



edp

energias de portugal

2004 Year End Results

March 2nd, 2005

EDP Consolidated P&L



	2004	2003	Chg. %	Chg. €
Revenues	7,222	6,978	3%	244
Gross profit	3,181	3,018	5%	162
Operating costs	1,213	1,191	2%	21
EBITDA	1,968	1,827	8%	141
EBIT	1,058	906	17%	153
Financial results	(335)	(359)	7%	24
Extraordinary results	(165)	(14)	-	(150)
Net Profit	440	381	15%	59

Focus on Iberian energy

- Following publication of Dec. Law, initial CMECs value set at €3.4 billion
- Acquisition of full control of HC financed through rights issue of €1.2 billion
- EU blocks joint acquisition of GDP; EDP appeals for annulment of decision
- Acquisition of 46.6% of Portgás; a foothold to develop gas distribution
- Higher CCGT capacity; +800 MW in TER and option exercised on Turbogás ⁽¹⁾
- EDP awarded new licences for 800 MW of CCGTs (out of 2.9 GW)
- Ambitious investment plan in wind power as new law provides tariff stability

Progress on efficiency

- Successful execution of HR Program; 983 less employees (-8.1%) in core business
- Improvement in quality of service; equivalent interruption time down 126 min
- Operating costs up 1.8% vs. Gross margin up 5.4%

Restructuring Brazil

- Restructuring of EDP Brazil; advanced stage in preparing 2005 IPO
- Focus on hydro generation; investment in Peixe Angical and sale of Fafen

Sale of Non-core assets

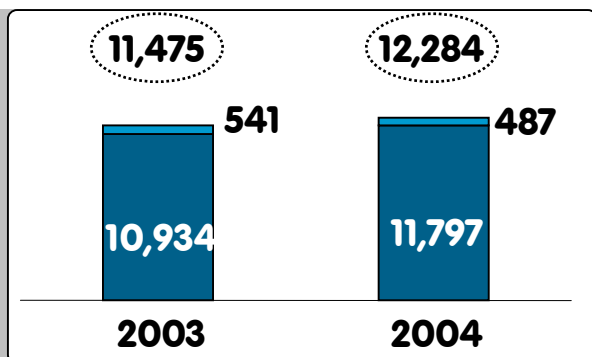
- Sale of 60% of Edinfor to LogicaCMG; contracts lowering EDP's IT unit costs
- Sale of Retecal to Ono; capital gain of €10 million

⁽¹⁾ Option to acquire further 20% stake is expected to be exercised in March 2005

Sustained growth in core energy markets

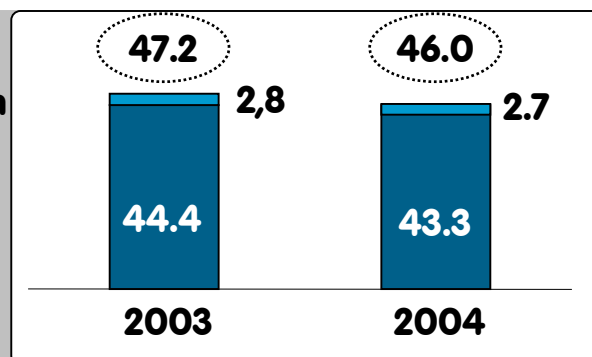


Installed Capacity (MW) ⁽¹⁾



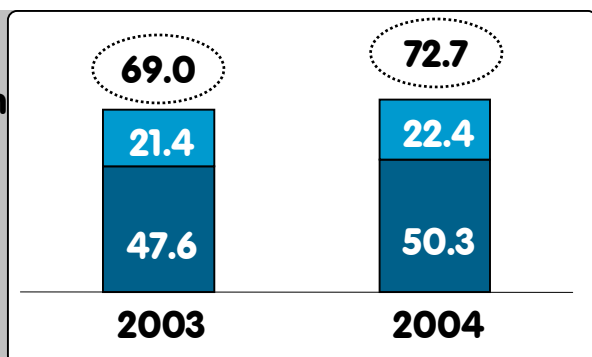
- 400 MW TER I unit operated full year
- 400 MW TER II unit started in November
- Additional 214 MW in wind farms in Iberia
- Sale of Fafen in December

Electricity Generation (TWh) ⁽²⁾



- Lower hydro generation due to dry period (-5.6 TWh)...
- ... mitigated by TER's new units output (+3.2 TWh)...
- ... by the increase in HC CCGT's emission (+0.4 TWh) ...
- ... and by the output of new wind capacity (+0.4 TWh)

Electricity Distribution (TWh)



Strong growth in demand in EDP markets:

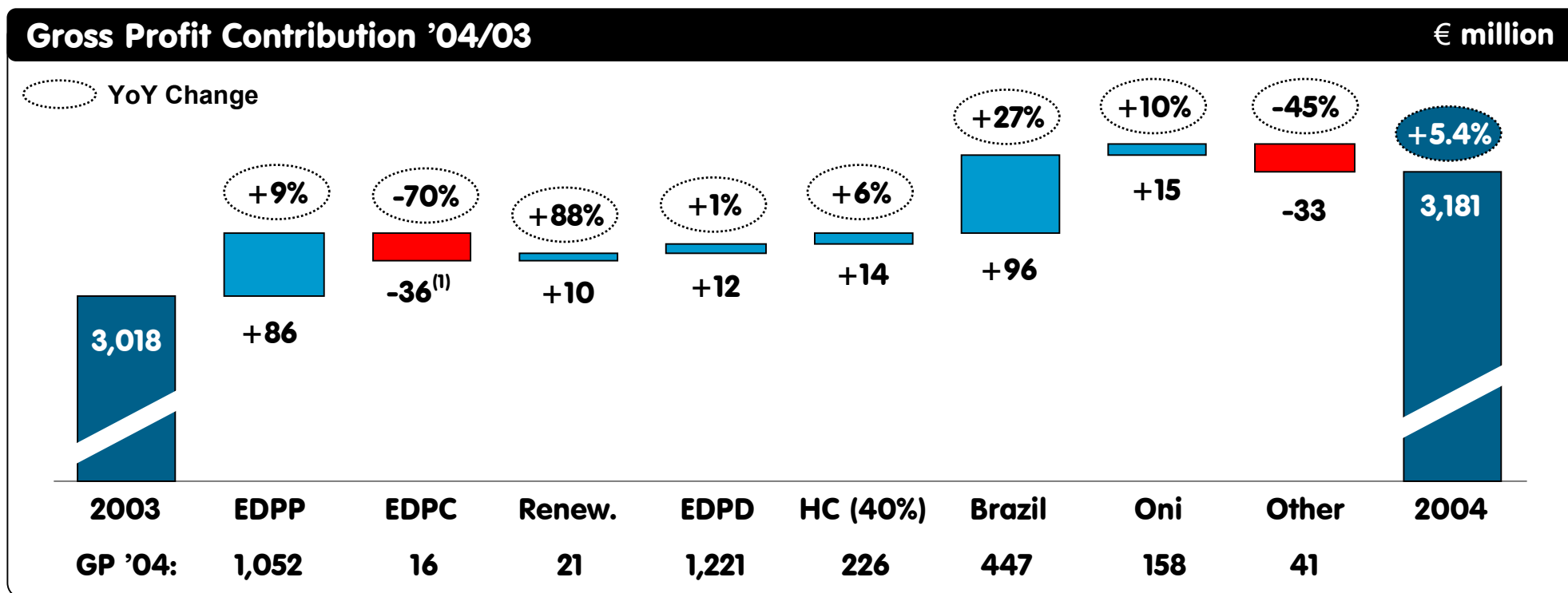
- Portugal +6.1%
- Spain +4.0%
- Brazil +4.5%

■ Iberia ■ Brazil

⁽¹⁾ Includes the installed capacity of: i) Turbogás (990MW) 20% in 2003 / 40% in 2004 and; ii) Tejo Energia (584MW) 10% (2003 / 2004)

⁽²⁾ Includes the electricity generation of: i) Turbogás 1,081GWh in 2003 / 2,461GWh in 2004 and; ii) Tejo Energia 417GWh in 2003 / 442GWh in 2004

