

**Emilio García-Conde Noriega, Secretary of the Board of Directors of EDP Renováveis, S.A.**

**CERTIFIES**

That the Annual Financial Statements, Management Report, and Proposed Allocation of profits of EDP Renováveis, S.A., as well as the Annual Financial Statements, Management Report, and Proposed Allocation of profits of EDP Renováveis, SA and its subsidiaries, were prepared by the Board of Directors at its meeting of February 26, 2009, original copies of which have been signed by the members of the Board of Directors.

It is stated for the record that original version of the above documents will be deposited with the Commercial Registry of Asturias. As regards the audit Reports for EDP Renováveis, S.A., as well as for EDP Renováveis, S.A. and its subsidiaries, it is also stated for the record that they have been issued without any reservation.

And I sign this certification for the record in Oviedo, on March 12, 2009.



KPMG Auditores S.L.  
Ventura Rodríguez, 2  
33004 Oviedo

## Auditors' Report on the Consolidated Annual Accounts

To the shareholders of  
EDP Renováveis, S.A.

We have audited the consolidated annual accounts of EDP Renováveis, S.A. (hereinafter the parent Company) and subsidiary companies (hereinafter the EDP Renováveis Group) which comprise the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2008 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows, comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2008. In the context of the Initial Public Offering described in note 1, the Directors of the Company approved the consolidated financial statements for the period between 4 and 31 December 2007. On 6 March 2008 we issued our unqualified auditor's report on these consolidated financial statements.

In our opinion, these consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of EDP Renováveis, S.A. and subsidiary companies at 31 December 2008 and the consolidated results of their operations and the consolidated changes in equity and cash flows for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2008 contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2008. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of EDP Renováveis, S.A. and subsidiary companies.

KPMG Auditores, S.L.

Ana Fernández Poderós  
Partner  
2 March 2009

**EDP Renováveis, S.A.**  
**Consolidated Annual Accounts**  
**31 December 2008**

# EDP Renováveis, S.A.

## Consolidated Income Statement for the year ended 31 December 2008 and the period from 4 December to 31 December 2007

	Notes	2008	2007
		(Thousands of Euros)	(Thousands of Euros)
Revenue	5	532,429	14,363
Cost of consumed electricity	5	-993	-158
Changes in inventories and cost of raw materials and consumables used	5	-11,251	-501
		<u>520,185</u>	<u>13,704</u>
Other operating income / (expenses)			
Other operating income	6	89,524	1,749
Supplies and services	7	-106,947	-2,927
Personnel costs	8	-37,011	-999
Employee benefits expenses	8	-1,090	-23
Other operating expenses	9	-26,784	-792
		<u>-82,308</u>	<u>-2,992</u>
		437,877	10,712
Provisions		806	-
Depreciation and amortisation expense	10	-207,764	-6,885
Amortisation of deferred income / Government grants	10	696	468
		231,615	4,295
Gains / (losses) from the sale of financial assets	11	2,363	888
Other financial income	12	270,901	955
Other financial expenses	12	-348,120	-4,924
Share of profit of associates		4,438	203
Profit before tax		161,197	1,417
Income tax expense	13	-48,979	-47
Profit after tax		<u>112,218</u>	<u>1,370</u>
<b>Profit for the period</b>		<u>112,218</u>	<u>1,370</u>
<b>Attributable to:</b>			
Equity holders of EDP Renováveis	27	104,364	1,093
Minority interest	29	7,854	277
Profit for the period		<u>112,218</u>	<u>1,370</u>
Earnings per share basic and diluted - Euros	27	<u>0.16</u>	<u>0.61</u>

# EDP Renováveis, S.A.

## Consolidated Balance Sheet as at 31 December 2008 and 2007

	Notes	2008 (Thousands of Euros)	2007 (Thousands of Euros)
<b>Assets</b>			
Property, plant and equipment	14	7,052,783	4,926,300
Intangible assets	15	22,408	22,958
Goodwill	16	1,372,388	1,201,170
Investments in associates	18	40,782	32,360
Available for sale investments	19	12,501	7,951
Deferred tax assets	20	21,834	16,719
Debtors and other assets	23	141,540	100,462
Total Non-Current Assets		8,664,236	6,307,920
Inventories	21	12,377	39,024
Trade receivables	22	82,598	60,885
Debtors and other assets	23	195,813	99,251
Tax receivable	24	175,093	96,835
Financial assets at fair value through profit or loss	25	35,774	44,839
Cash and cash equivalents	26	229,680	388,492
Assets held for sale	42	985	2,641
Total Current Assets		732,320	731,967
Total Assets		9,396,556	7,039,887
<b>Equity</b>			
Share capital	27	4,361,541	18,873
Share premium	27	552,035	1,882,338
Reserves and retained earnings	28	89,419	129,844
Consolidated net profit attributable to equity holders of the parent		104,364	1,093
Total equity attributable to equity holders of the parent		5,107,359	2,032,148
Minority interest	29	82,751	213,573
Total Equity		5,190,110	2,245,721
<b>Liabilities</b>			
Medium / Long term financial debt	30	1,376,108	2,364,629
Employee benefits	31	1,162	1,211
Provisions	32	49,698	22,597
Deferred tax liabilities	20	303,331	293,394
Trade and other payables	33	1,695,387	1,183,053
Total Non-Current Liabilities		3,425,686	3,864,884
Short term financial debt	30	86,165	517,444
Trade and other payables	33	648,334	398,193
Tax payable	34	46,261	13,645
Total Current Liabilities		780,760	929,282
Total Liabilities		4,206,446	4,794,166
Total Equity and Liabilities		9,396,556	7,039,887

**EDP Renováveis, S.A.**  
**Statement of Changes in Consolidated Equity**  
**as at 31 December 2008 and 2007**

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Reserves and retained earnings	Hedging reserve	Fair value reserve	Equity attributable to equity holders of EDP Renováveis	Minority Interests
<b>Balance as at 3 December 2007</b>	-	-	-	-	-	-	-	-
Recognised income and expense for the period								
Fair value reserve (cash flow hedge) net of taxes	13,354	-	-	-	11,566	-	11,566	1,788
Exchange differences arising on consolidation	-819	-	-	-819	-	-	-819	-
Profit for the period	1,370	-	-	1,093	-	-	1,093	277
Total recognised income and expense for the period	13,905	-	-	274	11,566	-	11,840	2,065
Incorporation of EDP Renováveis	15	15	-	-	-	-	15	-
Share capital increase in kind	1,901,196	18,858	1,882,338	-	-	-	1,901,196	-
Non monetary contribution of NEO	119,097	-	-	119,097	-	-	119,097	-
Minority interests arising from NEO contribution	183,522							183,522
Minority interests resulting from PPA adjustment in Relax acquisition	27,986	-	-	-	-	-	-	27,986
<b>Balance as at 31 December 2007</b>	<b>2,245,721</b>	<b>18,873</b>	<b>1,882,338</b>	<b>119,371</b>	<b>11,566</b>	<b>-</b>	<b>2,032,148</b>	<b>213,573</b>
Recognised income and expense for the period								
Exchange differences arising on consolidation	1,998	-	-	1,998	-	-	1,998	-
Fair value reserve (cash flow hedge) net of tax	6,117	-	-	-	-	7,103	7,103	-986
Fair value reserve (available for sale financial assets) net of tax	7,747	-	-	-	7,747	-	7,747	-
Profit for the period	112,218	-	-	104,364	-	-	104,364	7,854
Total recognised income and expense for the period	128,080	-	-	106,362	7,747	7,103	121,212	6,868
Share capital increase in kind	180,208	4,718	175,490	-	-	-	180,208	-
Share capital increase by incorporation of share premium	-	2,057,828	-2,057,828	-	-	-	-	-
Share capital increase by incorporation of loans	1,300,000	1,300,000	-	-	-	-	1,300,000	-
Share capital increase by IPO	1,566,726	980,122	586,604	-	-	-	1,566,726	-
Expenses incurred with the IPO	-49,385	-	-49,385	-	-	-	-49,385	-
Tax effect of expenses incurred with the IPO	14,816	-	14,816	-	-	-	14,816	-
Dividends attributable to minority interests	-2,740	-	-	-	-	-	-	-2,740
Reserves and minority interests arising from the acquisition of 40% of NEO	-205,109	-	-	-58,431	-	-	-58,431	-146,678
Share capital increase in NEO Group companies	11,320	-	-	-	-	-	-	11,320
Minority interests decrease resulting from acquisitions	3,489	-	-	-	-	-	-	3,489
Minority interests arising from acquisition of additional 10% of Dessarrollos Catalanes del Viento subsidiaries	-2,479	-	-	-	-	-	-	-2,479
Other	-537	-	-	65	-	-	65	-602
<b>Balance as at 31 December 2008</b>	<b>5,190,110</b>	<b>4,361,541</b>	<b>552,035</b>	<b>167,367</b>	<b>19,313</b>	<b>7,103</b>	<b>5,107,359</b>	<b>82,751</b>

# EDP Renováveis, S.A.

## Consolidated Cash Flow Statement for the year ended 31 December 2008 and the period from 4 December to 31 December 2007

(Thousands of Euros)

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	506,740	11,576
Cash paid to suppliers	-114,662	-9,643
Cash paid to employees	-30,582	-1,152
Concession rents paid	-5,692	-
Other receipts / (payments) relating to operating activities	-25,388	-23,449
	<u>330,416</u>	<u>-22,668</u>
Income tax received / (paid)	-36,573	22
<b>Net cash flows from operating activities</b>	<u>293,843</u>	<u>-22,646</u>
<b>Continuing activities</b>	<u>293,843</u>	<u>-22,646</u>
<b>Cash flows from investing activities</b>		
Cash receipts resulting from:		
Proceeds from sale of financial assets	16,922	1,853
Proceeds from sale of property, plant and equipment	4,512	2,075
Investments grants received	6,803	-39
Interest received	44,492	562
Dividends received	2,651	-
	<u>75,380</u>	<u>4,451</u>
Cash payments resulting from:		
Acquisition of financial assets	-90,299	-499
Acquisition of property, plant and equipment	-1,919,762	-142,483
	<u>-2,010,061</u>	<u>-142,982</u>
<b>Net cash flows from investing activities</b>	<u>-1,934,681</u>	<u>-138,531</u>
<b>Continuing activities</b>	<u>-1,934,681</u>	<u>-138,531</u>
<b>Cash flows from financing activities</b>		
Receipts/ (payments) of loans	-315,854	48,910
Interest and similar costs	-77,625	-13,924
Increases in capital and share premium	1,538,958	15
Receipts/ (payments) from derivative financial instruments	13,412	-6,952
Dividends paid	-2,759	-
Receipts from institutional partnership (Horizon)	319,985	242,809
<b>Net cash flows from financing activities</b>	<u>1,476,117</u>	<u>270,858</u>
<b>Continuing activities</b>	<u>1,476,117</u>	<u>270,858</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>-164,721</u>	<u>109,681</u>
Effect of exchange rate fluctuations on cash held	738	-269
<b>Changes in cash due to business combinations</b>	5,171	279,080
<b>Cash and cash equivalents at the beginning of the period (*)</b>	<u>388,492</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the period (*)</b>	<u>229,680</u>	<u>388,492</u>

(\*) See Note 26 to the financial statements for a detailed breakdown of Cash and cash equivalents

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**The business operations of the EDP Renováveis Group**

EDP Renováveis, Sociedad Anónima (hereinafter referred to as "EDP Renováveis") was incorporated on 4 December 2007. Its main corporate objective is to engage in activities related to the electricity sector, namely the planning, construction, operation and maintenance of electricity generating power stations, especially hydroelectric, mini-hydroelectric, wind, solar, thermal solar, photovoltaic, biomass and waste plants, among others. The registered offices of the company are located in Oviedo, Spain. On 18 March 2008 EDP Renováveis was converted into a company incorporated by shares (Sociedad Anónima).

On 4 June, 2008, following an Initial Public Offering ("IPO"), EDP Renováveis, S.A. became a public traded company listed in the Euronext Lisbon.

As at 31 December 2008 the share capital is held 62.02% by EDP S.A. through its branch in Spain, 15.51% by Hidrocontábrico and 22.47% of the share capital is free-float in the Euronext Lisbon.

As at 31 December, 2008, EDP Renováveis holds a 100% stake in the share capital of Nuevas Energías de Occidente ("NEO") and a 100% stake in the share capital of Horizon Wind Energy, LLC ("Horizon"). These holdings were transferred to EDP Renováveis through several share capital increases in kind subscribed by EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch) and Hidroeléctrica del Cantábrico, S.A. The holding in Horizon was acquired by EDP Sucursal, on 2 July 2007, from Goldman Sachs, and was subsequently transferred to EDP Renováveis on 18 December 2007.

NEO operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland and Romania. NEO's main subsidiaries are: Enernova (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors) and Relax Wind Parks (wind farms in Poland).

Horizon's main activities consist on the development, management and operation of wind farms in the United States of America. Horizon holds a portfolio of projects in the operation and development stages and a portfolio of projects with a potential generation capacity of 10,500 MW.

On 26 February 2008, EDP Renováveis announced the incorporation of a new Brazilian company, 55% owned by EDP Renováveis and 45% owned by Energias do Brasil (the EDP Group Brazilian holding company which consolidates all assets related to generation, trade and distribution of electricity in Brazil). The purpose of this new EDP Renováveis Group company is to establish a new business unit to aggregate all the investments in the renewable energy market of South America.

On 8 April 2008, EDP Renováveis through its subsidiary NEO, acquired to EOLE76 and Eurocape in France (i) 3 operating wind farms in Normandia with a gross installed capacity of 35 MW and (ii) several wind farms in development, mainly located in Normandia and Rhônes-Alpes, that represent a total capacity of 560 MW.

On 11 June 2008, EDP Renováveis through the new company incorporated in Brazil, agreed to purchase 100% of "Central Nacional de Energia Eólica, S.A. ("CENAEEL"). The conclusion of this operation depends from administrative and contractual authorizations (see note 39).

On 27 June 2008, EDP Renováveis through its subsidiary Horizon, started operations in its biggest wind farm in the USA ("Lone Star"), located in Texas, with an installed capacity of 400 MW.

On 2 October 2008, EDP Renováveis through its subsidiary Horizon, started operations in Rattlesnake Road wind farm, located in Oregon, with an installed capacity of 103 MW.

On 3 October 2008, the Congress of the United States of America ("USA") passed a one-year extension of the renewable energy Production Tax Credit ("PTC") that was included as part of the economic recovery legislation approved in the USA. The extension of the PTC reinforces the positive moment for the development of renewable energy in the USA where EDP Renováveis is present through Horizon Wind Energy LLC.

On 17 October 2008, EDP Renováveis through its subsidiary NEO, acquired 85% of Renovatio Power SRL and Cernavoda Power SRL in Romania which own several wind farms in prospects and development phases that represent a total capacity of 737 MW.

On 29 December 2008, EDP Renováveis through its subsidiary Horizon, agreed to enter into a transaction with a consortium of institutional equity investors composed of JPM Capital Corporation, New York Life Insurance Company and New York Life Insurance and Annuity Corporation for the investment in a portfolio of wind farm projects that started operations in 2008. The total contribution of this consortium for the transaction amounts to 264,000 thousands of USD, of which 214,000 thousands of USD to be invested in December 2008 and 50,000 thousands of USD in January 2009.

As at 31 December 2008, EDP Renováveis and its subsidiaries ("the Group" or the "EDP Renováveis Group") had a total gross installed capacity of 5,052 MW, operating in Portugal (553 MW), Spain (2,109 MW), France (185 MW), Belgium (47 MW) and the United States (2,158 MW).

**Regulatory framework for the activities in Spain**

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

Royal Decree 436 of 12 March 2004 was published on 24 March 2004 and sets out the methodology to be used for updating and systematizing the legal and economic regime relating to electrical power production under the special regime, which includes the generation of electricity using renewable sources of energy, cogeneration, biomass and waste. This Royal Decree replaces the former Royal Decree 2818/1998 and unifies regulations applicable to special regime energies. The Royal Decree also defines a system whereby the owners of the electrical installation are entitled to sell the production or surplus electrical power to distributors. A regulated price can be received for this sale, or production and surplus can be sold directly on the daily market, futures market or through a bilateral agreement, in which case a market-negotiated price would be received, plus an incentive for participation in the agreement and a premium if the installation was entitled to receive it.

Royal Decree 661 of 25 May 2007 was published on 26 May 2007 and regulates electrical power produced under the special regime. This Royal Decree replaces Royal Decree 436 of 12 March 2004 and updates regulations on electrical power production under the special regime, whilst maintaining the basic structure of the regulation. The economic framework set out in this Royal Decree maintains the same system of payment for power produced under the special regime, whereby the owner of the installations can opt to sell its power at a regulated price, for all the programming periods only, or sell the power directly on the daily market, futures market or through a bilateral agreement, in this case receiving the negotiated price plus a premium.



## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The main changes to the Royal Decree include a modification to the regulated price and premiums and the introduction of a variable premium system for certain technologies, such as wind power. The owners of wind power installations officially entering into service prior to 1 January 2008 can opt to adhere to the transitory regime established in the first transitory provision, which stipulates that the owners of this installations may maintain the prices and premiums established in the aforementioned Royal Decree until 31 December 2012.

The NEO Group has opted to sell on the market the power of all its installations currently in operation and to remain in the transitory regime established in the new Royal Decree 661/2007, for all wind power installations officially entering into service prior to 1 January 2008.

### Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May 1998, as amended by Decree-Law No. 168/99 dated 18 May 1999, Decree-Law No. 312/2001 dated 10 December 2001, and Decree-Law No. 339-C/2001 dated 29 December 2001. Also relevant is Decree-Law No. 33-A/2005, dated 16 February 2005 ("DL 33-A/2005"), which establishes the current amounts used in the remuneration formula applicable to energy produced by means of renewable resources and the deadlines for the application of such remuneration formula.

The main feature of the legal framework for renewable energy power generation in Portugal is that the national grid operator or the regional distribution operator must purchase all electricity produced by renewable producers who hold an operating license. The construction and operation of a wind farm depends on the allocation of a grid connection point issued by the State Energy Department (Direcção Geral de Geologia e Energia) ("DGGE"). The issue of the point of connection by the DGGE occurs upon the request of the promoters during limited periods of time set by the DGGE or by means of a public tender procedure. Award by direct negotiation is exceptional.

Decree-Law No. 225/2007 dated 31 May, establishes a set of regulations associated to renewable energies, predicted in National Strategy for Energy, and has reviewed the formula used in estimating the remuneration of electricity supply generated by renewable power stations, and delivered to the grid of National Electric System, as well as the definition of attribution procedures of available power in the same grid and deadlines to obtain the establishment license to renewable power stations.

Still in the context of renewable energies, Decree-Law No. 363/2007, dated 2 November, has established the legal regime applicable to electricity generation by micro-generating power stations, both using renewable resources as primary energy or generating electricity and heat. The electricity generators able to access this activity are those that have a low tension electricity purchase agreement.

Since July 1, 2007, the Iberian electricity financial market ("MIBEL") has been fully operational, with daily transactions from both Portugal and Spain, including a forwards market that has operated since July 2006.

### Regulatory framework for the activities in France

The electricity industry in France is governed primarily by Act 2000-108 (amended by Acts 2004-803 and 2006-1537) ("Act 2000"), passed on 10 February 2000, which governs the modernization and development of public energy services and is the general legislative framework for the operation of wind facilities in France. The operation of wind facilities in France is also subject to the provisions of the French environmental and construction code. Article 10 of Act 2000-108 requires non-nationalized electric power distributors to enter into purchase obligation contracts to buy electricity produced by: (i) installations that extract energy from household or similar waste or that use such sources to provide heat to a district heating system; and (ii) installations that use renewable energy sources (including mechanical energy from wind, for which special provisions apply).

Installations that use renewable energy sources, with the exception of those using mechanical wind energy that are located in areas connected to the continental metropolitan grid or that implement energy-efficient technology such as cogeneration, do not qualify for the power purchase obligation unless they comply with defined installed capacity limits. These limits are set by a decree of the Conseil d'Etat (Decree 2000-1196 of 6 December 2000) for each category of installation eligible to benefit from the power purchase obligation. With the new regulation, only wind farms operating within a ZDE (zone de développement éolien) can benefit the power purchase obligation. The power purchase contracts with non-nationalized distributors of electricity are premised on the rates set by ministerial order for each source of renewable energy and according to a model contract approved by the energy minister.

Act 2000 provides that operator of wind facilities may enter into long-term agreements for the purchase and sale of energy with Electricité de France (EDF). The tariffs are set by Order of July 10, 2006 which was repealed in August 2008 due to formal defect in its approval, and then republished without any amendment in December 2008. The tariffs are the following: (i) during the first ten years of the EDF Agreement, EDF pays a fixed annual tariff, which is 82 Euros per MWh for applications made during 2006 (tariff is amended annually based, in part, on a inflation-related index), (ii) During years 11 to 15 of the EDF Agreement, the tariff is based on the annual average percentage of energy produced during the wind facility's first ten years. These tariffs are also amended annually, based, in part, on a inflation-related index. (iii) Beginning in the year 16, there is no specific support structure and the wind energy generators will sell their electricity at market price.

### Regulatory framework for the activities in the United States of America

Federal, state and local energy laws and regulations regulate the development, ownership, business organization and operation of electric generating facilities and the sale of electricity in the United States. All project companies within the Group in the United States operate as exempt wholesale generators ("EWGs") or qualifying facilities ("QFs") under federal law or are dually certified. In addition, most of the project companies in the United States are regulated by the Federal Energy Regulatory Commission ("FERC") and have market-based rates on file with FERC.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale rates. An EWG cannot make retail sales of electric energy and may only own or operate the limited interconnection facilities necessary to connect its generating facility to the grid.

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**Regulatory framework for the activities in Poland**

The legislation applicable to renewable energy in Poland is primarily contained in an Energy Act passed on 10 April 1997, which has been amended by the Act of 24 July 2002 and the Energy Act of 2 April 2004, which came into effect in January 2005 (together, the "Energy Act"). The Energy Act implemented provisions (i) of Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity, (ii) of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, and (iii) of Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market. Detailed regulations regarding the scope of the energy sector are included in the relevant secondary regulations adopted under the Energy Act. On the basis of the Energy Act, the national energy regulatory authority—the president of the Energy Regulatory Authority (the "ERA President") – was established.

Pursuant to the Energy Act, the different forms of supporting power generation from renewable sources introduced in Poland are: (i) A system of obligatory purchase of certificates of origin by the generation companies and trading companies selling electricity to the end user interconnected to a grid in Poland. These power companies are obliged to: a) obtain a certificate of origin and submit it to the ERA President for cancellation, or b) pay a substitute fee calculated in accordance with the Energy Act. ii) If the power company does not purchase certificates of origin or does not pay a substitute fee, the ERA President will penalize such company with a financial penalty calculated in accordance with the Energy Act.

The minimum limit of electricity generated from renewable sources in the total annual volume of electricity delivered to the end users is specified in the ordinance of Ministry of Economy adopted under the Energy Act. In 2008, this minimum limit was 7% and will increase each year up to 12.9% in 2017. These quotas were originally fixed until 2014 but a new regulation approved in August 2008 fixed the quotas for years 2015-2017 and increased the quota for 2013 and 2014.

**Regulatory framework for the activities in Belgium**

The regulatory framework for electricity in Belgium is complex in view of the division of powers between the federal and the three regional entities: Wallonia, Flanders and Brussels-Capital. The federal regulatory field of competence includes electricity transmission (of transmission levels above 70 kV), generation, tariffs, planning and nuclear energy. The relevant federal legislation is the Electricity Act of 29 April 1999 (as modified) (the "Electricity Act"). The regional regulatory entities are responsible for distribution, renewable energy and cogeneration (with the exception of offshore power plants) and energy efficiency. The relevant regional legislation, respectively, is: (a) for Flanders, the Electricity Decree of 17 July 2000; (b) for Wallonia, the Regional Electricity Market Decree of 12 April 2001; and (c) for Brussels-Capital, the Order of 19 July 2001 on the Organization of the Electricity Market.

In view of the allocation of responsibilities between the federal government and the regions, there currently exist four energy regulators: (a) the federal Commission for Electricity and Gas Regulation ("CREG"); (b) the Flemish Electricity and Gas Regulatory Body ("VREG"); (c) the Walloon Energy Commission ("CwaPE"); and (d) the Regulatory Commission for Energy in the Brussels-Capital Region ("BRUGEL").

The Belgian regulatory system promotes the generation of electricity from renewable sources (and cogeneration) by a system of green certificates (each a "GC"), as described below. The Belgian federal government is responsible for offshore power plants and for imposing obligations on the transmission system operators. The various GC systems are very similar across the three regions and are similar to the GC system for federally-regulated offshore power plants. There are currently differences in terms of quotas, fines and thresholds for granting GCs. However, GCs issued in one region or by the Federal government in respect of offshore plants are not recognized automatically in the other regions.

