



# **Building a leading global renewables player**

## **Acquisition of Horizon Wind Energy**



**March 27, 2007**

## Disclaimer

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*This presentation contains forward-looking statements within the scope of the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of edp and some of the plans and objectives of edp with respect to these items. By their nature, forward-looking statements involve risk and uncertainty since they depend on events and depend on circumstances that will occur in the future. The actual results and developments may differ materially from those expressed or implied in the forward-looking statements due to different factors. These factors include, but are not limited to, changes in costs, changes in economic conditions and changes in regulatory and government policy. Additional information, including information on factors which may affect edp business, is contained in edp 2005 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.*



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## **Transaction Summary**

**Strategic Rationale**

**US Market Growth Potential**

**Horizon Wind Energy Overview**

**Transaction Structure and Impact on edp**

**Conclusions**



### Consolidating edp's position as a global leader in renewables and developing a strong growth platform in the US

#### Horizon overview

- Leading player in the US wind sector (expected to be #3 by the end of 2007)
- Diverse portfolio in 15 high-growth states
  - 1,556 gross MW (1,324 net MW) to be installed by the end of 2007:
    - Operating: 559 gross MW (327 net MW)
    - Under construction: 997 gross MW (100% owned)
  - Development pipeline: + 9,000 gross MW
- Experienced management team with proven track record in development and construction of wind projects

#### Transaction overview

- edp to acquire Horizon Wind Energy from Goldman Sachs for cash
  - US\$2.15 billion equity value
  - Assumption of US\$0.18 billion debt
  - Closing adjustments for interim investments and other items
  - Funded with debt and tax equity
- Expected to close by end of 2Q 2007
- Subject to US regulatory approvals



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# Renewables play a significant role in the implementation of edp's strategic guidelines



1

## Controlled risk

Sustain low risk profile

Develop profitable supply strategy

Manage and reduce CO2 emissions

2

## Superior efficiency

Launch of cost efficiency program

Discipline on capex

Divest from non-core assets

3

## Focused growth

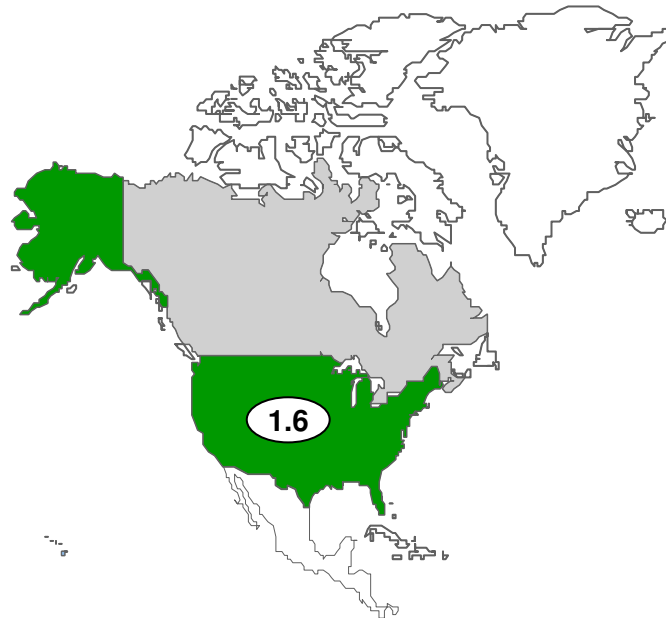
**Deliver high quality wind farm pipeline in Iberia and roll out international expansion**

Grow in generation in Brazil

Build new CCGTs in Iberia by 2008

Develop an integrated gas strategy

# edp positions itself in the most attractive renewables markets both in terms of growth and profitability



## North America

Take advantage of edp's leading position and knowledge to participate in one of the main growth markets in renewables

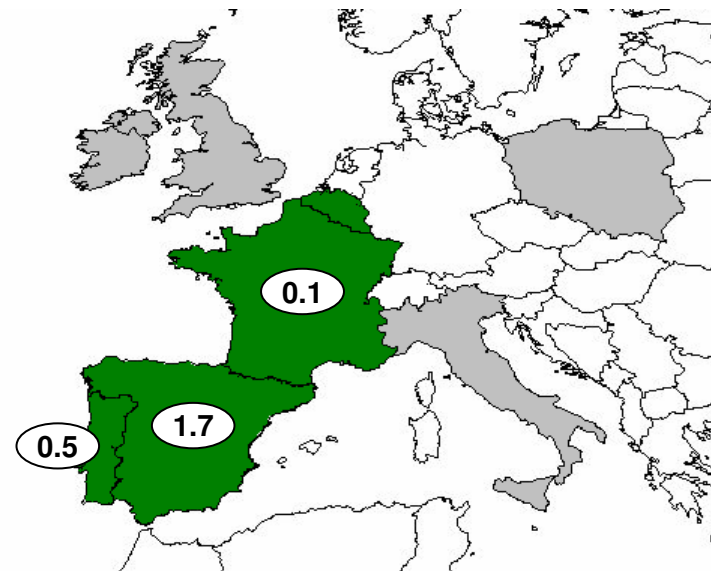
■ Countries already with installed capacity    ○ Number of installed gross GW (2007E)  
■ Countries selected for potential further expansion

Source: Horizon, edp's business plan

## Europe

Focus on attractive markets both in terms of stability, profitability and growth potential

Strong and established renewable energy player in Portugal and Spain and footprint in France and Belgium



## **Horizon is a natural fit with edp's strategic initiatives**

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**1**

**Fully consistent with edp's Strategic Plan 2007-2010**

**2**

**Enhances edp's global leadership in renewable generation**

**3**

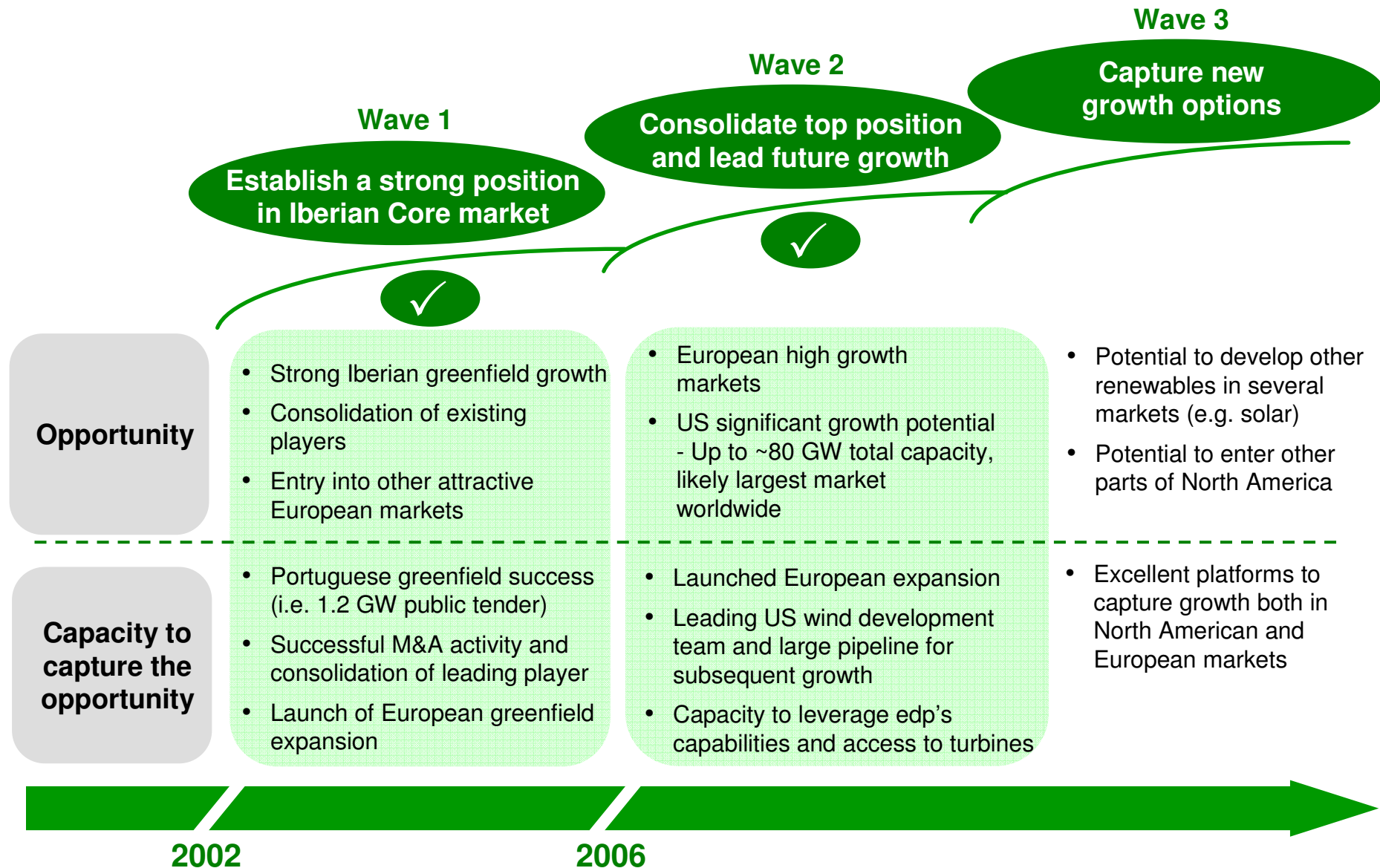
**Provides entry into high growth US market with a leading position**

