Energias de Portugal
Fri, 5th March 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. I'm here together with Nuno and Miguel as usual and his team. It's a pleasure to have you all to present our 2009 year end results.

I think, we must all agree, it was a great year, 2009, businesswise when we see the recurrent figures. It's the best year ever in the history of the Company and I think it's a strong statement in a challenging year, especially as you'll see and everybody knows about the demand evolution, demand destruction in certain markets. The huge decline in prices, namely in pool prices and also challenging on the financial front, but as you will see I believe that we did better facing these challenges than the rest of the sector and it's a reason why we have such a result.

The first one that I would like to stress is the 7% increase year-on-year on EBITDA to €3.36 billion and for these you have a mix of reasons to have this important increase. The first one is the fact that we are, as you have seen throughout the year, been able to establish an adequate hedging strategy that enabled us on the go-live activities to increase our EBITDA by more than 60% year-on-year, higher sales to clients, optimisation of the portfolio and other strategies of hedging and even over-hedging enabled us to do, I think, quite a unique figure all around Europe.

The second, of course, is that we have been reaping the benefits of our investment policy. We have increased our installed capacity by 11%; of course a lot in the short-term driven by a 25% increase in Wind, That, by the way, raised us to number three in the world in installed capacity. As you know, it's the first time that EDP passed 20GW of global generation capacity in the world with 20.6 installed capacity, so we are on track to deliver the increase on our installed capacity.

Third, I think that we have been seeing in certain geographies, especially mainly Brazil, where at the beginning of 2009 you see demand suffering a lot, with the strong recovery, especially in the fourth quarter. And this all over, not only in Brazil, but also in Iberia and of course also counting with renewable made the last quarter in 2009 the best quarter ever in the history of the company.

If we were able to tackle the markets in terms of pricing strategy, in terms of asset management policy, we also did what we are supposed to do in the cost front. Once again, here I'm proud of what we have done. We have a target of below 100 million and we were able to be well above with almost €110 million cost saving achieved in 2009. As you remember, it's well more than half of the target that we have established for 2012 in the business plan that we have presented at the end of 2008.

This brings us to the net OPEX over the gross margin to 28%. I would like to remember that this figure by 2005 was 38%, so we have four years in a row of decreasing costs and as you will see, in these four years we have increased installed capacity by 67% and we have an overall decrease of operating costs by 4%, so I think it's quite a smashing figure and makes us clearly the number one in the Iberian sector with everybody else above the 30%.

So with management efficiency, focused growth, I think that we have been delivering as expected even in the very, very challenging environment and I think that we have anticipated that environment that we have done everything that makes us a different investment case. In terms of net profit, it's the first time that we have a recurrent above 1 billion. We have reported Eur1.025 million, 6% below because of the non-recurring items. As you know, the IPO of EDP Renovaveis was in 2008. In terms of adjusted, you have 11% above year-on-year. I think also important you'd agree. We have also benefitted from adequate management of the financial part. As you see, we have a net interest cost down 33% year-on-year with the average cost of debt falling from 5.6 to 4% and this in an environment where we were able to manage very well the liquidity position.

As you remember, at the end of 2008 when we were discussing what we would see for 2009, when we met for that management presentation end of the year in November, we were all discussing and probably the number of pages above liquidity was much higher than any other moment in our lives, but what we see is that we were able to tackle the market for above in terms of financing, refinancing, above 6 billion, that doing important deals like the tariff deficit, but also taking the debt market in the right moment, with the right structure, with the right progress and very competitive costs, so I think that is very important, we are fully funded up to the end of 2011.

In terms of capex, as we have mentioned, in 2009 we are already off the beat. We have invested 3.2, so below the figures of 2008 as it was already expected and stated by us and around 80%, to be more exact, 79% in expansions, so in new EBITDA in the future and some of these, as you know and I know, it will take a moment, but I think it's more and more valuable when you see what is today the profile of the different markets and the value of storage and pumping in water. We have already invested €2.2 million in 3.2GW under construction by December 2009. So by December we have under construction a huge park, a huge fleet, that is important for our future. So costs down, liquidity, and it brings us to our stabilised debt at 14 billion with a net debt over EBITDA below 4 if you account for the regulatory assets and if you exclude the payment of the Gas Natural assets that were billed on 31st December of last year. I think that we have committed; we were committed and we have delivered also in all this front in terms of costs, liquidity and debt.

In what concerns the overall appreciation I will come back, but what you can see is execution on growth opportunities, execution on costs, execution on capital management, keeping the low risk approach that has proven to be quite unique if you consider all the utility sectors in Europe and at the same time keeping a high growth profile, so the good mix that we have since we since we arrived in 2006 established as our guideline, as our vision. I think that vision proves to be even more right and you'll see 2009 and we will talk a little bit about 2010 at the end.

I will now pass to Miguel as usual. He'll go through the numbers and I'll come back to the end.

Miguel Viana

Going to page 4, we can see a breakdown of our EBITDA per main business area. The 10% growth of course with a big contribution from liberalised activities in Iberia with a strong growth. Even then we continue to have 81% of the 2009 EBITDA coming from regulated or long-term contracted activities and note our progress declined in regulated networks in Iberia and in long-term contracted generation in Iberia. I essentially realised that we've some one-off issues and specialised accounting in both areas.

If we go to page 5, we can see that excluding these one-offs in the Portuguese distribution of electricity and Brazil distribution in terms of tariff adjustments and also excluding the human resources restructuring costs, our EBITDA goes up by 13%, so the recurrent EBITDA is quite in line with reported figures, nevertheless, last year we had a positive contribution which came essentially from tariff deviations in Portugal which were quite positive.

