

**Energias de Portugal****Fri, 7<sup>th</sup> May 2010****10:00 Hrs UK time**

Chaired by Antonio Mexia

**Company Participants**

- **António Mexia, Chief Executive Officer**
- **Nuno Alves, Chief Financial Officer**
- **Miguel Viana, Head of Investor Relations**

**Antonio Mexia**

Good morning, everybody, and thank you for your presence in this conference call for the First Quarter Results 2010. As first statement I would like to say that we are very pleased with the results. We feel that we have presented strong results in this quarter. It confirms our vision for the year and especially it confirms what we have been saying to the market, saying to you and what concerns the right strategy and right execution and basically the policy is very much adequate to the times that we are going through.

As you know, our operational results have increased by 11% year-on-year to €940 million and this is due to several items. The first is, of course, better than expected, I would say an even better than expected performance in our liberalised activities in Iberia. We have increased sales to our clients by more than 100%, 110%. We have sold to clients 180% of our own generation. It means that our hedging policy, the fact that we have a strong client base, our management of the Take-or-Pay and especially being short on this and being long on clients. I think that we have been doing what we need to do according to our market even if the demand had increased, a slight increase, and I think it's a good sign. Prices were quite depressed and, as you will see, they went down by more than 40% year-on-year. This policy enabled us to stabilise, a small increase, even an increase in Iberia and this is, I think, very important and quite appreciated.

The second is, of course, Brazil. We have 23% in local currency increase and the 48% year-on-year if you see it in Euros. Why? Because you have a distribution electricity increasing by more than 20% and of course it was the opposite on the previous year, helped by the appreciation of Brazilian Real. The EBITDA of Brazil today already presents 17% of EDP, back to the 17%, and relatively we are the most exposed to that market at European levels and I think it's good at the moment because of growth potential.

Third is, of course, we have been focused on growth and mainly, as you know, delivering on time and on cost the project, especially in wind, where we had a 23% increase. We have increased the global install capacity in the Group by 11%. I think it's quite interesting, because a lot of wind, a lot of water and it's the first time in our history; 75% of EDP power production in this quarter came from wind and hydro. I think it's quite an impressive figure, so risk management, focused growth, but also efficiency. As we have shown, 41 million cost savings already achieved in the first quarter and I believe that this

gives as strong sign that we will reach the figure that we have targeted for the year end, but also that we feel very, very comfortable for reaching the full programme of 160 million that was established for 2012, out of which €120 million for this first year.

All this enabled us to have an increase of 17% year-on-year on the net profit. The first quarter was the best quarter ever with €309 million without any material non-recurrent items and we think it's important because it gives you a high visibility about this net profit. This net profit of course is also due to, I believe, a very accurate financial policy where you see a net interest cost decrease by 36% when you compare year-on-year and the average cost of debt fell from 4.7 first quarter last year to 3.5 first quarter of this year. I would like to stress this. We have been doing what we need to do to have the right financing, competitive costs and, as you know, we have now increased cash and liquidity facilities above 5 billion by the end of March 2010, bigger than at the end of last year, so we have all that we need in terms of funding more than 24 months in anticipation. I think with the current environment it's quite valuable.

Our capex reached 573 million in the first quarter. As usual, almost 80% is an expansion and 94% of this expansion was in wind, in hydro and in Brazil, so where you have today growth potential. We are increasing the potential of future EBITDA where it makes sense. We have an accumulated capex in terms of capacity under construction over 2 billion and I think it also gives visibility about our future results. Our net debt reached €14.6 billion, but what is important is that we have been increasing since we started consolidating our financials and we have today a decreased net debt over EBITDA to 3.9 and if you consider December 2009 and 3.7 in March 2010, and we will talk in detail about this later.

Overall, a very efficient capital management; right execution on time and cost of attractive gross opportunities; and especially, and I would like to stress this, a low risk approach in terms of business, in terms of growth, in terms of markets that we tackle in terms of financing and, of course, why? Because we have a full vision of this consolidation of the financial situation and the optimising return on capital. We want return to shareholders; we want a low risk approach even when we present strong growth.

As usual, I have with me Nuno Alves and Miguel Viana. Now I will pass to Miguel to go through the presentation and I will come back for the conclusion.

