# EDP RENOVÁVEIS

# COMPANY REPORT

*RENEWABLE ENERGY UTILITIES*

ANALYST: NUNO SANTOS

## Wind: Gives World a breath of fresh air

*The incessant search for good winds continues!*

Favourable support continues to be a key value driver in the wind energy industry. EDP Renováveis pursues attractive regulatory frameworks in markets in an early stage of development. Our installed capacity projections regarding the company's pipeline visibility, point to a gradually increase in the relevance of the new markets in which the company is seeking for opportunities, namely Eastern Europe and Brazil.

The current economical framework has created uncertainty in the company's operations in its core markets, both by the exposure to the decrease in the Spanish electricity price and the difficult to sign new competitive long-term contracts in US. It has provoked an effective downward pressure in EDPR share price. Nevertheless, we believe that the poor performance does not correspond to the company's fundamentals, not translating its potential for value creation.

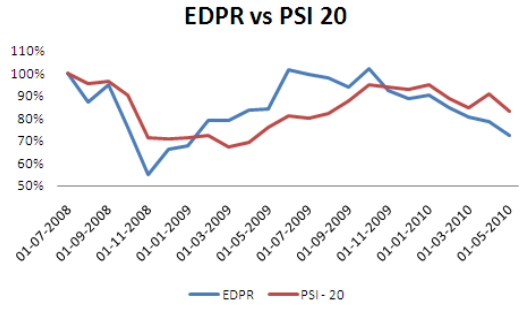
We reiterate our Buy recommendation for EDPR based on a SoP valuation of €8.37 per share. It could be divided as €5.67 for wind farms already operating at the end of 2009; €0.56 for pipeline projects between 2010 and 2014; and €2.14 for terminal value assuming repowering of wind farms.

### Company description

EDP Renováveis is a leading player in the renewable energy industry, ranking 3rd in terms of wind installed capacity in 2009, with more than 6 GW spread mainly across Europe and United States. The company pursues a balanced strategy between controlled risk and attractive returns, diversifying its portfolio of wind projects over different geographies, regulatory profiles and pipeline in different stages of maturity.

| | |
|---|---|
| **Recommendation:** | **BUY** |
| *Vs Previous Recommendation* | *BUY* |
| **Price Target FY10:** | **8.37€** |
| *Potential Upside* | *79.76%* |
| **Price (as of 7-Jun-10)** | **4.66 €** |
| Reuters: EDPR.LS, Bloomberg: EDPR PL | |
| Outstanding Shares | 872 308 162 |

Source: EDP Renováveis




Source: Bloomberg

| (€ millions) | 2009 | 2010E | 2011E |
|---|---|---|---|
| Adjusted Gross Profit | 725.1 | 938.5 | 1148 |
| EBITDA | 543 | 696.5 | 857.2 |
| EBITDA Margin | 74.89% | 74.22% | 74.68% |
| Depreciation | (311.8) | (380.5) | (458.4) |
| EBIT | 231,2 | 316 | 399 |
| Financial Costs | (68.2) | (142.8) | (162.7) |
| EBT | 163 | 173.2 | 236.1 |
| Taxes | (44.7) | (47.7) | (67.2) |
| Net Profit | 114.4 | 125.1 | 165 |
| Growth in Net Profit | 10% | 6% | 36% |
| EPS | 0.131 | 0.139 | 0.189 |
| P/E | | 60.1 | 44.3 |

Source: EDP Renováveis and Nova Equity Research

# Table of Contents

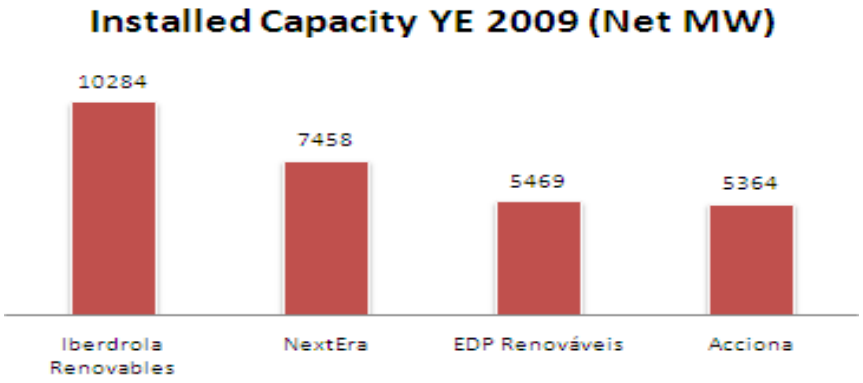
# Company Overview

## Profile

***EDP Renováveis is the world's third-largest wind power company***

EDP Renováveis (EDPR) is a top worldwide player in the renewable energy sector dedicated to the construction and operation of wind energy generation farms. The profile of the company is different from its competitors, being considered the unique pure wind player in the sector. The company has undergone considerable growth since its inception, ranking 3rd in terms of wind installed capacity in 2009, only behind Iberdrola Renovables and NextEra (previously known as FPL).

**Exhibit 1- Worldwide Wind Installed Capacity Ranking**

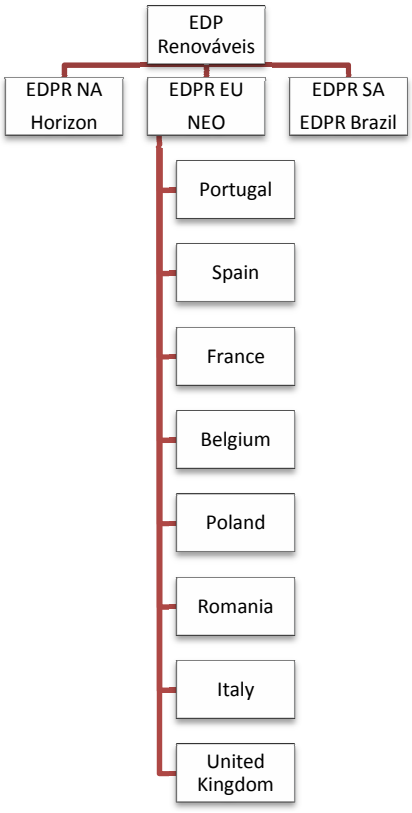



Source: EDP Renováveis

EDP Renováveis was created in December 4, 2007 to hold and operate the renewable energy portfolio of EDP's group (excluding large hydro resources). At that time, EDPR arose basically as the combination of Nuevas Energias del Occidente (NEO) and Horizon Wind Energy, the European and American independent renewable energy platforms. Growth strategy in US was mainly organic, through the development of greenfield projects or early stage pipeline, while in Europe the company position was based on selective acquisitions of wind companies, concerning, once again, primarily pipeline in different stages of development (potentiating future growth visibility), rather than wind farms already in operation.

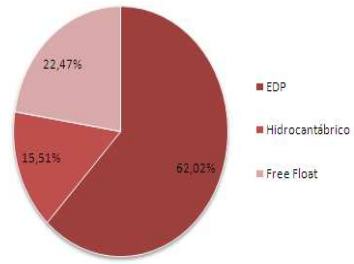
The company based its approach to the market in three strategic pillars: growth, profitability and controlled risk. In this sense, EDPR established an ambitious expansion strategy, consisting of achieving a threshold of 10.5 GW of wind installed capacity at the end of 2012, which is equivalent to 1.4 GW per year, on average. The achievement of this target would represent a CAGR of 23.6% since 2007, and implies a 2.88x growth path. This growth strategy is expected to be supported in line with the past of the company, with the development of projects

**Exhibit 2 - Business Platforms**



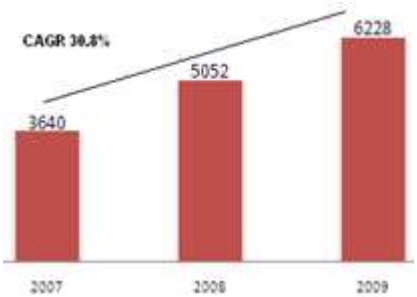

Source: EDP Renováveis

**Exhibit 3 - EDPR's Shareholder Structure**




Source: EDP Renováveis

**Exhibit 4 - Installed Capacity Evolution (Gross MW)**




Source: EDP Renováveis

from scratch or by the acquisition of selective companies with early stage pipeline. The company seeks to consolidate its position in the countries in which it is already present, diversify for markets with high potential for growth and prospect developing projects in other technologies, mainly wind offshore and solar.

The company contains a balanced portfolio in terms of geographic dispersion, pipeline maturity, diversifying regulatory and wind availability risks. It has presence in countries that present an attractive and clear regulatory framework which combined with long-term agreements to sell the energy produced, provides stability and security on the cash flows and limits company's exposure to electricity market prices.

EDPR is currently organized in three main platforms: EDPR EU, responsible for operations in Portugal, Spain, France, Belgium, Poland, Romania, Italy and the recent prospect project in UK; EDPR NA or Horizon Wind Energy, managing the operations in United States and very early prospect projects in Canada; and EDPR SA, created recently to hold the entry of the company into the Brazilian market.

## Shareholder structure

In June 4, 2008 EDPR became publicly listed in NYSE Euronext Lisbon following the launch of an Initial Public Offering for 22.47% of its share capital, being the largest operation of that type in Western Europe during that year. The remaining participation is divided between the parent company EDP – Energias de Portugal and Hidroeléctrica del Cantábrico, with 62.02% and 15.51%, respectively. However, given that Hidrocantábrico is owned almost totally by EDP (95%), EDP owns, in practical terms, a significant 77.53% portion of EDPR's shares.

## Descriptive SWOT Analysis

### Strengths

The company possesses a **significant pipeline** in different stages of development, of more than 30 GW, ensuring visibility regarding future long term growth. Since its inception, the company has installed more than 6 GW of wind energy generation projects which in the last few years resulted in new yearly additions of more than 1 GW. This fact is an indicator of the **track record** of the company in executing projects and its capacity to **deliver**

**on targets**.

EDPR has been able to take advantage of its **"early mover" position** in some of the key markets it is present, which along with its top-tier operating assets, allows the company to obtain premium (above market average) load factors. This point is particularly important in those markets becoming saturated, in which new spots with good wind resources are now scarcer, as in the case of Spain and Portugal. Moreover, this first mover position along with the size effect of its asset base allows the company to benefit from higher bargaining power in long-term land and supplier contracts. A 1% decrease in the load factor associated with each country would lower €1.14 per share our valuation, a 13.62% negative impact; A 10% increase in the capex/MW would result in a 15.9% negative impact, pushing the price to €7.04 per share.

EDPR's option to use **EDP as priority access to funding** could be considered unsustainable over the long term since it could negatively impact on EDP's rating. Nevertheless, the company has continuously reinforced the commitment to support EDPR's current investment plan

The **expertise and know-how** gained by the exclusive focus on wind should also be taken into account, namely in terms of the internal wind assessment knowledge, optimal placement of turbines in the wind farm and the choice of teams with proven track record and experience in this specific sector. The company's experience in the sector dates back to 1993, when EDP Group created Enernova, the company that is at the origin of EDPR in 2007.

**Exhibit 5 - EDPR's Premium Load Factors**

EDPR's Load Factors vs EWEA Annual Average

| | 2007 | 2008 | 2009 | EWEA |
|---|---|---|---|---|
| Spain | 27% | 26% | 26% | 25,5% |
| Portugal | 24% | 27% | 28% | 25,5% |
| France | 27% | 25% | 23% | 23,0% |
| Belgium | - | 24% | 23% | 23,0% |

Source: EDP Renováveis; European Wind Energy Association

## Weaknesses

As a consequence of the recent economic slowdown, demand for electricity decreased, imposing a downward pressure on power prices. Given these lower prices and the absence of an effective federal target for the implementation of renewable energy in the electric system in US, some distributors would prefer to buy the electricity in the market rather than fixing long-term contracts at higher prices. Bearing this fact in mind, the company has been confronted with more **difficulty to settle new PPAs in United States** at competitive prices.

The revenues coming from some of EDPR's projects are partially dependent on market prices of electricity. The observed **decrease in wholesale electricity prices** has an adverse effect in EDPR's operations in Spain, although the revenues profile is somehow protected against it. A 5% decrease in the Spanish electricity pool price would have a €0.05 per share impact, a 0.6% negative change.

**Exhibit 6 - Decline in Spanish Pool Prices**


Source: Bloomberg

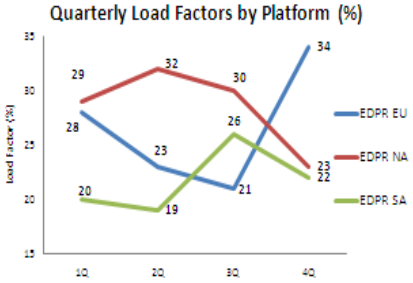
## Opportunities

**Exhibit 7 - Renewables and wind's shares in the EU energy mix**

| | 2005 | 2020 |
|---|---|---|
| Renewable Energy Share | 8,60% | 20% |
| Renewable Electricity Share | 15% | 34% |
| Wind Energy Share | 2,5% | 16,9% |
| of which offshore | 0,1% | 4,3% |

Source: European Commission; EWEA

**Exhibit 8 - Wind seasonality (2009)**




Source: EDP Renováveis

***In May 2010, Moody's has reaffirmed the A3 rating for EDP's long term debt with a "stable" outlook. This rating was downgraded from A2 to A3 in June 2009.***

The sector has a clear positive trend for the long-term, with **strong growth expectations regarding wind energy implementation. Public awareneness and political support** for the substitution of conventional and polluent non-renewable energies has been strong in previuos years and was even reinforced during the recent financial crisis. In the future, the company seeks to be present in countries with **attractive regulatory frameworks**, namely Eastern Europe and Canada, and explore offshore potential in the UK.

