edp

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9M2006 Results

November 9, 2006

EDP: 25% increase of EBITDA and 84% rise of Net Profit

Income Statement
€ million

	9M06	9M05	Change	% Change
Gross Profit	3,073	2,845	228	8%
EBITDA *	1,676	1,337	339	25%
EBIT *	1,019	722	297	41%
Financial Results	(57)	(260)	203	78%
Net Profit	650	353	296	84%
Capex	901	846		
Net Debt	9,355	9,463 **	(108)	(1%)

* Excluding discontinued operations and capital gains
** Reported as of December 31, 2005

Main Highlights (1/2)

1. In 9M06 EDP's consolidated **EBITDA rose 25% YoY** (+€339m) and **net profit rose 84% YoY** (+€296m).

2. In the Iberian electricity market, our **liberalized generation and supply business benefited from an increase of installed capacity** (Ribatejo CCGT new group of 400MW), **higher load factors in 3Q05 and higher integrated gross margin per MWh sold** (+€91m gross margin).

3. **EDP's wind generation gross installed capacity in Portugal and Spain doubled to 1,237 MW** in the 9M06, allowing a strong growth in its contribution to consolidated gross profit (+€77m).

4. **Recovery of gas liberalized supply in Spain, for which the improvement in liberalized gross margin more than compensated purchases in the spot market in 1Q06.** Regulated distribution represented 85% of our gas business gross profit in Iberian markets.

5. **Allowed revenues of regulated electricity distribution in Portugal increased 10% YoY (+€92m) but gross profit increased only by 3.7% YoY,** due to the existence of a €126.9m tariff deviation, which should be recovered by EDP through tariffs in 2008.

Main Highlights (1/2)

6. **In Spain, RDL 03/06 had a €61m negative impact on 9M06 EBITDA**, due to the potential withdraw of the economic value of the CO2 licenses granted for free related to generation sales to the pool between Jan-06 and Feb-06 and the netting of intra-group transactions in the Spanish pool at a provisional tariff of €42.35/MWh from Mar-06 onwards.

7. **Energias do Brasil gross profit (+€87m) benefited from the start of operations of Peixe Angical hydro plant and from the appreciation of the Real**. Regulated distribution in Brazil continued penalized by tariff deviation to be recovered in next annual tariff revisions. In 3Q06, these tariff deviations continued to increase but by a lower amount than in 2Q06.

8. Excluding the impact of the Brazilian Real appreciation and a non-recurring provision on the staff reduction program in Brazil, **consolidated operating costs remained under control** (1.3% growth of personnel costs + supplies & services in 9M06).

9. **Financial Results include two large non-recurring items** - the positive impact from the interest rate swap which was hedging the CMECs agreement (+€148m) and the equity contribution of REN (+€164m, boosted by the capital gain on the disposal of its 18.3% stake in GALP in 3Q06).

10. **EDP's net debt decreased €108m in 9M06** to €9.354,8m in Sep-06, in a period in which capex rose by 6% YoY and regulatory receivables (tariff deviations) to be recovered by EDP through tariffs rose by €317m to €853m in Sep-06. This reflects the strong cash flow generation of EDP in 9M06.

EDP: 25% increase of EBITDA and 84% rise of Net Profit

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€ million

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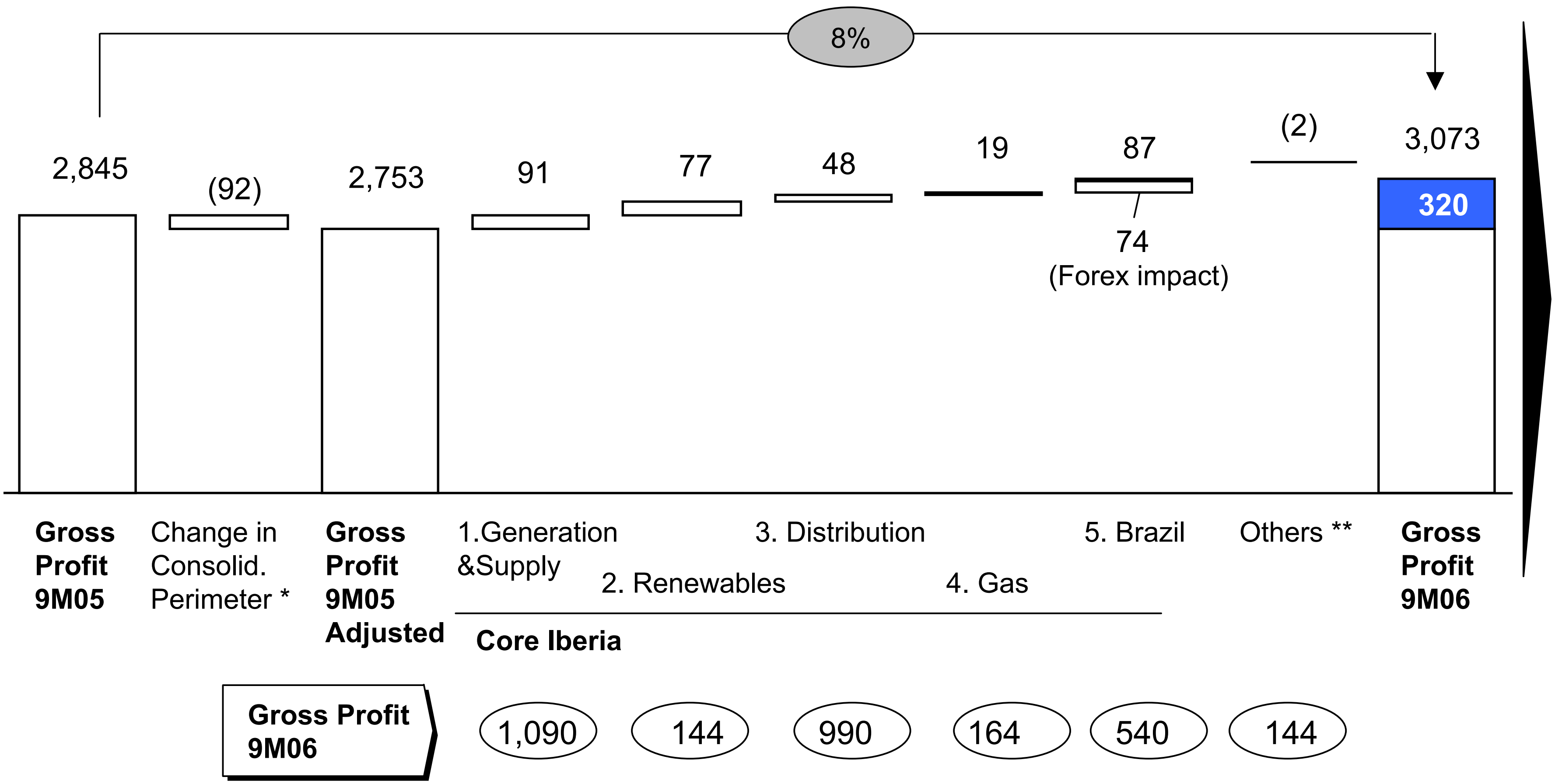
Gross profit up 8% supported by all the main business areas

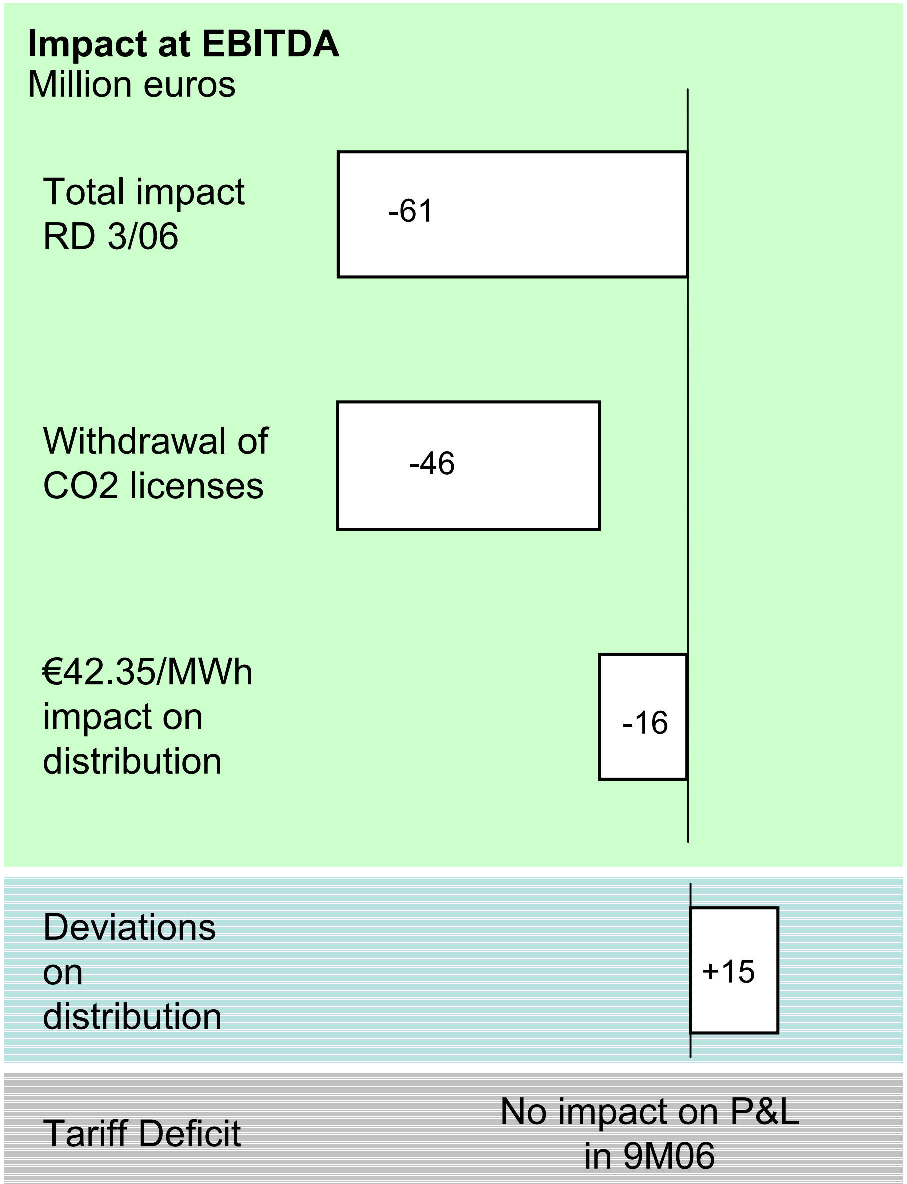
Gross profit evolution: 9M06 vs. 9M05
€ millions



- Higher load factors, higher installed capacity and better margin per MWh in Iberian market liberalized business
- Wind Installed capacity doubled in the period
- 10% increase of allowed revenues in distribution Portugal
- Appreciation of the Brazilian Real, start up of Peixe Angical

* Change in consolidation perimeter resulting from the disposal of Comunitel and initial full consolidation of Portgás
** Includes other activities such as cogeneration, EDP Bioeléctrica, Shared Services, Telecoms, …etc.