### **Miguel Viana**

Good morning. Starting on slide 3, we have all the key financial indicators of EDP, which we already referred to, so EBITDA growing 11%, net profit growing 17%, Capex declining by 30% and a slight increase of net debt by 4%.

Going to slide 4 and starting from operating data, installed capacity 11% growth, which was supported essentially on the increase of our wind capacity and also the start of operations of our combined cycle in Portugal, the largest plant. Overall, 60% of our installed capacity by the end of March was wind or hydro capacity. Also in the first quarter, given the windy and very rainy period in the Iberian Peninsula, hydro and wind represented 75% of the total production of electricity by the EDP Group, so a very high level of wind technology's contribution.

Moving to slide 5, we can see the 11% growth of the EBITDA. Growth was driven essentially by Brazil with a stronger operating performance and also a positive impact from the appreciation of the Brazilian Real; wind power of course with the increase of installed capacity and gas regulated networks in Iberia with a first time contribution from the assets acquired from Gas Natural.

In page 6 you can see the level of efficiency. We maintained our ratio Opex per gross profit in line with the first quarter 2009 figures even in the period of very strong business growth. In terms of efficiency programmes, our cost savings achieved in the first quarter 2010 are 34% of our 2010 targets, so we continue on track to reach annual cost savings of €120 million by the end of 2010 and our target of 160 million for the end of 2012.

Per business area, and looking at the fundamentals of our activities, going directly to slide 8, we can see that in the first quarter 2010 we observed the recovery of electricity and gas demand in the Iberian Peninsula with some positive impacts from cold weather in the first quarter 2010, namely this can be observed in the demand of electricity in Portugal and Spain, but anyway, even excluding this impact, we have signs of economic recovery, namely a recovery of industrial demand.

What was the impact of this recovery in demand in terms of market dynamics? We can see on page 9 on the left hand, the residual thermal demand, so the thermal output in Iberia, which was 33TWh and a positive contribution from this increase in demand. Nevertheless, it was a very windy and rainy period, so hydro production increased by 9TWh in Iberia. Wind increased by 5TWh due to new capacity additions and also a windy first quarter. This overall resulted in a 34% decline of thermal output despite the higher electricity demand.

In terms of prices, although the average pool price in the first quarter was around €25/MWh in Spain, we can see in the middle sharp pips. There was a big dispersion in terms of pricing, so the volatility on an hourly basis of prices means that although with a 35% average, we had several hours at zero. We also had several hours above €40/MWh, so this volatility – this increased volatility, creates opportunities to flexible technologies, namely of course hydro pumping, but also combined cycles which can work less hours and take advantage of this volatility.

Finally, although there was a 40% decline on pool price, if you look at the final wholesale electricity price in Iberia, which includes the capacity payments, ancillary services, restrictions and deviation markets. This decline was smaller; it was just by 28% and the average final procurement price stood at €35/MWh, meaning that the spread between the average final procurement price and baseload price increased significantly, reaching €10/MWh in the first quarter 2010 as a result of the instability in the system with increasing weight of wind.

On page 10 we can see that although there was a big increase in hydro production in Iberia and EDP as a significant weight of hydro production, in terms of P&L we didn't benefit from this huge increase in volume. Our hydro output in Iberia went up by 83%. Nevertheless, 85% of our production is attached to our PPA/CMECs plan in which we don't have any exposure to volume or price risk, meaning that here we continue to receive our fixed revenues in terms of 8.5% return on assets. Nevertheless, it's important to note that in Portugal the existing dams and the existing hydro plants were not able to retain all

the benefits of the very high rainy period, so there was some water that was spoiled. There were some opportunities in pumping that were not able to be obtained given that our plants are not big enough, meaning that all the other potential that exists in Portugal is not yet being fully used. The good news is that we have six new plants under construction, which will start operating between 2011 and 2015 and that these market conditions observed in first quarter 2010, they fully support the prospects in terms of returns of this investment, namely this increase in volatility and also the level of output that was not used by our hydro plants.

