



**edp**

**energias de portugal**

**1H2004 Results**

**July 29th 2004**

## **IBERIAN ENERGY**

- **Signed agreements for the acquisition of control of Galp Energia's natural gas business**
- **EDP awarded 12.8 of 20 million tons CO<sub>2</sub> licenses granted to electrical sector, pending EU approval**

## **BRAZIL**

- **In April, ANEEL granted Enersul an annual average tariff increase of 17%**

# Sound fundamentals



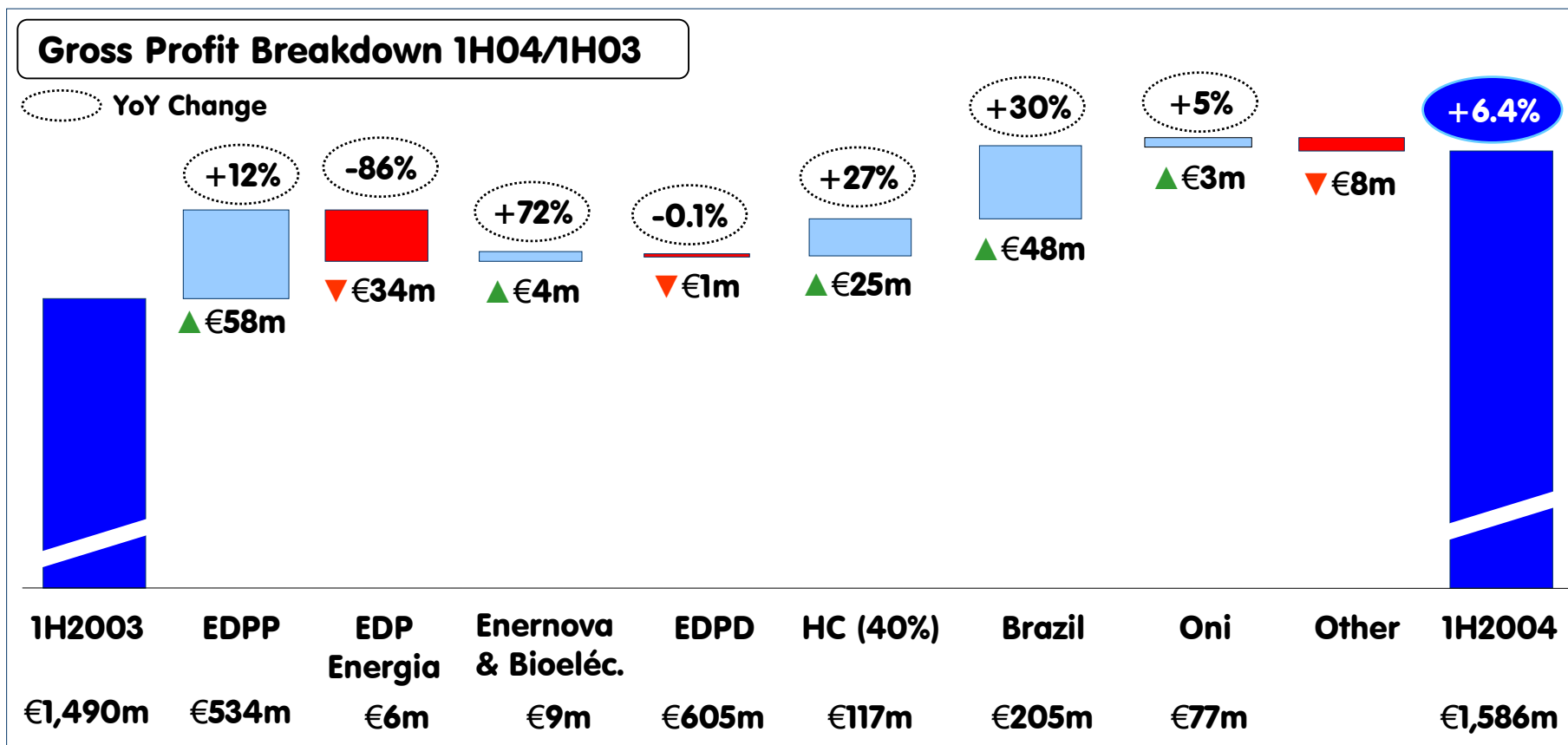
	1H2004	1H2003	Var. %
<b>Electricity Generation (GWh)</b>	<b>21,481</b>	<b>23,157</b>	<b>-7.5%</b>
Portugal	12,721	15,148	-16.0%
Spain	7,068	6,446	9.7%
Brazil	1,629	1,564	4.2%
<b>Electricity Distribution (GWh)</b>	<b>35,787</b>	<b>34,015</b>	<b>5.2%</b>
Portugal	20,385	19,380	5.2%
Spain	4,525	4,188	8.0%
Brazil	10,877	10,447	4.1%
<b>Gas Distribution - Spain (GWh)</b>	<b>12,581</b>	<b>1,080</b>	<b>-</b>
<b>Electricity Clients</b>	<b>9,296,880</b>	<b>9,044,551</b>	<b>2.8%</b>
Portugal	5,775,815	5,688,924	1.5%
Spain	569,531	557,686	2.1%
Brazil	2,951,534	2,797,941	5.5%
<b>Number of Employees</b>	<b>17,354</b>	<b>18,184</b>	<b>- 4.6%</b>
Portugal (Electricity)	8,202	8,959	- 8.4%
Spain (Electricity)	1,292	1,318	- 2.0%
Spain (Gas)	298	65	-
Brazil (Electricity)	3,732	3,889	- 4.0%
Other	3,830	3,953	- 3.1%

# Strong operating performance



	1H2004	1H2003	Chg. %	Chg. €
<b>GROSS PROFIT</b>	<b>1,586.2</b>	<b>1,490.4</b>	<b>6.4 %</b>	<b>95.8</b>
<b>OPERATING COSTS</b>	<b>599.6</b>	<b>612.7</b>	<b>-2.1 %</b>	<b>-13.1</b>
<b>EBITDA</b>	<b>986.6</b>	<b>877.7</b>	<b>12.4 %</b>	<b>108.9</b>
<b>EBIT</b>	<b>551.6</b>	<b>406.8</b>	<b>35.6 %</b>	<b>144.7</b>
<b>FINANCIAL RES.</b>	<b>-181.5</b>	<b>-182.5</b>	<b>-0.6 %</b>	<b>1.1</b>
<b>EXTRAORDINARY RES.</b>	<b>-20.1</b>	<b>59.4</b>	<b>-</b>	<b>-79.5</b>
<b>NET PROFIT</b>	<b>274.9</b>	<b>182.0</b>	<b>51.0 %</b>	<b>92.8</b>

# Gross profit up 6%



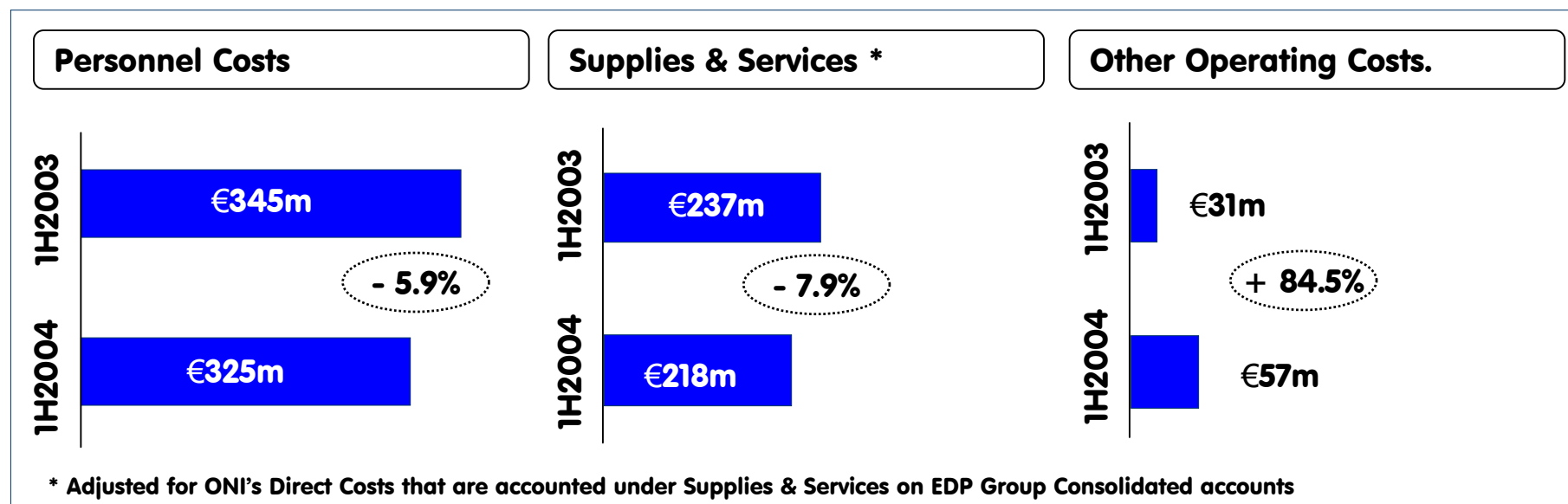
Swings in EDPP and EDP Energia due to transfer of Energy Management Dep.