The GC system aims at creating a market for GC parallel to the market of sale of electricity. In March 2009 an exchange market for GCs will be launched. Besides the GC market, there is a minimum guaranteed price system at the federal level (obligations imposed on the transmission system operator) or at a regional level (the producer aid regime in Flanders and Wallonia).

**Regulatory framework for the activities in Romania**

The promotion of electricity generated from renewable energy sources in Romania was set with the Electricity Law 318/2003. In 2005 a Green Certificate mechanism was introduced with mandatory quotas for suppliers, in order to comply with their EU renewable requirements. Romania must comply with its target of 33% of gross electricity consumption from renewable energy in 2010. The regulatory authority establishes a fixed quota of electricity produced from renewable energy sources which suppliers are obliged to buy and annually reviews applications from green generators in order to be awarded green certificates. Law 220/2008 of 3 November 2008 has introduced some changes in the green certificates system. Currently, producers of wind energy receive two green certificates for each MWh produced (until 2015), which can be sold separately from the physically delivered electricity. From 2016 onwards generators receive 1 green certificate for each MWh produced. The price of electricity is determined in the electricity market and the price of green certificates is determined on a parallel market.

The trading value of green certificates has a floor of 27 Euros and a cap of 55 Euros, both indexed to Romanian inflation. Law 220/2008 also guarantees the access to the National Grid for the electricity produced from renewable sources. In 2007 a new Energy Law was approved (Law 13/2007), which sets July 2007 as the limit date for the legal unbundling in Romania and defines the role of Implicit Supplier and of the Supplier of Last Resort.

**Regulatory framework for the activities in Brazil**

The Electrical Sector in Brazil is regulated by Federal Law n° 8,987 of 13 February 1995, which generally rules the concession and permission regime of public services; Law n° 9,074 of 7 July 1995, which rules the grant and extension of public services concession or permission contracts; Federal Law n° 10,438 of 26 April 2002, which governs the increase in Emergency Electric Power Supply and creates the 3,300 MW Program of Incentives for Alternative Electricity Sources (PROINFA); Federal Law n° 10,762 of 11 November 2003 and Law n° 10,848 of 15 March 2004, concerning commercial rules for the trade of Electric Power and; Subsequent amendments to the legislation.

The Decree n° 5,025 of 30 March 2004, regulates the Federal Law n° 10,438 and states the "Alternative Energy Sources" economical and legal framework. PROINFA participants have granted a PPA with ELETROBRÁS, and are subject to the regulator (ANEEL) authority. However, the first stage of PROINFA has ended and the second stage is highly uncertain.

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

The Decree n° 5,163 of 30 July 2004 regulates the Federal Law n° 10,762, establishing the possibility of distribution companies and authorized agents to buy “*Distributed Energy*” (Local Generation), by observing a limit of 10% of the total demand of each distribution agent. In addition, the Law n° 10,762 establishes the possibility of an Alternative Source Electricity Producer to sell directly to the final consumer(s) (aggregated demand > 500kW), at any voltage level. As part of the regulatory incentive framework, Renewable Energy producers (or buyers) are granted a discount on the Distribution and Transmission System Use Tariff (TUSD and TUST). Public Electricity Auctions are technically lead by the state “Energy Planning and Research Company” (EPE), who registers, analyses and allows potential participants.

In addition, the Law n° 10,438 has also regulated the use of a special sector fund, the Fossil Fuel Consumption Quota (CCC), to low cost financing of Renewable ventures that are able to replace fossil fuel based energy production.

## 2. Accounting policies

### a) Basis of preparation

The consolidated annual accounts presented reflects EDP Renováveis and its subsidiaries results from operations and Group’s interests in its associated companies for the year ended 31 December 2008 and to EDP Renováveis for the period from 4 to 31 December 2007 and to its subsidiaries (NEO and Horizon) for the 13 day period ended 31 December 2007 and the financial position as at 31 December 2008 and 31 December 2007.

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, from the European Council and Parliament, the Group’s consolidated annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

The Board of Directors approved these consolidated annual accounts on 26 February 2009. The annual accounts are presented in thousand of Euros, rounded to the nearest thousand.

The annual accounts have been prepared under the historical cost convention, modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

EDP Renováveis started its activities on 4 December 2007, consequently, the Group income statement and notes to the income statement captions are not comparable to the Group income statement and notes to the income statement on 31 December 2008.

The preparation of the annual accounts in accordance with the EU-IFRS requires the Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and of the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. They form the basis for making judgments regarding the values of the assets and liabilities whose valuation is not apparent from other sources. Actual results may differ from these estimates. The areas involving the highest degree of judgment or complexity, or for which the assumptions and estimates are considered significant, are disclosed in Note 3 (Critical accounting estimates and judgments in applying accounting policies).

In accordance with IFRS 3, the adjustments that have resulted from the purchase price allocation carried out in 2008 for the Relax Winds Group goodwill booked in 2007 originates a reclassification of the comparative financial information as if the accounting for this business combination had been completed at the date of acquisition.

The working capital of EDP Renováveis as at 31 December 2008 is negative. The consolidated financial statements of EDP Renováveis and its subsidiaries have been prepared on a going concern basis, considering that the main shareholder has undertaken in writing to provide the necessary financial support for Nuevas Energías de Occidente, S.L. and Horizon Wind Energy, LLC (the parent companies of NEO and Horizon subgroups) to meet their commitments in the short and medium term.

### b) Basis of consolidation

The consolidated annual accounts of EDP Renováveis comprise the assets, liabilities and results of EDP Renováveis and its subsidiaries and the results and net equity from its associated companies attributable to the Group. These accounting policies have been consistently applied by all Group companies.

#### *Subsidiaries*

Investments in subsidiaries where the Group has control are fully consolidated from the date EDP Renováveis assumed control over the financial and operational activities until the moment that control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Control also exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is less than 50%.

Accumulated losses of a subsidiary attributable to minority interest, which exceed the equity of the subsidiary attributable to the minority interest, are attributed to the Group and charged to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised as profits of the Group until the losses attributable to the minority interest previously recognised by the group have been recovered.

#### *Associates*

Investments in associates are accounted for by the equity method since the date on which significant influence is transferred to the Group until the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies. Generally when the Group holds more than 20% of the voting rights of the investor it is presumed that it has significant influence. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investor it is presumed that the group does not have significant influence, except when such influence can be clearly demonstrated.

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

The significant influence by EDP Renováveis Group is normally demonstrated by one or more of the following ways:

- Representation on the Board of Directors or equivalent management committee;
- Participation in the policy making processes, including participation in decisions over dividends and other distributions;
- Existence of material transactions between the Group and the investor;
- Interchange of managerial personnel;
- Provision of essential technical information.

The consolidated annual accounts include the Group's attributable share of total reserves and results of associated companies accounted under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation of covering those losses or make payments on behalf of the associate.

*Jointly controlled entities*

Jointly controlled entities, consolidated under the proportionate consolidation method, are entities over whose activities the Group has joint control along with another company, under a contractual agreement. The consolidated annual accounts include the Group's proportionate share of the joint ventures' assets, liabilities, revenue and expenses, from the date the joint control begins until it ceases.

*Business Combinations*

Following the transition to International Financial Reporting Standards (IFRS), adopted by the EDP Energias de Portugal Group as of 1 January 2004, and as permitted by IFRS 1 — First-time Adoption, the EDP Group opted to maintain the goodwill resulting from the business combinations that occurred prior to the transition date, calculated according to the previous accounting principles applied by the Group. This accounting policy was maintained when the holdings in NEO and Horizon were transferred to EDP Renováveis Group. As such, the goodwill booked on the EDP Renováveis consolidated annual accounts remained as it was on the EDP Energias de Portugal Group consolidated annual accounts on the date of the transfer (18 December 2007).

Business combinations occurring are recorded using the purchase method. According to this method, the acquisition cost is equivalent to the fair value of assets transferred and liabilities incurred or assumed on the purchase date, plus any costs directly attributable to the acquisition. The total amount of positive goodwill resulting from acquisitions is recognised as an asset and recorded at cost, not being subject to depreciation.

Goodwill arising on the acquisition of holdings in subsidiaries and associates is defined as the difference between the acquisition cost and the proportion of fair value of the identifiable assets, liabilities and contingent liabilities acquired by the Group.

The Group recognises as a liability the fair value of the liability related to minority interest acquired through written put options celebrated with those minority interest. Any differences between the minority interest acquired and the fair value of the liability, are recognised against goodwill.

The value of goodwill recognised as an asset is assessed annually to identify any impairment, regardless of the existence of any indication of impairment. Impairment losses are recognised in the year's income statement. The recoverable amount is determined based on the future economic benefits of the assets, which are calculated using valuation methods based on discounted cash flows techniques, considering market conditions, time value of money and business risks.

A liability is recognised for contingent consideration as soon as payment becomes probable and the amount can be measured reliably. The purchase price subsequently is adjusted against goodwill or negative goodwill as the estimate of the amount payable is revised.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period when the business combination occurs.

*Investments in foreign operations*

The annual accounts of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate prevailing at the balance sheet date.

In relation to the foreign subsidiaries consolidated using the full consolidation, proportional or equity method, the exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate, are booked against reserves.

Goodwill from foreign operations is revaluated using the year end exchange rate, and booked against reserves.

The income and expenses of foreign subsidiaries are translated to Euros, at the approximate exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of the result for the reporting period from the exchange rate used in the income statement to the exchange rate prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign operation, exchange differences related thereto and previously booked against reserves are accounted in the income statement.

*Balances and transactions eliminated on consolidation*

Inter-company balances and transactions, including any unrealised gains and losses on transactions between group companies, are eliminated in preparing the consolidated annual accounts. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

*Common control transactions*

The accounting for transactions among entities under common control is excluded from IFRS 3. Consequently, in the absence of specific guidance, within IFRSs, the EDP Renováveis Group has developed an accounting policy for such transactions, as considered appropriate. According to the Group's policy, business combinations among entities under common control are accounted for in the consolidated annual accounts using the book values of the acquired company (subgroup). The difference between the carrying amount of the net assets received and the consideration paid, is recognised in equity.

*Put options related to minority interests*

EU-IFRS currently do not establish specific accounting treatment for commitments related to written put options related with investments in subsidiaries held by minority interests at the date of acquisition of a business combination. Nevertheless, the EDP Renováveis Group records these written put options at the date of acquisition of a business combination or at a subsequent date as an advance acquisition of these interests, recording a financial liability for the present value of the best estimate of the amount payable, irrespective of the estimated probability that the options will be exercised. The difference between this amount and the amount corresponding to the percentage of the interests held in the identifiable net assets acquired is recorded as goodwill. In the event that these written put options are engaged at a date subsequent to the acquisition of the business combination, the same accounting policy would be applied.

In years subsequent to initial recognition, the changes in the liability due to the effect of the financial discount are recognised as a financial expense in the consolidated income statement, and the remaining changes are recognised as an adjustment to the cost of the business combination. Where applicable, dividends paid to minority shareholders up to the date the options are exercised are also recorded as adjustments to the cost of the business combination. In the event that the options are not exercised, the transaction would be recorded as a sale of interests to minority shareholders.

**c) Foreign currency transactions**

Foreign currency transactions are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euros at the foreign exchange rates ruling at the date the fair value was determined.

**d) Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is re-measured on a regular basis, being the gains or losses on re-measurement recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses on re-measurement of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

The fair value of derivatives correspond to their quoted market prices, if available, or, in the absence of a market, are determined by external entities through the use of valuation techniques, including discounted cash flows models and option pricing models, as appropriate.

**Hedge accounting**

The Group uses financial instruments to hedge interest and foreign exchange risks resulting from its operational and financing activities. The derivative financial instruments that do not qualify for hedge accounting are recorded as for trading.

The derivatives that are designated as hedging instruments are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model adopted by the Group. Hedge accounting is used when:

- (i) At the inception of the hedge, the hedge relationship is identified and documented;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on a on-going basis and is considered to be highly effective over the reporting period; and
- (v) The forecast transactions hedged are highly probable and represent a risk to changes in cash flows that could affect the income statement.

*Fair value hedge*

Changes in the fair value of the derivative financial instruments that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged. If the hedge no longer meets the criteria for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the period to maturity.

*Cash flow hedge*

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as hedging instruments in a cash flow hedge model is recognised in equity. The gains or losses relating to the ineffective portion of the hedging relationship are recognised in the income statement in the moment they occur.

The cumulative gains or losses recognised in equity are also reclassified to the income statement over the periods in which the hedged item will affect the income statement. When the forecast transaction hedge results in the recognition of a non-financial asset or liability, the gains or losses recorded in equity are included in the acquisition cost of the asset or liability.

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When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time stays recognised in equity until the hedged transaction also affects the income statement. When the forecasted transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recorded in the income statement.

*Net investment hedge*

The net investment hedge is applied on a consolidated basis to investments in subsidiaries in foreign currencies. The exchange differences recorded against exchange differences arising on consolidation are offset by the exchange differences arising from the foreign currency borrowings used for the acquisition of those subsidiaries. If the hedging instrument is a derivative, the gains or losses arising from fair value changes are also recorded against exchange differences arising on consolidation. The ineffective portion of the hedging relation is recognised in the income statement.

*Effectiveness*

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness should be demonstrated. Therefore, the Group performs prospective tests at inception and retrospective tests on an on-going basis to demonstrate the effectiveness at each balance sheet date, demonstrating that any changes in the fair value of the hedged item (risk being hedged) are hedged by changes in the fair value of the hedging instrument. Ineffectiveness is recognised in the income statement in the moment it occurs.

**e) Other financial assets**

The Group classifies its other financial assets at acquisition date in the following categories:

*Financial assets at fair value through profit or loss*

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of being sold in the short term and (ii) financial assets that are designated at fair value through profit or loss at inception.

*Available for sale investments*

Available for sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, or (ii) designated as available for sale at initial recognition.

**Initial recognition, measurement and derecognition**

Purchases and sales of: (i) financial assets at fair value through profit or loss and (ii) available for sale investments, are recognised on trade date, the date on which the Group commits to purchase or sell the assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

**Subsequent measurement**

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available for sale financial assets are also subsequently carried at fair value, however, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in equity recognised in the income statement. Foreign exchange differences arising from equity investments classified as available for sale are also recognised in equity, while foreign exchange differences arising from debt instruments are recognised in the income statement. Interest calculated using the effective interest rate method and dividends, are recognised in the income statement.

The fair values on quoted investments in active markets are based on current bid prices. For unlisted securities the Group determines the fair value through (i) valuation techniques, including the use of recent arm's length transactions or discounted cash flow analysis and (ii) valuation assumptions based on market information.

Financial instruments whose fair value cannot be reliably measured are carried at cost.

**Reclassifications between categories**

The Group does not reclassify, after initial recognition, a financial instrument into or out of the fair value through profit or loss category.

**Impairment**

At each balance sheet date, an assessment is performed as to whether there is objective evidence that a financial asset or group of financial assets is impaired, namely when losses may occur in future estimated cash-flows of the financial asset or group of financial assets, and it can be reliably measured.

If there is objective evidence of impairment, the recoverable amount of the financial assets is determined, the impairment losses being recognised through the income statement.

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A financial asset or a group of financial assets is impaired if there is objective evidence of loss as a result of one or more events that occurred after their initial recognition, such as: (i) for listed securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

If there is objective evidence that an impairment loss on available for sale financial assets has been incurred, the cumulative loss recognised in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is taken to the income statement.

For debt instruments, if in a subsequent period, the amount of the impairment losses decrease, the previously recognised impairment losses are reversed through the income statement up to the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. For equity instruments, the impairment reversal is recognised in equity.

**f) Financial liabilities**

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form. These financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method.

The Group derecognises the whole or part of a financial liability when the obligations included in the contract have been satisfied or the Group is legally released of the fundamental obligation related to this liability either through a legal process or by the creditor.

Where financial instruments are exchanged between the Group and the counterparty, or substantial modifications are made to initially recorded liabilities, the original financial liability is derecognised and a new financial liability is subsequently recognised, provided that these instruments are substantially different.

The Group considers that the terms are substantially different if the current value of cash flows discounted under the new terms, including any commission paid net of any commission received, and using the original effective interest rate to make the discount, differs by at least 10% of the current discounted value of cash flows remaining from the original financial liability.

If the exchange is recognised as a cancellation of the original financial liability, costs or commissions are taken to the consolidated income statement. Otherwise, costs or commissions adjust the book value of the liability and are amortised following the amortised cost method over the remaining term of the modified liability.

The Group recognises the difference between the carrying amount of a financial liability (or part of a financial liability which has been cancelled or transferred to a third party) and the consideration paid, which includes any asset transferred other than cash or the liability assumed, with a debit or credit to the consolidated income statement.

**g) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on these assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period does not exceed the amount of borrowing costs incurred during the period.

The capitalisation of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted.

**h) Property, plant and equipment**

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of acquisition includes interest on external financing and personnel costs and other internal expenses directly or indirectly related to work in progress accrued solely during the period of construction. The cost of production is capitalised by charging costs attributable to the asset as own work capitalised under other operating income and personnel costs and employee benefit expense in the consolidated income statement.

Subsequent costs are recognised as separate assets only when it is probable that future economic benefits associated with the item will flow to the Group. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The Group assesses assets impairment, whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, the impairment being recognised in the income statement.

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The recoverable amount is determined by the highest value between the net selling price and its fair value in use, this being calculated by the present value of estimated future cash-flows obtained from the asset and after its disposal at the end of its economic useful life.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	20 to 33
Plant and machinery	
Wind farm generation	20
Hydroelectric generation	20 to 30
Other plant and machinery	15 to 40
Transport equipment	3 to 10
Office equipment and tools	3 to 10
Other tangible fixed assets	4 to 10

**i) Intangible assets**

The other intangible assets of the Group are booked at acquisition cost less accumulated amortisation and impairment losses. The Group does not own intangible assets with indefinite lives.

The Group assesses for impairment, whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, the impairment being recognised in the income statement. The recoverable value is determined by the highest amount between its net selling price and its value in use, this being calculated by the present value of the estimated future cash-flows obtained from the asset and sale price at the end of its economic useful life.

*Acquisition and development of software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives.

Costs that are directly associated with the development of identifiable specific software applications by the Group, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs directly associated with the development of the referred software and are amortised using the straight-line method during their expected useful lives.

Maintenance costs of software are charged to the income statement when incurred.

*Industrial property and other rights*

The amortisation of industrial property and other rights is calculated using the straight-line method for an expected useful life expected of less than 6 years.

**j) Impairment of non financial assets**

The carrying amounts of the Group's non-financial assets such as investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is then estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units which are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in circumstances that caused the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**k) Leases***Operating leases*

Lease payments are recognised as an expense and charged to the income statement in the period to which they relate.

**l) Inventories**

Inventories are stated at the lower of the acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.



Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The cost of inventories is assigned by using the weighted average method.

**m) Accounts receivable**

Accounts receivable are initially recognised at their fair value and subsequently are measured at amortised cost less impairment losses.

Impairment losses are recorded based on the valuation of estimated losses from non-collection of accounts receivable at the balance sheet date. Impairment losses are recognised in the income statement, and can be reversed if the estimated losses decrease in a later period.

**n) Employee benefits**

**Pensions**

Enernova, one of the portuguese companies of EDP Renováveis Group attribute post-retirement plans to their employees under defined benefit plans and defined contribution plans, namely, pension plans that pay complementary old-age, disability and surviving-relative pension complements, as well as early retirement pensions.

*Defined benefit plans*

In Portugal, the defined benefits plan is financed through a restricted Pension Fund complemented by a specific provision. This Pension Fund covers liabilities for retirement pension complements as well as liabilities for early retirement.

The pension plans of the Group companies in Portugal are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement is predefined and usually depend on factors such as age, years of service and level of salary at the age of retirement.

The liability of the Group with pensions is calculated annually, at the balance sheet date for each plan individually, by qualified actuaries using the projected unit credit method. The discount rate used in this calculation is determined by reference to interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) changes in the actuarial assumptions are recognised against equity, in accordance with the alternative method defined by IAS 19, revised on 16 December 2004.

The increase in past service costs arising from early retirements (retirements before the normal age of retirement) is recognised in the income statement when incurred.

Annually the Group recognises as cost in the income statement the net amount of, (i) the current service cost, (ii) the interest cost, (iii) the estimated return of the fund assets and (iv) the cost arising from early retirements.

The plan assets are recognised according to the conditions established by IFRIC 14 - IAS 19 and the minimum financing requirements defines legally or under a contract.

*Defined contribution plans*

In Spain and Portugal, some Group Companies have social benefit plans of defined contribution that complement those granted by the social welfare system to the companies employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each plan. The cost related to defined contribution plans is recognised in the results in the period in which the contribution is made.

**Other benefits**

*Medical care and other plans*

In Portugal some Group companies provide medical care during the period of retirement and early retirement, through complementary benefits to those provided by the Social Welfare System. These medical care plans are classified as defined benefit plans. The present value of the defined benefit obligation at the balance sheet date is recognised as a defined benefit liability. Measurement and recognition of the liability with healthcare benefits is similar to the measurement and recognition of the pension liability for the defined benefit plans, described above.

*Variable remuneration to employees*

In accordance with the by-laws of certain Group entities, annually the shareholders approve in the annual general meeting a percentage of profits to be paid to the employees (variable remuneration), following a proposal made by the Board of Directors. Payments to employees are recognised in the income statement in the period to which they relate.

**o) Provisions**

Provisions are recognised when: (i) the Group has a present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

*Dismantling and decommissioning provisions*

The Group recognises dismantling and decommissioning provisions for property, plant and equipment when a legal or contractual obligation is settled to dismantling and decommissioning those assets at the end of their useful life. Consequently, the Group has booked provisions for property, plant and equipment related with wind turbines, for the expected cost of restoring sites and land to its original condition. The provisions correspond to the present value of the expenditure expected to be required to settle the obligation and are recognised as part of the initial cost or an adjustment to the cost of the respective asset, being depreciated on a straight-line basis over the asset useful life.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The assumptions used in the calculation of the provisions for dismantling and decommissioning are as follows:

Assumptions	Horizon		NEO	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Average cost per MW (Euros)	-	-	5,500	5,500
Average cost per turbine (thousands of Euros)	97,000	97,000	-	-
Discount rate	7.00%	7.00%	5.13%	5.13%
Inflation rate	2.50%	2.50%	2.20%	2.20%
Capitalization period (n° of years)	20	20	20	20

**p) Recognition of costs and revenue**

Costs and revenues are recorded in the year to which they refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding revenue and expenditure are recorded under other assets and other liabilities.

Revenue comprises the amounts invoiced on the sale of products or of services rendered, net of value added tax, rebates and discounts, after elimination of intra-group sales.

Revenue from electricity sales is recognised in the period that electricity is generated and transferred to customers.

Engineering revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

Differences between estimated and actual amounts, which are normally not significant, are recorded during the subsequent periods.

**q) Financial results**

Financial results include interest payable on borrowings, interest receivable on funds invested, dividend income, foreign exchange gains and losses, gains and losses on financial instruments and changes on fair value of the risk being hedged.

Interest income is recognised in the income statement based on the effective interest note method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Financial results also include impairment losses on available for sale investments.

**r) Income tax**

Income tax for the year includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred taxes arising from the revaluation of cash flow hedge derivatives and financial assets available for sale recognised in shareholders' equity are recognised in the profit and loss in the period the results that originated the deferred taxes are recognized.

Current tax is the tax expected to be paid on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

**s) Earnings per share**

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

**t) Non-current assets held for sale and discontinued operations**

Non-current assets or disposal groups (groups of assets and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale and the assets or disposal groups are available for immediate sale and its sale is highly probable.

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

The Group also classifies as non-current assets held for sale those non-current assets or disposal groups acquired exclusively with a view to its subsequent disposal, that are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is adjusted in accordance with the applicable IFRS. Subsequently, these assets or disposal groups are measured at the lower of their carrying amount at fair value less costs to sell.

**u) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturity less than three months from the balance sheet date, including cash and deposits with banks.

The Group classified cash flows related to interest and dividends received and paid as investment and financing activities, respectively.

**v) Segment reporting**

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

**w) Government grants**

Government grants are recognised initially as deferred income under non-current liabilities when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

**3. Critical accounting estimates and judgments in applying accounting policies**

The IFRSs set forth a range of accounting treatments and require the Board of Directors to apply judgment and make estimates in deciding which treatment is most appropriate.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in Note 2 to the Consolidated Annual Accounts.

Considering that in many cases there are alternatives to the accounting treatment adopted by the Executive Board of Directors, the Group's reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the annual accounts are presented fairly, in all material respects, the Group's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the annual accounts and are not intended to suggest that other alternatives or estimates would be more appropriate.