## Threats

The production of electricity from wind farms is highly dependent on the wind conditions associated with each location. **Wind availability** is volatile throughout the year due to climate circumstances and seasonality, being a factor of uncertainty regarding the ability to produce stable levels of electricity. This point is even more important to the company given its profile as a pure wind player (100% of its EBITDA deriving from wind power generation).

The development and competitiveness of renewable energy is highly dependent on the favourable current regulatory frameworks. In this sense, the company is exposed to **negative changes in regulation in key markets.** This issue is particularly sensible in US, where tax incentives are subject to legislative approval on a periodical basis (there has been a wide debate regarding the sustainability of a specific type of tax benefit, the Production Tax Credits).

The **development and competitiveness of alternative renewable energy sources** could bring sources of uncertainty to the company, namely in terms of wind-specific regulatory support.

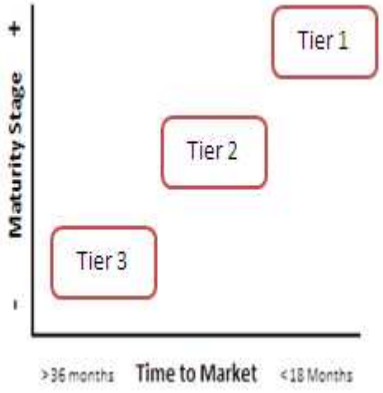
Given its significant exposure to the US market, the most relevant exchange rate risk is the one related to EUR/USD. In this sense, the **depreciation of the US Dollar** against the Euro would impact negatively the valuation of the company. A 10% depreciation of the US Dollar against the Euro would push our price target down to €7.93/share, a 5.26% decrease. Moreover, if we consider a 10% depreciation in all the currencies against Euro (not only US Dollar, but also Brazilian Real, Polish Zloty and Romanian Leu), the price target will decrease to €7.88.

EDPR is exposed to the increase in **financing costs** expected in the current financial framework, even considering that most of its debt already contracted is at fixed rate. The access to capital markets is made through the parent company, EDP, as EDPR does not place debt directly into market. A 50 bp increase in the spread applied from EDP to EDPR, lowers our price

target to €7.99 per share (a €0.38 decrease per share, or a 4.49% negative impact).

## Global Capacity Portfolio

**Exhibit 9 - Pipeline Criteria**




Source: EDP Renováveis and Nova Equity Research

EDPR portfolio of projects is well balanced in terms of geographical diversification and pipeline maturity. At the end of 1Q 2010, it had a gross installed capacity of 6.2 GW and more than 30 GW in different phases of development, according to the company's classification of pipeline.

The criteria behind the pipeline stage of maturity differs from country to country and depends on several aspects such as availability of grid connection, land agreements, wind resource assessments, site selection and licensing/permitting. On average, time to market varies from less than 18 months (for Tier 1 projects) to more than 36 months (projects in Tier 3). Projects included in Prospects are still in an initial phase of wind resource analysis and preliminary studies of site feasibility.

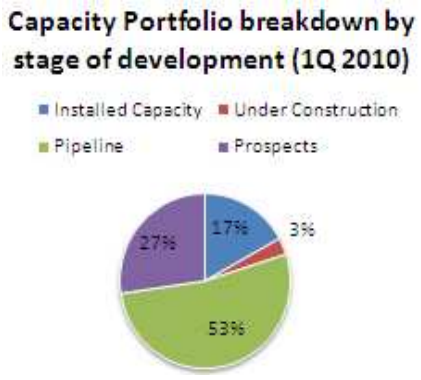
**Exhibit 10 - Global Capacity Portfolio**

Global Capacity Portfolio (Gross MW) as of 1Q 2010

| | Installed Capacity | Under Construction | Pipeline | | | Prospects |
|---|---|---|---|---|---|---|
| | | | Tier 1 | Tier 2 | Tier 3 | |
| Spain | 2278 | 308 | 320 | 485 | 1821 | 2340 |
| Portugal | 696 | 113 | 268 | 18 | 9 | 200 |
| France | 235 | 24 | 67 | 70 | 304 | 652 |
| Belgium | 57 | 13 | 0 | 0 | 37 | 25 |
| Poland | 120 | 0 | 0 | 456 | 406 | 604 |
| Romania | 0 | 228 | 57 | 26 | 30 | 500 |
| Italy | 0 | 0 | | 108 | 98 | 314 |
| USA | 2859 | 398 | 652 | 5982 | 7960 | 4604 |
| Brazil | 14 | 70 | 0 | 234 | 75 | 843 |
| **Total** | **6259** | **1154** | **1364** | **7379** | **10740** | **10082** |

Source: EDP Renováveis

**Exhibit 11 - Projects in development**

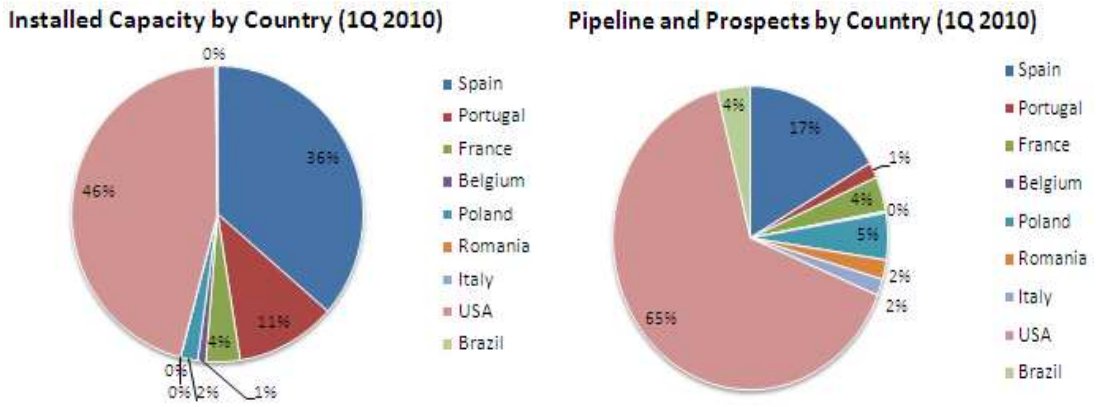



Source: EDP Renováveis

The breakdown of the company's total portfolio of projects by stage of development supports the pursuance of a visible growth strategy in the near future, somehow creating internal competition between pipeline projects, in order to find those that could turn to be more profitable while adapting to the company's strategy in terms of geographical position.

The company's main markets are Spain and United States, both accounting for around 80% of the total installed capacity. Nevertheless, EDPR identifies US as its main core for growth, which can be confirmed by the huge portion of pipeline projects present in US, representing 65% of the almost 30 GW in these conditions.

**Exhibit 12 - Global Capacity Portfolio breakdown by Country**




Source: EDP Renováveis

**Exhibit 13 - IRR/WACC Ratio**

Pipeline 2010-2014

| Country | IRR | WACC | IRR/WACC |
|---|---|---|---|
| Spain | 8.75% | 6.12% | 1.43 |
| Portugal | 7.15% | 6.15% | 1.16 |
| France | 6.69% | 6.01% | 1.11 |
| Belgium | 11.40% | 5.99% | 1.90 |
| Poland | 10.30% | 8.66% | 1.19 |
| Romania | 19.74% | 10.33% | 1.91 |
| Italy | 14.19% | 6.20% | 2.29 |
| US | 7.61% | 7.43% | 1.02 |
| Brazil Tender | 9.78% | 12.31% | 0.79 |
| Brazil PPA | 18.76% | 12.31% | 1.52 |

Source: Nova Equity Research

Typically the company assess which projects will be effectively built by calculating each project's IRR/WACC ratio. EDPR defined a minimum target around 1.4 for that ratio but considers projects providing a lower figure, taking into account the potential of the country in the future. We present our estimates for the pipeline of projects that we consider would turn operational during the period 2010-2014. As it can be seen, in Brazil the new tendering system does not benefit EDPR's shareholders yet. However, the company considers important to be present in the market to acquire specific know-how. Also, in US the figure reflects somehow the lower attractiveness of the country over the near term (despite the fact that we consider a high potential for wind generation in the long-term).

**Exhibit 14 - Installed Capacity Evolution in US**

US Installed Capacity Growth Rate (%)

| 2008 | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E |
|---|---|---|---|---|---|---|
| 45% | 32% | 14% | 18% | 15% | 15% | 12% |

Source: Nova Equity Research

In order to project the future evolution of installed capacity, we took into consideration the weight that each country has in each phase of the pipeline and use as basis that the amount of MWs to be effectively installed are proportional to the projects they are developing in each country. In our model, we assumed that the ambitious target of 10.5 GW installed at the end of 2012 is not reasonable to be accomplished. The company has recently updated downward its annual additions objectives, mainly due to the difficult to sign new PPAs in US. In this sense, we adjusted our estimates of overall installed capacity, reducing annual additions from 1.4 GW to 1.1/1.2 GW to be done until 2014, mainly by reducing the targeted annual 700 MW in US to a range between 500 MW and 600 MW. The evolution of the growth rate for additional capacity in US reflects this new reality, smoothing over the next few years.

This means that 19.6% of the company's pipeline (at 1Q 2010) will be operational by 2014, meaning a total installed capacity CAGR of 14% for the period 2007-2014.

**Exhibit 15 - Installed Capacity Forecasts**

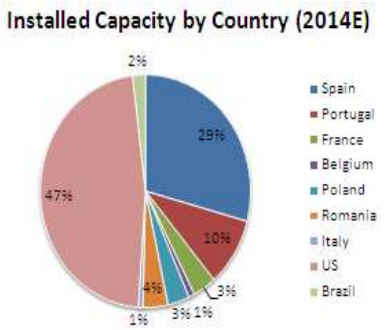
Installed Capacity by Country (Gross MW)

| Country | 2007 | 2008 | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E | CAGR 09-14E |
|---|---|---|---|---|---|---|---|---|---|
| Spain | 1639 | 2109 | 2278 | 2586 | 2876 | 3091 | 3303 | 3513 | 9% |
| Portugal | 424 | 553 | 680 | 793 | 928 | 1018 | 1093 | 1153 | 11% |
| France | 87 | 185 | 220 | 244 | 310 | 347 | 381 | 431 | 14% |
| Belgium | 0 | 47 | 57 | 70 | 78 | 88 | 108 | 108 | 14% |
| Poland | 0 | 0 | 120 | 120 | 150 | 250 | 325 | 400 | 27% |
| Romania | 0 | 0 | 0 | 228 | 275 | 300 | 330 | 460 | - |
| Italy | 0 | 0 | 0 | 0 | 0 | 30 | 46 | 81 | - |
| USA | 1490 | 2158 | 2859 | 3257 | 3831 | 4391 | 5061 | 5651 | 15% |
| Brazil | 0 | 0 | 14 | 84 | 84 | 129 | 137 | 234 | 76% |
| Total | 3640 | 5052 | 6228 | 7382 | 8532 | 9644 | 10784 | 12031 | 14% |

Source: Nova Equity Research

The evolution of installed capacity reflects the continuing focus of the company in the United States despite the downgrade update. As Iberian markets tend to enter in its mature stage, the company is pursuing opportunities in high growth attractive markets as the ones in Eastern Europe. In this sense, one should say that the transfer of capacity among the countries of operation does not affect the relevant position of US, being mostly reallocated from the Iberian markets to the new markets of integration of the company, mainly Eastern Europe and Brazil.