Regulation in Spain: RDL 03/06 had a €61m negative impact on HC Energia accounts in 9M06, system tariff deficit of €2.5bn in 9M06

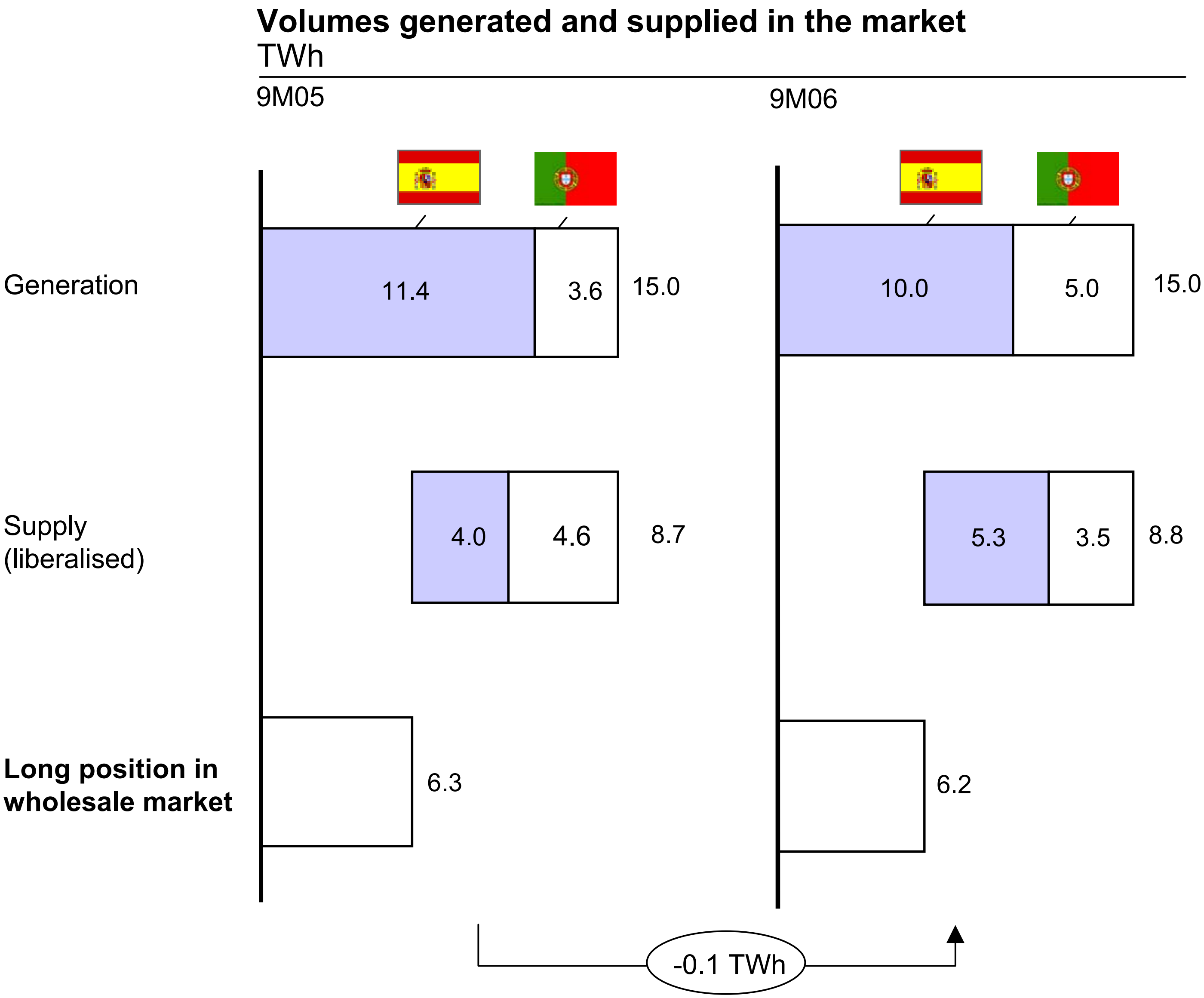


Assumptions

- Provisional impact of RD 3/06 implies a 17% reduction on HC's EBITDA.
- Jan-Feb: Value of total CO_2 free allowances granted: €22m
- Mar-Sep: Value of CO_2 free allowances, referent sales in the pool, (excludes sales through supply bilateral contracts and assimilated bilateral contracts with distribution*): €24m
- Average electricity purchase cost (€56/MWh) of the distribution activity for the assimilated bilateral volumes (1,115 GWh) was higher than the €42.35/MWh cost recognized by regulation: €16m
- In 9M06 HC regulated distribution had an average electricity purchase cost lower than the average purchase cost of all Spanish distributors (average price was boosted by significant purchases in secondary markets by other distributors)
- EDP estimates a total tariff deficit in 9M06 of €2.5bn, of which HC has to finance 6.08% (€154m).

* Market value of C02 free allowances referent to sales out of the pool in Mar-Sep: €84m (already internalized in selling price)

Iberian liberalised activity: higher output and lower supply in 3Q06 allowed recovery of long position in 9M06 to volumes in line with 9M05

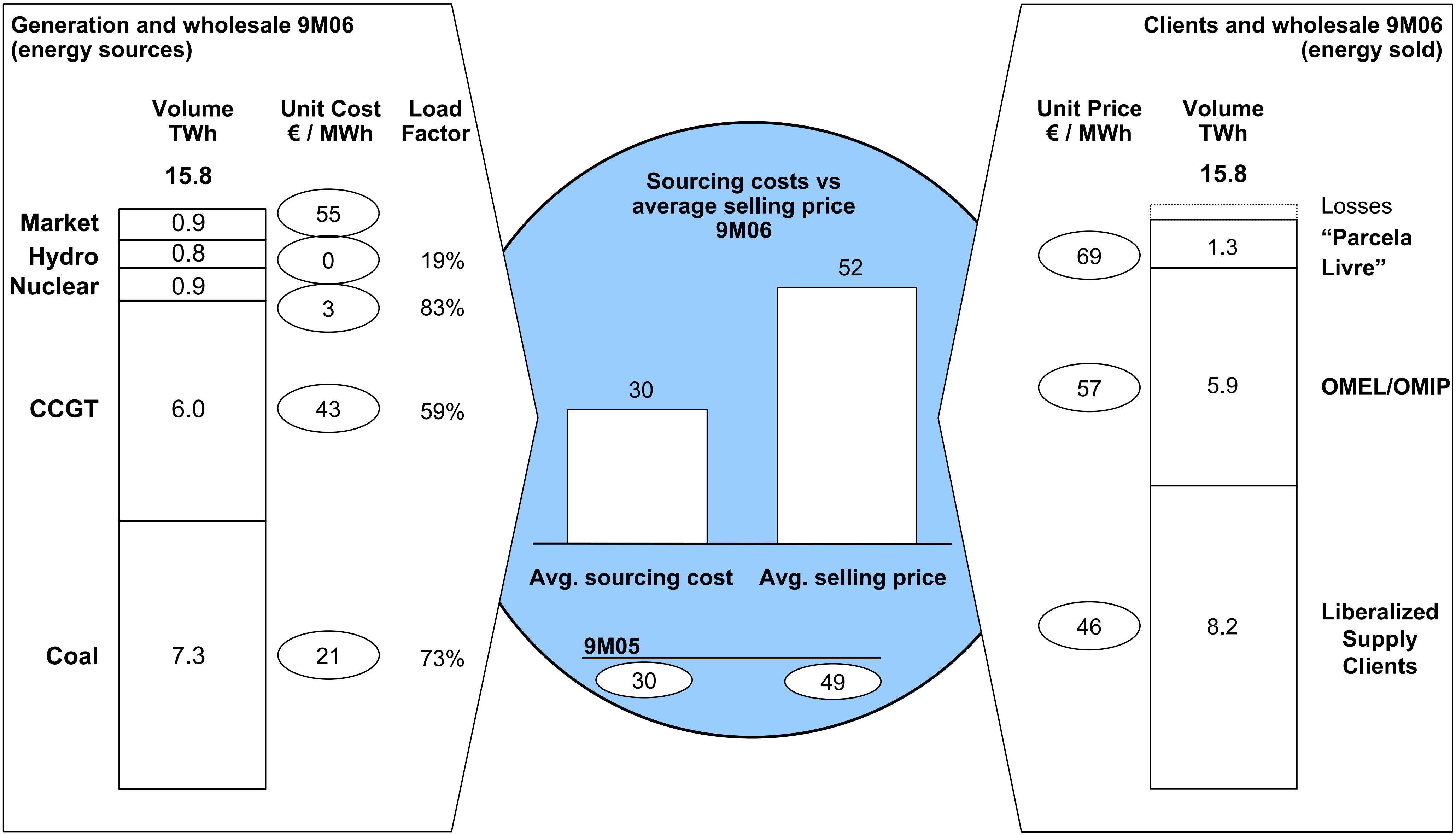


- Start-up of unit III of Ribatejo CCGT allowing a long generation position in Portugal
- Programmed stoppages at Aboño 2 and Castejón in 1H06
- High load factors in 3Q06

- Non renovation of contracts with negative margins in Portugal, reducing portfolio from 1.2 TWh in 2T06 to 0.8 TWh in 3T06
- Selective capture of clients in Spain, with reduction in 3Q06