**Impairment of available for sale investments**

The Group determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost.

This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, valuations are generally obtained through listed market prices or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Group.

**Fair value of derivatives**

Fair values are based on listed market prices, if available, otherwise fair value is determined either by dealer prices (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curves and volatility factors. These pricing models may require assumptions or judgments in estimating fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results for a particular period.

**Review of the useful life of assets related to production**

The Group regularly reviews the useful life of its electrical generation installations in order to bring it into line with the technical and economic measurements of the installations, taking into consideration their technological capacity and prevailing regulatory restrictions.

**Impairment of long term assets**

Impairment test are performed whenever there is an indication that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of assets.

The recoverable amount of the goodwill from investments in subsidiaries recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment, and goodwill from associates is tested when there is any indication of impairment.

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Considering that estimated recoverable amounts related to property, plant and equipment, intangible assets and goodwill are based on the best information available, changes in the estimates and judgments could change the impairment test results which could affect the Group's reported results.

**Doubtful debts**

Impairment losses related to Doubtful debts are estimated by the Board of Directors based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of Doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgment. Changes in the estimates and judgments could change the impairment test results which could affect the Group's reported results.

**Revenue recognition**

Revenue from electricity sales is recognised when electricity is generated and transferred to customers. Estimates of electricity consumed and not invoiced until the end of the period are recognised based on average consumptions from previous periods and analysis to the electricity supply activity.

Alternative estimates could affect the Group's reported revenues and consequently the Group's reported results.

**Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the global amount for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

Tax Authorities are entitled to review the EDP Renováveis, and its subsidiaries' determination of its annual taxable earnings, for a determined period that may be extended in case there are tax losses carried forward. Therefore, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of EDP Renováveis, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the annual accounts.

**Pensions and other employee benefits**

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, discount rates, salaries and social security increases and other factors that could impact the cost and liability of the pension and medical plans. Changes in these assumptions could materially affect these values.

**Dismantling and decommissioning provisions**

The Board of Directors considers that Group has contractual obligations with the dismantling and decommissioning of property, plant and equipment related to wind electricity generation. For these responsibilities the Group has recorded provisions for the expected cost of restoring sites and land to its original condition. The provisions correspond to the present value of the expenditure expected to be required to settle the obligation.

The Board of Directors considers that no contractual or constructive obligations arise from regulatory and legal requirements of Group's activity that demands the recognition of a provision for dismantling and decommissioning for the remaining electricity generating centres of EDP Renováveis Group.

The use of different assumptions in estimates and judgments referred may have produced different results from those that have been considered.

**4. Financial-risk management policies**

The businesses of EDP Renováveis Group are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The main financial risks lie essentially in its debt portfolio, arising from interest-rate and the exchange-rate exposures. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Financial instruments are used to minimize potential adverse effects resulting from the interest rates and foreign exchange rates risks on EDP Renováveis financial performance.

The Board of Directors of EDP Renováveis is responsible for the definition of general risk-management principles and the establishment of exposure limits. The operational management of financial risks of EDP Renováveis Group is outsourced to the Finance Department of EDP - Energias de Portugal, S.A., in accordance with the policies approved by the Board of Directors. The outsourcing service includes identification and evaluation of hedging mechanisms appropriate to each exposure.

All transactions undertaken using derivative financial instruments require the prior approval of the Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

**Exchange-rate risk management**

EDP Renováveis Group operates internationally and is exposed to the exchange-rate risk resulting, mainly, from investments in subsidiaries whose functional currency is the US Dollar (USD). Currently, the exposure to the USD/EUR currency fluctuation risk results mainly from the shareholding in Horizon.

EDP Group's Finance Department is responsible for monitoring the evolution of the USD, seeking to mitigate the impact of currency fluctuations on the financial results and/or equity of the Group, using exchange-rate derivatives and/or other hedging structures.

The policy implemented by the EDP Renováveis Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

# Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

## Sensitivity analysis - Foreign exchange rate

Some operations result in an exposure to exchange rate risk due to the fact that they are accounted for as held for trading, although the actual purpose of these operations is to fix the price in the foreign exchange component related to future acquisitions of turbines.

As a consequence, in relation to Horizon, a depreciation/appreciation of 10% in the Dollar, with reference to 31 December 2008 and 2007, would originate an increase/(decrease) in EDP Renováveis Group income statement, as follows:

USD / EUR	2008		2007	
	Euro'000		Euro'000	
	+10%	-10%	+10%	-10%
	8,349	-10,205	5,620	-6,869
	8,349	-10,205	5,620	-6,869

This analysis assumes that all other variables, namely interest rates, remain unchanged.

As at 31 December 2008, EDP Renováveis Group has no significant exposure to foreign exchange rate risks.

## Interest rate risk management

The Group's operating and financial cash flows are substantially independent from the fluctuation in interest-rate markets.

The purpose of the interest-rate risk management policies is to reduce the financial charges and the exposure of debt cash flows to market fluctuations. As such, whenever considered necessary and in accordance to the Group's policy, the Group contracts derivative financial instruments to hedge interest rate risks.

In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans.

All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges with a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest-rate risk or upcoming cash flows.

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities between 1 and 11 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

## Sensitivity analysis - Interest rates

The management of interest rate risk associated to activities developed by the Group is outsourced to the Financial Department of EDP Group, contracting derivative financial instruments to mitigate this risk.

Based on the debt portfolio of the NEO Group and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 100 basis points in the interest rates with reference to 31 December 2008 and 31 December 2007 would increase / (decrease) equity and results of EDP Renováveis Group in the following amounts (in thousands of Euros):

	31 Dec 2008			
	Profit or loss		Equity	
	100 pb increase	100 pb decrease	100 pb increase	100 pb decrease
Cash flow hedge derivatives	-	-	10,621	-11,109
Unhedged debt (variable interest rates)	-1,433	1,433	-	-
	-1,433	1,433	10,621	-11,109
	31 Dec 2007			
	Profit or loss		Equity	
	100 pb increase	100 pb decrease	100 pb increase	100 pb decrease
Cash flow hedge derivatives	-	-	11,123	-11,165
Unhedged debt (variable interest rates)	-942	942	-	-
	-942	942	11,123	-11,165

This analysis assumes that all other variables, namely foreign exchange rates, remain unchanged.

As at 31 December 2008 and 31 December 2007, Horizon has no significant exposure to interest rate risks.

## Counter-party credit-risk management in financial transactions

The EDP Renováveis Group policy in terms of the counterparty risk on financial transactions with companies outside EDP Group is managed by an analysis of the technical capacity, competitiveness, credit rating and exposure to each counter-party. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions.

# Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The EDP Renováveis Group documents financial operations according to international standards. Most operations with derivative financial instruments are engaged under ISDA Master Agreements, to assure a greater flexibility in the transfer of the instruments in the market.

In the specific case of the NEO Group, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. The Group's main customers are operators and distributors in the energy market of their respective countries (OMEL and MEFF in the case of the Spanish market).

The Board of Directors believe that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of Trade receivables and Other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

## Liquidity-risk

Liquidity risk is the possibility that the Group will not be able to meet its financial obligations as they fall due. The Group strategy to manage liquidity is to ensure, as far as possible, that it will always have significant liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The adverse scenario of debt market could make it difficult to cover the financial requirements needed to carry out the Group's activities.

The liquidity policy followed ensures compliance with payment obligations acquired, through maintaining sufficient credit facilities and having access to the EDP Group credit facilities.

## Market price risk

As at 31 December 2008, market price risk affecting the EDP Renováveis Group is not significant. In the case of Horizon, prices are fixed and mainly determined by power purchase agreements. In the case of NEO the electricity is sold in Spain directly on the daily market at spot prices plus a pre-defined premium (regulated). Nevertheless, NEO has an option of selling the power through regulated tariffs, granting minimum prices. In the remaining countries, prices are mainly determined through regulated tariffs.

## Capital management

The Group's goal in managing equity, in accordance with the policies established by its main shareholder, is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established growth targets and maintain an optimum equity structure to reduce equity cost.

In order to maintain and adjust its equity structure, the Group could adjust the amount of dividends to be distributed to shareholders.

In conformity with other sector groups, the Group controls its financing structure based on the leverage ratio. This ratio is calculated as net financial borrowings divided by total equity and net borrowings. Net financial borrowings are determined as the sum of financial debt, institutional equity liabilities corrected for non-current deferred revenues, less cash and cash equivalents.

## 5. Revenue

Revenue is analysed by sector as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Revenue by sector of activity/business:</b>		
Electricity	514,039	13,653
Other	12,738	472
	<u>526,777</u>	<u>14,125</u>
<b>Services rendered by sector of activity:</b>		
Other	5,652	238
	<u>532,429</u>	<u>14,363</u>
<b>Total Revenue:</b>		
Electricity	514,039	13,653
Other	18,390	710
	<u>532,429</u>	<u>14,363</u>

The breakdown of **Revenue** for the Group, by geographic market, is as follows:

	31 Dec 2008			31 Dec 2007		
	Europe	United States	Total	Europe	United States	Total
Electricity	382,226	131,813	514,039	10,167	3,486	13,653
Other	12,738	-	12,738	472	-	472
	<u>394,964</u>	<u>131,813</u>	<u>526,777</u>	<u>10,639</u>	<u>3,486</u>	<u>14,125</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Cost of consumed electricity and Changes in inventories and cost of raw material and consumables used is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Cost of consumed electricity	993	158
Changes in inventories and cost of raw material and consumables used:		
Cost of consumables used	17,160	7,939
Changes in inventories	-5,909	-7,437
	<u>12,244</u>	<u>659</u>

## 6. Other operating income

Other operating income is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Supplementary income	1,503	53
Gains on fixed assets	823	18
Turbine availability income	2,390	-
Income from sale of interests in institutional partnerships - Horizon	61,238	886
Amortization of deferred income related to power purchase agreements	18,272	-
Other income	<u>5,298</u>	<u>792</u>
	<u>89,524</u>	<u>1,749</u>

Income from sale of interests in institutional partnerships - Horizon, includes revenue recognition related to production tax credits (PTC) and tax depreciations, related to projects Vento I and Vento II (see note 33).

The power purchase agreements between Horizon and its customers were valued, at the acquisition date, using discounted cash flow techniques. At that date, these agreements were valued based on market assumptions by approximately 120 million Euros (USD 190.4 million) and recorded as a non-current liability (note 33). This liability is amortised over the period of the agreements against other operating income. As at 31 December 2008, the amortization for the year amounts to 18,272 thousands of Euros.

Turbine availability income refers to compensation received from turbines suppliers when the measured average availability of turbines in activity, is less than 93% in the first six months and/or less than 97% in any of the subsequent periods of six months during the warranty period.

## 7. Supplies and services

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Supplies and services:		
Water, electricity and fuel	1,808	50
Tools and office material	1,628	38
Leases and rents	19,196	506
Communications	1,686	68
Insurance	6,009	185
Transportation, travelling and representation	6,258	152
Commissions and fees	574	-
Maintenance and repairs	40,251	325
Advertising	2,223	40
Specialised work	25,181	1,426
Other supplies and services	<u>2,133</u>	<u>137</u>
	<u>106,947</u>	<u>2,927</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

## 8. Personnel costs and employee benefits expense

**Personnel costs** is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Management remuneration	414	5
Employees' remuneration	32,426	928
Social charges on remunerations	5,095	105
Employee's variable remuneration	14,257	574
Employee's benefits	1,501	104
Other costs	2,823	41
Own work capitalised	-19,505	-758
	<u>37,011</u>	<u>999</u>

The average breakdown by management positions and professional category of the permanent staff (annual average) as of 31 December 2008 and 31 December 2007 is as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Board members	14	11
Senior management / Senior officers	44	47
Middle management	108	190
Highly-skilled and skilled employees	177	177
Semi-skilled workers	214	38
	<u>557</u>	<u>463</u>

The number of employees includes Management and all the employees of all the companies included in the consolidation perimeter (full or proportionate method), regardless of the EDP Renováveis holding in the share capital.

**Employee benefits expense** is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Costs with pension plan	1,085	22
Costs with medical care plan and other benefits	5	1
	<u>1,090</u>	<u>23</u>

As at 31 December 2008, the balance Costs with pension plan is related to defined contribution plan expense (1,080 thousands of Euros) and defined benefit plans (5 thousands of Euros).

## 9. Other operating expenses

**Other operating expenses** are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Direct operating taxes	8,574	109
Indirect taxes	4,047	71
Impairment loss on debtors and other assets	38	3
Losses on fixed assets	2,289	506
Operating indemnities	2	-
Lease costs related to the electricity generating centres	4,343	-
Donations	1,988	14
Amortizations of Deferred O&M cost	1,629	-
Rents	1,512	-
Turbine availability bonus	255	-
Other costs and losses	2,107	89
	<u>26,784</u>	<u>792</u>

As discussed in Note 6, the Horizon's assets and liabilities were revalued to reflect fair value as of EDP Group acquisition date. During this process, it was determined that certain of the Horizon's Operation and Maintenance (O&M) and Warranty contracts, which were executed prior to the EDP Group acquisition, were at lower than then current market prices. Accordingly, it was determined that these contracts constituted an asset to the Company and a non-current asset was recorded. This asset is amortized into other operating expense over the life of the associated contract.

During the period the Group did not incur in any research and development expenses.



## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**10. Depreciation and amortisation expense**

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Property, plant and equipment:</b>		
Buildings and other constructions	489	398
Plant and machinery:		
Hydroelectric generation	83	3
Thermoelectric generation	460	16
Wind generation	201,500	6,022
Other	23	-
Transport equipment	140	-
Office equipment	1,600	38
Other	344	-
	<u>204,639</u>	<u>6,477</u>
<b>Other intangible assets:</b>		
Industrial property, other rights and other intangibles	3,125	408
	<u>3,125</u>	<u>408</u>
	<u>207,764</u>	<u>6,885</u>
<b>Amortisation of deferred income (Government grants):</b>		
Investment grants	-696	-468
	<u>-696</u>	<u>-468</u>
	<u>207,068</u>	<u>6,417</u>

**11. Gains / (losses) from the sale of financial assets**

Gains / (losses) from the sale of financial assets , for the Group, are analysed as follows:

	31 Dec 2008		31 Dec 2007	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Investments in subsidiaries and associates</b>				
Marquesado del Solar, S.A.	50%	2,378	50%	1,136
Investigación y Desarrollo de Energías Renovables, S.L. ("IDER")	20%	-15	20%	-248
		<u>2,363</u>		<u>888</u>

On 28 March 2008, Generaciones Especiales I S.L., a company in which NEO holds an 80% interest, authorised the sale of the subsidiary Marquesado del Solar, S.A. to Solar Millenium AG, a german company. The sale price amounted to 3.4 million Euros, originating a gain of 2.4 million Euros.

**12. Other financial income and financial expenses**

Other financial income and financial expenses are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Other financial income:</b>		
Interest income	19,271	561
Derivative financial instruments		
Interest	25,978	-
Fair value	1,692	157
Foreign exchange gains	223,960	237
	<u>270,901</u>	<u>955</u>
<b>Other financial expenses:</b>		
Interest expense	93,851	5,210
Derivative financial instruments		
Fair value	5,663	227
Banking services	530	6
Foreign exchange losses	227,272	-
Own work capitalised (financial interests)	-39,176	-699
Unwinding	57,922	-
Other financial expenses	2,058	178
	<u>348,120</u>	<u>4,922</u>
Financial income / (expenses)	<u>-77,219</u>	<u>-3,969</u>

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Derivative financial instruments - Interest, relating to the interest liquidations result from the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 23 and 35).

Foreign exchange gains (223,960 thousands of Euros) and losses (227,272 thousands of Euros) as at 31 December 2008 are essentially related with the financings granted by EDP Branch to EDP Renováveis.

In accordance with the accounting policy described on note 2g), the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 31 December 2008 amounted to 39,176 thousands of Euros (699 thousands of Euros as at 31 December 2007) and are included under Own work capitalised (financial interest). The implicit interest rates used for this capitalisation vary in accordance with the related loans, between 2.71% and 7.91%.

Interest expense refers to interest on loans which bear interest at market rates.

Unwinding expenses refers to financial update of provision for wind farms dismantling and commissioning in the amount of 2,157 thousands of Euros (see note 32), financial update of the liability related with put option Genesa and Desa in the amount of 12,134 thousands of Euros (see note 33) and implied return in institutional partnership in US wind farms in the amount of 43,631 thousands of Euros (see note 33).

### 13. Income tax expense

In accordance with prevailing legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal and Spain this period is four years, and 2004 is the last year considered to be definitively reviewed by the tax authorities. In the United States of America, generally, the statute to the issuance by tax authorities (IRS) of a tax additional liquidation is three years from the date of settlement of the annual tax declaration of a company.

Tax losses generated in each year, also subject to inspection and adjustment, may be deductible from taxable profits during subsequent years (6 years in Portugal, 15 years in Spain and 20 years in the EUA). The breakdown of tax losses carried forward and the respective expiration date are presented in Note 20. The companies of the EDP Renováveis Group are taxed, whenever possible, on a consolidated basis allowed by the tax law of the respective countries.

Nuevas Energías de Occidente, S.L. and its subsidiary companies file individual tax declarations in accordance with prevailing tax legislation. Nevertheless, the main Group companies pay income tax following the specific principles of the Special Tax Consolidation Regime, contained in articles 64 and 82 of Royal Legislative Decree 4/2004 whereby the revised corporate income tax law was approved.

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Current tax	-55,047	-
Deferred tax	6,068	-47
	<u>-48,979</u>	<u>-47</u>

The reconciliation between the nominal and the effective income tax rate for the Group as at 31 December 2008, is analysed as follows:

	Rate %	31 Dec 2008	
		Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax (in parent company)	30.00%	161,197	48,359
Non deductible provisions for tax purposes		190	57
Unrecognised deferred tax assets related to tax losses generated in the year	-0.20%	-837	-251
Tax exempt dividends	1.30%	6,947	2,084
Tax benefits	0.60%	2,578	970
Fair value of financial instruments and financial investments	6.20%	26,739	10,062
Difference between tax and accounting gains/losses	0.80%	3,255	1,225
Financial investments in associates and subsidiaries	-0.80%	-4,443	-1,333
Autonomous taxation and tax benefits		75	20
Deferred taxes unrecognised in financial statements	31.80%	199,010	51,317
Tax effect of operations with institutional partnerships	-23.50%	-100,795	-37,929
Depreciation without tax effect	-15.10%	-93,765	-24,274
Tax differential and other adjustments	-0.80%	-4,204	-1,328
Effective tax rate and total income tax	<u>30.30%</u>	<u>195,947</u>	<u>48,979</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The income tax rates in the countries in which the EDP Renováveis Group operates are as follows:

Country	Subgroup	Tax rate	
		2008	Subsequent years
Spain	NEO	30.00%	30.00%
Portugal	NEO	26.50%	26.50%
France	NEO	33.00%	33.00%
Poland	NEO	19.00%	19.00%
Belgium	NEO	33.99%	33.99%
United States	Horizon	37.63%	37.63%

#### 14. Property, plant and equipment

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Cost:</b>		
Land and natural resources	11,739	4,589
Buildings and other constructions	10,855	241,920
Plant and machinery:		
Hydroelectric generation	2,619	2,619
Thermoelectric cogeneration	6,008	6,008
Wind generation	5,227,721	2,640,479
Other plant and machinery	247	247
Transport equipment	686	332
Office equipment and tools	9,378	5,091
Other tangible fixed assets	7,334	27,754
Assets under construction	2,293,879	2,303,822
	<u>7,570,466</u>	<u>5,232,861</u>
<b>Accumulated depreciation:</b>		
Depreciation and amortisation expense for the period	-204,639	-6,477
Accumulated depreciation	-313,044	-300,084
	<u>-517,683</u>	<u>-306,561</u>
<b>Carrying amount</b>	<u>7,052,783</u>	<u>4,926,300</u>

The balance of Assets under construction for 31 December 2007 has been reclassified due to Relax Winds Group purchase price allocation carried out in 2008, in the amount of 86,818 thousands of Euros (see note 16).

The movement in **Property, plant and equipment** from 31 December 2007 to 31 December 2008, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance 31 December Euro'000
<b>Cost:</b>							
Land and natural resources	4,589	-	-2,886	6	-781	10,811	11,739
Buildings and other constructions	241,920	2,898	-	-233,333	-630	-	10,855
Plant and machinery:							
Hydroelectric generation	2,619	-	-	-	-	-	2,619
Thermoelectric cogeneration	6,008	-	-	-	-	-	6,008
Wind generation	2,640,479	13,427	-8,524	2,353,325	152,953	76,061	5,227,721
Other plant and machinery	247	-	-	-	-	-	247
Transport equipment	332	308	-	-	33	13	686
Office equipment and tools	5,091	1,971	-3	1,470	222	627	9,378
Other	27,754	47,236	-109	629	38	-68,214	7,334
Assets under construction	2,303,822	2,067,408	-4,600	-2,122,097	47,461	1,885	2,293,879
	<u>5,232,861</u>	<u>2,133,248</u>	<u>-16,122</u>	<u>-</u>	<u>199,296</u>	<u>21,183</u>	<u>7,570,466</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

	Balance 1 January Euro'000	Charge for the period Euro'000	Impairment Losses / Reverses Euro'000	Disposals Euro'000	Exchange Differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance 31 December Euro'000
<b>Accumulated depreciation and impairment losses</b>							
Buildings and other constructions	3,780	489	-	-	5	-2,538	1,736
Plant and machinery:							
Hydroelectric generation	1,360	83	-	-	-	-	1,443
Thermoelectric cogeneration	5,357	460	-	-	-	-	5,817
Wind generation	286,419	201,500	-278	-27	6,817	5,494	499,925
Other plant and machinery	191	23	-	-	-	-	214
Transport equipment	114	140			10	2	266
Office equipment and tools	2,822	1,600	-1		59	-224	4,256
Other	6,518	344	-41	-21	18	-2,792	4,026
	<u>306,561</u>	<u>204,639</u>	<u>-320</u>	<u>-48</u>	<u>6,909</u>	<u>-58</u>	<u>517,683</u>

Plant and Machinery includes the cost of the wind farms under operation.

The movement for the period from 4 to 31 December 2007 corresponds mainly to the contribution of NEO and Horizon made on 18 December 2007.

**Assets under construction** as at 31 December 2008 and 31 December 2007 are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008 Euro'000</b>	<b>31 Dec 2007 Euro'000</b>
<b>Electricity business:</b>		
NEO Group	891,131	1,065,835
Horizon Wind Energy Group	1,402,388	1,237,987
EDP Renováveis	296	-
EDP Renováveis Brasil	64	-
	<u>2,293,879</u>	<u>2,303,822</u>

Assets under construction as at 31 December 2008 and 31 December 2007 for NEO and Horizon Group are essentially related to wind farms under construction and development.

Financial interests capitalised amount to 39,176 thousands of Euros in 31 December 2008 and 699 thousands of Euros in 31 December 2007.

The EDP Renováveis Group has lease and purchase obligations as disclosed in Note 36 - Commitments below.

## 15. Intangible assets

This balance is analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008 Euro'000</b>	<b>31 Dec 2007 Euro'000</b>
<b>Cost:</b>		
Industrial property, other rights and other intangible assets	33,521	29,677
Intangible assets under development	2,840	3,781
	<u>36,361</u>	<u>33,458</u>
<b>Accumulated amortisation:</b>		
Depreciation and amortisation expense for the period	-3,125	-408
Accumulated depreciation	-10,828	-10,092
	<u>-13,953</u>	<u>-10,500</u>
<b>Carrying amount</b>	<u>22,408</u>	<u>22,958</u>

Industrial property, other rights and other intangible assets include 18,022 thousands of Euros and 14,408 thousands of Euros related to wind generation licenses of Portuguese companies and Horizon Group, respectively.

Intangible assets under development are essentially related to advances for electricity wind generation licenses acquisition.

# EDP Renováveis, S.A.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The movement in Intangible assets during 2008, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangible assets	29,677	295	-	2,744	795	10	33,521
Intangible assets under development	3,781	-	-941	-	-	-	2,840
	<u>33,458</u>	<u>295</u>	<u>-941</u>	<u>2,744</u>	<u>795</u>	<u>10</u>	<u>36,361</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated amortisation:</b>							
Industrial property, other rights and other intangible assets	-10,500	-3,125	-	-205	-110	-13	-13,953
	<u>-10,500</u>	<u>-3,125</u>	<u>-</u>	<u>-205</u>	<u>-110</u>	<u>-13</u>	<u>-13,953</u>

### 16. Goodwill

For the Group, the breakdown of **Goodwill** resulting from the difference between the cost of the investments and the corresponding share of the fair value of the net assets acquired, is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Electricity business:</b>		
Goodwill booked in NEO Group	802,611	661,817
Goodwill booked in Horizon Wind Energy Group	569,777	539,353
	<u>1,372,388</u>	<u>1,201,170</u>

EDP Renováveis Group goodwill as at 31 December 2008 and 31 December 2007 is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Horizon group	569,777	539,353
Genesa group	441,356	459,812
Ceasa group	146,469	141,949
Relax Winds group (Poland)	25,424	14,010
Enernova group	43,011	42,971
NEO Galia SAS group	45,104	-
Hollywell group	8,007	-
Ridgeside group	4,317	-
Romania group	64,461	-
NEO Catalonia	21,199	-
Other	3,263	3,075
	<u>1,372,388</u>	<u>1,201,170</u>

The goodwill balance for Relax Winds group (Poland) included in NEO Group's as at 31 December 2007, in accordance with IFRS, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 43,908 thousands of Euros (see information disclosed below in this note).