Going to slide 6 we can see that not only at gross margin and at liberalised activities, we had a very good performance, but also in terms of efficiency and in terms of operating costs. We can see that controlled operating costs year-on-year remained flat. This is a result essentially in Iberia of a slight decline. Here the results in terms of savings in procurement, savings in terms of integration between Portugal and Spain were quite positive. In Brazil also a significant decline in terms of control of operating costs as a result of efficiency efforts also with the contribution from the asset swap concluded in September 2008, and in renewables a growth in line with expansion of the installed capacity. In terms of our corporate-wide efficiency programme opex, we have a target for 2012 of €160 million of annual cost savings. We continue on track and, in fact, our target for 2009, which was €96 million, was beaten by €13 million, so we are above this target and continue moving to achieve the target of €160 million by 2012.

Going business area by business area and in slide 8 starting for long-term contracted generation in Iberia, here we are essentially talking about our PPA/CMECs generation plants in Portugal, which received a stable return on assets of 8.5% before inflation and taxes. Our reported EBITDA was down 2% year-on-year, essentially because of non-recurrent negative impact from pool procurement in 2009 with a negative impact of €44 million, which is fully hedged and compensated that level of financial results in current, previous or next quarters. If we put this impact from EBITDA, adjusted EBTIDA was up by 5% and this growth in EBITDA is justified by the Desox investments in our Sinesco plants, which are also remunerated at the return on assets of 8.5%. These Desox facilities were installed in 2008 and 2009, an increase in terms of mini-hydro output with a very strong growth in the Fourth Quarter 2009 and some increase in the installed capacity and also higher than the contracted level of availability in our plants with PPA/CMECs in Portugal, which had a positive impact.

Going to slide 9 in terms of liberalised energy activities, which the work in our EBITDA increased to 19% in 2009, we can see that we saw a 50% growth of EBITDA this year. This very strong performance was justified by much a stronger decline in terms of average purchasing prices in the pool and a strong decline also in average generation costs compared with just a slight decline in terms of average selling price. In fact, we have reinforced ourselves to clients, to the bulk of our energy is sold directly to clients and given that we have a flexible generation fleet which can decide to work or not to work depending on the opportunities in the bull market, we manage to benefit from this decline in the pool price through increasing purchases in the pool.

As you can see on page 10, on the supply front we reinforced significantly our presence, increasing volumes of electricity sold by 63% year-on-year with strong growth both in Portugal and in Spain. Note that in Portugal the liberalisation process is still not so advanced as in Spain, so in our key incumbent area we still have significant room to grow in terms of liberalised activities both in 2010 and in 2011. Also in terms of numbers of clients, the growth was impressive, 150%, showing that we have been growing essentially in residential and small businesses and small company segment, which have a better market. In gas, also to note that our EBITDA in gas supply went up by 60%. Here also we benefit from higher weight of residential segment than the Spanish average and this resulted in an improvement in terms of unit margins in 2009 versus 2008, although with a downward trend over the year.

In terms of our power plant, our output went down by 11%. This decline is a result of the opportunities that we got in the pool price, which was in several hours cheaper than our generation cost. Nevertheless, I would like to highlight that our plant, our thermal plan was much more active in the restrictions markets and ancillary markets, namely in the Fourth Quarter with the increase of volatility in terms of the system which is related with the increasing weight of wind in the electricity system in Portugal and Spain. Also of course, we have this flexibility to reduce our output in coal and in gas and replace it by purchasing in the pool, because we are in a terrible situation in terms of pressure from take-or-pay in terms of gas contracts, which allows us to do these reductions in terms of our output. Even with these declines we continue to show load factors, both in coal and in combined cycles above the Spanish average. In coal we continue to benefit from burnt of blast of furnace gasses, so we have an integration with the steel plant in our Aboño coal plant, which of course gives us much lower generation costs and in combined cycles we have a strong presence in Portugal. We benefit from a better market environment in terms of reserve margin in Portugal than in Spain.

Moving to regulated energy networks, the reported EBITDA was down 9%. Here essentially as we referred before we have several positive one-off items in 2008. If we exclude these one-offs, adjusted EBITDA, in fact, went up by 10% year-on-year. The explanation is on a 5% increase in terms of regulated revenues. Controlled operating costs going slightly down by 0.2% and also in terms of human resources restructuring costs, they are lower in 2009 than in 2008, so €30 million in 2009 versus €38 million in 2008, so a very strong performance also in term of regulated energy networks if we exclude the non-recurrent impact. Still in regulated energy networks, of course that demand of energy in our networks was down both in electricity and gas, but it's important to note that even in 2009 we showed a growth in terms of demand from the residential segment, which is the segment more important for the distribution networks given the existing regulation both in Portugal and in Spain. In terms of efficiency ratios, there were significant improvements essentially justified by the continuous improvement of the cost control.

If we move to page 14, and focusing on wind power, our subsidiary, EDP Renewables has already reported, but only to review the key highlights for installed capacity 23% higher; output 40% higher. Of course EBITDA went up 24% it would have been more if there was no decline in terms in average selling prices in Europe, essentially in Spain and also in US.

If we move to page 15 we can see that even with this decline in terms of prices in merchant US and in terms of the book prices in Spain. We managed to sell 84% of our production in 2009 with no material risk. Of course, Portugal, France we have these feeding tariffs which are quite stable. In Spain, we benefited from high-level of hedging in terms of the output, although there has still some exposure to the pool and in US we still manage to increase our PPA prices by 8% but, nevertheless, we were penalised in the merchant generation by the lower price in the US has penalised by decline in demand and lower gas prices.

Moving to Brazil – in page 16 – I would say that the key message in Brazil is a strong recovery in the fourth quarter. As you can see by evolution quarter-by-quarter of EBITDA of Energias do Brazil in Euro terms. EBITDA in Euro terms went up by 51% in the fourth quarter 2009 and essentially based on strong recovery both on electricity distribution and also with positive contribution of the appreciation of the Brazil Real.

If we move to page 17, we can see that although we still have 4% decline in electricity distributed by our distributed company. In the fourth quarter we saw already a 7% growth and also in terms of the Brazil Real there was a very strong positive evolution in the fourth quarter with the Real versus the Euro appreciating by 11% in the fourth quarter versus the 3% depreciation for the entire year of 2009.

