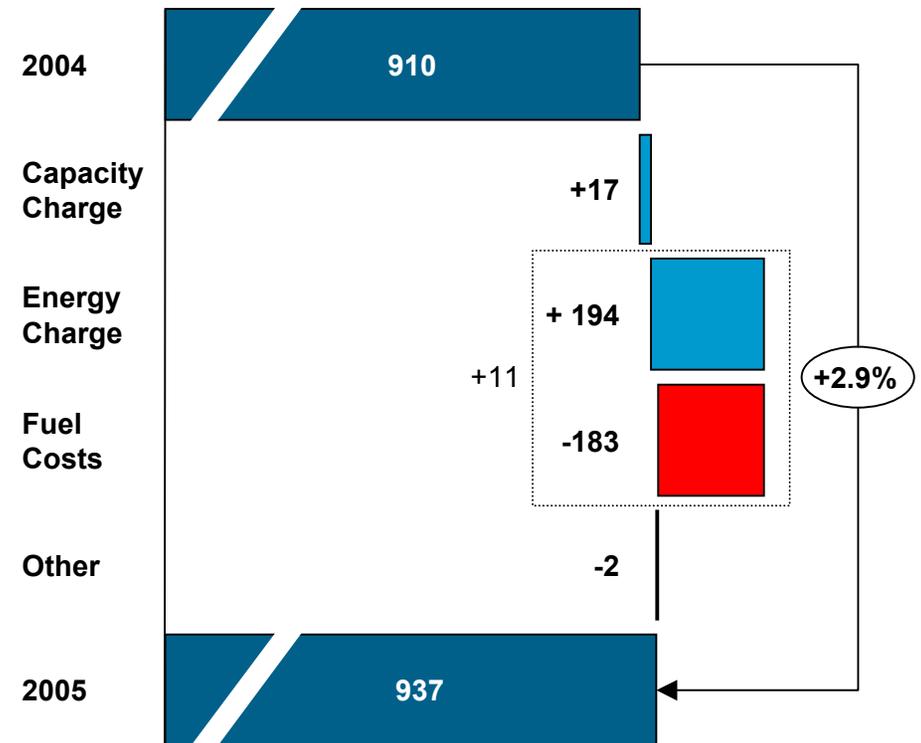
Installed capacity⁽²⁾ MW



Electricity generation⁽²⁾ GWh



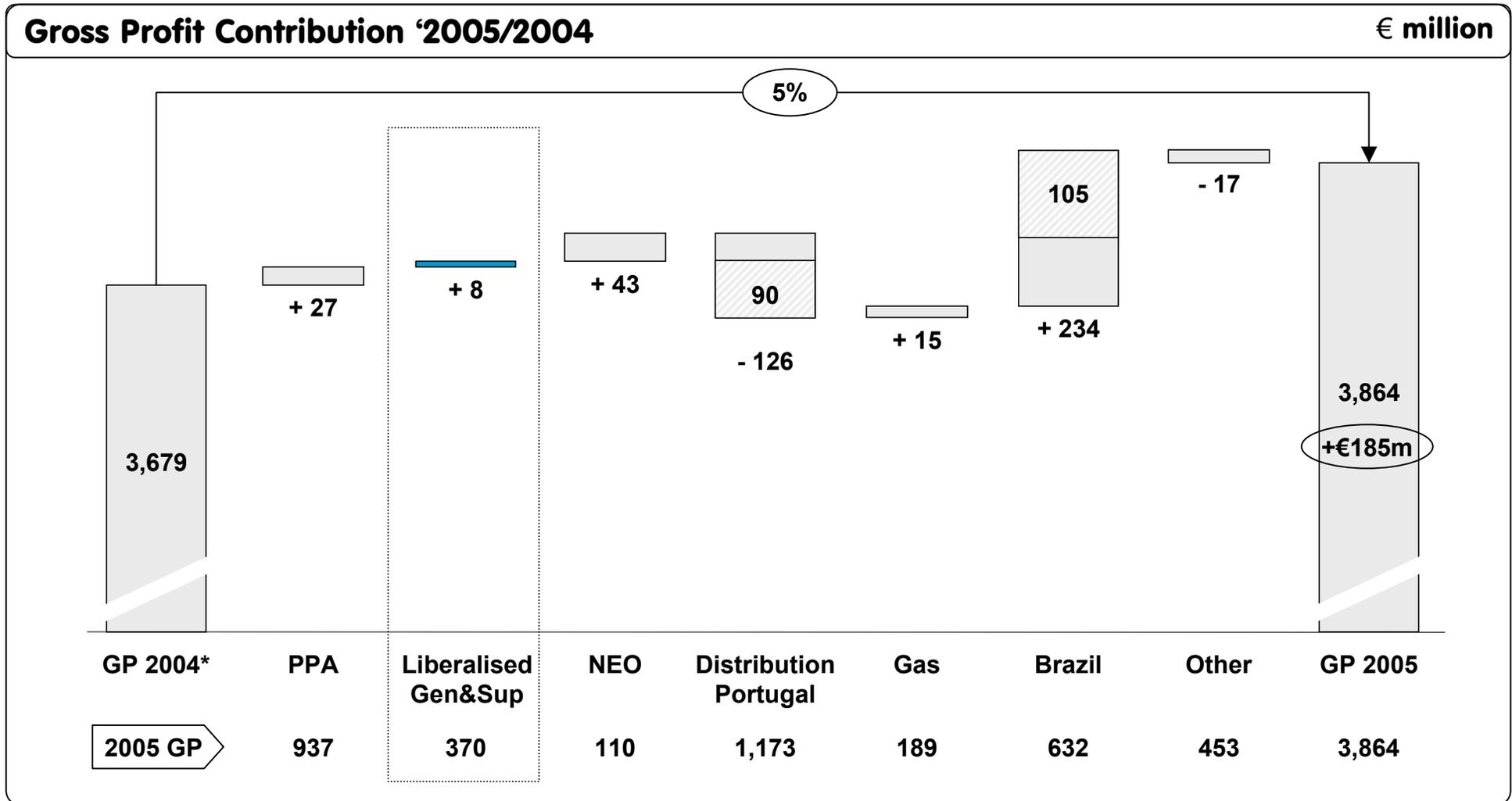
Gross Profit in PES '2005/2004 € m



- PPA capacity increases with commissioning of Venda Nova II in August: +192 MW of hydro
- PPA gross profit up €27m on challenging operating environment: hydro less 4.4 TWh; thermal more 2.8 TWh; fuel prices soared
- CO₂ emission rights managed by the system operator (not passing through EDPP's P&L)

(1) PPA: Power Purchase Agreement (2) EDP Group's capacity bound to the PPAs in Portugal

Main gross profit drivers



Liberalised Generation and Supply gross margin stable due to Iberian hedge...

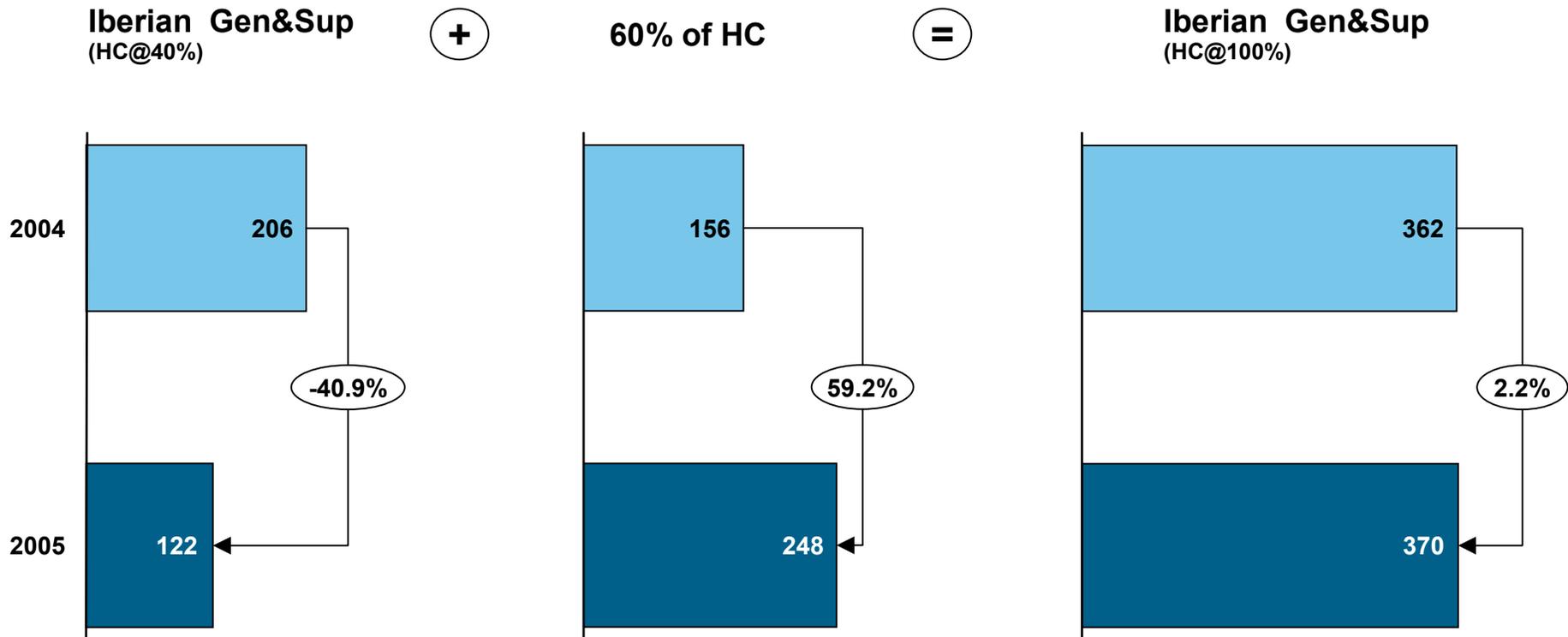
*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portgás (+ €21m) and excluding Edinfor (- €57m)