Going to page 11, and starting from the long term contracted generation business area, we can see that EBITDA went down roughly by 1%, almost flat, reflecting on the special regime an increase of installed capacity, namely with new capacity of biomass plants and co-generation in Portugal and, regarding PPA/CMECs, a decline in terms of installed capacity with decommissioning in our plant of Barreiro. Overall, the EBITDA from the special regime went up by 30%, taking into account the referred increase of installed capacity and also the rainy period which was quite positive for mini-hydro plants and it went down by 1% regarding the referred decommissioning of Barreiro.

Going to the liberalised energy activities in Iberia, our EBITDA remains almost flat versus 2009 first quarter, essentially with an increase of pool procurement. Our average selling price went down to €52.3/MWh. Essentially here we are talking about sales directly to clients. Our generation costs went down to €28/MWh.

Going to page 13, we can see that our retail and supply operations shows a significant growth with the volume of electricity sold to clients in the free market increasing almost 100%, the number of clients increasing by more than 140%, a growth that was prompted by legalisation and low pool prices in Iberia. Note that the higher growth of the number of clients shows a focus on client segments with higher margins, namely the small business activities.

In terms of gas supply, we have also a significant volume growth; 59% in terms of volume, in terms of clients 31%, which reflects a recovery in industrial demand and also the integration of the client portfolio acquired from Gas Natural and, also in Portugal, this activity that started in April 2009 had already a positive contribution in terms of volumes sold in the free market.

Regarding the outlook, we can see on page 14 that for 2010 we have already more than 100% of our output fully contracted with clients. Here we are including even some procurement that we have already done in the pool and even some procurements done in terms of forward markets, so excluding own production. We have 24TWh sold for this year, the average price in the region of €50/MWh; average thermal spread, meaning an average between clean and dark spreads, in the region of €10/MWh, so we would say that 2010 is at a very high level. For 2011 we have 35% of the volumes contracted. The message was that between the presentation of 2009 results and the first quarter 2010, as you saw in the market, let's say the forward market for 2011, the average was around €39/MWh, so quite depressed prices for '11, so the option was during this period not to move much further in terms of contracting for '11. More recently we are seeing some recovering prices, which may imply a new level of increase of the contracted sales for '11.

For the 35% already contracted, the prices in thermal spreads locked in are similar to the ones observed for 2010, so the selling price around €50/MWh and average thermal spreads around €10/MWh.

Going to Regulated Energy Networks, we can see that regulated revenues went up by 6% and EBITDA went up by 9%. Per division we would say that in Portugal electricity distribution, which we saw flat regulated net revenues with no impact from previous year's tariff deviation, nevertheless at cost level some impact from adverse weather conditions in Portugal – some thunderstorms, namely in January and in March. In Spain regulated revenues down 1% versus first quarter 2009 but, nevertheless, up 3.6% versus 2009 average; note that there was a downward revision in the fourth quarter 2009 of regulated revenues in Spain, but overall a strong growth of EBITDA in Spain electricity distribution, also compared to a weak first quarter 2009 which was affected by the thunderstorm in Asturias. In Gas Iberia the strong growth coming from the first-time consolidation of gas distribution assets acquired from Gas Natural which had in the first quarter 2010 a positive contribution of €13m.

In terms of volumes, a significant recovery both in terms of electricity, 6%, and in gas the 82% growth reflects of course the networks of gas acquired to Gas Natural, not only the low pressure distribution in Murcia and in Cantabria, but also high pressure distribution in the regions of Asturias. In terms of efficiency ratios, even with the adverse weather conditions in Portugal, if you look in an integrated way gas and electricity distribution in Portugal and Spain – we show improvements in terms of efficiency ratios in the period. EDP Renewables has already reported its results – 31% increase of installed capacity; 28% increase of output, with the negative news coming from average selling prices, with Euro average selling prices going down by 12% and in USA, even then we achieved a 6% increase in terms of US\$.

Finally, in slide 18, in terms of breakdown, only highlight – we continue to benefit from feed-in tariffs in Portugal and France, and Spain – a decline of 17% was lower than the decline on floor price essentially through the hedging all protected by floor price for 67% of the volume. In US, the higher PPA prices was good news and the merchant prices increased also 30%; nevertheless, the results in terms of merchant were affected by an increase in the volume and in the participation of merchant volumes versus PPA volumes.