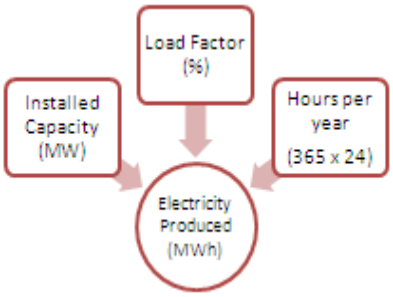
**Exhibit 16 - Installed Capacity breakdown by country - Forecast**




Source: Nova Equity Research

The yearly electricity produced by a wind farm is a function of three variables: the installed capacity, the load factor associated to that location and the number of hours in a year (in the model we made a small adjustment to take into account leap years). Both electricity generated and EBITDA were in line with the evolution of capacity expected in each country, with projected CAGR of 18% and 20%

**Exhibit 18 - Electricity Prodcution**




Source: Nova Equity Research

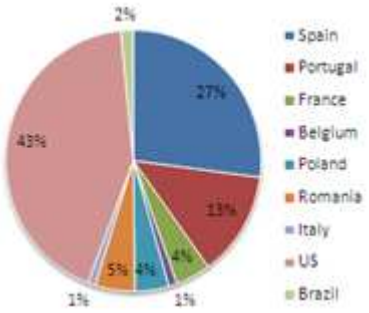
**Exhibit 17 - Electricity Production Evolution by Country**

Electricity Generated by Country (GWh)

| | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E | CAGR (09-14E) |
|---|---|---|---|---|---|---|---|
| Spain | 3275 | 4164 | 4720 | 5237 | 5601 | 5987 | 13% |
| Portugal | 1275 | 1557 | 1822 | 2118 | 2312 | 2477 | 14% |
| France | 346 | 471 | 536 | 667 | 741 | 818 | 19% |
| Belgium | 79 | 87 | 105 | 118 | 134 | 159 | 15% |
| Poland | 0 | 242 | 252 | 337 | 529 | 680 | |
| Romania | 0 | 62 | 386 | 459 | 500 | 576 | |
| Italy | 0 | 0 | 0 | 9 | 56 | 89 | |
| US | 5905 | 8064 | 9273 | 10919 | 12526 | 14384 | 19% |
| Brazil | 26 | 28 | 121 | 132 | 188 | 222 | 53% |
| Total | 10906 | 14675 | 17216 | 19996 | 22587 | 25392 | 18% |

Source: Nova Equity Research

**Exhibit 20 - EBITDA breakdown by Country (2014E)**




Source: Nova Equity Research

**Exhibit 19 - EBITDA Forecasts by Country**

EBITDA evolution by country (€ Million)

| | 2009 | 2010E | 2011E | 2012E | 2013E | 2014E | CAGR (09-14E) |
|---|---|---|---|---|---|---|---|
| Spain | 206 | 274 | 303 | 340 | 345 | 371 | 13% |
| Portugal | 102 | 116 | 133 | 152 | 166 | 179 | 12% |
| RoE | 21 | 66 | 110 | 139 | 177 | 216 | 59% |
| US | 214 | 237 | 299 | 385 | 475 | 585 | 22% |
| Brazil | 0 | 3 | 12 | 13 | 18 | 22 | |
| Total | 543 | 696 | 856 | 1029 | 1181 | 1373 | 20% |

Source: Nova Equity Research

## Load Factors

***EDP Renováveis has been able to achieve higher-than-average load factors.***

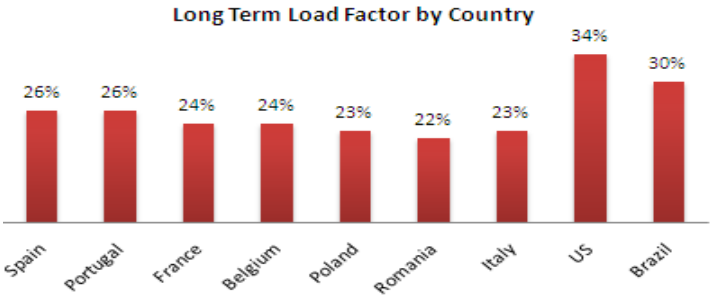
The load factor of wind power is an operational term defined as the ratio of average delivered power to theoretical maximum power, that is, the percentage of time a wind turbine is effectively producing energy during a year or a day. In this sense, the load factor directly reflects the wind potential of the location.

The early mover position of the company (allowing the company to have some of the best spots available) in most of the countries where it operates, is the main factor for achieving higher load factors than its market peers. The extensive wind measurements (always, at least, 24 months of wind resource data for each project) along with the expertise know-how, in terms of picking the most suitable wind turbine design layout to each location, also act as crucial element to the success position of EDPR in this key value driver for the business.

In the model, we assume slightly lower load factors than historical average for Spain and Portugal, in the sense that we are considering these markets as entering in a maturity phase, with the best wind spots becoming scarcer. For the remaining countries, namely US and Brazil, we consider that there is room for some improvement on the figures, or at least maintenanance of the normal load factors achieved. For Eastern Europe countries in which EDPR is now starting operations, conservative load factors are considered (22%/23%) given the small wind potential (the attractiveness of the locations is due to the beneficial regulatory framework). Wind availability has been historically stable from year to year (not during the year) and this is not expected to change in the future. In this sense, technological improvements expected in the wind turbine manufacturers industry combined with the different degrees of maturity of the countries in which EDPR operates explain our assumptions regarding the small changes applied to historical load factors. Although theoretically the best projects (with higher load

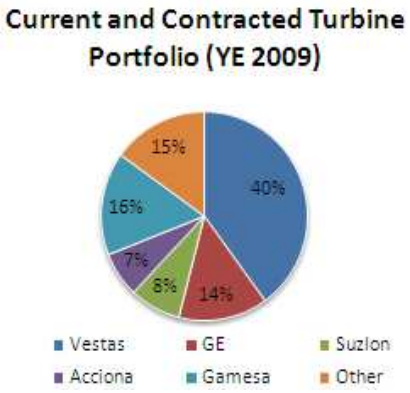
factors) are developed first imposing a downward pressure on future load factors, one should take into account that technological evolution could provide access to locations that currently are not viable to explore.

**Exhibit 21 - Load Factor Assumptions**




Source: Nova Research Estimates

**Exhibit 22 - Turbine Supplier breakdown**



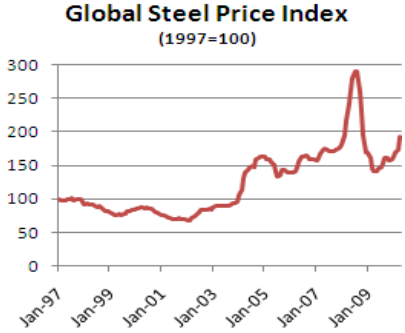

Source: EDP Renováveis

## Turbine Procurement and Costs

EDPR's turbine procurement strategy is focused on maintaining long term flexible relationships with selected suppliers with proven track record. The approach gives preference to framework agreements instead of ponctual negotiations to specific short-term projects, ensuring flexibility in delivery and visibility to the company's global pipeline. The diversification of suppliers acts as an attempt by the company to mitigate wind turbine performance risk, spreading out technological risk, specially if considering the majority of its suppliers are among the top ones.

Recently, EDPR awarded one of the largest ever announced procurement contract with Vestas to supply up to 2.1 GW of wind capacity until 2012. The agreement is structured as 1500 MW to be delivered worldwide in 2011 and 2012, and incorporates the possibility of extension for more 600 MW during 2010 and 2011. At the end of 2009, Vestas was already responsible for around 40% total wind capacity.

**Exhibit 23 - Historical Evolution of Global Steel Price Index**




Source: Bloomberg

The capital expenditures associated to a wind farm project onshore (the focus of the company currently) are usually mainly linked to the cost of the wind turbines (75%/80%), with the remaining 25% related to the so called Balance of Plant.

The cost of wind turbines is driven by three main factors: the ability of the supply (manufacturers) to meet growing demand (producers like EDPR), technological progress and raw material prices (mainly steel).

In fact, turbine availability has been one of the issues imposing more constraints on the development of wind-based energy generation, with wind turbine industry showing difficulties to catch up with the growth path of demand. The situation has

improved in the recent past mainly due to entrance of new suppliers in the market and because each manufacturer is now taking responsibility for the full supply chain. Furthermore, as in the case of the recent contract between EDPR and Vestas, companies now tend to sign long term framework agreements with manufacturers, somehow to prevent this scarcity risk.

Moreover, all major turbine manufacturers are striving for technological enhancements in terms of the capacity of each turbine (it has increased from an average rated power – maximum performance - of less than 100 KW in the 1980s to figures around 2 MW currently) and rotor dimensions, in order to maximize efficiency of each wind turbine and its capacity to generate electricity. However, this increase in turbine productivity comes at the price of the financial investment needed in R&D. In this sense, we consider that the balance between these two variables will not produce significant difference in turbine costs over the short-term.

All in all, we assumed, in our model, a capex per MW of € 1.4 Million at YE 2009 in line with the company's most recent figures, and which we consider to be reasonable when taking into account the peers average. Moreover, most of the wind turbines are contracted in advance for 2 or 3 years, which along with the recent contract with Vestas, leaves the company with low exposure to volatility in commodity prices

## Dividend Policy

EDPR should start paying dividends in 2011 (based on 2010 results), implying a 20% payout ratio according to the company guidance. We assumed this payout ratio to be constant from 2011 onwards, although considering it not totally adequate given the considerable amount of capital expenditures required by the company's current growth strategy.

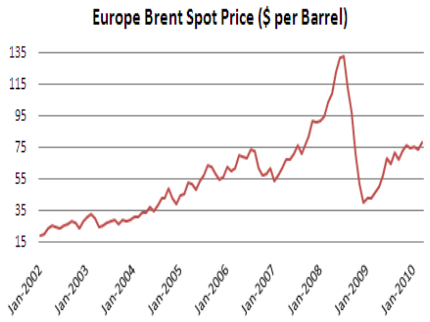
# Markets and Regulatory Framework

## Renewable Energy Framework

The renewable energy sector has been in the spotlight over the last few years. The increasing momentum for clean energies is mainly driven by the concerns regarding overall energy independence from fossil fuels (namely oil and natural gas) and security supply given the volatility of oil prices. Along with that, $CO_2$ emissions and climate change have entered public debate. In order to deal with all these questions, there has been an effective global support towards the promotion of renewable energy, which led some countries to establish specific targets in terms of the proportion of production and/or consumption of energy arising from renewable sources.

It has been noticed a higher focus by the developed countries, which given the different scale of priorities between them and developing countries, can be accepted as normal. In order to assess this, we have tried to find a correlation effect between the All Renewables Index[1] provided by Ernst & Young and the GDP PPP[2] for each one of those countries (creating a ranking to order the countries). We found exactly what we expected, in the sense that countries better positioned in the GDP ranking tend to be also better collocated in the All Renewables Index (the results are presented below).

**Exhibit 24 – Historical Evolution of Oil Price**



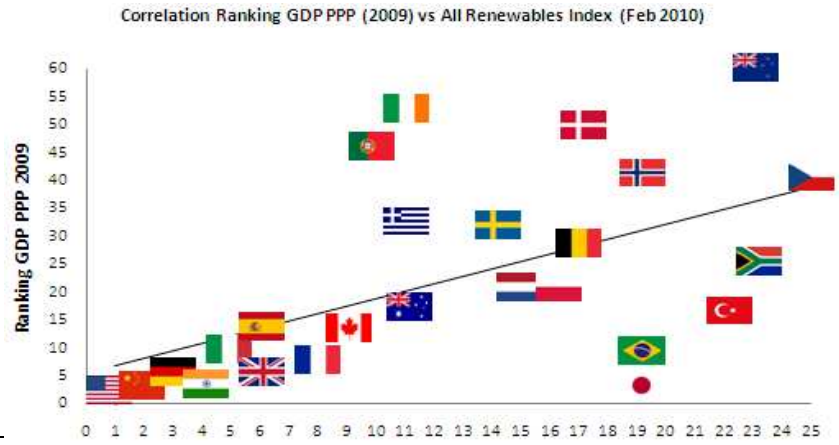

Source: Energy Information Administration

**Exhibit 25 - EU Energy Dependency in 2008 (%)**

| | |
|---|---|
| Cyprus | 100% |
| Malta | 100% |
| Luxembourg | 98.9% |
| Ireland | 90.9% |
| Italy | 86.8% |
| Portugal | 83.1% |
| Spain | 81.4% |
| Belgium | 77.9% |
| Austria | 72.9% |
| Greece | 71.9% |
| Latvia | 65.7% |
| Lithuania | 64% |
| Slovakia | 64% |
| Hungary | 62.5% |
| Germany | 61.3% |
| Finland | 54.6% |
| EU 27 | 53.8% |
| Slovenia | 52.1% |
| France | 51.4% |
| Bulgaria | 46.2% |
| Netherlands | 38% |
| Sweden | 37.4% |
| Estonia | 33.5% |
| Romania | 29.1% |
| Czech Republic | 28% |
| United Kingdom | 21.3% |
| Poland | 19.9% |
| Denmark | -36.8% |

Source: European Commission

**Exhibit 26 - Renewable energy efforts and GDP**




[1] The All Renewables Index pro[illegible]le energy sources (wind offshore and onshore (68%), Solar (15%), Biomass and others (17%)) in two perspectives: general regulatory infrastructures (electricity market regulatory risk, planning and connection grid issues and maturity of the renewable energy financing environment) accounting for 35% of the score and technology efforts (resource quality, current installed capacity and market growth potential, projects size, tax climate and longevity and security of support to renewable) accounting for the remaining 65% of the score.

[2] Gross Domestic Product Purchasing Power Parity was used as proxy to analyze living standards of different countries, given that it removes the effect of exchange rate fluctuations (accounting for the relative effective domestic purchasing power).

Sources: International Monetary Fund for GDP PPP 2007 and Ernst & Young All Renewables Index Q4 2007

At a global level, one of the most important milestones in terms of environmental concerns was completed on December 1997, with the signing of the Kyoto Protocol, establishing mandatory limits for $CO_2$ emissions with penalties to be applied in case of non-compliance. The objective was to reduce the emissions by an average 5.2% below 1990 levels by 2012.