... achieved following the acquisition of 60% of HC Energia

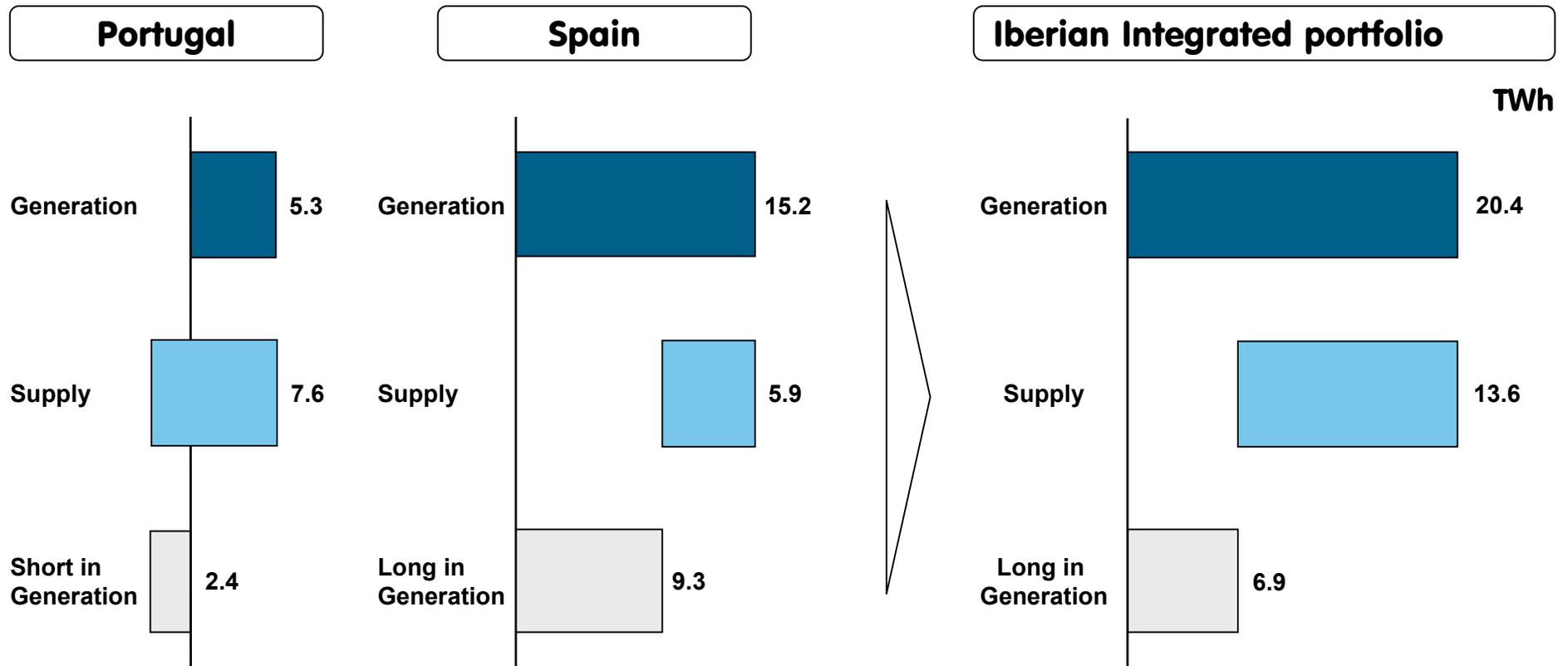


Impact on Gross Profit from HC Energia integration

€ million

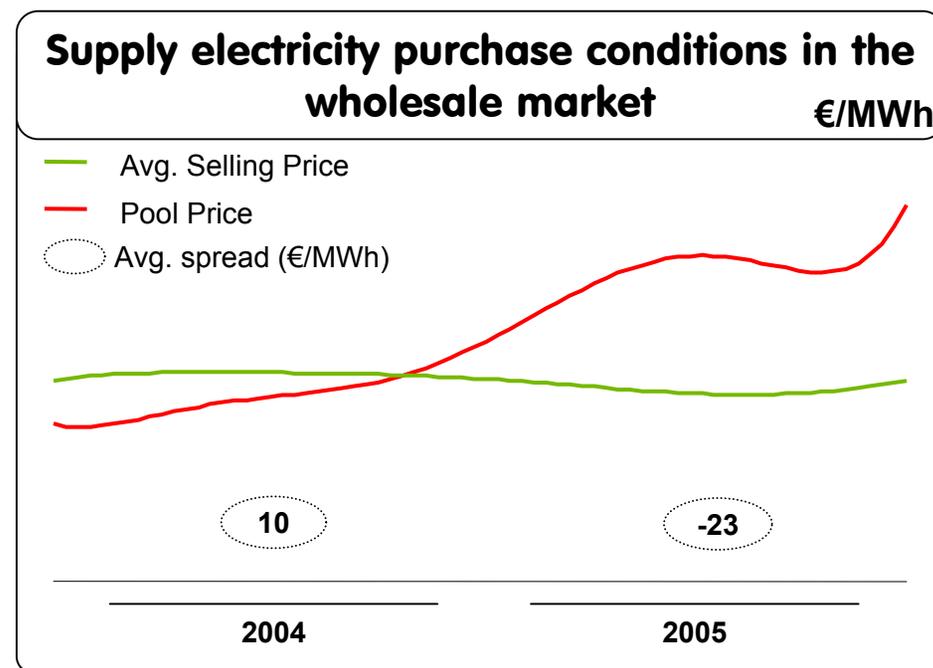
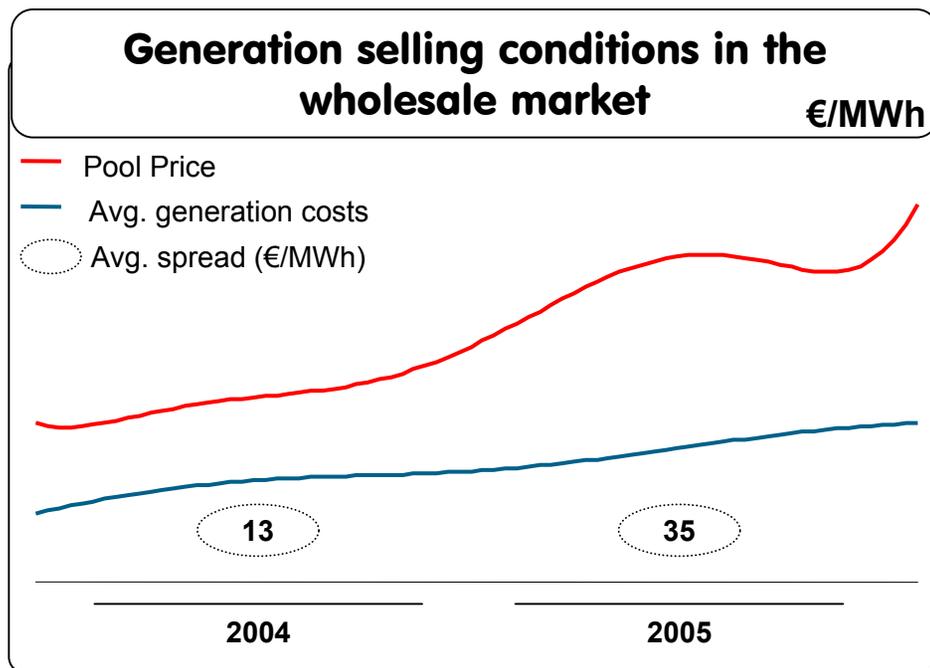


Portfolio complementarity with HC Energia beneficial to EDP Group in 2005...



Greater balance of integrated Generation & Supply activity but still long in generation: 6,884 GWh in 2005

... in the context of hiking wholesale prices and the commitment to contract obligations

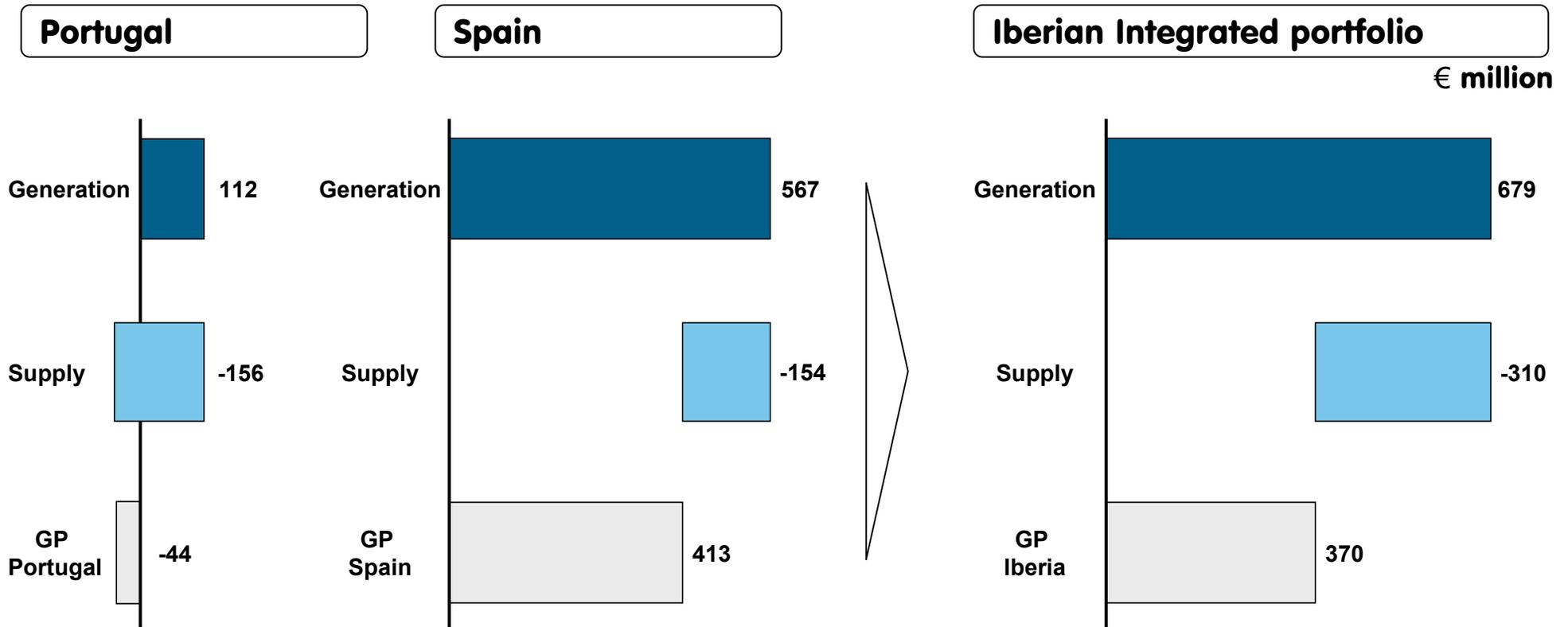


Improved generation margins as average unit costs increase at a slower pace than wholesale electricity prices...

... but pool price surge impact on the commercial activity's as final clients tariffs are not immediately adjusted

Commercial conditions of all existing contracts are subject to revision upon maturity

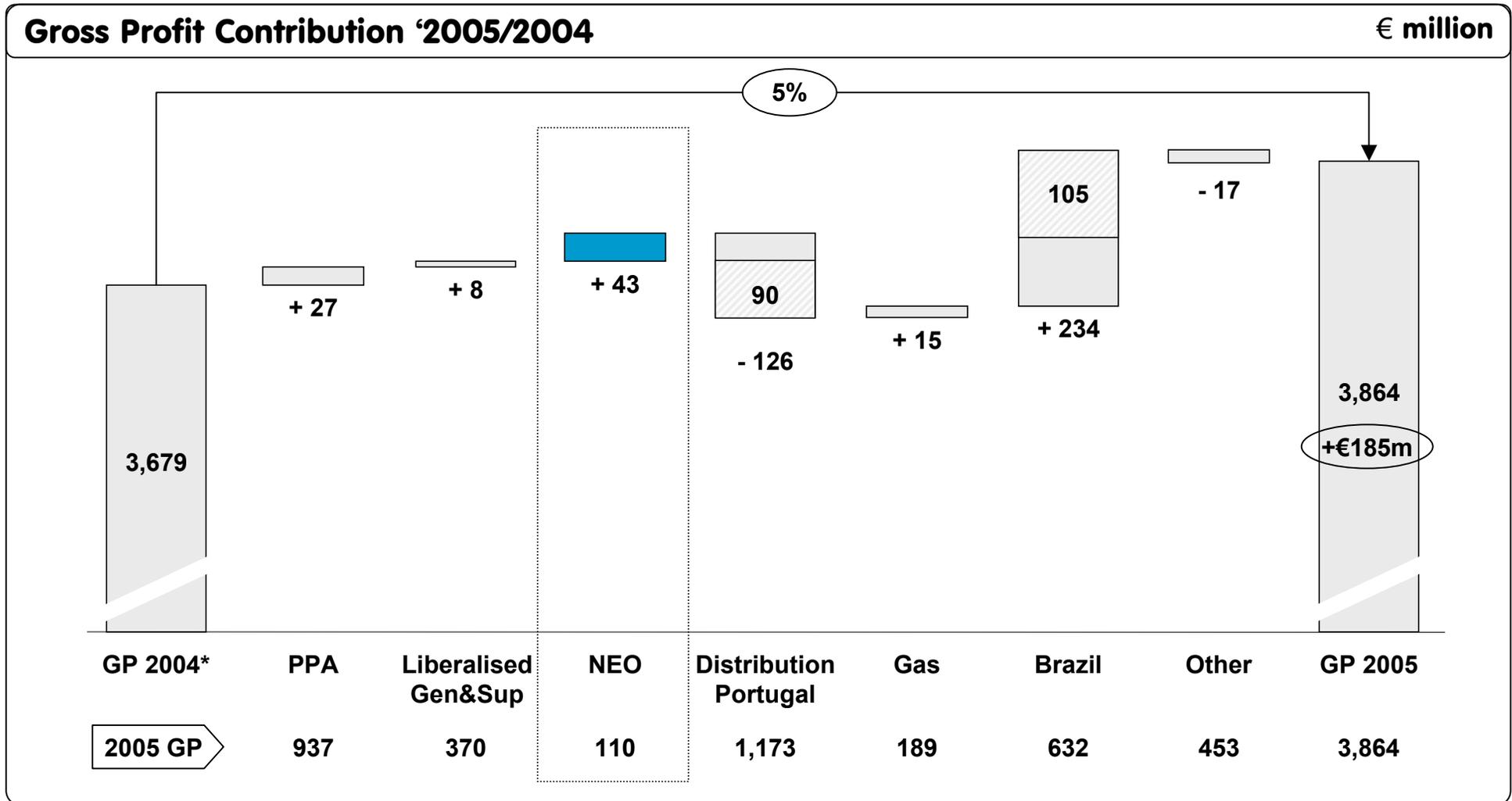
Strong contribution from Iberian generation to liberalised activity Gross Profit