In terms of Brazil, the volume of electricity distribution went up by 20% versus a very weak first quarter 2009; 39% growth of electricity distribution to third party exits and sales growing by 11%, and the Brazil Real appreciated 20% versus the Euro, which had a positive impact in Euro terms. Going to page 20, we can see that the quarterly evolution of EBITDA was quite favourable, both in local terms in Brazil and in Euros even better with the positive impact from the Real appreciation versus the Euro.

On consolidated figures, starting with Capex, Capex reached €573m, with the significant weight of wind power, as is normal, so two thirds of our Capex was wind power; 20% was maintenance and note that by March 2010 we still had €2.2bn which were already invested in the 3.5GW of capacity under construction, so this 2.2bn of work in progress should materialize in EBITDA, namely in Portugal with the new hydros starting operations in late 2011 and 2012, and in Pecém coal plant PPA in Brazil with operations starting in beginning of 2012 and, of course, all the wind capacity under construction.

Regarding regulatory receivables it amounted to €771m versus around €600m by the end of the year, so by December 2009, and the major contribution to this increase came from Spain with the postponement on the date of securitisation of tariff deficit and, in Portugal, the significant increase of special regime production, which is part of the seasonal impact, of course; in winter we always have more wind production – also contributed to a decline, let's say, on the regulated tariff surplus in the Portugal regulated distribution and supply.

Going to consolidated debt, we would say that we increased slightly the floating component of our mix, which increased to 55%, and we continue to fund in local currency our net debt both in Euros and Dollars, and our net debt adjusted for regulatory receivables reached 3.7 times by the first quarter 2009. In terms of liquidity we had €5.1bn cash and new credit lines by March 2010 and, in terms of maturity, we maintain an average debt maturity of five years which is fully secured by the referred €5.1bn left of cash and liquidity facilities available by March. As we can see on page 27, we are currently in a comfortable liquid position which covers our expected needs in terms of funding for the next 24 months.

Finally, in terms of net profit, EBITDA went up 11% and net depreciation rose a powerful 11% reflecting the increase of installed capacity; net interest costs down 36% reflecting the decline on average cost of debt from 4.7 in first quarter 2009 to 3.5 in first quarter 2010; income taxes slightly up with effective tax rate going up due to higher weight of Brazil in net profit and, in minority interests, also a bigger stake for minority interests in Brazil, reflecting the decline of the economic interest of EDP in our subsidiary in Brazil, from 72% to 65%.

I will pass now to Mr Antonia Mexia for the final remarks.

### **Antonio Mexia**

Thank you, Miguel. Just to give you back the highlights, I think that the first quarter has shown clearly an improvement of returns, once again, and I think it is based on a smart asset allocation policy and also what I like to think, good management decisions in what concerns the approach to the Iberian market, with hedging policy very strong probably since 2008, especially, which gives a long position and of course a long-term relation with clients that are today critical for these results in Iberia, but also reaping the benefits of what we have been doing in Brazil in terms of the swap of assets and in terms of regulatory renegotiations last year; in terms of efficiency and of course benefitting from year-on-year strong growth in that geography where, as I have already mentioned, we are relatively more exposed than others.

Also, in what concerns risk management, especially at the financial front, we all know this team has been doing a great job. We were in the market in the right moment, on a non-regret approach in what concerns having all the conditions that we need on a very pragmatic approach to deliver what we have been saying to the market. So the net profits increase by 17% shows the mix of all this and at the same time a slight recovery on demand in Iberia and of course the fact that we are already totally covered for 2010 and partially covered for 2011 shows that we will be doing what we need to do.

These improvements on returns of course is based on a continued profitable growth; increased capacity by 11%; work in progress by over two billion that we'll deliver new



cash flow and the focus in wind and hydro where you have today the assets are more protected; higher returns and of course more visibility on the cashflow, especially because as you know, even at the wind level, we have a strong target of commitment in terms of being around 80% long-term contractors of PPA to have high visibility and lower risk on that front.

So, overall, I would end up saying that this control-risk approach is critical. As usual you know we have been stressing this – three years ago it was probably less important; today it is very important – we have more than 80% EBITDA coming from long-term contract activities and the fact that we have now more than five billion financial liquidity covering the next two months, I think it is important. The improvement of financials, not only in net debt/EBITDA, but also FFO is strong, so we have been doing what we have committed to, as usual I believe.

