



**feel our energy**

**2006**

**March 9, 2006**

**EDP reported a 13% increase of EBITDA in 2006  
net profit fell 12% due to lower extraordinary results**



**Income Statement**  
€ million

	2006	2005	Change	% Change
<b>Gross Profit</b>	4,158	3,864	295	+8%
<b>EBITDA</b>	2,305	2,048	258	+13%
<b>EBIT</b>	1,253	1,136	117	+10%
<b>Financial Results and associated companies</b>	38	(364)	402	+110%
<b>Capital Gains</b>	5	492	(487)	-
<b>Net Profit</b>	941	1,071	(130)	-12%
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<b>Capex</b>	1,457	1,427		+2%
<b>Net Debt</b>	9,285	9,463	(178)	-2%

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## Main Highlights (1/2)



1. **EBITDA increased 13% YoY to €2,305m**, above the 11% CAGR target for the 2006-2010 period, including €47m of non-recurring restructuring costs accounted in 4Q06. **Net Profit decreased 12% to €941m**, following the lower level of extraordinary results in 2006. **Excluding non-recurrent items, current net profit increased 17%**
2. **Gross profit from Iberian generation and supply activities in the liberalized market increased 26%**, on the back of higher capacity ( +400MW at Ribatejo CCGT) and the increase of average net supply price. **Gross profit from generation activity under PPAs remained stable**, representing 23% of consolidated gross profit (€934m).
3. **Wind gross generation capacity increased 65% YoY** (+461 MW through organic growth and +155 MW through acquisitions) **up to 1,568 MW in 2006**. As a result, gross profit from renewable energies more than doubled in the period (+€103m).
4. **Gas business gross profit increased 20% in the period (+€38m)**, following the **acquisition of Bilbogas and Gasnalsa**, an improvement of regulated revenues and a recovery of the liberalized margin (+€2/MWh).
5. **Distribution gross profit improved €78m**, benefiting from the **recognition of a €125m tariff deficit in Portugal**. Nevertheless, electricity gross profit from distribution activity in Portugal came €118m below allowed revenues – This deviation will be recovered in the next tariff reviews.

\* Gross MW of Wind Installed Capacity

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## Main Highlights (2/2)



6. **In Spain, RD 03/2006 had a €48m negative impact on EBITDA** due to the potential withdraw of the economic value of the CO2 licenses granted for free related to generation sales to the pool and the netting of intra-group transactions in the Spanish pool at a provisional tariff of €42.35/MWh.
7. **Energias do Brasil gross profit increased 19% (+€119m) benefiting from the start of operations of Peixe Angical hydro plant and from the appreciation of the Real**. These events more than compensated the negative impact tariff deviations to be recovered in the future.
8. Excluding the impact of the Brazilian Real appreciation and a non-recurring cost related to staff reduction in the Iberian Peninsula and Brazil (€68m), **consolidated operating costs decreased in real terms (S&S and Personnel Costs increased 1.5% YoY)**.
9. **Financial results and Income from associated companies reflect the positive impact of the interest rate swap that was hedging the CMEC agreement (+€270m) and the equity contribution from REN (+€225m, boosted by the capital gain on the sale of its 18.3% stake in Galp in the 3Q06)**. Net Debt decreased €178m to €9.3 billion in 2006.
10. **Non-core assets disposal policy**, namely sale of a 15% stake in REN, 8% of SonaeCom, Telecable, ONI<sup>(1)</sup> and Electra (~€360m of cash-in) and **focus in core business** through reinforcement of gas distribution (€96m) and wind farms acquisitions (€444m). Capital gains in 2006 were €5m vs. €492m in 2005.

<sup>(1)</sup> Not accounted for in 2006

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## Consolidated gross profit rose by 8% in 2006



### Income Statement

€ million

	2006	2005	Change	% Change
<b>Gross Profit</b>	<b>4,158</b>	<b>3,864</b>	<b>295</b>	<b>+8%</b>
<b>EBITDA</b>	<b>2,305</b>	<b>2,048</b>	<b>258</b>	<b>+13%</b>
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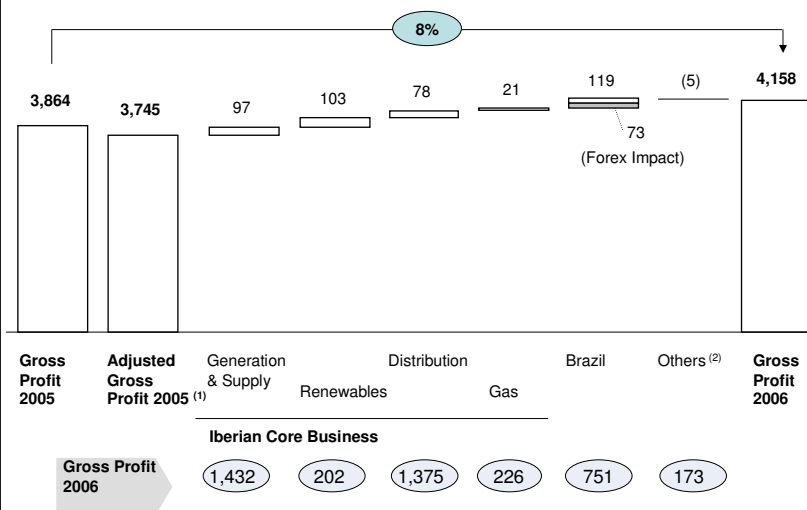
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## Gross profit grew in all our main business areas