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

During the year 2008, the movements in Goodwill, by subgroup, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Other Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Electricity Business</b>							
Horizon group	539,353	-	-	-	30,424	-	569,777
Genesa group	459,812	1,674	(19,116)	-	-	(1,014)	441,356
Ceasa group	141,949	8,484	(3,964)	-	-	-	146,469
Relax Winds group (Poland)	14,010	35,920	(24,506)	-	-	-	25,424
Enernova group	42,971	40	-	-	-	-	43,011
NEO Galia SAS group	-	52,472	(7,368)	-	-	-	45,104
Hollywell group	-	8,118	(111)	-	-	-	8,007
Ridgeside group	-	4,368	(51)	-	-	-	4,317
Romania group	-	64,461	-	-	-	-	64,461
Neo Catalunia	-	21,199	-	-	-	-	21,199
Other	3,075	188	-	-	-	-	3,263
	<u>1,201,170</u>	<u>196,924</u>	<u>(55,116)</u>	<u>-</u>	<u>30,424</u>	<u>(1,014)</u>	<u>1,372,388</u>

Goodwill arising from the acquisition of the Horizon Wind Energy Group was determined in USD as at 31 December 2008 and amounts to 775,251 thousands of USD, corresponding to 569,777 thousands of Euros (31 December 2007: 539,353 thousands of Euros), including the related transaction costs in the amount of 12,723 thousands of Euros. The increase in Horizon group goodwill is essentially related with the effect from exchange differences of EUR/USD of 30,424 thousands of Euros.

The decrease in Genesa group goodwill is essentially related with the revaluation of put options of Caja Madrid over Genesa and Desa amounting to approximately 18,000 thousands of Euros.

On 8 April, 2008, NEO acquired in France the NEO Galia SAS subgroup from EOLE 76 and Eurocape, consisting of 3 wind farms in operation in the Normandy region, with a gross installed capacity of 35 MW and an average load factor of 27% and several wind farm projects under development, mostly located in the Normandy and Rhône-Alpes regions, with an expected average load factor of 28%, representing a total capacity of 560 MW.

The cost of acquisition of the NEO Galia subgroup amounts to 43,088 thousands of Euros, which considering the subgroup's negative net assets of 480 thousands of Euros, originates a goodwill of 43,568 thousands of Euros. This amount includes 8,525 thousands of Euros corresponding to the best estimate of the additional success fees that will be paid for the wind farms that obtain construction licenses until 31 December, 2013. Additionally, during 2008 the interests held by Ridgeside and Hollywell in companies Bataille, Calengeville, Hetroye, Varimpre and Vatines have been transferred to Neo Galia through a share capital increase in kind, originating an increase of goodwill of 8,904 thousands of Euros, totalling 52,472 thousands of Euros of increase in goodwill during 2008.

The cost of acquisition of Hollywell amounts to 7,678 thousands of Euros, which, considering the company's negative assets of 440 thousands of Euros, originates goodwill of 8,118 thousands of Euros.

The cost of acquisition of Ridgeside amounts to 4,129 thousands of Euros, which considering the company's negative assets of 239 thousands of Euros, originates goodwill of 4,368 thousands of Euros.

In the purchase agreement signed by NEO for the acquisition of Relax Winds group included a call option for the purchase of 51% of other two companies of the same group (Relax Wind Park II e IV). In October 2008 the call option was exercised with an acquisition cost of 2,000 thousands of Euros, including a success fee of 1,900 thousands of Euros and has originated a goodwill of 2,000 thousands of Euros. Additionally, during December 2008 NEO has increased its interests in Relax Wind Park III and Relax Wind Park I to 93,3% and 100%, respectively, which originated a goodwill of 14,292 thousands of Euros.

During December 2008 NEO has made an analysis of the MW licensed for construction with the purpose of calculating the payable success fee. As a consequence NEO has paid an additional amount reflected in goodwill of 19,628 thousands of Euros.

Therefore the total increase in goodwill in Relax Winds group has been 35,920 thousands of Euros, during 2008.

On August 2008 Neo Catalunia, a 100% subsidiary of NEO, acquired from Copcisa Eléctrica, S.L.U. two companies, Bom Vent Corbera, S.L. and Bom Vent Vilalba, S.L., that own several wind farms in development stage, with an expected installed capacity of 99 MW. The acquisition cost was 21,370 thousands of Euros which resulted in a goodwill of 21,199 thousands of Euros.

Included in the purchase agreement of these companies, Copcisa Eléctrica, S.L.U. has a call option of a maximum of 49% of share capital from both companies, under the following terms:

- The option can be exercised until 36 months after the agreement signature;
- The price of exercising this option corresponds to the companies equity, marked up with the initial acquisition price paid by NEO Catalunia, with an interest rate of 7.5% in the first 18 months and 8% in the following months.

On October 2008, EDP Renováveis group acquired 85% of share capital of Renovatio Power and Cernavoda Power, two romanian companies that own projects for wind power generation with a total capacity of 736 MW.

The acquisition cost was 64,435 thousands of Euros, including a success fee of 63,217 thousands of Euros. Considering the companies negative net asset of 26 thousands of Euros, the goodwill originated, amounted to 64,461 thousands of Euros. The purchase price allocation for this acquisition will be finalised during 2009.

EDP Renováveis, through its subsidiary NEO, holds a call option over Renovatio Group Limited for 10% of interest held by Renovatio Group Limited on companies Renovatio and Cernadova. The price of exercising these options is 5.39 Euros per share. The option can be exercised until 31 May 2009.

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

During 2008, the accounting value of assets, liabilities and contingent liabilities recognised at the date of acquisition for the above mentioned business combinations, are as follows:

	NEO Galia Group	Hollywell Group	Ridgeside Group	Romania Group	Neo Catalunia Group
Intangible assets	-	1	1	-	-
Property, plant and equipment	196	26,684	14,631	11,221	2,851
Financial investments	41,578	-	-	-	21,795
Goodwill	-	-	-	-	-
Non-current assets	41,774	26,685	14,632	11,221	24,646
Current assets	804	5,328	7,275	296	5,038
Total assets	42,578	32,013	21,907	11,517	29,684
Medium and long term financial debt	33,072	33,042	18,362	11,454	16,627
Other non-current term liabilities	8,525	-	-	-	8,548
Current liabilities	1,461	5,297	7,091	96	4,349
Total liabilities	43,058	38,339	25,453	11,550	29,524
Net assets acquired	(480)	(6,326)	(3,546)	(33)	160

Details of the combination cost, the net assets acquired and goodwill, for 2008 acquisitions are as follows:

	Relax Winds Group	NEO Galia Group	Hollywell Group	Ridgeside Group	Romania Group	Neo Catalunia Group	2008 Total
Combination cost							
Amount paid (or attributed value)	14,371	31,092	7,678	4,129	-	21,370	78,640
Directly attributable costs	-	3,471	-	-	1,218	-	4,689
Contingent purchase price	21,549	8,525	-	-	63,217	-	93,291
Total combination cost	35,920	43,088	7,678	4,129	64,435	21,370	176,620
Book value of net assets acquired	-	(480)	(6,326)	(3,546)	(26)	171	(10,207)
Goodwill (difference between the value of net assets acquired and cost of acquisition)	35,920	43,568	14,004	7,675	64,461	21,199	186,827

Details of the combination cost, the net assets acquired and goodwill, for 2007 acquisitions are as follows:

	2007 Relax Winds Group
Combination cost	
Amount paid (or attributed value)	
Directly attributable costs	53,609
Contingent purchase price	2,521
Total combination cost	2,124
	58,254
Book value of net assets acquired	
Goodwill (difference between the value of net assets acquired and cost of acquisition)	336
	57,918

As at 31 December 2008 the amounts pending to be paid related to these acquisitions are 46,279 thousands of Euros for the Relax Winds Group and 63,000 thousands of Euros for the Romanian companies.

During 2008 a purchase price allocation has been carried out for the Relax Winds Group. In accordance to IFRS 3, if the fair value of identifiable assets, liabilities or contingent liabilities are adjusted, then goodwill is adjusted with effect from the date of acquisition. Therefore, the Group has made the following restatements/reclassifications of 31 December 2007 balances:

	Relax Winds Group Euro'000
Initial goodwill	57,918
Purchase price allocations changes:	
Property, plant and equipment (see note 14)	86,818
Deferred taxes (see note 20)	(14,924)
Minority interests (see note 29)	(27,986)
Goodwill	14,010

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

Goodwill assigned to the acquisition of the Relax Winds Group has changed due to a purchase price allocation which has been carried out during 2008.

	<b>Book value Relax Winds Group</b>	<b>2007 Assets and Fair value adjustments Relax Winds Group</b>	<b>2008 Assets and Fair value adjustments Relax Winds Group</b>	<b>Assets and Liabilities at fair value Relax Winds Group</b>
Property, plant and equipment	2,615	86,818	-	89,433
Other assets (including licenses)	1,082	-	-	1,082
<b>Total assets</b>	<b>3,697</b>	<b>86,818</b>	<b>-</b>	<b>90,515</b>
Minority interests	-	27,986	(24,502)	3,484
Deferred tax liabilities	-	14,924	-	14,924
Other liabilities	3,108	-	-	3,108
<b>Total minority interests and liabilities</b>	<b>3,108</b>	<b>42,910</b>	<b>(24,502)</b>	<b>21,516</b>
<b>Net assets at fair value</b>				<b>65,515</b>
<b>Acquisition cost</b>				<b>94,423</b>
<b>Goodwill</b>				<b>28,908</b>

Goodwill assigned to the acquisition of the Neo Galia Group, including Ridgeside and Hollywell, has changed due to a purchase price allocation which has been carried out during 2008.

	<b>Book value Neo Galia Group</b>	<b>Assets and Fair value adjustments Neo Galia Group</b>	<b>Assets and Liabilities at fair value Neo Galia Group</b>
Property, plant and equipment	41,783	9,458	51,241
Other assets (including licenses)	55,175	-	55,175
<b>Total assets</b>	<b>96,958</b>	<b>9,458</b>	<b>106,416</b>
Deferred tax liabilities	-	2,090	2,090
Other liabilities	106,859	-	106,859
<b>Total liabilities</b>	<b>106,859</b>	<b>2,090</b>	<b>108,949</b>
<b>Net assets at fair value</b>			<b>(2,533)</b>
<b>Acquisition cost</b>			<b>54,895</b>
<b>Goodwill</b>			<b>57,428</b>

The amount of 96,276 thousands of Euros, resulting from recognition of the fair value of the projects operating and in development as of the acquisition date, was recognised under Property, plant and equipment. No value was attributed to projects in the research phase.

**Goodwill impairment tests - NEO Group**

The goodwill of each of the subgroups of the Neo Group are tested for impairment, in the case of operational wind farms, by determining the recoverable value through the value in use of the different cash generating units (CGUs) comprising each of the subgroups of the Neo Group. In the case of wind farms at different stages of development, the recoverable value is determined using the fair value, less cost of sales.

The recoverable value of a CGU is determined based on calculations of the value in use. These calculations use cash flow projections based on financial budgets covering a period of five years approved by management. Cash flows after the five-year period are extrapolated using estimated growth rates. The growth rate does not exceed the average long-term growth rate of renewable energy generating businesses.

The method for determining the fair value of projects under development applied by the Neo Group is similar to that for determining the value in use of a CGU, adjusted for the probability of projects in development being completed and obtaining all the operating permits and licences.

The valuation analysis method used to evaluate the goodwill of NEO was based on a discounted cash flow model utilizing unlevered after-tax cash flows.

**Goodwill impairment tests - Horizon Group**

The valuation analysis method used to evaluate the goodwill of Horizon was based on a discounted cash flow model utilizing unlevered after-tax cash flows (i) generated from existing projects and (ii) those associated with the annual addition of 700 MW through 2020.



# Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The assumptions used in goodwill impairment tests as at 31 December 2008 are as follows:

Group / Company	Growth rate	Discount rate net of tax effect	Terminal Value	Cash flows period
HWE	10.00%	8.00%	15% of total capital expenditures	20
Genesa subgroup	a)	6.96%	b)	20
Ceasa subgroup	a)	6.96%	b)	20
Relax Winds subgroup (Poland)	a)	8.53%	b)	20
Enernova subgroup	a)	7.66%	b)	20
NEO Galia SAS subgroup	a)	6.66%	b)	20
Hollywell subgroup	a)	6.66%	b)	20
Ridgeside subgroup	a)	6.66%	b)	20

## a) Growth rate

### Spain

The tariff amounts used in valuation models have been supported on projections, based on the best expectations at acquisition date, of the future evolution of electricity sales price generated by wind power in Spain.

### France

The tariff amounts considered in valuation models for wind farms in France are in accordance with the rules established by "Arrêté du 10 Juillet 2006". According to the projections, electricity sales market price generated by wind power after the 15 years period has been estimated considering a reduction in the tariff amount of approximately 20%.

### Portugal

For the companies that operate in Portugal, according to the legislation, all operating wind farms or with an establishment license, have guaranteed the sale of electricity for a period of 15 years, for a pre-defined price, which is revised annually based on inflation rate. After this 15 years period, in such cases where a difference between the market price and regulated price exists, it is predicted a compensation with green certificates for a period of 5 years, which currently it is not supported by any legislation. In the evaluations made it has been assumed a significant reduction of electricity sales price for the last 5 years, of approximately 50%, based on the estimation for market price evolution.

### Poland

The legal base of tariff regulation is the "Energy Act" of 4 March 2005. The amounts projected for the two parameters that constitute the tariff ("Black Energy Price" and for the "Green Certificates") were consistent with the most recent market amounts available. For the "Margonin" wind farm has been considered a higher tariff to reflect the price considered in the power sales contract already negotiated.

## b) Terminal value

The EDP Renováveis Group has considered a terminal value, after 20 years of wind farms use, that corresponds to the valuation of (i) the possibility of increasing the generation capacity of the wind farms, (ii) the maintenance of licenses and rights of EDP Renováveis to use wind farms and (iii) the additional value related with the remain useful life of wind farms beyond the period above referred.

## 17. Changes in consolidation perimeter: Business combinations, Sale of affiliates and Merge of affiliates

During 2008, the changes in the consolidation perimeter of the EDP Renováveis Group were:

### Companies sold during the period:

- Generaciones Especiales I, S.L. sold its 50% interest in the subsidiary Marquesado Solar, S.A. to Solar Millenium AG.
- Sinae Inversiones Eólicas, S.A. sold 20% of its interest in IDER, S.L.
- Sinae Inversiones Eólicas, S.A. sold an interest of 5% in Eólica Sierra de Avila, S.L. and Eólica del Alfoz, S.L. to Invesduro Eólica, S.L.
- Enernova sold its 5% interest in Bioeléctrica, S.L. to EDP Imobiliária.

### Companies merged during the period:

- Horizon Wind Energy Company LLC was merged into Horizon Wind Energy LLC.
- Bolores - Energia Eólica, S.A. and Safrá - Energia Eólica, S.A. were merged into Enernova - Novas Energias, S.A..

### Companies incorporated during the period:

- Eólica de Radona S.L. was incorporated being 100% held by Sinae Inversiones Eólicas, S.A. .
- Neolica Polska SP Z.O.O. was incorporated and it is 100% held by NEO.
- The companies Cloud County Wind Farm, Pioneer Prairie Wind Farm I, LLC, Sagebrush Power Partners, LLC, Rail Splitter, Cloud West Wind Project, LLC, Wheatfield Wind Power Project, LLC and Whitestone Wind Purchasing, LLC were incorporated during 2008 and are 100% held by Horizon Wind Energy LLC.

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

#### Companies acquired during the period:

- DEPSA S.A. acquired an additional 5% interest in Desarrollos Eólicos del Corne, S.A.
- Desarrollos Catalanes Del Viento, S.L. acquired 100% of the companies Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalba dels Arcs, S.L.
- Nuevas Energías de Occidente, S.L. acquired 100% of the subgroups Hollywell and Ridgeside, several companies that are currently included in the Neo Galia subgroup, Bom Vent de Corbera, Bom Vent de Vilalba and Parc Eòlic Molinars, S.L..
- Nuevas Energías de Occidente, S.L. acquired 85% of the companies Renovatio Power and Cernavoda Power..
- Nuevas Energías de Occidente, S.L. acquired 51% of the companies Relax Wind Park IV Sp and Relax Wind Park II Sp.
- Nuevas Energías de Occidente, S.L. increased the interest from 73.3% to 93.3% in the company Relax Wind Park I Sp and from 51% to 100% in the company Relax Wind Park III, Sp.

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2008, are as follows:

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
<b>Group's parent holding company:</b>				
EDP RENOVAVEIS, Sociedad Anónima	Oviedo	100.00%	100.00%	KPMG
<b>Parent Company:</b>				
NUEVAS ENERGÍAS DE OCCIDENTE, S.L.	Oviedo	100.00%	100.00%	KPMG
<b>Electricity business Portugal</b>				
ENERALTIUS-PRODUÇÃO DE ENERGIA ELECTRICA, SA	Lisboa	100.00%	-	KPMG
ENERNOVA - NOVAS ENERGIAS, SA	Lisboa	100.00%	-	KPMG
EÓLICA DA ALAGOA	Arcos Valdevez	59.99%	-	KPMG
EÓLICA DE MONTENEGRELO, LDA	Vila Pouca de Aguiar	50.10%	-	KPMG
EÓLICA DA SERRA DAS ALTURAS	Porto	50.10%	-	KPMG
LEVANTE-ENERGIA EÓLICA, UNIPessoal, LDA	Porto Salvo	100.00%	-	KPMG
MALHADIZES	Porto Salvo	100.00%	-	KPMG
<b>Electricity business Spain</b>				
Acampo Arias, S.L.	Zaragoza	98.19%	-	KPMG
Agrupación Eólica SLU	Zaragoza	100.00%	-	KPMG
Parque Eólico Plana de Artajona, SLU	Zaragoza	100.00%	-	Not audited
BOURBRIAC	Paris	100.00%	-	KPMG
Compañía Eólica Campo de Borja, S.A.	Zaragoza	75.83%	-	KPMG
Cía. Eléctrica de Energías Renovables Alternativas, SAL	Zaragoza	100.00%	-	Deloitte
Ceprastur AIE *	Oviedo	45.41%	-	Not Audited
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	100.00%	-	Not Audited
Parc Eòlic de Coll de Moro, S.L.	BARCELONA	60.00%	-	Not audited
D.E. ALMARCHAL, SAL *	Cádiz	80.00%	-	KPMG
D.E. BUENAVISTA, SAL *	Cádiz	80.00%	-	KPMG
Desarrollos Catalanes Del Viento, S.L.	Barcelona	60.00%	-	KPMG
D.E. DE CORME, S.A. *	La Coruña	80.00%	-	KPMG
D.E. DUMBRIA, SAL *	La Coruña	80.00%	-	KPMG
DESARROLLOS EOLICOS DE GALICIA, S.A. *	La Coruña	77.33%	-	KPMG
D.E. DE LUGO, SAL *	Lugo	80.00%	-	KPMG
Desarrollos Eólicos Promoción S.A.U. *	Sevilla	80.00%	-	KPMG
D.E. RABOSERA, S.A. *	Huesca	76.00%	-	KPMG
Desarrollos Eólicos, S.A. *	Sevilla	80.00%	-	KPMG
D.E. DE TARIFA, SAL *	Cádiz	80.00%	-	KPMG
EÓLICA DON QUIJOTE, S.L. *	Albacete	80.00%	-	KPMG
EÓLICA DULCINEA, S.L. *	Albacete	80.00%	-	KPMG
Eolica Alfz, S.L. *	Madrid	67.98%	-	KPMG
EÓLICA ARLANZÓN, S.A. *	Madrid	62.00%	-	KPMG
EOLICA CAMPOLLANO, S.A. *	Madrid	60.00%	-	KPMG
Eólica Mare Nostrum S.A. *	Valencia	48.00%	-	Not Audited
EÓLICA LA BRÚJULA, S.A. *	Madrid	67.92%	-	KPMG
Energías Eólicas La Manchuela, S.L.U. *	Albacete	80.00%	-	KPMG
ENEROLIVA, S.A. *	Sevilla	80.00%	-	Not Audited
Fontesilva *	Coruña	80.00%	-	Not audited
Hidroeléctrica Fuentermosa S.L. *	Oviedo	71.96%	-	Not Audited
Parques de Generación Eólica, S.L.	Burgos	60.00%	-	KPMG
GENERACIONES ESPECIALES I, S.L.	Madrid	80.00%	-	KPMG
Ceasa Promociones Eólicas SLU	Zaragoza	100.00%	-	Ernst & Young
SUBGRUPO VEINCO *	Zaragoza	80.00%	-	Not Audited
GUADALTEBA *	Sevilla	80.00%	-	Not Audited
Hidroeléctrica Gormaz S.A. *	Salamanca	60.00%	-	Not Audited

# EDP Renováveis, S.A.

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Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Iberia Aprovechamientos Eólicos, SAL	Zaragoza	100.00%	-	KPMG
INVESTIGACIÓN Y DESARROLLO DE ENERGÍAS RENOVABLES, S. L.	León	47.67%	-	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	72.00%	-	Not Audited
LA JANDA *	Madrid	80.00%	-	Not Audited
LANAVICA	Madrid	80.00%	-	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	100.00%	-	KPMG
Parc Eolic Molinars SL	GIRONA	54.00%	-	Not audited
Molino de Caragüeyes,S.L.	Zaragoza	80.00%	-	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	100.00%	-	Not audited
Muxia I e II *	Coruña	80.00%	-	Not audited
NEO Energia Aragón SL	Madrid	100.00%	-	KPMG
NEO Catalunya SL	Barcelona	100.00%	-	KPMG
Neomai Inversiones SICAV, SA	Madrid	100.00%	-	PriceWaterhouseCoopers
PARQUE EOLICO SANTA QUITERIA, S.L. *	Huesca	46.66%	-	KPMG
PARQUE EÓLICO BELCHITE, SL *	Zaragoza	80.00%	-	KPMG
Parques Eólicos del Cantábrico, S.A. *	Oviedo	80.00%	-	KPMG
PARQUE EÓLICO LA SOTONERA, SL *	Zaragoza	51.88%	-	KPMG
Eolica de Radona SL *	Madrid	80.00%	-	Not audited
Rasacal Cogeneración S.A. *	Madrid	48.00%	-	Not Audited
SIESA RENOVABLES CANARIAS SL *	Gran Canaria	80.00%	-	Not Audited
Renovables Castilla La Mancha S.A. *	Albacete	72.00%	-	KPMG
Hidroeléctrica del Rumbal S.L. *	Madrid	64.00%	-	Not Audited
SIERRA AVILA *	Madrid	71.99%	-	KPMG
Sinae Inversiones Eólicas S.A. *	Madrid	80.00%	-	KPMG
SOTROMAL, S.A. *	Soria	72.00%	-	Not Audited
Parc Eolic de Torre Madrina, S.L.	Barcelona	60.00%	-	Not audited
TRATAMIENTOS MEDIOAMBIENTALES DEL NORTE, S.A. *	Madrid	64.00%	-	Not Audited
TRATAMIENTOS MEDIOAMBIENTALES RÍO SOTÓN, S.A.	Madrid	80.00%	-	KPMG
Veinco Energia Limpia SL *	Zaragoza	80.00%	-	Not Audited
Bon Vent de Corbera, SL	Barcelona	100.00%	-	Not audited
Bon Vent de Vilalba, SL	Barcelona	100.00%	-	Not audited
Parc Eolic de Vilalba dels Arcs, S.L.	Barcelona	60.00%	-	Not audited

