



edp

Acquisition of Agrupación Eólica

December 15th 2006

 **neo energía**

Agrupación Eólica transaction summary



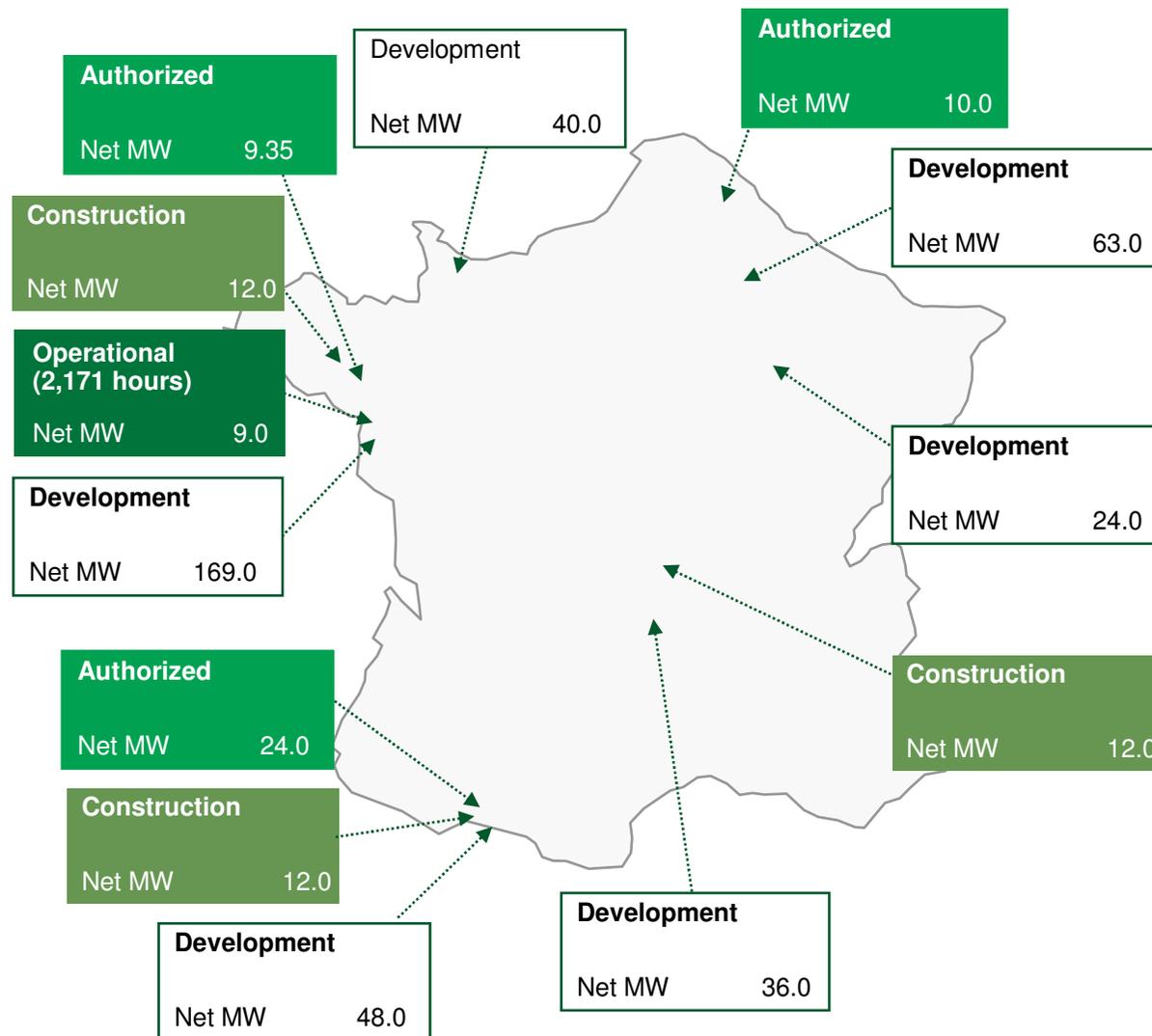
- EDP acquired 100% of Agrupación Eólica (“AE”) for €346 million equity value and €64 million of net debt and shareholder loans.
- Total installed capacity of 155 MW and 1,044 MW in the pipeline under development split between France and Spain
- In France, AE has 9 MW in operation, 36 MW under construction and another 423 MW in the pipeline in different stages of development.
- In Spain, AE is one of the largest independent players in wind power – with a strong presence in Aragón (one of the regions with higher wind potential in Spain) – with 146 MW in operation, 16 MW under construction and 569 MW in different stages of development. Aragón represents 83% of operating MW and 56% of AE’s pipeline in Spain.
- The quality of the AE’s operative assets in Spain, in terms of wind hours per annum, is well above the Spanish average (3,067 hours compared to 2,250 hours*).
- The company has a strong management team, both in Spain and France, that guarantees the materialization of the current pipeline and potential development of future additional projects.
- AE is expected to contribute with a €20 million EBITDA in 2006, up to €94 million in 2010.