Moving to cost related financials and to slide 19 where we have the consolidated CAPEX, we can see that consolidated CAPEX still amounted to 3.2 billion. We'd made this representing 20% of this and the key driver of expansion CAPEX continues to be wind power with close to 1.7 billion Euros of expansion; split by US, Spain and in rest of Europe, of course, with a strong weighted for Portugal, Romania and Poland.

Also, in Iberia generation we add a significant investment namely in hydro power in which we moved on with the current construction of 6 hydro plant. We invested €400 million in hydropower in Portugal. Note that the profitability of this hydropower continues, reinforced by these recent increase of the instability in the system which is expected to grow with increasing weight of winds in the system and, also, we concluded two groups of combined cycles Portugal. Right now we are still tending only one combined cycle in Spain which should start in depth stage during the second half of 2010. By December 2010, 80% of this combined cycle, total CAPEX was already done.

Also important to highlight that by December 2009, we had already €2.2 billion invested in the current generation plants under construction which amount to 3.2 gigawatts, of course that's with wind, representing the bulk of it but, also, hydro growing significantly. These plants under construction, they represent 16% of EDP's installed capacity by

December 2009. Of course this €2.2 billion are not generating EBITDA they have a weight, of course, in net debt, but they will generate EBITDA in the next years.

Moving to page 20 in terms of regulatory receivables. Also a significant improvement during 2009, let's say that in Portugal if we sum the part of PPA CMEC generation and the part of distribution and supply regulated, we are also breakeven in terms of regulated revenue. We have two receive from the system close to 600 million related to the Portuguese CMEC and we have to give back to the system related to less resource supply in distribution in Portugal around 500 million.

Also during 2010 in Portugal, regarding CMEC, we expect to receive around €300 million. In terms of distribution, we are paying back these amounts that you see here around 500 million but also given the tariffs in Portugal were fixed based on €50.00 power price. We continue to generate an additional surplus during 2010, so the situation in Portugal continues quite down.

I would say that today, Spain is the main contributor for our regulatory receivable. We have been preparing securitisation process, that was delayed. We expect to develop on this front during this year.

Moving to page 21, we stood at €14 billion so let's say we were flat in terms of net debt year-on-year. We maintain, essentially, a policy of funding all our breakeven or loss of currency the weight of debt in US Dollars went up slightly. The new issues that did during the year, of course, that's most of them in fixed rates increased the weight of fixed rates to 50%, so end of the year of 2009 with 50/50 breakdown in terms of fixed floating rate. We increased also the weight of capital market, given that we consider that this is the more attractive market versus banks under the current environment. We maintain our ratings for the three agencies into a region and the net debt to EBITDA stood at 3.9 in 2009 excluding regulatory receivables and excluding the payment for the gas assets on December 31st, 2009.

In terms of maturing, page 22, we can see that the average debt maturity to that is 5 years. The two key maturities for the 2 years will be 500 million Eurobond in June 2010 and 700 million bonds in March 2011, so no other major issue. We continue to fund in the commercial paper market at very effective rates.

If we move to page 23, we can see that by December 2009 we had 4.6 billion of cash equivalent in the () decline and this is more than enough for all our expected funding needs for 2010 and 2011 from which we realise of course, the two bond issues that I referred before, which sums the amount to €1.2 billion.

Overall and going to the performance in terms of net profit as we saw, EBITDA went up by 7%. Not depreciations and provisions higher 14% reflecting, of course, the increase of installed capacity by 11%. Average cost of debt went down from 5.6% in 2008 to 4% in 2009. Of course, that benefitting from the weight to floating rate and the decline in EURIBOR rates.

Regarding non-recurrent, in 2008 we had around €400 million of gain from the EDP Renewables IPO and €267 million loss from our financial stake in BCP and Sonaecom. This year the weight on all non-recurring is almost zero. Income tax is, of course, that

2008 we have an abnormally low effective tax rate especially related to the capital gain in EDPR IPO and a slight increase in minorities, essentially with an improve in retails in Brazil and, of course, the IPO of EDP Renewables.

Moving to 2010 and only to give some overview in terms of current market scenarios, we can see in page 26 that in terms of demand of energy in Iberia. We see sign of recovery already in January and February, of core, with the positive impact from the weather condition but even adjusted to whether conditions we continue to see an improvement. The weather situation in Portugal versus Spain continues which, of course, it's important to us given that we have much higher weight in Portugal than in Spain. I would say that these first times, although we have only two months, they are positive and probably better than what was expected 3 or 4 months ago.

Nevertheless in terms of prices, as you can see in slide 27 this demand increase was not enough to support prices, essentially because we have also big increase in terms of hydro-production and wind-production during this Winter which, course, lead to a lower demand for thermal generation. Nevertheless it's important to note that there is an increasing demand for back-up generation services due to security imbalance reasons of course, that this is good for our thermal generation which, of course, it's working less in the daily market but it's working more in restrictions and delayed services and at the market with different prices.

In term of the forward curve, it's better than the average prices of January and February which were below 30 nevertheless the forward curve, right now, is below €40/MWh for all 2010 and 2011.

What is our current situation regarding our liberalised activities. In page 29 we can see that we have, for 2010, we have already contracted 100% with clients all our expected output. The average price will continue in the region of €50/MWh versus the current forward curve of 38 and the average thermal spread locked in, is €10/MWh and note that its €10/MWh is, before any kind of optimisation, so replacing own generation by full prices if that opportunity exists and excludes also these ancillary services and any presence in restrictions market.

For 2011, we have already more than 35% contracted of our output. The average price continues in the region of €50/MWh. We are quite comfortable with our situation for 2010 and the situation for 2011, I would say, we have increased significantly our coverage and we continue to move forward in terms of this asset.