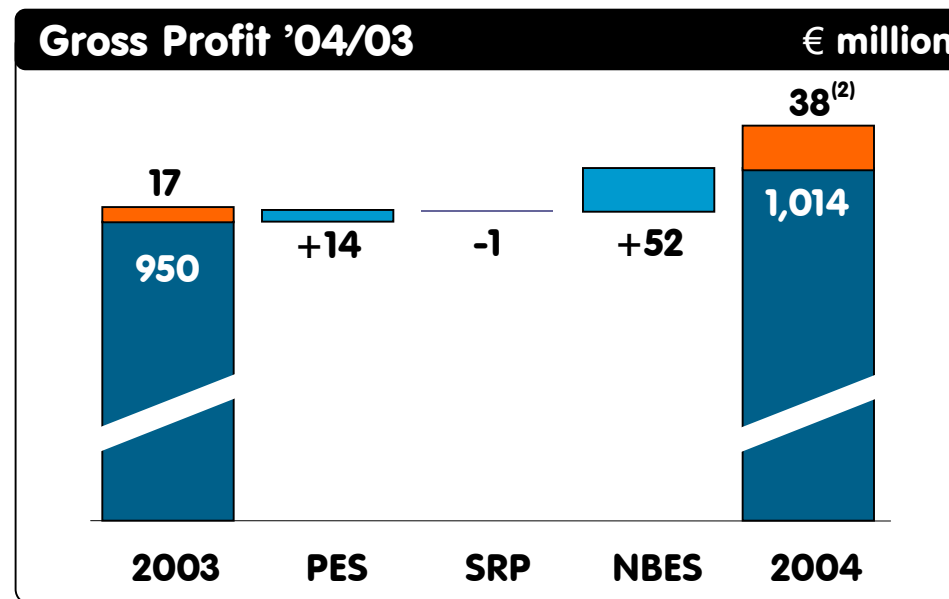
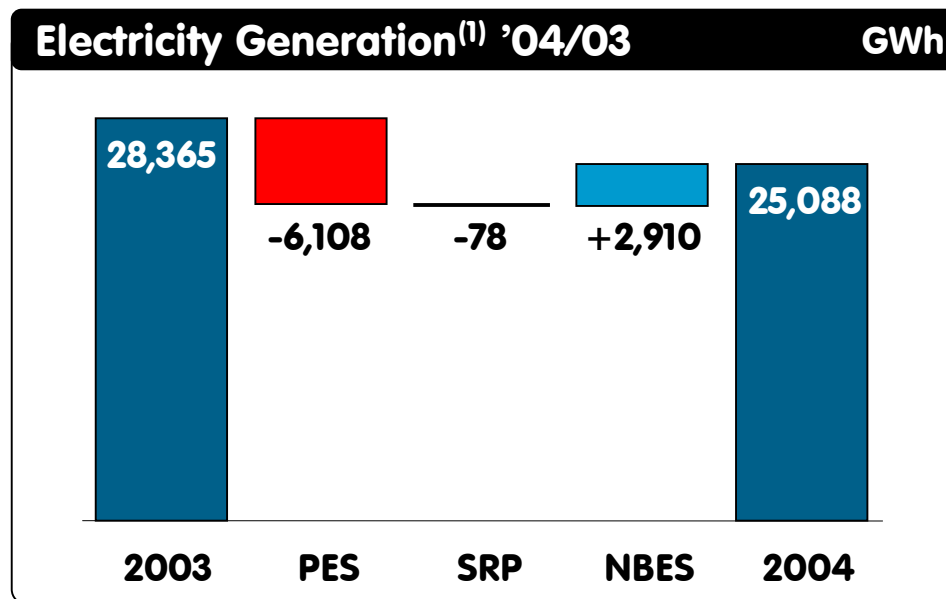
Gross Profit up 5% due to higher activity



- New capacity coming on stream and efficient fuel procurement drove EDPP and Renew. gross profit up
- EDPD's reported gross profit driven by 8% increase in allowed revenues due to higher demand and negative impact from prior year's tariff adjustments
- Negative impact of low pool prices and rising fuel costs at HC mitigated by consolidation of Naturcorp and improved market conditions in last quarter
- Tariff increases and higher demand in Brazil, contributed 60% to gross profit growth

⁽¹⁾ Impact of transfer of trading activity from EDPC to EDPP (€36 million in 2003)

Generation performance reflects stable PPAs and new CCGT capacity

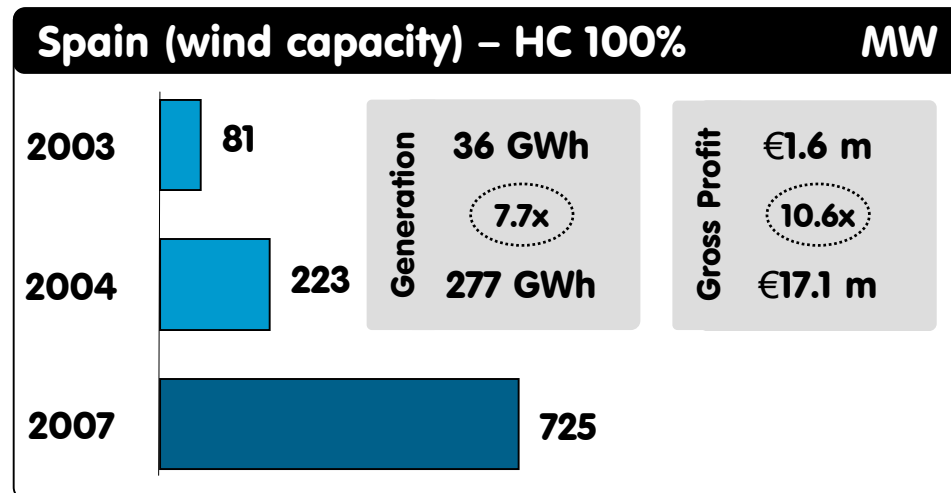
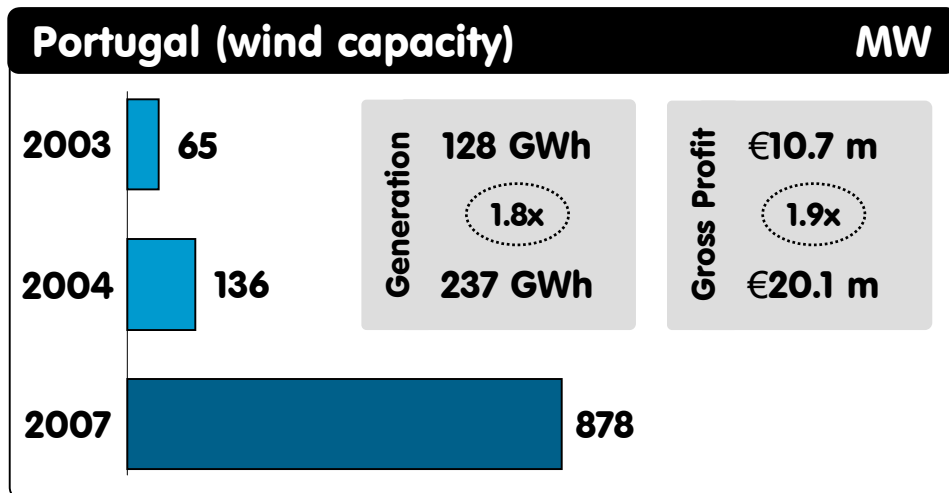


- Despite lower emission, gross profit in the PES up, reflecting return profile of PPAs and positive spread between the Energy Charge and fuel costs
- Stability will be maintained after break-up of PPAs. Initial CMEC value set at €3.4 billion
- SRP gross profit lower following decrease in small hydro output during dry year thus increased weight of cogeneration
- NBES gross profit up on the back of full year operation of TER Unit I (392 MW) and start of second unit (392 MW) in the last quarter together with more active trading given low Spanish pool prices in 2004

⁽¹⁾ Excludes energy generated from wind farms and biomass

⁽²⁾ Services Provided: Include maintenance services provided and charges in 2004 to EDP Comercial related to the purchase of electricity in the Spanish pool