- The Group's long generation position and high pool prices in 2005 made up from losses in Iberian supply from maintenance of existing contract obligations

Liberalized Iberian electricity activity Gross Profit = €370m

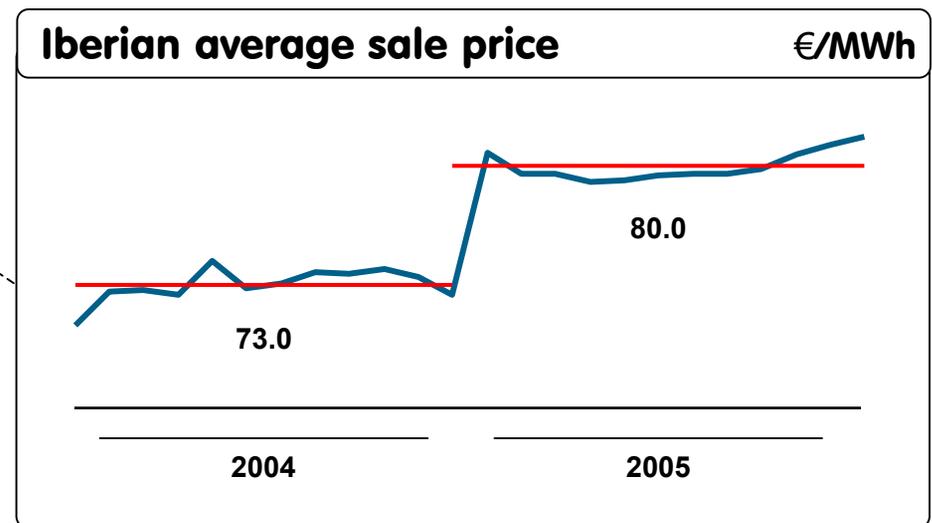
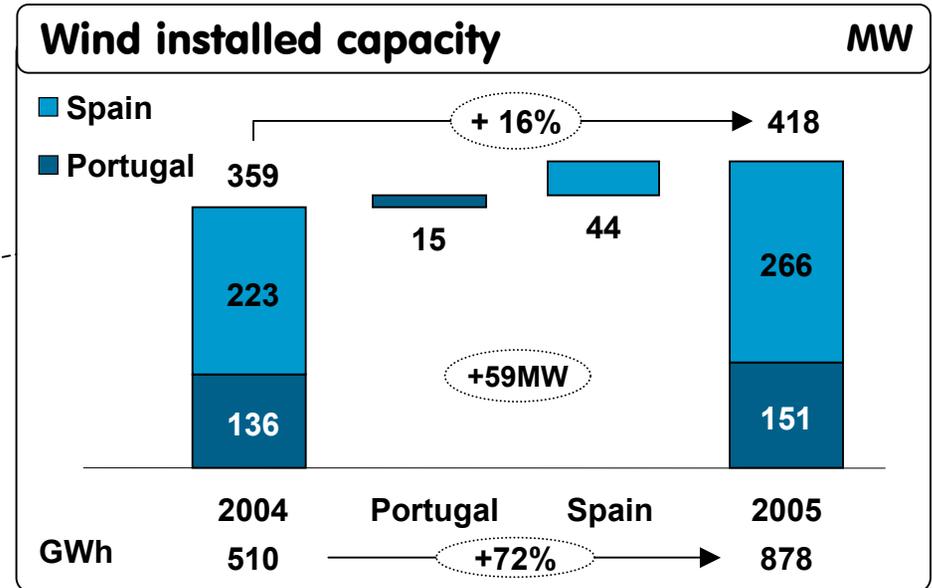
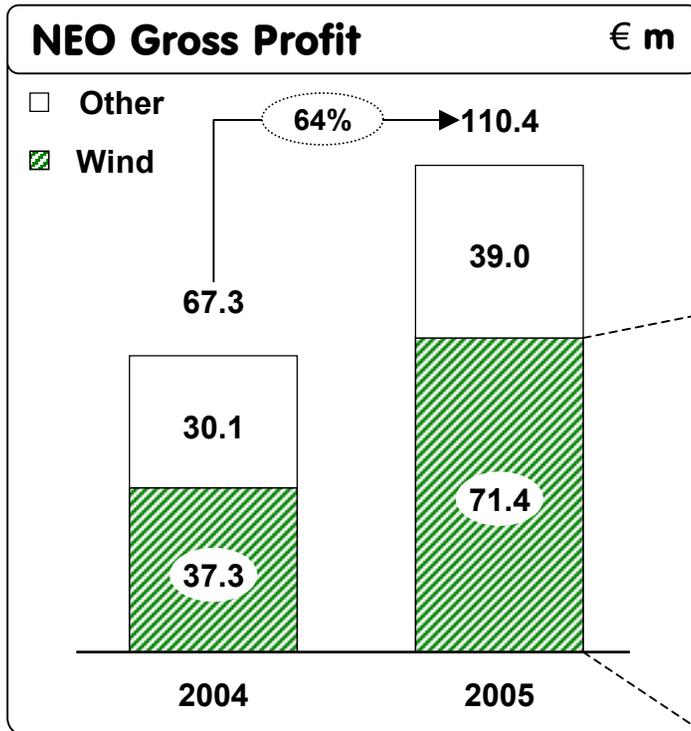
Main gross profit drivers



Renewables propelled by new capacity and sales to the pool at higher prices

*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portgás (+ €21m) and excluding Edinfor (- €57m)

NEO gross profit driven by higher organic growth and selling prices

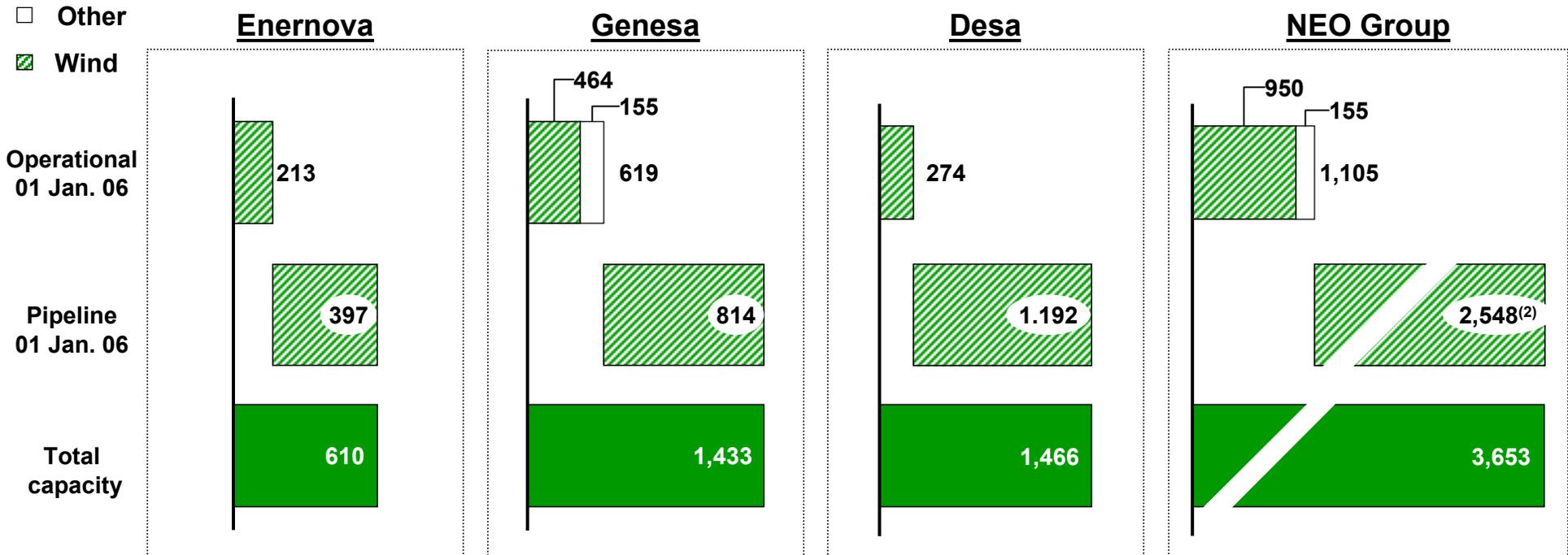


- Output up 368 GWh on additional 59MW and higher load factor
- Average unit tariff up €7/MWh from option to sell Spanish capacity in the pool rather than at the regulated tariff

NEO mission: sustainable growth and profitable development of clean renewable energies