In terms all areas for 2010 and we can move to slide 29, so liberalised activities, that's what I referred to before the referred levels of coverage and spreads. We believe that the room for optimisation continues and as it happen in January and February, and let's see how things move from now onwards. Also, important to note, that in terms of supply, our commercial teams continue on the street and we continue with room to improve the level of sales to clients. Of course, that's attractive margins and this is something that we can have positive news 2010.

In Brazil, the first trends are also quite positive. The Brazil Real appreciated at 19% versus the Euro I the first two months of the year so in terms of year-on-year. In terms of, we don't have still figures for February but figures for January. Demand of electricity in

Brazil went up 9% year-on-year so it's very strong demand recovery in Brazil, much stronger even than in Iberia and so the profits continue quite positive in Brazil. In Wind Power, our subsidiary, had already talked about it but our scenario is production growing more than 35% maintaining a limited exposure to market price in the region of 20%.

Moving to the more stable Iberian regulated networks and long-term contracted, so in networks we already the regulated revenues for 2010. They were already set by the regulator so we have €1.7 billion of regulated revenues, so here we expected to even in, let's say in, the more mature areas we expect to show in 2010 EBITA growth above 5%. The same in long term contractor generation, we already know the contracted gross profit for PPA CMEC which is close to €950 million and here we benefit essentially also from non-current items around €50 million in 2009 which we don't expect in 2010.

Overall, we have a good visibility for EBITDA for 2010 with more than 85% with variable risk and also important in the areas which may have some volatility. The recent developments were positive both in Brazil and in liberalised activities in Iberia, January and February showed a positive development.

I will pass now to Antonio for the conclusion of the presentation.

Antonio Mexia

Just before going for the Q&A, I would like to stress the following; all along the year everybody stressed the challenging environment; the lower demand; the huge and well above what was expected decrease in price, especially in the full price in Iberia; the increase of competition in Portugal; the debt structure; the leverage so everything was probably stressed and some people were worried about this. What we see today and what we need to stress today is that with all this we have reached, I think, very impressive results.

The word that I would like to stress is, of course, delivering after committing. We have committed in a difficult moment where everybody tends to be mute by end of 2008 in what concerns our vision for 2009, 2010 and even afterwards. I believe that delivering capacity comes from what we have been doing for the last four years; anticipating what is coming in front of us; having an adequate asset management policy; execution in all fronts. If you see clearly the hedging policy makes us quite different from everybody else that enable us to have, of course, these results and is probably the first, let's say cornerstone of our policy for 2009, it was already established.

We have been, basically also delivering on the cost front for four years in a row, quarter-by-quarter, and on the financial front, as we have seen, in terms of non-regret approaching in the right moment has enabled us to have both in terms of liquidity but also in terms of cost to have the right strategy. We face now what, it was the best year in Brazil, the best year in Spain. We were, by far, the number one in terms of EBITDA growth in the Iberian business. Of course, naturally, the best year in renewables but there it's, of course, obvious it's a young business growing very fast in terms of capacity where we have now in the top three in the world. I think that we have shown that we know how to drive in blur times where people feel sometimes worried about what is coming in front us.

We were very conscious, too on the debt control. We stayed, maintaining the overall risk profile, the company, as a low risk company but also controlling the debt at the same level, 14 billion with improvement of all of the financial ratios and what we see is that growth, risk control and better and sound financial in the company. At the same time, once again, as we have already stated since 2006, we will propose a dividend increase of 1.5 cents a share, 11% increase. Keeping the pace, when we started with 10 cents in 2005 and then we increased. We will propose a 15.5 cents of euro dividend per sharing keeping the promise of going up to 20 cents of euro where it was established, so 1.5 cents of euro/year. We are going to do it as we have done it until now.

Now what concerns 2010, as Miguel has already stressed, the beginning, the first two months are good. We see the market turning round, even if it turns round the prices are not there but, once again, the fact that we have decided to hedge at this stage already 100% of our generation shows that we have probably, once again the low risk approach which is the best approach for 2010 and already having some visibility for 2011 in terms of these hedging policy.

The commercial front has been very active. We have, namely in the Spanish market, the double of the market share in terms of commercial clients compared to our generation capacity, I think it proves that we have a good term and, on a timely basis, proceeding as we should do in this environment. If you want us to give a visibility for 2010, we will do better in 2010 in terms of net profit that we have done in 2009. We feel comfortable at this stage even in March, and generally we tend to be cautious that we will have a 2010 better than 2009. That, of course, I believe was better than everybody expected. I think that the figures are there. The proves are there for the last four years in a row and I tend to believe, at least want to believe, that delivering is the basis of credibility and credibility is the basis for the next steps in what concerns the strategy of focused growth; keeping the low risk approach as a unique mix on the investment front in utility sector, internationally, globally in European market and also worldwide.

Thank you very much and let's go for the Q&A.

Questions and Answers

Bruno Silva – BPI

Good morning everyone, Bruno Silva, BPI. I have a couple of questions, if I may? The first one related with generation and perspective for 2010. I see that you have covered 100% of expected output that's looking at 2009, I guess, it represents around 50% of what you have actually sold. With your expectations regarding a lower spreads, also the price you have contracted it's lower than €10/MWh. What does it really mean in terms of potential of EBIT that will be generated in 2010? Back of the envelope, I guess, that you benefited from this difference between volumes sold and output generation of around €2,145 million something like that. I just would like to understand how more competitive retail market that you have actually mentioned in your press release. What could it mean in terms of your profitability? The more detailed question on ancillary services and others, you say that they have increased by 40%; €107 million, I guess, that represents a significant increase I think to €5.9/MWh. How do you see that for 2010?

With all of these questions, how can this affect your net debt that we see here could exclude well above four times if you increase the gas net and also regulatory receivables. The second question would be related to some more details on capitalisation of financial costs, 150 million in 2009. Could you please give detail of the deviation, the difference from 2008 and what would be your expectation for 2009 and '10? Thank you very much.

