

EDP - Energias de Portugal
Friday, 30th Oct 2009
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 thank you for your presence. We are here in our usual presentation quarter results. I am here with Nuno Alves and Miguel Viana and his team as usual and I would like to start saying that I believe that the results the 9 months results of EDP show what we have been telling, the resilience of our asset allocation and also we are reaping the benefits of management decisions that were taken on a very timely basis and that were totally coherent with our approach of higher growth on the sector at lower risk.

As you can see I think that we are quite distinctive from the industry and the results, the EBITDA grew 2% to €2.4 billion and if you consider only the recurrent items, you have even a 9% increase as it will be explained later by Miguel along the presentation. So what I would like to stress at this stage are the distinctive approaches.

First, hedging. We are going to have the best results ever on liberalized activities with a 66% year-on-year increase, and I believe that what we have been telling about this strategy has been consistently delivering results quarter after quarter and I would like to share this, this decision is quite adequate to the times, to the current market conditions not only for 2009 but also for 2010 as you will see.

The second is that we are also reaping the benefits of cost control. We have been quite ambitious on cost cutting. After delivering the targets for 2010 in 2008 we have established new targets and now we have operating costs going down year-on-year by 5% giving us the best net Opex of a gross margin ratio in the industry, at least in the market. So we are in the front delivering once again more than was our commitment at the beginning. So second item that I would like to stress.

Third item is that we have been investing as established in our plan when we presented the plan until 2012. We have now more than 19 GW installed by the end of September with an increase of 14% year on year and most importantly almost 90% of these investments are in additional capacity that means investments that will deliver new EBITDA in the near future. So what we can see is also the fact that we have been recovering in certain geography, especially Brazil, where you have clear signs of improvement and so the diversification of our portfolio at this stage is also playing a role in terms of 2009 results.

So in terms of growth, in terms of risk management, in terms of efficiency, we have been clearly distinctive in the industry. We this EBITDA we came down to a net profit of €748 million with a natural decrease from our previous year because of the IPO in 2008. But if you see this on a recurrent basis, we have a 9% increase as you will see on a detailed presentation going up to €780 million. For this of course you have also, we are reaping the benefits of our financing strategy, with the average cost of debt falling from 5.7% to 4% year on year for the same period, so clearly I think it is important that we have reached savings at this front.

We have been able to do what we needed to do in terms of new issues. We have also, as you know, issued at 10 years maturity, especially the last in US with 4.9% coupon so I think that we have important significant results in this one. The capex has reached €2.5 billion as you see mainly on CO2 free capacity it means in wind and hydro and now we have works in progress over €3 billion by the end of September.

Also regulatory receivables are now below €1 billion as you know mainly because of the securitization of the deficit at the beginning of 2009. So once again there we have stabilized this and we will see this change whenever we have the sale of the Spanish deficit along with other players.

The net debt is now at €14.4 billion and ex-regulatory receivables we are at 4.2x net debt over EBITDA. We can talk about this later but once again it is also the result of our very tight capex policy and very focused and also, as you know, we have been once again delivering on the sale of non-core assets as the sale of Sonaecom stake in the last week has proven we have been once again executing what was our commitment until the end of the year.

So execution, execution of our growth opportunities, execution of our efficient capital management, execution about being consistent with a low risk approach and at the same time keeping the rhythm of creating options on the right sectors with the right asset allocation for the new trends in the industry.

So overall, we feel that these 9 months results are very positive, especially in the context of a strong demand restriction mainly on the Spanish market and also in the first part of the Brazilian market and of course much lower in Portugal. So overall reaping the benefits of management options and then we can on the discussion see these more if you want. So I will pass to Miguel Viana to go through the presentation as usual and we will come back to Q & A. Thank you.