### Gross profit Evolution: 2006 vs. 2005

€ millions



• 26% growth of Iberian liberalized market gross profit due to improvement on gross margin per MWh

• 65% growth of wind capacity contributed with 24% of EDP gross profit improvement

• Allowed revenues in distribution in Portugal grew by 10%

• Appreciation of the Brazilian Real, start up of Peixe Angical

<sup>(1)</sup> Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portgás

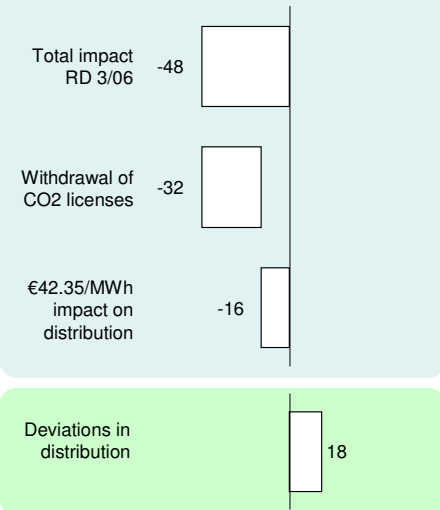
<sup>(2)</sup> Includes other activities such as cogeneration, Holdings, EDP Bioelétrica, Shared Services, Telecoms ...etc, and consolidation adjustments

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## RD 03/06 reflected into a €48m negative impact at HC Energia



### Impact at EBITDA Million euros

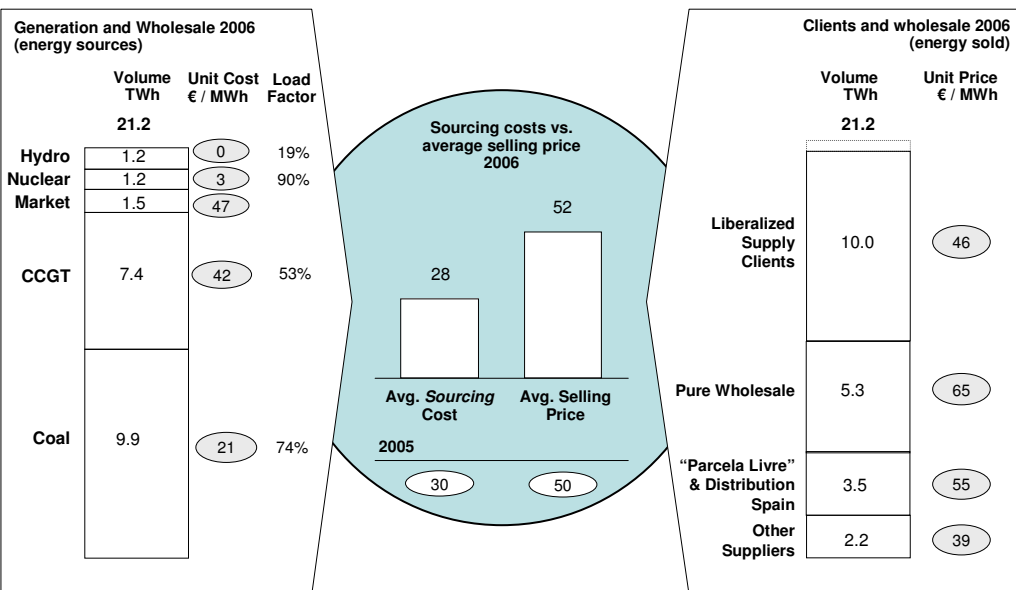


### Comments

- Provisional impact of RD 3/06 implies a ~10% reduction on HC's EBITDA.
- Value of withdrawal by generation activity of CO2 free allowances (in line with the is in line with the CNE preliminary opinion)
- €53/MWh average electricity purchase cost in distribution for the assimilated bilateral volumes (1,512 GWh) was higher than the €42.35/MWh cost recognized by regulation: €16m
- In 2006 HC Energia distribution had an average electricity purchase cost lower than the average of Spanish distributors (average price was boosted by significant purchases in secondary markets by other operators)

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## Generation and supply liberalized market: market sales were kept at prices above the sourcing cost of electricity

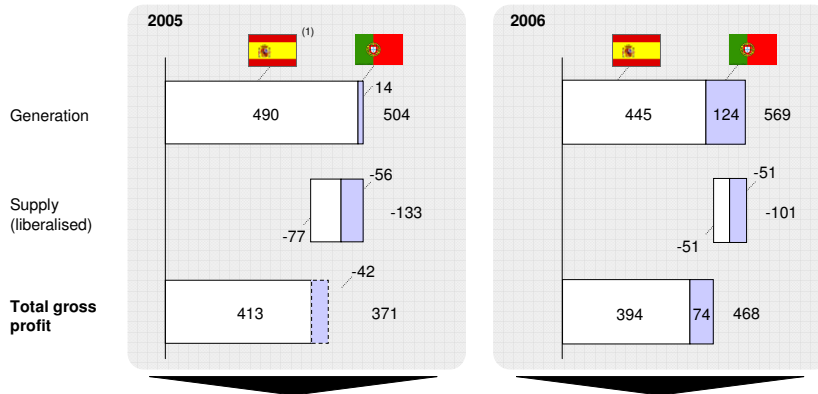


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## Generation and supply in liberalized market: gross profit grew 26% Higher selling prices more than compensated lower volumes



Iberian Generation and Supply Gross Profit  
Million euros



26% growth of gross profit from generation and supply in the liberalized market

- In Portugal, short position in wholesale market led to electricity purchases in the pool at high prices to satisfy electricity needs of supply customers
- 4Q05 commercial strategy in Portugal led to a -€32m negative impact in gross profit

- Higher prices in wholesale markets and in retail segment both in Spain and Portugal

- Increase of unit gross margin per MWh sold both in Spain and Portugal more than compensated reduction of volumes sold.