**Exhibit 27 - 2020 Renewable Energy Targets**

Share of energy consumption from renewable sources (%)

| Country | 2005 | 2020 Target | Forecast vs Target |
|---|---|---|---|
| Austria | 23,3% | 34% | 0,0% |
| **Belgium** | 2,2% | 13% | -0,7% |
| Denmark | 17,0% | 30% | -2,0% |
| Finland | 28,5% | 38% | 0,0% |
| **France** | 10,3% | 23% | 0,0% |
| Germany | 5,8% | 18% | 0,7% |
| Greece | 6,9% | 18% | 2,0% |
| Ireland | 3,1% | 16% | 0,0% |
| **Italy** | 5,2% | 17% | -1,0% |
| Luxembourg | 0,9% | 11% | -1,0% |
| Netherlands | 2,4% | 14% | 0,0% |
| **Portugal** | 20,5% | 31% | 0,0% |
| **Spain** | 8,7% | 20% | 2,7% |
| Sweden | 39,8% | 49% | 1,2% |
| **UK** | 1,3% | 15% | 0,0% |
| Cyprus | 2,9% | 13% | 0,0% |
| Czech Republic | 6,1% | 13% | 0,0% |
| Estonia | 18,0% | 25% | 0,1% |
| Hungary | 4,3% | 13% | 0,0% |
| Latvia | 34,9% | 40% | 0,0% |
| Lithuania | 15,0% | 23% | 0,0% |
| Malta | 0,0% | 10% | -0,8% |
| **Poland** | 7,2% | 15% | 0,5% |
| Slovakia | 6,7% | 14% | 1,2% |
| Slovenia | 16,0% | 25% | 0,0% |
| Bulgaria | 9,4% | 16% | 2,7% |
| **Romania** | 17,8% | 24% | 0,0% |
| **EU 27** | **8,5%** | **20%** | **0,3%** |

Source: Directive 2009/28/CE and Euro Commission Forecast Documents (March 2010)

European Union has been one of the most proactive players supporting the development of clean energy alternatives as a way to ensure a sustainable development. In 1997, the European Commission White Paper on Renewable Sources of Energy set the objective of doubling the portion of renewable energy in the EU's energy mix from 6% to 12% by 2010. Later on, in 2001 the Directive of Renewable Energy was one of the most important legislations introduced in this sector to develop political frameworks to encourage the investment in alternative renewable energy, setting an indicative target for the percentage of gross electricity consumption deriving from renewable sources by 2010. Recently, it was implemented a climate change package, focusing on three vectors:

- Reduction in EU greenhouse gas emissions of at least 20% of 1990 levels;
- 20% of EU energy consumption to come from renewable sources;
- 20% reduction in primary energy use, achieved by improving energy efficiency

Collectively, they are known as the 20/20/20 targets and the horizon of implementation was defined as 2020. The commitment of increasing the importance of renewable energies in the energy portfolio mix is transversal to all European countries and is defined by the Directive 2009/28/EC.

The left table presents the situation in 2005 (in 2007, the share of renewable energy had already reached 9.9%) as well as the bidding targets for 2020 in terms of the share of energy consumption coming from renewable energy (in green colour the countries in which EDPR has operations, pipeline or, at least, projects in a very early stage of development). The individual targets differ from country to country depending on the starting point, the renewable potential and structure of the energy sector. The Member States are given an indicative path towards the accomplishment of their final targets: 20% of the difference between 2020 and 2005 figures in 2011-2012; 30% by 2013-2014; 45% in 2015-2016 and 65% by 2017-2018. Although there are no recent quantitative figures regarding the evolution of these targets, the Euro Commission demands periodical updates

regarding the perspectives towards these interim goals. The whole set of countries must present NREAPs (National Renewable Energy Action Plans) until June 2010 with short and long term renewable strategies which will be tracked and monitored by the EU authorities. According to the last forecasts submitted by Member States (in March 2010), the objective will be attained, with only 5 out of the 27 countries not managing to reach their national objectives. As a whole, European Union should exceed its global target by 0.3%.

## Why Wind Energy?

**Exhibit 28 - Cost comparison between energy sources**

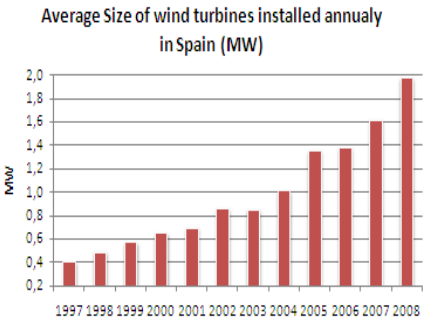
| Cost of fossil fuels and renewable sources energy in US ($/MWh) | |
|---|---|
| Coal | 20 - 60 |
| Nuclear | 20 - 50 |
| Wind | 30 - 60 |
| Natural Gas | 55 - 90 |
| Biomass | 50 - 100 |
| Geothermal | 50 - 100 |
| Solar | 120 - 350 |

Source: Goldman Sachs Global Markets Institute (June 2009)

Alternative renewable energy still cannot compete with energy based on traditional fuels on cost prices. Although they are unlimited sources of energy, there are considerable costs associated to the best way of capturing that energy and convert it into electricity. Comparing it to fossil fuels (already with placed infrastructures and decades of know-how), renewable energy sources are still dependent, to a large extent, on governmental subsidies to become viable. However, these differences continue to narrow and this issue looks even more favourable if we take into account the environmental impacts of fossil fuels.

Taking into account the supportive approach for renewable energies, wind energy generation industry has turned to be one of the most appealing inside the whole renewable spectrum, being considered the low-cost emerging renewable energy resource. In US, over the last 20 years, the cost of wind power has fallen around 80%, from values around $300 per MWh to $50 per MWh, a price that could be considered competitive with new coal and gas power plants.

**Exhibit 29 - Wind turbines technological evolution**



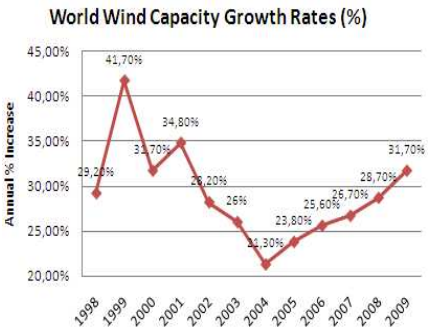

Source: Associacion Empresatial Eolica

There have been effective technological improvements in the last years, namely in terms of the efficiency and capacity of the wind turbines. Nevertheless, it seems reasonable to assume that there is still room for evolution, if we consider the progress ratio of around 85%/90% associated to wind power technology, resulting in a 10%/15% decrease in production costs every time the total installed capacity doubles.

All in all, wind energy is relatively more mature than other sources of renewable energy still in an embryonic stage of development. The relative fast installation and placement in the market (between one and three years) and the fact that the land required for wind farms is compatible with agriculture, along with the development of the wind turbine manufacturers industry, are all factors that could explain why wind power production costs are more competitive than other sources of energy. Nevertheless, some criticisms are pointed to wind energy namely the intermittency of wind, the noise, the visual impact of turbines in the landscape and the impact in the migrating routes of birds.

## Activities and Regulation

**Exhibit 30 - Growth rate of wind energy capacity has been increasing**

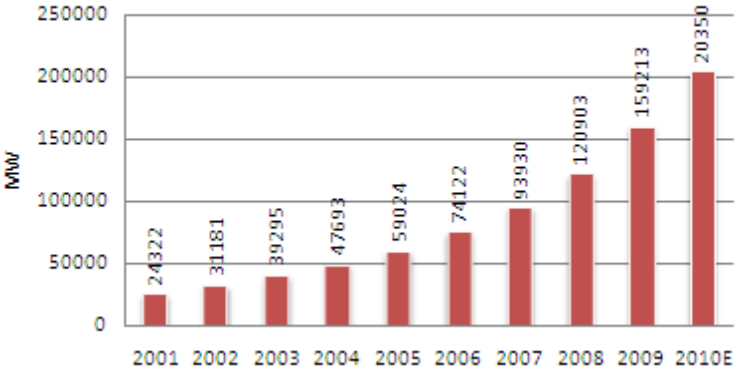



Source: World Wind Energy Association

Even in the face of a global recession and financial crisis, worldwide wind energy capacity brought new records, reaching 159 GW at the end of 2009, with around 40 GW being installed last year, which represents a growth rate of 31.7% for the annual additions, the highest rate since 2001. US is the top leader in terms of installed capacity (35 GW), followed by China (26 GW), Germany (25 GW), Spain and India (with 19 GW and 10 GW, respectively).

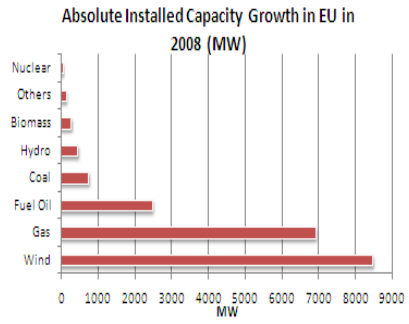
Out of the top 10 countries in terms of wind installed capacity, EDPR is present in 5 of them, and the countries where EDPR owns operations or is developing near-term operations, combined, represent 43.37% of the world's total wind capacity installed at the end of 2009. Based on the recent growth path achieved, WWEA predicts 1900 GW to be installed until 2020. Further growth is expected in the leading markets, but also in some countries of Asia and Latin America.

**Exhibit 31 - Wind Installed Capacity Evolution 2001 - 2010E**




Source: World Wind Energy Association

**Exhibit 32 - Wind Energy was the leader in new additions in 2008**




Source: European Wind Energy Association

According to EWEA, wind energy grew more than any other generation technology in European Union during 2008, representing 36% of the yearly additions. In fact, the importance of wind in the energetic mix has been increasing in the last years and it is expected to represent 16.9% of EU's electricity demand by 2020.

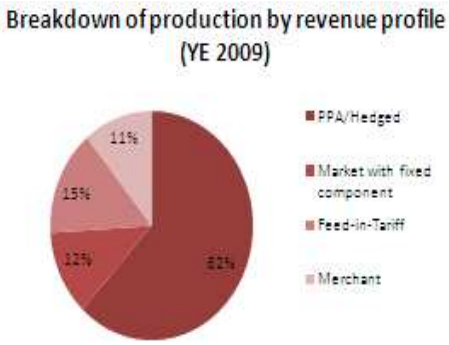
Overall, the countries in which EDPR operates are characterized by an effective government support of renewable energy, mainly given through favourable and stable regulatory and legislative framework. The company is exposed to a mix of different regulatory regimes in these countries, in the sense that the remuneration packages could include a single or a more complex scheme based on some of the following components: fixed tariffs, pool prices plus fixed or

variable premiums, long term Power Purchase Agreements (PPAs), Green Certificates (in some cases incorporating their possibility of existence in the future) or tax credits. In most of the countries, all the electricity produced from renewable sources has priority entering the grid network.

**Exhibit 33 - Regulatory profile: Summary and production breakdown**

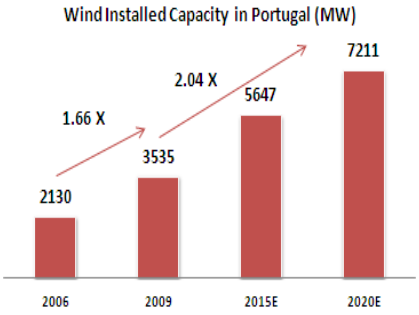
| Summary of Regulatory Profile | |
|---|---|
| Country | Remuneration Scheme |
| Spain | Feed-in tariff, Market option with premium |
| Portugal | Feed-in tariff |
| France | Feed-in tariff |
| Belgium | Green Certificates, PPAs availability |
| Poland | Green Certificates, PPAs availability |
| Romania | Green Certificates, PPAs availability |
| Italy | Green Certificates |
| Brazil | PPAs, Tender System |
| US | RECs, PPAs or Merchant + Tax Incentives |

Source: Nova Equity Research



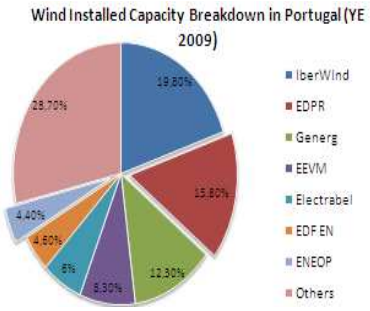

Source: EDP Renováveis

**Exhibit 34 - Wind capacity evolution in Portugal**




Source: WWEA; EWEA for estimates

**Exhibit 35 - EDPR is the second major player in Portugal**




Source: Instituto de Engenharia Mecânica e Gestão Industrial

## Portugal

Portugal is an important market within the wind energy industry, with 3.5 GW installed at the end of 2009, according to WWEA. The country is expected to reach around 5.6 GW in 2015, yielding a CAGR 2009-2015 of 8.1%.

EDPR ranks 2nd in the portuguese wind market in terms of total installed capacity, only surprassed by IberWind.It is important to notice the residual market share of both Iberdrola Renovables and Acciona, leader and 4th largest companies worldwide, respectively.

EDPR holds a 40% participation in the Eolicas de Portugal consortium (ENEOP), representing 480 MW of the total 1200 MW awarded in the first and biggest public tender launched by the government. This capacity should be completely constructed until 2013 (under a defined plan for the timing of installations) and is remunerated under the new regulatory regime. At the end of the 1Q 2010, 101 MW were already in operation and 113 MW were under construction, starting operations during the second semester of 2010.