Start-up of TER operation benefits Gross Profit

Tariff revisions in Brazil was one of the main contributors to growth

The Iberian core businesses account for 80% of Gross Profit

# Cost cutting continues



**EDP Group Operating Costs decreased 2.1%**

The 830 reduction in headcount was mainly at EDPD, EDPP and Edinfor  
Transfer of responsibilities with early retirees to social security saved €6.5m

Supplies and Services fall 8% following tight cost control

Other costs reflect increase in concession rentals (+€7m) and lower cost capitalisation following the completion of TER group I

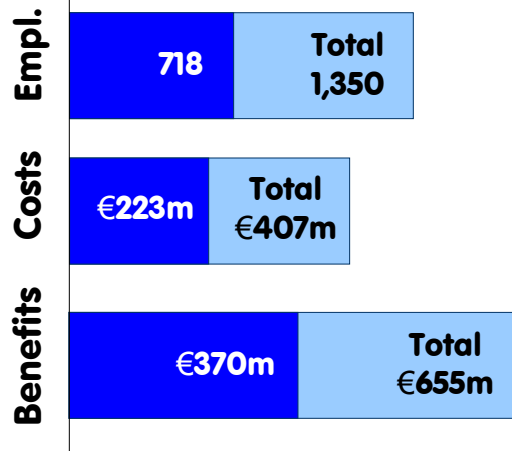
# HR Restructuring Program



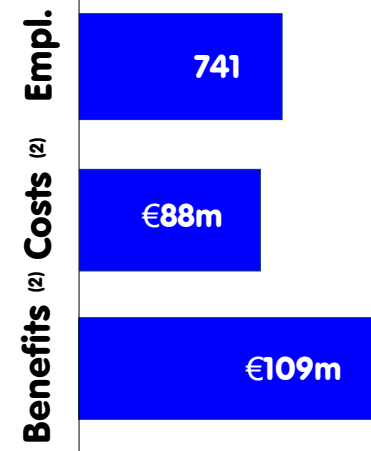
## Negotiated Dismissals & Early Retirements

## Transfer of Responsibilities with Early Retirees to Social Security

EDPD

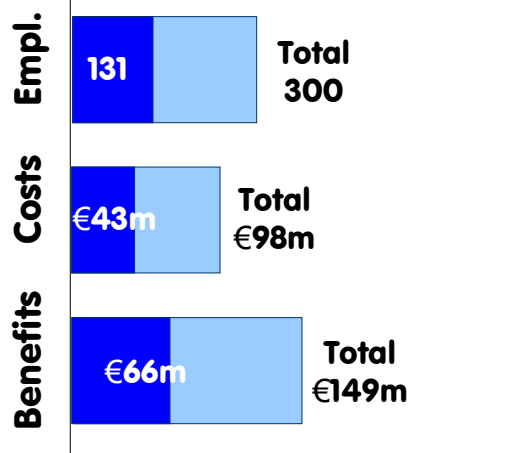


NPV €200-250m  
 Average Cost <sup>(1)</sup> €302 th  
 Average Benefit <sup>(1)</sup> €485 th

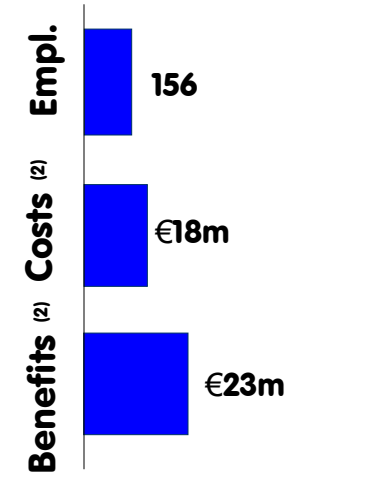


NPV €21m  
 Average Cost <sup>(1)</sup> €119 th  
 Average Benefit <sup>(1)</sup> €147 th

EDPP



NPV €24m  
 Average Cost <sup>(1)</sup> €326 th  
 Average Benefit <sup>(1)</sup> €497 th

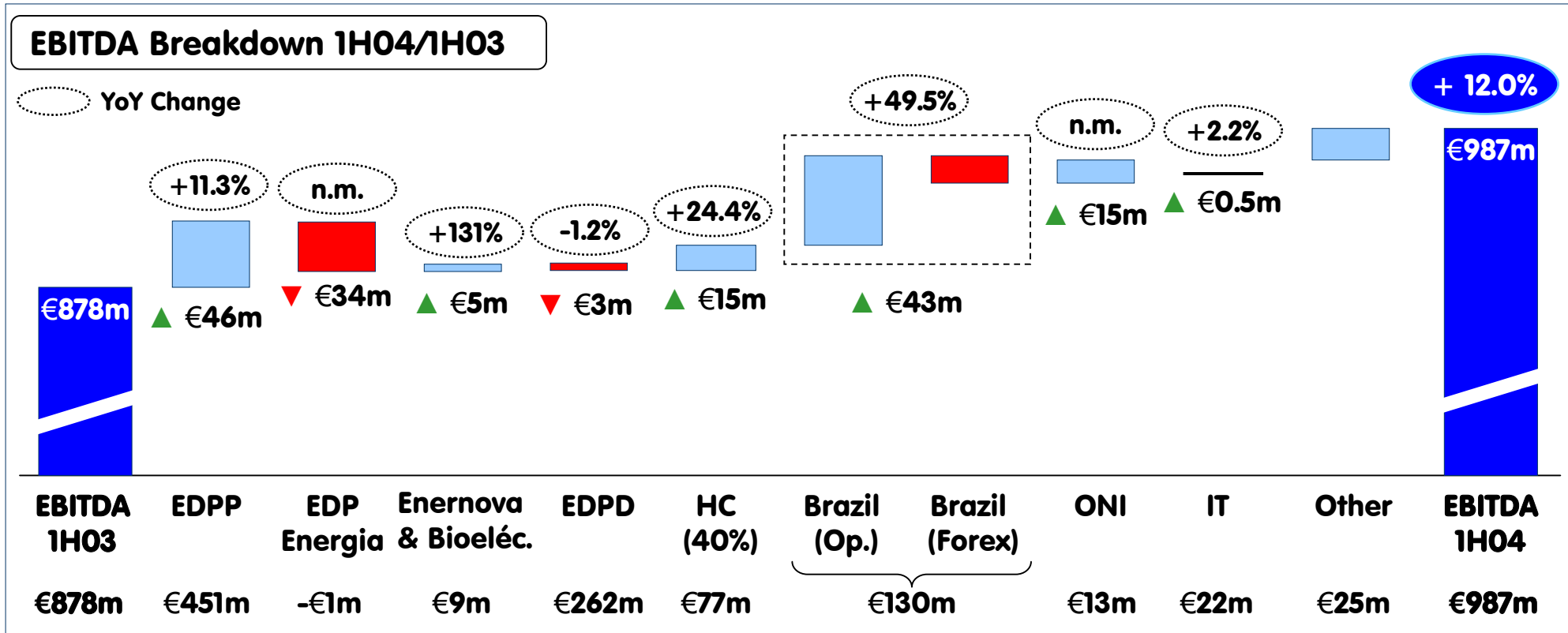


NPV €5m  
 Average Cost <sup>(1)</sup> €115 th  
 Average Benefit <sup>(1)</sup> €147 th