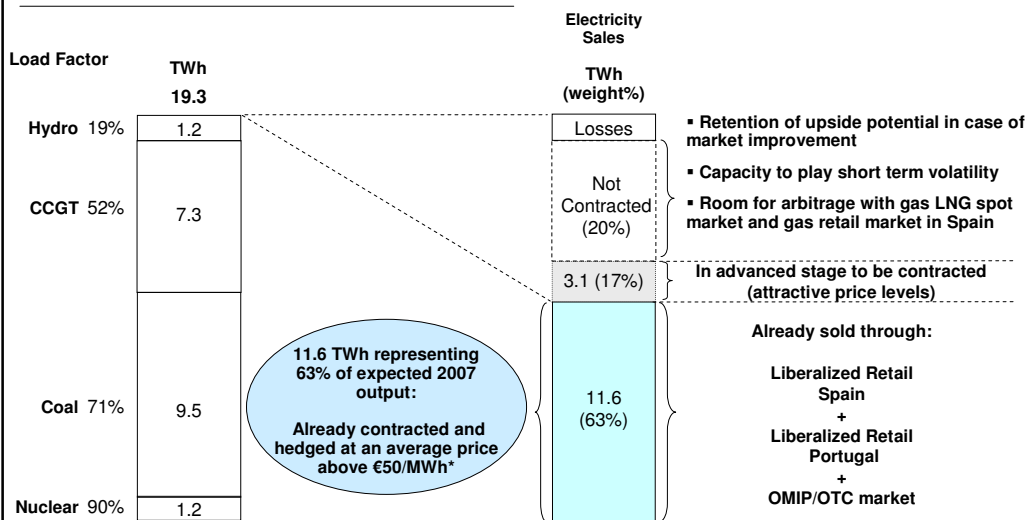
<sup>(1)</sup> Pro-forma in Spain to adjusted the generation and supply activity with the internal contracted price

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## Iberian market: Well timed forward contracting for 2007



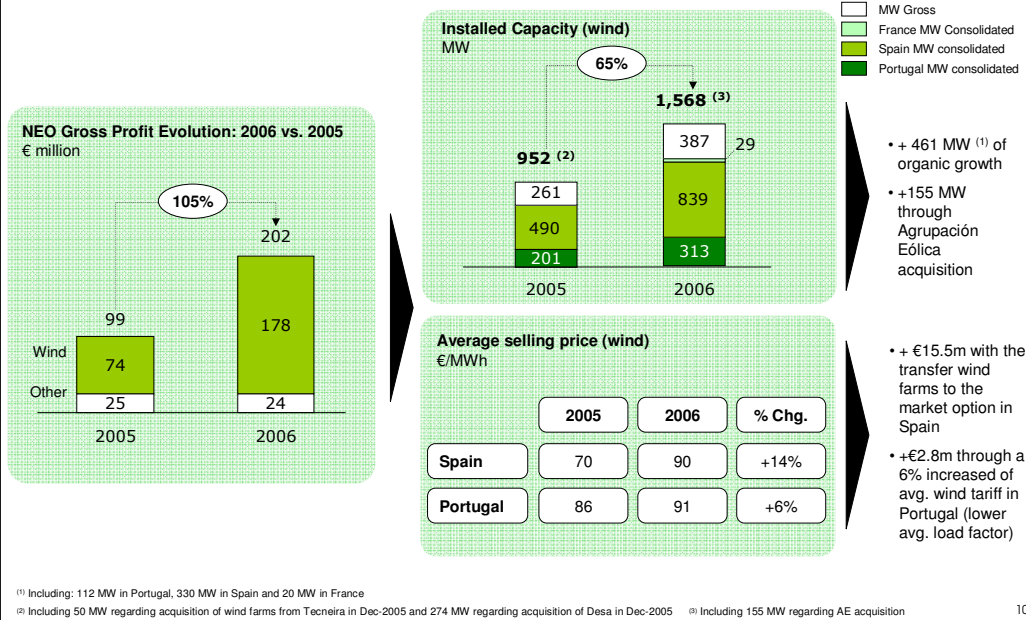
Liberalized Generation output: Current Base case for 2007