Nuno Alves

Concerning the liberalised market 2009 and 2010, this is no news because we've had all throughout the year, or at least the second half, close to 100% cover. We know that the spreads will be lower than in 2009. Our expectation for 2009 is the liberalised market is going to be that the result will probably be a little over €100 million less than it was in 2009. In as far as the ratios, I guess, the second question was concerning the ratios of debt and going forward. We've stated all along that we guide a lot of our investment based on the ratios that we have committed with the rating agencies, they all tend to do so. So we would expect 2012 to end up with similar ratios to what we had in 2009. Concerning the capitalisation background, I'll let you have a phone call after this with the IR department because I don't want to go into details right now.

Thank you.

Javier Garrido – JP Morgan, Madrid

Hi, it's Javier Garrido from JP Morgan in Madrid. A copy of questions, firstly can you please reconcile the indication of Euros per MWh where thermal margins, how good it compare with 2009 because there are a lot of margins in your statements. How would, specifically that €10/MWh you have locked in 2010 compared, that's the first question. The second question is, would you give us – at least a rough guidance of – which could be your supply volumes in Iberia in 2010? How much could be your end-client sales including your 50% stake in HC? The third question is, I have noticed that you didn't want to provide a specific EBITDA guidance, but looking at Bloomberg consensus, the consensus for 2010 is now for €3.43 billion of EBITDA in 2010. Do you feel comfortable with that or do you see it as too low? Thank you.

Antonio Mexia

Javier, I will start by the last one and then Miguel will detail the rest. We feel very comfortable. There is a difference between being comfortable and very comfortable with the consensus, so we feel very comfortable, okay?

Okay.

Miguel Viana

Hi Javier, in terms of supply volumes I would say that it's important to note that with the new legislation on domestic coal. Domestic Coal is not anymore, let's say, a market risk so you burn domestic coal; you sell it in the restricted market. Of course, the domestic coal decreases significantly to market risk namely if, as you know in our case, we have a significant weight in liberalised market of coal. We have the ability to burn or domestic or international coal. In fact what we are going to do is, of course, replace part of the international coal by domestic coal. In terms, of course in terms of volume fall to clients in electricity, we should be, right now, in the region of 17TWh summing everything for 2010. Excluding B2C, if you include B2C we should be more in the region of 21.

In terms of spread can you, Javier, complete your question?

What I was aiming is to get, which is the comparable number versus the €10/MWh thermal margin excluding free carbon allowances that you have locked into 2010 which would be a comparable number that you have achieved in 2009.

Yes, the more comparable is the 18.5 that we reached in terms of our thermal spreads. Of course, this €10 is a minimal level. The risk of this €10 is only if you have a problem in terms of your facilities, in terms of your plant. If you have an outage of the plant because on the top of the 10, of course if your generation cost is let's say 40 and you close the generation cost of 40 but the pool price is at 30. Then you can, let's say and you sell at 50, so you close a spread of 10 but you can increase it 20, if you decide not to burn the coal or not the burn the gas. In the gas, of course, you can do it if you are flexible in terms of take or play.

Also important to note is the issue of the increasing weight of restrictions market and ancillary services, as we've heard before, in which our thermal plants can work making better margins. The €10 is excluding any of this impact so, of course, that's an upside if these two items continue. If there is no, let's say arbitrage opportunities in these two fronts, of course, then we'll keep only the 10.

Thank you.

Pablo Cuadrado – Bank of America Merrill Lynch

Hi, good morning everyone. It's Pablo Cuadrado from Bank of America Merrill Lynch in London, just two questions and a follow up. First question should be on the CAPEX. I wonder whether you can give us some colour about your respective CAPEX during 2010. I think the other day your Renewable subsidiary was talking about a potential lower in investments in the US on the bank of the PPA appetite and, also, I think, that the low gas prices could affect a little bit more. If you can give us a rough figure which is the CAPEX that you expect for 2010.

Second is, also looking into the cost of debt and considering that you still have 50% of your debt on floating rates, if you can give us a guidance which is your expectation of cost of debt performance during this year and the last one is a follow up on the - I'm not sure if I listened correctly on the figure that Nuno was giving on the expected EBITDA performance during this year for the liberalised activities. Could you confirm which is the EBITDA liquidity that you are expect in 2010 versus 2009. Thank you.

Nuno Alves

Let me spend a little on the CAPEX because the question is a little bit more strategic than the number itself. For 2010, we maintain the €3 billion number roughly, so there has been no change in this, there won't be any changing on the guidance for the CAPEX for this year. What the Renewables have the opportunity of talking about a week ago and the results, had to do with our strategic view concerning the US investments going forward as we see right now. The issue is an issue of value creation and what was an internally debated matter came up with the view that until there's an energy bill or signs that an energy bill is going to come through which forces, in some way, the utilities to close PPAs, meaning that we go from the current sluggish PPA market to a proper PPA market, we will reduce or tend to reduce the amount of the investment in the US from 2011 onwards. That has what has been stated and that would equate no final decision has made. We are currently studying the matter. We intend to do that by probably May. We will announce a revised plan if that is the final decision.

What we envision is that 2011, 2012 we could reduce the investment in renewables for 500MW of installation, meaning that the target would move to 2012 from 10.5GW to 10GW install capacity, so a slight decrease. Obviously, if we do this then our expected debt that we have for 2012 will be reduced by, I would say, €700 million which is 500MW times €1.4 million each. As I said, this is a intention that we do that that we will clearly announce to the market, probably in May, once we book the investors that we intend to do.

In as far as the cost to debt for 2010, our expectation is that it might be slightly higher than this year. I wouldn't put a material number on it. We have a 4% cost to debt for 2009. It might slightly go higher, I don't know 4.2% somewhere around there; 4.3% that would be my expectation today. I don't see rates going up a lot. We do have 50% of the debt already fixed so that one doesn't move. We don't, honestly, see EURIBOR moving at least for the first half of the year anywhere up. Our expectation is that financial cost will be well under control throughout 2010. In as far as the EBITDA, the number I said was at the liberalised EBITDA expected in 2010, should be a little over €100 million than it was in 2009.