■ Until 1H2004    ■ Target

<sup>(1)</sup> Per employee <sup>(2)</sup> Present Values

# EBITDA up 12%...

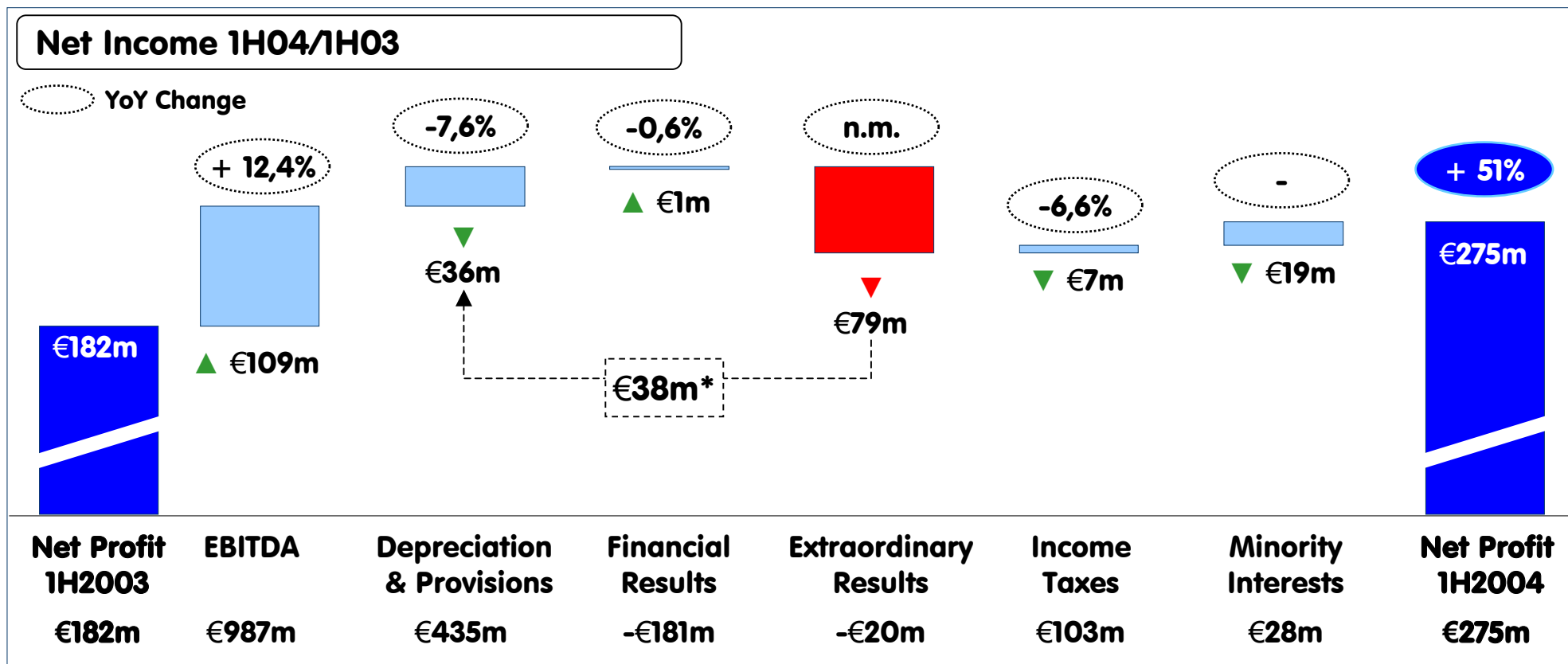


**Start-up of TER operation impacted EBITDA**

Despite currency translation, 40% of the improvement came from Brazil

Healthy growth in demand and strict cost control lead to 12% rise in EBITDA

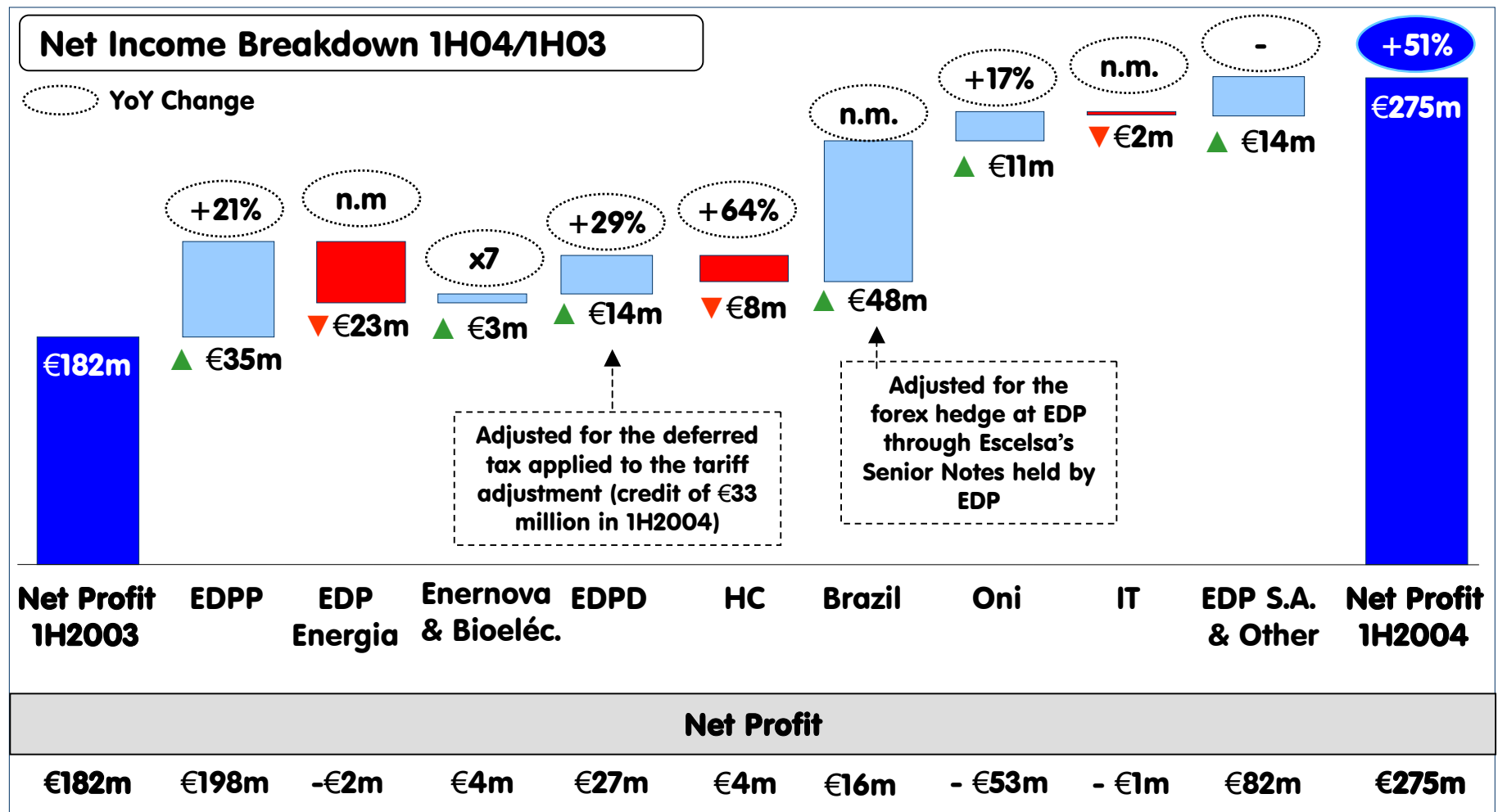
# ...while Net Profit up 51%



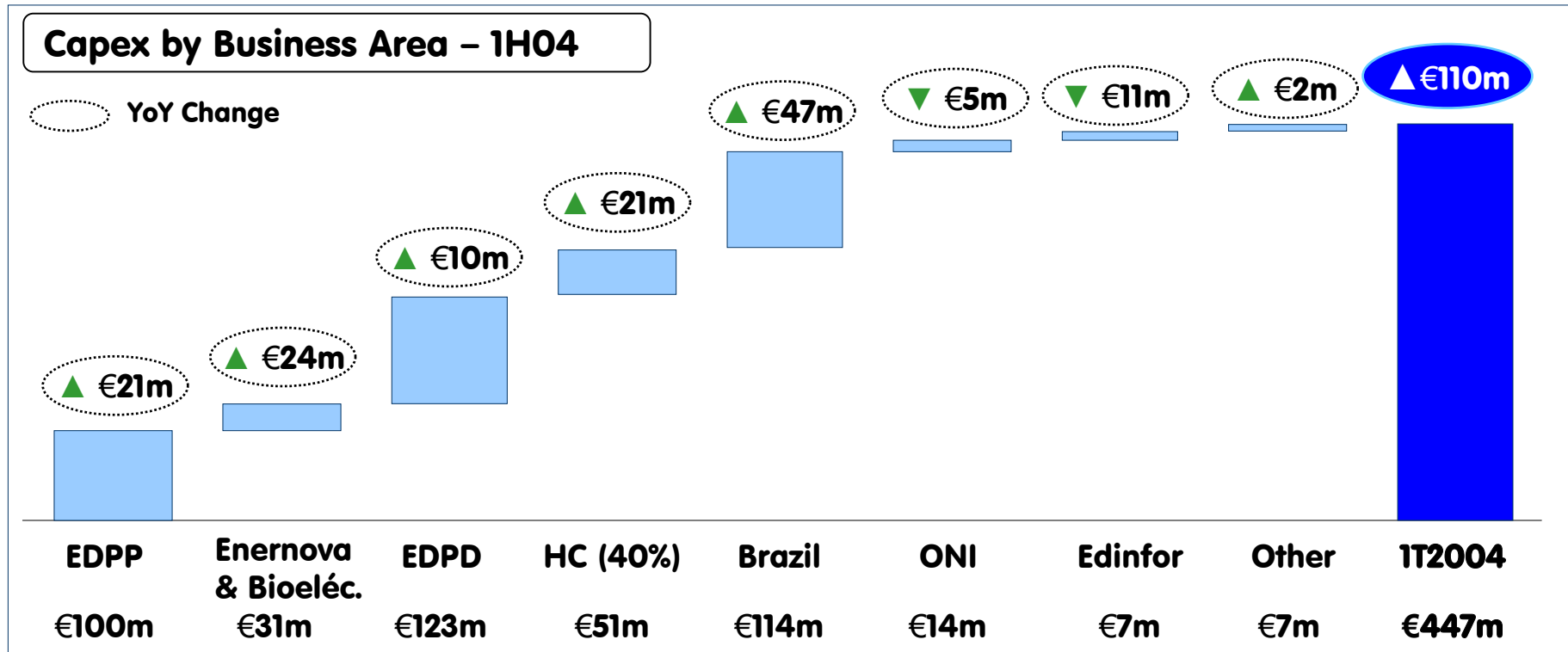
Debt reduction led to flat Financial Results despite lower Investment Income  
 Depreciation and provisions reflect a €38 million accounting change

\* Compensation of depreciation of subsidised assets is now accounted for as an operating item

# Generation contributes over 70% to Net Profit



# Invested in generation and in distribution grid edp



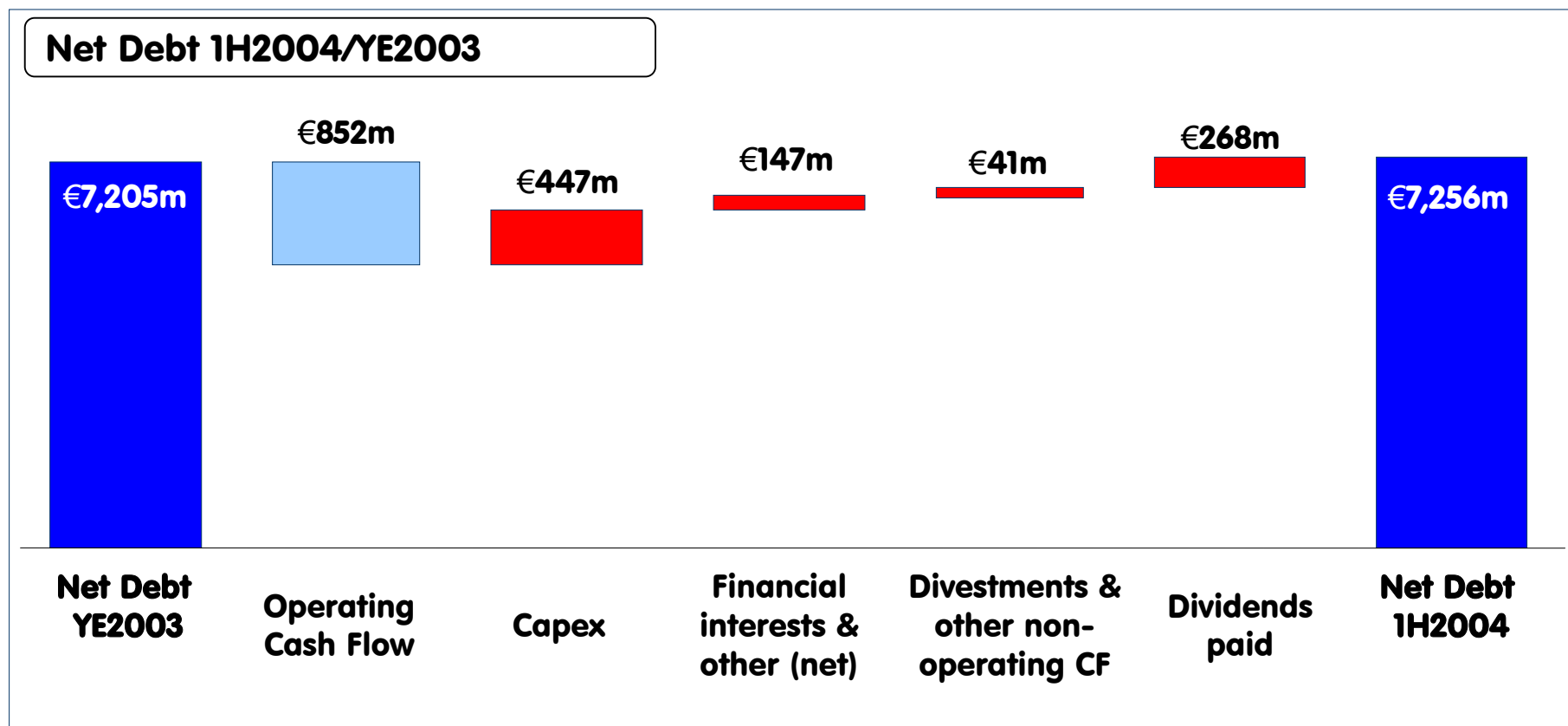
Capex up 33% YoY concentrated in Core Business