\* Before capacity payment

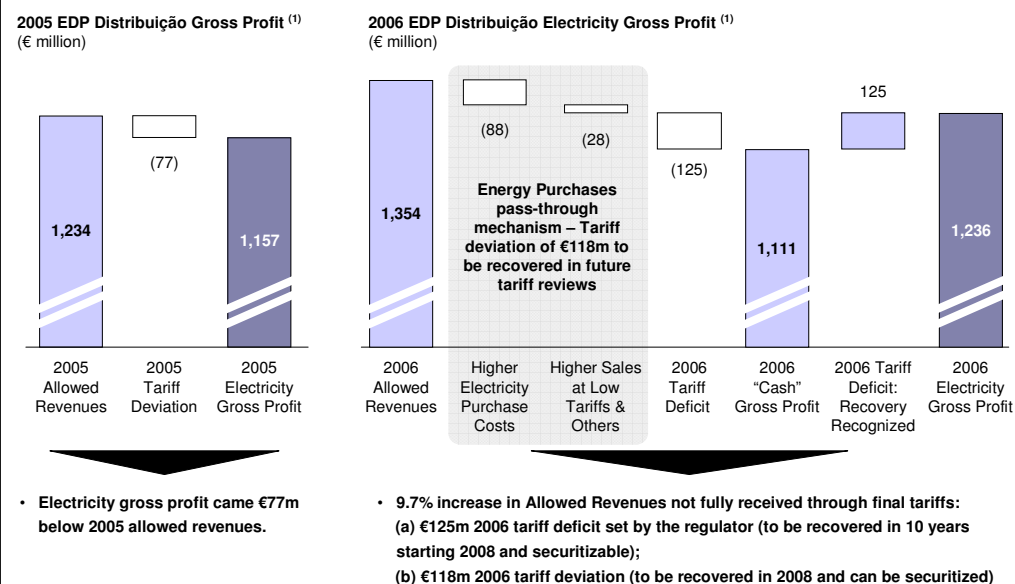
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## Growth in Iberian renewables driven by wind capacity increase and higher average wind tariffs



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## Regulated distribution in Portugal: 10% growth of allowed revenues Gross profit was penalized by a €118m tariff deviation



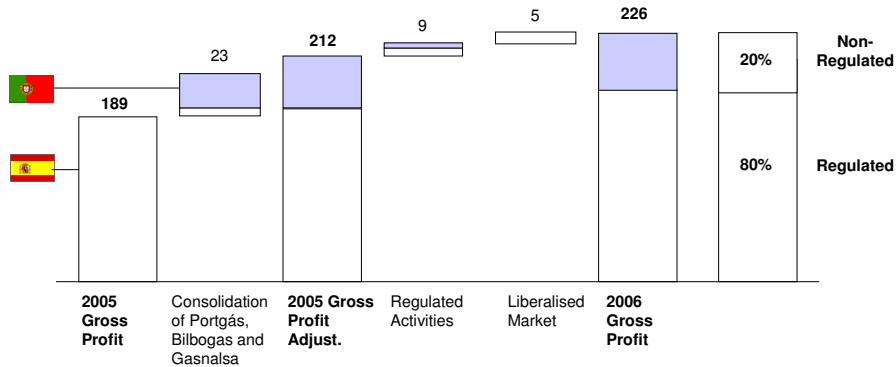
(1) Excluding services provided, other sales and materials

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## Gas regulated revenues in Spain and Portugal grew by 12.6%, strong recovery of liberalized supply activity in Spain in 4Q06



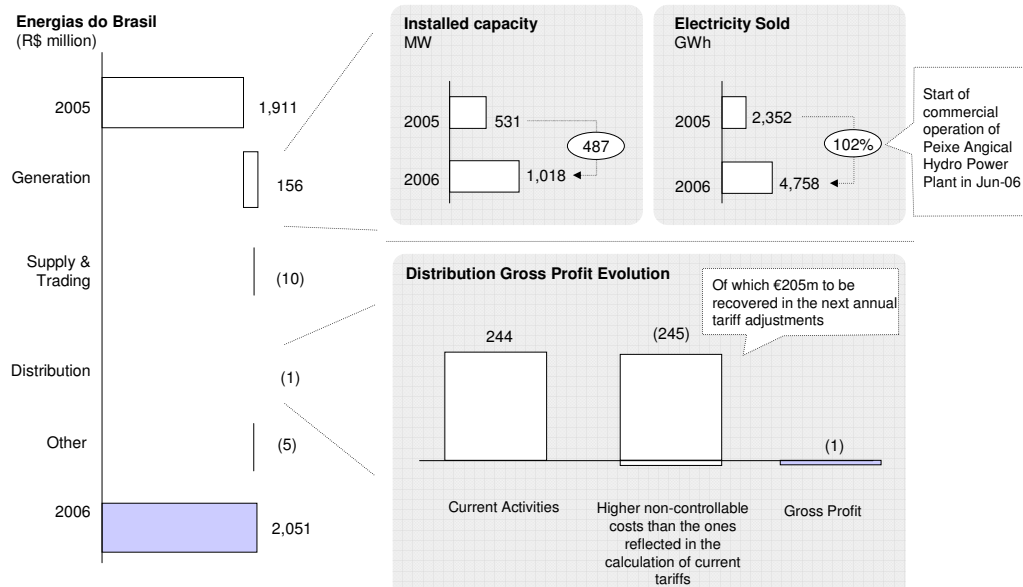
**Iberian Gas Gross Profit Evolution: 2006 vs. 2005**  
Million euros