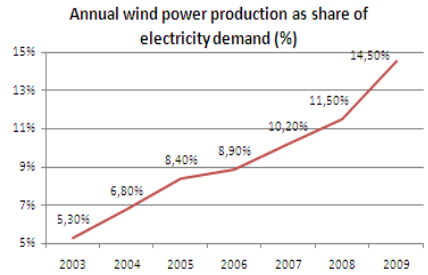
In Portugal, the remuneration of electricity produced from renewable sources is, currently, based on a feed-in tariff system, with two sets of conditions depending on the entry date of the wind farm. Those wind farms licensed prior to February 2006 lie under a remuneration scheme that depends on three main vectors: dimension of the plant, operating hours and consumer price index. The price per MWh is defined for the first year of operation (€85/MWh - €95/MWh depending

on the load factor achieved, with the better remuneration set to the projects with better wind resources) and is indexed to inflation for 15 years.

Decree Law 33A/2005 applies to wind farms licensed after February 2006. The Decree defines a limit of 33 GWh of production up to 15 years. The price is set at €73/MWh or €74/MWh in the first year of operation depending on the load factor and evolves with inflation.

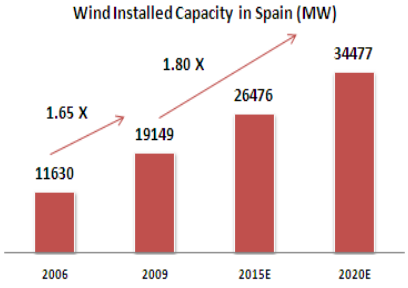
In both situations, the system is replaced at the end of the 15 years by a pool price plus Green Certificates' package, if applicable. Otherwise, the current system continues in place for additional 5 years.

**Exhibit 36 - Increasing importance of wind in the energetic mix**



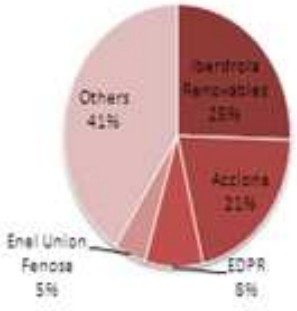

Source: Associacion Empresarial Eolica

**Exhibit 37 - Wind Capacity Evolution in Spain**




Source: WWEA; EWEA for estimates

**Exhibit 38 - EDPR is the third major player in Spain**




Source: Associacion Empresarial Eolica

### Spain

Wind energy represents the country's third largest power generation source, covering 14.5% of the electricity demand (more than doubling the 5.3% share in 2003), behind combined cycle gas and nuclear power. The 2020 targets point to 20% of the energy consumption and 40% of the electricity production to be feed by renewable sources.

Spain wind industry is consolidated among the top leaders, ranking 4th worldwide with more than 19 GW installed, with almost 2.5 GW new additions during 2009. Future expectations are ambitious, pointing to almost 35 GW of wind installed capacity in 2020. EDPR is the 3rd largest wind energy company in Spain, a market that is clearly dominated by the domestic Iberdrola Renovables and Acciona, both counting to 45% of the market share. There are also a lot of small companies (present) in the market, most of them with only a limited regional presence and small scale wind projects.

According to the spanish legislation the generation of electricity from renewable sources is included in the special regime, regulated by the Royal Decree 436/2004 or by the Royal Decree 661/2007.

On one hand, the older regime applies to wind farms that started operations before January 2008. The system promotes two options: a feed-in tariff of €70/MWh (in 2008) with no review for the remaining life of the plant; or a market tariff (pool price plus a premium/incentive) with no explicit cap or floor. In 2009, the premium/incentive was set at €38.3/MWh. Those projects that decided to remain in the market component of this remuneration scheme must change to the new compensation regime by 2013. Operators choosing the fixed tariff have no temporal limit.

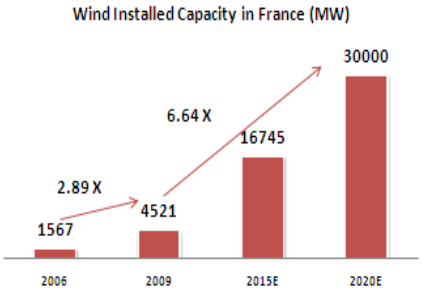
On the other hand, all wind farms starting operations after January 2008 lie compulsory under the transitory regime, RD 661/2007. Once again, there is a fixed tariff option at €78/MWh (in 2009) for the first 20 years indexed to inflation minus a factor of 0.25% until 2012 and indexed to inflation minus a factor of

0.50% thereafter. After the 20 years, the price is €61/MWh. Projects can also be remunerated by a scheme based on the pool price plus premium. In 2009, this premium was set at €31.3/MWh, while the price being paid ranged between a guaranteed floor of €76.1/MWh and a ceiling of €90.7/MWh, indexed to same inflation factor adjustment as in the fixed tariff option.

The wind farms operated by EDPR in Spain present in the two different legislations are subject to the market mechanism of the remuneration schemes. Also, the company decided to maintain those wind farms licensed prior to 2008 in the old regime, since it provides higher premiums over the pool price. However, from the begginning of 2013 onwards, all projects will be remunerated under the new scheme. Despite the higher premiums that could be achieved under the old regime, the new scheme provides more stability either by the fixed tariff or by the defined range of prices of the market option (with cap and floor), decreasing the volatility of prices associated to a remuneration package totally dependent on the electricity pool price. Despite the decrease in pool prices that has been observed, the company has more than 80% of its production either hedged or protected by a floor mechanism (€76/MWh) and even for those capacity dependent on the market price, the load factors achieved will provide EDPR with reasonable premiums.

In May 2009, RD 6/2009 stipulated that renewable projects had to be registered and wait for the decision as to whether they were accepted. This resolution has defined a limit of 6 GW of wind generation to be installed, which will receive the remuneration conditions set by RD 661/2007 (equivalent to 1700 MW allowed each year until 2012). Moreover, it is expected a new Royal Decree to be published during 2010 that will be the basis of remuneration for those projects not accepted in the above registration. Over the past few weeks, some informations indicate that Spain could consider revising feed-in tariffs for renewable electricity by a maximum of 40% until 2013, taking into account this new compensation package. In the sequence of some concerns regarding the revision of the tariffs retroactively for those wind farms already in operation, the Spanish government has already commented that such an extreme measure, which would impact to a large extent the profitability of all the players in the sector, will not be imposed.

**Exhibit 39 - Wind Capacity Evolution in France**




Source: WWEA; EWEA for estimates

### France

In France, around 75% of the electricity derives from nuclear power, in the sequence of a long-term policy based on assuring energy security. Nevertheless, it was ranked 7th worldwide in terms of total wind installed capacity in 2009 (4.5 GW), and the 1008 MW placed during the year represent 41% of all new generation capacity installed. Considerable growth is expected in terms of the importance of renewables in the energetic mix of the country, given that the

target for 2020 for the share of energy consumption coming from renewable sources is 23% against the 10.3% figure in 2005.

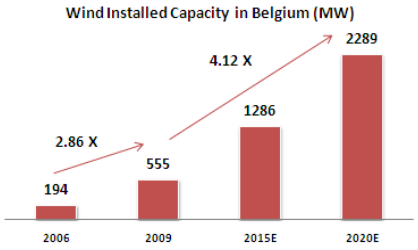
The French remuneration system for renewable energy is based on a feed-in tariff, stable for 15 years. There are two different structures applicable to wind farms, dependent on whether they had come online before or after July 2006. EDPR has only 9 MW from its Gueltas plataform under the old remuneration.

**Exhibit 40 - French Regulation: Summary**

| Application | Before July 2006 | After July 2006 |
|---|---|---|
| Feed-in Tariff | Gueltas wind farm (9 MW) | Remaining installed capacity |
| Remuneration | First 5 years: €84/MWh<br>Years 6 - 15: from €31/MWh to €84/MWh<br>From year 15 onwards: Market Price | First 10 years: €82/MWh<br>Years 11 - 15: €28/MWh - €82/MWh<br>From year 15 onwards: Market Price |
| Adjustment Factor | Years 6 - 15 remuneration depends on the load factor achieved in the first stage | Years 6 - 15 remuneration depends on the load factor achieved in the first stage |

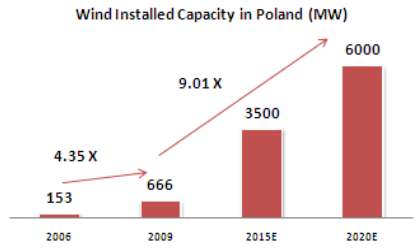
Source: EDP Renováveis

**Exhibit 41 - Wind Capacity Evolution in Belgium**




Source: WWEA; EWEA for estimates

**Exhibit 42 - Wind Capacity Evolution in Poland**




Source: WWEA; EWEA for estimates

### Belgium

The Belgian target for the proportion of renewable energy in the total amount of energy consummed is one of the most ambitious, demanding this figure to be 13% in 2020, from a residual share of 2.2% in 2005, almost a 500% increase. At the end of 2009, total wind capacity reached 555 MW and the expectations are for this value to quadruple in 2020.

The remuneration system for electricity produced from renewable sources in Belgium already consists on the sale of Green Certificates, being different depending on the area of the country the wind farm is implemented. In this sense, the cap and floor prices are €65/MWh - €100/MWh and €80/MWh - €125/MWh in Wallonia and Flanders, respectively. The regulation also allows for the possibility of signing long-term PPAs.

### Poland

EDPR entered the Polish market by the end of 2007, through the acquisition of Relax Wind Parks portfolio of projects, becoming one of the largest players in the sector. During 2009, Margonin wind farm, was completed and started producing wind power. This was EDPR's first project in the country, being the largest in Poland and one of the largest in the whole Eastern Europe.

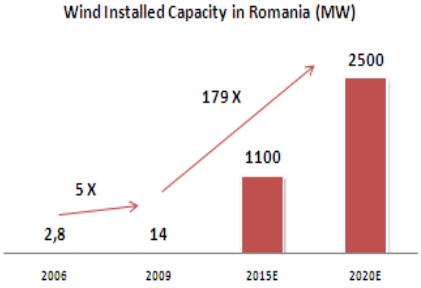
Despite its brief track record on renewables, Poland is one of the most promising markets in terms of wind power generation due to its relatively good wind speeds in large areas of the country along with its favourable regulation towards renewable energy. In fact, in 2009 the country had 666 MW of wind installed

capacity, but the expectations point to around 6 GW in 2020, representing a 9x growth from current situation.

Poland is heavily dependent on coal on its energetic mix (95% of its electric production) and according to the new Renewable Energy Directive of 2009, the share of total final energy consumption deriving from renewables should increase to 15% in 2020, from the 7.2% figure of 2005. Government expectations set this same metric to 20% in 2030.

The Energy Act set up in 1997 and revised in 2004 implemented a system of Green Certificates. In this sense, the prices for the sale of electricity generated by wind energy are formed by a market component plus Green Certificates. In 2010, these certificates have a minimum purchase price of PLN 197/MWh and a substitute fee for non-compliance with Green Certificate obligation (which can be considered equivalent to a cap price) of PLN 268/MWh. During last year, the average price achieved based on this two-tier system was around €98 (€39 for the market electricity price and €59 for the Green Certificates). There is also the option to set long-term PPAs.

**Exhibit 43 - Wind Capacity Evolution in Romania**




Source: WWEA; EWEA for estimates

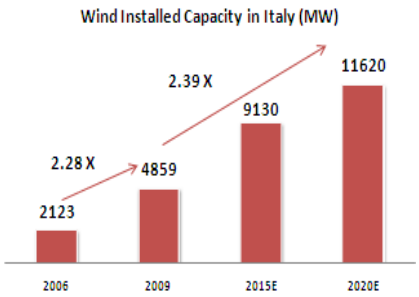
**Romania**

Romania is a market in an early stage of development in what concerns wind power. According to the World Wind Energy Association, the country had a total installed capacity of only 14 MW at the end of 2009, ranking 55th among 82 countries with wind capacity installed worldwide. However, it is considered a market with high growth potential over the next few years (projections point to a potential of 14000 MW, the highest in the region), since it provides one of the most attractive support mechanism towards the achievement of the renewable energy targets, and have established ambitious goals for renewable integration in the energetic mix. The market is of extreme relevance for EDPR over the short-term, with 228 MW under construction in two different projects.

The Romanian remuneration package is composed of a market component along with the sale of Green Certificates, supported by renewable quotas to be met. The current legislation determines that each wind generator receives two Green Certificates from Transelectrica (the transmission and system operator) for each MWh produced until 2014 and one thereafter. The range of prices at which these Green Certificates can be sold was updated in 2008 and is set at €27/MWh - €55/MWh, indexed to Romanian inflation up until 2014. From 2015 onwards, the minimum price for the certificates cannot be lower than the floor price applicable in 2014. The price of electricity and the price of Green Certificates are determined in two different markets. Once again, it is possible to negotiate long-term PPAs. Last year, the average price achieved by EDPR was €134/MWh (€34 from the market price and €50 from each one of the Green Certificates).