Agrupación Eólica's operations in France



Total MWs France*	
Installed Capacity Dec 2006 - MW	
Operational wind farms (Gross)	9.0
Total Pipeline - MW	
Construction (Gross)	16
Authorized (Gross)	63
Development (Gross)	380
	459

- 9 MWs in operation with 2,171 average working hours
- 459 MWs pipeline with 2,200 average equivalent hours
- High quality local operational team, composed of 8 professionals, with presence in the country since 2001
- NEO's current 30 MWs under construction in France to be integrated with AE's French operations



Agrupación Eólica's operations in Spain: high quality assets



Total MWs Spain *	
Installed Capacity Dec 2006 - MW	
Operational wind farms (Gross)	146
Total Pipeline - MW	
Authorized (Gross)	278
Development (Gross)	307
	585

- 146 MWs in operation with an average of 3,067 working hours per year (36% above Spanish average of 2,250 hours), focused in Aragón (83% of total operating MW)
- Pipeline with average equivalent hours of c. 2,700 hours, 20% above Spanish average. Pipeline located in Aragón (56%), Castilla y León (20%) and Cataluña (18%)
- Highly experienced management team
- AE has operating control of all gross MWs, guaranteed by contract (namely in Ceasa where we have a 50/50 JV with Energi E2)

Castilla y León:

Operational (2,680 hours)	
Gross MW	9.0
Net MW	5.4
Development	
Gross MW	159.5
Net MW	83.0

Aragón:

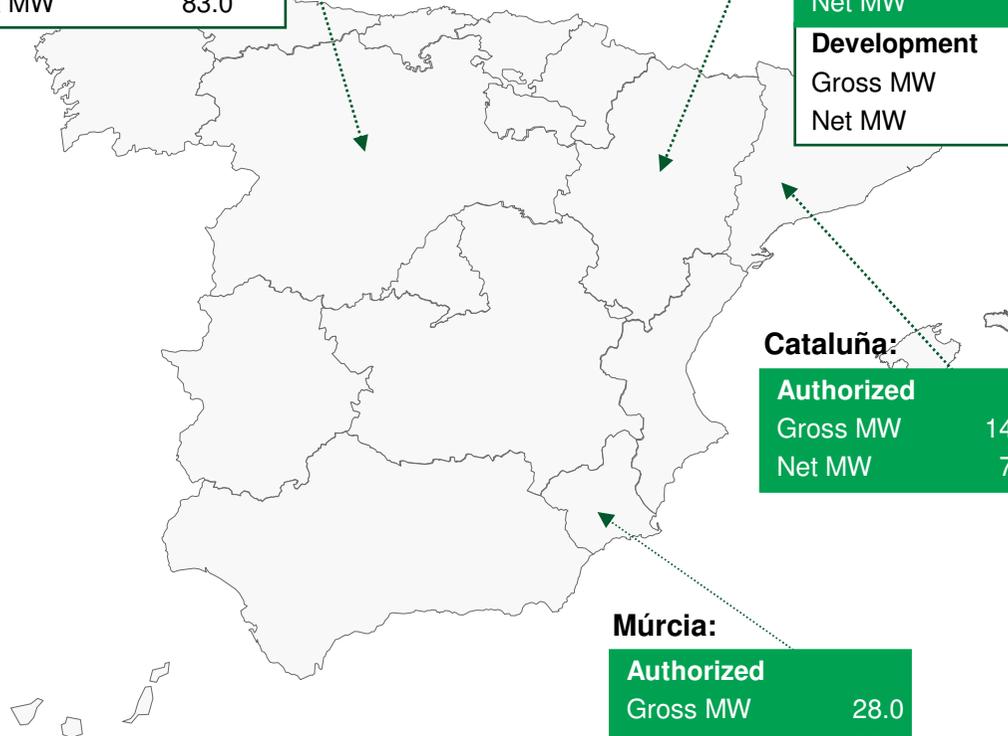
Operational (3,081 hours)	
Gross MW	137.3
Net MW	69.4
Authorized	
Gross MW	104.0
Net MW	103.0
Development	
Gross MW	147.0
Net MW	143.0