NEO operating capacity and pipeline ⁽¹⁾ MW



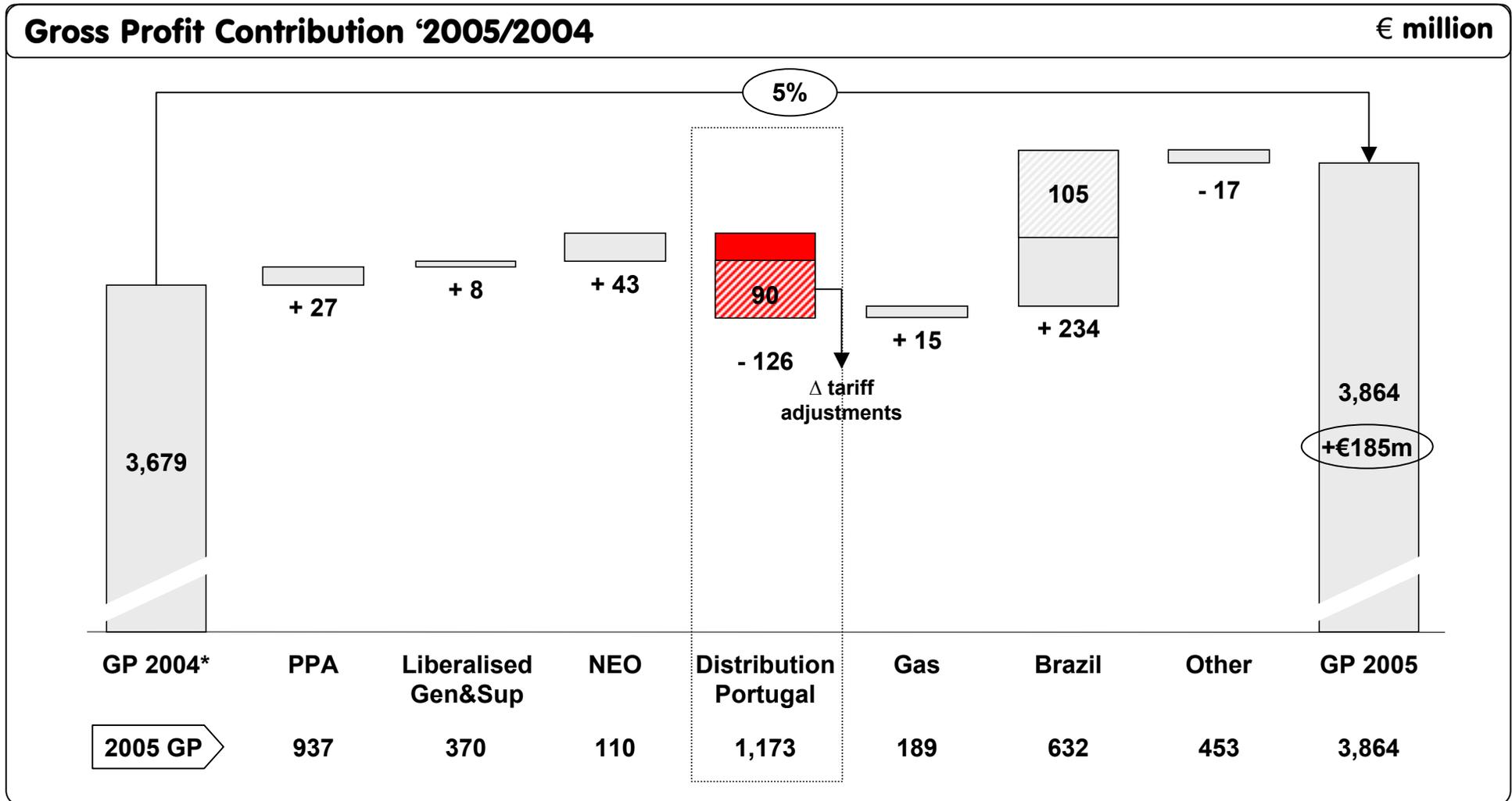
Pillars for future growth

- Expansion in Iberia: deploy pipeline; new licenses' attributions; selective acquisitions
- Other geographies: “missionary” initiative in French market (30 MW of wind capacity)
- Technological diversification: R&D on five solar thermal projects and on one wave power

(1) Considering 100% of all projects.

(2) Includes the capacity of Ider (114 MW) and Weom France (30 MW), both in the pipeline

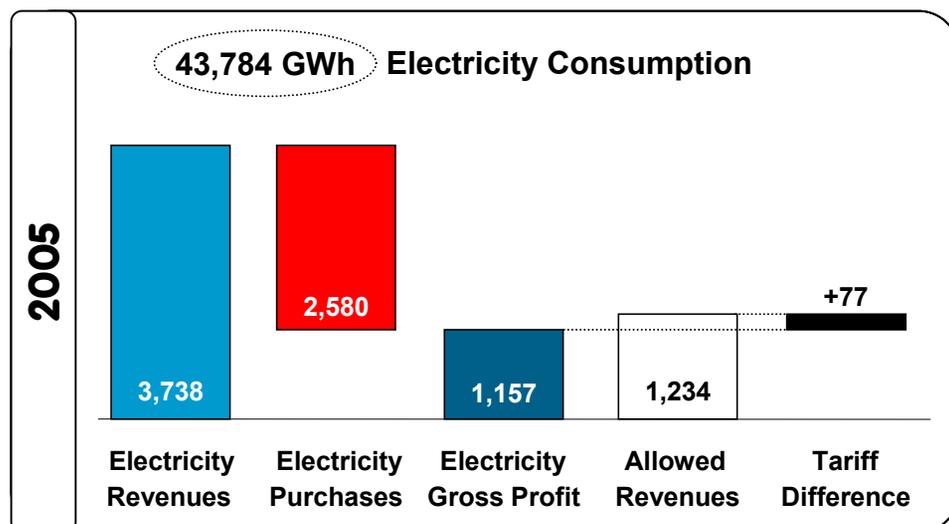
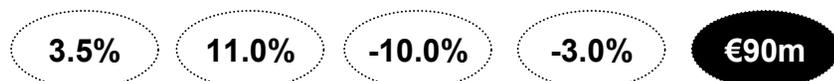
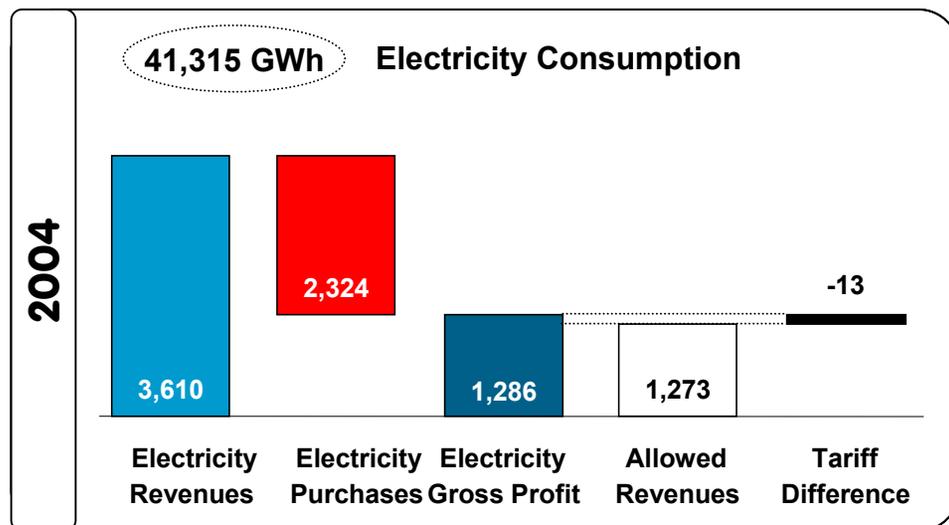
Main gross profit drivers



Despite strong demand, distribution Gross Profit was penalised by 2005 tariff cuts and time lag in the pass-through of fuel costs

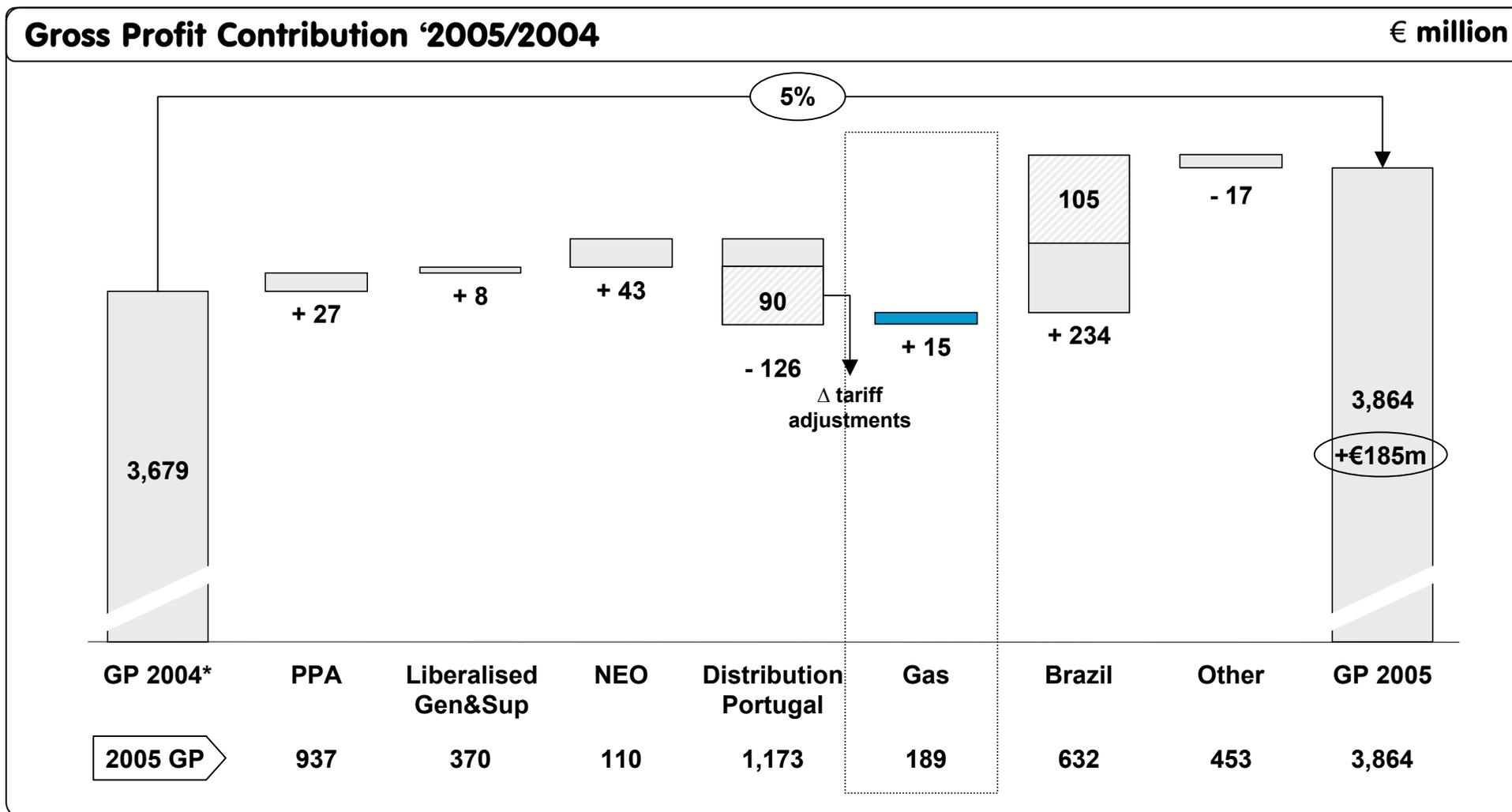
*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portugás (+ €21m) and excluding Edinfor (- €57m)

Distribution gross profit penalised by tariff revision and higher fuel costs in 2005



- Allowed revenues in 2005 down 3%:
 - UDGr: 6% consumption growth compensated a 4% cut in unit revenues
 - NS and SPS: 50 bp reduction in regulated rate of return
- Reported Gross Profit fell 10%:
 - Electricity purchases by EDPD up 11% due to hike in generation costs
 - Non-anticipated increases of generation costs are built-in the 2005 tariffs for HV/MV and subsequent years' tariffs for LV
 - Tariff deviation of €77m mostly re to the recovery of fuel costs in LV
 - Only recognized as a revenue under IFRS when invoiced through subsequent years' tariffs