Miguel Viana

Thank you. Going to slide 3 we can see the key figures for the first 9 months of the year already we saw EBITDA went up by 2%, net profit ex-non recurrent items went up by 9%. Going to page 4 we can see that in terms of breakdown, significant growth in terms of the liberalized activities in Iberia explained by our special position in terms of hedging and in terms of the supply activity in Portugal and Spain, decline in Brazil penalized by the Real during the year and also regulated networks Iberia and long term contracted generation in Iberia penalized by some specialization accounting issues which we will explain later on.

Regarding recurrent EBITDA excluding essentially the tariff adjustments in Portugal distribution which were very high last year, and also the tariff deviations in Brazil distribution which are much smaller and there are some human resources restructuring costs that we incurred in this period, adjusted EBITDA went up by 9% to €2,429 million in 9 months 2009. Going to slide 6 you can see that level of operating costs the performance was also quite positive. The results of the ongoing corporate-wide efficiency programme, the Opex programme, continue in line with schedule.

Over the 9 months 2009 we achieved cost savings of €79 million, fully in line with the target of achieving €96 million by the end of the year. The key measures taken were human resources, once again, both in Brazil and the other one was in Portugal; the optimization of IT services between integration between Portugal and Spain; and control over outsourcing consulting services with good prices from our suppliers. In terms of breakdown per activity, we can see that the highlight goes to flat control of operating costs in the Iberian market, Brazil going down a lot essentially due to the asset swap but including also very good developments in terms of cost in Brazil and the EDP Renováveis going up in line with the expansion of installed capacity.

Per business areas, and starting in page 8 with the long term contracted generation in Iberia and if you are talking essentially about the PPA/CMEC generation capacity in Portugal which is remunerated based on return on assets of 8.5%. The reported EBITDA went down by 7%, essentially affected by a 7% increase in terms of fuel costs that are not passed through at the moment of purchase but the costs are passed through in the moment of burn. We have an explanatory slide in the annex, but essentially excluding this impact which is non-recurrent and some quarters it is positive, other quarters it is negative but converges to zero.

EBITDA adjusted went up by 3% reflecting essentially the new Desox facilities at our Sines coal plant which are operating since June 2008 and the increase of average capacity of special regime related essentially to the acquisition of the mini-hydro plants in Portugal. Going to the liberalized energy activities, we can see that we showed a 66% growth in terms of EBITDA versus 2008, essentially driven by a stable selling price going down by just around 3% which compared with a decline of 43% in the pool which explains this very good performance.

In terms of our generation plants, we can see that in page 10 our production from our own plants went down by 4% nevertheless this decline compares very well the Spanish average which showed a decline of 13% and very important, our generation costs went down by 21% in the period prompted by lower fuel and CO2 costs. In terms of load factors, we continue to show premiums of load factors over average of the sectors, both in coal and CCGT in coal it is explained by our unique position in terms of burning gas together with coal from our neighbourhood steel plant in the Abono plant and in CCGT it is essentially due to the significant part of our portfolio being located in Portugal which structurally has higher load factors than Spain.

Also to this very good performance in liberalized activities there was a significant contribution from our commercial platforms in Portugal and Spain and we can see that in page 11. The volumes sold in our supply activity went up by close to 50% going up in Spain 25% and more than 300% in Portugal so in Portugal there was a significant rebound

in terms of the corporate segment. In Spain with the liberalization we get a big reinforcement from residencial segment. The number of clients going up by more than 70%, so a significant growth rate in terms of the electricity supply business, both in Portugal and Spain. In gas supply, our EBITDA went up by 39% reflecting a sound client base with a high rate of residentials than the Spanish average.

Going to regulated energy networks which represented 25% of the EBITDA in the period also this area was affected by non-recurrent items, so reported EBITDA went down by 13% note that 9 months 2008 without the significant non-recurrent results related with revenues from previous years in Portugal. Spain, we have also some small non-recurrent items in 2009 related with retroactive accounting of connection fees in Spain. Excluding this impact we have a growth of 5% of EBITDA of regulated networks which reflects essentially the growth of regulated revenues at 6% in Portugal and 5% in Spain.