### Italy

**Exhibit 44 - Wind Capacity Evolution in Italy**



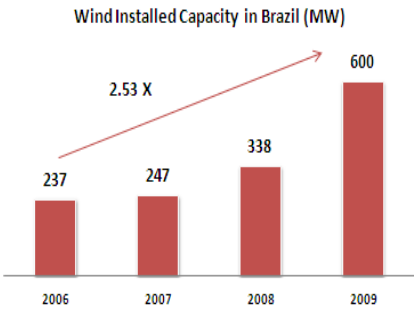

Source: WWEA; EWEA for estimates

EDPR recently entered the italian market through the acquisiton of a 85% stake in Wind SRL from Co-Ver Group. By doing this, the company now possesses 520 MW of wind projects in different stages of maturity. At the end of 2009, Italy had 4.85 GW of wind generation capacity, an increase of 2.7 GW since 2006. Under the EU Renewable Directive of 2009, the country is required to increase its share of renewable energy on final energy consumption to 17% in 2020.

The Italian system defines a remuneration based on the market electricity price plus a tradable Green Certificate for the first 15 years of operation. Starting from 2008, each Green Certificate is sold at a price equal to the difference between €180/MWh(a reference value) and the annual average price for electricity sale. In 2009, the average price for the Green Certificates was €88/MWh plus €63.72/MWh achieved in the electricity market, totalling €151.72 per MWh produced. The annual deficit or excess of Green Certificates in the market taking into account the quotas of renewable energy to be met, is managed by the market operator GSE (Gestore Servizi Energetici).

### Brazil

**Exhibit 45 - Wind Capacity Evolution in Brazil**




Source: WWEA

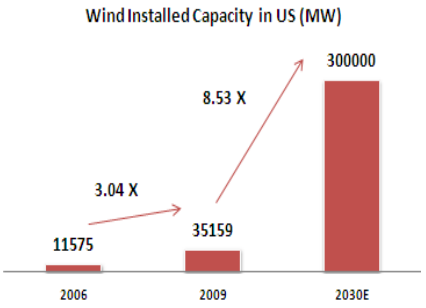
Brazil is considered to be the country with the most developed renewable energy program in the developing world. In particular, the utilization of sugarcane ethanol is widely implemented as a transportation fuel source, being its second largest producer, after United States. In terms of wind energy generation, Brazil is the most relevant market in South America, with 600 MW installed at the end of 2009.

Northeastern and Southern regions are those with higher potential for wind energy implementation, given the better load factors that can be achieved. EDPR's projects already in operation are located in the states of Rio Grande do Sul and Santa Catarina, on the South of the country. According to a recent report from the Electric Power Research Centre (CEPEL), the long-term potential for onshore wind capacity is more than 350 GW.

In 2002, PROINFA Program was estalished to foster alternative sources of electric power, namely wind, biomass and small hydro and increase the share of renewable energy to 10% of Brazil's electricity supply by 2020. Under this initiative, 1400 MW of approved wind projects signed 20 year PPAs with federal power company Electrobrás. Since PROINFA will cease during 2010 (the 70 MW wind farm to be installed by EDPR at the end of this year is still incorporated in the program), the government announced a tendering system for those wind farms out of the initiative. The first wind-only auction was hold in December 2009 (with a ceiling price of BRZ 189/MWh) and the average sale price obtained was

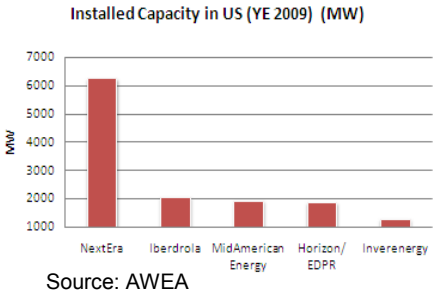
BRZ 148.39/MWh, approximately €57/MWh, well below the price paid when a project is integrated in PROINFA (BRZ 265/MWh in 2009). Nevertheless, there is a positive "momentum" in Brazil wind market, boosted by the first wind power auction (1000 MW) and the commitment for posterior auction of additional 1000 MW each year.

**Exhibit 46 - Wind Capacity Evolution in US**




Source: WWEA; DOE for estimates

**Exhibit 47 - EDPR is the fourth major player in US**




Source: AWEA

### United States of America

According to WWEA, United States maintains the global leadership in terms of wind energy generation, ahead of China, Germany and Spain. During 2009, almost 10 GW (a growth of 39%) of new wind power capacity were brought online to a cumulative of more than 35 GW. This amount of new additions was impressive, only surpassed by the 14 GW installed by China during 2009.

Long-term expectations regarding wind energy implementation are strong, given the potential of some areas with high wind resources not fully developed yet. In 2008, the US's Department of Energy (DOE) projected that a target of 20% of the electric supply coming from wind energy is feasible by 2030 (currently wind power covers 2% of the country's total electricity demand). Moreover, wind power has turned more and more important to the electric generation industry, increasing its share of annual new capacity additions from 2% in 2004 to more than 40% in 2009.

EDPR is the 4th largest wind power company in United States, market that is clearly dominated by NextEra Energy Resources, which is responsible for 25% of the market share.[3]

The current regulatory framework for wind energy generators in US is not linear, since it is composed by a set of policies imposed at the federal level, complemented with initiatives that vary from state to state, namely in terms of targets for renewable energy use in the electric network.

Tax Incentives

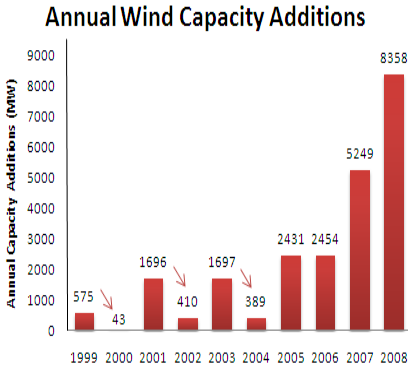
The Modified Accelerated Cost Recovery System (MACRS) is a tax benefit (independent of electrical power output) that allows for around 95% of the assets to be depreciated over the first 5 years rather than the usual 20 years applied to wind projects and thus providing for a large amount of tax credits in the initial phase of operation of the asset. The present system was incorporated in 1986 and there is no evidence of being discontinued in the near future.

PTCs are tax credits provided to the owners of certain qualified renewable energy facilities based on the electricity produced (in 2009, $21/MWh) during the

[3] The ranking presented by AWEA is related with "managing ownership" of wind power assets in US, to take into account those wind farms with more than one equity participant. In this sense, the term "managing owner" is meant to express the company that has a managing interest in the project, not necessarily 100% equity ownership.

first 10 years of operation of the facility, being indexed to inflation. PTCs have been in place since 1992, being continuously extended for periods of two or three years, each time. In three ocasions, PTCs were not extended prior to its deadline (was then applied retroactively), which resulted in a huge decrease in wind capacity additions in the following years. In February 2009, the Obama's Administration signed the American Recovery and Reinvestment Act (ARRA) to spur development of renewable energy in the adverse economic climate, and which among other measures, approved the extension of this benefit to wind farms added through December 2012. The role played by PTC support system in the development of the wind industry in the country has been crucial, being the major point of uncertainty in terms of the sustainability of the sector. The ARRA also implements a monetization option for tax incentives as an alternative to the use PTCs. It is, basically, a cash grant provided by the Secretary of Treasury (an Investment Tax Credit), in an amount equal to 30% of the cost of the facility, at the time it is placed into operation.

**Exhibit 48 - Effect of PTCs expiration in US**




Source: American Wind Energy Association

Renewable Energy Certificates

In US, part of the support given to the renewable energies is based on the existence of Renewable Portfolio Standards (RPS), which require a certain percentage of the energy supply to be originated by renewable sources. These targets differ from state to state (between 10% and 20% in 2020 for most of them), can be compulsory or just voluntary and in some cases impose penalties for non-compliance. Despite the growing number of states enacting these renewable targets (currently 28), it is expected the definition of a compulsory RPS at federal level imposing a target of 25% of the electricity consumed in 2025 to be generated from renewable energy sources, with an aggressive near-term of 10% by 2012.

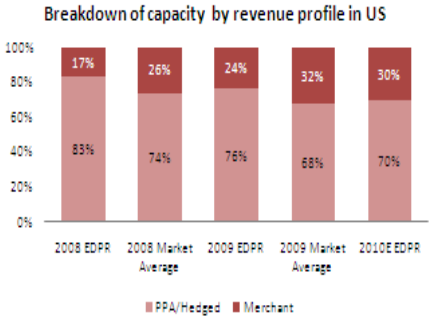
***RECs in US are equivalent to Green Certificates in Europe***

RECs act as the equivalent Green Certificates in Europe, being the tradable proofs that a certain amount of electricity was generated by a renewable resource. In this sense, state utilities acquire the RECs from the electricty generators like EDPR to meet the targets defined on the RPS programs. RECs are usually better paid in less windy regions. The increase in the load factors associated with a given region pushed their prices down.

Power Purchase Agreements

The RECs, already explained before, are a complement to the normal way of remuneration of electricity produced in US. In fact, the output produced can be sold in the spot electricity market (merchant) or through long-term PPAs negotiated with electric utilities (in the case of EDPR the average length of the contracts is 14 years). Most of the contracts signed by EDPR are PPAs linked to inflation (the rate at which these contracts are updated each year lie between 0%

**Exhibit 49 - Lower exposure to merchant price than peers**




Source: EDP Renováveis

and 1%), and already incorporating the delivery of RECs. In the Merchant option,energy is sold directly in deregulated markets, while RECs are sold separately. In some cases, EDPR has the possibility to hedge part of its exposure to electricity market prices, by fixing prices for shorter periods (5 to 10 years) and selling its production to a broker that, in turn, sells at the pool price. Since 2008, EDPR has been consistently more efficient in signing PPAs than its market peers (or, at least, its strategic exposure to market prices seems to be more conservative). However, with the economic slowdown of the recent past, there has been more difficulty to settle these long-term contracts, increasing the share of merchant component in the total capacity installed by EDPR in the country.

Institutional Partnership Structures

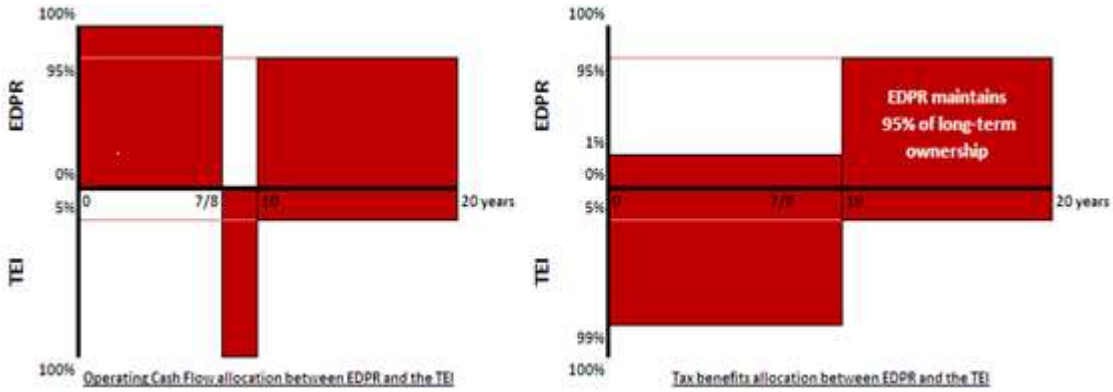
As other European renewable energy utilities operating in US, EDPR does not generate enough pre-tax income to take advantage of the reductions on tax liability that the regulatory framework in the country provides, namely the PTCs and MACRs. In this sense, to be able to monetise these incentives, EDPR enter in partnership structures with third parties, which are called Tax Equity Investors (TEI), usually financial institutions.

These Tax Equity Investors provide funds, upfront, for around 50% of EDPR's capex costs, receiving in exchange the federal tax benefits associated with the single wind farm or portfolio of wind farms, for which the partnership was created, until a defined IRR is achieved. The project is normally structured so that the IRR threshold is only reached after 10 years, enabling the full utilization of the PTCs and the repayment of the initial capital contribution to the investment.

The operational cash flows generated by the wind farm are fully allocated to EDPR until the Cash Flip Date, which could be fixed in advance or is considered as the date on which EDPR recovers the investment made (usually at the end of 7 or 8 years). During the remaining period until the Flip Date, these cash flows are allocated to the institutional equity investor.

The Flip Date is the point at which the institutional investor reaches the targeted IRR (normally 10 years), rate that is negotiated at the inception of the partnership. From this point onwards, the members' percentage ownership interest on the project changes in the sense that EDPR gets a 95% stake on the project (retaining the daily control and management of the wind farm, as before), with the residual 5% being owned by the investor. It is important to notice that EDPR possesses the option to acquire the institutional investor's residual interest at fair market value on the Flip Date.

**Exhibit 50 - Institutional Partnership Structures**




Source: Nova Equity Research

# Wind Offshore

Contrary to the normal onshore wind farms possessed by EDPR, wind offshore farms are located at the sea at a distance of, at least, 10 kms from coast. EDPR has completed the first steps towards a more effective focus on wind ofshore with the presence in the "UK Round 3" tender, which has the goal of achieving 32 GW of offshore wind power delivered in 2020, representing a quarter of the UK's total electricity needs in that year. Through a consortium with the local developer SeaEnergy, the company was awarded the rights to develop 1.3 GW, approximately 25 kms southeast of the Scottish coast in an area with water depths between 30 and 60 meters. According to the Department of Energy and Climate Change, the load factors expected for those projects taking part of this round of wind offshore applications are above 35%.