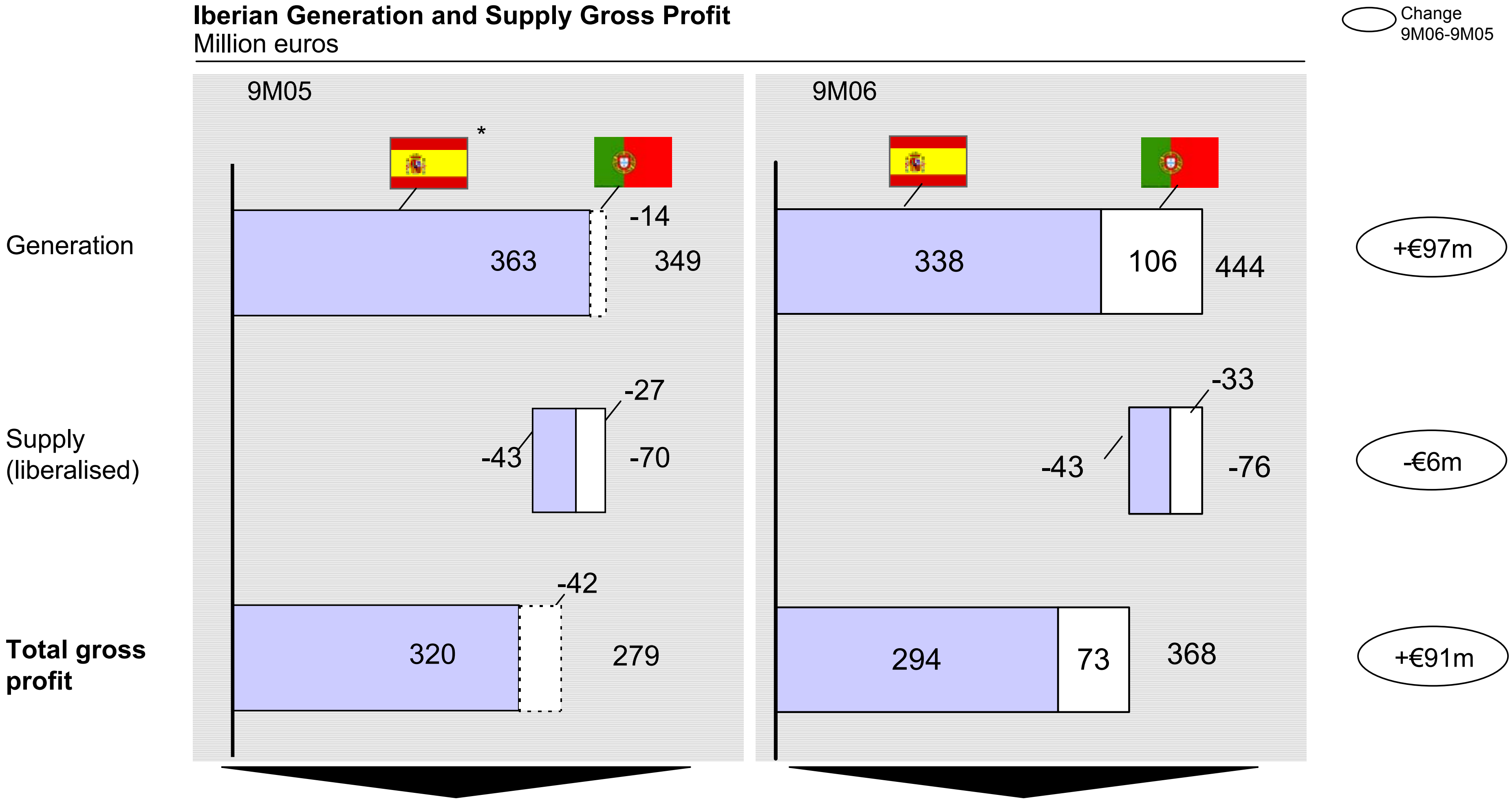
- Flat long position in Iberian wholesale markets vs. a decline in 1H06.
- Long position sold at OMEL, OMIP and to Portuguese regulated distribution "Parcela Livre"

Generation and supply in the liberalized market: capacity increase, higher load factors, lower CO_2 costs and better pricing of sales mix



Generation and supply in the liberalized market: gross margin grew 32%
Longer position in Portugal more than compensates shorter in Spain

Iberian Generation and Supply Gross Profit
Million euros



In 9M05 short wholesale market position in Portugal led to electricity purchases in the pool at high prices to satisfy electricity needs of supply customers

Increase of the installed capacity and reduction of supply volumes in Portugal Spain penalized by low load factors due to stoppages and supply volume growth in 1H06, a trend inverted in 3Q06

* Pro-forma in Spain to adjusted the generation and supply activity with the internal contracted price

Growth in Iberian Renewables supported by capacity increases and higher selling prices in Spain

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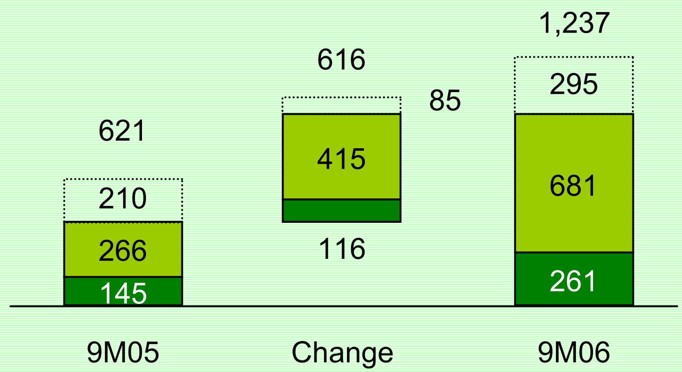
Installed Capacity (wind)
MW



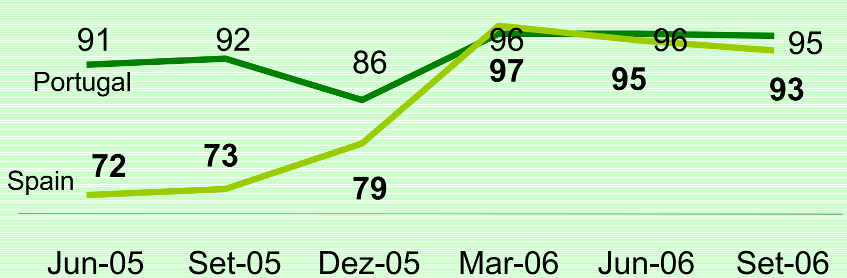
MW gross in Iberia *
Spain MW consolidated
Portugal MW consolidated

Output GWh: 584 | 1,301

+99%

+123%

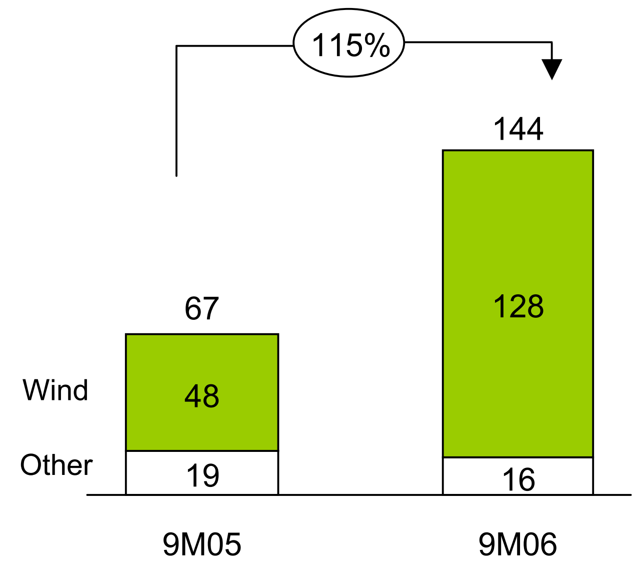
Average selling price in per country (wind)
€/MWh



+3,8%

+28%

NEO Gross Profit
€ million

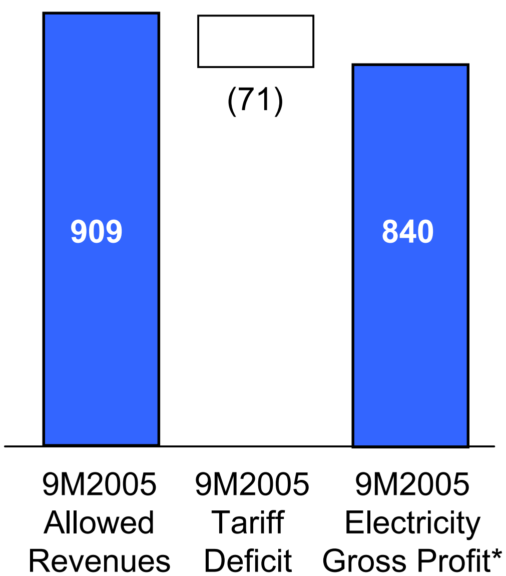


Gross Profit up €77m due to increase in capacity (+€54m) and higher selling prices (+€22m)

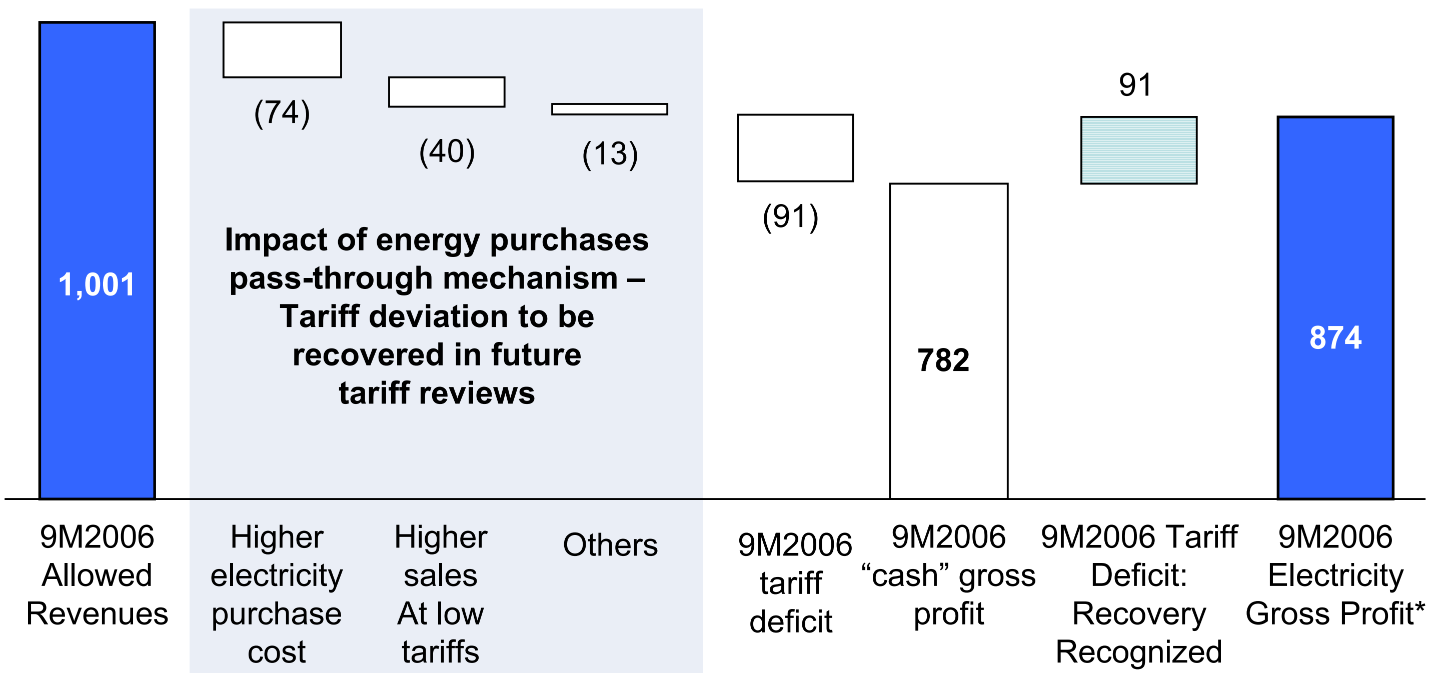
* MW which do not contribute to EBITDA (equity consolidated)