**4**

**Diversifies income sources reducing portfolio/regulatory risk**



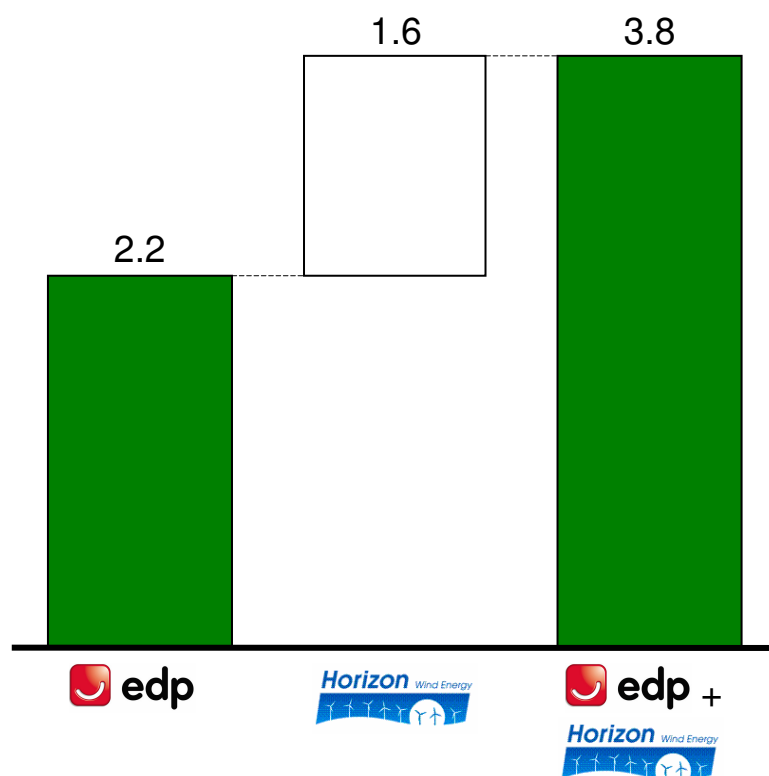
# Horizon represents a unique opportunity for edp to execute its long term strategy for the renewables business



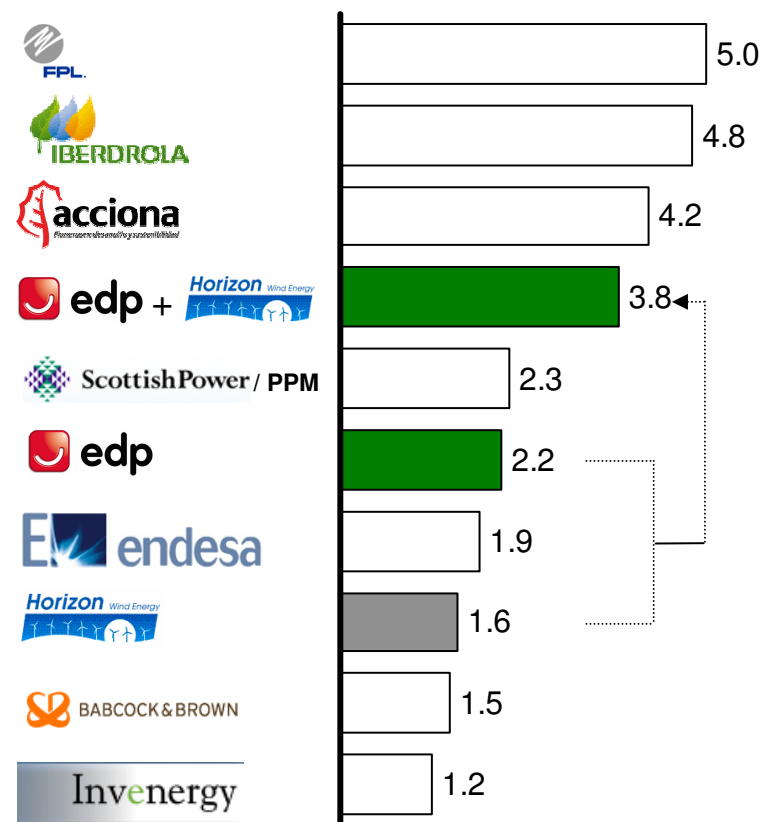
# edp will consolidate its leadership position in global wind power generation...



**Wind Generation Capacity (Installed)**  
Gross GW 2007E



**Global Wind Ranking (Installed Capacity)**  
Gross GW 2007E

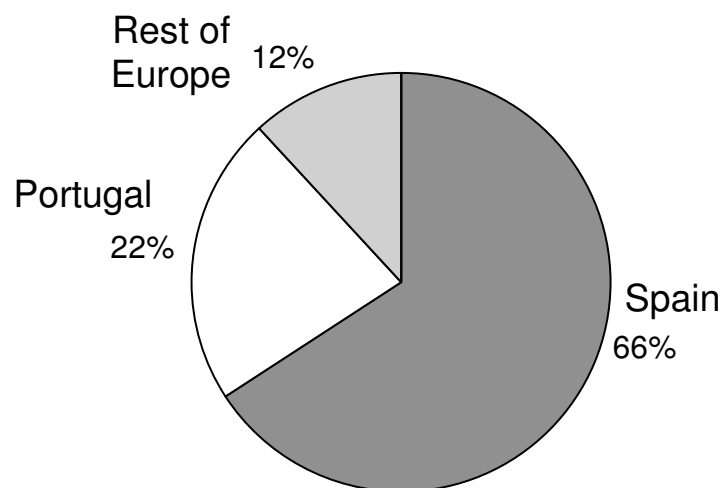


Source: edp, Horizon, companies websites and annual reports

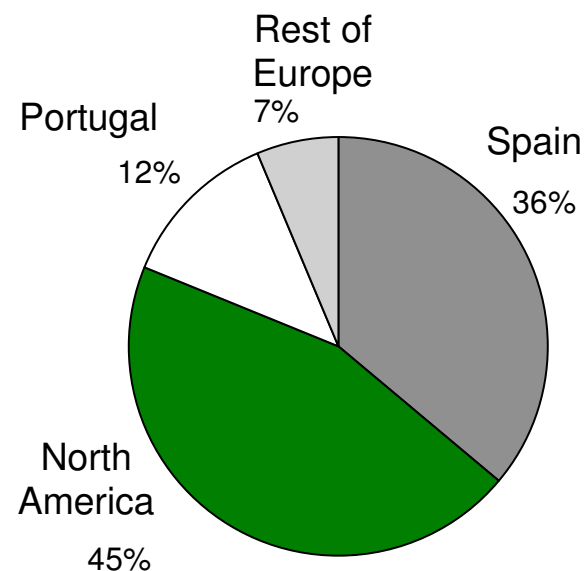
...and will further diversify its renewables portfolio...