### Electricity business France

Parc Eolien D'Ardennes	Elbeuf	100.00%	-	Not audited
C.E. Ayssenes-Le Truel	Paris	100.00%	-	KPMG
Parc Eolien du Clos Bataille, SAS	Elbeuf	100.00%	-	Cabinet Exco
C.E. Beaurevoir, SAS	Paris	100.00%	-	KPMG
Eolienne des Bocages, SARL	Elbeuf	100.00%	-	Not audited
C.E. Calanhel Lohuec, SAS	Paris	100.00%	-	Not audited
Eolienne de Callengeville, SAS	Elbeuf	100.00%	-	Cabinet Exco
CE Canet-Pont de Salars	Paris	100.00%	-	KPMG
Parc Eolien des Longs Champs, SARL	Elbeuf	100.00%	-	Not audited
Eole Service, SARL	Elbeuf	100.00%	-	Not audited
Eole 76 Developpement, SARL	Elbeuf	100.00%	-	Not audited
Eolienne D'Etalondes, SARL	Elbeuf	100.00%	-	Not audited
Le Gollot SAS	Carhaix	100.00%	-	Jean-Yves Morisset
CE Gueltas Noyal-Pontivy	Paris	100.00%	-	KPMG
Parc Eolien de La Hetroye, SAS	Elbeuf	100.00%	-	Cabinet Exco
Hollywell Investments Limited, SARL	Luxembourg	100.00%	-	Not audited
Keranfouler SAS	Carhaix	100.00%	-	Jean-Yves Morisset
SOCPE Le Mee SARL	Toulouse	49.00%	-	KPMG
Parc Eolien Les Bles D'Or SARL	Toulouse	100.00%	-	Not Audited
C.E. Les Vielles, SAS	Paris	100.00%	-	KPMG
Parc Eolien de Mancherville, SARL	Elbeuf	100.00%	-	Not audited
Eole Futur Montloue 1, SAS	Elbeuf	100.00%	-	Cabinet Exco
Neo Galia, SAS	Paris	100.00%	-	KPMG
C.E. Patay, SAS	Paris	100.00%	-	KPMG
Parc Eolien des Bocages, SARL	Elbeuf	100.00%	-	Not audited
SOCPE Petite Piece SARL	Toulouse	49.00%	-	KPMG
SOCPE Pieces de Vigne SARL	Toulouse	100.00%	-	Not Audited
Plouvien Breiz SAS	Carhaix	100.00%	-	Jean-Yves Morisset
CE Pont d'Yeu, SAS	Paris	100.00%	-	KPMG
PROUVILLE	Paris	100.00%	-	KPMG
Rech. et Dével. Éoliennes	Paris	100.00%	-	Not Audited
Ridgeside Investments Limited, SARL	Luxembourg	100.00%	-	Not audited

# EDP Renováveis, S.A.

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Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Parc Eolien de Roman, SARL	Elbeuf	100.00%	-	Not audited
CE Saint Alban-Henansal	Paris	100.00%	-	KPMG
C.E. Saint Barnabe, SAS	Paris	100.00%	-	KPMG
SOCPE Saint Jacques SARL	Toulouse	100.00%	-	Not Audited
Eolienne de Saugueuse, SARL	Elbeuf	100.00%	-	Not audited
SOCPE Sauvageons SARL	Toulouse	49.00%	-	KPMG
C.E. Segur, SAS	Paris	100.00%	-	KPMG
Truc L'homme	Paris	100.00%	-	KPMG
Parc Eolien de Varimpre, SAS	Elbeuf	100.00%	-	Cabinet Exco
Parc Eolien des Vatines, SAS	Elbeuf	100.00%	-	Cabinet Exco
<b>Electricity business Poland</b>				
Chodow Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
KIP Wind Park I SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
KIP Wind Park II SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
Neolica Polska SP.ZO.O.	Warsaw	100.00%	-	Not audited
Relax Wind Park I SP.ZO.O.	Varsóvia	93.29%	-	Not Audited
Relax Wind Park II Sp. zoo	Warsaw	51.00%	-	Not audited
Relax Wind Park III SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
Relax Wind Park IV Sp. zoo	Warsaw	51.00%	-	Not audited
Relax Wind Park V SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Relax Wind Park VI SP.ZO.O.	Varsóvia	100.00%	-	Not audited
SK Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Sokolowo Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Zulawy Wind Park I SP.ZO.O.	Varsóvia	100.00%	-	Not audited
<b>Electricity business Belgium</b>				
Greenwind S.A.	Louvain-la-Neuve	70.00%	-	Not Audited
<b>Electricity business Brazil</b>				
EDP RENOVAVEIS BRASIL, S.A.	São Paulo	55.00%	55.00%	Not Audited
<b>Electricity business Romania</b>				
Cernavoda Power SRL	Bucharest	85.00%	-	Not audited
Renovatio Power SRL	Bucharest	85.00%	-	Not audited
<b>Electricity business - Holland:</b>				
Tarcan BV	Amsterdam	100.00%	-	KPMG
<b>Parent Company:</b>				
Horizon Wind Energy LLC	Texas	100.00%	100.00%	KPMG
<b>Electricity business USA</b>				
Wind Turbine Prometheus, LP	California	100.00%	-	KPMG
Dickinson County Wind Farm LLC	Minnesota	100.00%	-	KPMG
Darlington Wind Farm, LLC	Minnesota	100.00%	-	KPMG
Cloud County Wind Farm	Kansas	100.00%	-	KPMG
Whitestone Wind Purchasing, LLC	Texas	100.00%	-	KPMG
Blue Canyon Windpower II LLC	Oklahoma	100.00%	-	KPMG
Blue Canyon Windpower V, LLC	Oklahoma	100.00%	-	KPMG
Horizon Wind Energy International	Texas	100.00%	-	KPMG
Pioneer Prairie Wind Farm I, LLC	Iowa	100.00%	-	KPMG
Sagebrush Power Partners, LLC	Washington	100.00%	-	KPMG
Telocaset Wind Power Partners, LLC	Oregon	100.00%	-	KPMG
High Trail Wind Farm, LLC	Illionois	100.00%	-	KPMG
Chocolate Bayou Windpower I, LP	Texas	100.00%	-	KPMG
Marble River, LLC	New York	100.00%	-	KPMG
Rail Splitter	Illionois	100.00%	-	KPMG
Blackstone Wind Farm, LLC	Illionois	100.00%	-	KPMG
Aroostook Wind Energy LLC	Maine	100.00%	-	KPMG
Jericho Rise Wind Farm LLC	New York	100.00%	-	KPMG

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Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Madison Windpower LLC	New York	100.00%	-	KPMG
Mesquite Wind, LLC	Texas	100.00%	-	KPMG
Martinsdale Wind Farm LLC	Colorado	100.00%	-	KPMG
Post Oak Wind, LLC	Texas	100.00%	-	KPMG
BC Maple Ridge Wind LLC	Texas	100.00%	-	KPMG
High Prairie Wind Farm II, LLC	Minnesota	100.00%	-	KPMG
Arlington Wind Power Project LLC	Oregon	100.00%	-	KPMG
Signal Hill Wind Power Project LLC	Colorado	100.00%	-	KPMG
Tumbleweed Wind Power Project LLC	Colorado	100.00%	-	KPMG
Old Trail Wind Farm, LLC	Illinois	100.00%	-	KPMG
Viento Grande Wind Power Project LLC	Colorado	100.00%	-	KPMG
OPQ Property LLC	Illinois	100.00%	-	KPMG
Meadow Lake Wind Farm, LLC	Indiana	100.00%	-	KPMG
Wheatfield Wind Power Project, LLC	Oregon	100.00%	-	KPMG
007 Vento I LLC	Texas	100.00%	-	KPMG
007 Vento II	Texas	100.00%	-	KPMG
008 Vento III	Texas	100.00%	-	KPMG
Horizon Wind Ventures I LLC	Texas	100.00%	-	KPMG
Horizon Wind Ventures II, LLC	Texas	100.00%	-	KPMG
Horizon Wind Ventures III, LLC	Texas	100.00%	-	KPMG
Clinton County Wind Farm, LLC	New York	100.00%	-	KPMG

**Electricity business USA (a)**

BC2 Maple Ridge Holdings LLC	Texas	100.00%	-	Not audited
Cloud West Wind Project, LLC	Texas	100.00%	-	Not audited
Five-Spot, LLC	Texas	100.00%	-	Not audited
Horizon Wind Chocolate Bayou I LLC	Texas	100.00%	-	Not audited
Alabama Ledge Wind Farm LLC	Texas	100.00%	-	Not audited
Antelope Ridge Wind Power Project LLC	Texas	100.00%	-	Not audited
Arkwright Summit Wind Farm LLC	Texas	100.00%	-	Not audited
Ashford Wind Farm LLC	Texas	100.00%	-	Not audited
Athena-Weston Wind Power Project LLC	Texas	100.00%	-	Not audited
Black Prairie Wind Farm LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm II LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm III LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm IV LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm V LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower III LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower IV LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower VI LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm II LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm III LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm LLC	Texas	100.00%	-	Not audited
Chateaugay River Wind Farm LLC	Texas	100.00%	-	Not audited
Cropsey Ridge Wind Farm LLC	Texas	100.00%	-	Not audited
Crossing Trails Wind, Power Project LLC	Texas	100.00%	-	Not audited
Dairy Hills Wind Farm LLC	Texas	100.00%	-	Not audited
Diamond Power Partners LLC	Texas	100.00%	-	Not audited
East Clickitat Wind Power Project LLC	Texas	100.00%	-	Not audited
Ford Wind Farm LLC	Texas	100.00%	-	Not audited
Freeport Windpower I, LP	Texas	100.00%	-	Not audited
Gulf Coast Windpower Management Company, LLC	Texas	100.00%	-	Not audited
Homestead Wind Farm LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest VII LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest X LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest XI LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Panhandle I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest II LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest III LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest IV LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Valley I LLC	Texas	100.00%	-	Not audited
Horizon Wind MREC Iowa Partners LLC	Texas	100.00%	-	Not audited
Horizon Wind, Freeport Windpower I LLC	Texas	100.00%	-	Not audited
Juniper Wind Power Partners, LLC	Texas	100.00%	-	Not audited
Lexington Chenoa Wind Farm LLC	Texas	100.00%	-	Not audited
Machias Wind Farm LLC	Texas	100.00%	-	Not audited
Meadow Lake Wind Farm II LLC	Texas	100.00%	-	Not audited

# EDP Renováveis, S.A.

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Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
New Trail Wind Farm LLC	Texas	100.00%	-	Not audited
North Slope Wind Farm LLC	Texas	100.00%	-	Not audited
Number Nine Wind Farm LLC	Texas	100.00%	-	Not audited
Pacific Southwest Wind Farm LLC	Texas	100.00%	-	Not audited
Pioneer Prairie Wind Farm II LLC	Texas	100.00%	-	Not audited
Rim Rock Power Partners LLC	Texas	100.00%	-	Not audited
Saddleback Wind Power Project LLC	Texas	100.00%	-	Not audited
Sardinia Windpower LLC	Texas	100.00%	-	Not audited
Turtle Creek Wind Farm LLC	Texas	100.00%	-	Not audited
Western Trail Wind Project I LLC	Texas	100.00%	-	Not audited
Whistling Wind VI Energy Center, LLC	Texas	100.00%	-	Not audited
Simpson Ridge Wind Farm LLC	Texas	100.00%	-	Not audited
Coos Curry Wind Power Project LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Midwest IX LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest XV LLC	Texas	100.00%	-	Not audited
Peterson Power Partners LLC	Texas	100.00%	-	Not audited
Pioneer Prairie Interconnection LLC	Texas	100.00%	-	Not audited
The Nook Wind Power Project LLC	Texas	100.00%	-	Not audited
Tug Hill Windpower LLC	Texas	100.00%	-	Not audited
Whiskey Ridge Power Partners LLC	Texas	100.00%	-	Not audited
Wilson Creek Power Partners LLC	Texas	100.00%	-	Not audited
WTP Management Company LLC	Texas	100.00%	-	Not audited

The main financial indicators of the jointly controlled companies included in the consolidation under the **proportionate consolidation method** as at 31 December 2008, are as follows:

Jointly Controlled Companies	Head Office	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Total Revenues 31-Dec-08 Euro'000	% Indirect	% Direct	Auditor
<b>Electricity business</b>							
Flat Rock Windpower LLC	New York	353,953	2,430	31,284	50.00%	50.00%	E&Y
Flat Rock Windpower II LLC	New York	139,789	916	10,814	50.00%	50.00%	E&Y
Compañía Eólica Aragonesa, S.A.	Zaragoza	144,578	95,442	41,157	50.00%	50.00%	Deloitte
Desarrollos Energeticos Canarios S.A.	Las Palmas	8	18	-	39.92%	49.90%	KPMG
EVOLUCIÓN 2000, S.L.	Albacete	66,244	53,779	13,468	39.32%	49.15%	KPMG
Horta Medioambiente S.A.	Madrid	-	113	-	40.00%	50.00%	Not Audited
Ibersol E. Solar Ibérica, S.A.	Almería	2,190	2,125	22	40.00%	50.00%	KPMG
Murciasol-1 Solar Térmica, S.L.	Almería	202	198	14	40.00%	50.00%	KPMG
TEBAR EÓLICA, S.A.	Cuenca	48,522	38,450	12,163	40.00%	50.00%	Audit, S.L.

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2008, are as follows:

Associates	Head Office	% Indirect	% Direct	Auditor
Biomassas del Pirineo S.A.	Huesca	24.00%	-	Not Audited
Cultivos Energéticos de Castilla S.A.	Burgos	24.00%	-	Not Audited
D.E. DE CANARIAS, S.A.	Gran Canaria	35.80%	-	KPMG
Hidroastur S.A.	Oviedo	20.00%	-	Centium
Naturneo Energía, S.L.	Bilbao	49.01%	-	Not audited
PARQUE EÓLICO BELMONTE, S.A.	Asturias	23.92%	-	KPMG
Parque Eólico Sierra del Madero S.A.	Soria	33.60%	-	Ernst & Young
PARQUE EÓLICO ALTOS DEL VOLTOYA, S.A.	Madrid	24.80%	-	KPMG
SODECOAN, S.L.	Sevilla	40.00%	-	Not audited
SOLAR SIGLO XXI, S.A.	Ciudad Real	20.00%	-	Not Audited
ENEP - EÓLICAS DE PORTUGAL, S.A.	Lisboa	19.60%	-	Mazars

# EDP Renováveis, S.A.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2007, are as follows:

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
<b>Group's parent holding company:</b>				
EDP Renováveis S.L.	Oviedo	-	-	KPMG
<b>Parent Company:</b>				
Nuevas Energías de Occidente, S.L.	Oviedo	60.00%	-	KPMG
<b>Electricity business - Portugal:</b>				
Bolores-Energia Eólica, S.A.	Lisbon	60.00%	-	KPMG
Eneraltius-Produção de Energia Elétrica, S.A.	Lisbon	60.00%	-	KPMG
Enernova - Novas Energias, S.A.	Lisbon	60.00%	-	KPMG
Eólica da Alagoa, S.A.	Arcos Valdevez	35.99%	-	KPMG
Eólica da Serra das Alturas, S.A.	Oporto	30.06%	-	KPMG
Eólica de Montenegro, Lda	Vila Pouca de Aguiar	30.06%	-	KPMG
Levante - Energia Eólica, Unipessoal, Lda	Porto Salvo	60.00%	-	KPMG
Malhadizes - Energia Eólica SA	Porto Salvo	60.00%	-	KPMG
Safra - Energia Eólica, S.A.	Leiria	60.00%	-	KPMG
<b>Electricity business - Spain:</b>				
Acampo Arias,S.L.	Zaragoza	58.91%	-	KPMG
Agrupación Eólica, SLU	Zaragoza	60.00%	-	KPMG
Ceasa Promociones Eólicas, SLU	Zaragoza	60.00%	-	Ernst&Young
Ceprastur AIE *	Oviedo	27.25%	-	Not Audited
Cía. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	60.00%	-	Deloitte
Compañía Eólica Campo de Borja, S.A.	Zaragoza	45.50%	-	KPMG
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	60.00%	-	Not Audited
Desarrollos Eólicos Promocion, S.A. *	Seville	48.00%	-	KPMG
Desarrollo Eólico Almarchal, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico Buenavista, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico de Corme, S.A. *	La Coruña	45.60%	-	KPMG
Desarrollo Eólico de Lugo, SAU *	Lugo	48.00%	-	KPMG
Desarrollo Eólico de Tarifa, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico Dumbria, SAU *	La Coruña	48.00%	-	KPMG
Desarrollo Eólico RABOSERA, S.A. *	Huesca	45.60%	-	KPMG
Desarrollo Eólico Santa Quiteria, S.L.*	Huesca	28.00%	-	KPMG
Desarrollos Catalanes Del Viento, S.L	Barcelona	36.00%	-	KPMG
Desarrollos Eolicos de Galicia, S.A. *	La Coruña	46.40%	-	KPMG
Desarrollos Eolicos, S.A. *	Seville	48.00%	-	KPMG
Eólica Dulcinea, S.L. *	Albacete	48.00%	-	KPMG
Eólica Alfaz, S.L. *	Madrid	43.19%	-	KPMG
Eneroliva S.A. *	Seville	48.00%	-	Not Audited
Eólica Arlanzón, S.A. *	Madrid	37.20%	-	KPMG
Eolica Campollano S.A. *	Madrid	36.00%	-	KPMG
Eólica Don Quijote, S.L. *	Albacete	48.00%	-	KPMG
Eólica Mare Nostrum, S.A. *	Valencia	28.80%	-	Not Audited
Energia Eólica La Manchuela, SLU (formerly Sierra de la Peña S.A.) *	Madrid	40.75%	-	KPMG
Eólica La Brújula S.A. (formerly Sierra de la Peña S.L.) *	Albacete	48.00%	-	KPMG
Genesis I S.L.	Madrid	48.00%	-	KPMG
Eólica Guadalteba, S.L. *	Seville	48.00%	-	Not Audited
Hidroeléctrica del Rumbiar, S.L. *	Madrid	38.40%	-	Not Audited
Hidroeléctrica Fuentesmosa, S.L. *	Oviedo	43.17%	-	Not Audited
Hidroeléctrica Gormaz S.A. *	Salamanca	36.00%	-	Not Audited
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	60.00%	-	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	43.20%	-	Not Audited
Investigación y Desarrollo de Energías Renovables, S.L.	León	38.20%	-	KPMG
Eólica La Janda, S.L. *	Madrid	48.00%	-	Not Audited
Eólica La Navica, S.L. *	Madrid	48.00%	-	KPMG
Molino de Caragüeyes,S.L	Zaragoza	48.00%	-	KPMG
NEO Catalunya SL	Barcelona	60.00%	-	KPMG
NEO Energia Aragon SL	Madrid	60.00%	-	KPMG
Neomai Inversiones SICAV, SA	Madrid	60.00%	-	PriceWaterhouseCoopers

# EDP Renováveis, S.A.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Parque Eólico Belchite S.L. *	Zaragoza	48.00%	-	KPMG
Parque Eólico la Sotenera, S.L. *	Zaragoza	31.13%	-	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	60.00%	-	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	60.00%	-	Not audited
Parque Eólico Plana de Artajona, SLU	Zaragoza	60.00%	-	Not audited
Parques de Generación Eólica, S.L.	Burgos	36.00%	-	KPMG
Parques Eólicos del Cantábrico S.A. *	Oviedo	48.00%	-	KPMG
Rasacal Cogeneración S.A. *	Madrid	28.80%	-	Not Audited
Renovables Castilla la Mancha, S.A. *	Albacete	43.20%	-	KPMG
Eólica Sierra de Avila, S.L. *	Madrid	45.60%	-	KPMG
Siesa Renovables Canarias, S.L. *	Gran Canaria	48.00%	-	Not Audited
Sinae Inversiones Eólicas S.A. *	Madrid	48.00%	-	KPMG
Sotromal, S.A. *	Soria	43.20%	-	Not Audited
Tratamientos Medioambientales del Norte, S.A. *	Madrid	38.40%	-	Not Audited
Eólica Curiscoa Pumar, S.A.U. (formerly Río Sotón) *	Madrid	48.00%	-	KPMG
Valle del Ebro Ingeniería y Consultoría, S.L. *	Zaragoza	48.00%	-	Not Audited
Veinco Energía Limpia SLU *	Zaragoza	60.00%	-	Not Audited
<b>Electricity business - France:</b>				
C.E. Bourbriac, SAS	Paris	60.00%	-	KPMG
CE Ayssenes-Le Truel, SAS	Paris	60.00%	-	KPMG
C.E. Beaurevoir, SAS	Paris	60.00%	-	KPMG
C.E. Calanhel Lohuec, SAS	Paris	60.00%	-	KPMG
CE Canet-Pont de Salars, SAS	Paris	60.00%	-	KPMG
CE Gueltas Noyal-Pontivy, SAS	Paris	60.00%	-	KPMG
C.E. Les Vielles, SAS	Paris	60.00%	-	KPMG
C.E. Patay, SAS	Paris	60.00%	-	KPMG
C.E. Pont d'Yeu, SAS	Paris	60.00%	-	KPMG
CE Saint Alban-Henansal, SAS	Paris	60.00%	-	KPMG
C.E. Saint Barnabe, SAS	Paris	60.00%	-	KPMG
C.E. Segur, SAS	Paris	60.00%	-	KPMG
Keranfouler, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
Le Gollot, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
Le Mee, S.A.R.L.	Toulouse	29.40%	-	KPMG
Parc Eolien Les Bles D'Or S.A.R.L.	Toulouse	60.00%	-	Not Audited
Petite Piece, S.A.R.L.	Toulouse	29.40%	-	KPMG
Pieces de Vigne S.A.R.L.	Toulouse	60.00%	-	Not Audited
Plouvien Breiz, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
C.E. Neo Prouville, SAS	Paris	60.00%	-	KPMG
Recherches et Développements Éoliennes, SARL	Paris	60.00%	-	KPMG
Sauvageons, S.A.R.L.	Toulouse	29.40%	-	KPMG
Saint Jacques, S.A.R.L.	Toulouse	60.00%	-	Not Audited
C.E. Neo Truc de l'homme, SAS	Paris	60.00%	-	KPMG
<b>Electricity business - Holland:</b>				
Tarcan, BV	Amsterdam	60.00%	-	KPMG
<b>Electricity business - Belgium:</b>				
Greenwind, S.A.	Louvain-la-Neuve	42.00%	-	Not Audited
<b>Electricity business - Poland:</b>				
Chodow Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not Audited
KIP Wind Park I SP.ZO.O.	Warsaw	60.00%	-	Not Audited
KIP Wind Park II SP.ZO.O.	Warsaw	60.00%	-	Not Audited
Relax Wind Park I SP.ZO.O.	Warsaw	43.98%	-	Not Audited
Relax Wind Park III SP.ZO.O.	Warsaw	30.60%	-	Not Audited
Relax Wind Park V SP.ZO.O.	Warsaw	60.00%	-	Not audited
Relax Wind Park VI SP.ZO.O.	Warsaw	60.00%	-	Not audited
SK Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not audited
Sokolowo Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not audited
Zulawy Wind Park I SP.ZO.O.	Warsaw	60.00%	-	Not audited



# EDP Renováveis, S.A.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
<b>Parent Company:</b>				
Horizon Wind Energy LLC	Houston, Texas	100.00%	-	KPMG
<b>Electricity business - United States:</b>				
2007 Vento I LLC	Houston, Texas	100.00%	-	KPMG
Arlington Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Aroostook Wind Energy LLC	Houston, Texas	100.00%	-	KPMG
BC2 Maple Ridge Wind LLC	Houston, Texas	100.00%	-	KPMG
Blue Canyon Windpower II LLC	Houston, Texas	100.00%	-	KPMG
Chocolate Bayou Windpower I, LP	Houston, Texas	100.00%	-	KPMG
Clinton County Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
High Prairie Wind Farm II, LLC	Houston, Texas	100.00%	-	KPMG
High Trail Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
Horizon Wind Energy International	Houston, Texas	100.00%	-	KPMG
Horizon Wind Ventures I LLC	Houston, Texas	100.00%	-	KPMG
Jericho Rise Wind Farm LLC	Houston, Texas	100.00%	-	KPMG
Madison Windpower LLC	Houston, Texas	100.00%	-	KPMG
Marble River, LLC	Houston, Texas	100.00%	-	KPMG
Martinsdale Wind Farm LLC	Houston, Texas	100.00%	-	KPMG
Mesquite Wind, LLC	Houston, Texas	100.00%	-	KPMG
Old Trail Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
OPQ Property LLC	Houston, Texas	100.00%	-	KPMG
Post Oak Wind, LLC	Houston, Texas	100.00%	-	KPMG
Signal Hill Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Telocaset Wind Power Partners, LLC	Houston, Texas	100.00%	-	KPMG
Tumbleweed Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Viento Grande Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Wind Turbine Prometheus, LP	Houston, Texas	100.00%	-	KPMG

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2007, are as follows:

Associates	Head Office	% Indirect	% Direct	Auditor
<b>Electricity business - Spain:</b>				
Biomassas del Pirineo, S.A.	Huesca	14.40%	-	Not Audited
Cultivos Energéticos de Castilla, S.A.	Burgos	14.40%	-	Not Audited
D.E. de Canarias, S.A.	Gran Canaria	21.48%	-	KPMG
Hidroeléctrica Rio Lena S.A.	Oviedo	4.15%	-	KPMG
Hidroastur, S.A.	Oviedo	12.00%	-	Centium
Parque Eólico Altos del Voltoya, S.A.	Madrid	14.88%	-	KPMG
Parque Eólico de Belmonte, S.A.	Asturias	14.35%	-	KPMG
Parque Eólico Sierra del Madero, S.A.	Soria	20.16%	-	Ernst&Young
Sociedad Eólica de Andalucía, S.L.	Seville	24.00%	-	Not audited
Siglo XXI Solar S.A.	Ciudad Real	12.00%	-	Not Audited
Yedesa Cogeneración, S.A.	Seville	4.80%	-	KPMG

The main financial indicators of the jointly controlled companies included in the consolidation under the **proportionate consolidation method** as at 31 December 2007, are as follows:

Jointly controlled companies	Head Office	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Total Revenues 31-Dec-07 Euro'000	% Indirect	% Direct	% Direct
<b>Electricity business - Spain:</b>							
Compañía Eólica Aragonesa, S.A.	Zaragoza	66,740	48,719	-	30.00%	-	Deloitte
Desarrollos Energeticos Canarios, S.A.	Las Palmas	8	18	-	23.95%	-	KPMG
Evolución 2000, S.L.	Albacete	64,838	55,414	5,644	23.59%	-	KPMG
Horta Medioambiental S.A.	Madrid	22	135	-	24.00%	-	Not Audited
Ibersol E. Solar Ibérica, S.A	Almería	1,937	1,872	-	24.00%	-	KPMG
Marquesado Solar S.A.	Almería	17,634	17,597	-	24.00%	-	Not audited
Murciasol 1 Solar Térmica, S.L.	Almería	182	179	-	24.00%	-	KPMG
Tébar Eólica, S.A.	Cuenca	50,181	41,377	8,340	24.00%	-	Audit, S.L.