Thank you.

Antonio Mexia

Pablo, just about the Renewables. When Nuno mentioned and Ana mentioned in the Renewals meeting this potential 5% reduction, I would like to put it in perspective. I think that in what's concerns US policy either though an energy bill or through the job bill, we expect additional visibility in the United States. What is important today is that we are less exposed in terms of already acquired turbines for that market as I think that flexibility's critical. We are much less than others and, once again, the possibility of through the development of new opportunities namely on the European market. I think that we have a quite unique flexibility in the portfolio that will enable us anyway to be the fasted growing company in that sector, in the following years.

The key message is that above all it's profitability as Nuno mentioned, return on investment; return on investment. We don't want to pile up megawatts, anyway the adjustment is normally 5%, the potential adjustment is 5%. We have the flexibility to restart as soon as we want if the signals in the US market are there. We have been able to close and be active on the PPA market with very decent, to be very positive returns. We are less, now today probably as it was opposed to one year ago, we were mentioned to be the most dependent on US. Clearly, it is not the case, so we want to give that sign that common sense and profitability approach that is, by the way, the DNA of EDP growth.

Thank you.

Matija Gergolet – Goldman Sachs

Yes hello, it's Matija Gergolet from Goldman Sachs. I have a few questions. The first one was with regard to disposals, so we saw in the last weeks of 2009 that you have carried out some disposals like Sonaecom and minority shares in Brazil, not to mentioned securitised the tariff deficit in Portugal. The question here would be whether…why were those last disposals? Was it primarily because of rating concerns, and whether do you know if you're comfortable with the current situation or whether do you need, plan to do some more for the year? Secondly was with regards to the dividend policy, if you can just confirm so, 15,5 cents of euro this year and then you are committing to grow the dividend through 2012, if that is correct by 1.5cents of euro per year? Thirdly just on the outlook for this year. There was a question on slide 29, you are mentioning that 2009 was penalised by €56 million, non-recurrent items. If you can clarify what were those €56 million, I think I missed them somewhere in the presentation, thank you.

António Mexia

I will start with disposals. What we have stated and once again executed is that we wanted to get out of the telecom business, we have telecom in Portugal in Brazil and even a small stuff in Guatemala. Everything is gone. I would like you to remember that even Telecom, we were able to transform a non-liquid because it was an unlisted company into participation and listed company and then exiting. We are well above the 800 million that when we presented the strategic plan of disposals, we are almost 50% above that target in terms of non-core assets that we have sold. Brazil as you now had a negative impact on our account, the EDP accounts in 2009 but it was a very positive, in a sense that we have sold the shares, the treasury shares, above the price that the company bought because of the swap deal in Brazil so it was just because we have depreciated, fast depreciation of the goodwill in Brazil, so if not it would positive for the results, even more positive.

So clearly we have then 99% of the way in this progress. We don't, we are not in a rush, even in what concerns the national grid REN, we had the participation above 30%, we are now down to 5; we have stated that of course, we don't have at this stage - also because we believe that the value is not there - full value is not very true, the stock price that we don't want to get out but basically the way is done, we have sold all the stuff that was not needed.

Dividend policy: 15,5 cents of euro in 2009; 17 cents of euro in 2010; 18,5 cents of euro in 2011; 20 cents of euro in 2012. We keep the pace in terms of doubling the dividend between end of 2005 and 2012 as we have stated in 2006, so it means that even with rough times that were not foreseen, we are able to deliver on that front.

So Miguel for the 2010 outlook…

Miguel Viana

Slide 29; the €56 million that you refer, the full explanation is in the slide 8, so if you go to slide 8 you see that it beat the report that was €832 million and the adjusted is €888 million. Note too that you can see at the bottom, so essentially the non-recurrent items are

€44 million in terms of fuel procurement and here as we explained before, what happens is that we fully hedge our fuel procurement in the PPA/CMECs. Essentially we take some risk during the time between, the time of procurement of the fuel and the time of burn of the fuel and so this inventory risk is fully covered with hedge but the financial hedges compensation is booked at financial results in current, previous or next quarter. The other issue material is €10 million of human resources which I think are essentially related to the de-commissioning of some plant. One plant, small plant of cogeneration at Barreiro in December 2009 and another plant Carregado which will be de-commissioned in December 2010.

Thank you.

Anna Maria Scaglia - Credit Suisse, Milan

Just two quick questions, one is about the debt, if you can give us an indication what is your expectations for 2010 and maybe if you can try to give us some visibility relative to consensus number on 2011. I know given the liberalised business selling forward, it is a difficult task of course and the second question is regarding the ancillary services market and restriction. Can you quantify the contribution or give us a rough estimate for the contribution to EBITDA in 2009. Thank you.

Nuno Alves

As far as the expected debt for the year end 2010, it should be slightly above €15 billion. In as far as guidance for 2011 and compared with the consensus I think we would like to see the 2010 revision in the consensus first before I start commenting 2011 because you are so far out on the 2010 numbers that you should start considering the 2010 first. And as far as ancillary…

Miguel Viana

So as you referred in our notes, in 2009 and here we sum everything, so capacity payments, ancillary services and also restrictions and deviations markets, the revenues went up by 40% in 2009 to €107 million. This is the level gross profit, I think that for these kind of figures it is the figure that is in fact interest the gross profit - 107 million in 2009. And of course it has grown significantly over the years, once again reflecting the increase of the new capacity of wind that has entered in Portugal and in Spain increasing the stability of the system. Of course both REN and REE have requested more of this kind of services and our plants namely, our coal plants but more let's says in CCGT's we have flexible technology and we have worked more. What has been happening is that we are in this market, very active, it is not a lot of hours of course, but in terms of revenue per megawatt hour, it is very material of course.