Gas expansion in Spain with the EBITDA going up by 8% and the decline EBITDA in Portugal of 40% which is explained by the new concession profile which implies lower EBITDA in the short term but more years in the future, so meaning that we have it neutral in terms of NPV of the concession. Going to the key volumes data and efficiency data for regulated networks, we can see that electricity in Portugal went up by 2% and gas distribution in Iberia went up by 7%.

Nevertheless, a very different performance within segments, very resilient segment was the residencial one, going up by 2% in electricity and 14% in gas in Spain, while the decline came essentially from the industrial segment which suffered the crisis impact but has been more stable in the third quarter. Of course that decline in the industrial segment has a very low impact in terms of regulated revenue so it was not, the financial performance of our activities of networks was not affected by this decline in demand.

In terms of efficiency we also continue to improve our efficiency ratios, both in terms of Opex/Km of network and in terms of Opex/client connected. Going now to wind power which represented 15% of EBITDA, in terms of wind power capacity close to 40% growth with the US representing close to 60% of the installed capacity over the last 12 months, a significant part of the capacity over the last 12 months was installed in the fourth quarter 2008. As normal in this activity and it has happened in the last year, mass additions of capacity quite concentrated in the fourth quarter as we expect to happen this year.

In terms of load factors US maintained a flat load factor, very high at 31%, while Europe load factor went down from 25% - 24%, nevertheless we continue to show a premium average load factor in Spain. With this our wind power output went up by 36% and so the output was close to 7.3TWh in the period and we can see in place by shifting 86% of the production in the period was sold without material exposure to spot electricity crisis. Essentially in Portugal and fact they continue to sell electricity at stable tariffs, inflation updated. In Spain, only 17% of our output was exposed to pool price, given that 18% was protected by the floor price and 65% was sold forward with a positive intent in terms of pricing.

In the USA the PPA price, the average PPA price, went up by 9% reflecting 4 new PPAs closing the period at prices above the portfolio average while 9% of our total generation in the period and 16% of our output in the USA was merchant and was affected by the sharp decline in year on year in terms of the spot markets. In the US namely the MISO and PJM

spot prices and here we continue to have the PPA strategy in order to close PPAs trying to maximise the long term value of the assets.

Finally going to page 16, Brazil; I think the key message is the significant recovery in the third quarter. We show a 15% decline year on year of EBITDA for the 9 months but if you put only the third quarter you see that we are going down only by 2% and both of these figures are affected by Real devaluation in the period nevertheless we have also positive signs in this front in the third quarter.

If we look to page 17 we can see that there was a significant recovery of energy demand in the third quarter. We can see already a 7% growth of electricity distributed in our concession areas in the third quarter 2009 in terms of where the 7% growth quarter on quarter and the Brazil Real continues to show a very terrible performance which should benefit our EBITDA and net profit.

Going to key consolidated financials we can see on page 19 that consolidated capex amounted to €2.5 billion. 83% of it was expansion and 87% of the expansion was in wind and hydro power. In wind power as we said before US continues to be our key market but Spain also represented 33% of our investment and Rest of Europe represented already 22% with our investments in Romania and in Holland being the more material in this period. Note that capex was invested 33% in projects already concluded but 67% are in projects ongoing that will start operating and they have already started in October and will start operating in the next 12 months.

Hydro power also significant growth here with a payment of Fridao Alvito concession in January 2009 and more than €100 million invested in the period in the construction of 4 new hydro plants that are ongoing in the period.

CCGT in Portugal we have concluded the two groups which started operation this month in Portugal so we have more than 800MW new in Portugal and we continue investing in the new CCGT that we will start commissioning which will be commissioned in the beginning of 2011 in Spain. In Brazil we continue investing essentially in our new Pécem coal plant with PPA in the north of Brazil.

