



# EDP

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## Acquisition of Gas Assets in Spain from Gas Natural

# Transaction summary



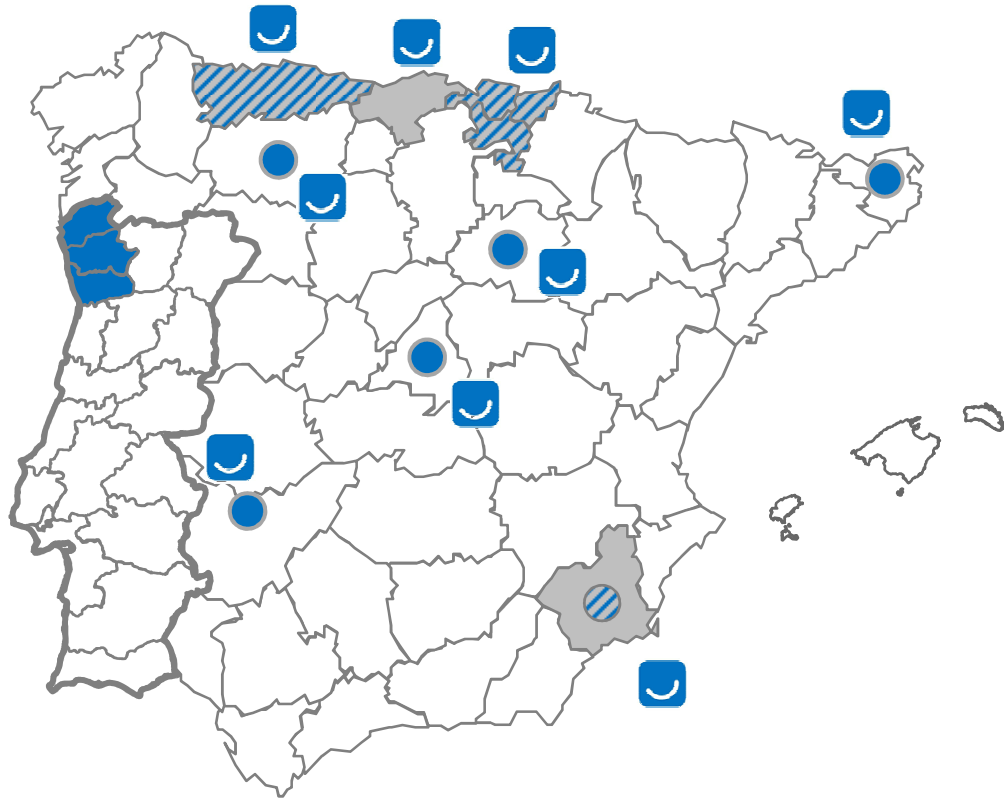
- **Naturgas** (64% owned by EDP) signed a Sale and Purchase agreement with Gas Natural for the **acquisition of low pressure gas distribution networks and supply clients** in the regions of Cantabria and Murcia, **and high pressure gas networks** in the regions of Asturias, País Vasco and Cantabria

- The companies and assets being acquired represented as of Dec-08: **2,860 Km of gas pipelines, 248,000 points of supply, 11.0 TWh of gas distributed and 214,000 gas & electricity supply clients**

- This operation was agreed for an **enterprise value of €330m**
- The assets now acquired are expected to contribute with **€35m of recurrent EBITDA in 2010**

- **Financial settlement** is expected to occur **between 4Q09 and 1Q10**, subject to Spanish regulatory and competition approvals (CNE and CNC)

# Assets being acquired: strong strategic fit with EDP's portfolio and growth potential into new regions



■ EDP gas distribution assets before transaction  
 ■ Gas distribution assets now being acquired

## Low Pressure Gas Distribution Network: bar<4 (Cantabria and Murcia)

Network extension (km)	2,394
Points of supply <sup>(2)</sup> ('000)	248
Gas distributed (TWh)	3.5

## High Pressure Gas Distribution Network: 4<bar<16 (Pais Vasco, Asturias and Cantabria)

Network extension (km)	465
Gas distributed (TWh)	7.5

## Gas & Electricity Supply (Cantabria & Murcia)

Gas Clients ('000)	210
Electricity Clients ('000)	4.0
Gas Consumption (TWh)	1.1
Service Contracts ('000)	67