Regulated distribution in Portugal: 10% growth of allowed revenues but gross margin is penalized by tariff deviation in 9M06

9M2005 EDP Distribuição electricity gross profit *
(€ million)



9M2006 EDP Distribuição electricity gross profit *
(€ million)



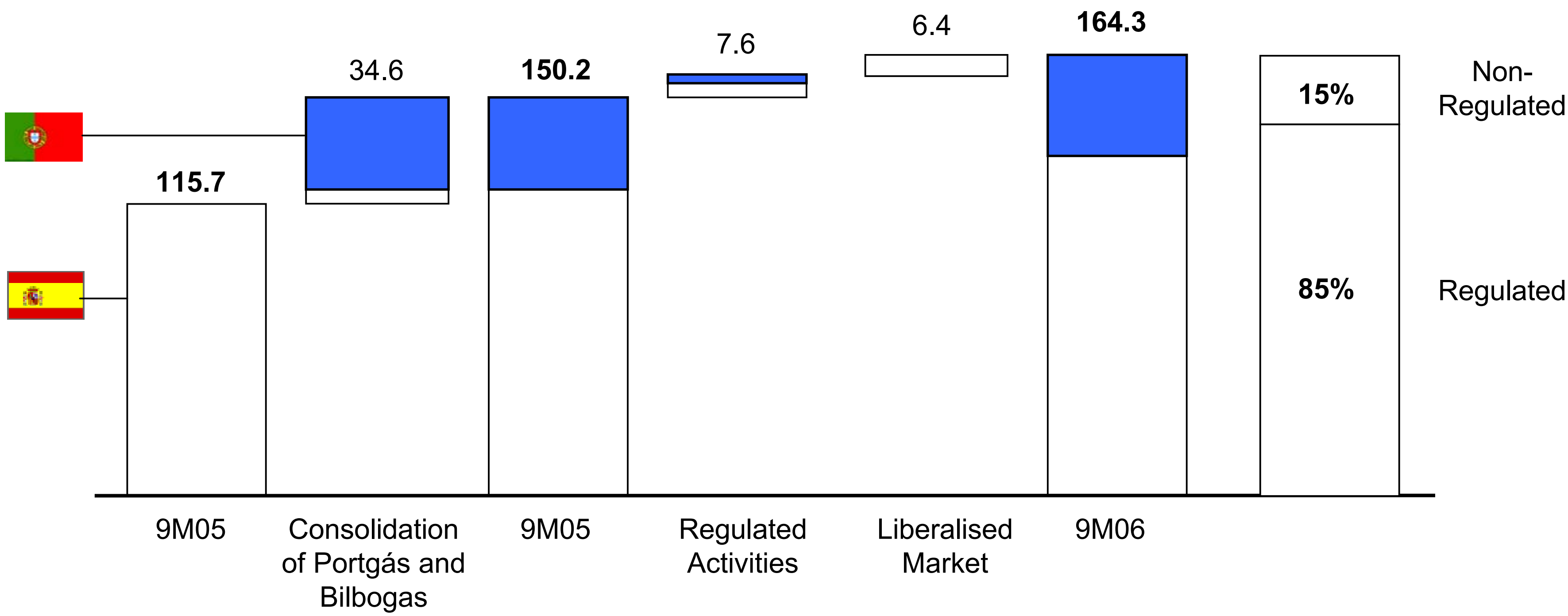
10% increase in Allowed Revenues not fully received through tariffs to final clients:

- Tariff deficit of €91m for 9M06 previously set by the regulator in 2006 tariff calculations (to be recovered between 3 and 10 years, pending on government & regulator decision, waiting for legislation on securitization)
- Tariff deviation of €119m in 9M06 to be recovered in 2008 explained by:
  - Higher costs with unexpected energy purchases (not assumed in 2006 tariff calculations) due to unexpected increase of regulated clients (leaving the market) and special regime low output (19% below ERSE's assumptions in 2006 tariff calculations)
  - Increase in the weight of higher voltage levels in total regulated consumption which are charged lower average electricity tariffs. (in 9M06 consumption in liberalized market was 28% below ERSE's forecast).

* Excluding services provided, other sales and materials

Gas regulated revenues in Spain and Portugal grew by 8.4%, strong recovery of liberalised supply activity in Spain in 3Q06

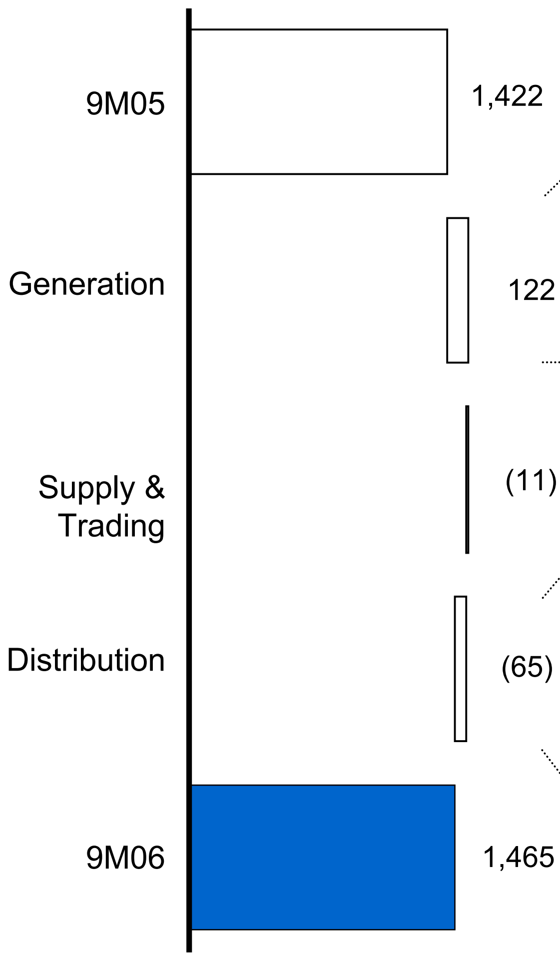
Iberian Gas Gross Profit
Million euros



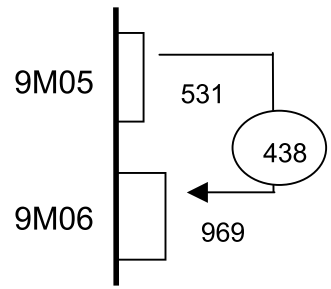
- **Regulated gas distribution (85% of gross margin): Regulated revenues grew by 8.4% to €140m.** Full consolidation of Portgás and Bilbogas following the reinforcement of the stakes from 59.6% to 72.0% and from 50% to 100%, respectively.
- **Liberalized gas market in Spain (15% of gross margin):** Strong improvement of the supply margin in 3Q06 more than compensates non-recurrent procurement losses with gas purchases in the spot market during 1Q06

Start of operations of Peixe Angical hydro plant in Jun-06 more than compensated significant tariff deviations in regulated distribution

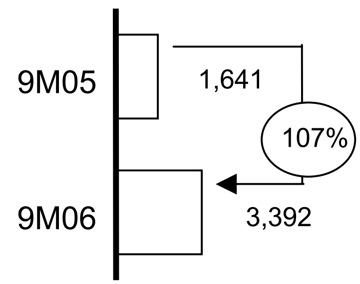
Energias do Brasil
(R$ million)



Installed capacity
MW



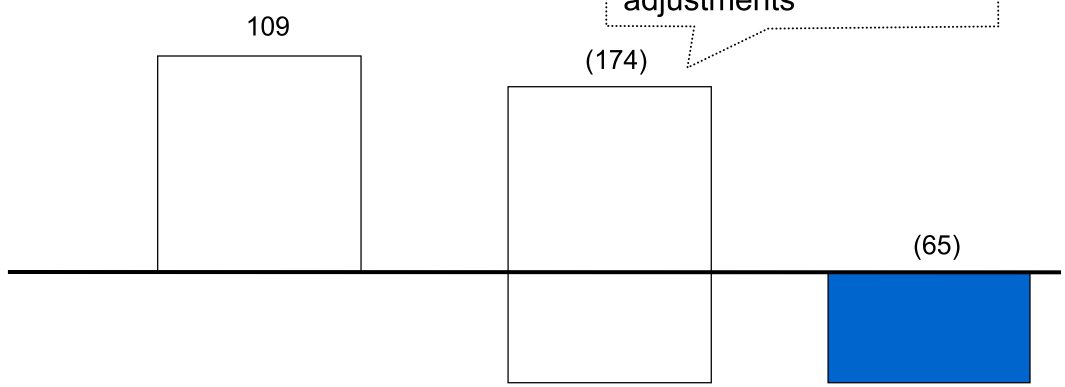
Electricity Sold
GWh



Start of commercial operation of Peixe Angical Hydro Power Plant in June 2006

Distribution Gross Profit Evolution

Value to be recovered in the next annual tariff adjustments



Regulated revenues (resulting from consumption growth, tariff revision and unbundling)

Higher non-controllable costs than the ones reflected in the calculation of current tariffs

Gross Profit

EDP: 25% increase of EBITDA and 84% rise of Net Profit

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€ million

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Gross Profit	**3,073**	**2,845**	**228**	**8%**
EBITDA *	**1,676**	**1,337**	**339**	**25%**
Supplies & Services	546	604	(58)	-10%
Personnel Costs & Social Benefits	514	500	14	3%
Other Operat. Income/(Costs)	(336)	(404)	68	-17%
EBIT *	**1,019**	**722**	**297**	**41%**
Financial Results	**(57)**	**(260)**	**203**	**78%**
Net Profit	**650**	**353**	**296**	**84%**
Capex	**901**	**846**		
Net Debt	**9,355**	**9,463 ****	**(108)**	**(1%)**