(a) During 2008 EDP Renováveis Group has incorporated these companies in United States of America that do not have activity and have been incorporated without share capital.

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

\* These companies have been consolidated considering that EDP Renováveis, through its subsidiary NEO, hold 100% of Genesa share capital, taking in consideration the put option over Caja Madrid (as described in note 36).

#### 18. Investments in associates

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Investments in associates:</b>		
Equity holdings in associates	40,782	32,514
Adjustments on investments in associates	-	-154
<b>Carrying amount</b>	<b>40,782</b>	<b>32,360</b>

For the purpose of annual accounts presentation, goodwill arising from the acquisition of associated companies is presented in this caption, included in the total amount of Equity holdings in associates.

The breakdown of **Investments in associates as at 31 December 2008** , is analysed as follows:

	Group	
	31 Dec 2008	
	Investment Euro'000	Impairment Euro'000
<b>Associated companies:</b>		
Desarrollos Eólicos de Canarias, S.A.	10,735	-
ENEOP - Eólicas de Portugal, S.A.	6,486	-
Parque Eólico Sierra del Madero S.A.	5,454	-
Veinco Energia Limpia S.L.	4,154	-
Parque Eólico altos del Voltaya, S.A.	3,481	-
Parque Eólico Belmonte, S.A.	3,243	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	2,241	-
Hidroastur S.A.	2,112	-
Horizon Wind Energy	2,031	-
Other	845	-
	<b>40,782</b>	<b>-</b>

The breakdown of **Investments in associates as at 31 December 2007** , is analysed as follows:

	Group	
	31 Dec 2007	
	Investment Euro'000	Impairment Euro'000
<b>Associated companies:</b>		
Desarrollos Eólicos de Canarias, S.A.	10,875	-
Parque Eólico Sierra del Madero, S.A.	4,542	-
Associates of Veinco Energia Limpia, S.L.	4,913	-
Parque Eólico Altos del Voltaya, S.A.	2,967	-
Blue Canyon Windpower, LLC	2,635	-154
Parque Eólico de Belmonte, S.A.	2,610	-
Hidroastur, S.A.	2,121	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	1,647	-
Other	204	-
	<b>32,514</b>	<b>-154</b>

The movement in **Investments in associates** , is analysed as follows:

	Group 31 Dec 2008 Euro'000
<b>Balance as at 1 January</b>	<b>32,514</b>
Acquisitions	3,569
Disposals	-210
Share of profits of associates	4,369
Dividends received	-2,693
Exchange differences	151
Changes in consolidation method	3,436
Changes in perimeter consolidation	-201
Transfers/Regularizations	-153
<b>Balance as at 31 December</b>	<b>40,782</b>

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

#### 19. Available for sale investments

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Sociedad Eólica de Andalucía, S.A.	10,854	3,107
ENEOP - Eólicas de Portugal, S.A.	-	3,460
Hueneja, C.B.	-	1,246
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	783	-
Wind Expert	500	-
Other	364	138
	<u>12,501</u>	<u>7,951</u>

During 2008, ENEOP - Eólicas de Portugal, a partnership with other companies that develop several projects related to electricity wind generation, started to consolidate under the equity method.

Genesa sold its shareholding in Marquesado del Solar, S.A., which held an interest in Hueneja, C.B. classified under available for sale investments.

The EDP Renováveis Group acquired an interest in Aprofitament D'Energies Renovables de la Terra Alta, S.A., a company that develops several projects related with electricity transport lines and high voltage substations in the region of Terra Alta (Spain) and an interest of 5% in romanian company Wind Expert, included in the acquisition of Renovatio and Cervanoda.

The increase in Sociedad Eólica de Andalucía, S.A. is related to the increase on the fair vale of the company (see note 28).

The assumptions used in the valuation models of available for sale investments are as follows:

Company	Growth rate	Discount rate net of tax effect	Cash flows period	Terminal Value
Sociedad Eólica de Andalucía, S.A.	a)	6.96%	20	b)

a) The tariff amounts used in valuation models have been supported on projections, based on the best expectations at acquisition date, of the future evolution of electricity sales price generated by wind power in Spain.

b) The Group EDP Renováveis has considered a terminal value, after 20 years of wind farms use, that corresponds to the valuation of (i) the possibility of increasing the generation capacity of the wind farms, (ii) the maintenance of licenses and rights to use the wind farms and (iii) the additional value related with the remain useful life of wind farms beyond the period mentioned above.

#### 20. Deferred tax assets and liabilities

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Tax losses brought forward	3,008	4,309	-	-	3,008	4,309
Provisions	2,173	556	-	-	2,173	556
Derivative financial instruments	3,581	176	1,374	1,679	2,207	-1,503
Available for sale Investments	-	-	-	-	-	-
Intangible Assets	-	-	13,123	-	-13,123	-
Property, plant and equipment	12,142	11,335	10,542	8,386	1,600	2,949
Reinvested gains	-	-	-	-	-	-
Other	930	343	12	8,398	918	-8,055
Reversal of regulatory assets and liabilities	-	-	-	-	-	-
Allocation of fair value to assets and liabilities	-	-	278,153	274,579	-278,153	-274,579
Accounting revaluations	-	-	127	352	-127	-352
Exchange differences and others	-	-	-	-	-	-
Assets/liabilities compensation of deferred taxes	-	-	-	-	-	-
	<u>21,834</u>	<u>16,719</u>	<u>303,331</u>	<u>293,394</u>	<u>-281,497</u>	<u>-276,675</u>

The Deferred tax liabilities of NEO Group for 31 December 2007, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 14,924 thousands of Euros (see note 16).

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The movements in deferred tax assets and liabilities during the year are analysed as follows

	31 Dec 2008	
	Euro'000	
	Tax Assets	Tax Liabilities
Opening balance	16,719	-293,393
Increases charged to the profit and loss account	4,456	-3,500
Decreases charged to the profit and loss account	-3,352	8,464
Increases charged to reserves	3,572	-13,413
Decreases charged to reserves	-	1,473
Change in the applicable tax rate	-14	178
Other movements	453	-3,140
	<u>21,834</u>	<u>-303,331</u>

Details of deferred tax assets and liabilities that will be realised or reversed in over 12 months are as follows:

	Tax Assets	Tax Liabilities
	31 Dec 2008 Euro'000	31 Dec 2008 Euro'000
Tax losses brought forward	-	-
Provisions	116	-
Derivative financial instruments	4,031	1,374
Reversal of regulatory assets and liabilities	-	-
Allocation of acquired assets and liabilities fair values	-	278,153
Intangible Assets	-	13,123
Property, plant and equipment	-	10,542
Accounting revaluations	-	3
Others	11,252	19
	<u>15,399</u>	<u>303,214</u>

The Group tax losses and tax credits carried forward are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Expiration date:		
2009	-	-
2010	11	11
2011	21	21
2012	27	27
2013	105	105
2014	3	3
2015	7,462	7,462
2016 to 2027	221,099	67,265
	<u>228,728</u>	<u>74,894</u>

The Group has not calculated deferred tax assets for tax losses carried forward of 228,178 thousands of Euros due to uncertainty regarding the future realization of the net deferred tax asset.

## 21. Inventories

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Advances on account of purchases	1,915	35,127
Finished and intermediate products	10,313	3,740
Raw and subsidiary materials and consumables:		
Other consumables	149	157
	<u>12,377</u>	<u>39,024</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**22. Trade receivables**

**Trade receivables** are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Short term trade receivables - Current:</b>		
Spain	46,221	35,219
United States of America	21,130	11,567
Portugal	11,050	11,178
France	4,168	2,881
Poland	29	40
	<u>82,598</u>	<u>60,885</u>
Doubtful debts	2,347	2,309
Impairment losses	<u>-2,347</u>	<u>-2,309</u>
	<u>82,598</u>	<u>60,885</u>

The movement in impairment losses in 2008 is due to an increase of 38 thousands of Euros for customers in Spain.

**23. Debtors and other assets**

**Debtors and other assets** are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Short-term debtors - Current:</b>		
Loans to related parties	106,625	23,674
Advances to suppliers	18	36
Other debtors:		
- Amounts related to staff	25	9
- Derivative financial instruments (Hedging)	3,355	51,061
- Insurance	1,059	309
- Management fees	512	2,022
- Cernavoda land acquisitions	2,189	-
- Financial assets advanced payments	1,075	1,399
- Deferred costs for infrastructure construction	1,821	-
- Wind relax (Receivable VAT related with turbines acquisitions)	991	-
- Amounts receivable from Eolic Partners	1,925	-
- Production tax credits (PTC)	934	1,104
- Horizon warranty claim	5,179	-
- Prepaid turbine maintenance	2,687	-
- Guarantee deposits	6,853	1,044
- Tied deposits	43,016	9,089
- Sundry debtors and other operations	<u>17,549</u>	<u>9,504</u>
	<u>195,813</u>	<u>99,251</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**Medium and long-term debtors - Non-current:**

Loans to related parties	21,769	10,576
Notes receivable (Horizon)	10,678	6,824
Guarantees and tied deposits	33,666	34,431
Derivative financial instruments (Hedging)	6,081	-
Deferred costs (Enernova Group)	42,617	26,666
Deferred PPA costs (High Trail)	5,748	-
O&M contract valuation - Mapple Ridge I (Horizon)	7,941	8,084
Deferred Tax Equity Costs	5,002	-
Sundry debtors and other operations	8,038	13,881
	<u>141,540</u>	<u>100,462</u>
	<u>337,353</u>	<u>199,713</u>

Loans to related parties - Current includes an amount of 83,025 thousands of Euros related to a set of loans granted to EDP Finance, that have maturities from 1 week to 1 month and bear interest at market conditions and an amount of 22,825 thousands of Euros with EDP Branch.

Tied deposits - Current includes 39,736 thousands of Euros related to the Vento III financing agreement. Funds are required to be held in the amount sufficient to pay remaining Vento III construction related costs.

Guarantees and tied deposits - Non Current are related with NEO Group companies with projects finance, that are obliged to maintain these amounts in bank accounts to assure the capacity of comply with responsibilities.

Deferred costs (Enernova group) - non current relates to up-front rents and surface rights paid to land owners and up-front network rents paid to EDP Distribuição. These costs are deferred on the balance sheet date and are recognised in a straight line basis over the estimated useful life of the assets.

**24. Tax receivable**

**Tax receivable** is analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
State and other public entities:		
- Income tax	7,755	3,993
- Value added tax (VAT)	150,569	89,342
- Other taxes	16,769	3,500
	<u>175,093</u>	<u>96,835</u>

**25. Financial assets at fair value through profit or loss**

**Financial assets at fair value through profit or loss** are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Equity securities:		
Investment funds	32,369	42,841
Debt securities:		
Unlisted bonds	3,405	1,998
	<u>35,774</u>	<u>44,839</u>

The fair value of the investment funds is calculated based on the quoted market price of the funds.

**26. Cash and cash equivalents**

**Cash and cash equivalents** are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Cash:		
- Cash in hand	2	2
Bank deposits:		
- Current deposits	189,895	388,295
- Term deposits	-	195
- Other deposits	39,783	-
	<u>229,678</u>	<u>388,490</u>
Cash and cash equivalents	<u>229,680</u>	<u>388,492</u>

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The main operation occurred during 2008 without cash in or out, was the share capital increases in the EDP Renováveis through non monetary contributions (see note 27), and the acquisition of the Romanian companies Renovatio and Cernavoda.

27. Capital and Share premium

EDP Renováveis was incorporated on 4 December 2007 with a share capital of 15 thousands of Euros, represented by 1,500 shares with a par value of 10 Euros each. These shares were subscribed entirely by EDP Energias de Portugal, S.A. Sucursal en España, (EDP Branch). On 18 and 21 December 2007, EDP Sucursal increased the share capital of EDP Renováveis through the incorporation of the shares held in its subsidiaries NEO - Nuevas Energías de Occidente, S.L. (corresponding to 60% of this company's share capital) and Horizon Wind Energy LLC, (corresponding to 100% of this company's share capital).

On 25 February 2008, the sole Shareholder of EDP Renováveis, approved a share capital increase of 4,718 thousands of Euros with a share premium of 175,490 thousands of Euros, through the issuance of 471,824 new shares with a par value of 10 Euros each and a share premium of 371.94 Euros per share (175,490 thousands of Euros). This capital increase was fully subscribed by Hidroeléctrica del Cantábrico, S.A. through a non-monetary contribution of its 40% interest held in Nuevas Energías de Occidente, S.L., the parent company of the NEO Group, obtaining in exchange an interest of 20% in EDP Renováveis. This agreement was executed on a public deed on 29 February 2008. Since that date, EDP Renováveis holds a 100% interest in Nuevas Energías de Occidente, S.L.

The above referred contributions were made under the Special Regime governing mergers, spin offs, asset contributions and share exchanges established in Chapter VIII, Title deed VII of Royal Decree 4 of 5 March 2004, approving the revised corporate income tax law. In compliance with article 93 of Royal Legislative Decree 4 of 5 March 2004, whereby the revised corporate income tax law was approved.

At the annual general meeting held on 12 March 2008 the shareholders agreed to:

- Increase the share capital of EDP Renováveis, S.L. with a charge to share premium through the issuance of 205,782,806 shares with a par value of 10 Euros each. This capital increase was subscribed by the shareholders in proportion of the respective shareholdings in EDP Renováveis, S.A.

- Reduce the par value of the shares from Euros 10 to 2 Euros per share by splitting the shares representing the total share capital in a proportion of five new shares for each former share. Share capital remained unchanged.

This operation was raised to public deed on 18 March 2008.

At their annual general meeting held on 18 March 2008 the shareholders agreed to convert EDP Renováveis, S.L. into a corporation under the name EDP Renováveis, S.A. The agreement, which was raised to a public deed on 18 March 2008, considers the Company balance sheet as at 17 March 2008 as the conversion balance sheet, replacing the former stakes by shares with the same number and unit value.

On 7 May 2008, EDP, S.A. and Hidrocantabrico approved (i) a share capital increase of EDP Renováveis to 3,381,419,280 Euros. This increase was fully subscribed by EDP, S.A. and Hidrocantabrico through a non monetary contribution of loans granted amounting to 1,040,000 thousands of Euros and 260,000 thousands of Euros, respectively, and (ii) increase of share nominal value from 2 to 5 Euros. After this share capital increase, EDP, S.A. maintained a hold of 80% and Hidrocantabrico a hold of 20% of EDP Renováveis' share capital.

On 13 May 2008, to allow the Initial Public Offering ("IPO"), the General Assembly of EDP Renováveis decided to increase share capital of the Company in a maximum nominal amount of 1,127,139,760 Euros, by issuing of 225,427,952 new shares.

On 2 June 2008, the IPO occurred through the dilution of the interests held by EDP Renováveis shareholders. The number of new shares admitted to negotiation was 196,024,306 shares, and as a consequence, the interest held by EDP, S.A. through its branch in Spain decreased to 62.02% and the interest held by Hidrocantabrico decreased to 15.51% of the EDP Renováveis share capital.

As at 31 December 2008 the share capital of EDP Renováveis is composed of 872,308,162 shares with a nominal value of Euros 5 per share.

Earning per share attributable to the shareholders of EDP Renováveis are analysed as follows:

	Group	
	31 Dec 2008	31 Dec 2007
Profit attributable to the equity holders of the parent in thousands of Euros	104,364	1,093
Profit from continuing operations attributable to the equity holders of the parent in thousands of Euros	104,364	1,093
Weighted average number of ordinary shares outstanding	662,217,700	1,792,667
Weighted average number of diluted ordinary shares outstanding	662,217,700	1,792,667
Earnings per share (basic) attributable to equity holders of the parent in Euros	0.16	0.61
Earnings per share (diluted) attributable to equity holders of the parent in Euros	0.16	0.61
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros	0.16	0.61
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros	0.16	0.61

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

The EDP Renováveis Group calculates its basic and diluted earnings per share attributable to equity holders of the parent using the weighted average number of ordinary shares outstanding during the period.

The earning per share for 31 December 2007 has been recalculated based on the nominal value per share for 31 December 2008 (5 Euros).

During 2008 the nominal value per share has been 10 Euros until March and 2 Euros from March until June. From June until year end the nominal value per share was 5 Euros and therefore as at 31 December 2008 the earning per share has been calculated based on a nominal value per share of 5 Euros.

The company does not hold any treasury stock as at 31 December 2008.

The average number of shares was determined as follows:

	Group	
	31 Dec 2008	31 Dec 2007
Ordinary shares issued at the beginning of the year	1,887,298	-
Effect of shares issued during the year	660 330 402	1,792,667
<b>Average number of realised shares</b>	<b>662,217,700</b>	<b>1,792,667</b>
Average number of shares during the year	662,217,700	1,792,667
Diluted average number of shares during the year	662,217,700	1,792,667

**28. Reserves and retained earnings**

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Fair value reserve (cash flow hedge)	18,669	11,566
Fair value reserve (available for sale financial assets)	7,747	
Exchange differences arising on consolidation	1,179	-819
Additional paid in capital	60,666	119,097
Other reserves and retained earnings:		
Retained earnings	1,158	-
	<b>89,419</b>	<b>129,844</b>

*Additional paid in capital*

The accounting for transactions among entities under common control is excluded from IFRS 3. Consequently, in the absence of specific guidance, within IFRSs, the Group EDP Renováveis has adopted an accounting policy for such transactions, as considered appropriate. According to the Group's policy, business combinations among entities under common control are accounted for in the consolidated annual accounts using the book values of the acquired company (subgroup). The difference between the carrying amount of the net assets received and the consideration paid is recognised in equity.

The variation of 58,431 thousands of Euros in Additional paid in capital relates to the increase in EDP Renováveis shareholding in the NEO Group from 60% to 100%, following a share capital contribution made by Hidrocontábrico. This contribution was recorded in EDP Renováveis annual accounts in accordance with the book values of this shareholding in EDP's consolidated annual accounts, namely financial investments of 180 million Euros. Considering NEO's shareholding equity as at 28 February 2008 of 304 million, of which 122 are attributable to EDP Renováveis shareholding, a negative consolidation reserve of 58 million Euros was accounted for as at 31 December 2008.

*Legal reserve*

The legal reserve has been appropriated in accordance with Article 214 of the Spanish Companies Act whereby companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available or to increase the share capital.



## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

#### *Profit distribution (parent company)*

The proposal for EDP Renováveis, S.A. 2008 profits distribution to be presented in the Annual General Meeting is as follows:

	<u>Company</u>
Profit for the period	<u>74,794</u>
<b>Distribution</b>	
Legal reserve	7,479
Free reserve	<u>67,315</u>
	<u><u>74,794</u></u>

#### *Fair value reserve (cash flow hedge)*

The Fair value reserve (cash flow hedge) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

#### *Fair value reserve (available-for-sale financial assets)*

This reserve includes the accumulated net change in the fair value of available-for-sale financial assets as at the balance sheet date. The changes in this consolidated caption are as follows:

	<u>Group</u>	
	<u>Increases</u>	<u>Decreases</u>
	<u>Euro'000</u>	<u>Euro'000</u>
<b>Balance as at 1 January 2008</b>	-	-
Changes in fair value for Sociedad Eólica de Andalucía	7,747	-
<b>Balance as at 31 December 2008</b>	<u>7,747</u>	-

#### *Exchange differences arising on consolidation*

This caption reflects the amount arising on the translation of the annual accounts of subsidiaries and associated companies from their functional currency into Euros. The exchange rates used in the preparation of the annual accounts are as follows:

<u>Currency</u>		<u>Exchange rates</u>		<u>Exchange rates</u>	
		<u>as at 31 Dec 2008</u>		<u>as at 31 Dec 2007</u>	
		<u>Closing</u>	<u>Average</u>	<u>Closing</u>	<u>Average</u>
		<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Dollar	USD	1.392	1.477	1.472	1.372
Zloty	PLN	4.154	3.486	3.594	N/A
Real	BRL	3.244	2.652	N/A	N/A
Lei	RON	4.023	3.762	N/A	N/A

## 29. Minority interest

This balance is analysed as follows:

	<u>Group</u>	
	<u>31 Dec 2008</u>	<u>31 Dec 2007</u>
	<u>Euro'000</u>	<u>Euro'000</u>
Minority interest in income statement	7,854	277
Minority interest in share capital and reserves	<u>74,897</u>	<u>213,296</u>
	<u><u>82,751</u></u>	<u><u>213,573</u></u>

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

**Minority interests** , by subgroup, are analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
NEO Group	82,751	213,547
Horizon Wind Energy Group	27	26
EDP Renováveis Brasil	-27	-
	<u>82,751</u>	<u>213,573</u>

The Minority interests of NEO Group for 31 December 2007, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 27,986 thousands of Euros (see note 16).

As at 31 December 2008, the EDP Renováveis Group profit attributable to minority interests amounted to 7,854 thousands of Euros (31 December 2007: 277 thousands of Euros).

In 2008, the amount of minority interests accounted for under the terms of the granted put options of Genesa was 10,058 thousand Euros. These put options were revalued and therefore the liability and Goodwill decreased in the amount of 15,910 thousand Euros (note 16).

**30. Financial debt**

This balance is analysed as follows:

	<b>Group</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Short-term financial debt - Current</b>		
Bank loans:		
- NEO Group	75,950	80,016
Loans from shareholders of group entities:		
- NEO Group	3,956	116,502
- Horizon Wind Energy Group	-	320,926
Other loans:		
- NEO Group	3,277	-
Interest payable	<u>2,982</u>	<u>-</u>
	<u>86,165</u>	<u>517,444</u>
<b>Medium/long-term financial debt - Non-current</b>		
Bank loans:		
- NEO Group	451,062	398,233
Loans from shareholders of group entities:		
- NEO Group	34,394	1,931,896
- EDP Renováveis, S.A.	862,817	
Other loans:		
- NEO Group	<u>27,835</u>	<u>34,500</u>
	<u>1,376,108</u>	<u>2,364,629</u>
	<u>1,462,273</u>	<u>2,882,073</u>

Financial debt - Current for EDP Renováveis, amounting to 862,817 thousands of Euros, refers to a set of loans granted by EDP Branch. These loans have an average maturity of 9.75 years and bear interest at a fixed rate of 4.413%.

The Group has project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects. As at 31 December 2008, these financings show a total amount of 478,904 thousands of Euros (476,334 thousands of Euros as at 31 December 2007), which are already included in the total debt of the Group.