**Wind Generation Capacity (Installed)**  
Gross GW 2010E (Percent)



**TOTAL: 4.2 GW**



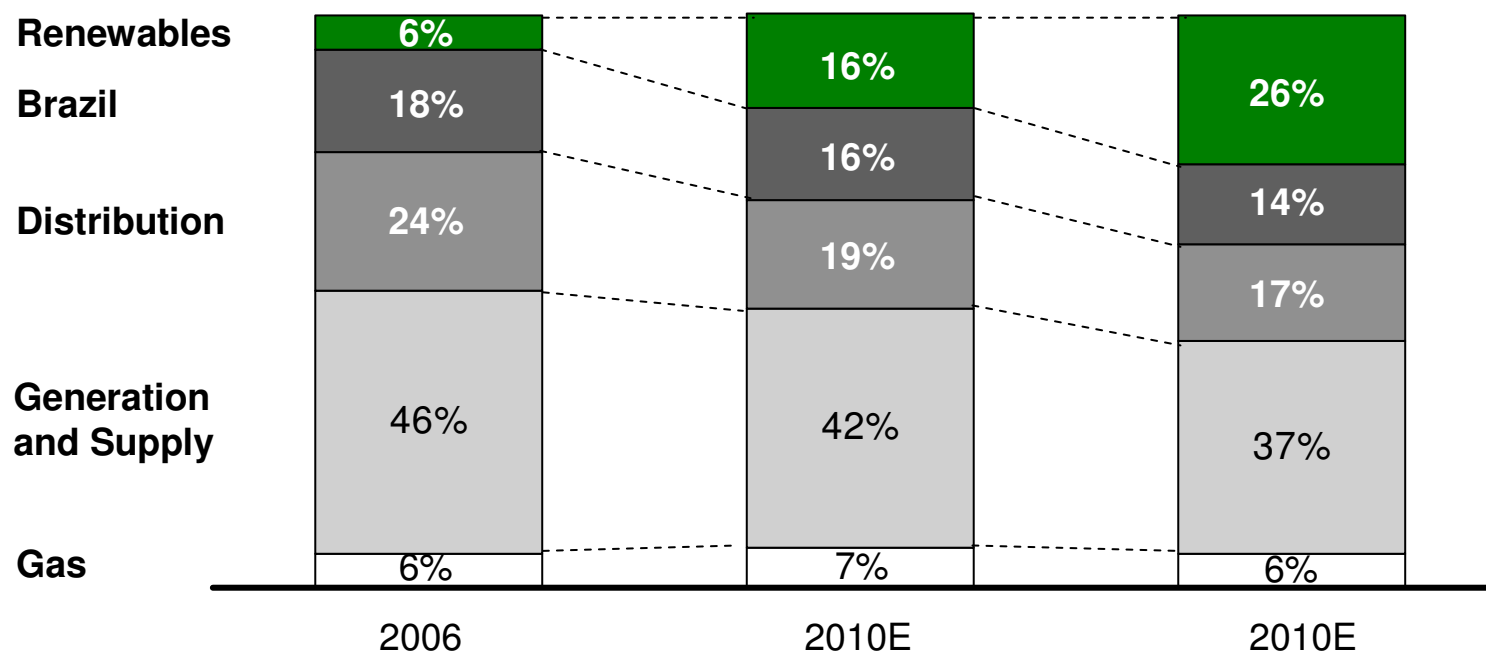
**TOTAL: 7.6 GW**

**edp expected to have one of the most balanced renewable energy portfolios**

**...which is expected to generate over 25% of edp's EBITDA by 2010 and contribute to a more balanced portfolio**



**EBITDA Breakdown by Business**  
(Percent)

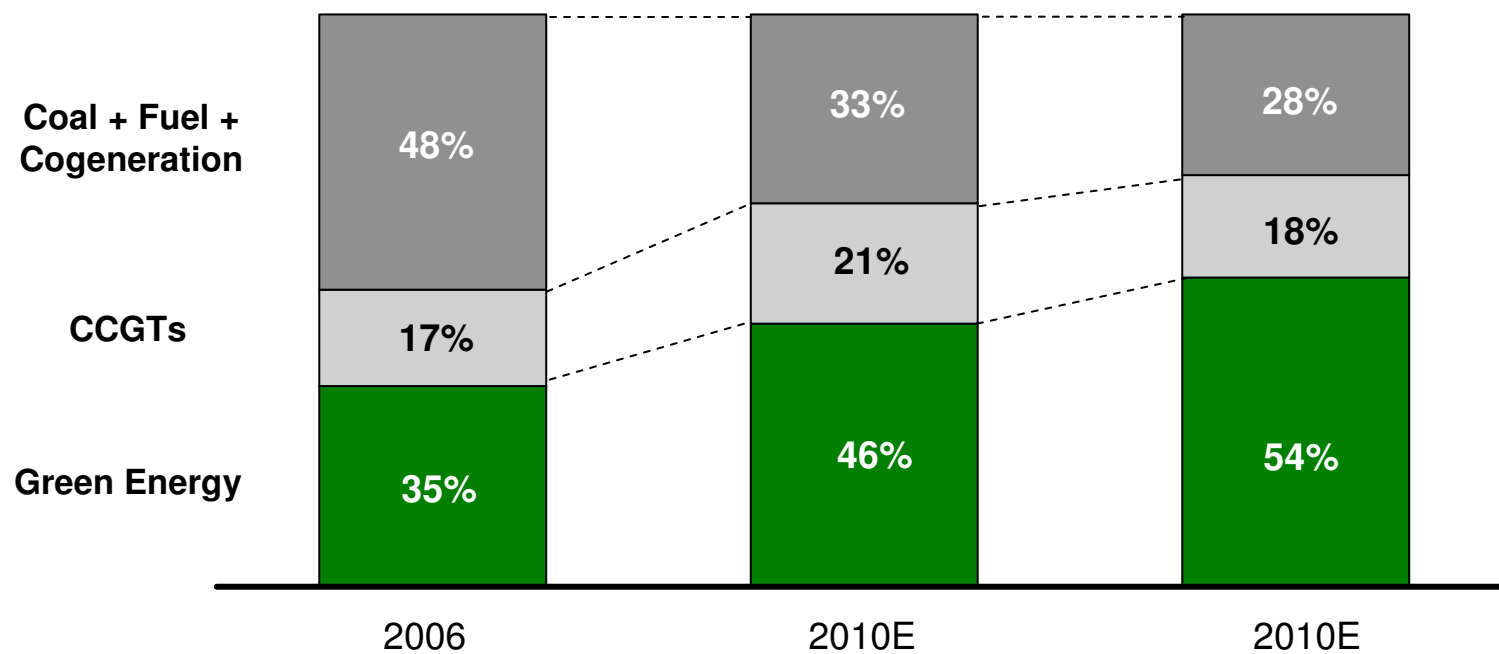


Source: Horizon, edp

# Increased contribution of “green energy” will accelerate the reduction of edp’s exposure to CO2 emissions



Generation Breakdown  
GWh (Percent)



Source: Horizon, edp



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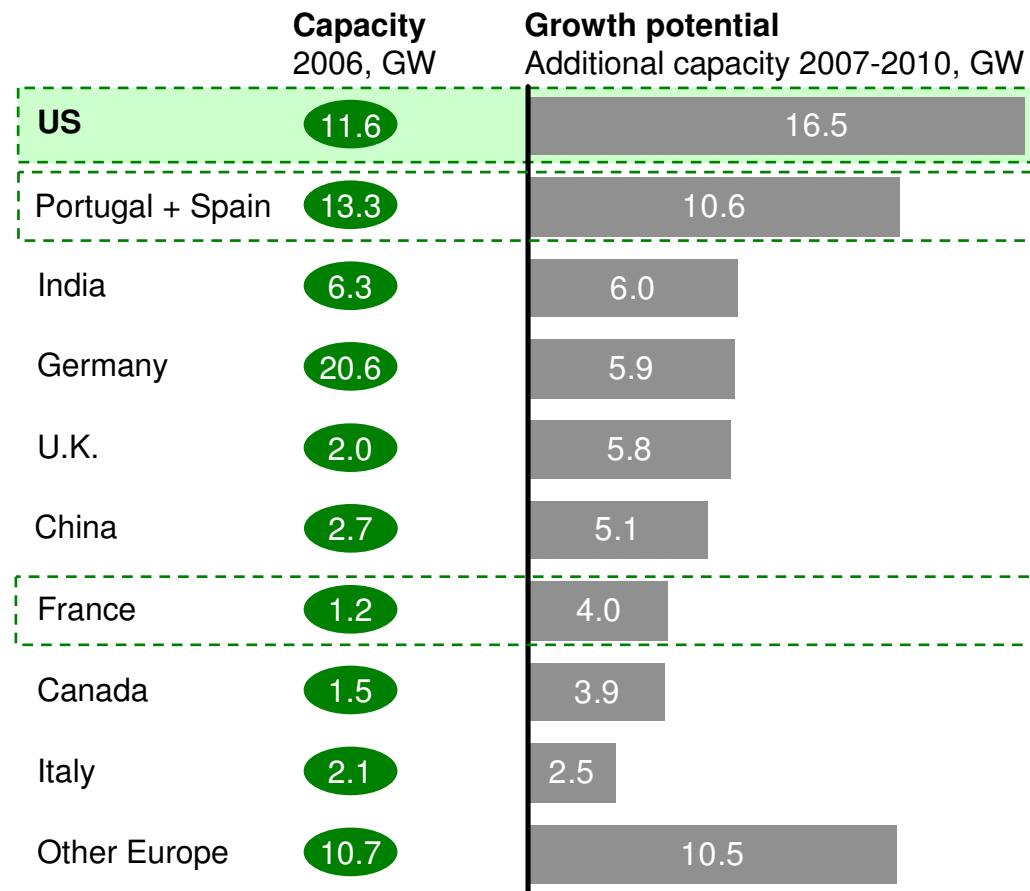
**Transaction Structure and Impact on edp**

**Conclusions**

# US wind market identified as key priority given size, growth potential, attractive economics and low risk



## Growth Potential by Country



edp positions itself in the most attractive renewables markets, namely:

- Portugal: fastest growing market in Europe
- Spain: second largest wind market in the world
- France: one of the European markets with higher growth potential
- US: highest growth potential and 3rd largest wind market in the world