Going to page 20 we can see a little bit of the breakdown of the current regulatory receivables by September 2009. Big changes are in Portugal CMECs and Spain. Breakdown we can see that the CMECs €460 million, from this total around €250 million was created in the first 9 months of 2009, essentially due to hydro production levels below average and to electricity prices below the €50 reference of the CMEC system. We expect to recover in 2010 around €250 million of these regulatory receivables from CMECs. In terms of Spain, more than €400 million from which more than €100 created in the first 9 months, we have €340 million which are included in the ongoing securitization process in Spain. In Portugal in terms of last resource supply and distribution, we have a slight net surplus of €44 million with a breakdown which is referred in this slide, so we have a €600 million positive deviation which is explained by low power prices in the 9 months of 2009 and we have an ex-ante tariff deficit which was set by the regulator when the 2009 tariffs, this ex-ante tariff deficit amounts to €336 million by the first 9 months it is set out to €447 million for the 2009 full year and is to be paid by consumers in 15 years. Here EDP has the option to assign this right to a third party if we decide like that, and then we have other components which is €200 million the bulk of it is to be recovered in 2010.

Going to consolidated net debt with the bond issue in dollars that we did in September we increased a little bit the fixed component, so right now the floating rate decreased from 56% to 54% and we continue to fund our operations in local currency with an increase in terms of US dollars and with a good diversification in terms of sources of funds by capital markets and banks. Net debt EBITDA stood at 4.2 times including the regulatory receivables by September.

In terms of the maturity profile, we maintain an average debt maturity profile of 5 years with the recent issues, and we have by September 2009 €5.1 billion of cash liquidity securities available which as we can see in the next slide on page 23 is more than enough to face our commitments in terms of re-financing which you can see on the right hand. Other sources of funds; we sold recently our 8% stake in Sonaecom not included in these results because it was already in October 2009 and we have these regulatory receivables to which I referred before - €0.9 billion - which we believed that we will continue to show a downward trend over the next 12 months.

Going from EBITDA to net profit the key issue was the decline of net interest cost by 15% which is explained by the decline of average cost of debt from 5.7% to 4.0%. We have a much lower level extraordinary results or non-recurrent. Last year we had the capital gain related with the EDPR IPO, so this year the component of non-recurrent is very low. Effective tax rate is now at the more normalised level, last year it was abnormally low essentially due to the IPO of EDPR and the taxable gain that I referred. Minority interests are slightly low, essentially explained by the new minorities at the level of EDPR.

Re-current debt net profit went up by 9% of course the deviation between the reported net profit and the re-current net profit, the bulk of it is explained by the EPD Renováveis IPO capital gain and the lack of any kind of impairments material in 2009 as we had in 2008 with the BCP and Sonaecom.

Going to prospects for fourth quarter 2009 and 2010 I will make these first two slides and then I will pass to the CFO. In terms of energy demand in Iberia, as we can see there was over this period of crisis, Portugal had been much less affected than Spain. Essentially in Portugal electricity demand is much less exposed to contraction in the demand from industries like construction or auto related industries and we can see some signs of stabilization following the strong declines in previous quarters. We can see that in third quarter and even for the data available for October we see some signs of stabilization but not yet of strong recovery, and the issue is that we have a lack of stability on the size and speed of the recovery mainly for 2010 which we believe that will depend on the rhythm of economic recovery.

Going to the position that we were in terms of forward sales. As we said already in the results really around 90% for 2010 is already contracted. We maintained the guidance in terms of margins of €10/MWh in terms of thermal spread. For 2011 we have around 20% of our expected volumes already contracted, I would say that prices and spreads are quite in line with 2010 once closed, so having this adding strategy which we believe that gives an increased visibility in terms of our financial performance for 2009. I will pass to Nuno on prospects on the financial front.

Nuno Alves

Thank you Miguel, good morning everybody. Still on slide 29 what we would like to refer is this question is typical that starting November in a couple of days and with most of our activities already locked in for the rest of the year we would like to state that as it stands we are highly confident we will beat the consensus that a couple of days was in the market. So we feel not only comfortable, we feel comfortable we will beat the consensus for the whole year.