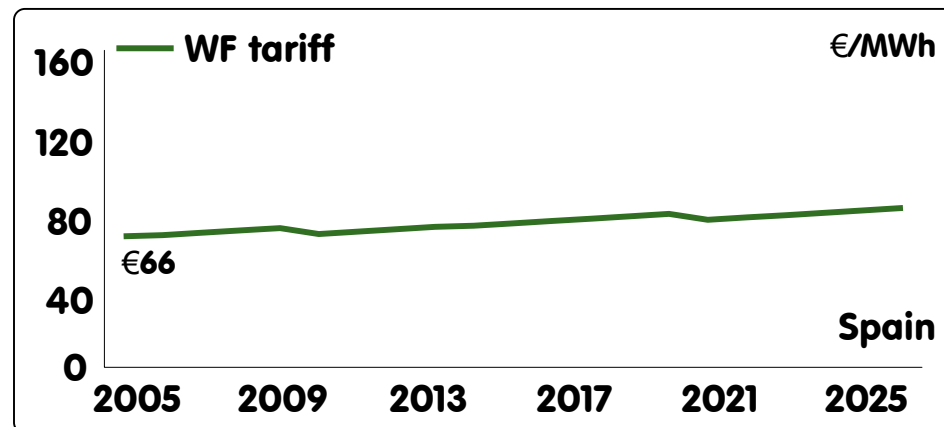
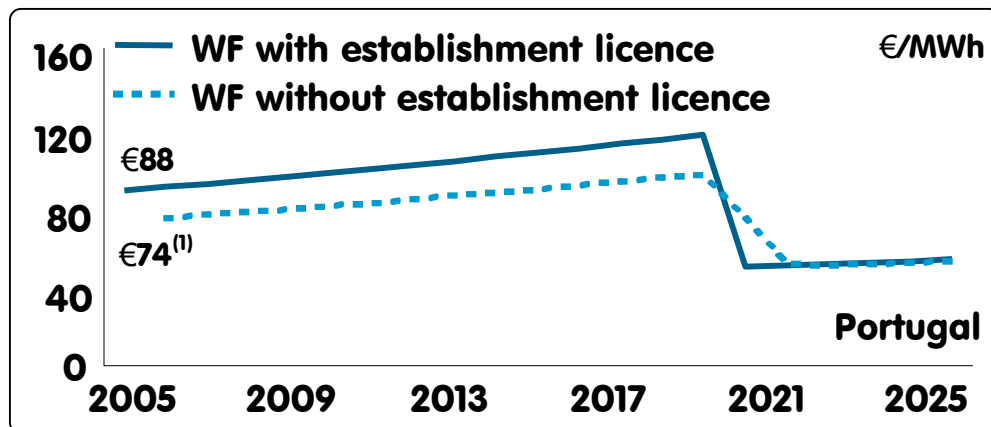
Wind generation contributed 10% to improvement in the Group's gross profit



EDP's plan to invest in wind capacity supported by tariff stability in Portugal and Spain:

New Portuguese DL guarantees tariff for a 15 years period

Tariff in Spain highly stable for the life period of wind farms (20 years)



⁽¹⁾ Assuming a 10MW Wind Farm with a 27% Load Factor (2350 hours/year)

Regulated Revenues in Portugal up 8% on higher consumption



Allowed Revenues '04/03

€ million

Allowed Revenues 2003

1,181

Change in Energy Distributed

49

Change in UDGr Tariff

31

Allowed Revenues NS

+7.7%

2

Allowed Revenues SPS

9

Tariff Adjustments

62

Allowed Revenues 2004

1,273*

Positive impact of a 6.1% growth in energy consumption ...

... partly mitigated by a decrease in tariffs for the Use of the Distribution Grid: -3.7% for HV/MV and -2.8% for LV

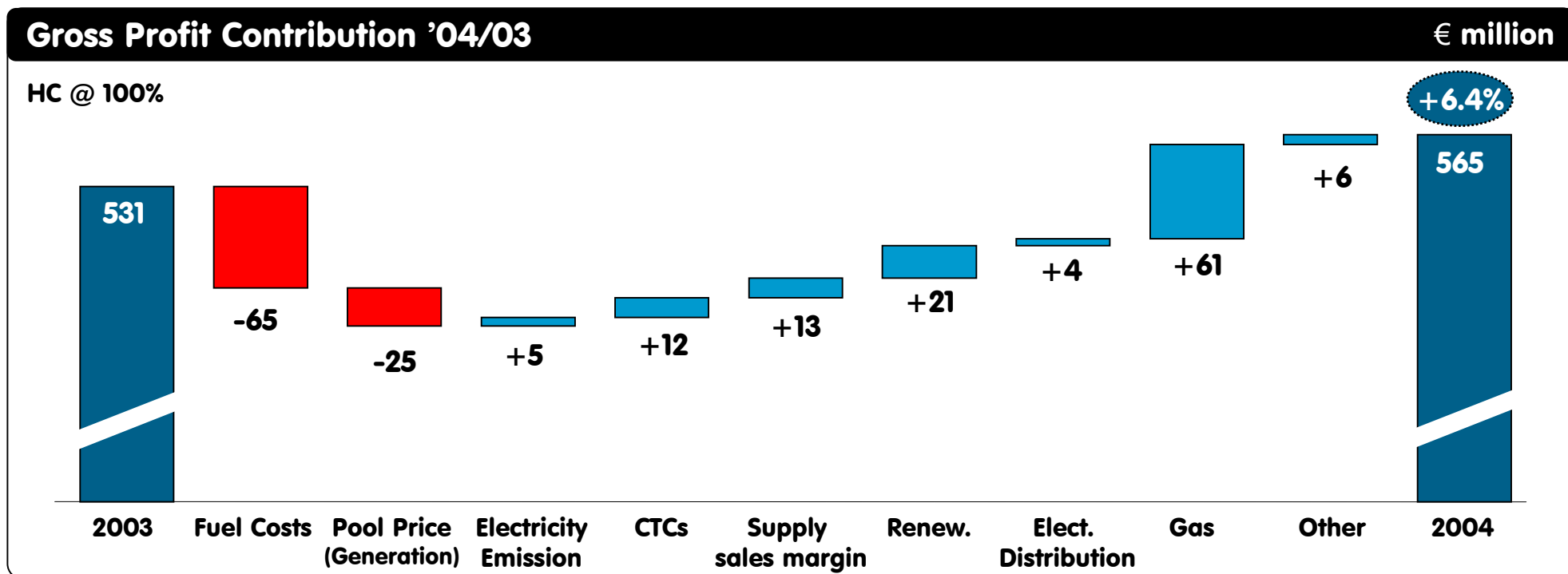
Increase in value of regulated asset in the Network Services activity (€18 m)

Higher amortisation (€5m) and increase in the Supply in the Public System activity's asset base (€15 m)

Mostly related to recovery of higher than estimated costs (by ERSE) with electricity acquisition for 2002 and 2003.

* Reported Gross Margin of €1,194 million for year 2004 includes prior year accounting tariff adjustments of - €78.9 million.

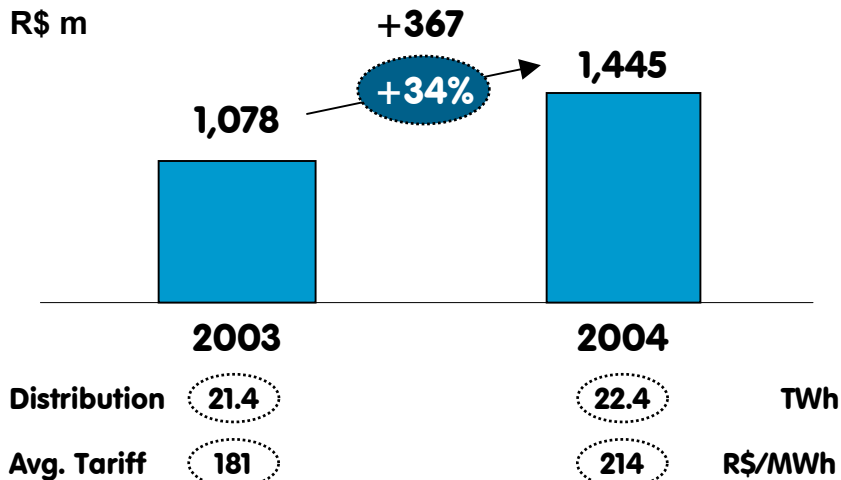
HC hit by abnormal market conditions



- Dry period and rising fuel costs (coal up 38%) not fully reflected in pool prices during most of 2004 (€34/MWh in 2004 vs. €36/MWh in 2003)
- HC's total generation output went up 2%. CCGT emission, up 27% or 415 GWh
- Supply benefited from low pool prices and improved client mix
- Renewables benefited from additional 142 MW and 242 GWh in wind power
- Full year consolidation of Naturcorp contributed to the gross profit increase