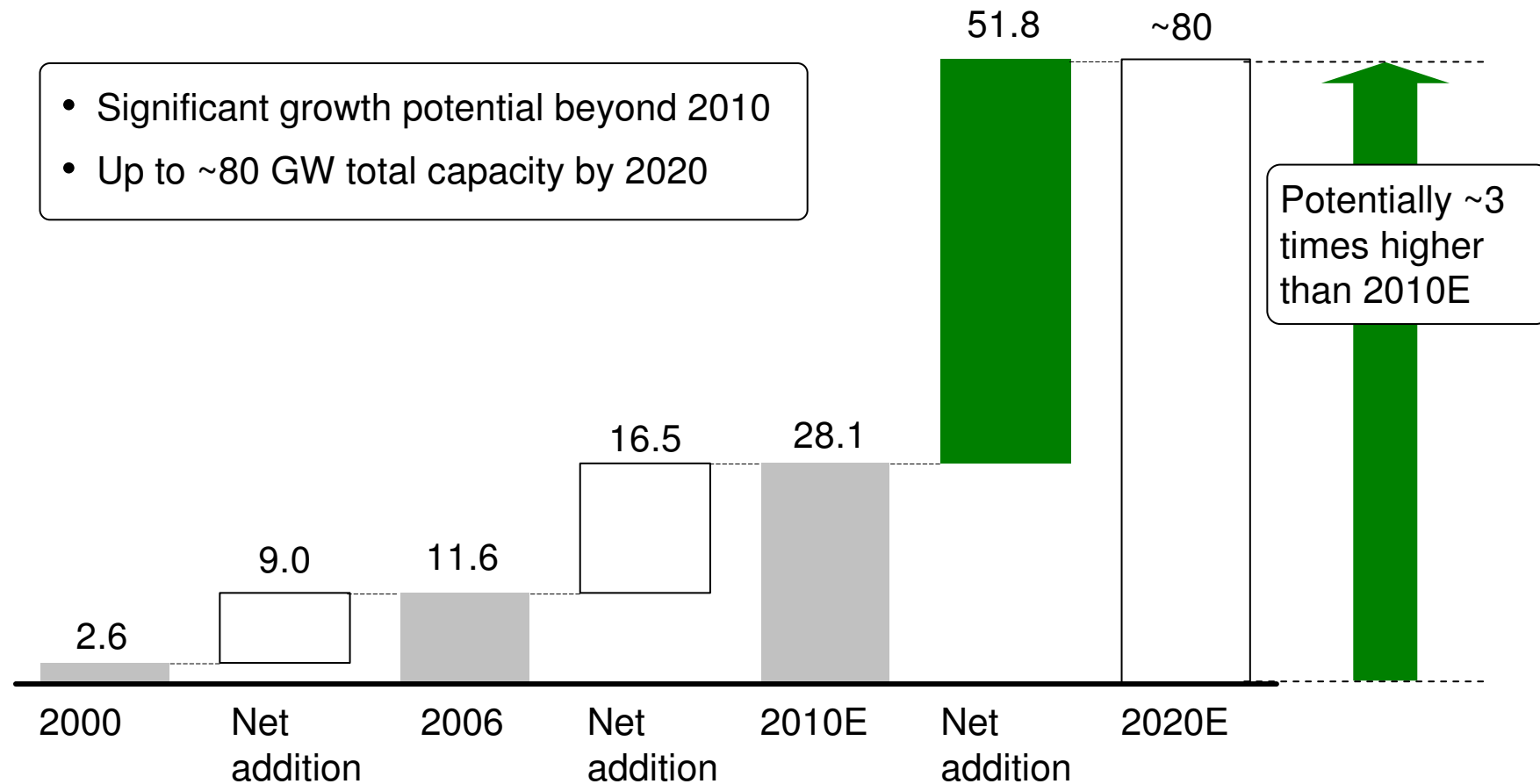
Source: BTM Consult, European Wind Energy Association, Emerging Energy Research, edp

# US positioned to become largest wind market worldwide, with high growth potential beyond 2010



## Wind Generation Capacity (Installed) GW

- Significant growth potential beyond 2010
- Up to ~80 GW total capacity by 2020



Source: BTM consult, Emerging Energy Research



# Renewables' growth in the US is supported by sound energy policies



## Renewable Portfolio Standards (RPS)

- **Renewable energy** targets set at **state level** (Federal targets possible in the future)
- **Increasing number of states** implementing new RPS and improving existing ones
- **Targeting 8% to 33%** of net generation from renewables

## Investment Benefits from Tax Incentives...

### Production Tax Credits (PTC)

- **US\$ 19 /MWh** of tax credit for renewables projects constructed prior to December 31, 2008
- **Likely to be extended**

### Accelerated Tax Depreciation (MACRS)

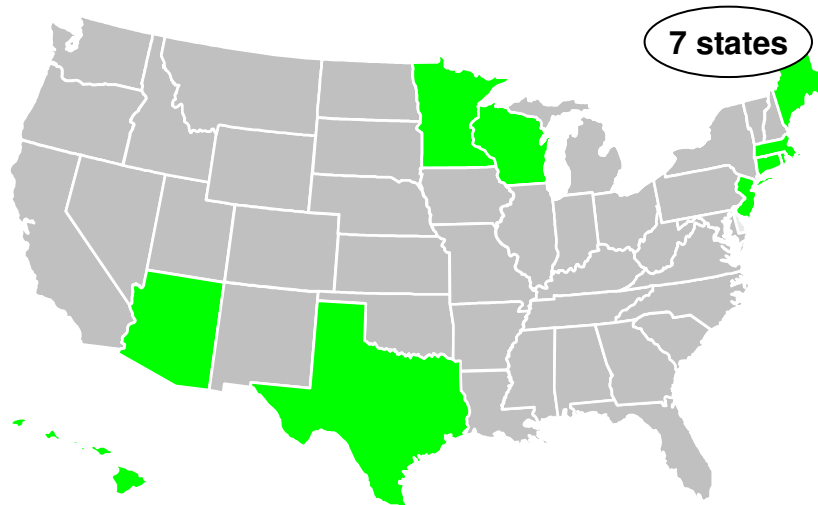
- **Stimulates capital investment**
- **Increases project NPV** by allowing more depreciation in beginning of asset life

...but wind generation mainly dependent on RPS, which will secure the "green value" in the future

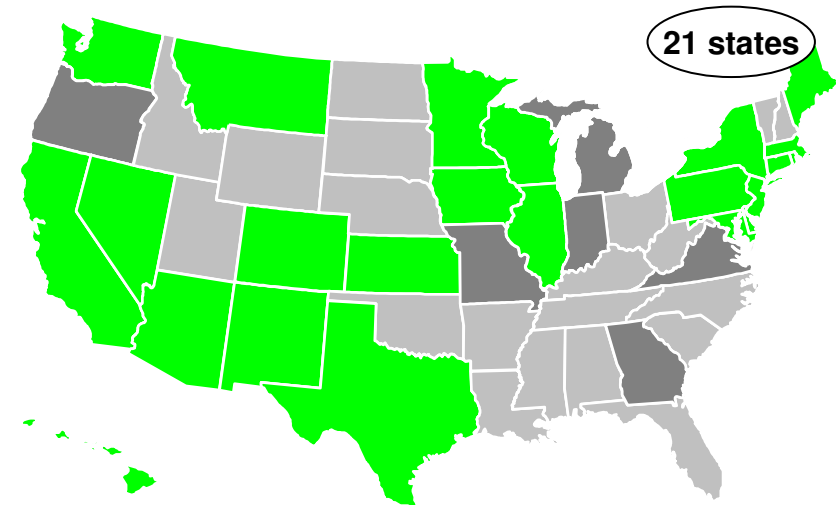
# Renewable Portfolio Standards (RPS) are state-driven renewable targets increasingly adopted by the different states



2001



2007E



States with RPS    States currently considering RPS

- State governments lead the push for increased renewable generation
- RPS establish the target capacity or production from renewable sources by specific dates
- Several states (e.g. Texas, California, Minnesota) have recently increased their RPS targets
- Wind energy can be economically competitive in some markets without RPS regulations



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# Horizon is a leading US renewables player with high quality assets and strong experienced management team...