EDPD Capex in Distribution Grid is remunerated at 9% pre-tax

50% of HC investments in 124 MW Albacete wind farm

Brazilian Capex focused on generation – 450 MW Peixe Angical (R\$313 m or €83 m)

# Strong operating cash flow



Slight increase in net debt after heavy investment and payment of dividend  
Core business was the main contributor to EDP Group's cash flow



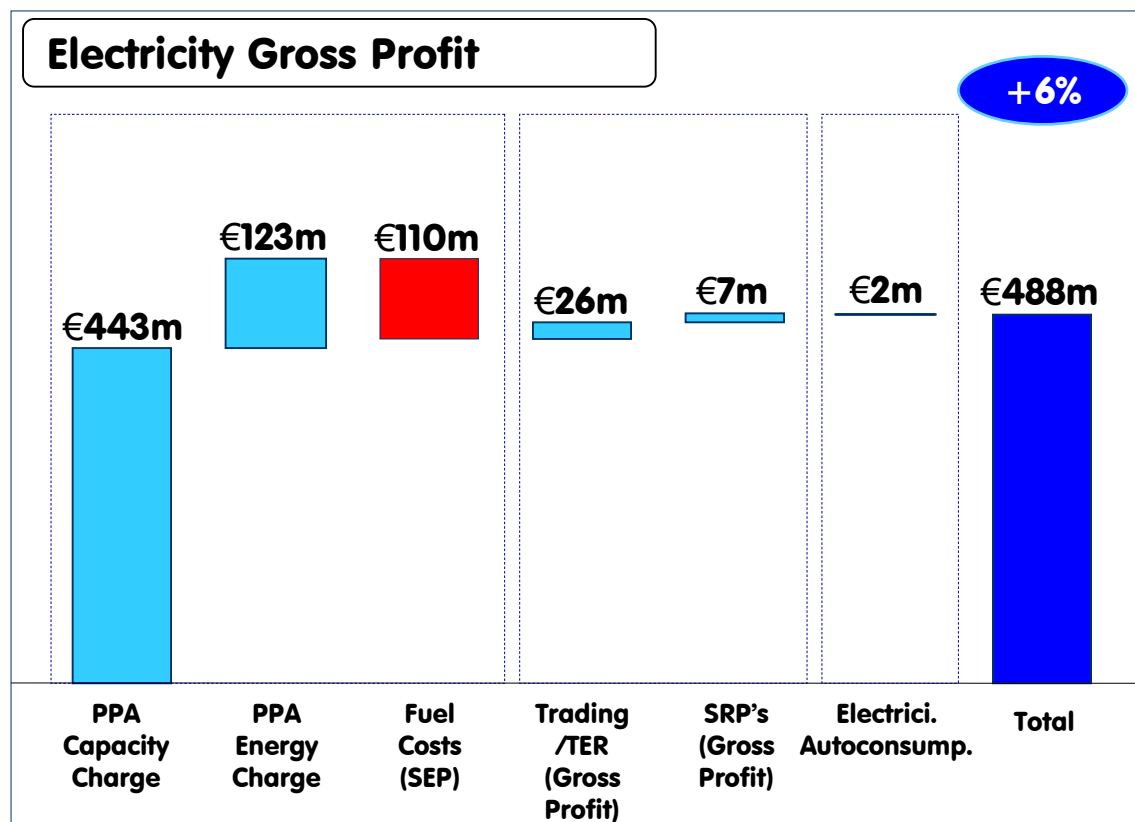
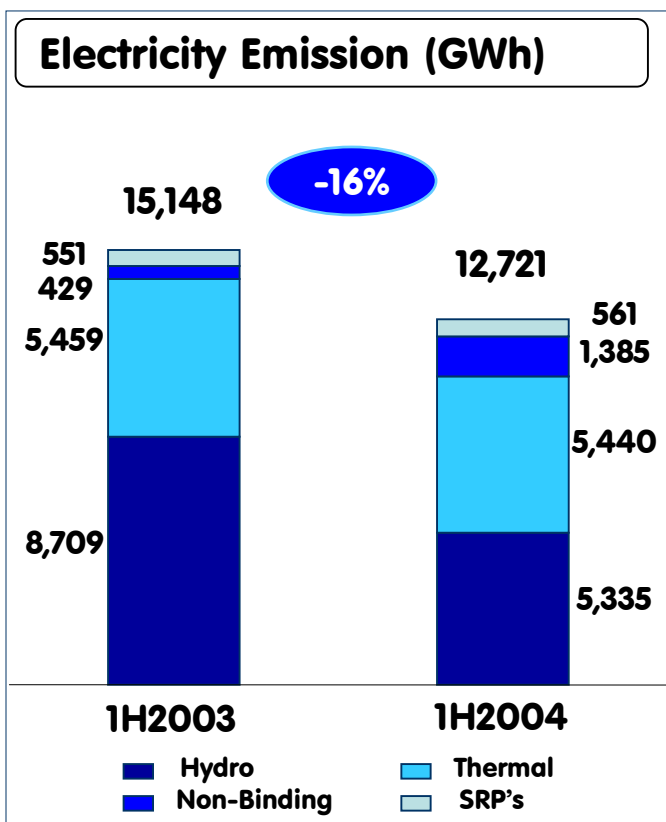
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**EDP Produção**

# Non-binding added €18m to gross profit

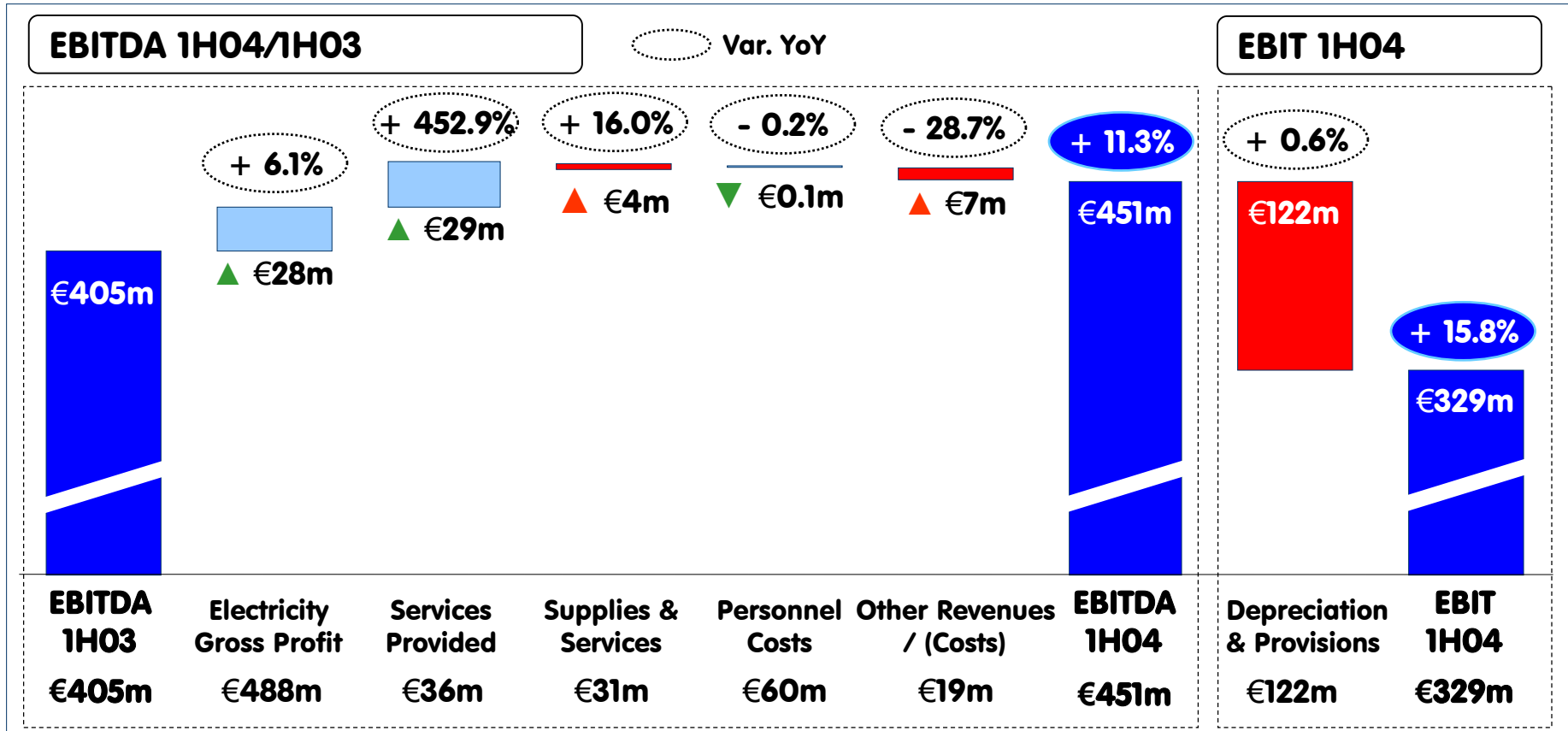


16% fall in electricity emission due to dry weather conditions, however TER contributed with 1,155 GWh

Beginning of TER operations and transfer of energy management activity to EDPP contributed €26m to Gross Profit

EDPP benefited from efficient fuel acquisition (€13m)

# EBITDA up 11%



Energy management activity was 65% of increase in Electricity Gross Profit  
 Electricity purchases for EDP Energia benefited from low Spanish pool prices  
 HR restructuring resulted in flat Personnel costs