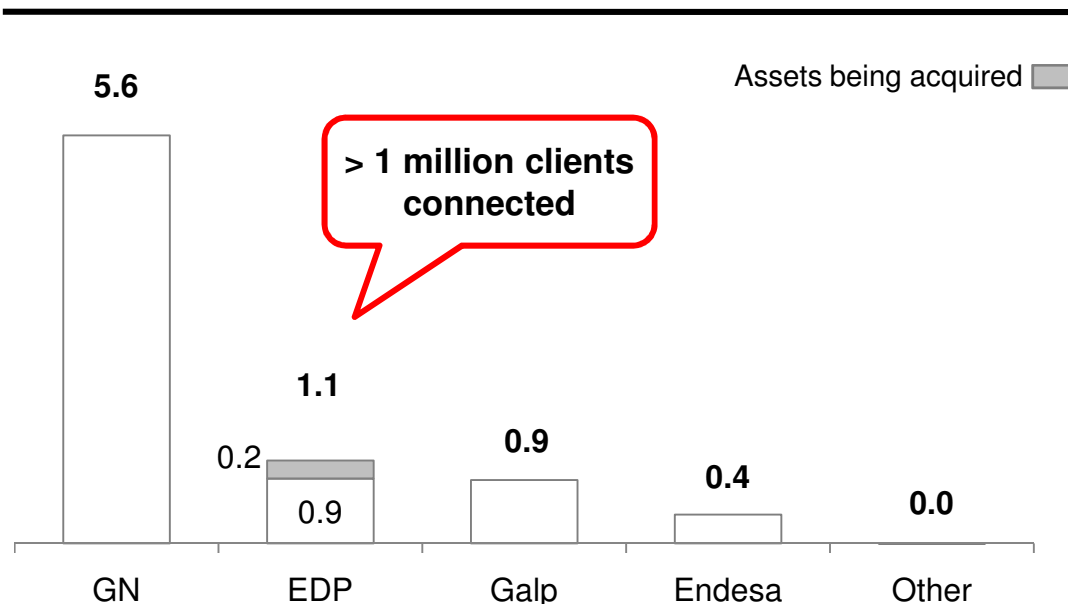
- ✓ Cantabria distribution assets (low and high pressure) are located in Naturgas' area of influence with a strong geographical fit with current gas operations
- ✓ **Synergies from integrated management of assets**

- ✓ Below Spanish average penetration rates<sup>(1)</sup> in acquired regions (due to recent network deployment) provide the rationale for profitable expansion
- ✓ **Strong growth potential from new acquisitions**

# Current transaction provides exceptional occasion to reinforce EDP's position in Iberian gas distribution market



Iberian market share – Post-deal <sup>(2)</sup> (points of gas supply)



## Pre-transaction market share



## Post-transaction market share



### Willing seller event deriving from remedies imposed by the Spanish CNC:

- Allows acquisition at interesting multiples, of attractive and scarce regulated assets with strong growth potential in EDP's core market

### Unique opportunity to substantially expand operations in the very restricted Spanish gas distribution market:

- Naturgas organic growth track-record provides evidence of above average performance (EBITDA CAGR 06-08 29%; POS CAGR 06-08 4%)
- ... But few important opportunities to expand into new regions have taken place in the last few years due to the concentration of asset ownership in a limited number of players

### EDP's market position strengthened as #2 gas distributor in Iberia

- With this transaction, EDP exceeds 1 million of clients connected

<sup>(1)</sup> 2009 E figures

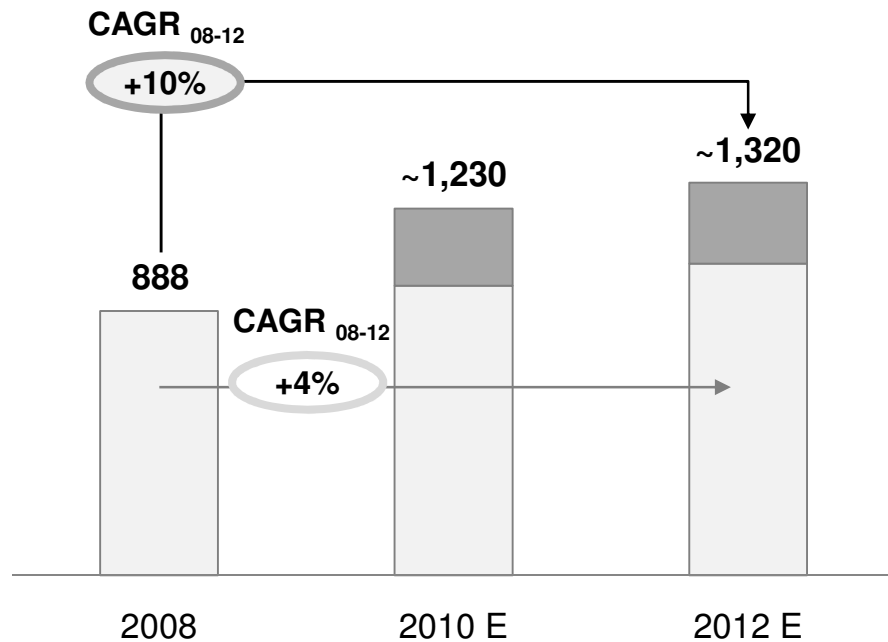
<sup>(2)</sup> Calculated on pro-forma basis taking into consideration Dec-08 Points of Supply