The total worldwide installed capacity offshore amounted to almost 2 GW in 2009 spread across 12 countries, 10 of them in Europe and some residual capacity in China and Japan. In fact, 99% of wind offshore turbines are placed in Europe. The wind offshore capacity represents currently around 1.2% of the total wind capacity worldwide.

The potential for offshore wind energy generation in some of the countries in which EDPR is already present is not negligible, considering the extent of Economic Exclusive Zones as proxies for the national jurisdictions over offshore areas. This year, expectations point to 1 GW to be installed, which would represent a 75% market growth compared to 2009. EWEA expects the installation of between 40 GW and 55 GW until 2020 and an ambitious target of 150 GW in 2030.

**Exhibit 51 - Top players in offshore wind industry**

Top 5 Countries in Offshore Wind (MW)

| | 2008 | 2009 |
|---|---|---|
| United Kingdom | 574 | 688 |
| Denmark | 426.6 | 663.6 |
| Netherlands | 247 | 247 |
| Sweden | 134 | 164 |
| Germany | 12 | 72 |

Source: World Wind Energy Association

**Exhibit 53 - Onshore vs Offshore: Wind Turbines**

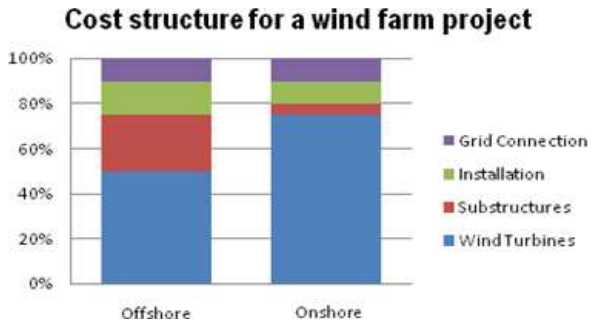
Main Techincal Characteristics of Wind Turbines

| | Onshore | Offshore |
|---|---|---|
| Rated Power (MW) | 1.5 - 2 | 2 - 6 |
| Rotor diameter (meters) | 60 - 80 | 80 - 130 |
| Hub height (meters) | 80 | 100 |

Source: European Environment Agency (2009)

Offshore wind resources can provide higher load factors (it features less turbulence since it is not affected by land relief) and economies of scale (due to the fact that the size of each wind farm could be theoretically bigger given the higher area available along with the type of equipment to be used) when compared with onshore locations. However, the increasing distance to shore (installation of wind capacity up to 10 kms from the coast is very limited mainly to significant visual impacts) demands more complex substructures and grid connection, resulting in higher maintenance costs and bigger initial investment, changing the profile of the cost structure when compared with onshore projects. Also, the existing legislative frameworks are, in the majority of the cases, designed for land rather than offshore applications, so licenses and concessions are not clear or do not exist at all. Finally, the connection of offshore wind farms to national electricity grids continues to present a challenge difficult to overpast.

**Exhibit 52 - Onshore vs Offshore: Cost Structure**

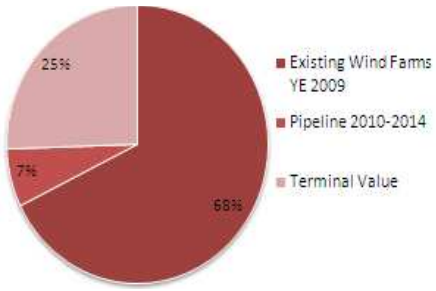



Source: Nova Equity Research

This approach to wind offshore fits the company's portfolio in terms of geographical and technological diversification, allowing also the development of new capabilities and skills and establshing a plataform for future possible projects. The project is integrated in a long-term perspective, with a first phase based on an extensive environmental and wind resource analysis for at least 2 years, followed by application for the mandatory consents. The time-to-market of this project is much longer than the onshore comparables (operations are only expected to start between 2015 and 2020) and it is not yet clear if the project will, in fact, proceed. In this sense, we decided not to incorporate it in the valuation of the company.

# Valuation

**Exhibit 54 - Valuation breakdown**




Source: Nova Equity Research

Our Buy recommendation for EDPR shares is based on a valuation performed through a Sum of the Parts (SoP) approach using individual Discounted Cash Flow models for each country the company operates in. Our SoP points to a Entreprise value of €11.84, and after adjusting for net debt, for a 12-month price target of €8.37 per share.

The valuation was done on a country-level basis, for three levels of valuation: Existing wind farms at the end of 2009; pipeline of projects expected to be completed over 2010-2014; and terminal value. Each country's Free Cash Flows was calculated in its own currency and discounted with a Weighted Average Cost of Capital expressed in that same currency. The cash flows are on a nominal basis and the expected inflation evolution took into account the last figures available from the International Monetary Fund[4]. For those countries not present in the Eurozone, this value per share was, at the end, converted into Euros using the one-year forward exchange rate (as of June 03, 2010), in order to match it with the time horizon of this recommendation.

Operations

Those wind farms already in operation were valued individually, according to the detailed information we had on the exact starting date of operations and regulatory scheme they took part part of. Regarding the pipeline, we took into consideration the four different levels of maturity (and its consequent expected time-to-market) to predict how the company will expand its capacity. We assumed that most of the capacity starts operations in October of each year, creating an adjustment factor to take this detail into account in both the first and last year of operation of the MWs associated to each year. In fact, EDPR's typical construction pattern tracks a back-end loaded profile, with more than 60%of the annual new capacity additions being made on the fourth quarter of the year.

**Exhibit 55 - Summary of EDPR's participations**

| Country | Participation |
|---|---|
| Spain | 80% |
| Portugal | 100% |
| France | 100% |
| Belgium | 70% |
| Poland | 100% |
| Romania | 85% |
| Italy | 85% |
| US | 100% |
| Brazil | 55% |

Source: Nova Equity Research

Given that EDPR does not hold 100% stakes in all the companies it controls, we valued the assets taking into account the net installed capacity related to each one of the subsidiaries. In Spain there is a set of entities under control of the company. Historically, EDPR's net position has been around 80% and as so we consider this percentage to value Spanish assets.

It was assumed that, at the end of the operational life of the wind farms, the company has the option to repower them. The repowering happens if a new assessment of the profitability of the location for the specific conditions results in

[4] IMF's World Economic Outlook Database of April 2010 until 2014; fixed inflation assumed thereafter (for Eurozone countries, it was considered the medium term European Central Bank goal of 2%; while for the remaining countries we assume long-term projections regarding future evolution).

a positive NPV. If the comany decides to do that, it will consist on the installation of new wind turbines, considering that all the costs associated to grid connection and civil works are not needed again. In this sense, the repowering of wind farms costs around 80% of the initial capital expenditures associated with that project.

We consider a terminal value calculated taking into account this repowering of wind farms at the end of each useful life (at the 21st year of operations), discounted at the country's WACC, with a conservative long-term growth rate of 1%. For

Remuneration

We assumed that the current remuneration schemes will not be changed, so we respect the timings behind each one, that is, the evolution of tariffs to be applied along the regulatory timeline and the posterior transition to a market price mechanism (15 years in the case of Portugal and France, for example).

In Portugal, all new wind farms will be remunerated under the new regime. After the end of the 15 years, wind farms will be paid a market price, which we assumed to follow OMIP (Iberian Energetic Market Operator) futures curve (explicited until 2012, and linked to inflation from that point onwards). The price of Green Certificates use as proxy the incentive paid in Spain under the market mechanism of the new regime (RD 661/2007) in 2008, linked to inflation.

In Spain, we assumed that wind farms lying under the old regime will be maintained there as long as it is possible (end of 2012), changing then to the market component of the new regime. The pool prices were assumed to follow OMIP futures curve (explicited until 2012, linked to inflation thereafter), while the premium to be paid, according to the Spanish legislation, is inversely related to a positive trend in the wholesale market price.

In France, we assumed that the current remuneration systems will not be updated, maintaining the tariffs described for the 15 years. Thereafter, we assumed that electricity will be sold at market price. To define the market price applicable at that time, we took into account the French baseload futures curve negotiated in the European Energy Exchange (EEX), explicited until 2013 and linked to inflation, henceforth.

In Belgium, Poland, Romania and Italy, the price of the Green Certificates was assumed to evolve with inflation. In the Italian case, the market price component was first based on the forward electricity price for 2010 and 2011 from the Italian Power Exchange (GME), and then linked to inflation. For Poland and Romania, explicit futures are available in the Polish Power Exchange (POLPX) and Romanian Power Exchange (OPCOM) until 2012 and 2011, respectively being linked to inflation thereafter.

For United States, we made a conservative aproach to the future regarding the allocation of contracts for PPAs versus exposure to the merchant price (70% vs 30% of total capacity). Power prices use as proxy NYMEX PJM futures curve (until 2014, linked to inflation thereafter).

**Exhibit 56 - Explicit Futures Curve**

| | | | | | |
|---|---|---|---|---|---|
| Spain (€/MWh) | 47,45 | 46,48 | 47,78 | - | - |
| Portugal (€/MWh) | 47,62 | 47,37 | 48,38 | - | - |
| France (€/MWh) | 46,87 | 56,37 | 57,72 | 58,50 | - |
| Poland (PLN/MWh) | 190,13 | 194,38 | 191 | - | - |
| Romania (RON/MWh) | 162,80 | 145,95 | - | - | - |
| Italy (€/MWh) | 70,96 | 71,00 | - | - | - |
| US ($/MWh) | 54,02 | 54,17 | 55,23 | 56,70 | 60,01 |

Source: OMIP; Powernext; POLPX; OPCOM; GME; Bloomberg

**Exhibit 57 - Opex Assumptions**

| Country | 2010E Opex (€/MWh) |
|---|---|
| Spain | 17,55 |
| Portugal | 17,27 |
| France | 18,77 |
| Belgium | 18,84 |
| Poland | 23,77 |
| Romania | 25,25 |
| Italy | 19,63 |
| US | 13,37 |
| Brazil | 18,72 |

Source: Nova Equity Research

Operational Costs and Capital Expenditures

Operational costs were assumed according to company's guidance (€39000/MW at YE 2009[5], evolving with inflation) in those countries where the company is already operating for some time. In Eastern Europe and Brazil, we decided to add a premium of 20% to this figure to compensate to the early stage of development of the market. Nevertheless, in all cases, operational costs were adjusted for the differences in load factors between countries.

We assumed that installation costs can be considered centralised given that the company signs global supply contracts flexible to delivery in every country the company operates in. In this sense, we assumed the price per MW is the same for all countries (€ 1.4 Million/MW at YE 2009), evolving with inflation. Given that wind farms have a estimated average useful life of 20 years, they were repreciated in order to have no residual value after these 20 years.

WACC[6]

An individual Weighted Average Cost of Capital was considered for each country in their domestic currency to discount the cash flows associated with the three levels of valuation: existing wind farms at YE 2009, pipeline 2010-2014 and terminal value.

The **risk-free rate** used in the valuation of those countries belonging to Eurozone was the yield on the 10-year German Government Bund. For United States, we used the yield on the 10-year Treasury Bond, while for the remaining countries

[5] For those countries not belonging to Eurozone, we converted the 2009 values of reference for their own currency using the monthly arithmetic average of the exchanges rates in 2009.
[6] In the US, WACC was adjusted to take into account Institutional Partnerhsips: $WACC = k_e \times {}^{E}/_{V} + k_d \times (1-t) \times {}^{D}/_{V} + k_{IP} \times {}^{IP}/_{V}$

**Exhibit 58 - Beta calculations**

| Company | Raw Beta | D/E (YE 2009) | $B_u$ |
|---|---|---|---|
| Iberdrola Renovables | 0.914 | 0.1492 | 0.8 |
| EdF Nouvelles | 0.970 | 2.2108 | 0.3 |
| NextEra | 0.677 | 1.4567 | 0.28 |
| RWE Innogy | 0.855 | 1.4747 | 0.35 |
| Terna Energy | 0.720 | 0.5093 | 0.48 |
| Theolia | 1.587 | 3.2995 | 0.37 |
| Acciona | 1.158 | 1.4375 | 0.48 |
| Average | | | 0.434 |

Source: Bloomberg

| Consensus Comparison | 2010E | 2011E | 2012E |
|---|---|---|---|
| EBITDA (€ million) | | | |
| Bloomberg Consensus | 704.71 | 886.38 | 1090.06 |
| Nova Equity Research | 696.50 | 857.25 | 1030.07 |
| EBIT (€ million) | | | |
| Bloomberg Consensus | 323.10 | 432.55 | 533.20 |
| Nova Equity Research | 315.97 | 398.84 | 488.35 |
| Earnings per Share | | | |
| Bloomberg Consensus | 0.154 | 0.214 | 0.279 |
| Nova Equity Research | 0.139 | 0.189 | 0.260 |

Source: Bloomberg and Nova Equity Research

(Poland, Romania and Brazil), the yield on their 10-year Government Bonds was applied.

The **market premium** is usually accepted as ranging between 4% and 6%[7]. In this case, we assumed a value near the top frontier of this interval (5.5%), assuming we are recovering from recession and as so expecting premiums to increase.