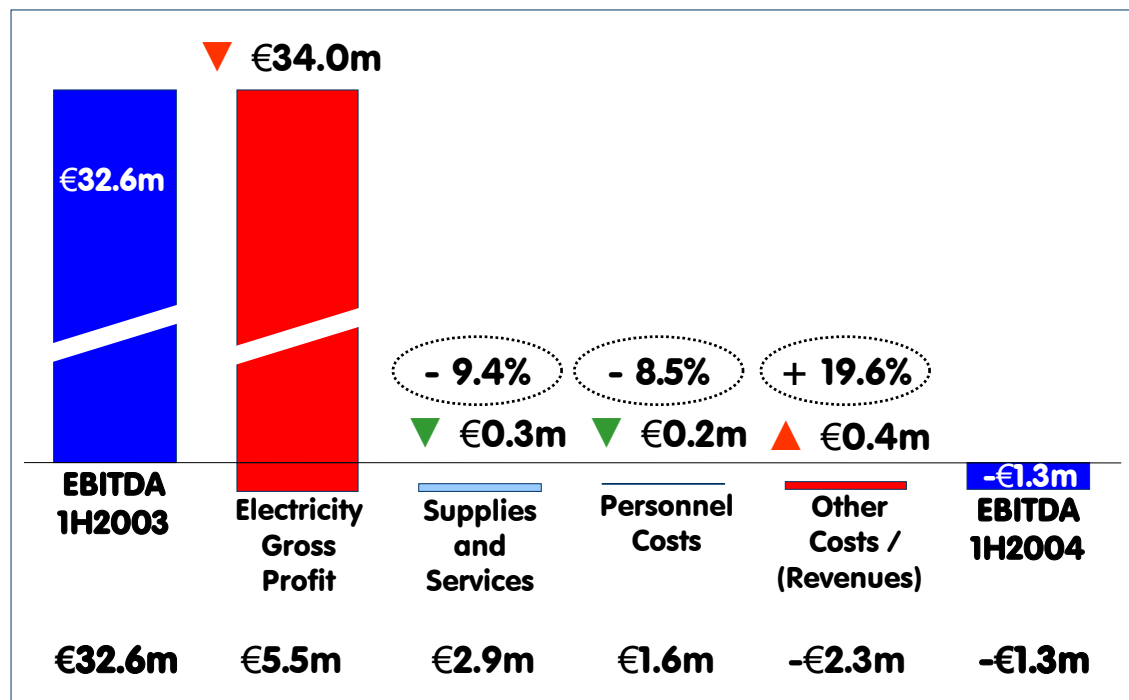
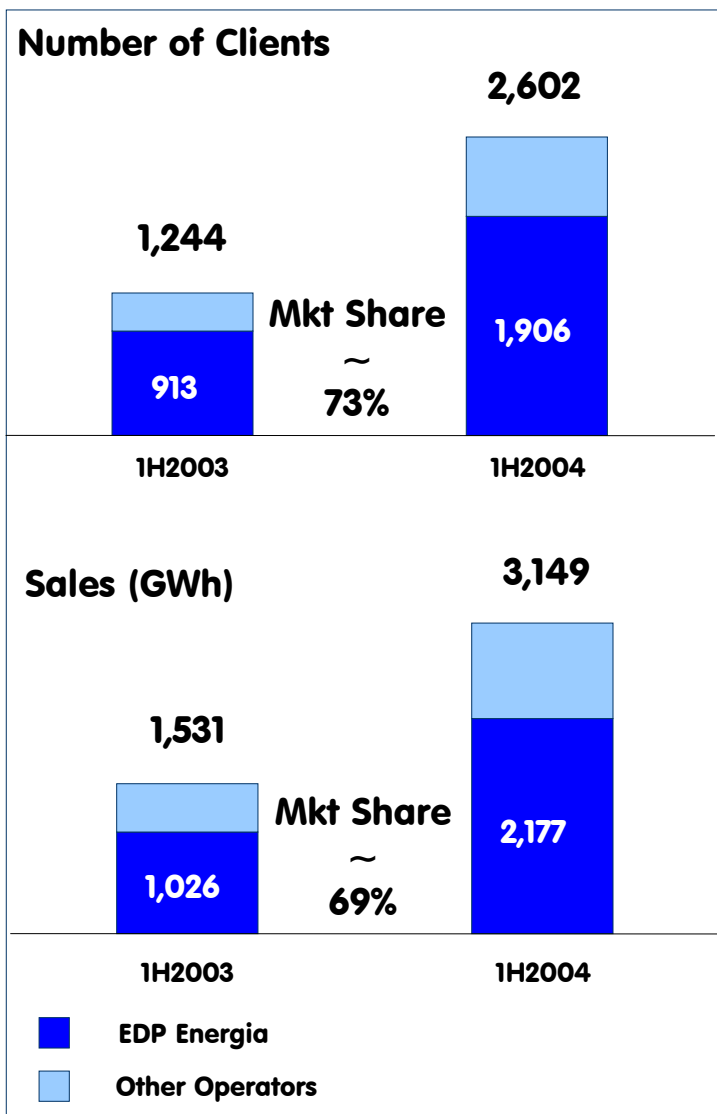
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**EDP Energia**

# Leadership in the liberalised market



Transfer of Energy Management Dep. reflected in Electricity Gross Profit

Market doubled in size YoY

Maintained Market Share in increasingly competitive environment



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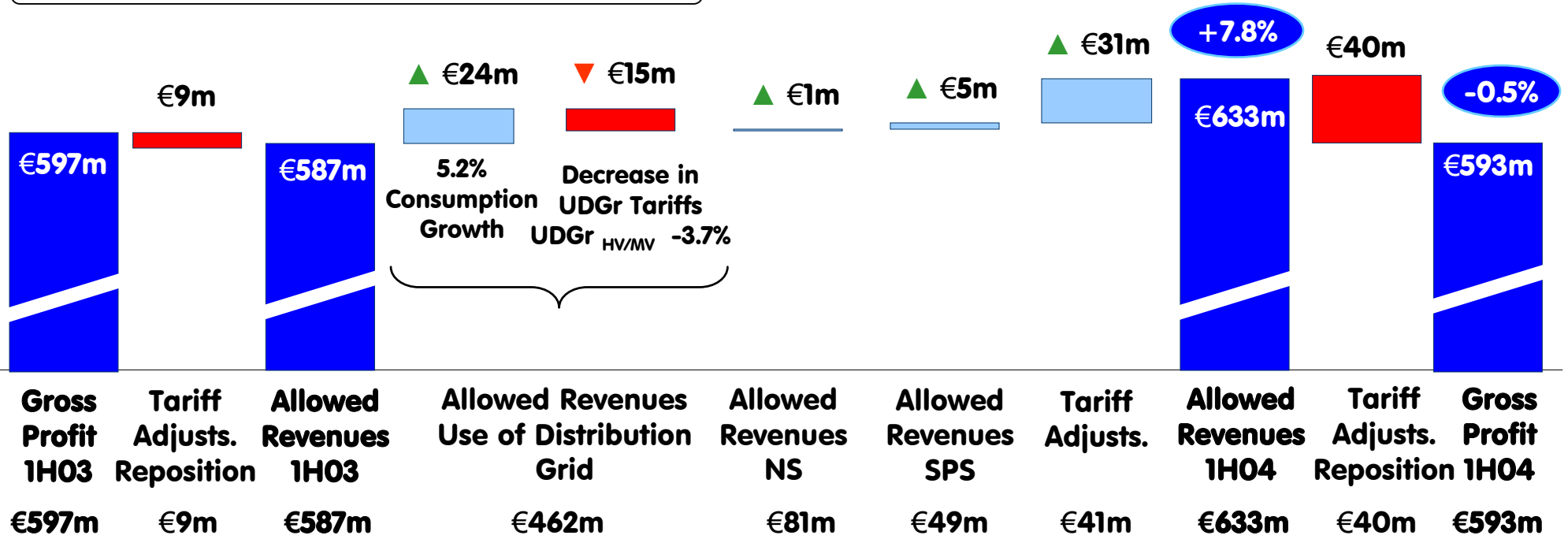
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**EDP Distribuição**