Thank you.

Alberto Gandolfi - UBS, London

I have a few on my side, if I may. First of all I wanted to clarify, if you don't mind, what actually is a clean net income figure for 2009 to use as a starting point for my focus *because I can see you have booked quite a lot of non-recurring items in depreciation, you have impairment costs, you have one off fuel costs in Portugal, so if I account for these and then I deduct the tariff deviation I would came to a clean net income in excess of 1.1 billion which is 10% more than what you are putting on slide 3. Am I missing something, am I wrong or simply your definition did not account for some of these items? Secondly when you talk about, you have been very exhaustive, so thanks a lot for giving us good visibility on the numbers for next year. Can I ask you, you are talking about the EBITDA growth, in terms of EPS or net income, would you expect earnings to grow less than EBITDA? Or can I repeat the question differently; do you feel comfortable with 2010 net income consensus? And lastly, on leverage, can I conceptually ask what is your logic, what is your thinking in a scenario where there could be a rating downgrade of sovereign debt in Portugal and possibly regulations could put you a little bit more pressure; what would you do then, how would you react, would you take down capex further, is dividend untouchable, is your stake in EDPR untouchable? So I was trying to see if you could prioritise between capex dividends and equity issuance that is apparent or subsidiary level and if you can be clear about that, and I don't know if we are overdoing the risk maybe we should adjust for the work in progress, but just I would like to see how you think about it. Thanks a lot.*

Nuno Alves

Okay, is a bunch of questions, start off with the clean profit. The reason why last year we adjusted profit to recurrent profit is because of the order of magnitude of the gains and the losses that we had last year. We have a €400 million gain on the IPO and we had €280 million of impairments. So it was only fair that we took those out and explained the recurrent. Obviously this year and every year we will have pluses and minuses on the accounts, but what we, we don't have anything of a major number to change the account. Nonetheless, you are right, I mean if we added all the bits and pieces probably the recurrent number of this year would be higher than €1,024 million that we showed up. We don't want to every year be talking about plus €10 million because we sold something and minus €5 million for something else. We will only do that when it is material and when we should show that number. You can calculate from the notes what you think is extraordinary but in our view this is the recurrent number for 2009.

As far as consensus, the issue is that the, what I see for consensus for 2010 currently is that we are running somewhere around €3,400 million on EBITDA which seems to be reasonable, we are comfortable with that number, we expect to outperform that number, but we are comfortable. In as far as net income is concerned, the consensus is roughly, I guess, €950 million or something. That is by saying that we are going to be outperforming this year's net income next year. What I think is that part of the consensus requires a revision because it is totally outdated.

As far as rating is concerned and the sovereign rating. I think that we are not in the short term, I don't see the pressure on the Portuguese Republic's rating, I think that the agencies have taken a wise decision to wait to see the budget, to wait to see the European Committee plan for Portugal to bring the deficit down to 3% and they will not talk before that has shown up. I think we are a long ways before we see any major serious comment from the rating agencies on the Portuguese Republic. Number one, I am not too concerned. In a scenario that you put of eventually downgrade of the Portuguese

Republic, there is not much you can do at EDP to change that, I mean if the republic goes down, and it goes down by a lot, then EDP would have to suffer one day, but that is it.

António Mexia

Also in what concerns EDP policy and sustainable with this capex, I want to be clear we believe that this dividend policy makes and is total sustainable with the capex programme that we have in front of us. The issue of when they took about renewable, potential 5% cent adjustment 2012 between typically ‘11 and ‘12 is because we are talking about returns. We are talking about the fact that we want to be sure that as we are flexible, as we are not, we do not have commitments in terms of turbines that makes less compulsory constructer of parts above certain minimums, we should benefit from their flexibility, we should not give the wrong signs in what concerns what must beat them in the market where long term sustainable growth in renewables and especially in wind. The signs of yesterday and the day before yesterday is the energy bill is still alive going against the news of an early death, and also the alternative job bill, everybody considers that will include renewables and of course the movement that was then on the nuclear front in US market is positive for renewables in the sense that, shows that the non-CO_2, the non-emissions industry, both renewables and nuclear are not in opposition, but are on the same side of the bench, on the solution of orthonomy in United States. So clearly it is a US matter; it is a profitability matter; it is benefitting from the flexibility that we have in our portfolio; the flexibility that we have on our turbine agreement, instead of being a question of cutting some dividends or whatever.

Excuse me, if you allow me a very quick follow-up; when you were talking about your Capex of 3 billion, am I right in thinking that this is gross of cash grants in the US. If you still get €300 million or so every year, the net Capex should actually be 10% lower.

It’s net.

Raimundo Fernandez-Cuesta – Nomura

Three questions: 1) going back to the rating agency issue and I take note that you say it’s highly unlikely that Portugal moves any time in the short-term, but I think you mentioned once that and I want to understand the mechanics that if the Portuguese Republic has done greater, I think it’s two notches, then EDP would need to be downgraded. I just wanted to ask you whether that’s automatic if it happens?

2) The second question, is there clarification on the US wind Capex because I would have sworn that the other day at the EDPR conference call the Capex reduction of 500 megawatts was confirmed. It was confirmed for the period 2010/2011 and from the call today on your comments it seems to be something that is still under discussion and it would be for 2011 and 2012. If you could clarify that I would be grateful.

3) Finally, it is a question that we’ve asked before and I guess it is the question of the year, but I continue not to understand it. It’s how with the forward prices that we’re looking at and with the spot prices that we’re looking at - so we’re looking at €30-40 and with a tariff of last resort auction in December at €40, how can you and everyone else in the Spanish market sell power at €50/MWh not including the capacity payment? Just see if I could understand it one final time.

Nuno Alves

About the rating; least year was EDP's rating; this year is the Portuguese rating. I get a little tired of talking about the ratings in these conference calls. Our expectation is that nothing is going to change for the time being; once we get there, if that ever happens, then we'll spend some time on it, but right now let's not get into Portugal and whatever. That has nothing to do with the call right now.