In order to compute the **beta** of EDPR, we used the industry beta approach, using the two last years of weekly data against MSCI World Index, usually used as a global benchmark. It was done to match with a reasonable historical period, taking into account the short history of the company. In this sense, we collected a set of betas from those companies that better suit EDPR business. All these companies are international developers and operators of wind energy projects. The focus of Theolia and Iberdrola Renovables is mostly wind energy, while EdF En, Terna Energy and NextEra have a more diversified portfolio in terms of sources of clean energy. RWE is more widely focused, producing also natural gas and oil. Acciona is a conglomerate group, in which Acciona Energy takes part, being amongst the top players in terms of wind energy. We unlevered each beta to discount the financial leverage effect, and relevered the average beta obtained, now taking into account the Debt-to-Equity ratio target for the company, reaching an EDPR's beta of 0.87.

EDPR is financed through its parent company (EDP), which sets 90% of the loans at a fixed rate. The current long-term rating for EDP from the three main agency ratings is A3, A- and A-, from Moody's, S&P and Fitch, respectively. We assumed that EDP's **cost of debt** can be derived from the Euro Utility A 10 years yield curve for European countries and USD Utility A 10 years for United States (it was considered the 10 years curve on order to match with EDPR's average debt maturity). The most recent figures were 3.85% and 3.58%, at June 03, 2010, respectively, to which we add a spread of 250 basis points[8]. For those countries out of the Eurozone, we add the differential of inflation between each one and Germany, expected for 2010. For Institutional Partnerships in US, we assumed a 6.5% rate demanded by Tax Equity Investors, since they tend to be approximately equal to projects in Europe.

[7] Mehra and Prescott, "The Equity Premium in Retrospect" and Dimson, Marsh and Staunton, "The Global Evidence on the Equity Risk Premium"

[8] Aswath Damodaran provides some guidelines in terms of matching a determined interest coverage ratio range with the associated implicit rating and the default spread to be applied. EDPR's interest coverage ratio was considered between 2.5x and 3x, implying a BBB rating and a spread of around 250 basis points, which corresponds to corporate market spreads applicable to companies similar to EDPR.

**Exhibit 59 - WACC Summary**

| | Spain | Portugal | RoE | | | | | US | Brazil |
|---|---|---|---|---|---|---|---|---|---|
| | | | France | Belgium | Poland | Romania | Italy | | |
| Risk-Free Rate | 2,58% | 2,58% | 2,58% | 2,58% | 5,82% | 7,56% | 2,58% | 3,19% | 12,46% |
| Market Premium | 6,00% | 6,00% | 6,00% | 6,00% | 6,00% | 6,00% | 6,00% | 6,00% | 6,00% |
| Beta | 0,87 | 0,87 | 0,87 | 0,87 | 0,87 | 0,87 | 0,87 | 0,87 | 0,87 |
| Cost of Equity | 7,79% | 7,79% | 7,79% | 7,79% | 11,03% | 12,77% | 7,79% | 8,40% | 17,67% |
| Cost of Debt | 6,35% | 6,35% | 6,35% | 6,35% | 7,77% | 9,40% | 6,35% | 7,08% | 10,53% |
| Income Tax Rate | 30,00% | 29,00% | 33,33% | 33,99% | 19,00% | 16,00% | 27,50% | 0,00% | 34,00% |
| After-tax Cost of Debt | 4,45% | 4,51% | 4,23% | 4,19% | 6,29% | 7,90% | 4,60% | 7,08% | 6,95% |
| Institutional Partnerships | - | - | - | - | - | - | - | 6,50% | - |
| D/V | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 30,00% | 50,00% |
| E/V | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 50,00% | 40,00% | 50,00% |
| IP/V | - | - | - | - | - | - | - | 30,00% | - |
| **WACC** | **6,12%** | **6,15%** | **6,01%** | **5,99%** | **8,66%** | **10,33%** | **6,20%** | **7,43%** | **12,31%** |

Source: Bloomberg and Nova Equity Research

**Exhibit 60 - SoP Summary**

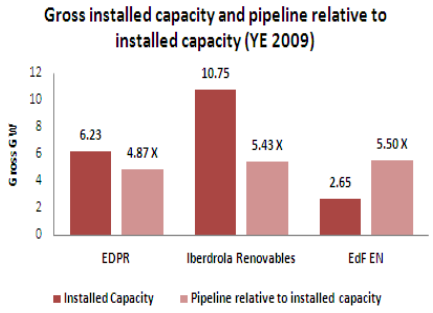
Sum-of-the-Parts Summary

| Country | Existing Wind Farms YE 2009 | Pipeline 2010-2014 | Terminal Value with Repowering | Total |
|---|---|---|---|---|
| Spain | 3,13 | 0,33 | 0,64 | 4,10 |
| Portugal | 1,20 | 0,06 | 0,23 | 1,49 |
| France | 0,36 | 0,02 | 0,00 | 0,37 |
| Belgium | 0,08 | 0,02 | 0,07 | 0,18 |
| Poland | 0,23 | 0,05 | 0,12 | 0,40 |
| Romania | 0,00 | 0,19 | 0,07 | 0,26 |
| Italy | 0,00 | 0,07 | 0,01 | 0,08 |
| US | 3,00 | 0,06 | 1,86 | 4,92 |
| Brazil | 0,02 | 0,00 | 0,03 | 0,05 |
| **Total** | **8,020** | **0,798** | **3,023** | **11,84** |

| | |
|---|---|
| Enterprise Value | 11,84 |
| Net Debt per share 2010E | 3,3399 |
| Minority Interests | 0,1277 |
| **Target Price** | **8,37** |
| Price @ June 03 | 4,658 |
| Potential Upside | 79,76% |

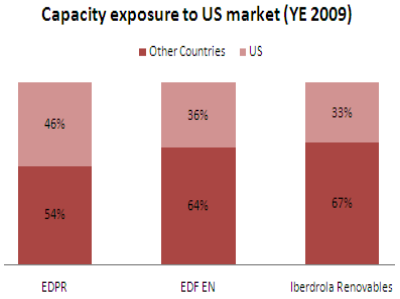
Source: Nova Equity Research

**Exhibit 61 - EDPR have the lower pipeline/installed capacity ratio**




Source: Companies Data

**Exhibit 62 - EDPR has the higher exposure to US market**




Source: Companies Data

# Comparables

EDP Renováveis's profile as a pure wind player makes it hard to find a set of companies that entirely match company's approach. In this sense, one can say that the company has no direct comparables. Nevertheless, we consider Iberdrola Renovables and EdF Energies Nouvelles the closest peers due to their similar geographic presence, maturity (Iberdrola Renovables is publicly listed since December 2007 and EdF EN since December 2006), and relevance of wind in their global capacity portfolio. EDPR's multiple of pipeline over current installed capacity is the lower among this peer group. However, the expertise of the company as a pure wind energy company makes it more likely to deliver successfully in its pipeline. In addition, the company had the highest exposure to the US market, considered one of the most attractive countries in terms of growth potential. The higher market multiples presented by EDP against its comparables can be justified by higher expectations regarding future growth.

Iberdrola Renovables

Iberdrola Renovables is the global leader in the renewable energy sector, being the world-leading producer from wind energy. In order to complement its core on wind energy, the company is also exposed to other sources of renewable energy namely offshore wind, biomass and solar photovoltaic and develops gas co-generation and gas storage facilities. The company has a strategic alliance with Gamesa, one of the major wind turbine manufacturers worldwide, providing the company some of the most price competitive turbine supply agreements available in the market. Although it is present in more than 20 countries, the main markets in which the company is operating are Spain and United States, jointly representing 80% of the company's total installed capacity.

EdF Energies Nouvelles

EdF EN is present in several segments of energy framework, with a focus on wind power, which is responsible for 90% of the company's total installed capacity. There has been a recent expansion on solar photovoltaic turning in the second priority for the company. Similarly to EDPR, EdF EN has an international footprint, being present in 11 countries.

**Exhibit 63 - Multiples**

EDP Renováveis Peers

| Company | Last Price | Market Capitalization (€mn) | EV/EBITDA | | P/E | |
|---|---|---|---|---|---|---|
| | | | 2010E | 2011E | 2010E | 2011E |
| EDPR | € 4.66 | 4063 | 14.83 | 12.05 | 60.10 | 44.28 |
| Iberdrola Renovables | € 2.51 | 10602 | 7.30 | 6.23 | 23.23 | 20.40 |
| EdF EN | € 29.59 | 2295 | 12.71 | 9.78 | 19.83 | 15.99 |

Source: Bloomberg and Nova Equity Research

# Financials

**Exhibit 65 - Income Statement**

Consolidated Income Statement (€ million)

| | 2009 | 2010E | 2011E | 2012E | CAGR 09-12E |
|---|---|---|---|---|---|
| Adjusted Gross Profit | 725.1 | 938.5 | 1148 | 1373.7 | 24% |
| Operating Costs (Opex) | (182.1) | (242) | (290.7) | (343.7) | |
| EBITDA | 543 | 696.5 | 857.2 | 1030.1 | 24% |
| EBITDA Margin | 74.89% | 74.22% | 74.68% | 74.98% | |
| Depreciation | (311.8) | (380.5) | (458.4) | (541.7) | |
| EBIT | 231.2 | 316 | 399 | 488.3 | 28% |
| Financial Costs | (68.2) | (142.8) | (162.7) | (168.8) | |
| EBT (Pre-tax profit) | 163 | 173.2 | 236.1 | 319.6 | |
| Income Taxes | (44.7) | (47.7) | (67.2) | (88.9) | |
| Earnings after taxes | 118.3 | 125.5 | 168.9 | 230.7 | |
| Minority Interests | (3.9) | 3.9 | 3.9 | 3.9 | |
| Net Income | 114.4 | 121.5 | 165 | 226.8 | 26% |

**Exhibit 64 - Balance Sheet**

Consolidated Balance Sheet (€ million)

| | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|
| **Assets** | | | | |
| Tangible fixed assets | 8634.7 | 9756.8 | 10926.1 | 12072.9 |
| Intangible assets and financial investments | 1395.5 | 1395.5 | 1395.5 | 1395.5 |
| Deferred tax asset | 27.8 | 27.8 | 27.8 | 27.8 |
| Inventories | 11 | 16.5 | 19.9 | 23.5 |
| Cash and cash equivalents | 482.6 | 199.1 | 231.8 | 221.2 |
| Tax receivable | 169.6 | 169.6 | 169.6 | 169.6 |
| Trade receivables | 106 | 175 | 216.2 | 259.6 |
| Debtors and others assets | 466.6 | 583.3 | 729.1 | 911.3 |
| Total Assets | 11293.8 | 12323.6 | 13716 | 15081.3 |
| **Equity** | | | | |
| Share capital and share premium | 4913.6 | 4913.6 | 4913.6 | 4913.6 |
| Reserves and retained earnings | 192.1 | 306.5 | 383.1 | 489.7 |
| Net profit attributable to EDPR | 114.4 | 121.5 | 165 | 226.8 |
| Minority interest | 107.5 | 103.6 | 99.6 | 95.7 |
| Dividends | 0 | 0 | 44.9 | 58.4 |
| Total Equity | 5327.6 | 5453 | 5622 | 5807.8 |
| **Liabilities** | | | | |
| Financial debt | 2673.4 | 3120.3 | 3814.7 | 4449.9 |
| Provisions | 66.9 | 66.9 | 66.9 | 66.9 |
| Deferred tax liability | 342.8 | 342.8 | 342.8 | 342.8 |
| Institutional Partnerships | 1353.6 | 1599.9 | 1881.7 | 2156.8 |
| Trade and other payables | 1529.5 | 1748.5 | 2003.6 | 2280.8 |
| Total Liabilities | 5966.2 | 6878.4 | 8109.8 | 9297.2 |
| Total Equity and Liabilities | 11293.8 | 12331.5 | 13731.8 | 15105 |

**Exhibit 66 - Cash Flow Statement**

Consolidated Cash Flow Statement (€ million)

| | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|
| Net Income | 114.4 | 121.5 | 165 | 226.8 |
| Depreciation | 311.8 | 380.5 | 458.4 | 541.7 |
| Change in operating assets | (146.8) | (191.2) | (190.4) | (229.2) |
| Change in operating liabilities | 439.7 | 132.8 | 255.2 | 277.2 |
| **Cash Flow from operating activities** | **719** | **443.7** | **688.2** | **816.4** |
| Capex | (1835.2) | (1502.7) | (1627.6) | (1688.5) |
| Other financial investments | (13.1) | 0 | 0 | 0 |
| Other cash flows from financing activities | 109 | 332.5 | 281.8 | 275.1 |
| **Cash Flow from investing activities** | (1739.3) | (1170.1) | (1345.9) | (1413.4) |
| Change in equity | 23.1 | 3.9 | 3.9 | -41 |
| Change in debt | 1211.2 | 446.9 | 694.4 | 635.2 |
| **Cash Flow from financing activities** | 1234.3 | 450.8 | 698.4 | 594.2 |
| Change in cash | 214.1 | (275.7) | 40.7 | (2.8) |
| Initial cash | 231.5 | 445.5 | 169.9 | 210.5 |
| Ending cash | 445.5 | 169.9 | 210.5 | 107.7 |

# Disclosures and Disclaimer

## Research Recommendations

| | |
|---|---|
| **Buy** | Expected total return (including dividends) of more than 15% over a 12-month period. |
| **Hold** | Expected total return (including dividends) between 0% and 15% over a 12-month period. |
| **Sell** | Expected negative total return (including dividends) over a 12-month period. |

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