Brazil up on consumption growth and tariffs

Distribution Gross Profit '04/03



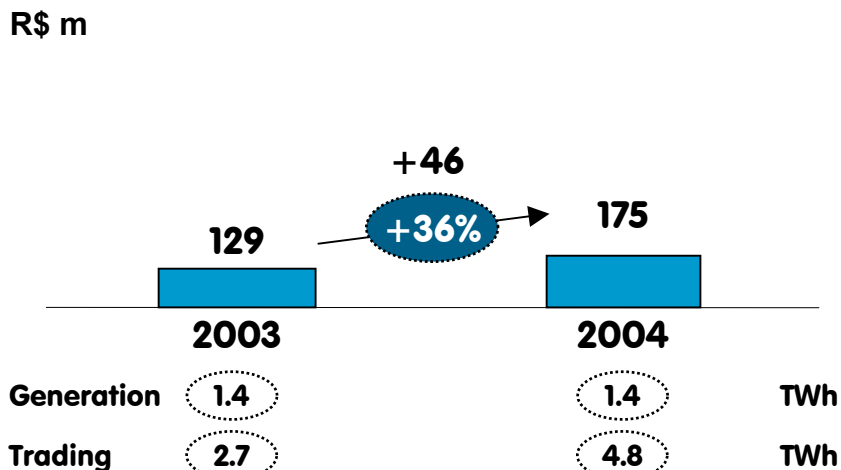
Consumption up 4.5% driven by strong economic growth:

- Bandeirante +7.1%
- Escelsa -0.1%
- Enersul +6.0%

Average tariff up 18%:

- Bandeirante +19%
- Escelsa +15%
- Enersul +21%

Generation & Trading Gross Profit '04/03

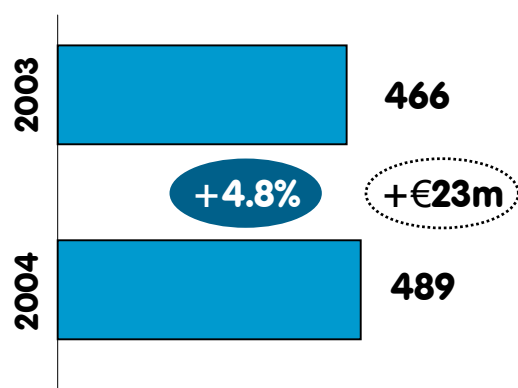


- Gross margin of Lajeado up 10% on the back of tariff increase which reflects 2003 inflation (9%) despite stable output (1.2 TWh)
- Improved margin at Enertrade due to 77% increase in electricity volumes following agreements with EDP Discos and 2003 energy sold to pool at lower prices

Strict cost control on growing environment: Opex up 1.8% and gross profit up 5.4%

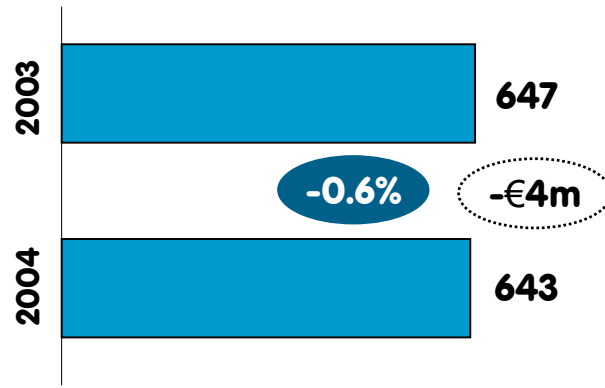


Supplies & Services € million



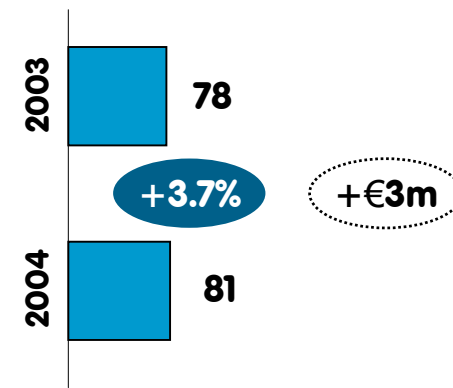
- EDPD flat due to lower costs with Contact Center
- EDPP up €7.3 million due to higher maintenance costs on new generation capacity
- Costs in modernising client services and improved collection in Brazil contributed to the €14.2 million increase

Personnel Costs € million



- Strong discipline on personnel costs
- Year 2004 salary increases (2.8%) and automatic career progressions
- Approx. €24m savings related with reduction of 1,291 employees at EDPD covered by the regulatory asset by ERSE

Other Opex € million

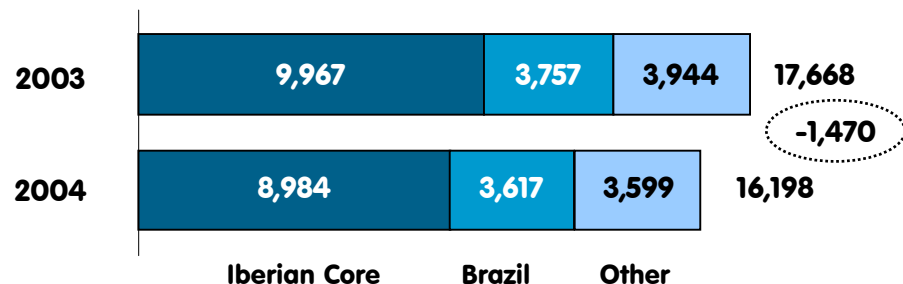


- The 25 b.p. increase in fees to municipalities meant a €14.4 million increase in Opex
- Mitigated by an increase in Own Work Capitalized (+€23 million) due to higher investment in the distribution grid

Significant savings from HR Restructuring

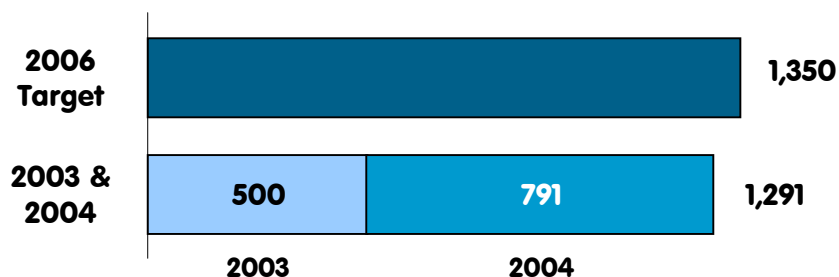


Number of Employees down 8% – EDP Group

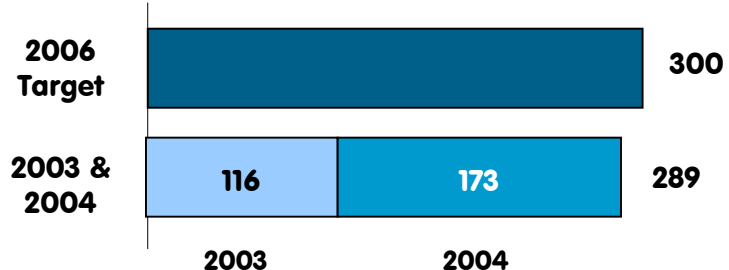


- EDP focused on efficiency across the Group
- Workforce reduction of 1,470
- The successful implementation of the HR Program in Portuguese core business resulted in €24 million savings with impact in consolidated results