We will pay the dividends in cash on 13<sup>th</sup> May; the ex-dividend date is 10<sup>th</sup> May and, as you know, we will be meeting – for those who like to be present – on 20<sup>th</sup> May for an Investor Day, where we will talk about the future and of course the plan until 2012, where we have I believe once again the right equilibrium between ambitious and pragmatic according to the current macro-economic conditions in financial markets, so we proved to be once again, I believe, the right balance as we have been doing in the last four years.

Thank you very much and let us go for Q&A.

## Questions and Answers

### ***Pablo Cuadrado – Bank of America***

*Good morning everyone. I have quite a lot of questions. The first one is just trying to find out what is going to be your approach on the credit markets. You have explained very nicely that you have a strong liquidity of €5bn and only €1.2bn of refinancing in the next two months and just wondering whether you can confirm that you don't plan to go to the credit markets in the short run.*

*The second question as well on this front is if you can remind us what could be the negative impact, if any, if Standard and Poors downgrade again the Portuguese rating. I think we talked on the 2009 results, but I just wanted to have again your view about the potential risk on that event.*

*The third question should be on the Q1 results decrease on the average cost of debt and if I can have a guidance for your expectations for the remainder of the year; if you expect that 3.5 interest cost is going to be more-or-less the same, given the next quarters.*

*Lastly, looking to liberalized business, Q1 clearly you have taken advantage of the low pool prices, buying 8TWh and here I would like to know what are your plans for the next quarters? particularly looking to the pool price right now recovering, moving above €40/MW; do you expect to maintain a similar trend to keep buying a lot of electricity from the pool or do you expect to switch into your own generation plants at these levels?*

**Nuno Alves**

As far as credit markets, credit markets have been volatile again – extremely volatile – our position at this moment is, until this volatility stays in the market it does not make any sense for us to go in. Besides, we had no plans to issue this year at all, with the exception of some opportunistic trade that might come in the second half, so that is one more reason not to go to the markets, so our expectation currently, and if this continues, is not to go to the credit markets in the near future.

As far as ratings are concerned and the Sovereign ratings, I think that is best left with the Rating Agencies. What has been clear, at least from the revisions that we have had, or announcements of possible revisions that we have had from Moodys in the last week or so is that none of those moves have affected EDP, but that is a decision that the Rating Agencies will have to take going forward. What they have mentioned was that in one case we have a downgrade and the other we have a possibility of a downgrade, but in neither of those cases EDP was affected and we stay with our ratings that we had prior.

As far as the cost of debt is concerned, our expectation is that the remainder of the year it is going to be possibly slightly higher but, since we don't have a lot of variability on the debt we have today, with the exception of the LIBOR moving up or down, which is something I would like to predict but I am not capable – my expectation is we're probably going to have closer to 4% the remainder of the year than 3.5%, but that is my best guess today – but it is a guess and that is the best I can do now.

**António Mexia**

Pablo, in what concerns liberalised business in Iberia, as you probably remember, we have stated that 2010 compared to 2009 – 2009 was an amazing year; the best year ever in a very tough market – we would expect a reduction between €100-150mn, gross margin in that liberalised market. The fact that the first quarter impact was zero I think is a good sign, but let's see for the rest of the year; we'll keep the same brackets. We will not change what we have told – we are not until now changing what we have told at the beginning of the year, our expectations about the full year.

In what concerns the pool price, the fact that we are at 2011 above 45 means that we were right to hedge until now only 35. As we have probably mentioned – I think we mentioned in our last conference call – we had stopped to hedge at a certain moment; why? Because it would not make sense and the reason why, at this stage, we have less hedge than the previous year – and I think once again we are right – why? Because we have now better prices for next year than last month or two months ago so, clearly, for 2010 we'll keep the same expectations that we have mentioned for 2011 and the fact that the pool price is increasing is good in terms of the amount of what we have hedged at the moment, or as you will remember the margin was bigger, so we have protected already with margin an important part and we will do it whenever it makes sense again.