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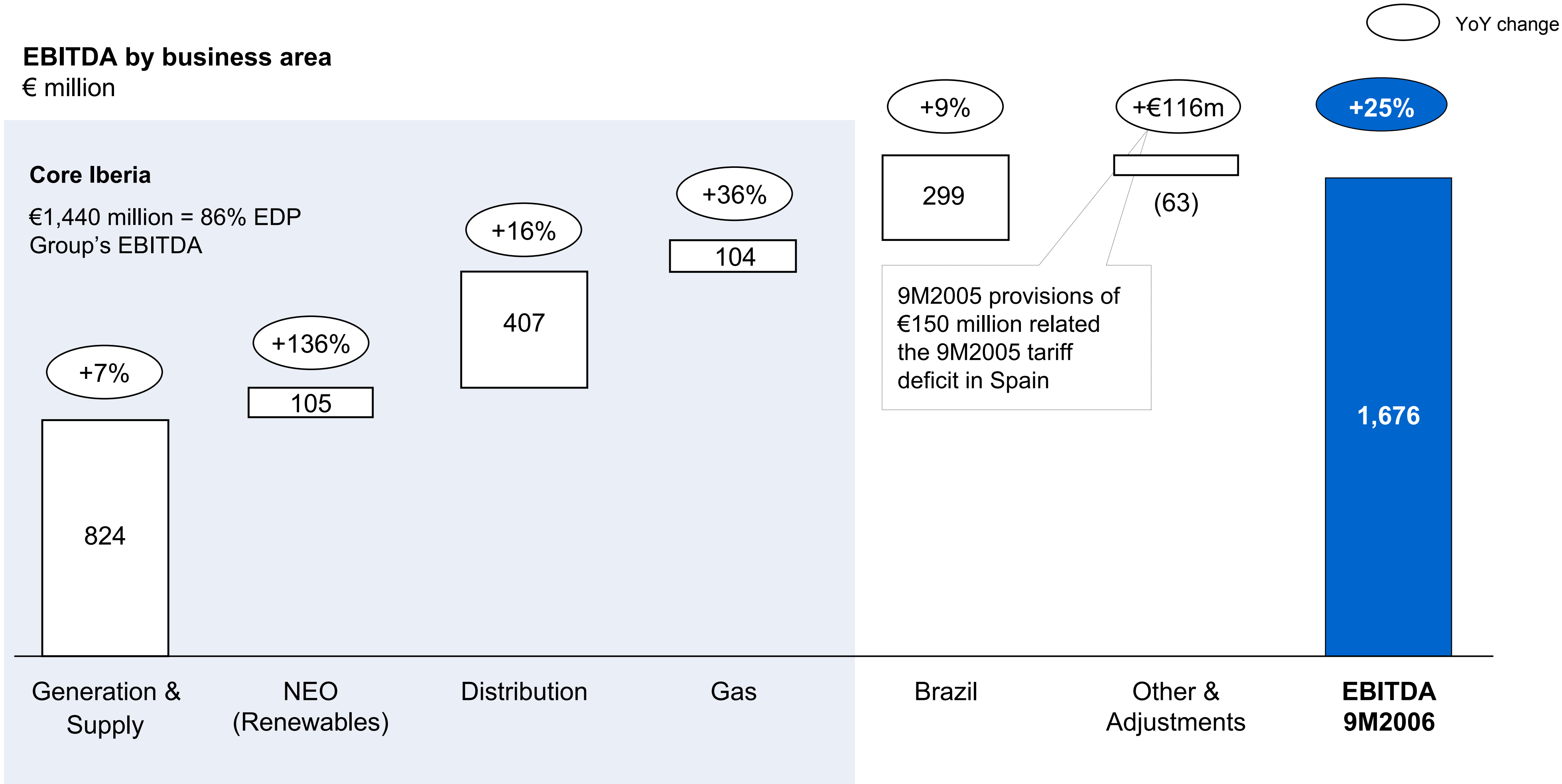
Strong EBITDA growth in all main business areas

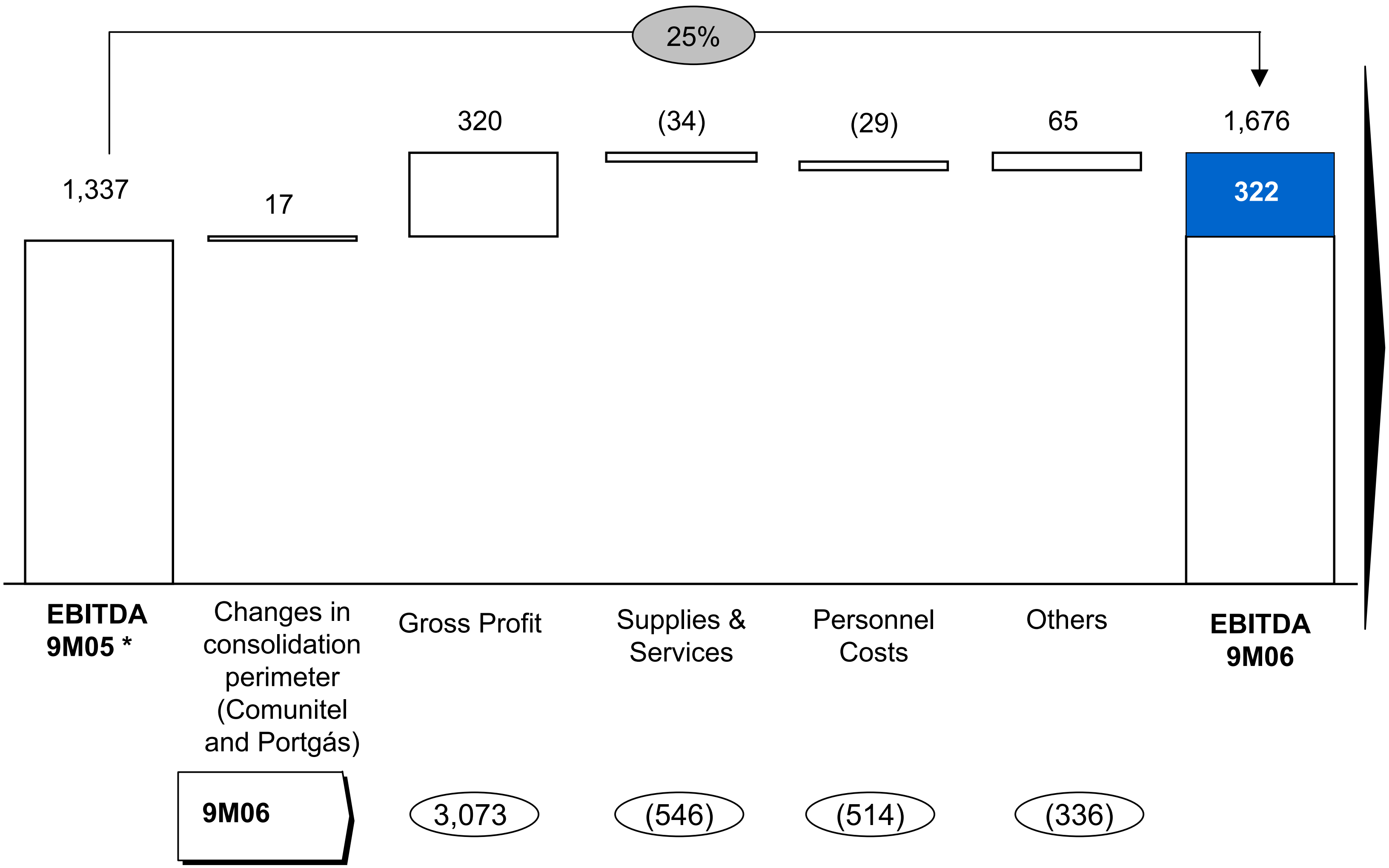


EBITDA in the 9M05 was penalised by a provision of €150m related with the tariff deficit in Spain. In the 4Q2005, there was a reversion of this provision.

Excluding the deficit provision impact, EDP's EBITDA would grow by 13%. in the 9M06

EBITDA performance supported by gross profit improvement

EBITDA evolution between 9M2005 and 9M2006
€ million

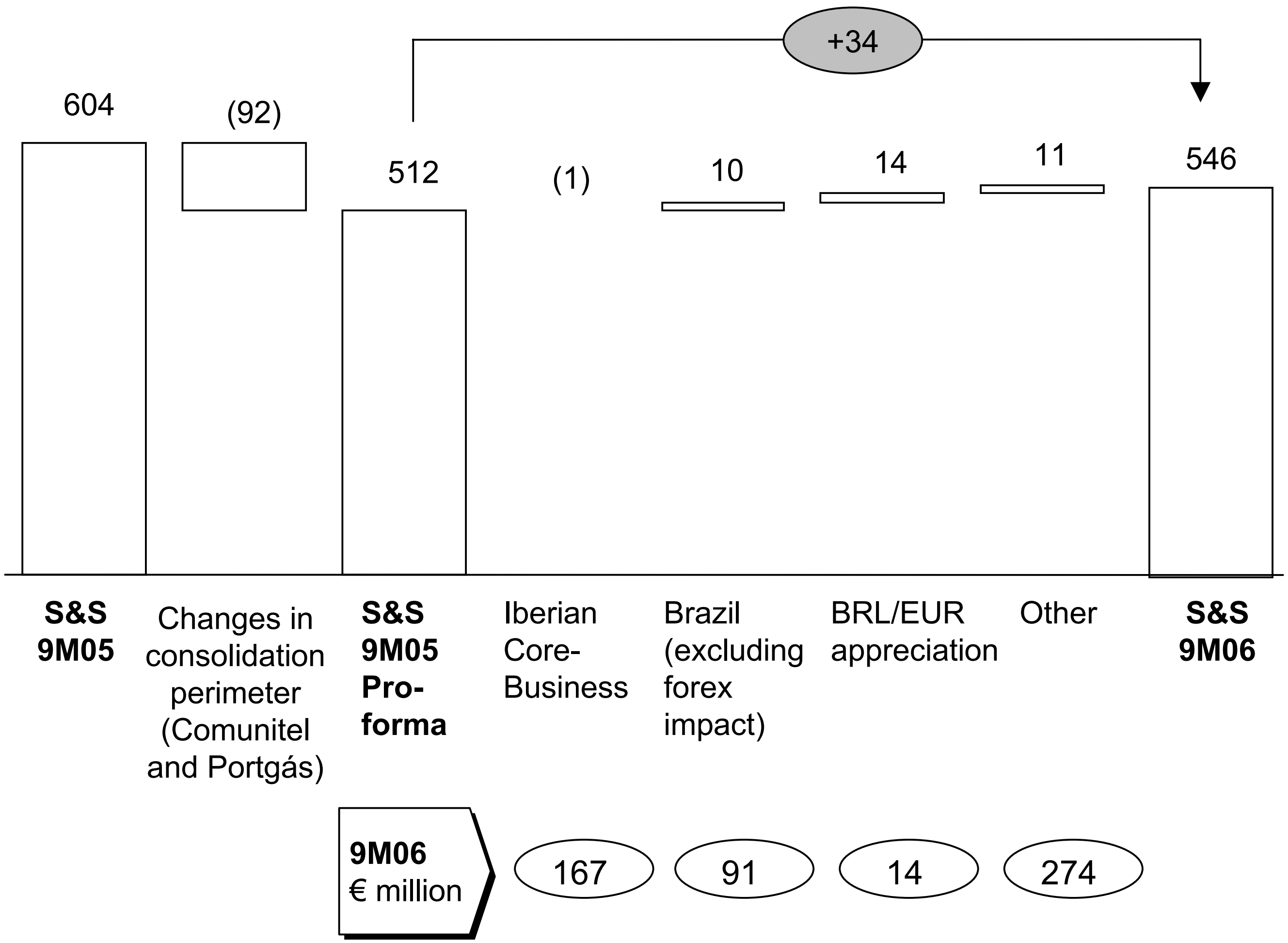


- **Supplies & services: program to reduce distribution grid losses in Brazil and BRL/EUR appreciation**
- **Personnel Costs: One-off cost with staff reduction plan in Brazil, BRL/EUR appreciation ordinary wage rises**
- **Increase of other costs due to provisions related the 2005 tariff deficit in Spain**