Main gross profit drivers



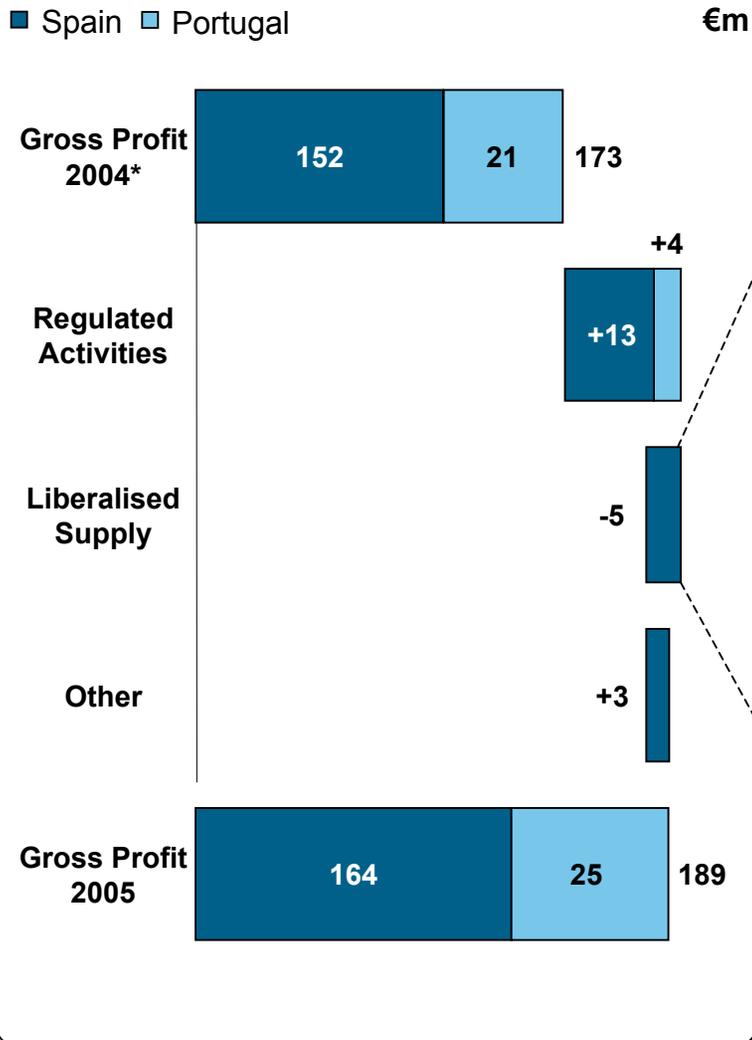
Gas profit up 24% following higher contribution from regulated activities

*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portugás (+ €21m) and excluding Edinfor (- €57m)

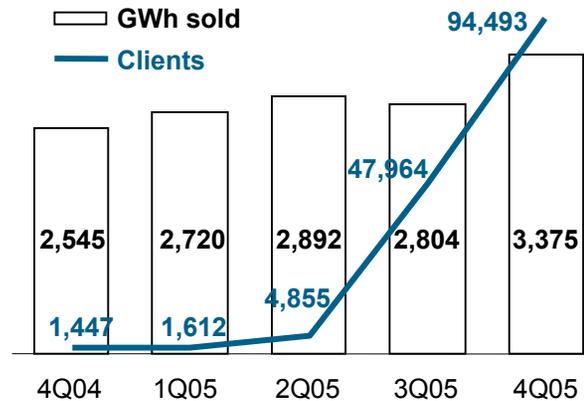
Iberian gas business driven by higher regulated revenues in Spain and consolidation of Portugás



Gross Profit: Naturgas and Portugás

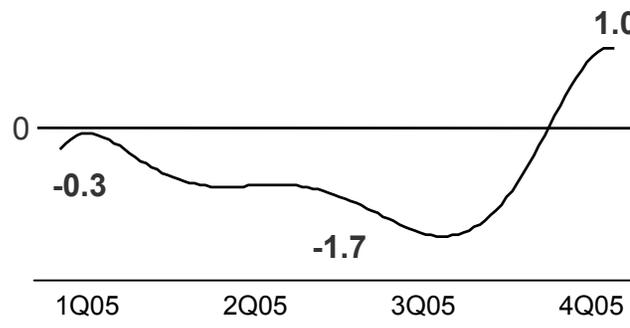


Portfolio evolution in the liberalised market



Success of a dual-fuel offer launched in mid 2005 drives activity increase

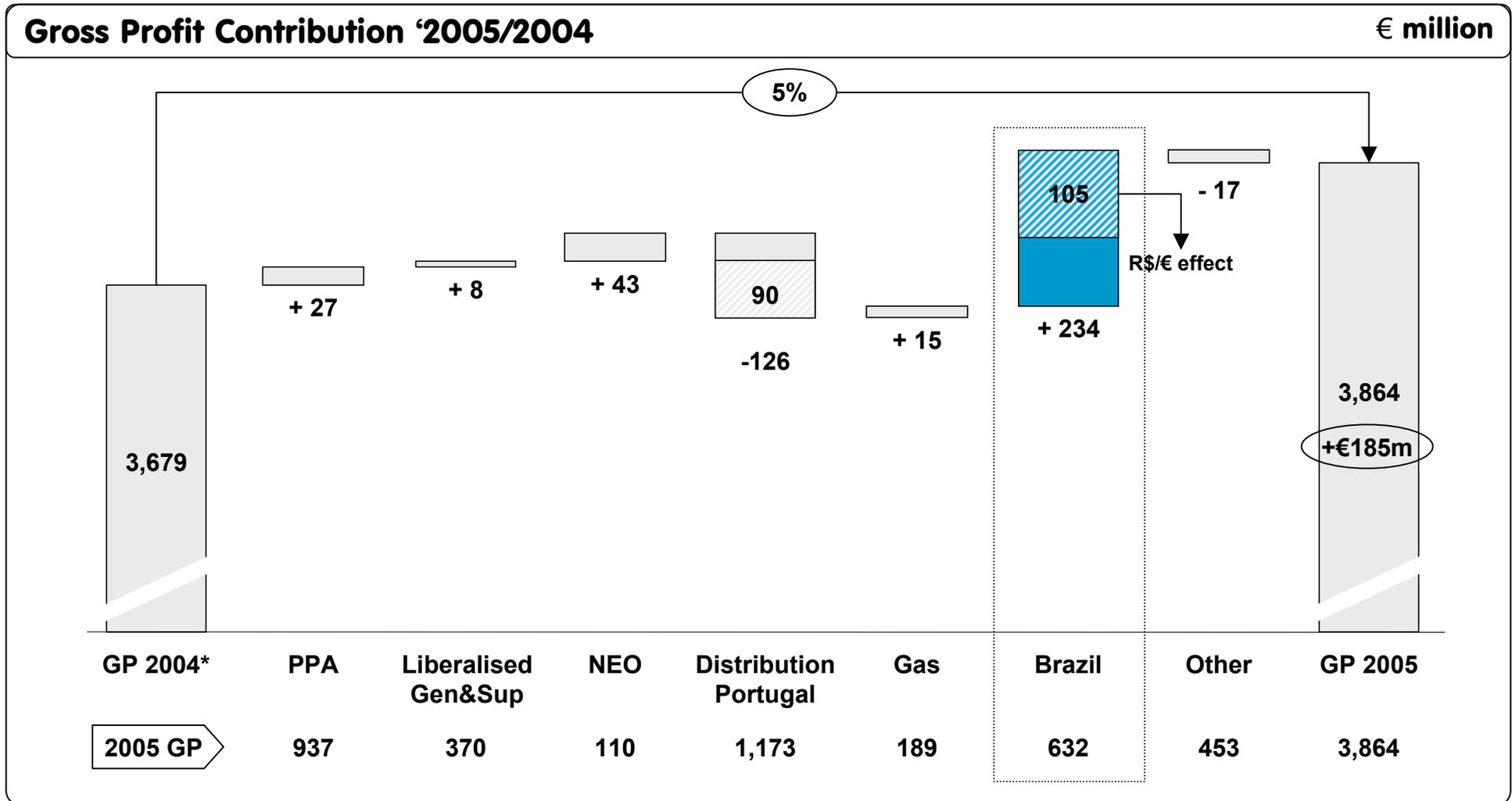
Selling margin in the supply activity (€/MWh)



margin in 2005 affected by the hike in the gas cost, which was not immediately passed to clients, however...
 ... renegotiation of older non-profitable supply contracts and contracting of new clients under attractive margin conditions

*Adjusted by consolidation effects: 60% of Portugás (+€21m)

Main gross profit drivers



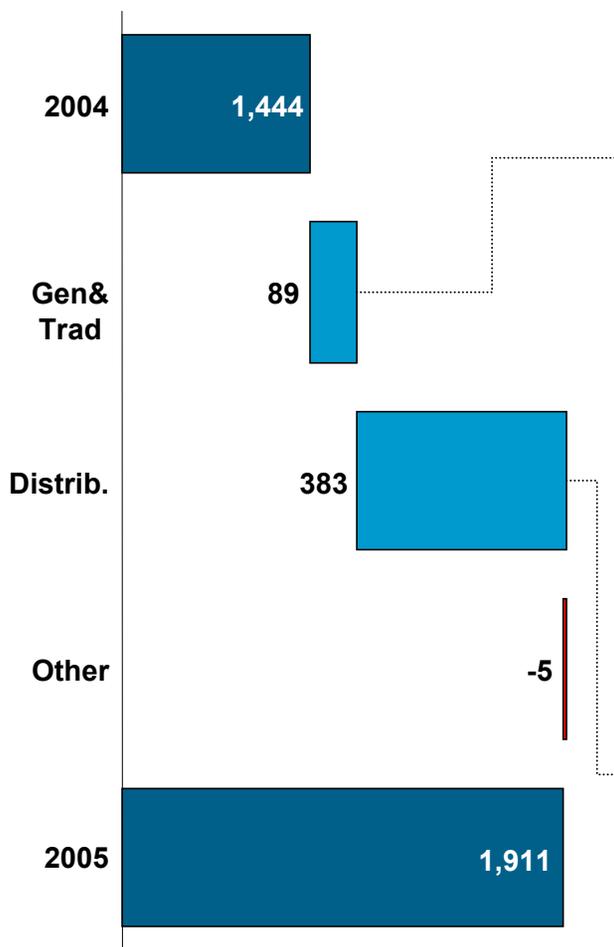
Brazil Gross Profit up on currency appreciation, higher tariffs and lower energy acquisition costs

*Adjusted by consolidation effects: 100% of HC (+ €348m), 60% of Portgás (+ €21m) and excluding Edinfor (- €57m)

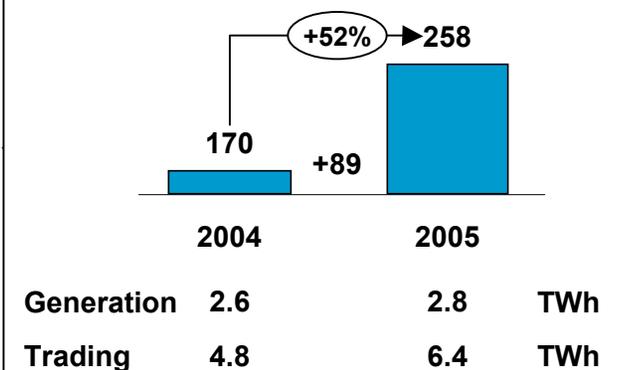
Energias do Brasil performance driven by distribution business



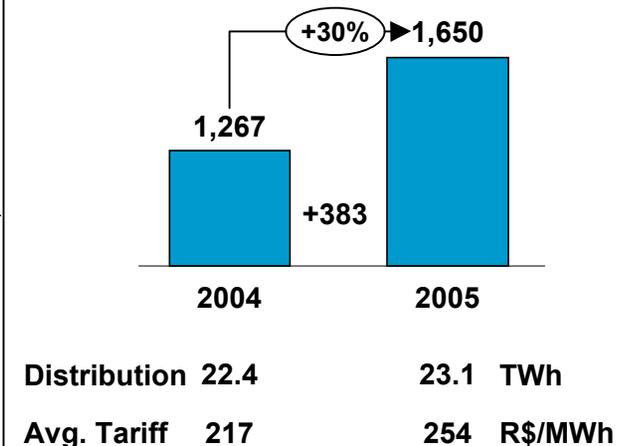
Gross Profit '05/04 R\$ m



Generating & Trading R\$ m



Electricity Distribution R\$ m



- Transfer of generation assets (280MW) from EnBR Discos following unbundling/restructuring
- Generation tariffs at Lajeado (903MW) updated to inflation
- Sales volume from the trading and supply activity increased 32%
- Average demand growth in EnBR distribution concessions up 3%
- Upward revision (+R\$38m) of Escelsa (Aug) and Enersul (Apr) RAB and tariffs
- Downward revision of Bandeirante RAB (-R\$94m) in Oct: new tariff incorporates R\$102m to return until Oct.06
- Energy acquisition costs in '05 tariffs higher than incurred costs by Discos (R\$67m to return in following revision)