HR Restructuring – EDP Distribuição



HR Restructuring – EDP Produção



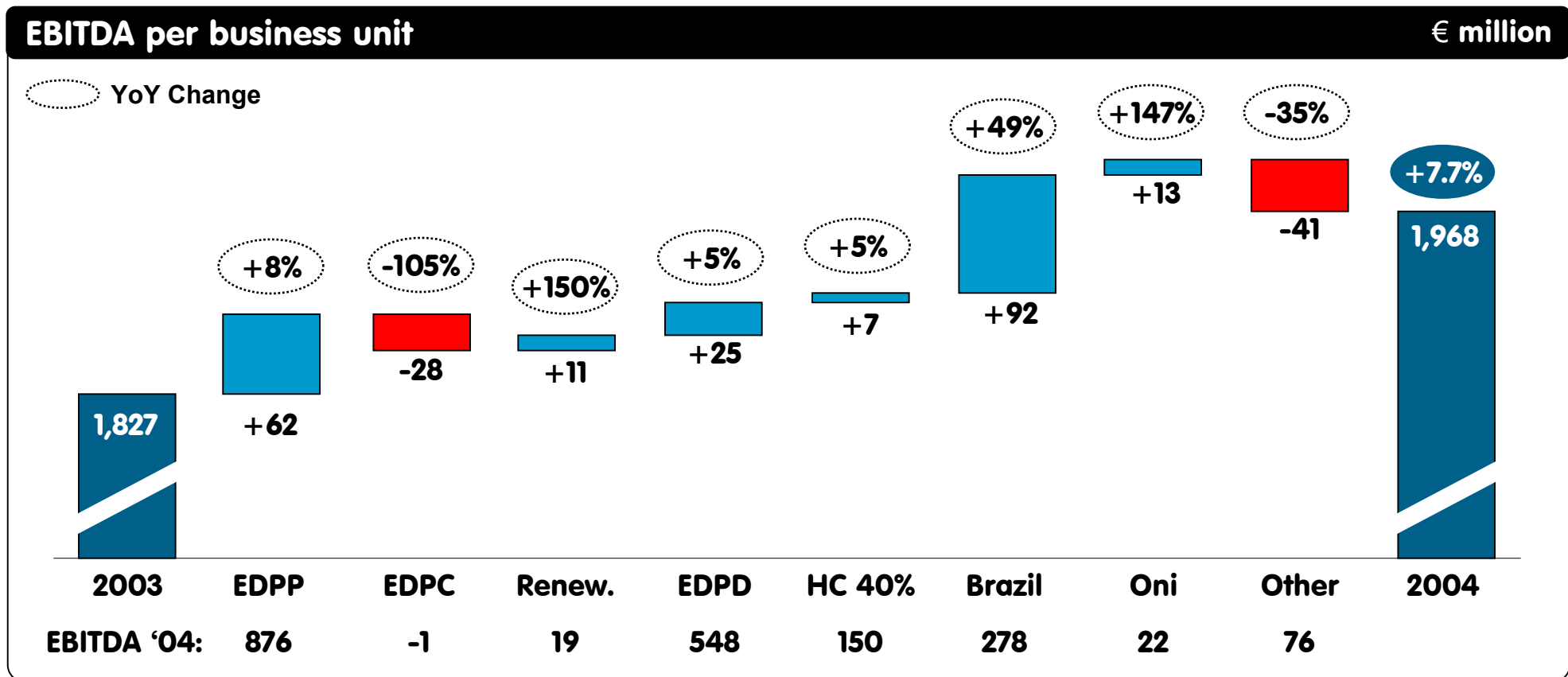
Personnel Cost Savings (€ million)	2003	2004
156 Mutual Agreements	-	2.9 ⁽¹⁾
1,135 Early Retirements	-	20.7 ⁽¹⁾
482 Flexible Retirements	0.4	11.0 ⁽²⁾
Total Savings	0.4	34.6

Personnel Cost Savings (€ million)	2003	2004
17 Mutual Agreements	-	0.4
272 Early Retirements	-	5.0 ⁽²⁾
148 Flexible Retirements	0.1	3.8 ⁽²⁾
Total Savings	0.1	9.2⁽¹⁾

⁽¹⁾ Amounts covered by regulatory asset (€447 million) related with the EDPD HR Restructuring Program

⁽²⁾ These amounts are not reflected at the consolidated level due to direct use of provision (€70 million in 2004)

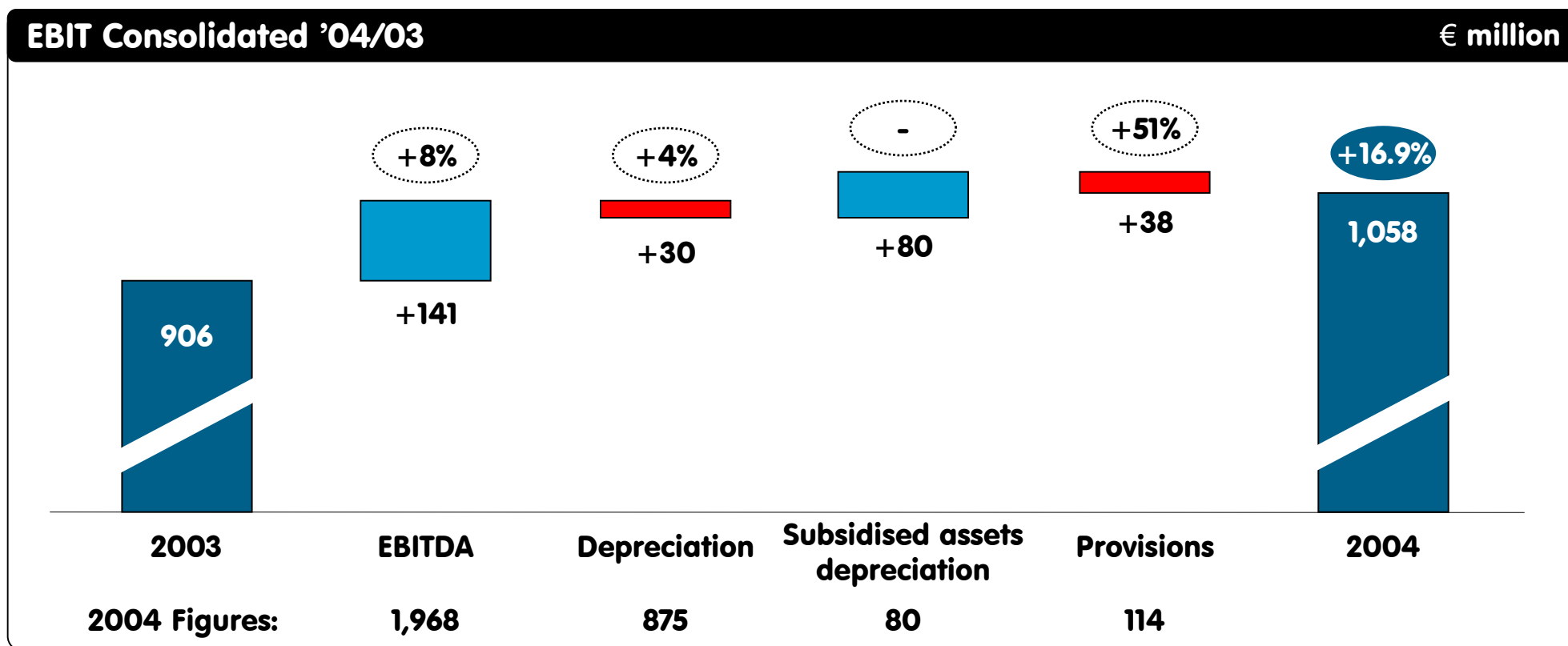
EBITDA up 7.7% on improved gross profit and cost discipline



Improved operating environment in Brazil was the main contributor

Core business' EBITDA growing at healthy rates

Reported EBIT up 17% (8% before accounting change)



- Further improvements at the EBIT level came from accounting changes: €80 million in subsidised assets' depreciation previous accounted as an extraordinary
- Higher depreciation following investments in new capacity and the distribution network
- €22 million higher provisions following changes in Bandeirante's October 2003 tariff revision

Impact of key extraordinary items

2004
(€ million)

- Extraordinary provisions at Oni (inc. reversal of €40m tax credit on OniWay)
- Impairments in goodwill of the IT business
- HR restructuring (anticipation to retirement age and negotiated dismissals)
- Retroactive changes in tariffs in Brazil
- Decommissioning of Tapada do Outeiro (end of PPA)
- Inventory losses (mainly revaluation of coal stocks)
- Capital loss on sale of Fafen
- Capital loss on sale of Campo Grande turbine (Enersul)
- Capital gain on sale of Retecal (40%)
- Other (bad debts, prior year costs and other)