## Leadership

- **Leading player in US wind market**
- **Leadership** in many **attractive states**
- **Strong pipeline** for future growth

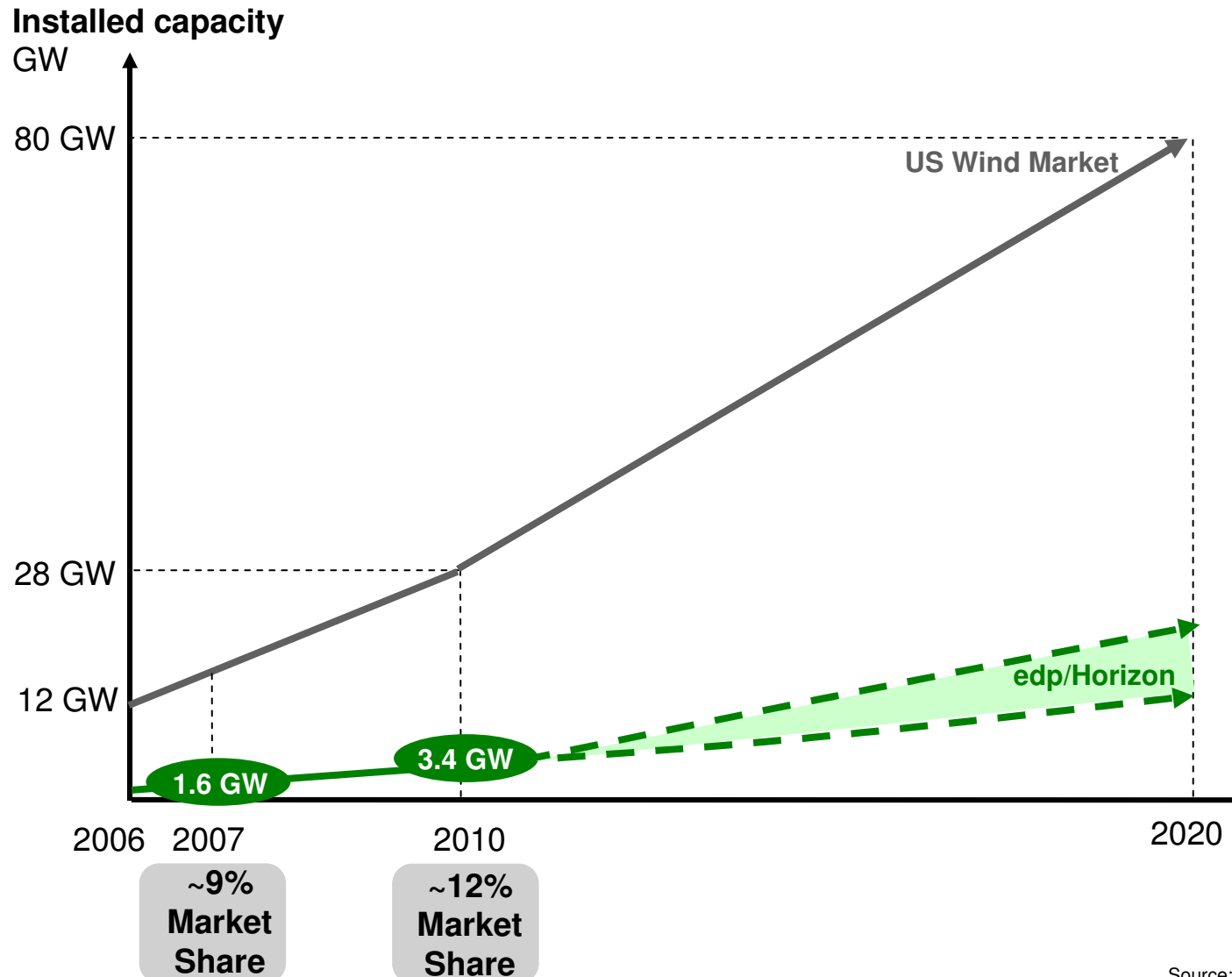
## Asset Quality

- **Early mover in key states**, consistently securing highly attractive sites
- **Diversified portfolio of Active Projects** in attractive renewables markets
- **PPAs with creditworthy counterparties**

## Strong Development Team

- **Leading US wind development team** over the last 8 years
- **A growth platform for North American expansion**
- Potential to **leverage edp's capabilities**

## ...and is well positioned to capture a significant share of US market growth



- The high growth in the US market offers wind participants attractive opportunities
- Horizon provides edp the ideal platform to capture a relevant market share in the long term

Source: Horizon, Emerging market research, edp

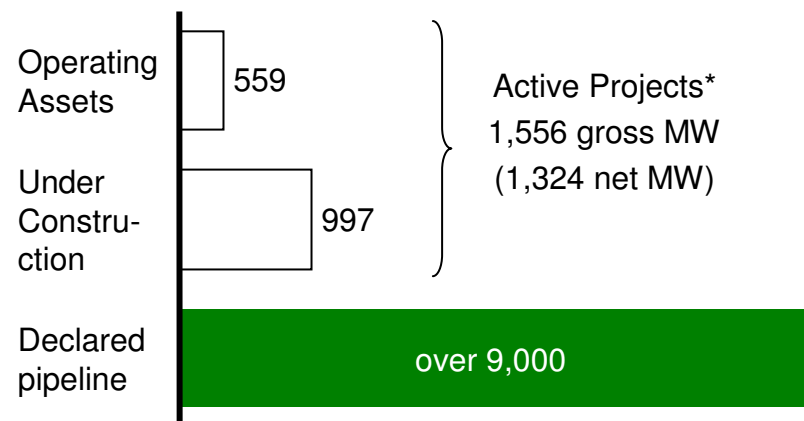
# Horizon provides leading US position with strong pipeline and development capabilities...



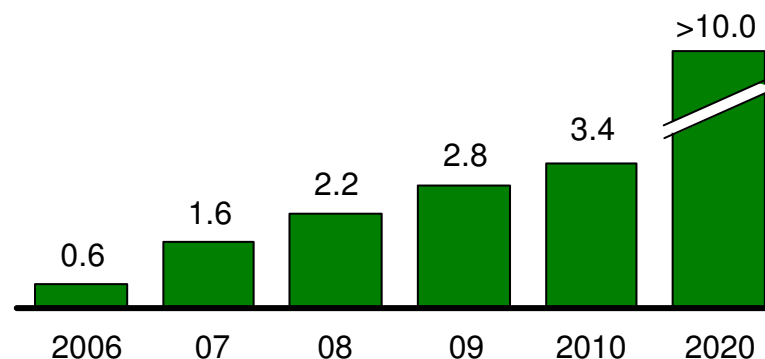
## Investment Highlights

- **High-quality portfolio:** Active Projects (operating + under construction assets) comprising 1,556 MW of gross generation (1,324 net MW) with an average of 37.5% net capacity factor
- **Predictable future cash-flows:** PPAs are in place for operating wind farms and are either signed or in advanced stages of negotiation for all projects under construction
- **Pipeline with over 9,000 MW** diversified over 15 states ensures opportunities to invest significant capital at attractive returns
- **Turbines secured** for all projects under construction and in advanced negotiations for pipeline projects

## Wind Generation Portfolio (Gross MW)



## Projected Build-out (Gross GW)



\* In addition to Active Projects, Horizon team also developed 718 MW of projects already sold to third parties

... including a diversified portfolio of Active Projects in attractive renewables markets...



#### Oregon

Gross MW	101
Net MW	101
# Projects	1

#### Minnesota

Gross MW	101
Net MW	101
# Projects	1

#### Illinois

Gross MW	396
Net MW	396
# Projects	2

#### New York



Gross MW	333
Net MW	172
# Projects	3

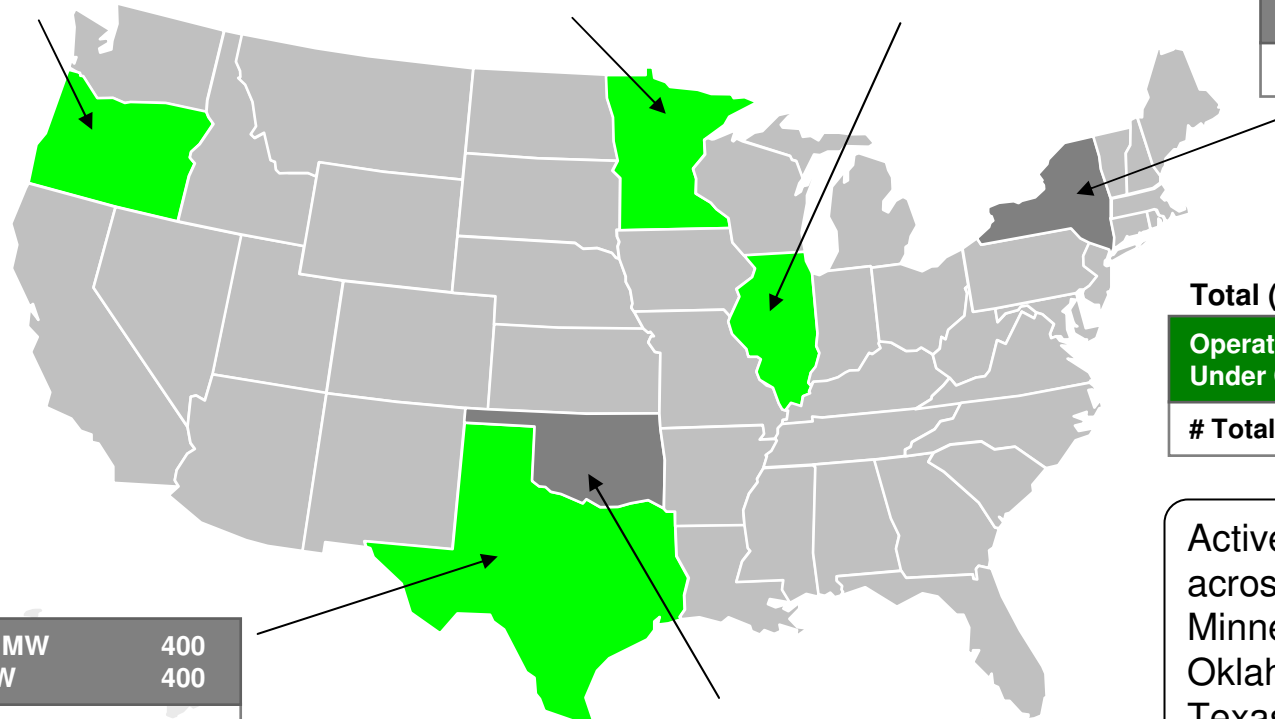
#### Texas

Gross MW	400
Net MW	400
# Projects	2

#### Oklahoma

Gross MW	226
Net MW	154
# Projects	2

 Operating projects  
 Projects under construction



Total (MW)	Gross	Net
Operating	559	327
Under Construction	997	997
# Total Projects	11	