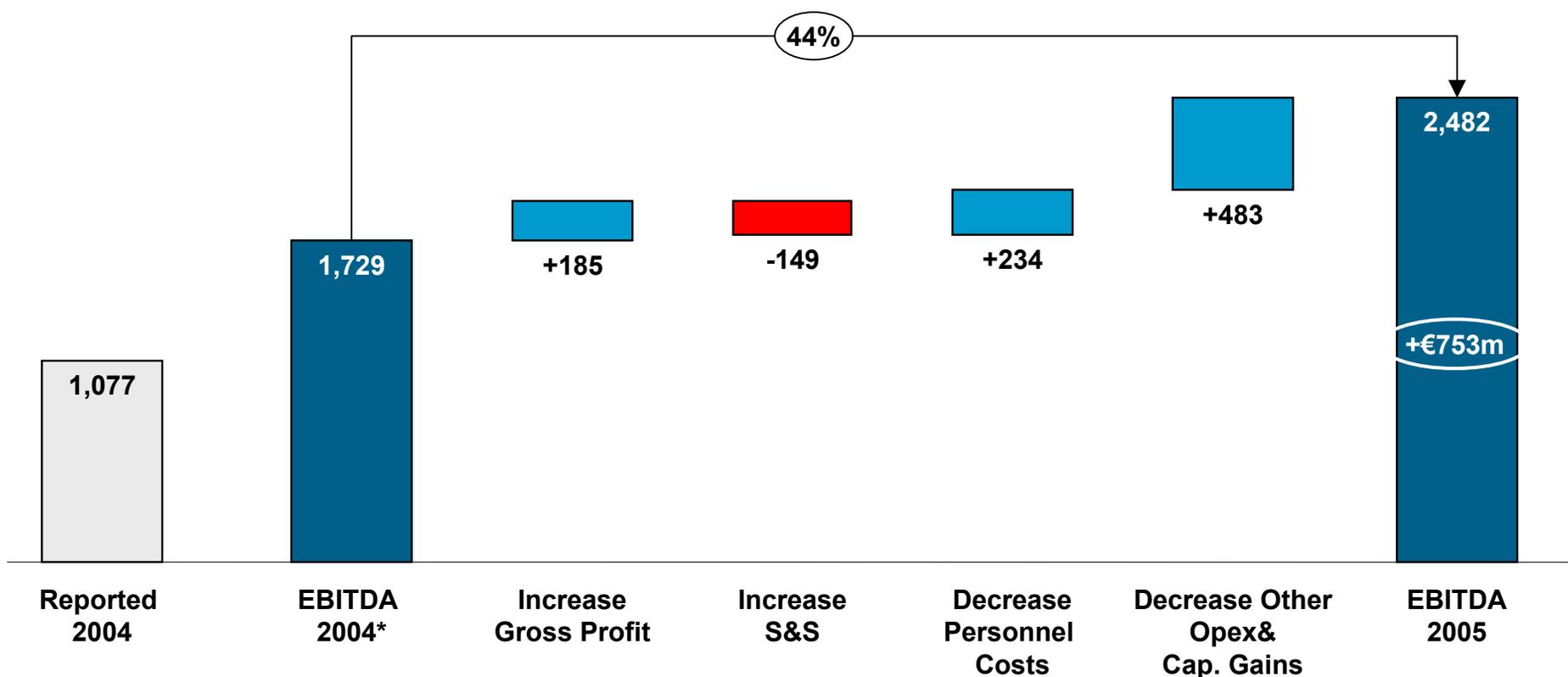
*Adjusted by consolidation effects: 60% of Portgás (+ €21m)

EBITDA up on cost control and capital gains



EBITDA changes by item '2005/2004

€ million



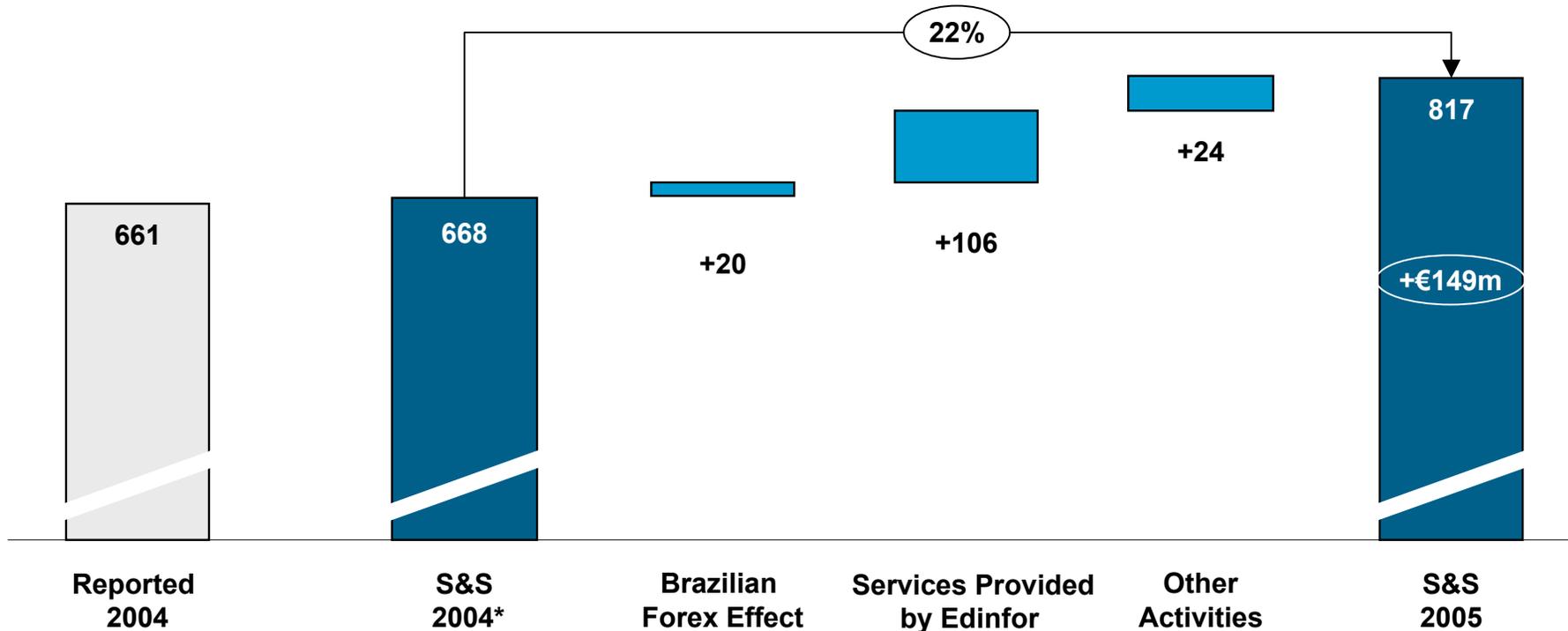
* Adjusted by: consolidation effects of 100% of HC(+€241m), 60% of Portgás (+€15m) and excluding Edinfor (+€81m); a provision to cover for the risk associated with the potential settlement of the "Hydro Correction Account" balance (+€316m) due to the start of the MIBEL

S&S up driven by start of outsourcing contract following Edinfor sale



Supplies and Services by company

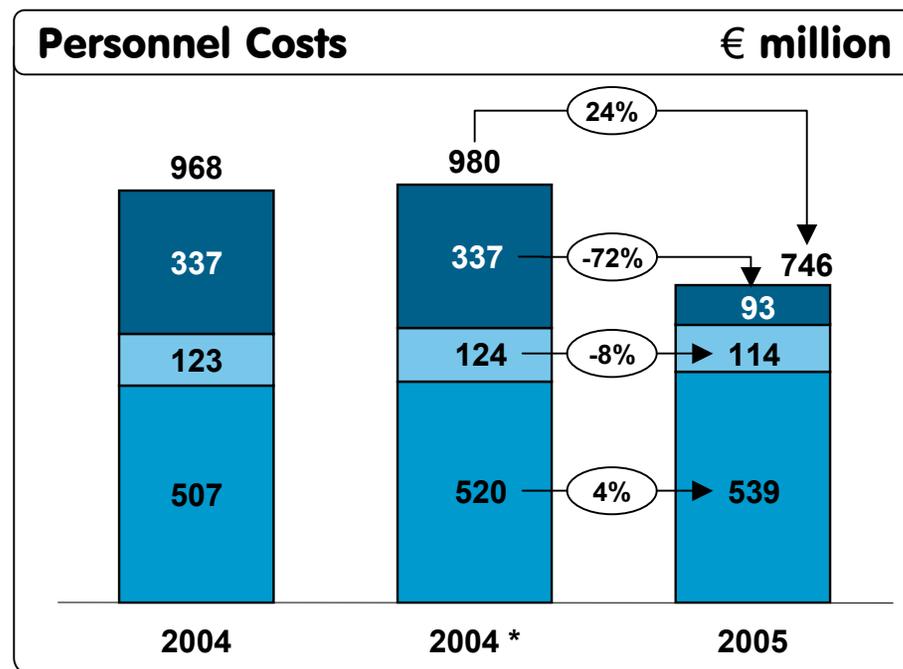
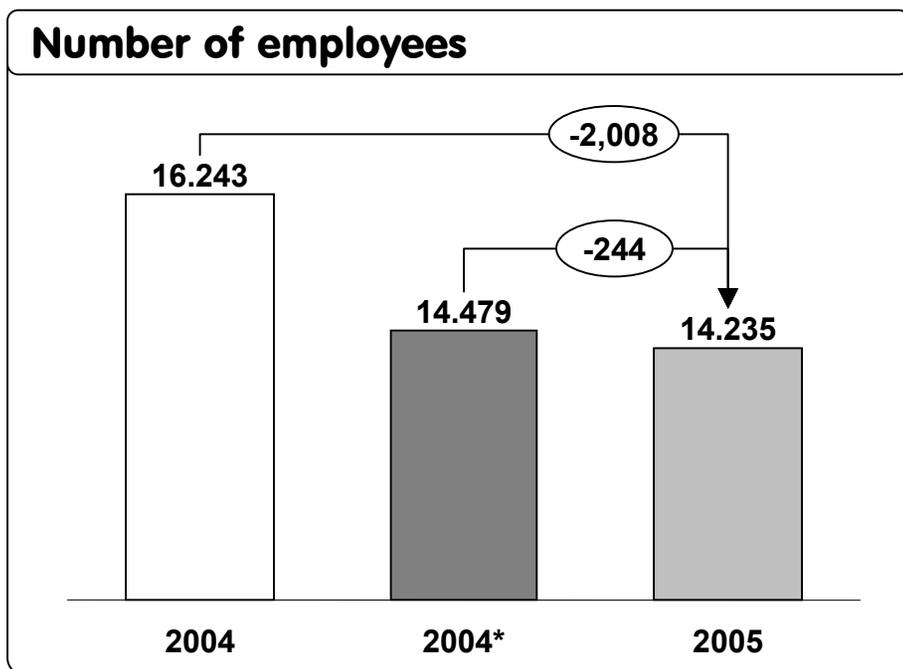
€ million



- IT outsourcing contract replaces Edinfor's full costs at EDP
- All other activities only accounted for 30% of S&S growth in a context of increased capacity and strong commercial efforts

* Adjusted by consolidation effects: 100% of HC(+€53m), 60% of Portgás (+€4m) and excluding Edinfor (-€51m)

Personnel costs down on 2004 extraordinary restructuring costs



Headcount falls steeply on:

- Changes in Group's portfolio: Edinfor (-1,416), Comunitel (-446), Portgás (+98)
- Reduction of 73 employees in Iberian energy business and 72 in Brazil
- Restructuring of ONI's operations (-158)