- **Regulated gas distribution (80% of gross margin):** Regulated revenues grew by 3.8% to €180m. Full consolidation of Portgás, Gasnalsa and Bilbogás following the reinforcement of the stakes from 59.6% to 72.0% in Portgás and from 50% to 100% in Gasnalsa and Bilbogás.
- **Liberalized gas market in Spain (20% of gross margin):** Strong improvement of the supply margin in 4Q06 more than compensates non-recurrent procurement losses with gas purchases in the spot market during 1Q06

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## Energias do Brasil gross profit benefited from the start of operations of Peixe Angical hydro plant



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## EDP Group EBITDA increased 13% while net income decreased by 12%



### Income Statement € million

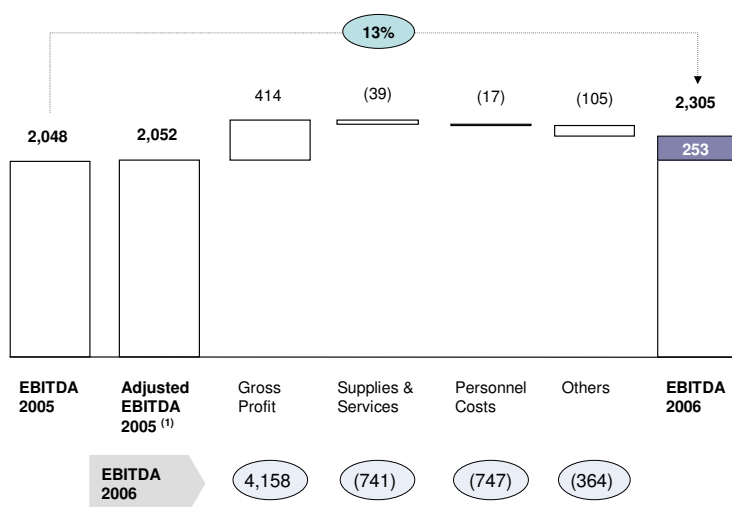
	2006	2005	Change	% Change
<b>Gross Profit</b>	<b>4,158</b>	<b>3,864</b>	<b>295</b>	<b>+8%</b>
<b>EBITDA</b>	<b>2,305</b>	<b>2,048</b>	<b>258</b>	<b>+13%</b>
Supplies & Services	741	817	(75)	-9%
Personnel Costs & Social Benefits	747	746	(1)	0%
Other Operat. Income/(Costs)	(364)	(253)	(111)	44%
<b>EBIT</b>	<b>1,253</b>	<b>1,136</b>	<b>117</b>	<b>+10%</b>
<b>Financial Results and Income/ (Losses) from associated companies</b>	<b>38</b>	<b>(364)</b>	<b>402</b>	<b>+110%</b>
<b>Net Income</b>	<b>941</b>	<b>1,071</b>	<b>(130)</b>	<b>-12%</b>
<b>Capex</b>	<b>1,457</b>	<b>1,427</b>		<b>+2%</b>
<b>Net Debt</b>	<b>9,285</b>	<b>9,463</b>	<b>(178)</b>	<b>-2%</b>

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## EBITDA performance was supported by gross profit improvement



### EBITDA Evolution: 2006 vs. 2005 € million



<sup>(1)</sup> Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portugal

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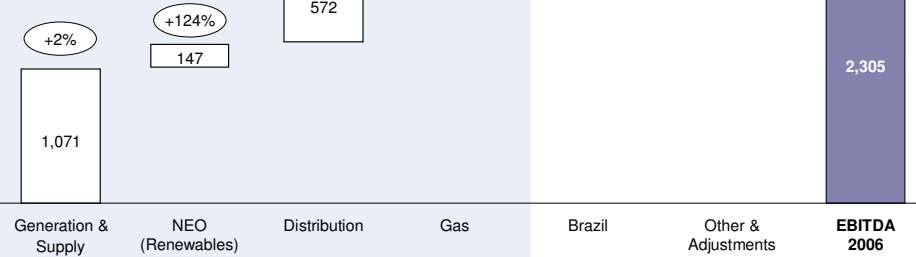
## Strong EBITDA growth in all main business areas



**EBITDA by business area**  
€ million

### Core Iberia

€1,934 million = 84% EDP Group's EBITDA



EBITDA in 2006 was positively affected by a better operational performance of all activities with evidence for:

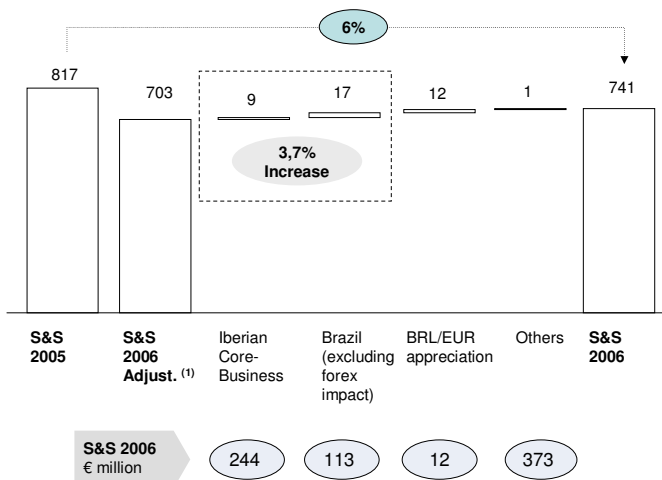
- Strong increase in wind installed capacity,
- Decrease of operational costs mainly in electricity distribution activities
- Strong recovery of liberalised activities