**Miguel Viana**

Pablo, only to complement that we maintain the guidance on liberalised activities, so a decline this year of between EBITDA between 100 and 150.



**Javier Suarez – Unicredit**

*Good morning to everyone. Javier Suarez from Unicredit – a couple of questions if I may – the first one is a regulatory update mainly on the Spanish market. I was wondering if you can give us an update on your proposals or your view on the ongoing regulatory review for the Renewable Energies in Spain. Apparently there has been a meeting between the sector and the Ministry of Industry in Madrid yesterday. I would like to have your view on your proposal on what to do with the remuneration of Renewable Energies in the Spanish market.*

*Second thing on the Spanish regulation; I would like to have clarity on your position on the discussion for the so-called domestic coal Royal Decree. We have seen several companies apparently going into the court to defend their rights against these proposed regulations. Can we have your latest update on your position on this?*

*The third one also on regulation is an update on securitisation of the tariff deficit in Spain. I would like to know your view on how feasible it is to continue with the securitisation during the year during 2010 in the current market conditions. This regulation on the cost savings we have seen are pretty significant, good performance during the first quarter of the year, achieving a significant chunk of the total savings projected for the year 2012. I was wondering if you can give us some colour on the areas for outperformance and your view on the €160 million of savings for 2012 – whether it's something very conservative or not in light of this excellent performance during the first quarter of 2010.*

*The very last question, if I may is on, you have some significant growth on electricity demand on the Iberian Peninsula and you have mentioned some recovery on the industrial demand as one of the reasons. Could you be able to give us some more colour on where exactly this industrial recovery is coming from?*

**Antonia Mexia**

So, about the regulation, everybody is writing a lot but I think the question is quite simple. First, I think the problem is mainly focused on solar sector, as you know. Out of the more than €6 billion costs in terms of premium to the special regimes, more than 40% was to the solar sector and that, by the way, represents only less than 2% of generation produced. As you know we are not involved in solar. We have decided to exit that market in the Spanish market two years ago. I think that we made the right choice. The question is much more considerate in there – even when you talk about wind compared about core generation, the figures are almost very similar, so it shows that people tend to think about premiums and wind but basically the problem is elsewhere.

The second thing is retroactivity, and we will be very firm defending our rights, but I feel at this stage more comfortable with the fact that the Minister has produced declarations that where he has confirmed that we would see no retroactivity; that is very important. Of course now we would like to see what is the new scheme; new returns proposed; the new incentives for 2013 and so at this stage I think that the problem is focused elsewhere and more towards the future in what concerns wind.

**Nuno Alves**

The next one is the tariff deficit in Spain. It seems that finally all of the bureaucracy is out of the way, so that the transaction can be done. It took a little longer than most people expected and possibly the markets are not at their best, so it is going to cost a little bit more money to the Spanish Issuer than expected before. We continue to be a small part of that tariff deficit, but hopefully it will get done before the summer, but I have no idea insofar as the timing is concerned. I don't think that banks have been mandated, but the expectation from some of the larger players is that it gets done before the summer.

As far as the Opex plan and the costs, the efficiency that we have been delivering in the program we have been having in place; yes, we're ahead of the plan right now. Our expectation is to continue to do so during the year. It is something that even when we attain the level that we have proposed, we are not going to stop there. That is just a level that we have put as an objective. We hope to go over it but it is a never ending story, so once it gets done we will probably have a new one.

On domestic coal; only to say that we don't have any new information, as you know, so the process is still under discussion by the European Union and the Spanish Government. We are waiting, but of course expecting that in the final outcome the interests of the companies are defended.

Regarding the demand recovery and the industrial demand, I would say that it is a little bit of everything; there is no specific sector that we see recovering but it is a general thing.