- Personnel Costs before impact of restructuring charges up 1% in a context of a 2.88% average salary increase (excluding the impact of a €15m BRL/EUR appreciation)
- Lower restructuring costs in 2005 following intense execution of headcount restructuring plan in 2004

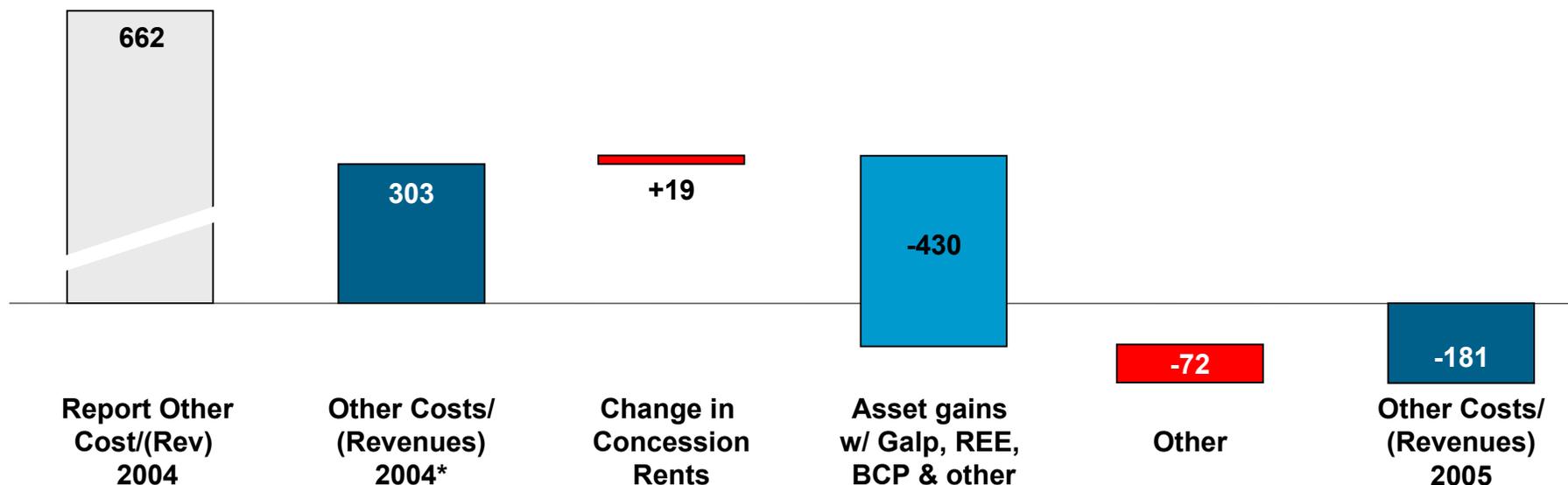
* Adjusted by consolidation effects: 100% of HC(+€59m), 60% of Portgás (+€3m) and excluding Edinfor (-€49m)

Asset gains drove other revenues up



Other Costs / (Revenues)

€ million



• Asset Gains:

- Galp – Sale of the 14,27% stake in Galp. Capital gain of €397m
- REE – Sale of HC's 3% stake in REE. Capital gain of €9m
- BCP – Transfer of 2.01% share in BCP to EDP's pension fund. Capital gain of €12m
- Other – Sale of stake in Efacec, sale of Canal Energia and H. Santillana. Capital gains of €11m.

- Other: a 2005 gain of €30m relative to the recovery of Lajeado's concession value and the accounting in 2004 of a €45m extraordinary provision at the ONI Group (Vodafone tax credit and Transgás)

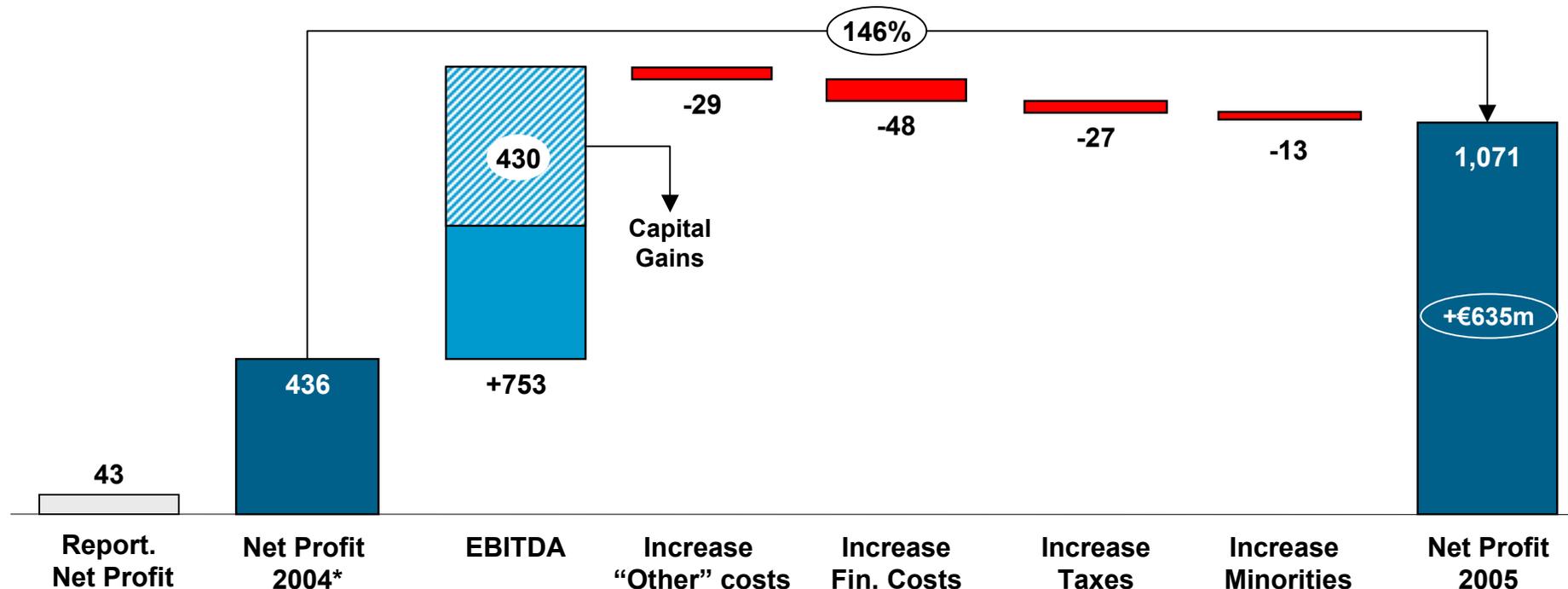
* Adjusted by: consolidation effects of 100% of HC (+€6m), 60% of Portugás (+€1m) and excluding Edinfor (-€51m); a provision to cover for the risk associated with the potential settlement of the "Hydro Correction Account" balance (+€316m) due to the start of the MIBEL

Strong net income growth on healthy operations and capital gains



Net Profit Contribution '2005/2004

€ million



- Gains on disposal of non-core assets: €430m included in EBITDA and €46m from the sale of Edinfor and Comunitel included in "Other" revenues
- Other financial items include fair value provision of the CMEC's derivative (€118m). Fair value adjustment in March only amounts to approximately €50m
- Lower effective tax rate: capital gain on Galp (tax free) and tax saving with the corporate restructuring in Brazil
- Increase in Minorities following IPO in Brazil

* Adjusted by: consolidation effects of 100% of HC (+€46m), 60% of Portugás (+€5m) and excluding Edinfor (-€40m); a provision to cover for the risk associated with the potential settlement of the "Hydro Correction Account" balance (+€316m) due to the start of the MIBEL