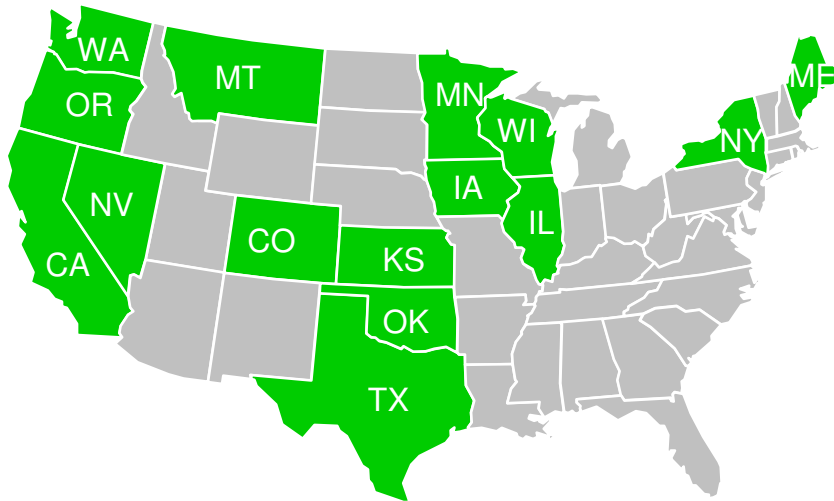
Active projects located across 6 states (Illinois, Minnesota, New York, Oklahoma, Oregon, Texas) which reduces variability of generation output and limits regulatory risk

Source: Horizon, edp

## ... and a project pipeline which secures edp's long term leadership position in North America



### Territorial Footprint



### Diversification Spread over Energy Markets

Energy Market	Footprint (State)	MW
NYISO-NEPool	NY, ME	1,000
PJM	IL	750
ERCOT	TX	1,100
CALISO	CA	1,300
MISO	MN, IA, WI	600
WECC	CO, MT, NV, OR, WA	3,400
SPP	KS, OK	900
<b>TOTAL</b>		<b>9,050</b>

- Diversification over the most attractive energy markets
- Expect to build over 600 MW per year
- Wide US footprint protects against local risks
- High wind resource focus
- Transmission selective sites

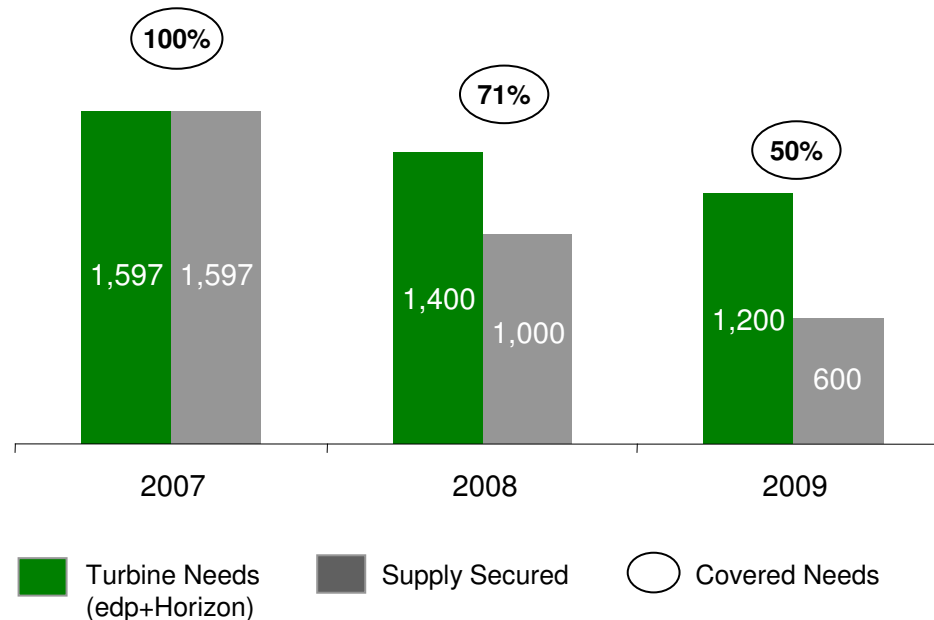
CA - California, CO - Colorado, IA - Iowa, IL - Illinois, KS - Kansas, ME - Maine, MN - Minnesota, MT - Montana, NV - Nevada, NY - New York, OK - Oklahoma, OR - Oregon, TX - Texas, WA - Washington, WI - Wisconsin



# edp has 100% of turbine needs covered for 2007 and most secured for 2008-2009 (already incorporating the acquisition of Horizon)

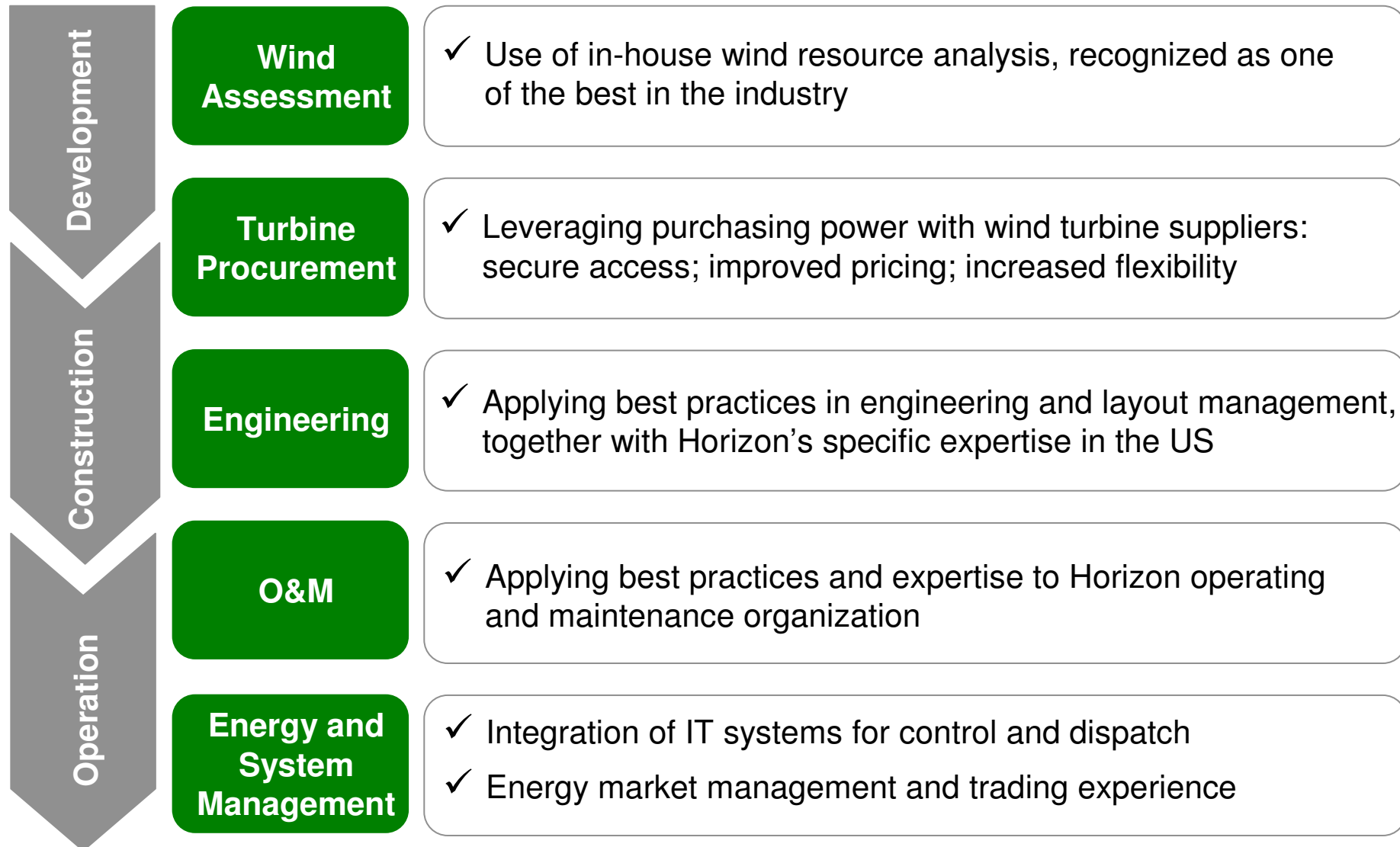


## Turbine Needs vs Secured (MW)



- Possibility to leverage edp's relationships with turbine manufacturers to ensure supply
- Horizon on its own has secured turbines for all projects under construction and is in advanced negotiations regarding pipeline projects
- Wind turbine selection focused on reliable and consolidated technologies
- Key terms in line with market standards