As far as 2010, what we do have is we give you the breakdown again by the 5 areas of business. We expect 2010 to be a more typical year in terms of the split between the various areas, meaning that even though we are expecting a good year in the liberalized market for 2010 it will not be obviously as good as 2009. The reason being we already have 80% of it contracted so we have a fairly good idea how the year is going to run in that area. Obviously then we will have the wind business grow at the expense of most other areas. But the profile of low risk of EDP as you can see is expected to be maintained.

Antonio Mexia

Again probably the best way to look to look to the slide 31. That is probably not the most innovative one of the presentation. But let's put ourselves at this same moment last year. When we were discussing not only the results but also the prospects and towards our vision for 2009 at this moment. When we do this exercise I believe that we have done the right choices once again in terms of asset allocation, in terms of efficiency, in terms of risk management, in terms of cash management. So overall I believe that the consistency and execution capabilities are to be stressed, and the fact that the slide is not properly new, it means that probably that the result of this consistency. Stable and low risk returns. Of course, the focus in terms of investment criteria and discipline at this level means not only envision the next quarter, or the next year, but also medium to long term growth of the company with a right asset allocation, and also all of this with a balanced financial structure where we have been very tough and very clear about what we want in what concerns the improvement of our financial structure. We have done everything that we have said that we will do and at this stage it is quite clear. And surprisingly or not, for example all of this translates into for example the best year ever in Spain. What probably was difficult to anticipate when you have seen the demand destruction in the Spanish market as we are now seeing. So clearly all of this translates into something that was probably more difficult to anticipate last year, but now we are exactly where we thought that we would be. And just stressing what Nuno has told, we are very comfortable in beating 2009 recent consensus and we feel comfortable with the current consensus for 2010. But once again the consistency and the execution capabilities of our strategy that is being presented first in 2006 and then reaffirmed for 2012 at the end of last year. So, thank you and let's go for the Q&A.

Questions and Answers

Raimundo Fernandez-Cuesta - Nomura

Hi good morning this is Raimundo Fernandez-Cuesta from Nomura. I wanted to talk about two things. One is the gas market and your experience there which this year seems to be quite positive. You speak in the handout that your profits have increased substantially, margins were good because of the cost of gas having come down and your contracts still are relatively high prices. But I was just wondering whether you could discuss a little bit how you see things going forward - I think you mentioned that the margins will probably go down - but how are you thinking of managing these four Bcm that you have got. So far I think you are consuming as much gas as you have contracted but have you seen that situation with all of this debate on the gas market in Spain of extra supply, margins going down and so on? The second question, and although I don't want to take merit from you about the results on the electricity, because I think they are very good on the liberalized market, but just wanted to understand to what extent this year, at least on the comparison with last year of being so positive is a consequence of the fact that last year in 2008 the liberalized market didn't do particularly well. And I think it is more about fuel costs rather than prices contracted. But if you could explain a little bit because it is difficult to see exactly what has happened, why is this year so good compared to the peers, because peers have also contracted forward and the results are worse than EDP's. Thank you.