# EDP Renováveis, S.A.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The breakdown of **Financial debt** by maturity, is as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Bank loans:</b>		
Up to 1 year	75 950	77,724
1 to 5 years	193 750	188,454
Over 5 years	257 312	244,279
	<u>527,012</u>	<u>510,457</u>
<b>Loans from shareholders of group entities::</b>		
Up to 1 year	3,956	439,720
1 to 5 years	34,394	1,003,041
Over 5 years	862,817	928,855
	<u>901,167</u>	<u>2,371,616</u>
<b>Other loans:</b>		
Up to 1 year	6 259	-
1 to 5 years	7 851	-
Over 5 years	19 984	-
	<u>34,094</u>	<u>-</u>
	<u>1,462,273</u>	<u>2,882,073</u>

The fair value of EDP Renováveis Group's debt is analysed as follows:

	31 Dec 2008		31 Dec 2007	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term financial debt - Current	86,165	86,165	517,444	517,444
Medium/Long financial debt - Non current	1,376,108	1,414,824	2,364,629	2,424,153
	<u>1,462,273</u>	<u>1,500,989</u>	<u>2,882,073</u>	<u>2,941,597</u>

The market value of the medium/long-term (non-current) debt and borrowings that bear a fixed interest rate is calculated based on the discounted cash flows at the rates ruling at the balance sheet date. The market value of debt and borrowing that bear a floating interest rate is considered not to differ from its book value as these loans bear interest at a rate indexed to Euribor. The book value of the short-term (current) debt and borrowings is considered to be the market value.

As at 31 December 2008, the scheduled repayments of Group's debt are as follows:

	Total Euro'000	2009 Euro'000	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	Subsequent years Euro'000
Medium/long-term debt and borrowings	1,376,108	-	93,837	47,348	46,813	47,997	1,140,113
Short term debt and borrowings	86,165	86,165	-	-	-	-	-
	<u>1,462,273</u>	<u>86,165</u>	<u>93,837</u>	<u>47,348</u>	<u>46,813</u>	<u>47,997</u>	<u>1,140,113</u>

The breakdown of guarantees is presented in Note 36 to the annual accounts.

The breakdown of Finance debt, by currency, is as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Loans denominated in Euros	599,456	2,561,147
Loans denominated in USD	862,817	320,926
	<u>1,462,273</u>	<u>2,882,073</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

## 31. Employee benefits

Employee benefits balance are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Provisions for social liabilities and benefits	780	834
Provisions for healthcare liabilities	382	377
	<u>1,162</u>	<u>1,211</u>

As at 31 December 2008 and 31 December 2007, the caption "Provisions for liabilities and social benefits" refers exclusively to defined benefit plans.

The liabilities arising from pension and healthcare plans are fully covered, either by plan assets or provisions.

The responsibilities and the assets from pension and healthcare pension plans have no significant amount.

**Employee benefit plans**

Some EDP Renováveis Group companies grant post-retirement benefits to employees, under defined benefit plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare care is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The existing plans are presented hereunder, with a brief description of each and of the companies covered by them, as well as of the economic and financial data:

**I. Defined benefit pension plans**

The EDP Renováveis Group companies in Portugal have a social benefits plan funded by a restricted Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement.

The following financial and actuarial assumptions were used to calculate the liability of the EDP Renováveis Group pension plans:

Assumptions	Group	
	31 Dec 2008	31 Dec 2007
Expected return of plan assets	6.00%	6.00%
Discount rate	5.75%	5.30%
Salary increase rate	3.70%	3.70%
Pension increase rate	2.90%	2.90%
Social Security salary appreciation	2.10%	2.10%
Inflation rate	2.20%	2.20%
Mortality table	TV 88/90	TV 88/90
Disability table	50.00%	50.00%
Expected % of eligible employees accepting early retirement	40.00%	40.00%

**II. Pension Plans - Defined Contribution Type**

NEO in Spain, has social benefit plans of defined contribution that complement those granted by the Social Welfare System to the companies' employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each case.

**III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type**

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

Assumptions	Group	
	31 Dec 2008	31 Dec 2007
Discount rate	5.75%	5.30%
Annual increase rate of medical service costs	4.00%	4.00%
Estimated administrative expenses per beneficiary per year (Euros)	150	150
Mortality table	TV 88/90	TV 88/90
Disability table	50.00%	50.00%
Expected % of subscription of early retirement by employees eligible	40	40

The Medical Plan liability is recognised in the Group's accounts through provisions that totally cover the liability.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

## 32. Provisions

Provisions are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Provision for legal, labour and other contingencies	278	12
Provision for customers guarantees	270	301
Dismantling and decommission provisions	47,311	20,280
Provision for other liabilities and charges	1,839	2,004
	<u>49,698</u>	<u>22,597</u>

Dismantling and decommission provisions refer to the costs to be incurred with dismantling wind farms and restoring of sites and land to their original condition, in accordance with the accounting policy described in Note 2 n). The above amount includes 39,240 thousands of Euros for wind farms in the United States of America, 6,086 thousands of Euros for wind farms in Spain, 1,577 thousands of Euros for wind farms in Portugal and the remaining 408 thousands of Euros for wind farms in France.

The EDP Renováveis Board of Directors believes that the provisions booked on the consolidated balance sheet adequately cover the risks described in this note. Therefore, it is not expected that they will give rise to liabilities in addition to those recorded.

As at 31 December 2008, the EDP Renováveis Group does not have any significant tax-related contingent liabilities or contingent assets related to unresolved disputes with the tax authorities.

The changes in the provisions for legal and labour matters and other contingencies were as follows:

	Group 31 Dec 2008 Euro'000
Balance at the beginning of the year	12
Charge for the year	<u>266</u>
Balance at the end of the year	<u>278</u>

The movements in Provisions for customer guarantees under current operations are analysed as follows:

	Group 31 Dec 2008 Euro'000
Balance at the beginning of the year	301
Charge for the year	250
Write back for the year	<u>-281</u>
Balance at the end of the year	<u>270</u>

The movements in Provisions for dismantling and decommission provisions are analysed as follows:

	Group 31 Dec 2008 Euro'000
Balance at the beginning of the year	20,280
Capitalised amount for the year	26,490
Charge off for the year	-3,830
Unwinding	2,157
Other and exchange differences	<u>2,214</u>
Balance at the end of the year	<u>47,311</u>

The movements in Provision for other liabilities and charges are analysed as follows:

	Group 31 Dec 2008 Euro'000
Balance at the beginning of the year	2,004
Write back for the year	<u>-165</u>
Balance at the end of the year	<u>1,839</u>

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

## 33. Trade and other payables

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Short-term trade and other payables - Current:</b>		
Suppliers	78,141	20,168
Other operations with related parties	8,837	-
Property and equipment suppliers	424,920	287,066
Advances from customers	22	7,155
Derivative financial instruments (Hedging)	-	1,400
Deferred income	857	708
Amounts payable for the acquisition of the "RELAX" project	-	2,267
Variable remuneration to employees	19,662	5,730
Other supplies and services	68,821	38,224
Deposits received from customers and other debtors	-	7,215
Management fees	5,181	-
Other creditors and sundry operations	41,893	28,260
	<u>648,334</u>	<u>398,193</u>
	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Medium/long-term trade and other payables — Non-current:</b>		
Property and equipment suppliers	131	-
Amounts payable for the acquisition of the "RELAX" project	46,279	46,735
Amounts payable for the acquisition of Greenwinc	7,114	-
Government grants for investments in fixed assets	15,034	10,528
Electricity sale contracts - Horizon	119,655	125,735
Derivative financial instruments (Hedging)	77,022	-
Success fees payable for the acquisition of Romania companies	63,000	-
Liabilities arising from options with minority interests	258,925	264,893
Liabilities arising from institutional partnerships in US wind farms	1,096,668	733,273
Other creditors and sundry operations	11,559	1,889
	<u>1,695,387</u>	<u>1,183,053</u>

Derivative financial instruments (Hedging) - Non Current includes 65,478 thousands of Euros (on 31 December 2007 a debtor balance of 37,993 thousands of Euros) related to an hedge instrument of USD and Euros with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in Horizon, expressed in USD (see Note 35). In the Group accounts, EDP Renováveis Group has applied the net investment hedge model to state this transaction.

Electricity sales contracts - Horizon relates to the fair value of the contracts entered into by Horizon with its customers, determined under the Purchase Price Allocation (see note 6).

As referred in note 2b) the EDP Renováveis Group records written put options related with investments in subsidiaries held by minority interest at the date of acquisition of a business combination or at a subsequent date as an advance acquisition of these interests, recording a financial liability for the present value of the best estimate of the amount payable, irrespective of the estimated probability that the options will be exercised. As at 31 December 2008 the liabilities arising from written put options with minority interests include the liability for the put option contracted in 2005 with Caja Madrid for a 20% interest in the Desa Group and the written put option contracted in 2007 with Caja Madrid for 20% of the Genesa Group and amount to 258,925 thousands of Euros. Also, as referred in note 16, the option conditions (both for Desa and Genesa) are as follows:

- The timeframe is from 1 January 2010 to 2011, inclusive.
- The contract is for the total shares in Neo Group companies held by Caja Madrid, 20% in Genesa Group and 20% in Desa Group.
- The strike price will be the market value determined by valuations from prestigious banks.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Liabilities arising from institutional partnerships in US wind farms, in the amount of 1,096,668 thousands of Euros, are analysed as follows:

	<b>31 Dec 2008</b> <b>Euro'000</b>
Balance as of 1 January	733,273
Exchange rate differences	60,813
Proceeds from sale of partnership interests	319,986
Value of benefits provided	-226,380
Cash distributions	-219
Interest implied return	43,631
Subtotal subject to interest	<u>931,104</u>
Liability for residual interest	3,840
Non-current deferred revenue	<u>161,724</u>
Balance as of 31 December	<u><u>1,096,668</u></u>

The amount of Proceeds from sale of partnership interests is related with the projects Vento II (165,000 thousands of Euros) and Vento III (154,000 thousands of Euros).

Horizon's relationship with the institutional investors is established through a limited liability company operating agreement that apportions the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their partnership interests for an upfront cash payment. This payment is sized so that the investors, as of the date that they purchase their interest, anticipate earning an agreed targeted internal rate of return by the end of the ten year period over which PTC's are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's, allocated taxable income or loss and cash distributions received.

Under these structures, all operating cash flow is allocated to Horizon until the earlier of a fixed date, or when the investors recover the amount of invested capital that remains after deducting the amount of the payment received from the institutional investors from the total amount previously invested. This "cash flip" is expected to occur approximately seven to eight years from the initial closing date. Thereafter, all operating cash flow is allocated to the institutional investors until they receive the targeted internal rate of return (the "Flip Date").

Prior to the Flip Date, a significant part of the tax income and benefits generated by the partnerships are allocated to the institutional investor, with any remaining benefits allocated to Horizon.

After the Flip Date, the institutional investor retains a small minority interest for the duration of its membership in the structure. Horizon also has an option to purchase the institutional investor's residual interests at fair market value on the Flip Date.

As of 31 December 2008, Horizon had the following institutional equity partnerships:

Structure	Wind Farm	Date Created	Cash Interest Ownership
Blue Canyon I	Blue Canyon I	Dec. 2003	25%
2007 Vento I	Maple Ridge <sup>(1)</sup> Maple Ridge II <sup>(1)</sup> Madison Blue Canyon II Mesquite High Trail	July 2007	100%
2007 Vento II	Twin Groves II Elkhorn Valley Prairie Star Lone Star II	December 2007	100%
2008 Vento III <sup>(3)</sup>	Pioneer Prairie I Rattlesnake Meridian Way	December 2008	100%

<sup>(1)</sup> Horizon's 50% interest

<sup>(2)</sup> Post Oak contributed in 2008 upon completion of construction

<sup>(3)</sup> Pioneer Prairie II is anticipated to be contributed in the first quarter of 2009 in exchange for additional investment. At December 31, 2008, Horizon had retained 50% of the Vento III shares available for institutional investors.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Horizon records the proceeds received from the sale of the investment interests in the partnerships as a non-current liability. This liability is reduced by the value of tax attributes provided and cash distributions made to the institutional investors during the period. The value of the tax attributes delivered is recorded as non-current deferred income and is reclassified to income and is recognized pro rata over the 20 year useful life of the underlying projects.

The liability to the institutional investors is increased by an interest accrual that is a function of the outstanding liability balance and the targeted internal rate of return.

At the Flip Date, the institutional investors will be granted a 5% ownership interest in the partnerships. Horizon has the right to purchase the institutional investors' interests in the project for the then fair value of those interests.

**34. Tax payable**

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
State and other public entities:		
- Income tax	18,153	6,940
- Withholding tax	19,832	3,650
- Value added tax (VAT)	6,380	2,564
- Other taxes	1,896	491
	<u>46,261</u>	<u>13,645</u>

**35. Derivative financial instruments**

In accordance with IAS 39, the Group classifies the derivative financial instruments as a fair value hedge of an asset or liability recognised and as a cash flow hedge of recorded liabilities and forecast transactions considered highly probable.

The fair value of the derivatives portfolio as at 31 December 2008 and 31 December 2007 is as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Net investment hedge</b>		
Currency swaps	-65,478	37,994
<b>Cash flow hedge</b>		
Currency swaps	-	7,189
Power price swaps	7,807	-
Interest rate swaps	-10,481	4,445
Currency forwards	1,527	-
Options purchase and sold	-961	33
	<u>-67,586</u>	<u>49,661</u>

The fair value of derivative financial instruments is recorded under Debtors and other assets (note 23) or Trade and other payables (note 33), if the fair value is positive or negative, respectively.

The fair value hedge derivatives are related to the Group CIRS in USD and EUR with EDP Branch as referred in the notes 37 and 38. The fair value is based on internal valuation models, as describes in note 38.

Cash flow hedge currency swaps are related to exchange rate risk in Neólica Polska, derived from the supplying contracts defined in Euros, for which will be necessary financings in Polish Zlotis.

Cash flow hedge power price swaps are related to the hedging of the sales price. Horizon has entered into a power price swap to hedge the variability in the spot market prices received for a portion of the production of Maple Ridge I project and NEO for the production of some of its wind farms.

Interest rate swaps are related to the project finances and intend to convert variable to fixed interest rates .

Fair value of cash flow hedge derivatives is based on quotes indicated by external entities (investment banks). These entities use discount cash flows techniques usually accepted and data from public markets.



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## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

During 2008, the changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Hedged item	31 Dec 2008	
			Changes in fair value	
			Instrument Euro'000	Risk Euro'000
- Net Investment hedge	Interest and exchange rate swap	Subsidiary accounts denominated in USD	-103,472	103,314
- Cashflow hedge	Interest rate swap	Interest rate	-14,926	-
- Cashflow hedge	Interest rate caps and floors	Interest rate	-994	-
- Cashflow hedge	Power price swap	Power price	7,807	-
- Cashflow hedge	Exchange rate forward	Exchange rate	1,527	-
- Cashflow hedge	Exchange rate swap	Exchange rate	-7,189	-
			<u>-117,247</u>	<u>103,314</u>

During 2008, the movements in cash flow hedge reserve have been as follows:

	2008 Euro'000
Balance at the beginning of the year	12,598
Fair value changes	
Interest rate swaps	-14,926
Interest rate caps and floors	-994
Power price swaps	7,807
Exchange rate forward	1,527
Exchange rate swaps	-7,189
Fair value changes reflected in income statement before the hedge designation of the Power price swap in Horizon	5,266
Settlements of exchange rate swaps waiting for the hedge item to hit P&L	12,020
Transfers to results	-935
Minority interests included in fair value changes	1,351
Balance at the end of the year	<u>16,526</u>

The gains and losses on the financial instruments portfolio booked in the income statement in 2008 are as follows:

	Dez 2008 Euro'000
Net investment hedge - ineffectiveness	-158
Cash-flow hedge	
Fair value changes reflected in income statement before the hedge designation of the Power price swap in Horizon	-5,266
Transfers to results	935
Settlements of interest rate derivatives directly reflected in P&L	518
	<u>-3,971</u>

As of 31 December 2008, the maturity of derivatives associated to financing operations, is analysed as follows:

	Group			
	Up to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
<b>Net investment hedge</b>				
Currency swaps	-	-	1,826,174	1,826,174
	-	-	1,826,174	1,826,174
<b>Cash Flow Hedge:</b>				
Interest rate swaps	4,815	36,359	303,573	344,747
Currency forwards	99,463	-	-	99,463
Options purchase and sold	464	59,383	6,199	66,046
	<u>104,742</u>	<u>95,742</u>	<u>2,135,946</u>	<u>2,336,430</u>

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

As of 31 December 2007, the maturity of derivatives associated to financing operations, is analysed as follows:

	Group			
	Up to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
<b>Net investment hedge</b>				
Currency swaps	-	-	1,826,174	1,826,174
	-	-	1,826,174	1,826,174
<b>Exchange rate contracts:</b>				
Currency swaps	93,039	-	-	93,039
Interest rate swaps	58,744	130,029	146,530	335,303
Options purchase and sold	16,450	65,711	2,627	84,788
	168,233	195,740	1,975,331	2,339,304

The effective interest rates for derivative financial instruments associated with financing operations during 2008, were as follows:

	Group	
	Currency	EDP Renováveis Pays      EDP Renováveis Receives
<b>Interest rate contracts:</b>		
Interest rate swaps	EUR	[ 3.00% - 5.10%]      [ 3.00% - 5.14%]
	<b>Notional value Euro'000</b>	<b>Group</b>
<b>Interest rate contracts:</b>		
Options purchased on interest rates (CAP purchases)	37,425	[ 5.75% - 3.89%]
Options sold on interest rates (Floor sale)	28,611	[ 4.27% - 3.06%]

The effective interest rates for derivative financial instruments associated with financing operations during 2007, were as follows:

	Group	
	Currency	EDP Renováveis Pays      EDP Renováveis Receives
<b>Interest rate contracts:</b>		
Interest rate swaps	EUR	[ 3.00% - 5.15%]      [ 3.85% - 4.95%]
	<b>Notional value Euro'000</b>	<b>Group      Company Dec 2008</b>
<b>Interest rate contracts:</b>		
Options purchased on interest rates (CAP purchases)	48,921	[ 5.75% - 4.00%]      -      -
Options sold on interest rates (Floor sale)	35,867	[ 4.27% - 3.12%]      -      -

### 36. Commitments

As at 31 December 2008 and 31 December 2007, the financial commitments not included in the balance sheet in respect of financial and real guarantees provided, are analysed as follows:

Type	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
<b>Guarantees of a financial nature</b>		
- NEO Energia Group	6,341	26,306
- Horizon Wind Energy Group	3,233	3,057
	9,574	29,363
<b>Guarantees of an operational nature</b>		
- NEO Energia Group	401,647	40,034
- Horizon Wind Energy Group	907,363	542,564
	1,309,010	582,598
<b>Total</b>	1,318,584	611,961
<b>Real guarantees</b>	719	3,458

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### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

The EDP Renováveis Group financial debt, lease and purchase obligations by maturity date are as follows:

<b>31 Dec 2008</b>					
<b>Debt capital by period</b>					
<b>Total Euro'000</b>	<b>Up to 1 year Euro'000</b>	<b>1 to 3 years Euro'000</b>	<b>3 to 5 years Euro'000</b>	<b>More than 5 years Euro'000</b>	
Financial debt (including interests)	1,966,109	153,302	219,729	208,100	1,384,978
Operating lease rents not yet due	485,485	28,774	59,248	54,858	342,606
Purchase obligations	1,856,876	1,311,393	347,409	172,068	26,005
	<u>4,308,470</u>	<u>1,493,469</u>	<u>626,386</u>	<u>435,026</u>	<u>1,753,589</u>
<b>31 Dec 2007</b>					
<b>Debt capital by period</b>					
<b>Total Euro'000</b>	<b>Up to 1 year Euro'000</b>	<b>1 to 3 years Euro'000</b>	<b>3 to 5 years Euro'000</b>	<b>More than 5 years Euro'000</b>	
Financial debt (including interests)	3,013,510	528,071	455,871	443,342	1,586,226
Operating lease rents not yet due	325,731	16,975	42,208	26,835	239,713
Purchase obligations	2,487,874	1,204,679	1,277,789	518	4,888
	<u>5,827,115</u>	<u>1,749,725</u>	<u>1,775,868</u>	<u>470,695</u>	<u>1,830,827</u>

Purchase obligations include debts related with long-term agreements of product and services supply related to the Group operational activity. When prices are defined under "forward" contracts, these are used in estimating the amounts of the contractual commitments.

The Group has purchase commitments for the acquisition of property, plant and equipment and for maintenance contracts obligations amounting to 1.996.621 thousands of Euros related to the acquisition of wind turbines for projects currently in the construction and development stages, which have been contracted with different suppliers of this type of installations. The breakdown per years is as follows:

	<b>NEO 31 Dec 2008 Euro'000</b>	<b>Horizon 31 Dec 2008 Euro'000</b>	<b>Group 31 Dec 2008 Euro'000</b>	<b>NEO 31 Dec 2007 Euro'000</b>	<b>Horizon 31 Dec 2007 Euro'000</b>	<b>Group 31 Dec 2007 Euro'000</b>
Up to 1 year	900,112	407,723	1,307,835	744,147	422,515	1,166,662
1 to 5 years	333,366	213,252	546,619	311,404	957,671	1,269,075
Over 5 years	26,005	116,162	142,167	4,888	-	4,888
	<u>1,259,483</u>	<u>737,138</u>	<u>1,996,621</u>	<u>1,060,439</u>	<u>1,380,186</u>	<u>2,440,625</u>

As at 31 December 2008 the Group has the following contingent liabilities/rights related with call and put options on investments:

- EDP Renováveis, through its subsidiary NEO, holds a call option over Caja Madrid for all the shares held by Caja Madrid on companies of the NEO sub-group (20% of Genesa). Caja Madrid holds an equivalent put option on these shares over EDP Renováveis. The price of exercising these options will be determined under an investment bank valuation process. The options can be exercised between 1 January 2010 and 1 January 2011, inclusively (see note 33).

- EDP Renováveis, through its subsidiary NEO, holds a call option over Cajastur for all the shares held by Cajastur on company "Quinze Mines" (51% of share capital). Cajastur holds an equivalent put option on these shares over EDP Renováveis. The price of exercising these options will be determined under an investment bank valuation process. The options can be exercised between 1 January 2012 and 1 January 2013, inclusively.

- EDP Renováveis, through its subsidiary Veinco Energía Limpia, S.L., holds a call option over Jorge, S.L. for 8.5% of interest held by Jorge, S.L. on company "Apineli Aplicaciones industriales de energías limpias, SL". The price of exercising these options is 900 thousands of Euros. The option can be exercised when Jorge, S.L. obtain the licenses to amplify the windfarms "Dehesa del Coscojar" and "El Águila", until 30 days after the notification of the suspensive condition with a limit date of 18 April 2014.

- EDP Renováveis, through its subsidiary NEO, holds a call option over Copcisa for all the shares held by Copcisa on company "Neo Cataluña" (49% of share capital) (see note 16).

- EDP Renováveis, through its subsidiary NEO, holds a call option over Renovatio Group Limited for the interests held by Renovatio Group Limites on companies "Renovatio" and "Cernadova" (see note 16).

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

#### 37. Related parties

##### Main shareholders and shares held by company officers:

EDP Renováveis, S.A.'s shareholder structure as at 31 December 2008 is analysed as follows:

	N.º of Shares	% Capital	% Voting rights
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	541,027,156	62.02%	62.02%
Hidroeléctrica del Cantábrico, S.A.	135,256,700	15.51%	15.51%
Other shareholders	196,024,306	22.47%	22.47%
	<b>872,308,162</b>	<b>100.00%</b>	<b>100.00%</b>

The number of shares held by company officers as at 31 December 2008 are as follows:

	<b>2008</b>
	<b>N.º of shares</b>
<b>Executive Board of Directors</b>	
Antonio Luis Guerra Nunes Mexia	4,200
Ana Mª Machado Fernandes	1,510
Joao Manuel Manso Neto	-
Nuno Maria Pestana de Almeida Alves	5,000
Antonio Fernando Melo Martins da Costa	1,480
Francisco José Queiroz de Barros de Lacerda	620
Joao Manuel de Mello Franco	380
Jorge Manuel Azevedo Henriques dos Santos	200
José Silva Lopes	760
José Fernando Maia de Araujo e Silva	80
Rafael Caldeira de Castel-Branco Valverde	-
Antonio do Pranto Nogueira Leite	-
Joao José Belard da Fonseca Lopes Raimundo	840
Daniel M. Kammen	-
Manuel Menéndez Menéndez	-
	<b>15,070</b>

The members of Board of Directors of EDP Renováveis has not communicated and the parent company do not have knowledge of any conflict of interests included in the article 127.º, 4.º of "Ley de Sociedades Anónimas".