## Horizon will leverage the highly developed business capabilities of edp along the entire wind value chain





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## Purchase price assumes \$2.3 billion of enterprise value



### Purchase Price

- US\$2.15 billion for equity of Horizon
- Assumption of US\$0.18 billion of existing Horizon debt
  - Will be redeemed upon closing
- Estimated purchase price adjustment of additional US\$0.6 billion
  - Based on Goldman Sachs net investments in Horizon between 31/12/06 and closing
  - Assumes closing by end of 2Q07
- Total funding need: ~ US\$2.9 billion (€2.2 billion), before tax equity proceeds

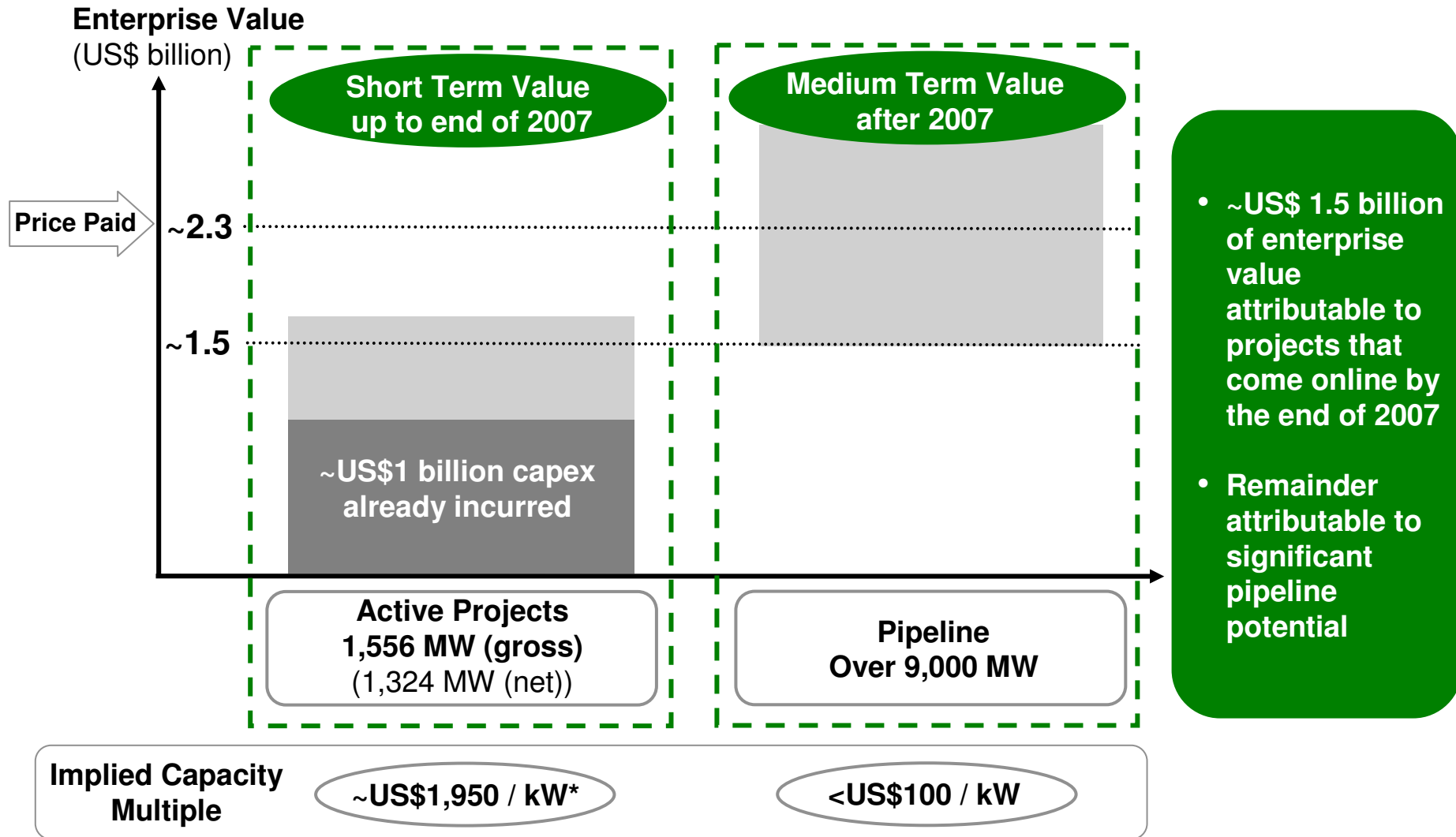
### Debt Financing

- Underwritten bridge loan covering total funding needs
- Bridge loan take out and funding for capital expenditures to be addressed as part of edp's overall financing strategy

### Tax Equity

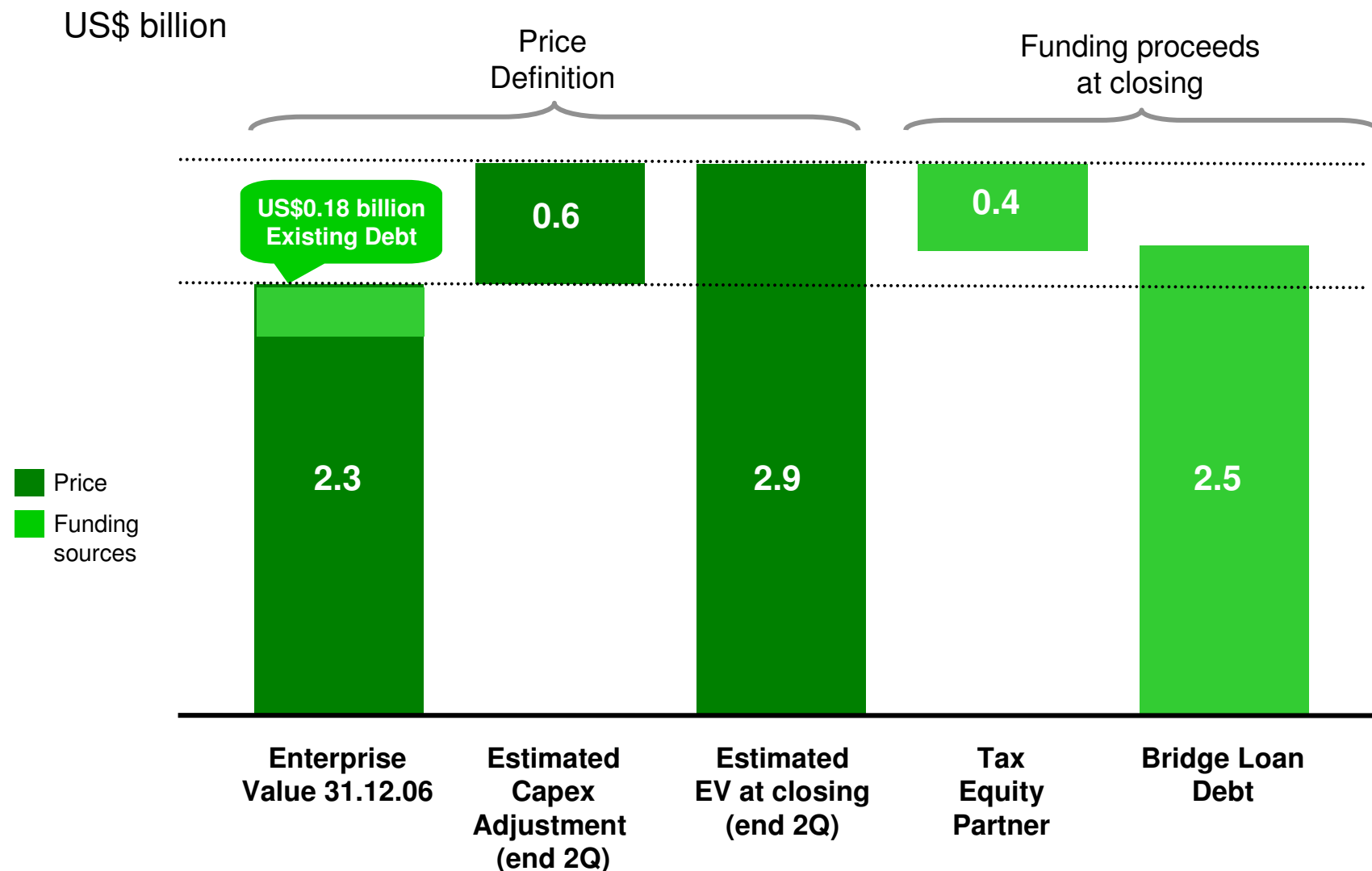
- edp has fully underwritten commitment from tax equity partner for the active projects
- Allows edp to monetize substantial amount of US tax benefits provided by wind projects in the future
- Approximately US\$0.4 billion of proceeds to edp at closing plus additional proceeds as the projects are built