-55

-35

-32

-16

-11

-8

-2 ⁽¹⁾

-3 ⁽²⁾

+10 ⁽³⁾

-13

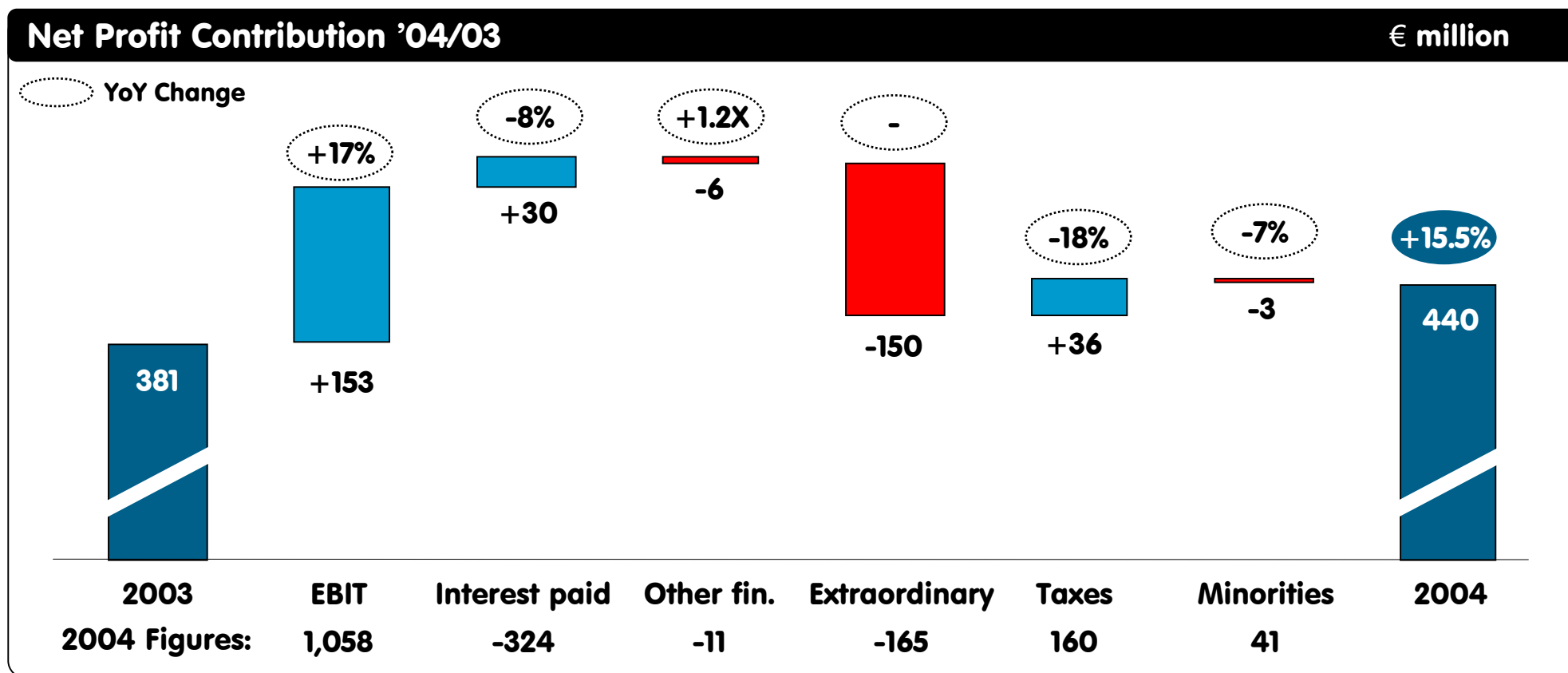
-165

⁽¹⁾ Fafen sold for R\$96 million (€26 million)

⁽²⁾ Campo Grande Turbine (Enersul) sold for R\$42 million (€11 million)

⁽³⁾ Retecal sold by Hidrocantábrico (100%) for €58 million

Net Profit up 15% despite extraordinaries



Fall in interest charges in Brazil and lower average debt
 Pre-tax profit up 5%, stripping out extraordinaries up 32%

EDP Consolidated P&L

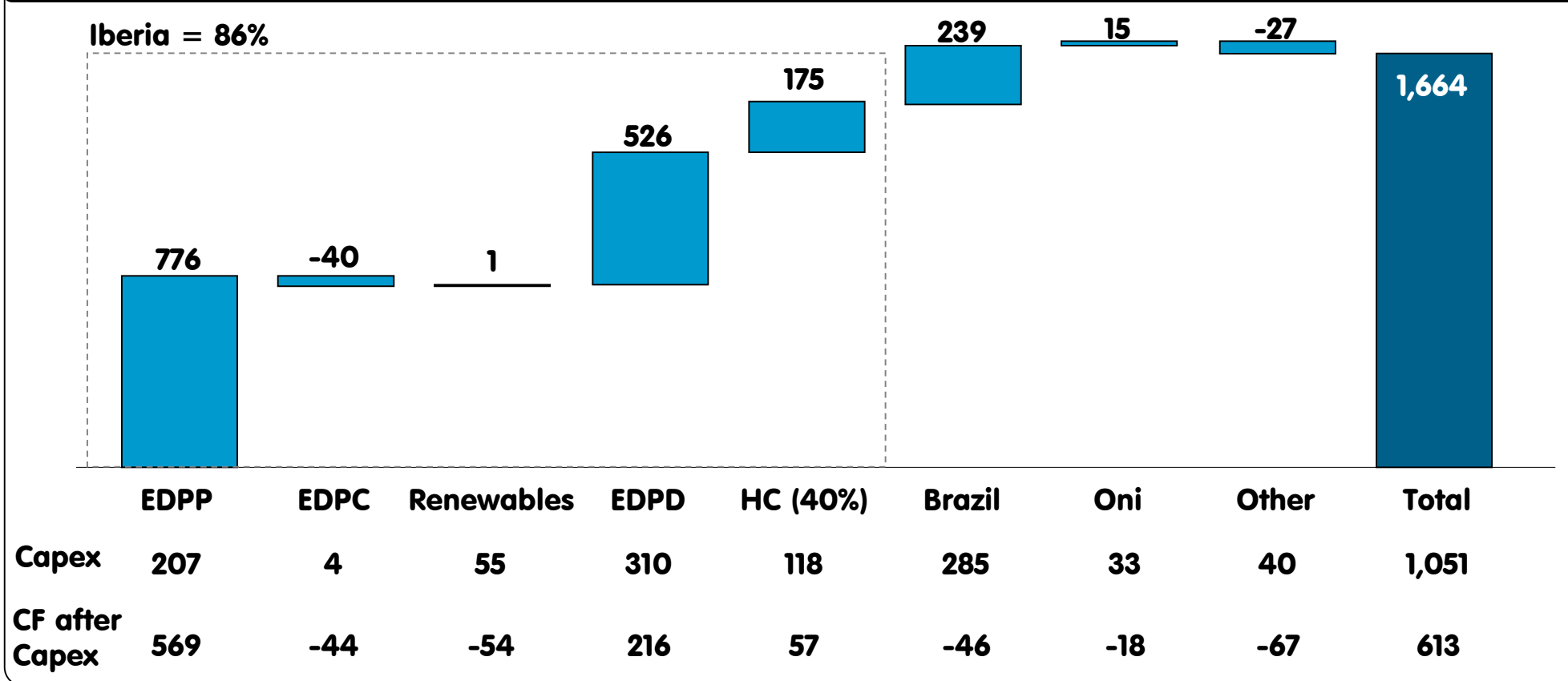


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Revenues	7,222	6,978	3%	244
Direct costs	4,041	3,959	2%	82
Gross profit	3,181	3,018	5%	162
Personnel costs	643	647	(1%)	(4)
Supplies & services	489	466	5%	23
Other costs (net)	81	78	4%	3
Operating costs	1,213	1,191	2%	21
EBITDA	1,968	1,827	8%	141
Depreciation	875	846	4%	30
Subsidised assets' depreciation	(80)	-	-	(80)
Provisions	114	78	51%	38
EBIT	1,058	906	17%	153
Financial results	(335)	(359)	7%	24
Extraordinary results	(165)	(14)	-	(150)
Taxes	160	196	(18%)	(36)
Minorities	(41)	(44)	7%	3
Net Profit	440	381	15%	59

