



EDP

**Acquisition of Gas Assets
in Spain from Gas Natural**

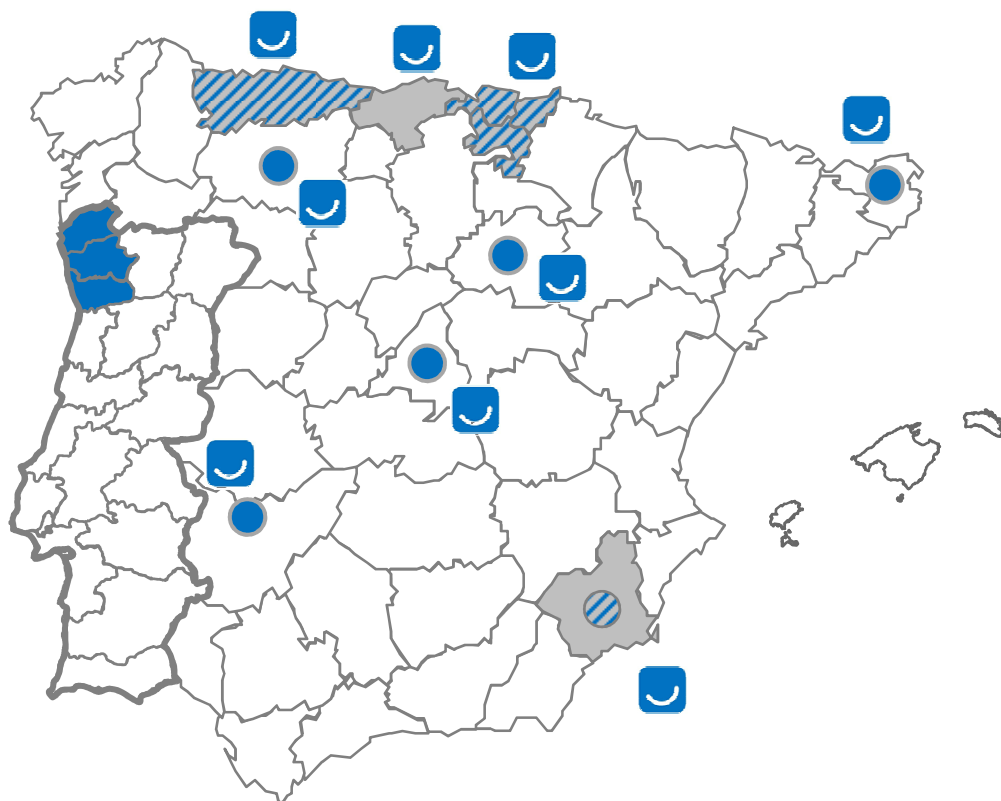
July, 21st 2009

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 ⁽²⁾ ('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

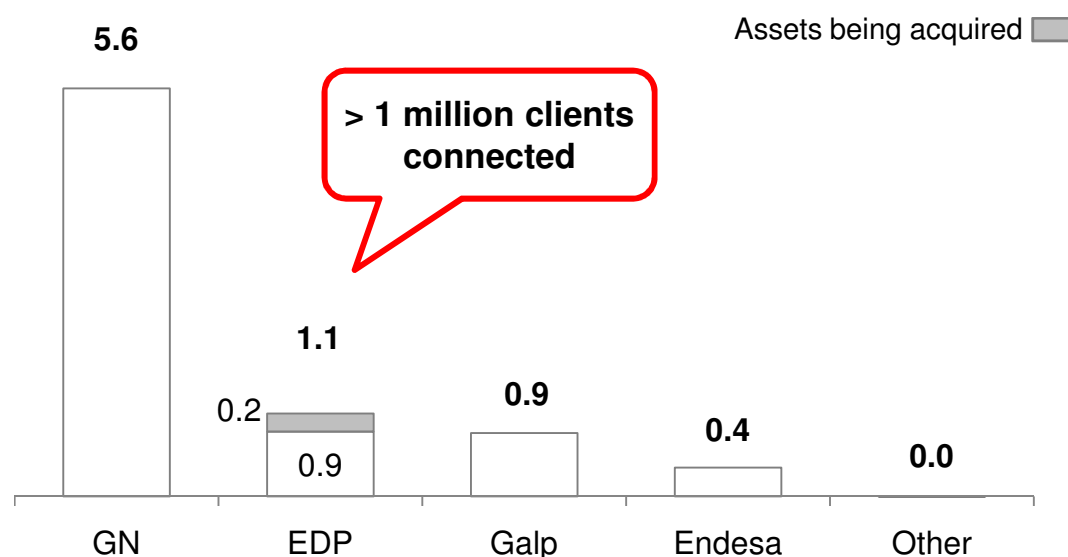
- ✓ Cantabria distribution assets (low and high pressure) are located in Naturgas' area of influence with a strong geographical fit with current gas operations
- ✓ **Synergies from integrated management of assets**