Okay, thank you Raimundo for the first years market. Well we are all, as you know, we have been following a strategy of being shorter than others. So we have always placed ourselves on that part of the market because we believe that it was the right choice and I think it pays more of course at this stage. We don't face the problems of growth upper pace. The question of our ideal approach in terms of our portfolio today is of course important. The strategy of course being able to burn it or to sell it and using also our client base is proven right. Overall, I believe that it is not the best market to be in terms of, namely on CGT, but as we have been able, with the () policy we have been able to be in the money from the front, probably not the case for everybody, so we see that's special because of that famous decoupling of oil and gas prices in other markets where we diverting. Other people diverting gas is making life more difficult of course, same with the US market. The market is any way, the Spanish market is burning typically more than 90% long term contracts that of course have prices that they have not decoupled. We have a vision that in terms of working hours, we will be around the 3.500 hours of the load factor, so we don't see, especially with the hedging policy today, we don't see any major impact on the gas market and by the way, the fact that we have contracted the new, as you know with the gas new clients, it shows that we being now the second largest, we will be the second largest in gas in terms of client base, which will help again because we will have additional client bases for these gas market opportunities. Because we are flexible in terms of contracts to, we don't, we want to deliver those new clients. The new clients in the north and in Spain. In terms of the electricity - sorry Raimundo - it is basically, I believe that we are doing it differently. It is basically not because the price of the input is going down, but the fact that we have done the strategy of locking margins at the right moment, also because our mix in terms of, even on the thermal side was positive, also because coal, especially the one that is associated with blast furnace gases was probably more than it was expected even by ourselves. So this year the CO2 cost also was probably

lower than everyone expected. So over all I would, I prefer to consider this, I am sorry that it was management and not luck.

Alright. Thank you.

Alberto Gandolfy - UBS

Yes, hi, morning. It is Alberto Gandolfy at UBS. I have two questions with a couple of reserve questions actually. You are saying that you are comfortable with 2010 EBITDA consensus which I see at 3.4 billion. But you are saying this year you are going to beat the 3.2 billion and from the guidance you gave, I can't see besides the liberalised activities what could really go wrong next year. So, is it just you being cautious because you don't know what Brazilian Real is going to do, or given the rate revisions and distribution in Brazil what the Real is, your contractors position next year is 90% in the liberalised business so you know, can you really lose more than 200 million in the liberalised business next year? And the second question is about balance sheet, you have been very convincing, your liquidity position is absolutely putting in a comfortable spot, but the negative outlook from S&P perhaps requires you do something additional on balance just to low the debt or the leverage by Summer next year. So, can you elaborate on what other measures you are considering - you keep talking about not producing your stake in EDPR at the moment, but can you explain the full process. What could trigger a change in this approach?

Okay let's start with the first one. Consensus until the end of the year-to-date it's easy. Interest rates won't change, inflation is not going to have any impact that we don't know. Liberalised market is contracted, maybe the only thing we don't know is how much we are going to get. Other than that, most of it is done. 2010 there is a whole issue of variables which have not closed then can have their impacts which even though are not usually material because that is the profile of and the nature of our business. But it can change, 50, 100 million, up or down, so. We should () and what we can say that now as we feel comfortable with the percentage, more than that we will have to wait and see a little bit; it's too soon. As far as the balance issue and the rating and the going forward, what we see and what have we been saying. Ever since we announced the business plan last year for 2012, which obviously the rating agencies have all the details of the balance sheet, be it the income statement, the reasoning behind it. We realised that the 2009 and 2010 our ratios would be stretched having the debt provision there. But they also showed that once you reach 2012 not only should you not deserve a negative outlook, you probably should have ratios that mean you might be pursued for an upgrade. So you have a period of time where we know the rating agencies know we are stretched for the ratio's but at the end of the two year period we come out very strong. And why is this? The reason is simple. We have a huge amount of money in work in progress today. Be it in hydro, be it in Brazil in the coal plants which will not generate any cash flow until the end of 2011. So this period we are investing the wind has turnaround time of a year, so I would not include it there, but the other major investments will not generate anything until 2012. And once that pops in, the profile of cash in this company it changes dramatically. So, the question is, are we doing to be able to endure that period? Our view is yes. We will also, as we have been saying, try to divert some assets. We just did some. As it is probably known we are working currently on diluting the treasury stock out of Brazil. So all these divestments will maintain the credit ratios at their level which will ensure, be it the credit analysts, be it

the rating agents, be it the investors. That we are serious when we mean that we want to stay single A. Hopefully everybody will be pleased with that and we'll get there. Insofar as the diluting ourselves into the renewables, this is a story that comes back and forth every two weeks. Our position has been, it is too soon. We have a plan to 2012 which should not incorporate any rights issue at the renewables. This doesn't mean that we can not do it before 2012, but right now our belief is that it is not needed number 1, and to be honest, we don't like the price.