# 7.8% increase in Allowed Revenues



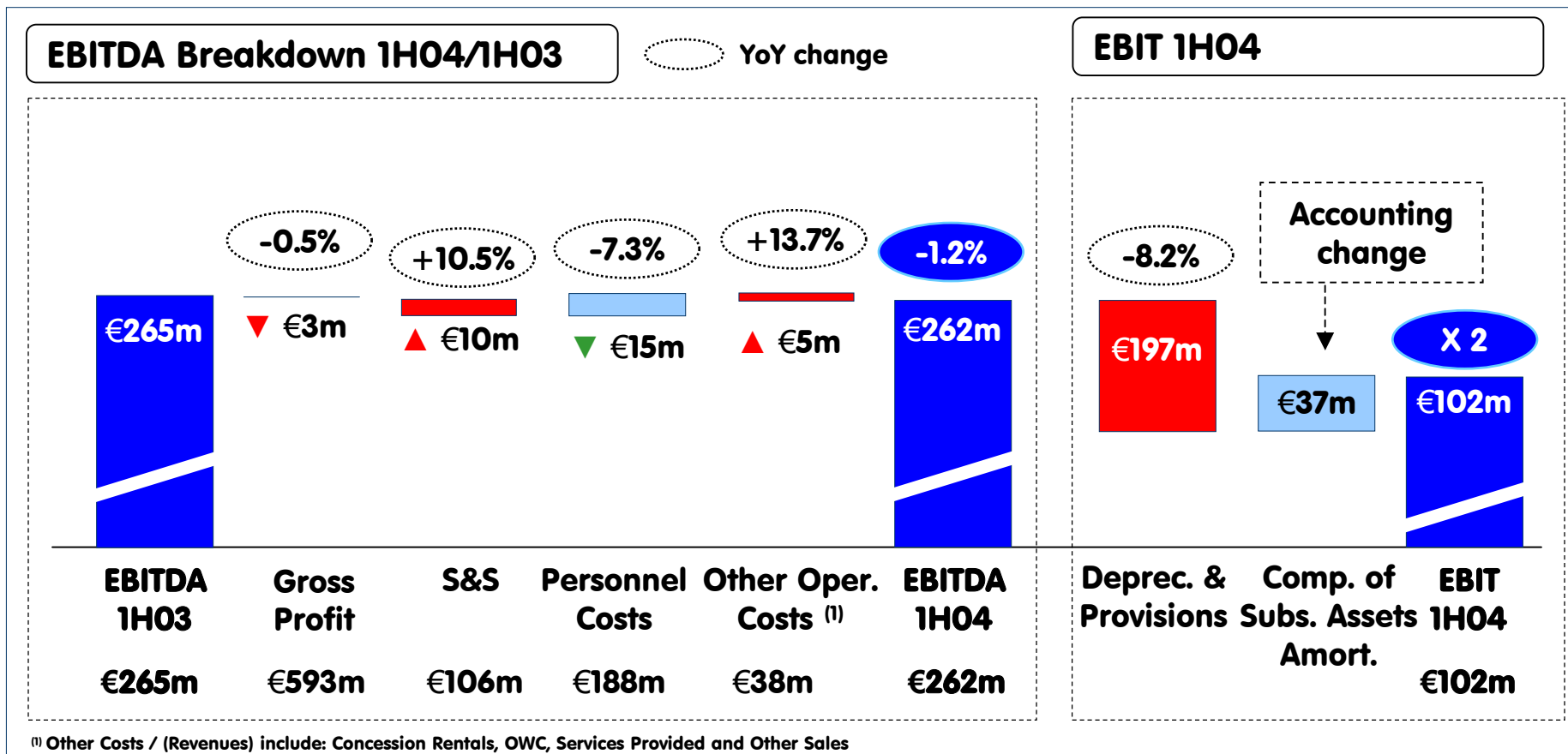
Change in Allowed Revenues 1H04/1H03



5.2% growth in consumption pushed UDGr revenue up 2% despite fall in tariffs

Adjustments for differences in fuel costs were the bulk of the increase

# Strong growth in EBIT



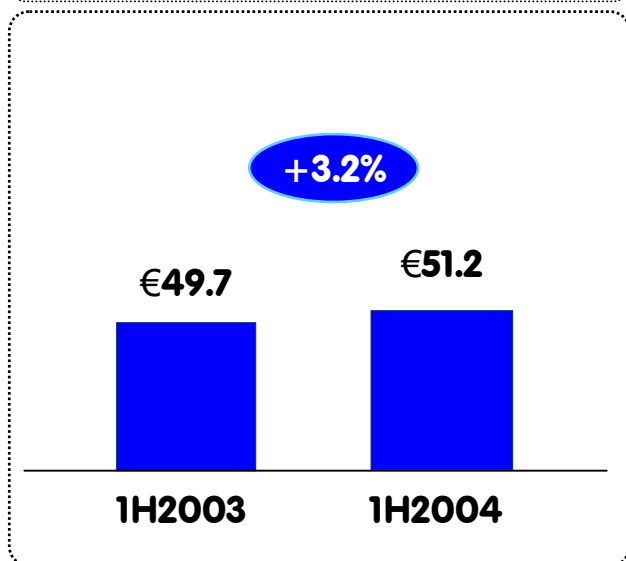
Successful cost cutting reflected in a 7.3% drop in personnel costs

EBIT up 30% like-for-like, following lower provisions for doubtful clients in improved economic climate

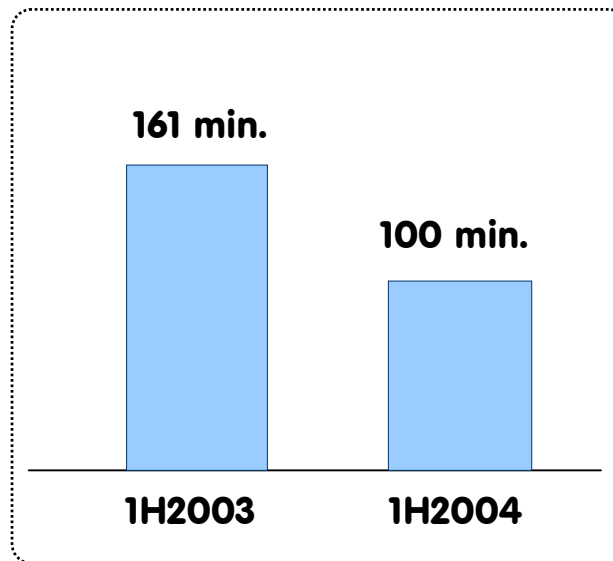
# Service improving and costs under control



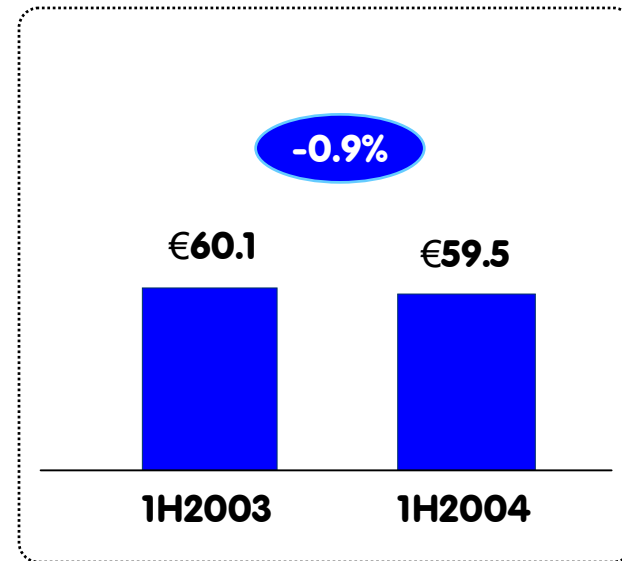
### Cash Costs per Client



### Equivalent Interruption Time



### Operating Costs per Client



Total number of clients up 1.5%

Cash costs include 22% increase in investments in grid to improve Quality of Service

Rentals to municipalities polluted the 7% drop in personnel costs



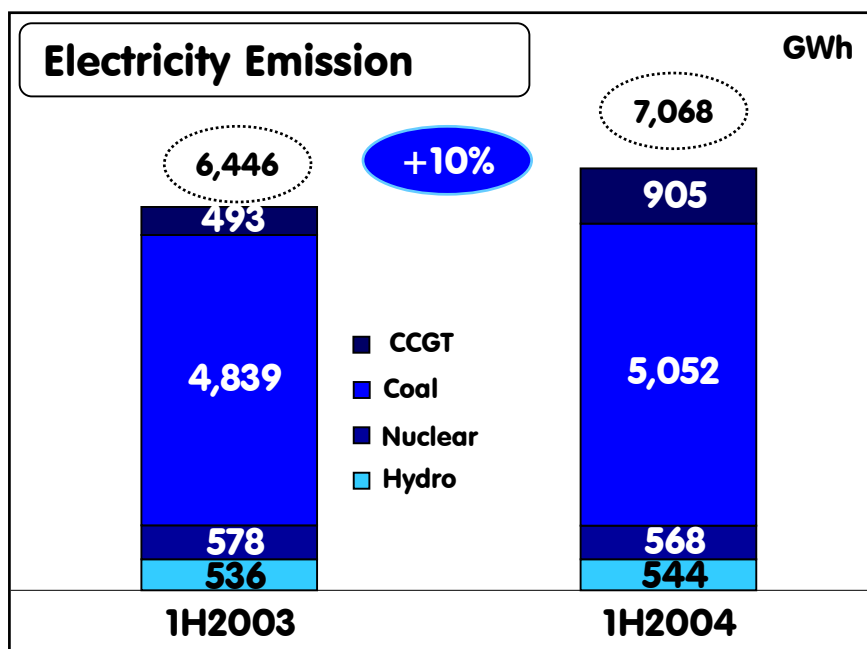
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**Hidrocantábrico**

# Increased market share in dry year



### Key Operating Figures

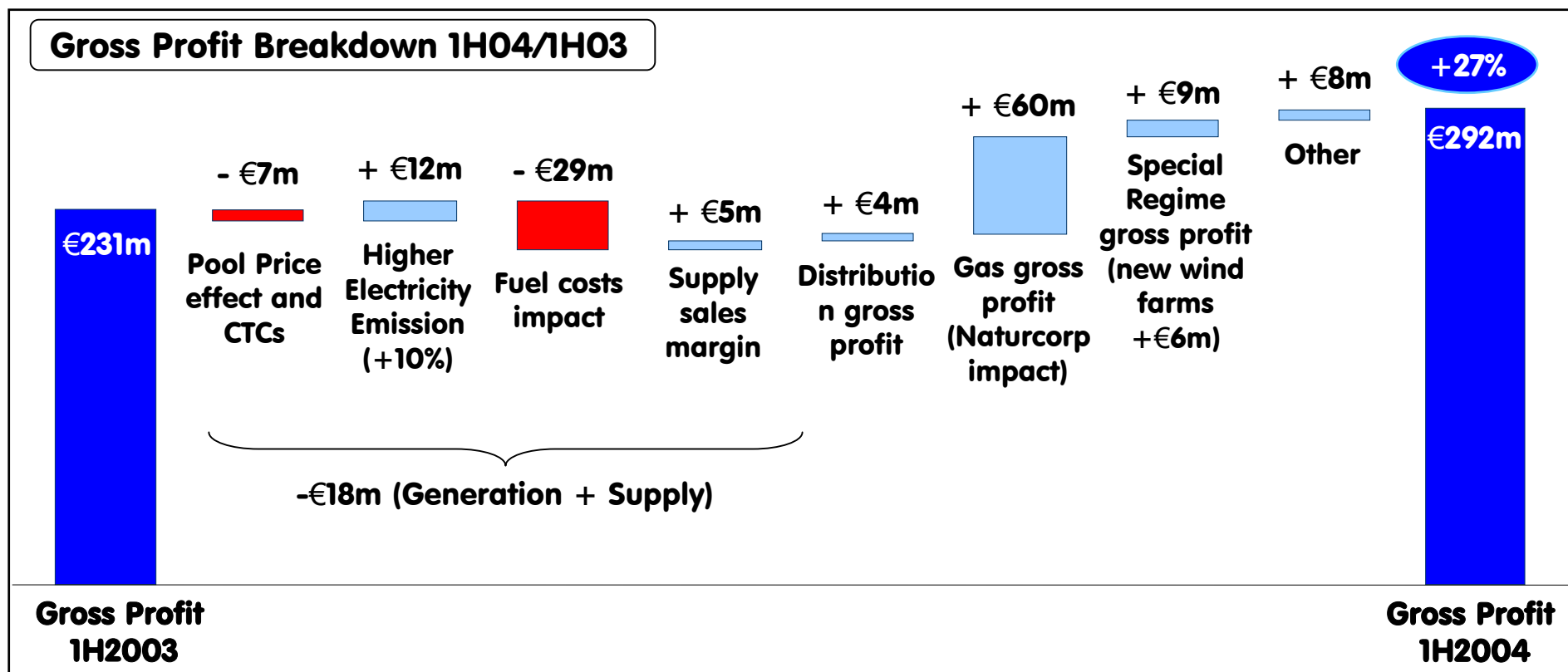
	1H2004	1H2003	Δ
Pool Price €/MWh	32.3	34.1	-5.3%
HC Price €/MWh	30.6	32.3	-5.4%
Fuel Costs €/MWh	19.7	15.3	+28.5%
Market Share	7.4%	7.1%	-
CTCs €m	+14.6	+11.7	-