There were concerns with wind Capex; we are saying exactly the same thing, so the same thing so let's be clear. As you know the Capex in 2010 is mainly the time to market ... building the products is there. It has a marginal impact in 2010; it will have an impact in the finally installed capacity, is what I'm saying in 2011 or '12, not in 2010 because we are already building those products for 2010. The question is, if you're talking about the moment you launch, or the moment you finish. What I'm saying is it will affect the year-end capacity by 2011 and '12.

António Mexia

Let's be clear, the decision is at the current state of the US market, we believe that it makes sense to be prudent and to benefit from the flexibility that we have in that market basically because we are much less supplied of turbines than other players. Let's be clear, we want to benefit from that possibility. It's a question of the glass half-full or half-empty. We are ready, if the Energy Bill is passed or any other bill that gives additional visibility on ending the sluggish PPA market, we will strike and we can do it because we will see the profitability in huge volumes. If not, at this stage we consider, as also Nuno mentioned here that when we revise at this stage we would probably have a potential reduction of 500 megawatts overall in the target of 2012, with the impact in 2012 starting upwards. Now, but basically have the impact on EBITDA, so it depends very much on the visibility of the US market.

Miguel Viana

To follow up, the message for this is the same 500 megawatt reduction 2010/11; there's no deviation on that front; regarding the commercial part in Spain, note that in terms of less resource only some segments and very specific segments in Spain benefit from the last resource. Also it's important to note that these levels of pricings were contracted in the past and also note that Cantabrico was the company that was in the market of liberalised clients always on a permanent way over the last 6-7 years. We know that not all the clients pay the same tariff, pay the same electricity prices, due to consumption profiles et cetera.
We have developed commercial skills in that front; know-how of the profile of the clients. We have a long history of the relationship with clients and of course, we don't have material acquisition costs with clients because we are already there. It's easier to retain a client than to gain a client and so we have several advantages that are in our figures and we will continue to be in 2010 that's the reality.

António Mexia

Raimundo, we have sold it; the price is there on the front page of the contract.

I believe it, but I'm still struggling to understand why there's a 20% premium to what you would call the spot price. Thank you.

Manuel Palomo – Citigroup

Some of my questions have already been answered, but just wanted to clarify, first of all, about your update of forward sales. You're commenting that you're 100% hedged - your estimated production capacity - but my question is what's your estimated production capacity? Secondly, you show a very high market share in the supply leveraged business and what I would like to know is your impression about to what extent this market share is sustainable going forward; if you're expecting to remain with the same policy in the long-term being long supply, short generation.

Miguel Viana

In terms of the supply margin, we have this high supply margin and probably our key incumbent area, which is Portugal, is less advanced in terms of liberalisation. Let's say, all the players in Iberia, let's say in Spain the liberalisation is almost concluded; we have only a small part of the less resource tariff in Portugal. The liberalisation is moving but we still have a lot to do. Let's say EDP Commercial, which is our supply division in the liberalised market, is still much smaller than the liberalised business in the electric part so we have lots to grow on that front; if that is a risk it is not to lose market share but to gain and a lot. The first part, can you repeat a little bit because I didn't understand very well.

You comment on the 100% hedged forward sales on your estimate on production capacity, isn't it?

Yes, for 2009 yes.

For 2010, I my question is what's your estimated production capacity?

We are working, as we said so in terms of sales to client contracted we are talking about 21TWh, 21-22TWh for 2010. This is the figure that corresponds to this 100% of output; it is 21-22TWh of output.

What you already have hedged is not your expected production capacity, but your expected sales in the…

No, it's the same; the figures are the same, it's 100%...

I understand, thank you very much.

…on the positive side.

Thank you very much.

Antonella Bianchessi – Morgan Stanley

Just a very quick question on your guidance; you're guiding to €3.4-€3.5 billion and you're saying that 22% is coming from EDPR, which means something like 760-770 million. This is way above consensus; is that the message that you are delivering, just that you can clarify here?

The second question is on your expectation for the cost of debt in 2010, so if you can clarify this expectation.

As far as the consensus that you're talked about, from our part fine; from EDPR I'll let them give you the consensus, but the ballpark is what you have.

So 770?

Miguel Viana

We don't want to touch on the guidance, only to highlight the percentages that we have here, of course that you have let's say, the decimal part that you can adjust, but I would not do the effect, let's say, correlation between debt. It can be 1 or 2% higher or lower so that's the message. Regarding the for EDPR, it was already given in the conference call of EDPR.

Nuno Alves

We're basically working, as I mentioned before, with a slightly higher cost of debt than for 2009, so we're probably talking 4.2% – 4.3%.

Closing Comments

António Mexia

I would like to thank everybody; we had a lot of people on the phone. Hopefully we were able to show that we have a done a great 2009 in all fronts; commercial, cost, risk management, financial, in all geographies, that we have adjusted better than anybody else in those geographies to have a very strong 2009. Also, I would like to say that we feel very comfortable 2010; the beginning of the year has already been positive. Of course our job is people; we will talk about what we are doing, what we have delivered, the credibility, the execution capacity and let's talk less about only rating of the country. We are already having more than 52% of our results outside Portugal; we are going fast everywhere. We have been controlling all the fronts, as I've mentioned. Risk, we are keeping the low and quite unique low risk approach at the same time keeping the growth space that we are giving all the time.

The fact that we have, for example, talked about the US market in renewables; its approved because everybody consider that we're more dependent on the US markets, it's not the case than in others. It's proved that we tend to be very, very transparent with the market and very accurate in what concerns the reality so we believe that also in that front in terms of having revised much less than anybody else what we say in these forums or in the rooms. I think it should be quite comfortable for everybody and exciting to invest in a company that has been, for the last 4 years, always quarter-by-quarter; in any case, if anything changes compared to what was expected, better than expected.

Thank you very much and see you soon.