**Bruno Silva – BBI Porto**

*Good morning everyone. I have a couple of questions. The first one - my curiosity – what do you estimate that could be the impact in your P&L from the Euro weakness?*

*Secondly, if you could give more colour on the impact of capacity payments and ancillary services and its dynamics and if you could put some figures on what is driving ancillary services and capacity payments and what would be expected over the next quarters.*

*Finally, on costs, a follow up on previous questions; how much was the impact from bad weather in this quarter and what are the business units that are contemplated in your targets for 2010 in terms of cost cutting? Thank you.*

**Antonia Mexia**

Bruno, regarding the ancillary services, I think that the key message is that ancillary services also serve a little bit as a floor in terms of revenues. Of course that is when thermal capacity is out of the pool - let's say it is out of the primary market, the unpredictable output from wind and out of some restrictions mainly in Spain in terms of the networks, they mean that in order to satisfy demand in certain regions you need to have thermal capacity working. If there is a lot of wind you need to have the back up capacity. Of course as the wind volume decreases then the thermal capacity goes to the pool and ancillary services decrease. I would say that the ancillary services work a little bit like a stabiliser of gross profit in the thermal generation, but of course EDP and the other players also are defending an increase in everything that is related with more

capacity payments, namely in CCGT, which are needed, in this case system, as the performance in this first quarter 2010 showed.

### **Miguel Viana**

To start with the cost of the bad weather, particularly in Portugal in the first quarter, if we count everything it probably will be between €3 and €4 million in the first quarter. As far as the plan of cost cutting, the plan is across all divisions. There is no division that is not asked to contribute to efficiency gains, so we go across all the divisions. As far as the Euro weakness, or the strength of the other currencies, whichever way you want to put it, we have seen the impact of that already in the first quarter, both EBITDA and the debt go up, so what we have seen is that in both cases, be it the Dollar or the Real, they have had an impact of increasing the EBITDA and increasing the debt. Since the US business is more leveraged than the Brazilian, what happens is that the Dollar goes up a lot more and the credit ratios get a little bit more leveraged. If it is Brazil, it is the other way around but, all-in-all, it just makes things go up.

### **Anna Naria Scaglia – Credit Suisse**

*Good morning. I have got two questions. The first one is regarding the assets ...*

Sorry Anna we don't hear anything.

*Can you hear me? Good morning, just three questions if I may. The first one is regarding the assets you acquired from Gas Natural - I think you had a 30 million positive contribution this quarter – can you just confirm your views for the full year having consolidated them. One year prior you were talking about 35 million EBITDA, so if you can just confirm that.*

*The second question regarding your tax rate expectations for the full year and, given the contribution of Brazil, what is your expectation there.*

*Finally, just coming back to your debt, and average cost of debt, did you have any recent conversations with the S&P or not regarding your position, and they haven't changed anything so far but just to get the colour and if there is anything in particular they are pointing out to you. Thank you.*

### **Antonia Mexia**

As far as Gas Natural assets, our expectation remains the same as at the time of acquisition, which means that they should deliver roughly €35 million of EBITDA this year and, from what we have seen in the first quarter, we are well on our way to reach that number.

As far as S&P, there hasn't been any news concerning us. Obviously we talk to rating agencies regularly. We talk to them when they downgraded the Portuguese Republic. We continue to exceed the business plan that they have, so in terms of ratios we are outperforming their expectations, and obviously we are working with them to see if we can remove the negative outlook, but there is no further news from what we have talked before. Obviously they are also awaiting, with some expectation, the Investors Day and

whatever major news we might announce on 20<sup>th</sup> May so, until then, for sure there shouldn't be any change and hopefully they will be pleased with the new business plan.

**Miguel Viana**

Then, regarding the evolution of average corporate debt, we don't expect any change so it should continue quite in line, but it is always difficult to predict at the beginning of the year, but I think that the first quarter figure is in line with our expectations for the end of the year.

**Antonella Bianchessi – Morgan Stanley**

*Good afternoon; just a very quick question on your debt. I have seen that the variable component of the debt is increasing. Do you expect this to continue over the next few months and to have a larger share of variable debt by year-end? The other question is on regulation – if you don't go to the credit market, what is going to be the average maturity of your debt at the end of this year? Thank you.*

**Nuno Alves**

Hi, Antonella, how are you? The variable was 55% at the end of the quarter. Our expectation is to maintain this; it is going to be slightly decreased because the bond that expires in June is on variable rates, so that will lower the percentage a little bit. Our expectation is to maintain things as they are today, until we see any sign of recovery. If we don't see any sign of recovery, we don't believe that the ECB is going to raise the short term rates, the facilities, so we don't see how the Euribor goes up, and until the Euribor stays at it is and there is no sign that it can go up, we see no reason to diminish the exposure to the variable rate.