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## Supplies and services: Stable in Iberian activities, growth in Brazil to reduce distribution grid losses and forex impact



**Supplies & Services Performance: 2006 vs. 2005**  
€ million



### Iberian Core:

#### Distribution in Portugal:

- Lower commercial costs due to bi-monthly invoicing and growth of "conta certa" clients;
- Lower re-branding expenses in 2006 – new corporate branch was launched in 2005

#### Renewable Energies:

- Higher O&M costs (increase in capacity) and impact on Desa consolidation in 2006

#### Gas:

- Increase of O&M and gas services (IT and clients)

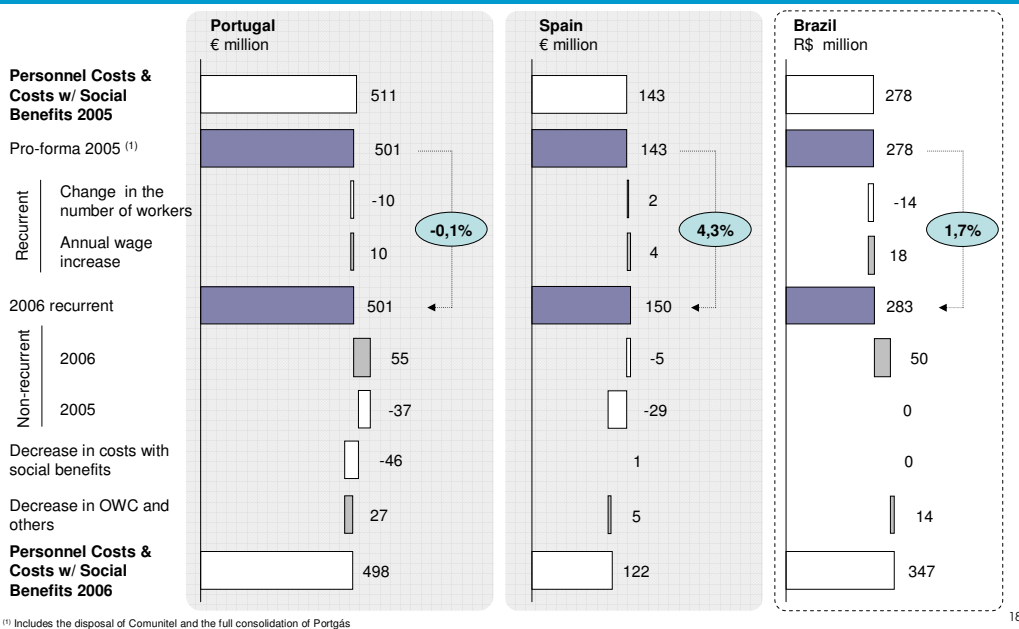
### Energias do Brasil

- Program to reduce commercial losses in distribution grid
- Improvement of commercial services at DisCos.

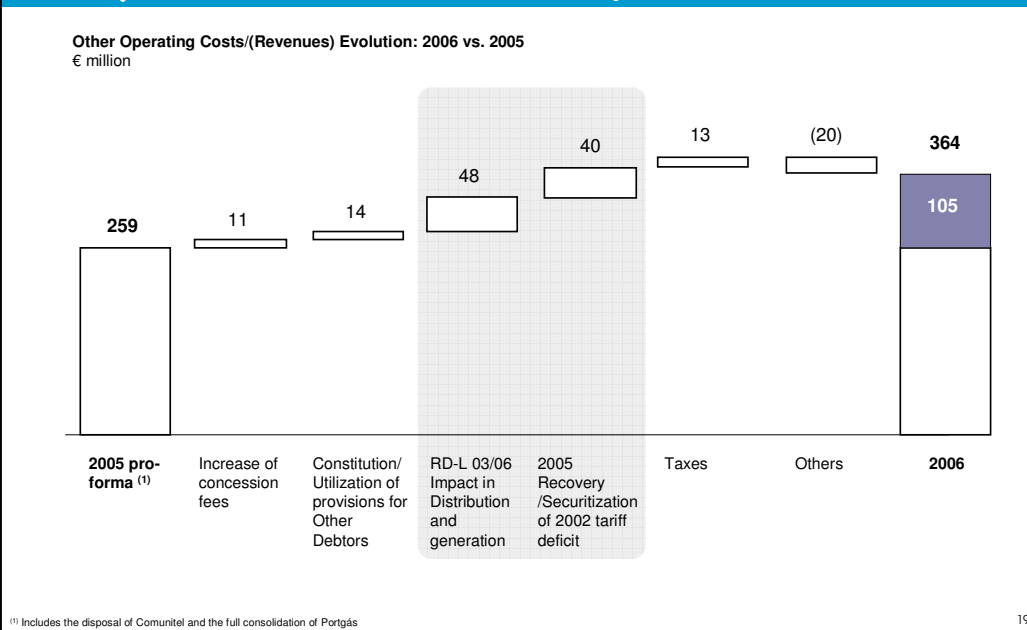
<sup>(1)</sup> Change in consolidation perimeter resulting from the disposal of Comunitel and the start of full consolidation of Portugal