Javier Garrido – JP Morgan

Thanks, Javier Garrido from JP Morgan. Actually my questions have already been addressed but while I took the opportunity to come back to the rating issue, I agree with you that your ratings should be improving materially after 2010, but what would you do in case the rating agencies take, well we can say the firm decision, downgrading your rating below a level. In the past you said that you would do almost anything to keep an A rating; is this still the strategy, would you consider any potential decision to keep the A rating or do you see it less of a priority at this stage than it used to be? Thank you.

The management of EDP doesn't change in these very important issues. And we believe that what we have to do is to deliver on the business plan which was what our commitment was with the rating agencies. If for some reason the regulations have changed their criteria, there is not much we can do. We have the business plan. It is our intention to maintain the A rating, as we stated in the past. As long as the remedies, if you want to call it that, the rating agencies ask for are reasonable, because, let's face it, today we do all of the liquidity needs to deliver the capex plan we have to the end of 2011 without going to the market if we so wish. And by then I don't have a rating issues. In terms of going to the market, the rating doesn't have a major impact in our accounts today. It is more a question of credibility. We want to maintain, we are doing all we can to do it, and we simply deserve it which is the most important thing. I think we don't get enough credit for the role () portfolio we do have when you compare it to the competition.

And just to do a complete this of course, is out of the question because sometimes not, each two weeks, but sometimes it is totally out of the question and because of this medium term they totally turn around our profile of the any rights issue and especially not also the change of our commitment in terms of dividend policy increase until 2012. Of course then, decided or not, supported by the shareholders at the general meeting, but anyway, we have been since we have arrived, very clear on these methods and we as, Nuno mentioned, we don't change this vision.

That makes a lot of sense, thank you.

Pablo Pena-Rich - BPI

Good morning this is Pavlo Penarich from BPI. Just a couple of questions. First of all, going back to the natural gas business. I would like to get confirmation if you have closed the long term contract of gas sourcing for your new CCTCs in Portugal and in Spain. If not, if you plan to close them in the short term? And then a second question on the regulated business with the expected 35 million coming from the additional distribution companies of a Gas Natural in Spain and the proposal of 2.9% increase in average tariffs

in Portugal. Could you give us some outlook on the expectations of increasing the EBITDA for 2010 on regulated business? Thank you very much.

In what concerns natural gas means that what we have today as we feel very comfortable with the long terms contracts that we have in terms of being competitive with our peers, in terms of flexibility, in terms of not being related to projects that are bringing new gas into the market. So, I think that we are on a good position. It means that all the flexibility, the client bases, the options that we have today means that until 2011 we will feel very comfortable on that in front of Natural Gas overall business, both in terms of burning or in terms of selling. In terms of the regulated - and the new () gas into our business brings us additional flexibility. In terms of guidance, as you know...

In terms of regulated businesses, of course we have a small contribution that we have already announced around €35 million from Gas Natural, and then we have the normal efficiency improvements and the increase of regulatory revenue. We will grow in single digits in regulatory network, in the mid range of single digit. Next question?

James Sparrow - RBS

Thanks a lot for all the clarity around the credit rating and just one further question just of clarification. The debt to EBITDA ratio has been basically constant pretty much throughout this year. Is it likely to remain at this level throughout 2010? Could it be stretched further? I was just hoping for some guidance on that thanks.

What we are expected 2010 we haven't closed the budget yet, but the business plan, which is a rather lot of paperwork shows that 2010 we should stay at the current level throughout the year, so, if there is any improvement or deterioration, it will be minimal either way.

Great, thank you.