Cataluña:

Authorized	
Gross MW	146.0
Net MW	79.0

Múrcia:

Authorized	
Gross MW	28.0
Net MW	28.0



France: an attractive market for wind power development



Stable and attractive regulatory framework...

- **Low risk remuneration for projects due to fixed tariffs and periods** - Remuneration in France is based on a tariff fixed by the Government (granted for a period of 15 years):

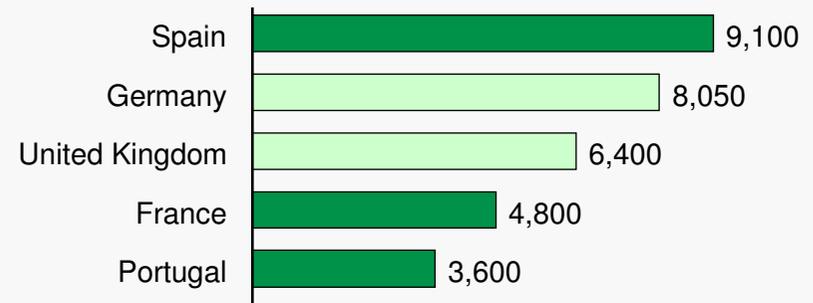
Base Tariff	
Entry in operation	Base Tariff (€/MWh)
2006	€82.0/MWh
2007	€81.4/MWh
2008	€80.8/MWh
2009	€80.2/MWh
2010	€79.6/MWh

- After entry in operation tariff grows at a K rate over a 15 years period (CPI ≈ K)
- From the 16th year onwards, tariff should converge to market wholesale price levels

...in a market with a sizeable growth potential

- Current wind power installed capacity (1,000 MW) compared to the objectives of the French Government for 2013 (12,000 MW), reveals a **high probability of materialization of the pipeline projects in France for the next years**

Installed Capacity Additions (MWs) between 2006-2010



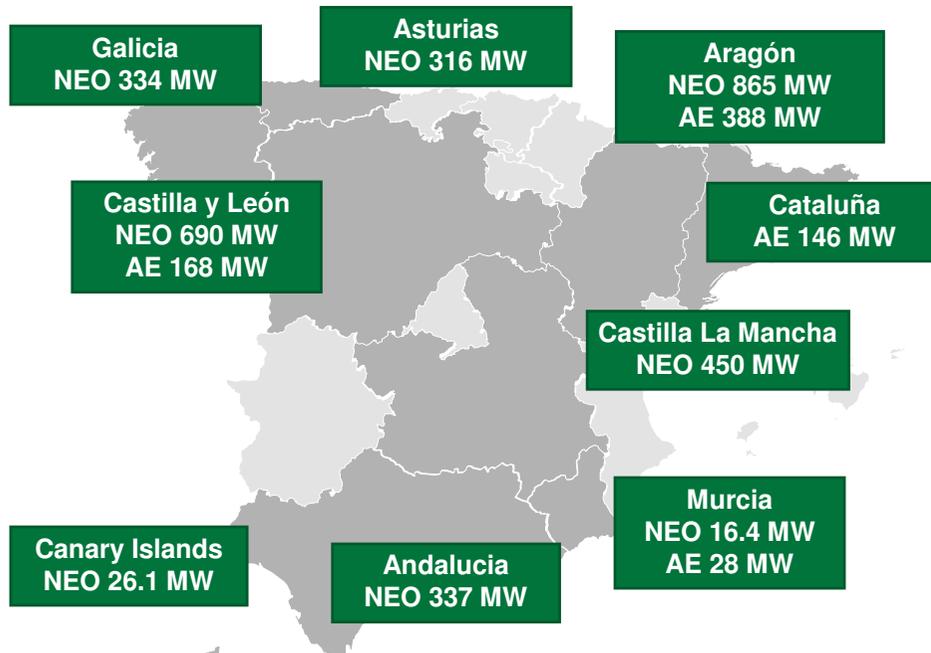
Source: International Wind energy Development, World Market Update 2005, BTM Consult ApS – March 2006