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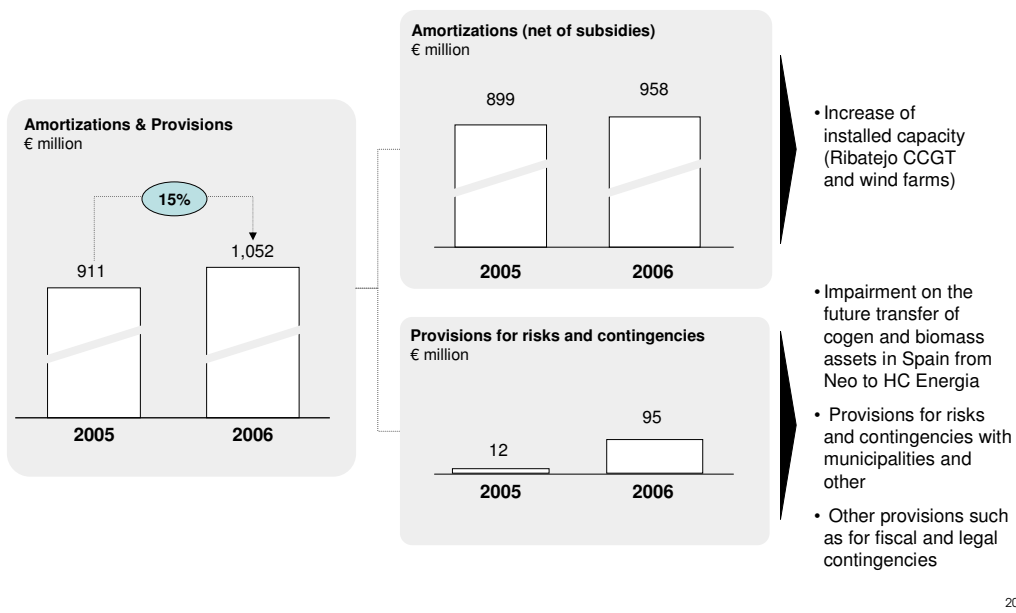
## Personnel costs remained under control Net reduction of 742 employees



## Other net operating costs reflect RD 03/2004 and 2005 recovery of the 2002 tariff deficit from Spain



## EBIT was penalized by the increase in depreciations and provisions for risks and contingencies



## EDP Group EBITDA increased 13% while net income decreased by 12%



### Income Statement € million

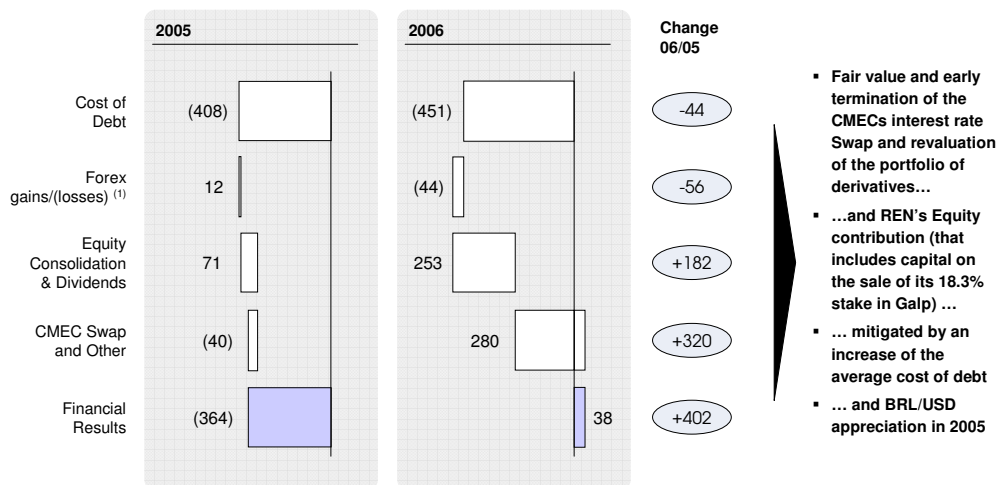
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## CMEC's interest rate swap revaluation and improvement of REN's equity contribution support financial results



Financial Results and Income/(Losses) from Group and Associated companies  
€ million



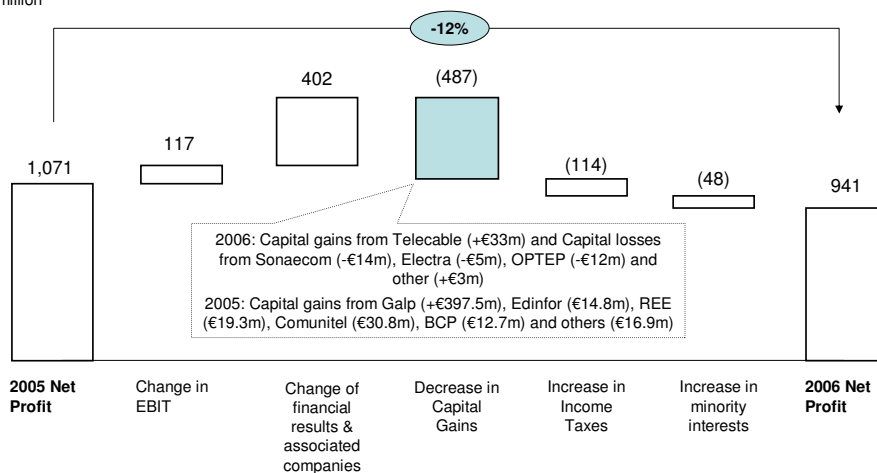
<sup>(1)</sup> Net of hedging instruments