Demand in Spanish electricity market up 4.1%

A dry year and a 83% increase in CCGT emission meant 10% higher output

Low pool price partly compensated by €14.6m received in CTCs

# Gross profit up 27% thanks to Naturcorp



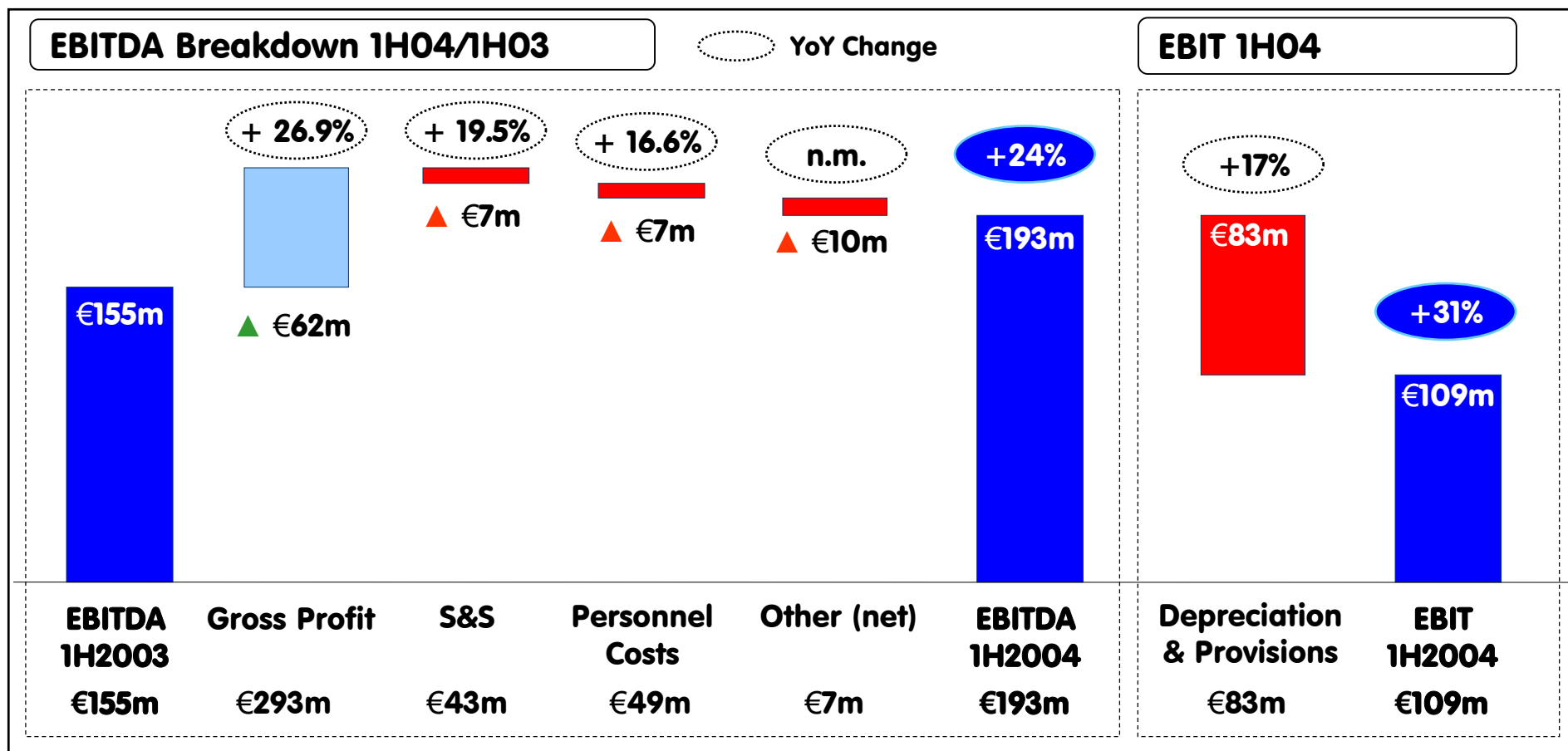
The hike in imported coal prices depressed Generation's gross profit

Supply activity benefited from low pool prices

Biggest contribution came from first time consolidation of Naturcorp

Investments in Special Regime projects started to bear fruits

# EBITDA up 24%



Consolidation of Naturcorp contributed €45 million to the EBITDA increase



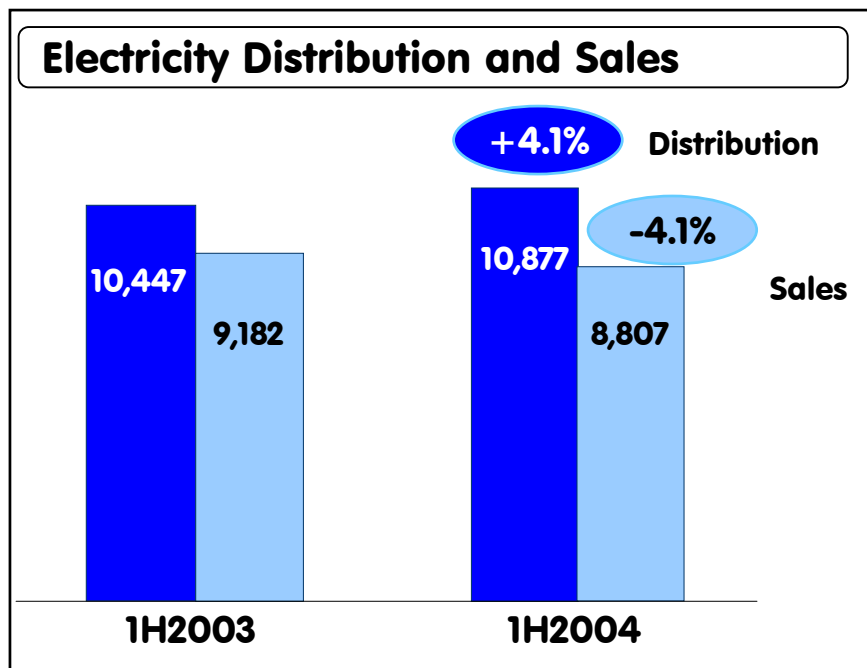
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**Brazil**

# Strong demand and higher tariffs



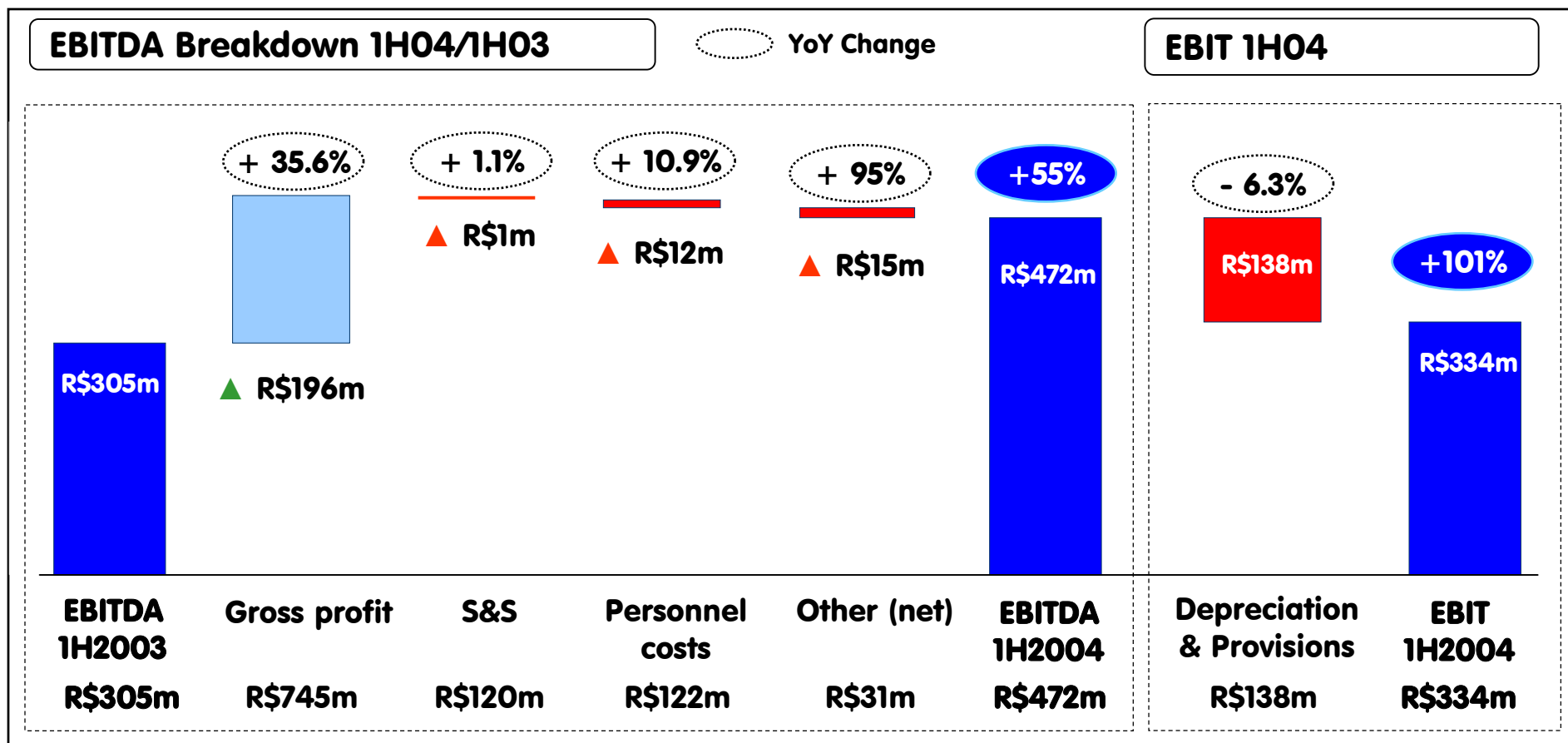
Operating Data	1H2004	1H2003	△
<b>Bandeirante</b>			
Distribution GWh	5,805	5,408	+7.3%
Gross Profit (R\$m)	319	192	+66.6%
<b>Escelsa</b>			
Distribution GWh	3,555	3,603	-1.3%
Gross Profit (R\$m)	194	177	+9.7%
<b>Enersul</b>			
Distribution GWh	1,518	1,437	+5.6%
Gross Profit (R\$m)	162	121	+34.1%

Strong demand in Bandeirante and Enersul's regions led to 4.1% increase in electricity distributed

Switch of industrial clients to free market impacted sales

Tariff revisions and adjustments resulted in 38% increase in gross profit of Dis.Cos.