Operating cash-flow funded 22% increase in Capex

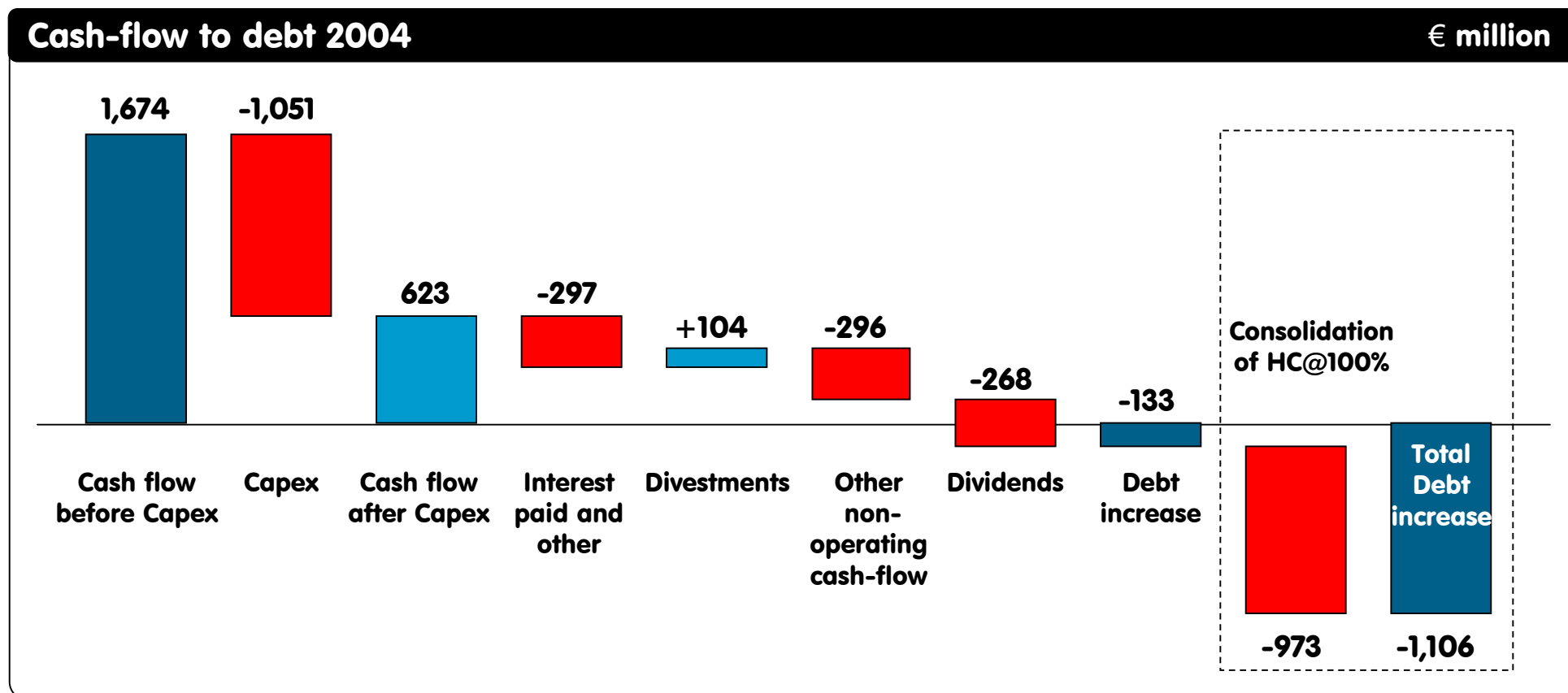


Cash Flow before capex 2004



- Despite heavy investments in capacity and distribution grid, the core business generated 86% of total cash-flow after Capex
- Capex in Brazil doubled due to investments in the Peixe Angical hydro plant

Debt increases by HC consolidation



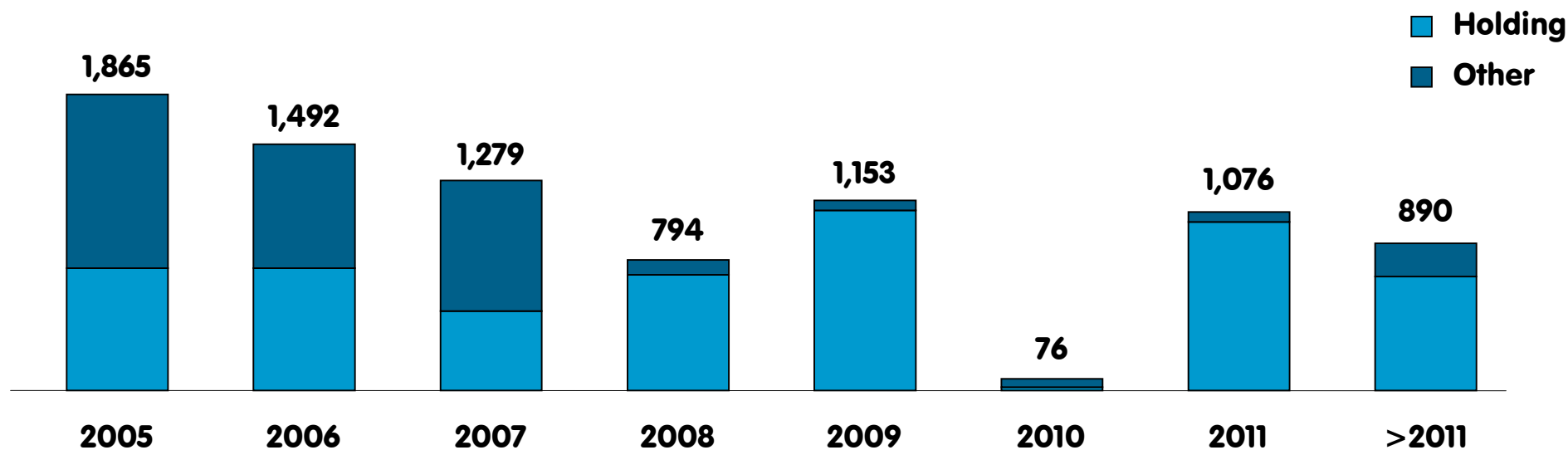
Investments were up over €1 billion

Total debt increased 15% following consolidation of 100% of HC's debt

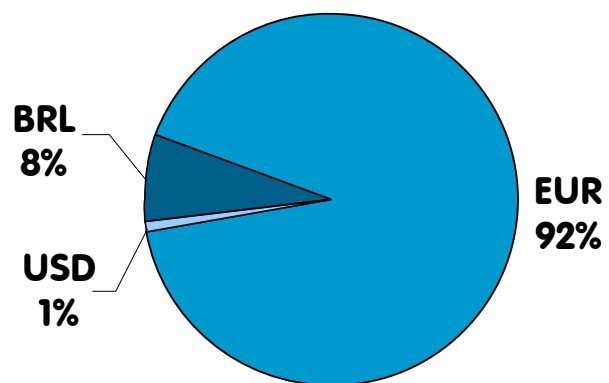
The acquisition of 56% of HC was fully funded through a rights issue