As far as duration, if we don't do any more transactions this year, our expectation is probably that the duration at the end of the year is going to be somewhere between 4 and 4.5, I would say.

**Manuel Palomo – Citigroup**

*Good morning, just two questions on the liberalised business. My question is: do you expect to continue to be able to maintain the positive gap between the supplied energy and the generated energy going forward and, if so, how do you expect to achieve it? Do you have in mind any sustainable energy supply figure going forward, maybe those 24 TWh already hedged?*

**Miguel Viana**

Manuel, can you repeat the question? I didn't understand very well?

*My question is: currently you have a long supply short generation position and if you expect to be able to maintain that gap between the supplied and generated energy and what could be a sustainable figure for the supplied energy in the coming years.*

We expect to develop that a bit on Investor day. As you know in terms of liberalisation in Portugal, we are in a less advanced stage than in Spain. Structurally, while we have PPAs, of course EDP is long in supply because in Portugal we have a much bigger market share in terms of supply, if you consider regulated and free market supply, than liberalised generation. Structurally EDP, let's say in the next two, three, four years we will be a long incline. In the short term also this position was increased essentially due to the low fuel prices which it was cheaper to buy in the pool. Right now the prices are showing significant recovery as we refer for '11 and I think therefore forward markets are already showing prices in the region of €46/MWh which are good signs, so if the prices improve of course our volume in terms of thermal generation should also improve.

**Tom Gibney – Credit Suisse**

*Good morning, just a quick question on your ECP. I have seen in the chart you have given an indication, but could you tell me the number, the amount outstanding of your commercial paper. Also could you give us an idea of whether you're having difficulty rolling over your ECP in the current markets and whether you're having to offer shorter maturities or increasing the price? Thirdly, could you tell us what percentage of your 5 billion cash in the credit facilities are held with Portuguese and Spanish banks? Thank you.*

**Nuno Alves**

As far as the ECP, we had recorded €900 million outstanding, and as far as your question regarding difficulty of placing; no. We have continued to place. In fact we placed yesterday and today and we continue to see no problem in placing three months paper with investors, so that continues to flow fairly well for us.

I didn't quite get the question of the Portuguese institutions.

*The question was how much of your cash and liquidity facilities are with Portuguese and Spanish banks.*

The big one is the RCF which is €1.6 billion, so that is by far the largest facility. We have that is not used at all and of that there are 19 banks, 3 or 4 Portuguese and 2 or 3 Spanish, but the majority is still away from the Iberian Peninsula.

*And your cash holdings?*

We had at the end of the quarter 2.6 billion.

*How much of that is with Portuguese and Spanish banks?*

I would say the majority.

**Magash Chetty – Pramerica Investment**

*Good morning; just two quick questions. Firstly could you give us an update regarding the Portuguese State's 25% holding in yourself? I think there were articles yesterday in Bloomberg that the Portuguese State is trying to sell bonds which would be exchangeable*

*into EDP shares. That is the first question and then a technical question. Am I right in understanding that your total net debt of 14.6 billion minus the regulatory receivable? If it is, I find it hard to come to your 3.7 times adjusted net debt EBITDA figure; is there anything else that needs to be added to that? Thank you.*

**Miguel Viana**

The 3.7 is already adjusted for the regulatory receivables and if it is not adjusted it is 3.9.

*And the first question just on the Portuguese State 25% shareholding.*

**Antonia Mexia**

Yes, you're right; yesterday the Minister of Finance declared, as we have already mentioned that it would be probably in the last conference call, that the so-called privatisation would be bond exchangeable. As you know they have done this in the past and what is in this case we have seen is there is one that will be end by December 2010, so they need to replace the old one by a new one, so until now it is the only thing that is foreseen is to replace the prior exchangeable with a new exchangeable probably for the same amount of the share capital, so no news on that front.

### **Closing Comments**

Thank you very much for your presence. I think that hopefully we shared with you the pleasure of having strong results. We will be hopefully meeting all of you by the 20<sup>th</sup> May, where I am sure that you like what we will be presenting at the Investors Day, for the near future. Thank you