* Excluding discontinued operations

Supplies & Services: Stable in Iberian activities, growth in Brazil driven by program to reduce distribution grid losses and forex impact

Supplies & Services performance 9M2006 vs. 9M2005
€ million



Iberian Core

- Regulated distribution Portugal:
  -Change to bimonthly invoicing and growth of "conta certa" product (-€7m);
  -Lower costs with new corporate brand launched in 2005 (-€4.6m).
- Neo: Increase in O&M costs (first time consolidation of Desa)

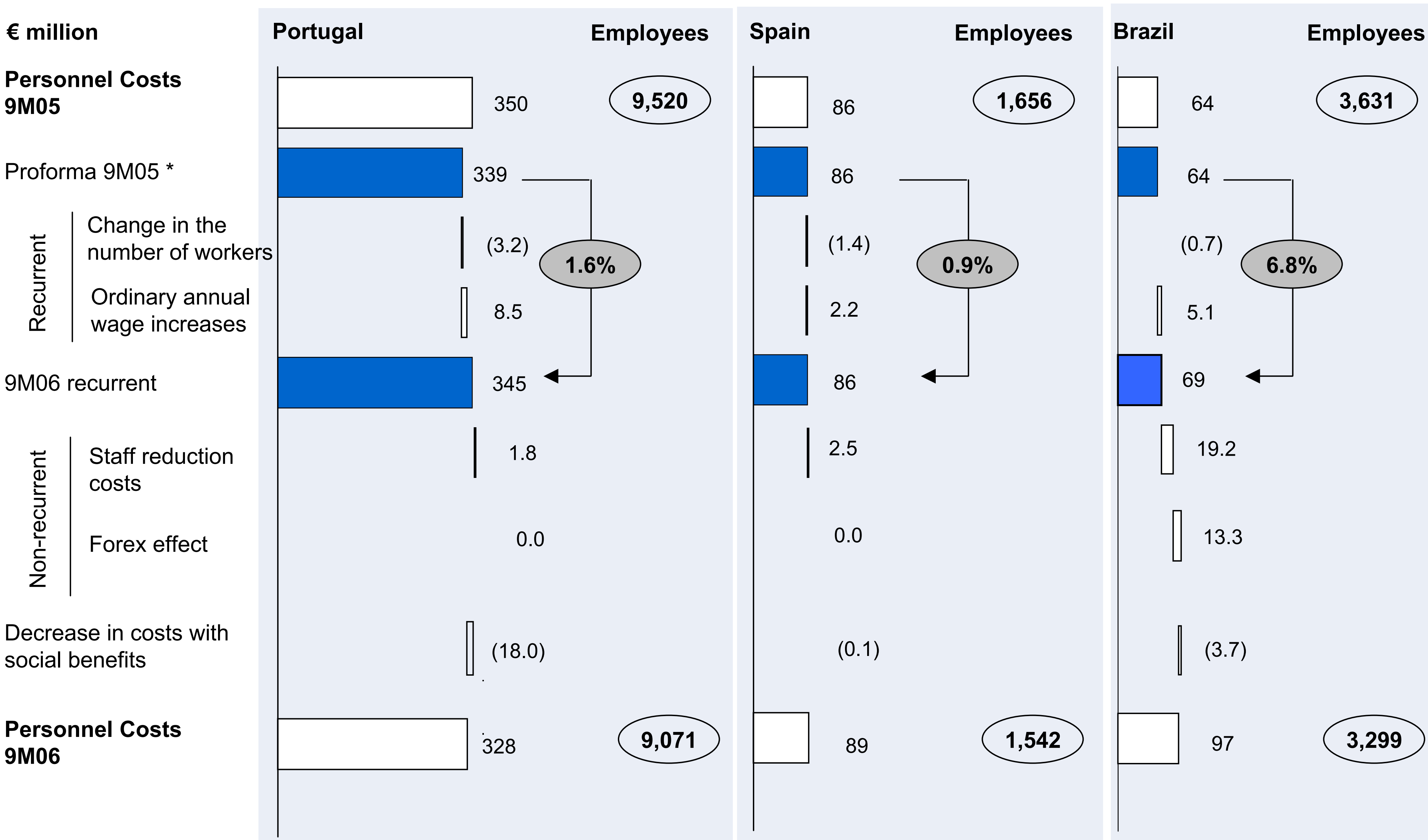
Energias do Brasil

- Program to reduce technical a commercial losses in distribution grid (+€5.6m)
- Improvement of commercial service in our Discos (+€1.8m)

"Other" include increase in O&M costs with cogeneration plant Energin (€5.3m)

* Includes de disposal of Comunitel (-€96.4m) and Portgás full consolidation (+€4.3m)

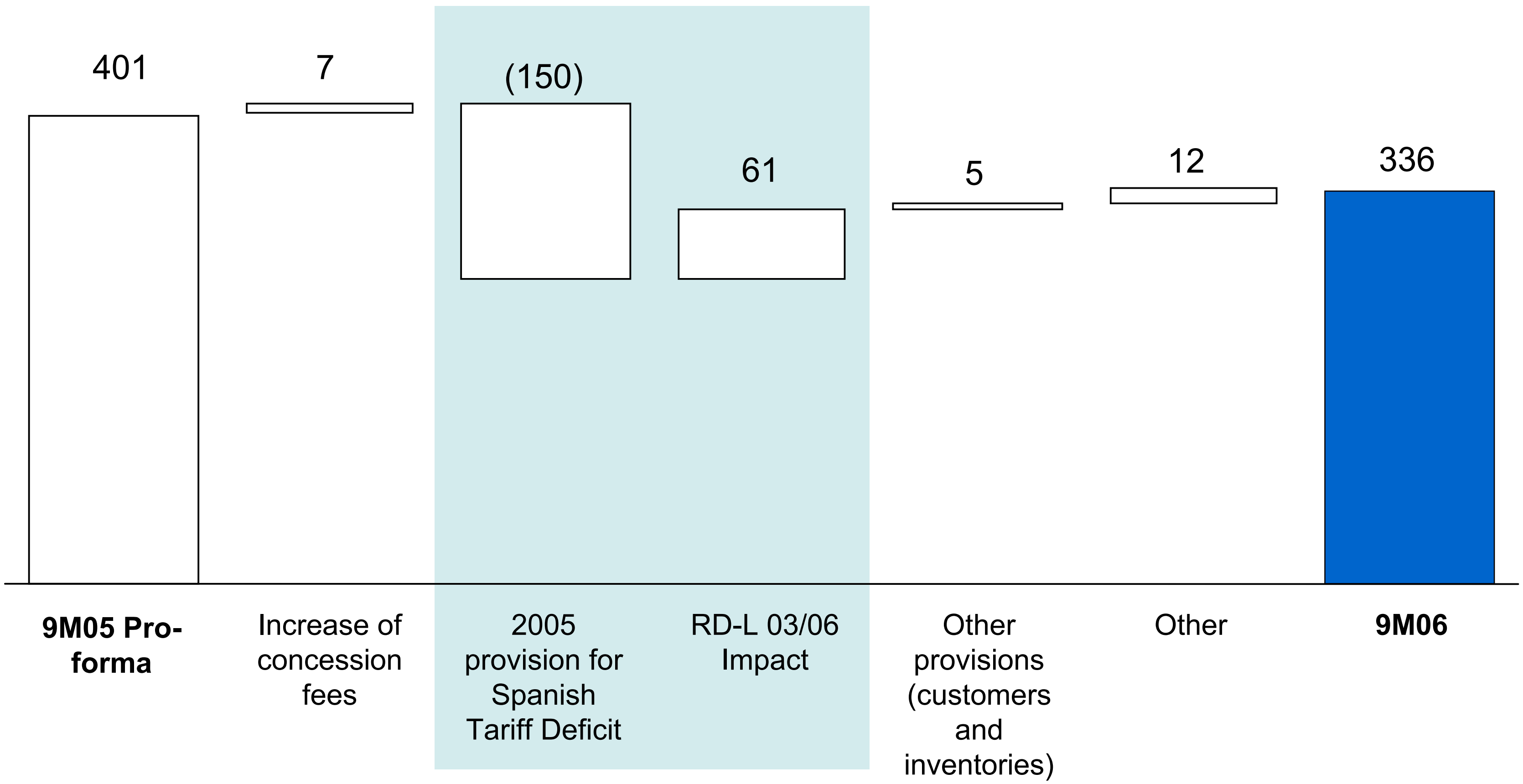
Personnel costs, excluding non-recurrent staff reduction costs and forex, grew at subdued rates, number of employees decreases in all markets



* Includes de disposal of Comunitel (-€17.3m/-473 workers) and Portgás full consolidation (+€3.0m/+110 workers), change in the personnel costs' capitalization method (+€2.3m)

3. Other net operating costs: main impact comes from provisions on Spanish regulation

Other Operating Costs/(Revenues)
Excluding capital gains in the disposal of financial stakes in 2005 and 2006
€ million