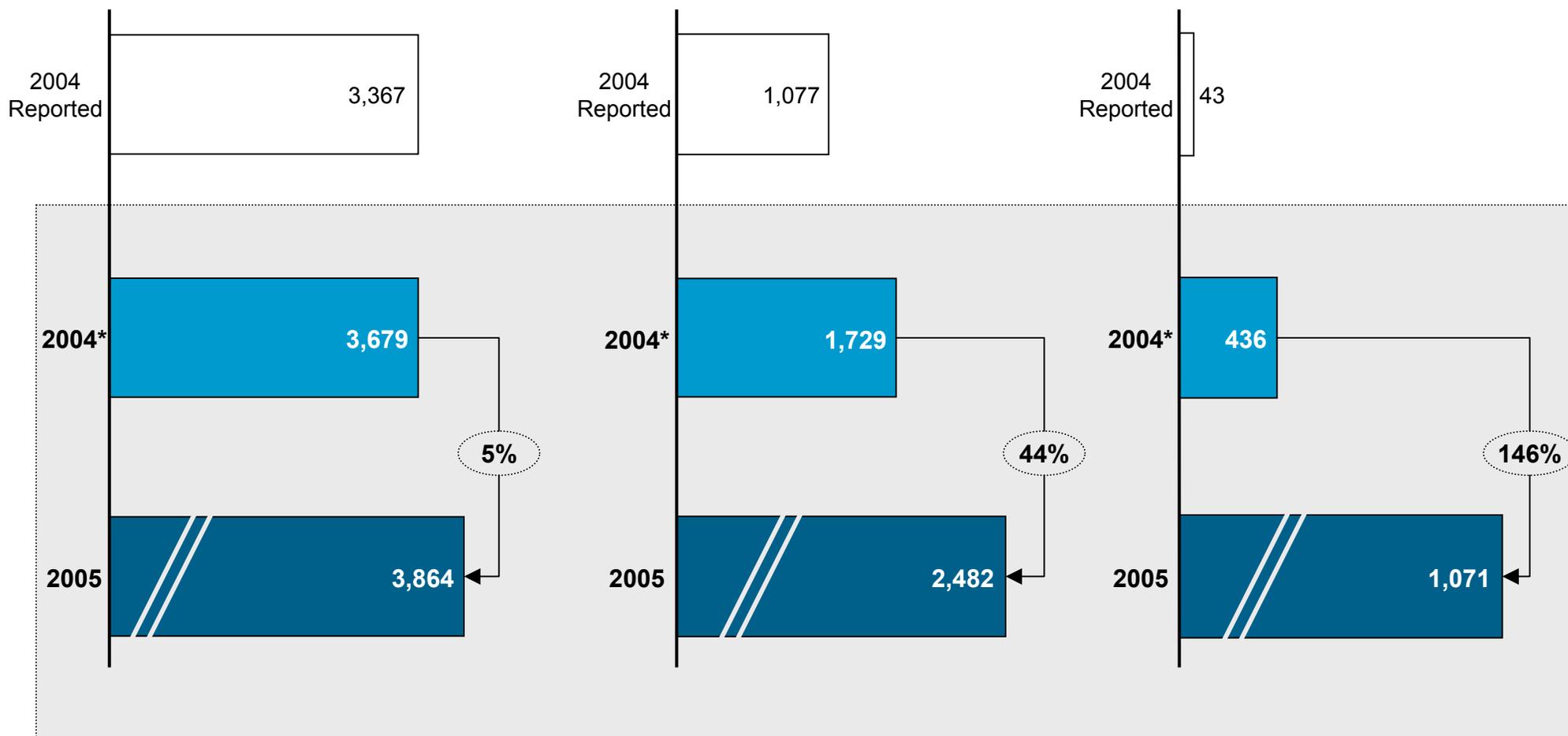
EDP 2005 main figures



Gross Profit

EBITDA

Net Profit



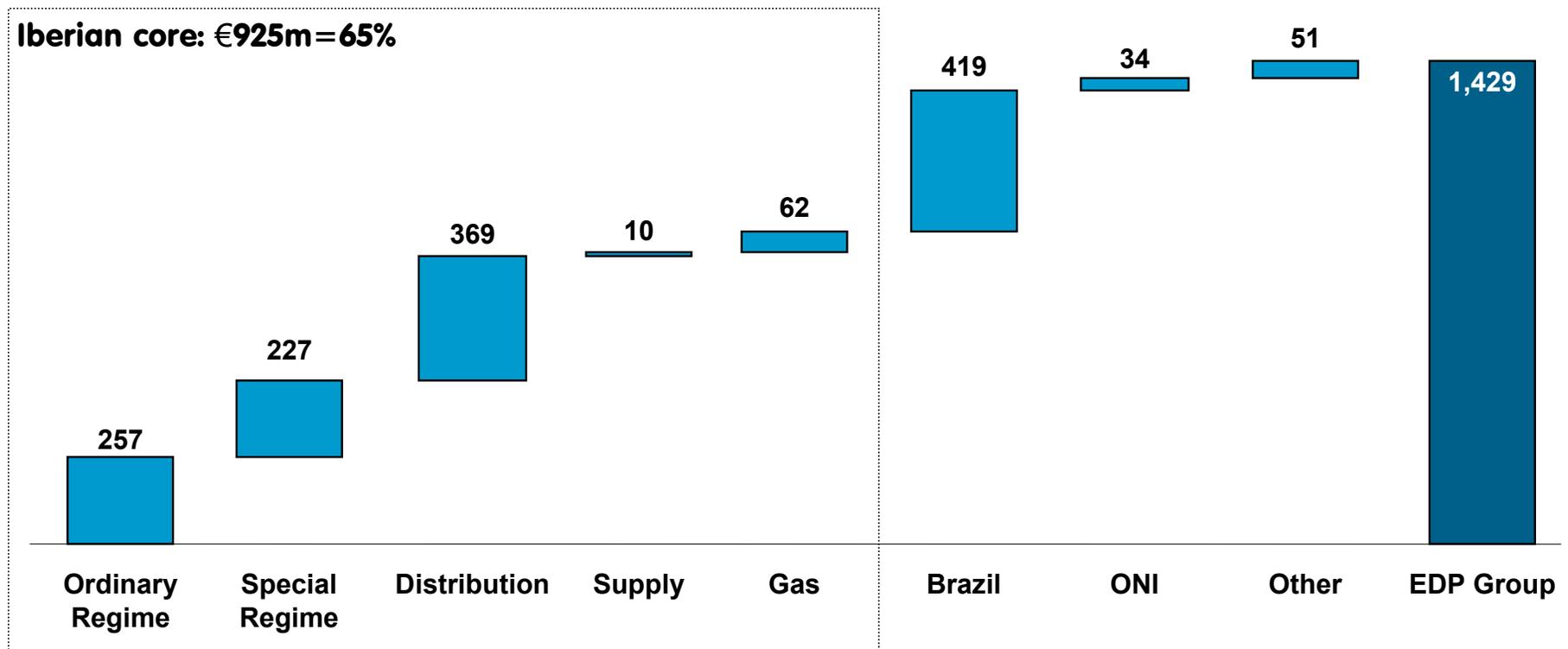
* Adjusted by: consolidation effects of 100% of HC, 60% of Portugás and excluding Edinfor; a provision to cover for the risk associated with the potential settlement of the "Hydro Correction Account" balance (+€316m) due to the start of the MIBEL

Additional capex of 39% driven by wind farms in Spain and Brazilian activities



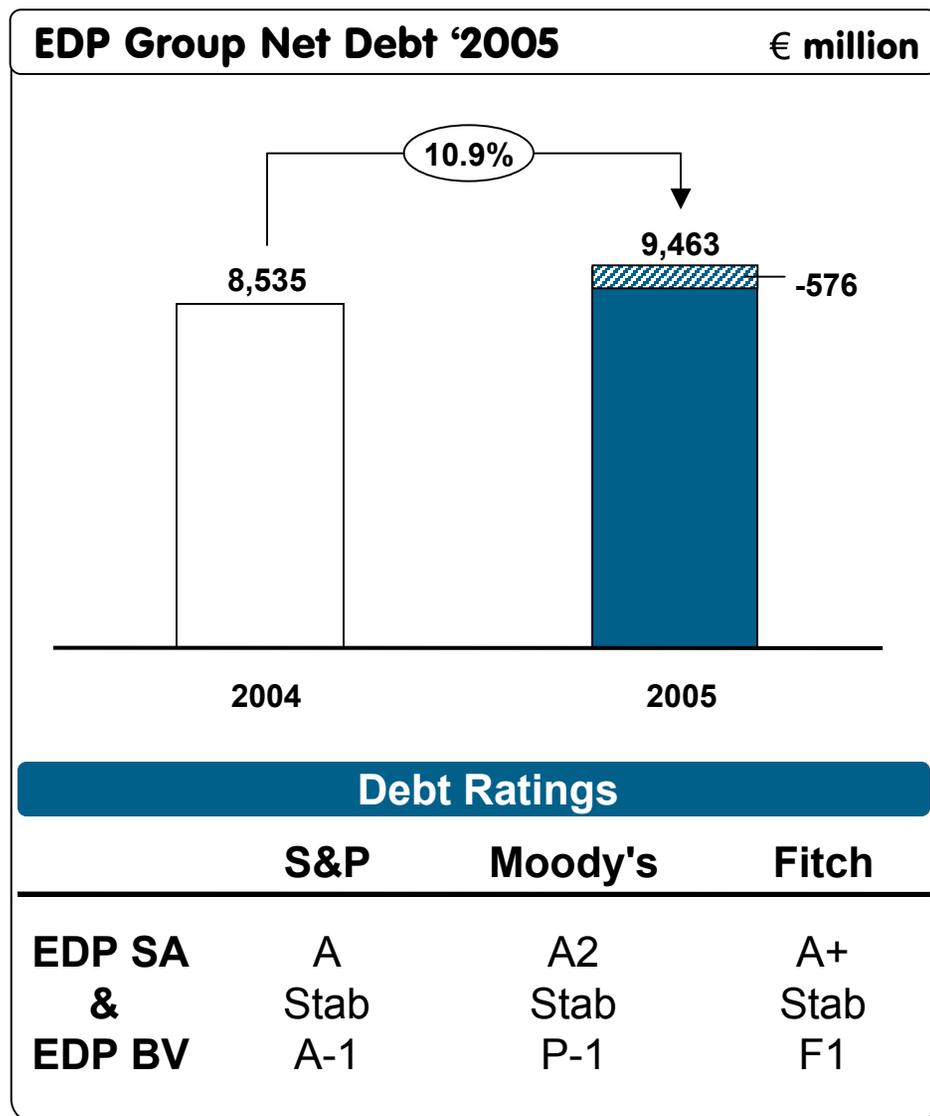
Capex in the period '2005

€ million



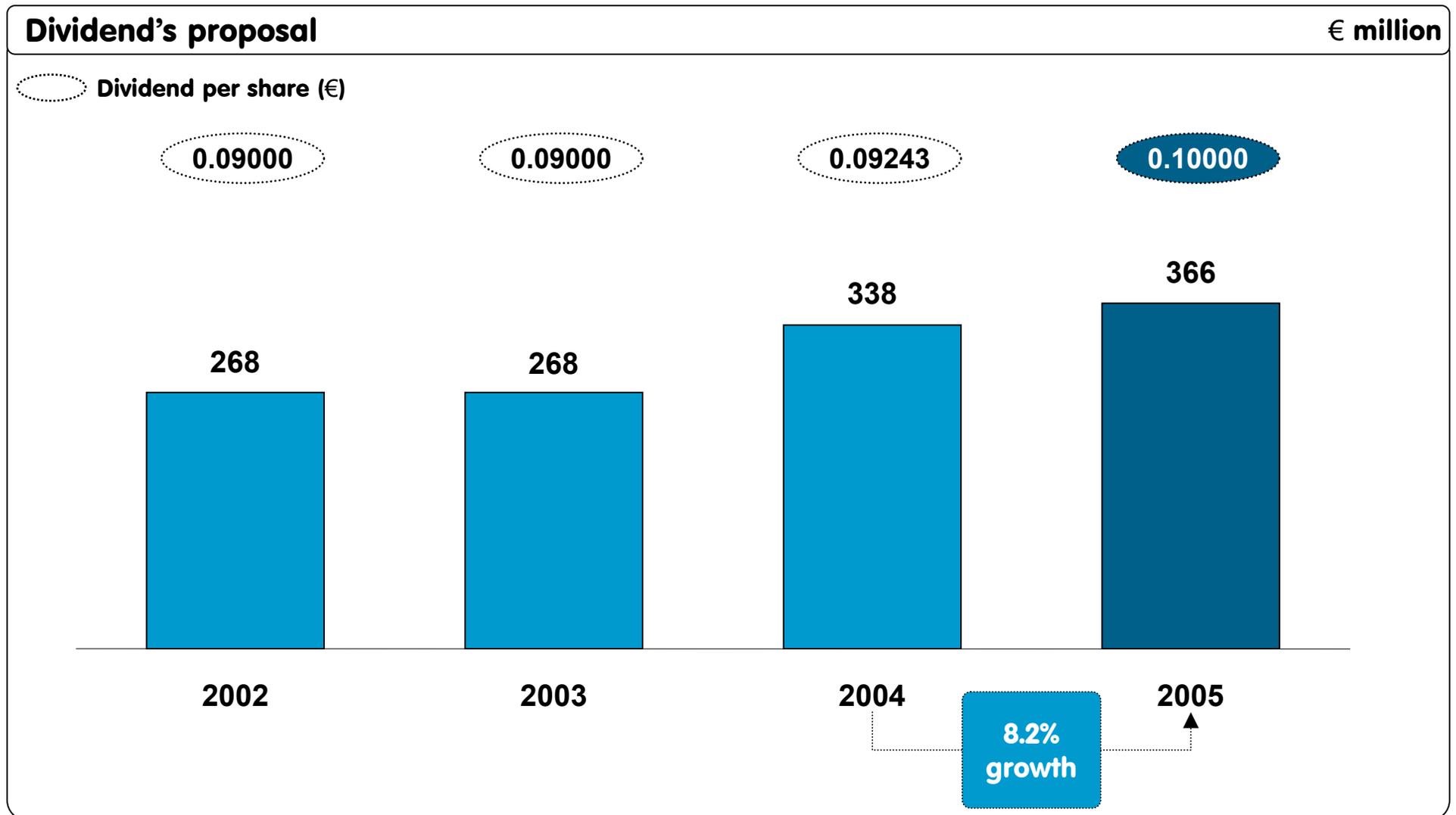
- Ordinary Regime: Completion of Ribatejo CCGT (1,200 MW); beginning of the construction of Castejón 2 and environmental investments to comply with EU directives
- Special Regime: Development of wind farms portfolio
- Distribution: Investment in the distribution network to improve the quality of service
- Brazil: Construction of Peixe Angical in Brazil and mandatory investment to connect all low voltage consumers

Improving risk profile despite higher debt



- **Cash Flow before capex**
 - Stable at €1,635m but affected by hydro payment to REN (€200m)
- **Capex**
 - Up 39% to €1,429m (65% in the core business)
- **Financial Investments**
 - Financial investments of €756m:
 - 1,728 MW in wind farms (€637m)
 - +46.6% in Portgás (€85m)
 - +20% in Turbogás (€52m)
 - Financing of the Spanish tariff deficit (€220m)
- **Payment of the 2004 dividend (€336m)**
- **Effects on debt**
 - Consolidation of the net debt of Desa (€159m) and Portgás (€69m)
 - Increase of consolidated Brazilian debt due to the appreciation of the Real against the euro (€227m)
- + **Cash-ins**
 - IPO of EnBR (€182m)
 - Sale of non-core assets: €540m (includes 1st settlement of Galp sale in €144m. The 2nd was received only in Jan. 2006 and amounted to €576m) ³³

Sustained dividend growth policy in line with announcement in Strategic Plan presentation





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