Franck Bataille - Calyon

Yes, good morning gentlemen. Franck Bataille from the Calyon credit research. Another follow up question on your rating; we got your point, basically you explained that you remain committed for 2012 in this plan and you hope to be back on track for the single A minus rating by that time. I mean, it seems that rating agency have become more impatient. They have not changed the credit metrics requirement on your name, but it is clear but they are becoming more impatient on the fact the deleveraging will may not help you as quickly as expected, especially following the acquisition of the gas assets that you made in Spain. So in that context, if at the end of the day rating agencies were close to degrade you by one notch, which would put it B+, is it something that you could live with? Therefore you would not be, you don't feel obliged to do like ()()or Gas Natural or even () to do a capital increase just to maintain the single A. Because from a pure market perspective it is true that in just your profile and your size a BBB+ rating would be valuable over one market. So, what would you be ready to do or not to do as vis-à-vis your rating commitment, if rating agencies are increasing pressure over the coming month? My second question would be more on your funding strategy - you stress, and it's right, that you have already all the funding needed for you capex plan. Although I mean, could we have a better idea of what is your funding strategy for 2010 and 2011? Will you keep on performing the upcoming years as you did in 2009? Thank you.

I will try to be as clear as I can on the rating issue. A rights issue at EDP or a cut on the proposed dividend are out of the question. Period. There is no more issues there. I hope I was clear. So, insofar as rating agencies are concerned, we do have () with a stable outlook. There was a negative outlook that came in from S&P which we will have in three or four weeks time when we have the opportunity to discuss, but let me also be clear. S&P put us a negative outlook, but did not ask us either you do this, or you are downgrading. So, we were not asked anything out of S&P not to be downgraded. That issue was not happen to us. So in a months time we will talk to S&P and we will see what do we have to do to remove the negative outlook, that is all. There is no story here of being downgraded because we were not asked to do anything in order to not to be downgraded. Insofar as the funding, the policy of the company that was changed at the beginning of the year. So, rather than financing all the needs a year ahead, we will finance two years in advance. In as long as this market developments is clear that it has gone away. So we think that the economy has improved, but I don't think we are out of the woods yet. So until we are out of the woods, we will start refinancing 2012 when we see fit. We are not in a rush. But that is the policy we will reach 2010, the end of 2010 with all of 2012 needs done.

And just to, as an example, you have mentioned the Gas Natural assets. This I believe it is the best example how we are committed to an equilibrium between the growth and the financial structure. As we have stated already and as a view we re-state, we have focused only on the assets that make more sense for us in terms of synergies because we have the (), we have the Basque country and so () makes a lot of sense. And we have also looked for younger regions like Murcia and we have stated and we will not, and we are not involved on the Madrid assets because it would make, in terms of volume, in terms of something different and out of what we have stated it would be our global investment approach for the peers, so I think it shows exactly consistency and clearance always doing what we state at each moment unless we have stated something else, we don't change. I think it is probably the best proof that we have been consistent.

Thank you very much.

Magesh Chett - Prudential

Hi, good morning, it is Magesh Chetty from Prudential Financial. Actually all my questions have been answered. Thank you.

Tom Gibney - Credit Suisse

Just a quick question. You have got a fair amount of bank loans on your balance sheet. Will you be looking to refinance them in the bond market next year? Or will you be just waiting for them to mature and refinance as that happens?

Most of the loans we do have, are EIB loans. So those we have no intention of refinancing because we could never have better than that. And the others are revolving credit facilities which we use. None of them is due soon. They are still have very interesting spreads and also we use them for back up facility. So most of them are not even used at all. So we don't...loans in the balance sheet, we basically don't have much at all anymore.

Okay. Thank you.

Closing Comments

So thank you all of you. Thank you for being present and all the questions and hopefully we were clear about what we have been doing and are also very clear about what we will be doing, and also not doing in the future because, I believe the answers are always on both sides; what you do, and what you don't do. So, thank you very much and see you soon.