Agrupación Eólica acquisition gives NEO a strong platform to grow in the attractive French market

Spain: taking advantage of consolidation trend



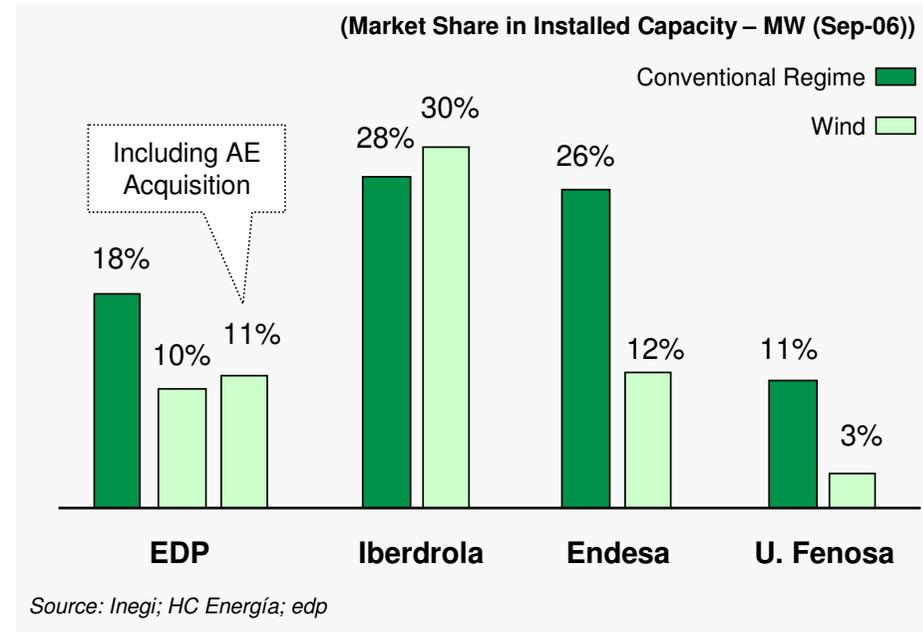
Synergies from consolidation of NEO and AE operations*



- Significant potential of synergies between AE and NEO operations Spain due to geographical and operational strategic fit, namely scale economies through procurements and the reduction of output deviations to the grid.

- The draft for the new wind regulation in Spain was taken into account in the acquisition assumptions.