# Operating costs under control



Tariff increases were the most important contributor to EBITDA

Operating costs up 11.6% in line with inflation



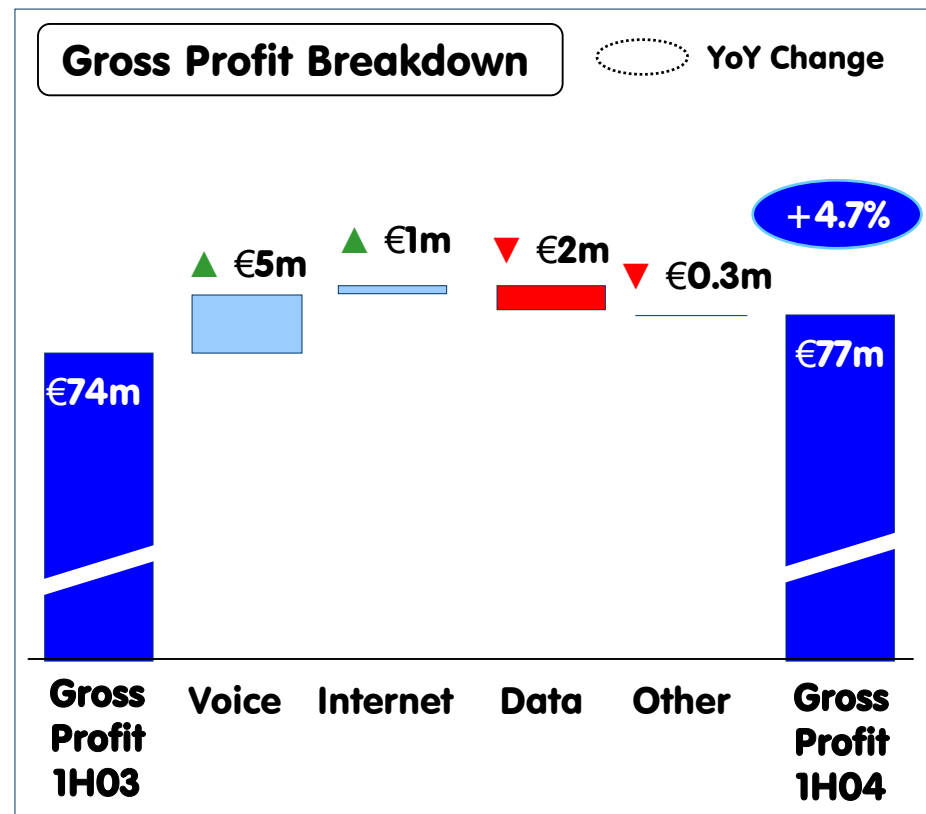
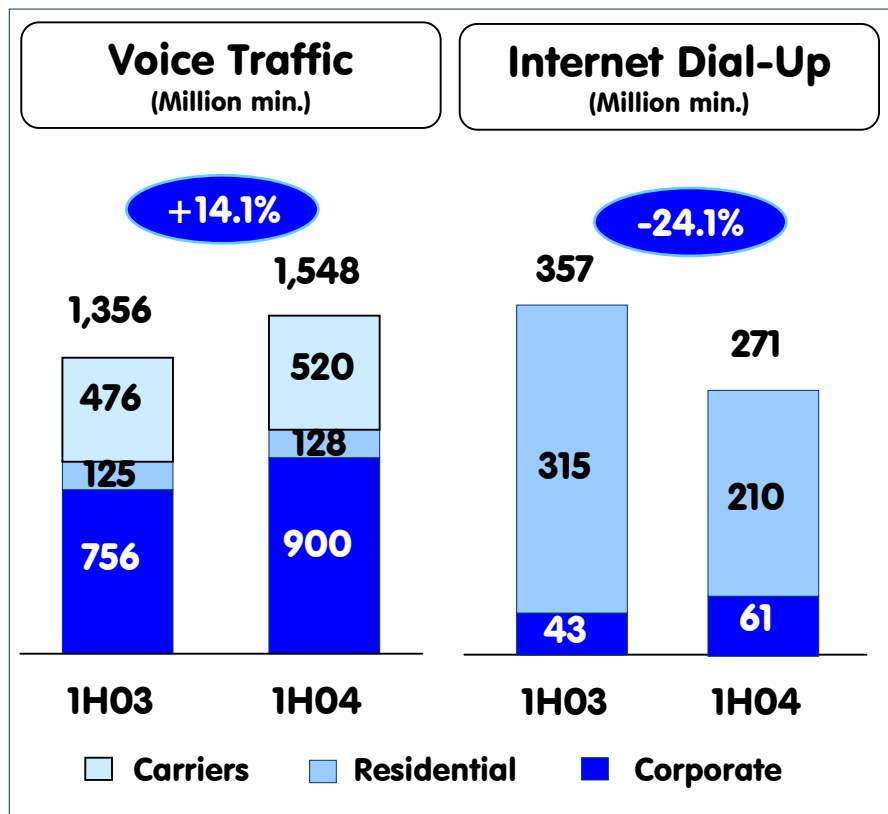
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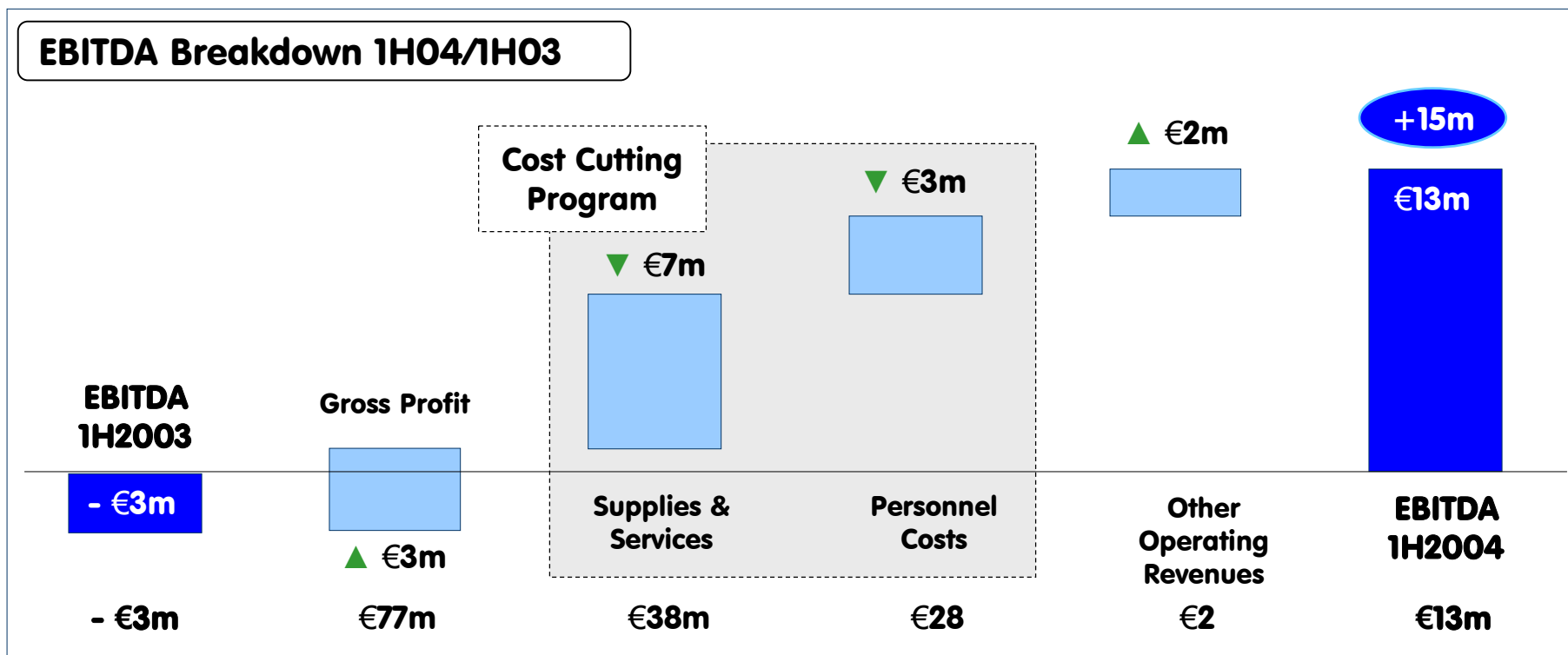
# Gross profit up 5% thanks to voice



Success with corporate clients led to a 14% increase in voice traffic

Pre-paid cards drove voice revenues

# Positive EBITDA



**Strict cost cutting resulted in €13m positive EBITDA**

**Savings in network expenses and advertising led to a 15% drop in S&S**

**Personnel costs fell following a 14% reduction in headcount**



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# Strong operating performance



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