# Over 60% of implied value attributable to projects in operation by end of 2007, with significant cash flow certainty



\* Multiple for the projects under construction adjusted for approximately US\$1.1 billion capital expenditures still to be incurred

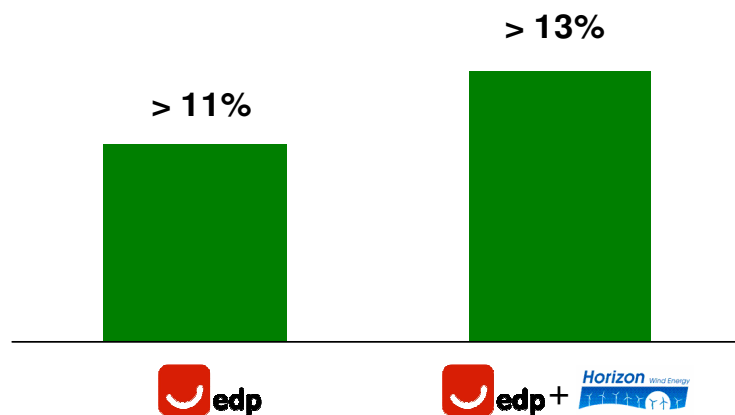
**Assuming an expected closing by end of 2Q, total estimated price of US\$2.9 billion will be financed through US\$2.5 billion of debt**



# Horizon represents a significant source of EBITDA growth...

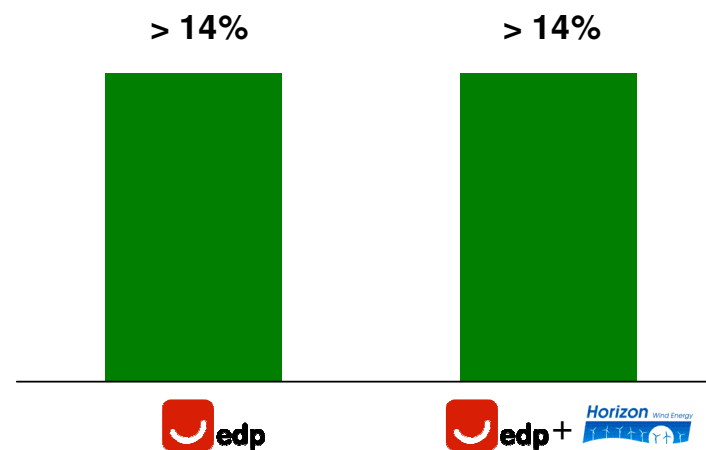


EBITDA CAGR (2005-2010)



The acquisition of Horizon will enable edp to anticipate its targets in terms of EBITDA growth...

EPS CAGR (2005-2010)

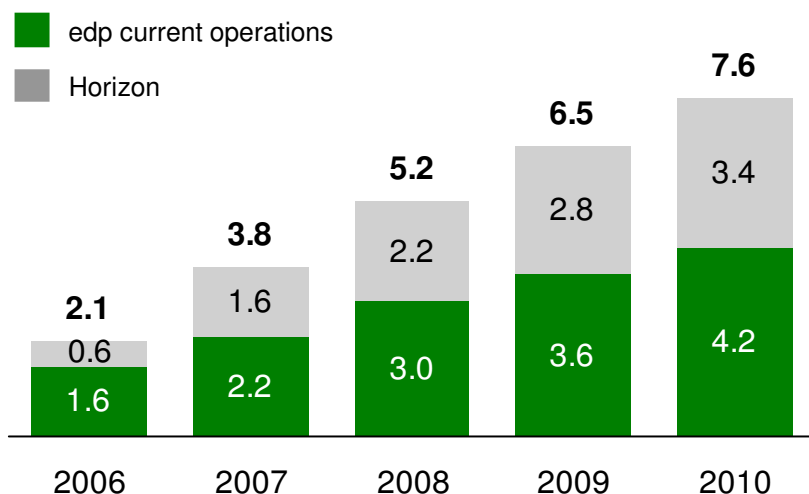


...and EPS impact is expected to become accretive by 2010

## ... and an attractive application of capital

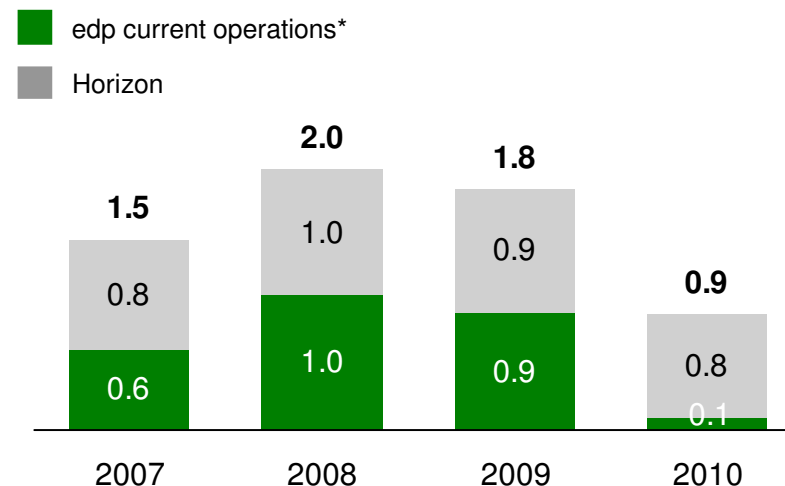


### Wind Generation Capacity (Installed) Gross GW



Horizon's acquisition boosts  
edp's renewables assets  
growth reaching ~7.6 GW in  
2010...

### Wind Capital Expenditures € billion



...which will imply additional  
total cumulative capex of  
€3.5 billion between 2007  
and 2010

\* Capex does not include €500 million related to the 1,200 MW Portuguese tender for wind power licenses that the consortium Eólicas de Portugal was awarded in October 2006, and in which edp has a 40% stake - this stake will be equity consolidated

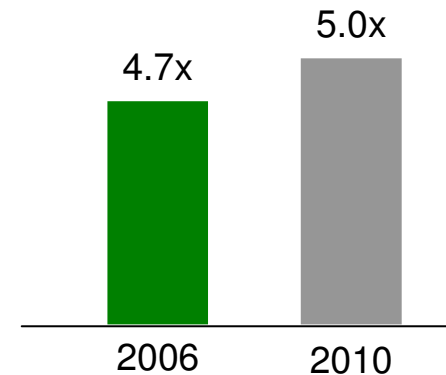


## After the acquisition edp expects to gradually improve its credit measures

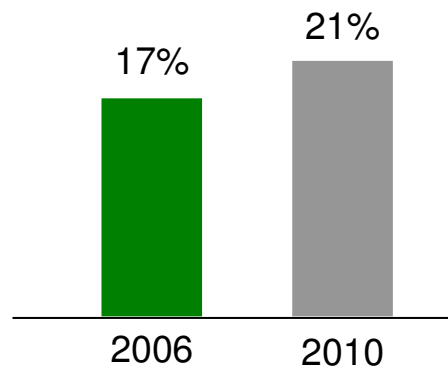


- The acquisition of Horizon is expected to lead to an increase in net debt of approximately €3.2 billion by 2010
- Ratios are expected to gradually improve after acquisition to levels consistent with edp's low risk business portfolio

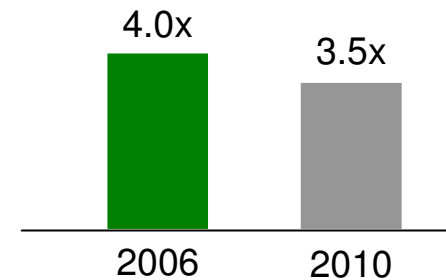
**FFO / Interest**



**FFO / Net Debt**



**Net Debt / EBITDA**



edp current operations



Pro forma (edp + Horizon)



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## Horizon is a natural fit with edp's strategic initiatives



- 
- 1 Fully consistent with edp's Strategic Plan 2007-2010**
  - 2 Enhances edp's global leadership in renewable generation**
  - 3 Provides entry into high growth US market with a leading position**
  - 4 Diversifies income sources reducing portfolio/regulatory risk**

**The acquisition of Horizon ensures edp a powerful leadership position in renewables worldwide, fully consistent with its key strategic priorities**



**edp**

**feel our energy**