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## Net profit fell 12% due to lower non-recurring results



Net Profit Evolution: 2006 vs. 2005  
€ million



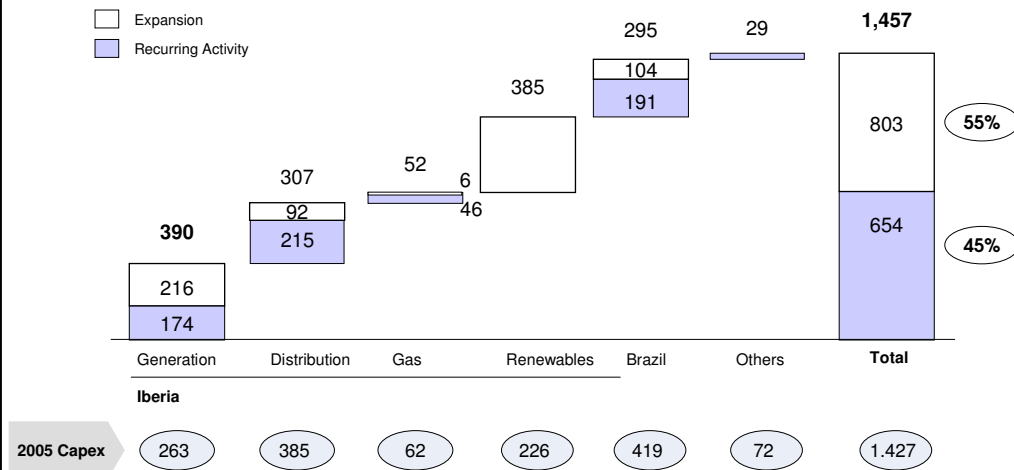
Lower capital gains in 2006 (-€487m) more than justifies the 12% decline of net profit

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## Consolidated capex of €1.457 million Expansion capex represents 55%



EDP Consolidated Capex  
€ million

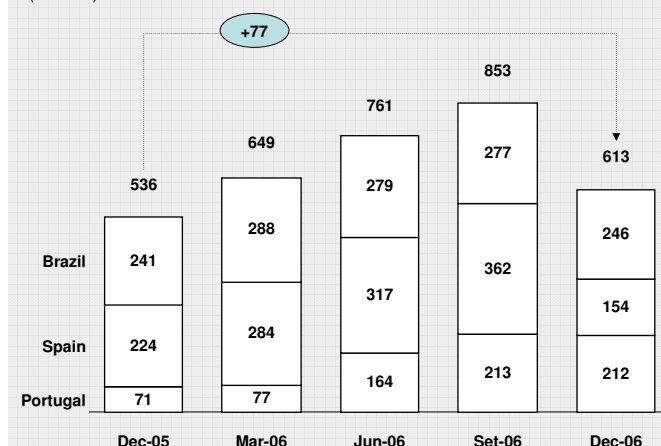


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## Regulatory receivables to be recovered by EDP through tariffs over next years rose €77m in 2006 to €613m.



Regulatory receivables  
(€ million)



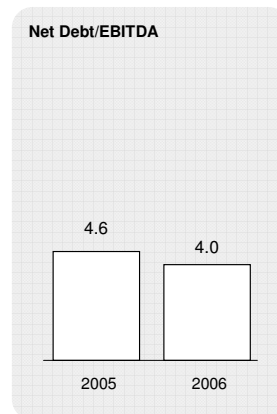
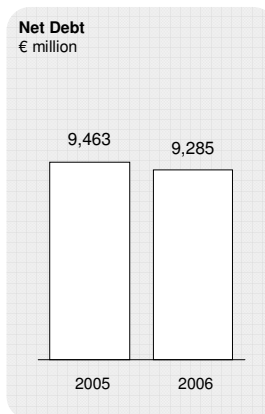
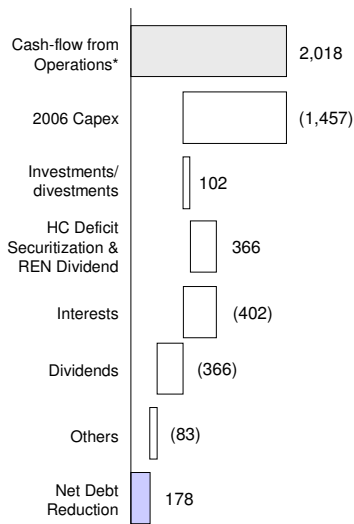
- Accumulated tariff deviations
- Deferred tariff increases
- Rationing losses and "Parcela A" to be received through extraordinary tariffs until 2007
- 2006 tariff deficit of €154m
- 2005 tariff deficit fully securitized in Nov-06
- 2006 Tariff Deficit of €125m
- Accumulated Tariff Deviations

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## Net Debt decrease and improvement of net debt/EBITDA ratio



Consolidated Net Debt Dec-2006 vs. Dec-2005  
€ million



\* Net Profit + Amortizations – Amortizations' Compensation + Provisions + EDPD Tariff Deficit & Restructuring Costs in Iberia and Brazil

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# edp

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