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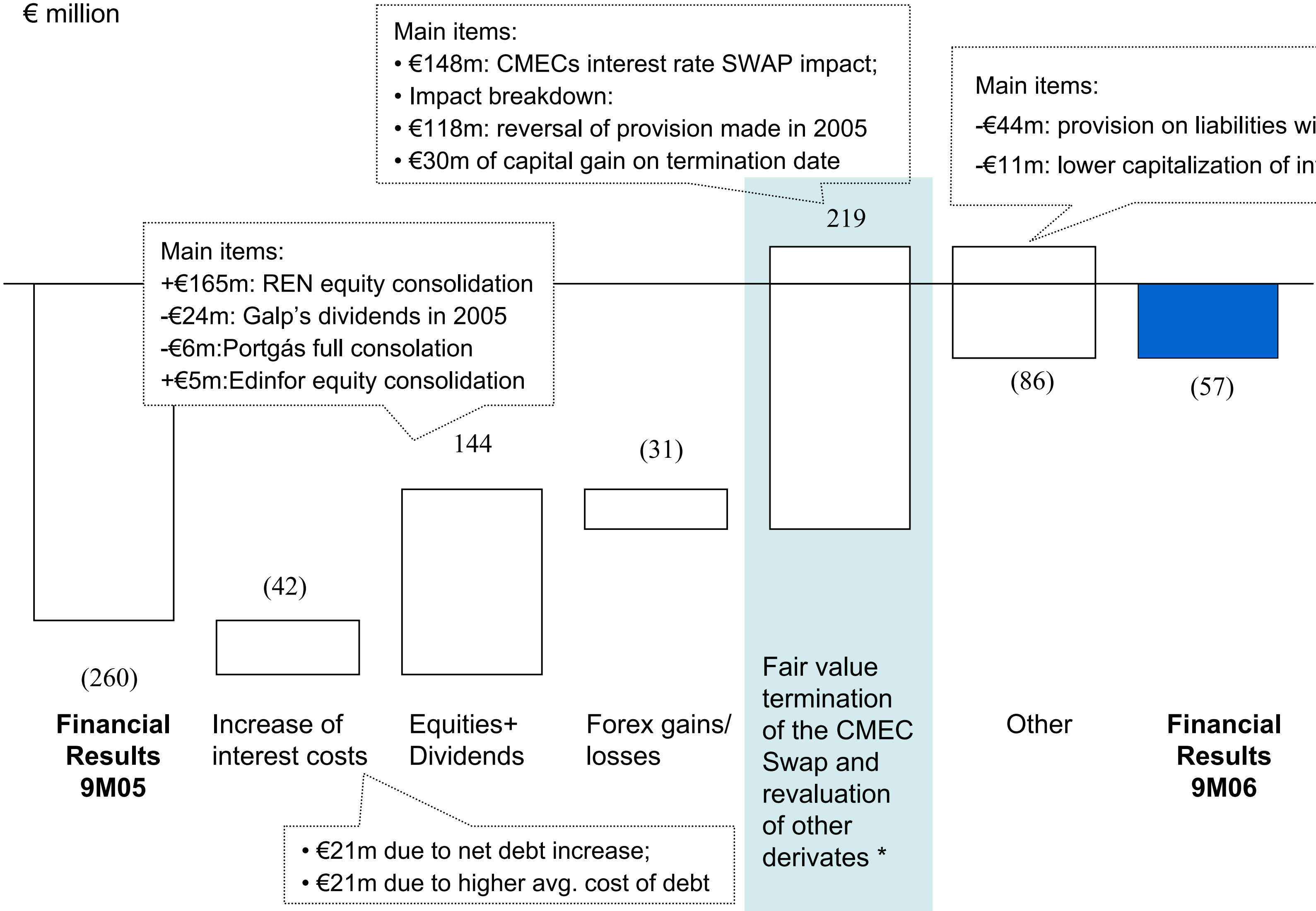
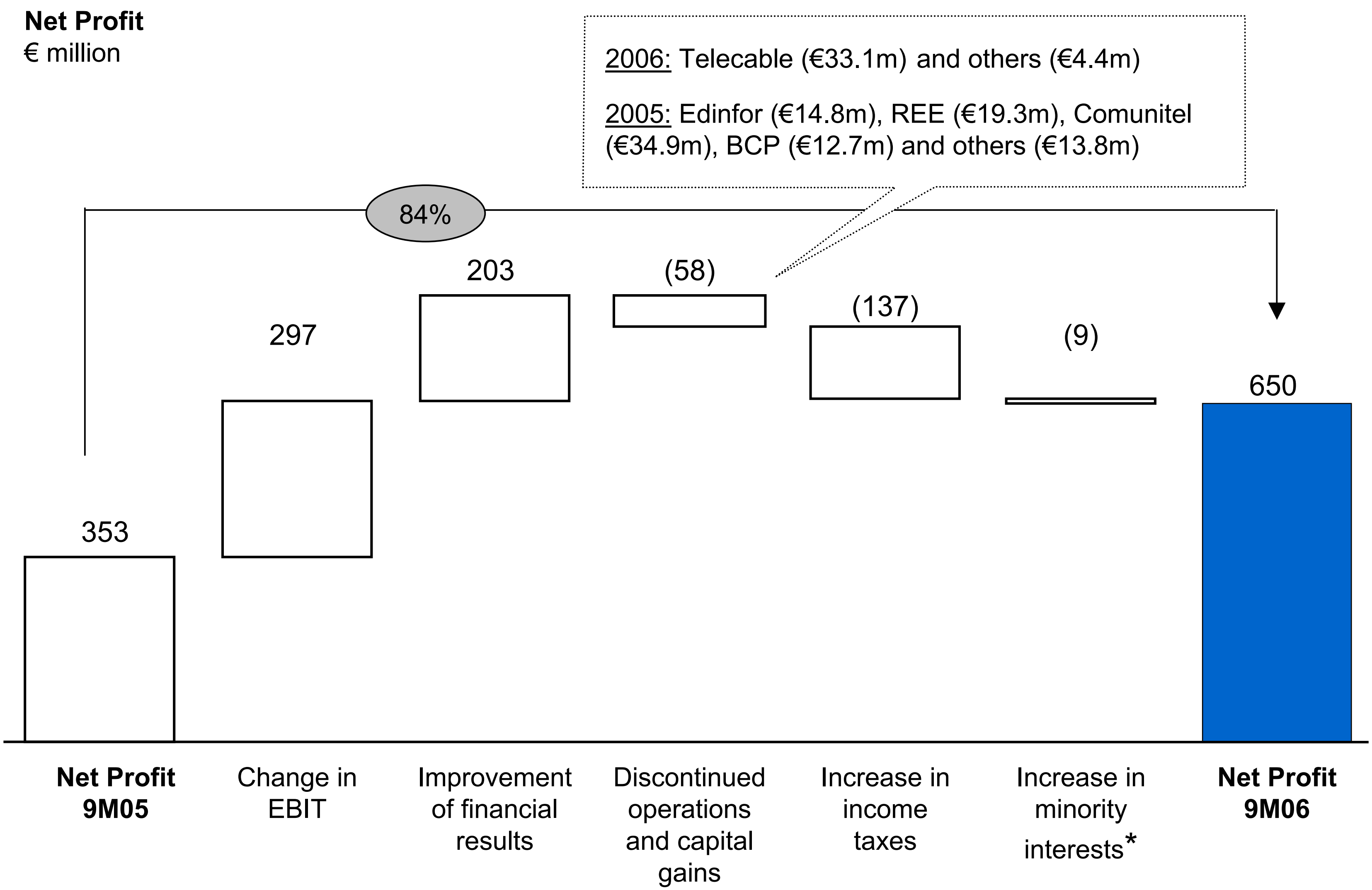
Revaluation of CMEC's interest rate swap and improvement of REN's equity contribution support positive performance of financial results

Financial Results evolution
€ million



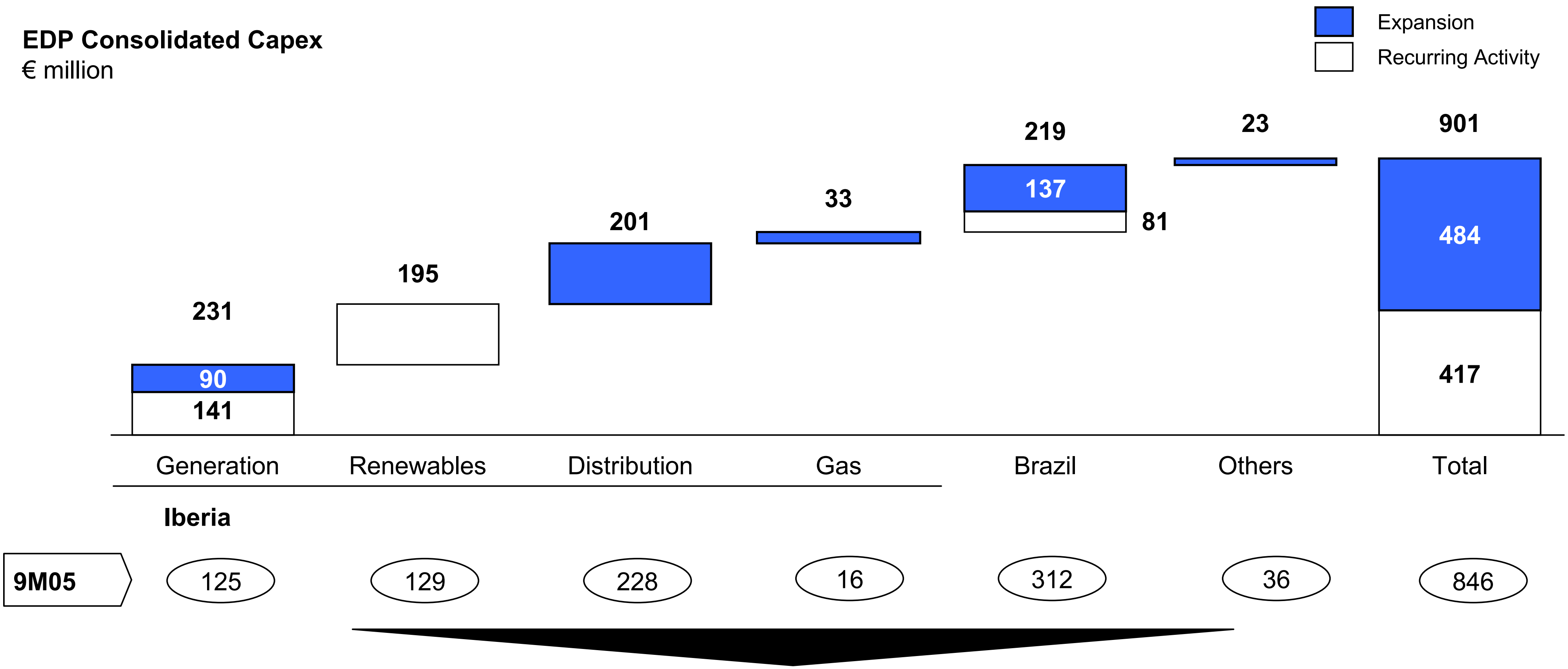
- **Fair value and early termination of the CMEC derivative and revaluation of EDP SA and HC portfolio of derivatives…**
- **…and REN's capital gain on disposal of its stale in Galp…**
- **… mitigated by an increase in average cost of debt …**
- **… and BRL/USD appreciation in 2005**