- ✓ Below Spanish average penetration rates⁽¹⁾ 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 ⁽²⁾ (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

⁽¹⁾ 2009 E figures

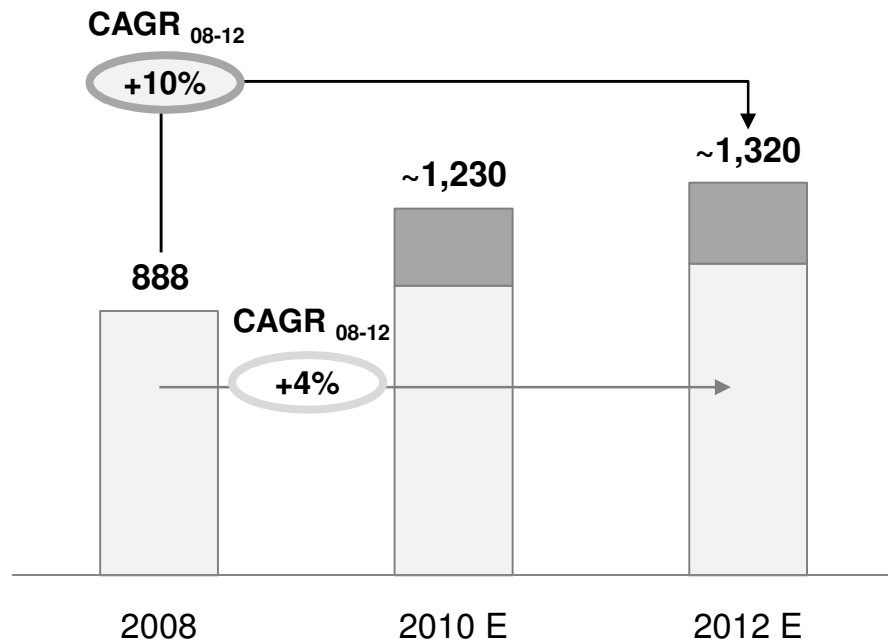
⁽²⁾ Calculated on pro-forma basis taking into consideration Dec-08 Points of Supply

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



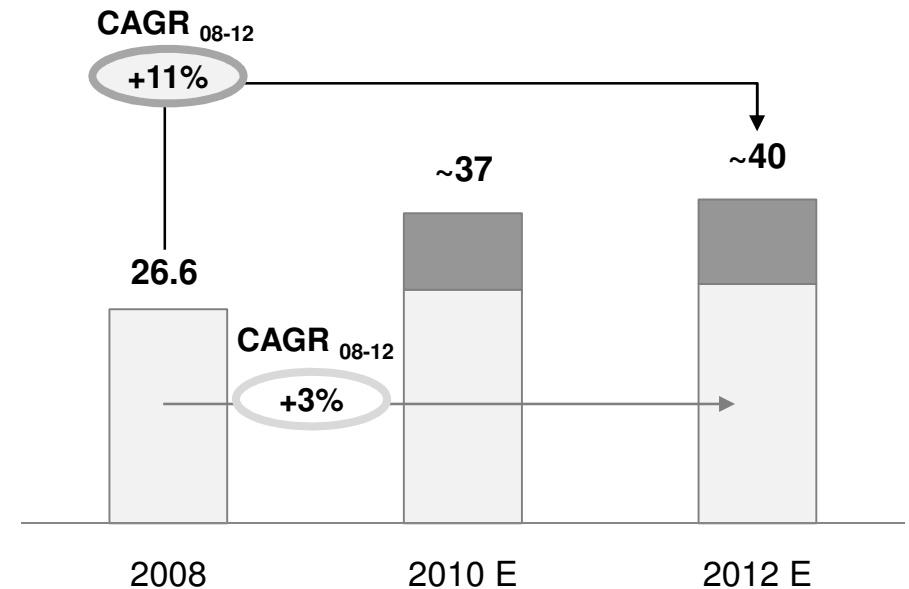
Points of supply ('000)

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 ⁽¹⁾ €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 ⁽²⁾ 871

- **Low risk business with stable regulated remuneration** indexed to evolution of number of supply points, gas volumes distributed and HPI ⁽³⁾
- **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%**

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

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

⁽³⁾ HPI – Homogeneous Price Index

Conclusion: Strategic fit and strong potential for value creation



- ✓ **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**



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