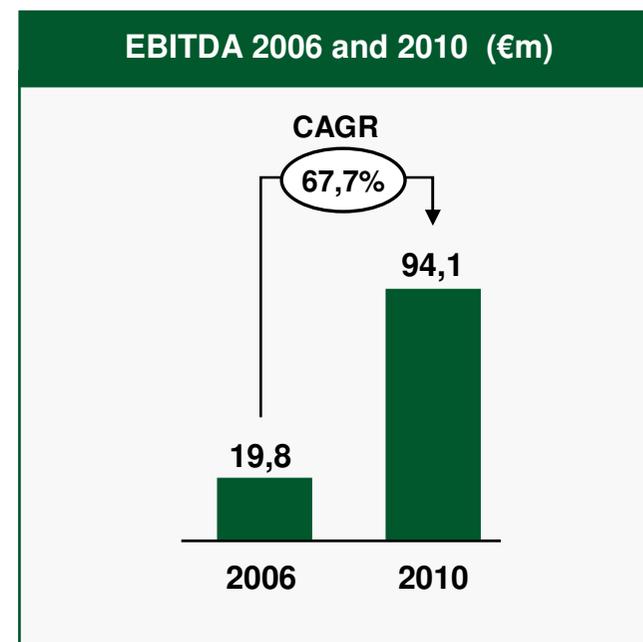
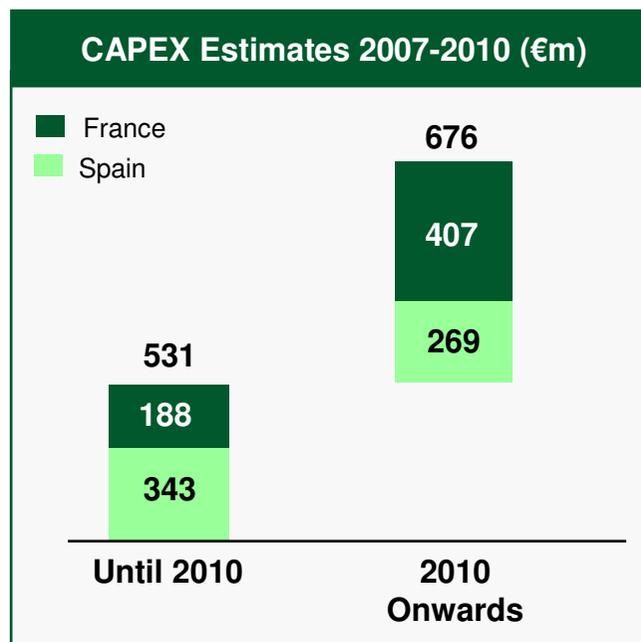
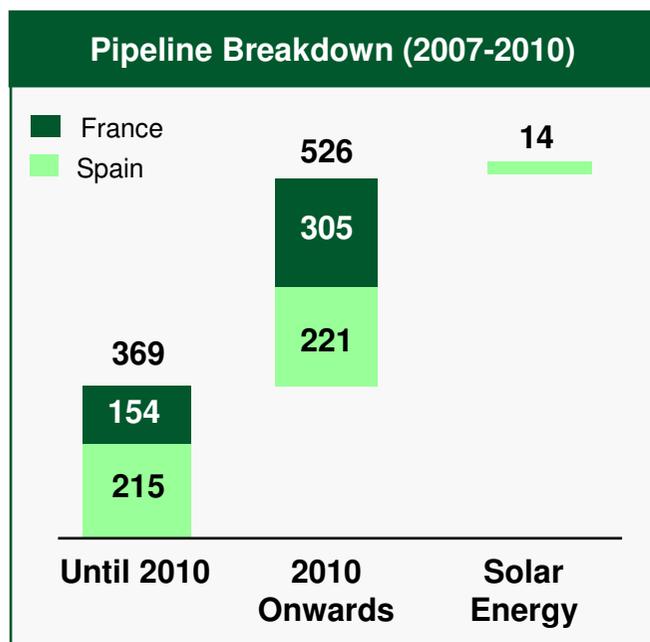
market share in wind still below conventional generation



- Wind Iberian market share increases from 10% to 11%, still below EDP's 18% share in Iberian conventional generation

EDP to take advantage from the consolidation trend in Iberian wind generation

Pipeline development and financial impact



Wind turbine contracts fully contracted, under attractive conditions, for all wind farms coming on stream in 2007 and part of 2008

For wind turbine contracting from 2008 onwards, NEO should benefit from economies of scale and its partnership with Enercon in Portugal

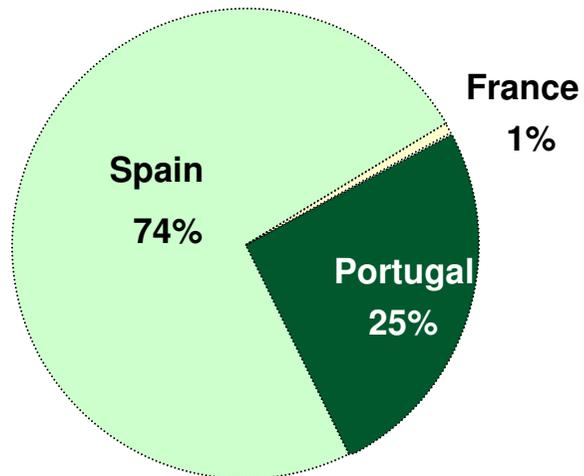
NEO should start to consolidate Agrupación Eólica in December 31st, 2006 at Balance Sheet level and January 1st, 2007 at P&L level.

Financial settlement of the deal was made today.