Net profit +84% YoY, supported on operational improvement, REN's net profit and financial swap, penalized by tariff deviations and RDL03/06



Consolidated capex grew 6% YoY, showing a 47% weight of expansion capex and 74% weight of regulated activities

EDP Consolidated Capex
€ million



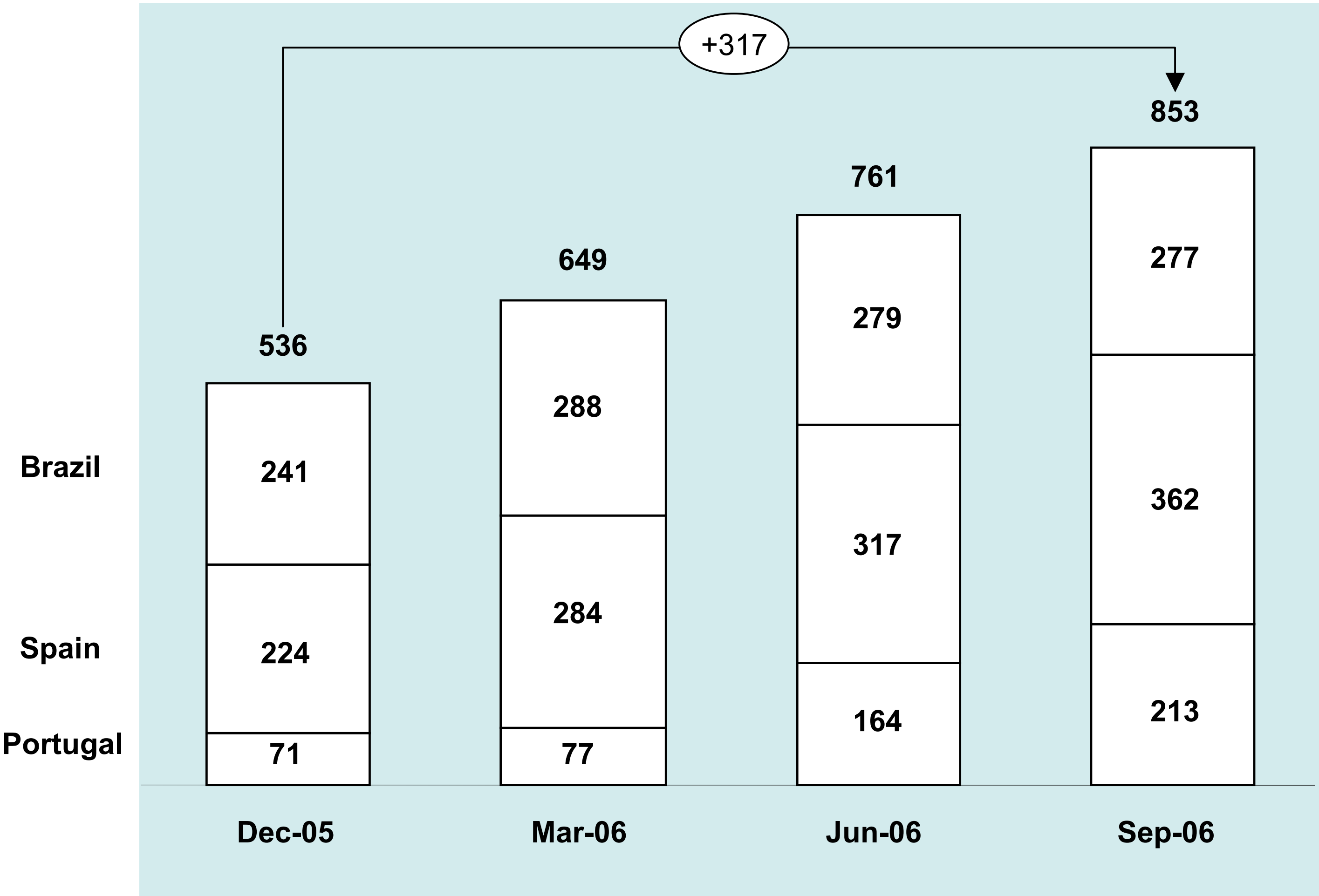
Expansion capex represents 47% of consolidated capex, namely in new wind farms, in a new CCGT in Spain and in the Peixe Angical hydro power plant in Brazil

74% of consolidated capex driven to regulated businesses, which represent a lower risk of return on the investment, such as renewable energies, Iberian electricity and gas distribution and generation under long term PPAs.

Over 9M06 EDP made significant environmental LCPD related investments in coal plants, and continued to invest on expansion and **efficiency improvements of the electricity distribution grids** in Portugal, Spain and Brazil

Regulatory receivables to be recovered by EDP through tariffs over next the years rose €317m in 9M06 amounting to €853m in Set-06

Regulatory receivables
Million euros



- Accumulated tariff deviations
- Deferred tariff increases
- Rationing losses and "Parcela A" to be received through extraordinary tariffs until 2007

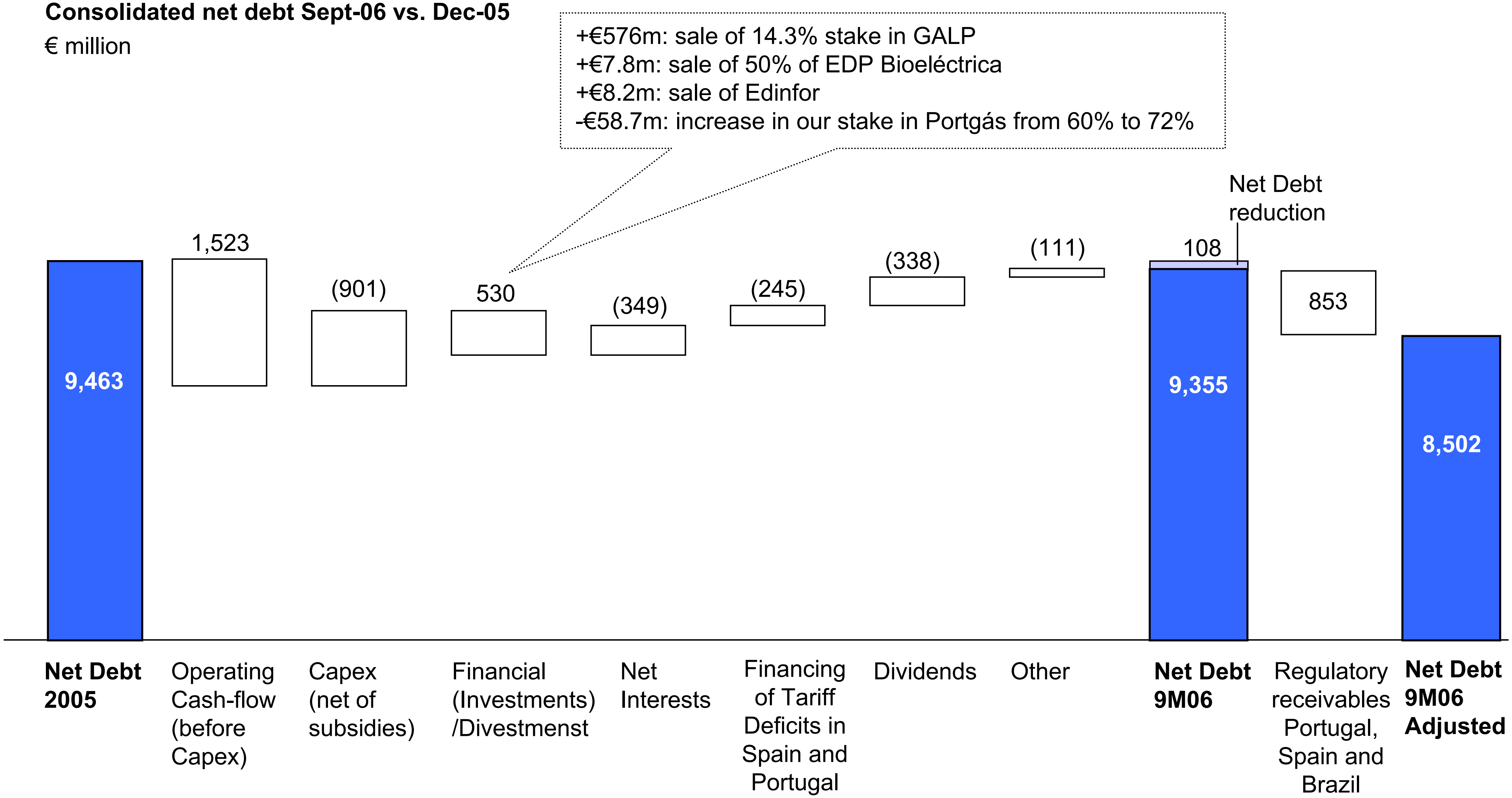
- 2005 tariff deficit: securitization already approved
- 2006 tariff deficit until September

- 9 months of the 2006 tariff deficit
- Accumulated tariff deviations

Decline of net debt even under 6% capex growth and increase of tariff deficits reflects EDP's strong free cash flow generation in 9M06

Consolidated net debt Sept-06 vs. Dec-05

€ million



EDP signed agreement with Win Reason for the sale of 100% Oni for €160m EV

Steps of the deal agreed today

1. EDP, currently with a 56.6% stake in Oni, signs purchase agreements to acquire the stakes of other shareholders in Oni (BCP, GALP and Brisa) for €1 per stake.

2. EDP will additionally acquire ONI's bank loans from its main debt holders.

3. EDP will sell 100% of the share capital (together with the accessory capital and credits of EDP to ONI) to Win Reason in a transaction based on a Enterprise Value of €160 million.

Regulatory

Transaction is conditional on the approval by the Portuguese competition authority and Portuguese telecommunications regulator (ANACOM).

Expected to be completed until the beginning of 2007.

Impacts of the transaction for EDP

On the financial settlement date of the transaction, EDP is expected to register a decrease in its consolidated net debt of €74 million.

The transaction is also expected to have a positive impact on the net profit of EDP approximately by €105 million on top of the additional positive effect arising from ONI deconsolidation:

- In the first nine months of 2006, ONI had a negative contribution to EDP net profit of €41 million.

Higher focus on core activities through divestment of non-strategic businesses

	Divestments	Observations
✓	Telecable	▪ Sold in July-2006 for €54m
✓	Optimus	▪ Swapped into 16% of SonaeCom (58.3m shares)
✓	Oni	▪ Signed an agreement with Riverside for €160m EV
	REN	▪ EDP will reduce its current 30% stake in REN to 5%
	Real Estate	▪ Sale process ongoing

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