Debt Maturity Profile

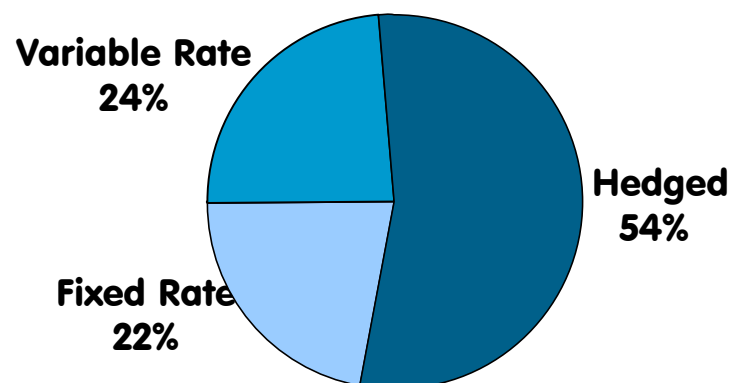
€ million



Debt by Currency YE2004



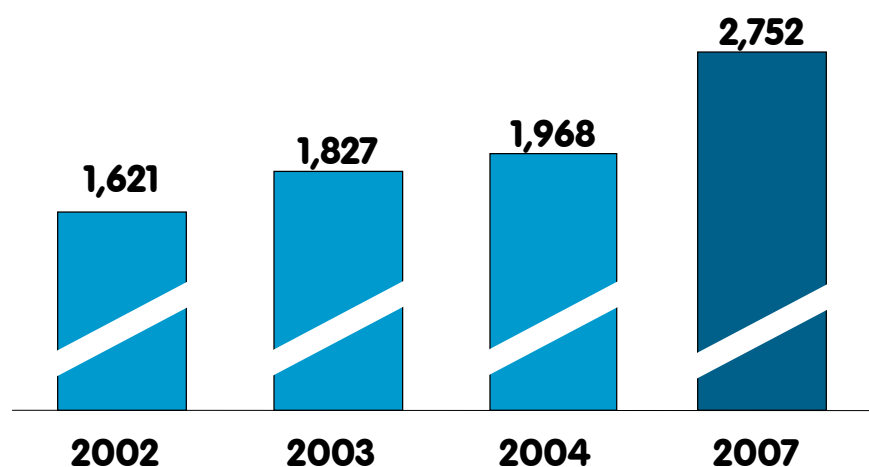
Medium/Long Term Debt YE2004



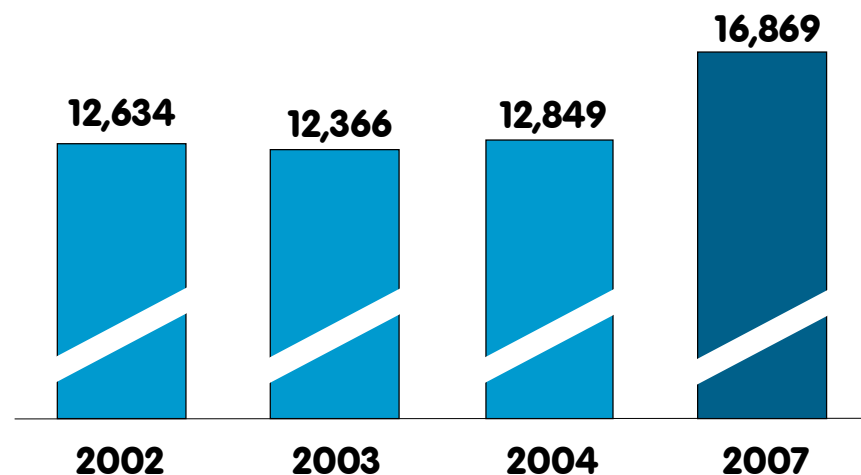
On track to achieve profitability target



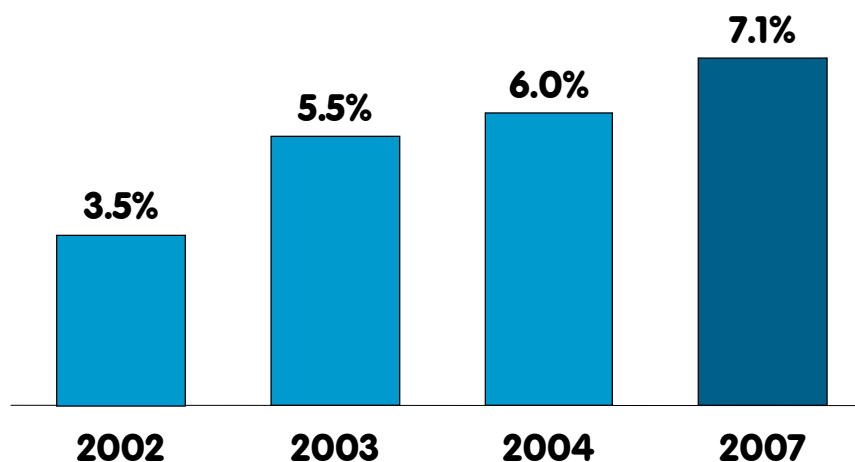
EBITDA Consolidated € million



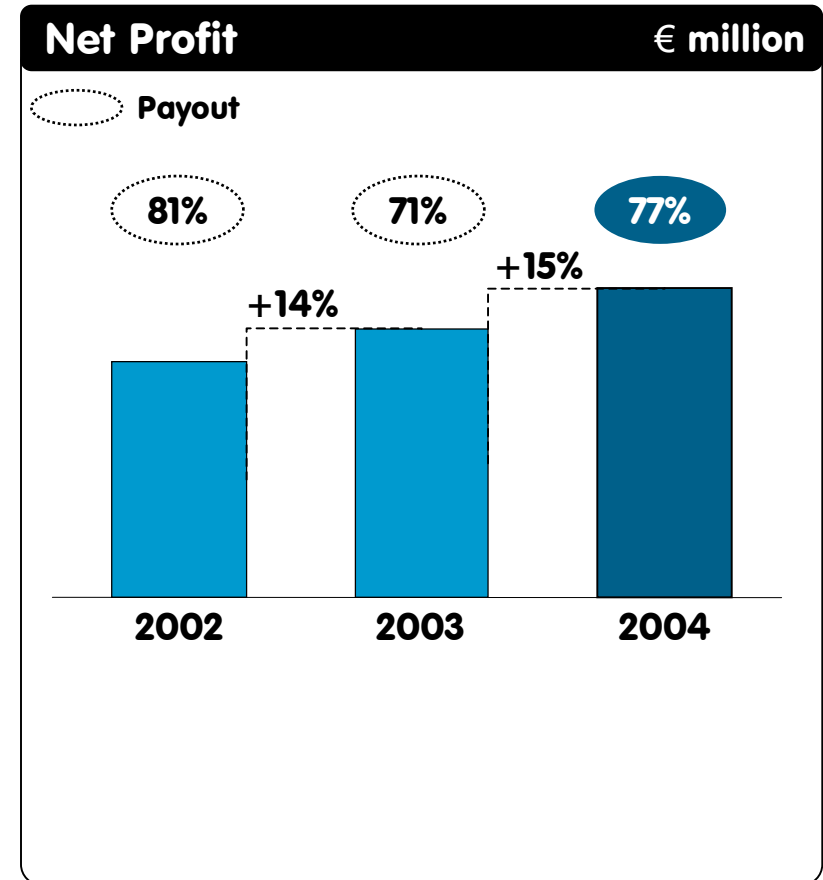
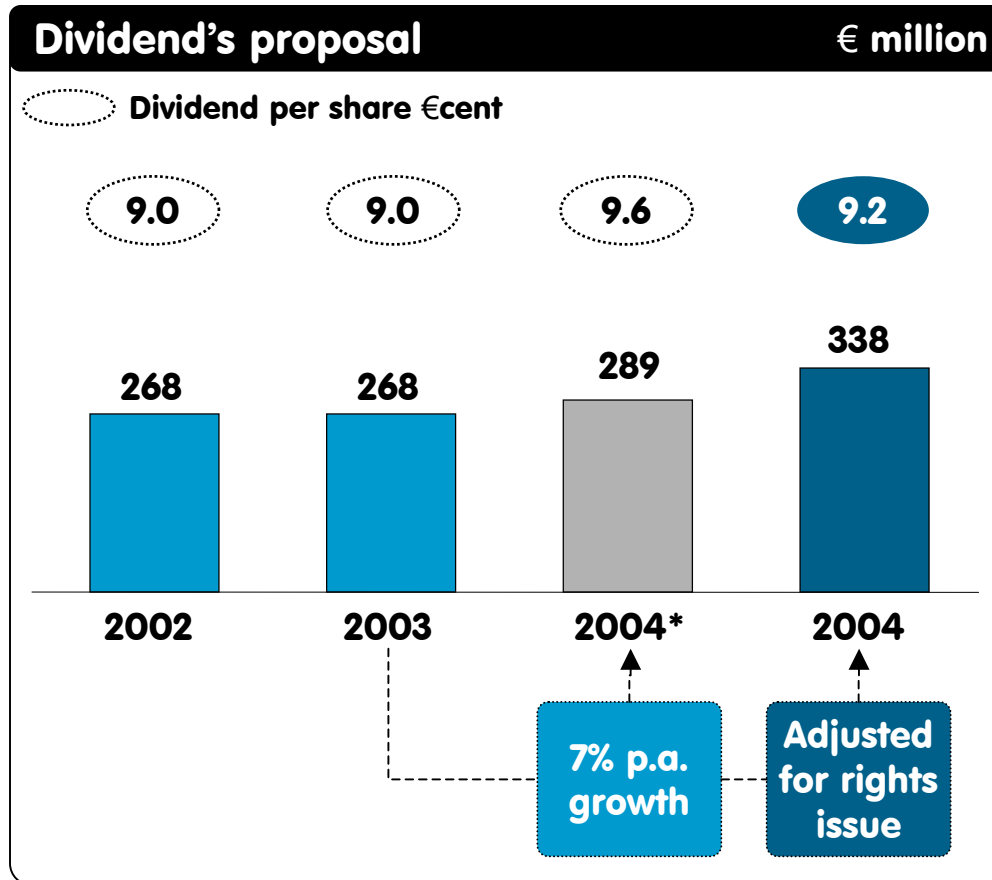
Invested Capital € million



ROIC



Sustained dividend growth policy in line with announced in Strategy Plan



Adjust 2004 dividend for the increase in Market Cap following €1.2 billion capital increase:

- Total dividend distributed on 2003 Results to grow by 7%
- Adjust 2004 total dividend amount preserving Market Cap yield (based on cum-right's price of €2.36 plus capital increase of €1.2 billion)



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