AE provides higher growth potential and diversification

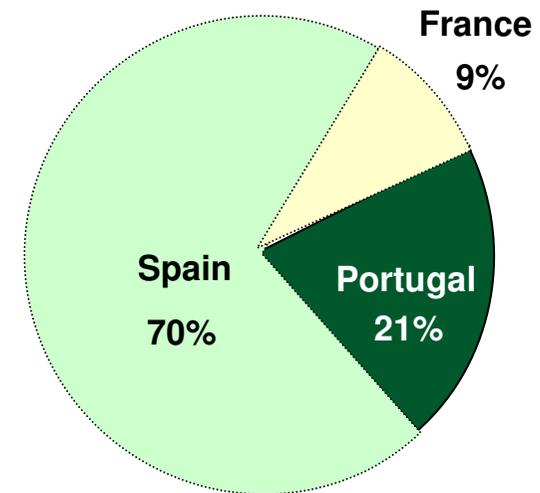


NEO (Strategy Presentation – July 2006)



Gross MW (operating + 100% of pipeline) = 3,982 MW

NEO + Agrupación Eólica

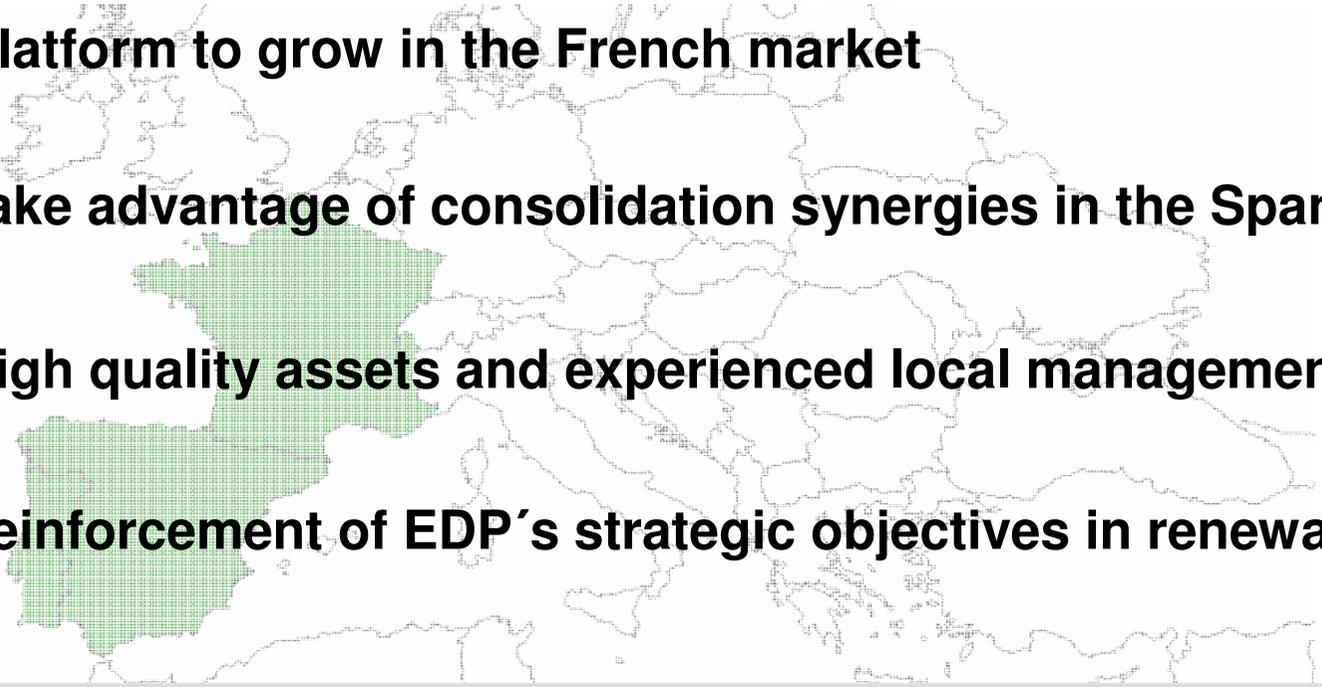


Gross MW (operating + 100% of pipeline) = 5,271 MW

The acquisition of Agrupación Eólica supports NEO's growth prospects and provide diversification of market and regulatory exposure

Strategic fit to EDP's objectives in renewables



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- 1 Platform to grow in the French market
 - 2 Take advantage of consolidation synergies in the Spanish market
 - 3 High quality assets and experienced local management teams
 - 4 Reinforcement of EDP's strategic objectives in renewables

The acquisition of Agrupación Eólica represent a significant leap in the implementation of EDP's strategy in renewables