# EDP gas regulated activities in Iberia: Acquisition fuels double digit growth rates



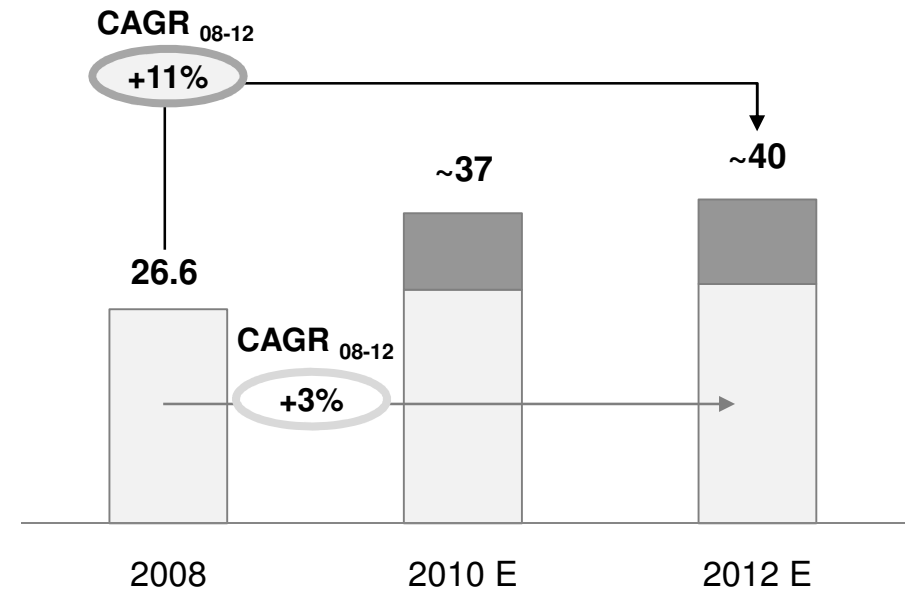
Points of supply ('000)

- CAGR Post-acquisition
- Assets now acquired
- CAGR Pre-acquisition
- EDP gas distribution Iberia



Gas Distributed (TWh)

- CAGR Post-acquisition
- Assets now acquired
- CAGR Pre-acquisition
- EDP gas distribution Iberia



**Points of Supply:  
Post-deal CAGR '08-12 more than doubles**

**Gas Volumes Distributed  
Post-deal CAGR '08-12 is almost 4x higher**

# Transaction valuation multiples



Enterprise Value	€330m
EBITDA 2010 E <sup>(1)</sup>	€35m
Points of Supply 2010 E (th)	259



## Transaction Multiples

### Total Gas Assets Purchased:

EV / EBITDA 9.4 x

### Low Pressure Distribution:

EV / Points of supply <sup>(2)</sup> 871

- **Low risk business with stable regulated remuneration** indexed to evolution of number of supply points, gas volumes distributed and HPI <sup>(3)</sup>
- **Eventual convergence to RoRAB system would imply upside in profitability** for these assets, but that was **not reflected in the price paid**
- **Significant synergies:** integration in Naturgas and implementation of best practices
- **Strong growth potential of assets acquired** due to early stage network development: **2009-12 EBITDA CAGR ~ 8%**

<sup>(1)</sup> 2010 E EBITDA from assets under transaction was adjusted for non-recurring items

<sup>(2)</sup> EV paid associated to the low pressure distribution network, excluding valuation of the acquired high pressure gas distribution assets and supply contracts

<sup>(3)</sup> HPI – Homogeneous Price Index

## **Conclusion: Strategic fit and strong potential for value creation**

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- ✓ **Reinforcement of EDP's #2 position in gas distribution in Iberia; #clients connected > 1 million**
- ✓ **Synergies: Good geographical fit and economies of scale with EDP's existing operations**
- ✓ **Unique opportunity in an attractive regulated business: deal imposed by regulatory remedies**
- ✓ **Attractive growth potential: Recent gas network (e.g. Murcia), room to increase penetration rate**



**edp**

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