The board members of parent company, complying with the article 127.º, 4.º of the "Ley de Sociedades Anónimas", declared that do not have exercised positions of responsibility in companies with the same, similar or complementar activity of EDP Renováveis Group parent company, and they do not have realized by their own or to third entities any activity in companies with the same, similar or complementar activity of EDP Renováveis Group parent company, with the following exceptions (includes information about external and Group EDP entities):

Name of Board member	Company	Position
António Luis Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Chairman of Board of Directors
	Energias do Brasil, S.A.	Chairman of Board of Directors
	EDP Energías de Portugal, S.A. Sucursal en España	Representative
	EDP Finance BV	Representative
Ana Maria Machado Fernandes	EDP - Energias de Portugal, S.A.	Board of Directors member
	Energias do Brasil, S.A.	Board of Directors member
	Nuevas Energías de Occidente, S.L.	Chairman of Board of Directors
	Horizon Wind Energy, LLC	Board of Directors member
	EDP Energías de Portugal, S.A. Sucursal en España	Representative
	EDP Finance BV	Representative
	Hidroeléctrica del Cantábrico, S.A.	Board of Directors member
	ENEOP - Eólicas de Portugal, S.A.	Chairman of Board of Directors
António Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	Board of Directors member

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Name of Board member	Company	Position
Nuno Maria Pestana de Almeida Alves	Balwerk - Consultadoria Económica e Participações, S.U., Lda.	Manager
	Electricidade de Portugal Finance Company Ireland, Lt.	Director
	EDP - Energias de Portugal, S.A.	Board of Directors member and CFO
	EDP - Investimentos, Gestão de Participações e Assistência Técnica, Lda.	Board of Directors member
	Energias do Brasil, S.A.	Board of Directors member
	EDP Imobiliária e Participações, S.A.	Chairman of Board of Directors
	EDP Valor - Gestão Integrada de Serviços S.A.	Chairman of Board of Directors
	Energia RE, S.A.	Chairman of Board of Directors
	EDP Finance BV	Representative
	EDP Renováveis, S.A.	Board of Directors member
	Horizon Wind Energy, LLC	Board of Directors member
	MRH Mudança e Recursos Humanos, S.A.	Chairman of Board of Directors
	EDP Estudos e Consultoria, S.A.	Chairman of Board of Directors
	EDP Gás III, SGPS., S.A.	Board of Directors member
	EDP Investimentos, S.G.P.S., S.A.	Board of Directors member
Manuel Menéndez Menéndez	Naturgás Energía Grupo, S.A.	Chairman of Board of Directors
	Nuevas Energías de Eccidente, S.L.	Board of Directors member
	Hidroeléctrica del Cantábrico, S.A.	Chairman of Board of Directors
	Enagás, S.A.	Representative of an entity in the Board of Directors
João Manuel Manso Neto	Naturgás Energía Grupo, S.A.	Vice-Chairman of Board of Directors
	Eléctrica de la Ribera del Ebro, S.A.	Chairman of Board of Directors
	Hidrocantábrico Energía, S.A.U.	Chairman of Board of Directors
	Hidrocantábrico Gestión de Energía, S.A.U.	Board of Directors sole member
	EDP - Energias de Portugal, S.A.	Board of Directors member
	EDP - Gestão da Produção de Energia, S.A.	Chairman of Board of Directors
	EDP Gás, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás II, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás III, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Investimentos S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás GPL - Comércio de Petróleo Liquefeito, S.A.	Chairman of Board of Directors
	EDP Finance, B.V.	Representative
	Hidroeléctrica del Cantábrico, S.A.	Vice-Chairman of Board of

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Name of Board member	Company	Position
João Manuel Manso Neto	EDP Energias de Portugal, S.A. Sucursal en España	Representative
	Operador del Mercado Ibérico de Energía - Pólo Español, S.A.	Chairman of Board of Directors
António do Pranto Nogueira Leite	EFACEC Capital, SGPS, S.A.	Board of Directors member
João José Belard da Fonseca Lopes Raimundo	Fomentinvest, SGPS, S.A.	Board of Directors member

Additionally the board members have communicated that do not own any interest in the share capital of other company with the same, similar or complementar activity of EDP Renováveis Group, with the following exceptions:

Name of Board member	Company	Number of shares
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	1,000
João Manuel Manso Neto	EDP - Energias de Portugal, S.A.	1,268
João José Belard da Fonseca Lopes Raimundo	REN - Redes Energéticas Nacionais, SGPS, S.A.	150
Jorge Manuel Azevedo Henriques dos Santos	EDP - Energias de Portugal, S.A.	2,379
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	40

#### Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration attributed to the members of the Executive Board of Directors (EBD) 2008 was as follows:

	EBD Euros
CEO	235,200
Members	277,083
	<b>512,283</b>

The remuneration of the CEO of Board of Directors for the year 2008 has been liquidated by EDP Energias de Portugal, S.A.. This amount will be liquidated through the management fees agreement signed by both companies.

The remuneration of the Key Management of EDP Renováveis Group for the year 2008 has been 8,307 thousands of Euros.

#### Balances and transactions with related parties

As at 31 December 2008, assets and liabilities with related parties, are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Euro'000
EDP Energias de Portugal, S.A.	6,684	10,965	(4,281)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	24,416	931,140	(906,724)
Group EDP companies	120,943	2,000	118,943
Hidrocontábrico Group companies	21,464	6,154	15,310
Associated companies	14,018	-	14,018
Jointly controlled entities	8,344	840	7,504
Other	-	185	(185)
	<b>195,869</b>	<b>951,284</b>	<b>(755,415)</b>

## EDP Renováveis, S.A.

### Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Branch in the amounts of 862,817 thousands of Euros.

As at 31 December 2007, assets and liabilities with related parties, are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Euro'000
EDP Energias de Portugal, S.A.	60,732	2,312,098	(2,251,366)
Group EDP companies	6	1,187	(1,181)
Hidrocontábrico Group companies	8,347	2,646	5,701
Associates	7,751	2,228	5,523
Jointly controlled entities	12,441	2,740	9,701
Other	-	10,691	(10,691)
	<u>89,277</u>	<u>2,331,590</u>	<u>(2,242,313)</u>

Transactions with related parties for the year ended 31 December 2008, are analysed as follows:

	Operating income Euro'000	Financial income Euro'000	Operating expenses Euro'000	Financial expenses Euro'000
EDP Energias de Portugal, S.A.	3,905	340	(3,327)	(1,257)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	26,791	(2,880)	(55,309)
Hidrocontábrico Group companies	93,118	-	(4,290)	(525)
Group EDP companies	96,968	8,755	(3,973)	-
Associated companies	1,239	198	(24)	-
Jointly controlled entities	707	471	-	-
Other	-	-	-	-
	<u>195,937</u>	<u>36,555</u>	<u>(14,494)</u>	<u>(57,091)</u>

Transactions with related parties for the period ended 31 December 2007, are analysed as follows:

	Operating income Euro'000	Financial income Euro'000	Operating expenses Euro'000	Financial expenses Euro'000
EDP Energias de Portugal, S.A.	-	548	(3,288)	(6,787)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	(53)	(6,180)
Group EDP companies	69,872	-	(3,774)	(69,539)
Hidrocontábrico Group companies	8,036	541	(3,723)	(145)
Associates	2,731	90	(28)	-
Jointly controlled entities	24,066	(305)	-	1,244
Other	-	-	-	-
	<u>104,705</u>	<u>874</u>	<u>(10,866)</u>	<u>(81,407)</u>

Additionally to the liabilities related to existing put options between NEO and Caja Madrid, of 270,964 thousand of Euros, which are stated in the caption Trade and other payables (see Note 33), NEO holds loans with Caja Madrid of approximately 104,667 thousand of Euros. These loans bear interest at market rates.

With the purpose of hedging the foreign exchange risk existing in the company and Group accounts of EDP Renováveis and in the company accounts of EDP Branch, the EDP Group settled a CIRS in USD and Euros between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in Horizon and of the USD external financing). As at 31 December 2008, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 65,478 thousands of Euros (see note 33).

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 31 December 2008, EDP, S.A. and Hidrocontábrico granted financial (61,654 thousands of Euros) and operational (765,510 thousands of Euros) guarantees to suppliers in favour of NEO and Horizon. The operational guarantees are issued following the commitments assumed by NEO and Horizon in relation to the acquisition of property, plant and equipment, namely turbines (see note 36).

### 38. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on quoted market prices. Otherwise, fair value is determined through internal models, which are based on generally accepted cash flow discounting techniques and option valuation models or through quotations supplied by third parties.

Non-standard instruments may require alternative techniques, which consider their characteristics and the generally accepted market practices applicable to such instruments. These models are developed considering the market variables that affect the underlying instrument, namely yield curves, exchange rates and volatility factors.

Market data is obtained from generally accepted suppliers of financial data (Bloomberg and Reuters).

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

As at 31 December 2008 and 31 December 2007, the following table presents the interest rate curves of the major currencies to which the Group is exposed. These interest rates were used as the base for the fair value calculations made through internal models referred above:

	31 Dec 2008		31 Dec 2007	
	Currencies		Currencies	
	EUR	USD	EUR	USD
7 days	2.39%	0.40%	4.14%	4.49%
1 month	2.60%	0.45%	4.29%	4.60%
2 months	2.79%	1.12%	4.49%	4.65%
3 months	2.89%	1.44%	4.68%	4.70%
6 months	2.97%	1.78%	4.71%	4.60%
9 months	3.02%	1.92%	4.73%	4.38%
1 year	3.05%	2.03%	4.75%	4.22%
2 years	2.76%	1.48%	4.56%	3.81%
3 years	2.91%	1.82%	4.53%	3.91%
5 years	3.71%	2.11%	4.56%	4.18%
7 years	3.93%	2.36%	4.61%	4.42%
10 years	3.74%	2.57%	4.72%	4.67%
15 years	3.92%	2.84%	4.86%	4.89%
20 years	3.88%	2.82%	4.91%	4.98%
30 years	3.57%	4.26%	4.89%	5.03%
30 years	3.57%	4.26%	4.89%	5.03%

Non-listed equity instruments, for which a reliable and consistent fair value estimate is not available either by internal models or external providers, are recognized at their historical cost.

**Available for sale financial instruments and financial assets at fair value through profit or loss**

Listed financial instruments are recognized at fair value based on market prices. The financial instruments for which reliable fair value estimates are not available, are recorded in the balance sheet at their historical costs (note 19).

**Cash and cash equivalents, trade receivables and suppliers**

These financial instruments include mainly short term financial assets and liabilities. Given their short term nature at the reporting date, their book values are not significantly different from their fair values.

**Financial debt**

The fair value of the financial debt is estimated through internal models, which are based on generally accepted cash flow discounting techniques. At the reporting date, the carrying amount of floating rate loans is approximately their fair value. In case of fixed rate loans, mainly the intercompany loans granted by EDP Group, their fair value is obtained through internal models based on generally accepted discounting techniques. The discount rates and forward interest rates were based on the market interest rate curves and on the exchange rates disclosed on note 28.

**Derivative financial instruments**

All derivatives are accounted at their fair value. For those which are quoted in organized markets, the respective market price is used. For over-the-counter derivatives, fair value is estimated through the use of internal models based on cash flow discounting techniques and option valuation models generally accepted by the market, or by dealer price quotations.

**CIRS with EDP Branch (note 37)**

With the purpose of hedging the foreign exchange risk resulting from the net investment in Horizon, the Group entered into a CIRS in USD and EUR with EDP Branch. This financial derivative is presented on the balance sheet at its fair value, which is estimated by discounting the projected USD and EUR cash flows. The discount rates and forward interest rates were based on the interest rate curves referred to above and the USD/EUR exchange rate is disclosed on note 28. See also notes 12, 23 and 27.



**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

The fair values of assets and liabilities as at 31 December 2008 is analysed as follows:

	<b>31 Dec 2008 Group</b>		
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Difference</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Financial assets</b>			
Available for sale investments	12,501	12,501	-
Trade receivables	82,598	82,598	-
Derivative financial instruments	3,355	3,355	-
Financial assets at fair value through profit or loss	35,774	35,774	-
Cash and cash equivalents (assets)	229,680	229,680	-
	<u>363,908</u>	<u>363,908</u>	<u>-</u>
<b>Financial liabilities</b>			
Financial debt	1,462,273	1,500,989	38,716
Suppliers	503,192	503,192	-
Derivative financial instruments	-	-	-
	<u>1,965,465</u>	<u>2,004,181</u>	<u>38,716</u>

The fair values of assets and liabilities as at 31 December 2007 is analysed as follows:

	<b>31 Dec 2007 Group</b>		
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Difference</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Financial assets</b>			
Available for sale investments	7,951	7,951	-
Trade receivables	60,885	60,885	-
Derivative financial instruments	51,061	51,061	-
Financial assets at fair value through profit or loss	44,839	44,839	-
Cash and cash equivalents (assets)	388,492	388,492	-
	<u>553,228</u>	<u>553,228</u>	<u>-</u>
<b>Financial liabilities</b>			
Financial debt	2,882,073	2,941,597	59,524
Suppliers	307,234	307,234	-
Derivative financial instruments	1,400	1,400	-
	<u>3,190,707</u>	<u>3,250,231</u>	<u>59,524</u>

**39. Relevant subsequent events**
**American Recovery and Reinvestment Act - Tax and policies to benefit the development of wind energy generation**

On 17 February 2009, EDP Renováveis has announced the signature of the American Recovery and Reinvestment Act of 2009, which includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension, this ITC allows the companies to receive 30% of the cash invested in projects placed in service or with begin of construction during 2009 and 2010.

**Acquisition of CENAEEL - Central Nacional de Energia Eólica, S.A.**

On February 2009, EDP Renováveis through its subsidiary EDP Renováveis Brasil has obtained the approval to close the acquisition of 100% of CENAEEL — Central Nacional da Energia Eólica S.A. share capital for approximately 15,000 thousands of Euros (enterprise value) made on 11 June 2008. This company has 14 MW already in operation and 70 MW categorized as "Prospects".

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**40. Recent accounting standards and interpretations used**

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below:

**IAS 1 (Amended) - Presentation of financial statements**

The International Accounting Standards Board (IASB) issued in September 2007, the Amended IAS 1 - Presentation of Financial Statements with effective date of mandatory application in 1 January 2009, being allowed its anticipated adoption. The approval by European Commission is being analysed by European Financial Reporting Advisory Group - EFRAG.

The Amended IAS 1 establishes the following changes:

- Balance sheet presentation its required for the current and comparative period. According to Amended IAS1, a balance sheet should also be presented for the beginning of the comparative period, when an entity re-expresses the comparatives as a consequence of an accounting policy change, an error adjustment or a reclassification of an item in the financial statements. In these cases, three balance sheets would be presented, compared to the two already required.

- With the changes required by this standard financial statements users can easily distinguish changes in Group equity related to transactions with shareholders (ex. dividends, own shares) and transactions with third parties, these being summarized in the comprehensive income statement.

The Group is evaluating the impact of adopting these changes.

**IAS 23 (Amended) - Borrowing costs**

The International Accounting Board (IASB) issued in March 2007, the Amended IAS 23 - Borrowing Costs, with effective date of mandatory application of 1 January 2009, being allowed its anticipated adoption.

This standard defines that borrowing costs obtained, directly attributable to acquisition cost, construction or production of an asset (eligible asset) are included in its cost. Therefore, the option to recognise these costs directly in the profit or loss its eliminated.

The Group presently states borrowing costs in the accounts according to alternative criteria allowed by the present version of IAS 23, therefore no significant impact is expected.

**IAS 32 (Amended) — Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation**

The International Accounting Board (IASB) issued in February 2008, the reviewed IAS 32 - Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation, with effective date of mandatory application on 1 January 2009.

Under the current requirements of IAS 32, if an issuer can be required to pay cash or another financial asset in return for redeeming or repurchasing a financial instrument, the instrument is classified as a financial liability. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the last residual interest in the net assets of the entity.

IAS 1 has been also Amended to add a new deemed financial instrument presentation requirement and obligations resulting from the liquidation.

The Group is evaluating the impact of adopting these changes. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

**IAS 39 (Amended) - Financial Instruments: Recognition and measurement — Eligible hedged items**

The International Accounting Standards Board (IASB) has issued an amendment to IAS 39 Financial Instruments: Recognition and measurement — Eligible hedged items, which is applicable from 1 July, 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows can be designated as a hedged item.

The Group is evaluating the impact of adopting this amendment.

**IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements**

The changes to the IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective from 1 January 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts, to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

The Group does not expect any material impact from the adoption of this amendment.

**IFRS 2 (Amended) - Share-based payment: Acquisition conditions**

The International Accounting Standards Board (IASB) issued on January 2008, the Amended IFRS 2 - Share-based payment - Acquisition conditions, with effective date of mandatory application on 1 January 2009, being allowed its anticipated adoption.

**Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007**

This change to IFRS 2 allows to clarify that (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any cancellation of such programs, by the entity or third parties, has the same accounting treatment.

The Group does not expect any material impact from the adoption of this standard.

**IFRS 3 (Amended) - Business Combinations and IAS 27 (Amended) - Consolidate and Separate Financial Statements**

The International Accounting Standards Board (IASB) issued in January 2008, the reviewed IFRS 3 - Business Combinations and also the Amended IAS 27 - Consolidate and Separate Financial Statements, with effective date of mandatory application of 1 July 2009, being allowed the anticipated adoption. The endorsement by European Commission is expected to occur during the second quarter of 2009. The main impacts of these changes are:

- (i) partial acquisitions, whereby non-controlling interests (previously named minority interests) can be measured either at fair value (implying full goodwill recognition against non-controlling interests) or at their proportionate interest in the fair value of the net identifiable assets acquired (which is the original IFRS 3 requirement);
- (ii) under step acquisitions whereby, upon acquisition of a subsidiary and in determining the resulting goodwill, any investment in the business held before the acquisition is measured at fair value against the income statement;
- (iii) acquisition-related costs, which must generally, be recognised as expenses (rather than included in goodwill);
- (iv) contingent consideration which must be recognised and measured at fair value at the acquisition date, subsequent changes in fair value being recognised in profit or loss (rather than by adjusting goodwill);
- (v) changes in a parent's ownership interest in a subsidiary that do not result in the loss of control which are required to be accounted for as equity transactions.

Additionally, IAS 27 was amended to require that an entity attributes a share of the accumulated loss of a subsidiary to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance, and to specify that, upon losing control of a subsidiary, an entity measures any non-controlling interest retained in the former subsidiary at its fair value, determined at the date the control is lost.

The Group is evaluating the impact of adopting these changes. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

**IFRS 8 — Operating Segments**

The International Accounting Standards Board (IASB) issued on 30 November 2008, the IFRS 8 - Operating Segments, approved by European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments and also about services and products, geographical areas where the entity operates and the most significant customers. This standard specifies how an entity should disclose its information in the annual financial statements and, as a consequential amendment to IAS 34 Interim Financial Reporting, regarding the information to be disclosed in the interim financial reporting. Each entity should also provide a description of the segmental information disclosed namely profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

The Group is evaluating the impact of adopting this standard. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

**IFRIC 12 Service Concession Arrangements**

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007, the IFRIC 12 - Service Concession Arrangements, with effective date of mandatory application on 1 January 2008, being allowed its anticipated adoption. The endorsement by European Commission is expected to occur during the first quarter of 2009.

IFRIC 12 applies to public-to-private service concession arrangements. This interpretation will be applicable only when a) the grantor controls or regulates what services the operator must provide and b) the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The impact from the adoption of this interpretation is not material.

**IFRIC 13 Customer Loyalty Programmes**

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007, the IFRIC 13 - Customer Loyalty Programmes, with effective date of mandatory application on 1 July 2008, being allowed its anticipated adoption.

This interpretation addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

The Group does not expect any material impact from the adoption of this interpretation.

**IFRIC 15 - Agreements for the construction of Real Estate**

The International Accounting Board (IASB) issued in July 2008, the IFRIC 15 - Agreements for the construction of Real Estate, with effective date of mandatory application on 1 January 2009 and is to be applied retrospectively.

This interpretation defines the accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, before construction is complete.

The Group does not expect any material impact from the adoption of this interpretation.

## Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

**IFRIC 16 - Hedges of a Net Investment in a Foreign Operation**

The International Accounting Board (IASB) issued in July 2008, the IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, with effective date of mandatory application for annual periods commencing on or after 1 October 2008.

This interpretation applies to na entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39 - Financial Instruments - Recognition and Measurement.

IFRIC 16 provides guidance to (i) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation, (ii) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting and (iii) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

The Group is evaluating the impact of adopting this interpretation. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

**IFRIC 17 - Distributions of Non-cash Assets to Owners**

The International Accounting Board (IASB) issued in November 2008, the IFRIC 17 - Distributions of Non-cash Assets to Owners, with effective date of mandatory application for annual periods commencing on or after 1 July 2009, and earlier application is permitted.

This interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, (ii) na entity should measure the dividend payable at the fair value of the net assets to be distributed and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Group does not expect any material impact from the adoption of this interpretation.

**IFRIC 18 - Transfers of Assets from Customers**

The International Accounting Board (IASB) issued in January 2009, the IFRIC 18 - Transfers of Assets from Customers, with effective date of prospectively mandatory application to transfers of assets from customers received on or after 1 July 2009, with earlier application permitted, when valuations and other information needed to apply the interpretation is provided for past transfers.

This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to supply of goods or services.

The Group does not expect any material impact from the adoption of this interpretation.

**Annual Improvement Project**

In May, 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority will be mandatory for the Group in 2009. The Group is evaluating the impact of these changes.

**41. Environment issues**

Expenses of environmental nature are the expenses that were identified and incurred to avoid, reduce or repair damages of an environmental nature that result from the Group's normal activity.

These expenses are booked in the income statement of the year, except if they qualify to be recognised as an asset, as according to IAS 16.

During the period, the environmental expenses recognised in the income statement refer to costs with the environmental management plan are analysed as follows:

	<b>Group 31 Dec 2008 Euro'000</b>	<b>Group 31 Dec 2007 Euro'000</b>
Environmental monitoring plan	783	431
	<u>783</u>	<u>431</u>

As referred in accounting policy 2n, the Group has established provisions for dismantling and decommissioning of property, plant and equipment when a legal or contractual obligation exists to dismantle and decommission those assets at the end of their useful lives. Consequently, the Group has booked provisions for property, plant and equipment related to electricity wind generation for the responsibilities of restoring sites and land to its original condition, in the amount of 47,311 thousands of Euros as at 31 December 2008 (20,280 thousands of Euros on 31 December 2007) (see note 32).

**42. Assets held for sale**

Assets held for sale, in the amount of 985 thousands of Euros, relates to land, acquired with the express purpose of a future sale. This land belongs to the subsidiary Horizon and is integrated in the United States geographical segment.

**43. Segmental reporting**

A business segment is an identifiable component of the Group, aimed at providing a single product or service, or a group of related products or services, and it is subject to risks and returns that can be distinguished from those of other business segments.

Notes to the Consolidated Annual Accounts for the year ended 31 December 2008 and the period from 4 to 31 December 2007

A geographical segment is an identifiable component of the Group, aimed at providing a single product or service, or a group of related products or services, within a specific economic environment, and it is subject to risks and returns that can be differentiated from those that operate in other economic environments.

44. Audit and non audit fees

KPMG has audited the consolidated annual accounts of EDP Renováveis Group for 2008. This company and the other related entities and persons in accordance with Law 19/188 of 12 July, have invoiced for the year ended in 31 December 2008, fees and expenses for professional services, according to the following detail:

	Spain	Other
	31 Dec 2008	31 Dec 2008
	Euro'000	Euro'000
Audit services	636	771
Audit related services	449	1,502
Other services	46	-
	<u>1,131</u>	<u>2,273</u>

## Group Activity by Operating Segment

### Operating Segment Information for the year ended 31 December 2008

(Thousands of Euros)

	WIND ENERGY OPERATIONS					Other and adjustments	EDP Renováveis Group
	Portugal	Spain	France	Rest of Europe	U.S.A.		
Revenue	98,102	265,302	16,832	29	131,813	20,351	532,429
Cost of consumed electricity	-222	-265	-	-	-506	-	-993
Cost of consumed gas	-	-	-	-	-	-	-
Changes in inventories and cost of raw materials and consumables used	43	-178	225	-57	-	-11,284	-11,251
	<u>97,923</u>	<u>264,859</u>	<u>17,057</u>	<u>-28</u>	<u>131,307</u>	<u>9,067</u>	<u>520,185</u>
Other operation income / (expenses):				-			
Other operating income	734	1,935	1,751	28	84,601	475	89,524
Supplies and services	-12,430	-31,671	-4,257	-2,554	-45,381	-10,654	-106,947
Personnel costs	-3,796	-751	-702	2,032	-17,099	-16,695	-37,011
Employee benefits expenses	-11	-	-	-	-929	-150	-1,090
Other operating expenses	-6,082	-4,554	-1,968	-424	-14,033	277	-26,784
	<u>-21,585</u>	<u>-35,041</u>	<u>-5,176</u>	<u>-918</u>	<u>7,159</u>	<u>-26,747</u>	<u>-82,308</u>
	76,338	229,818	11,881	-946	138,466	-17,680	437,877
Provisions	166	-	-	-	-	640	806
Depreciation and amortisation expense	-25,940	-64,296	-6,755	-53	-87,687	-23,033	-207,764
Amortisation of deferred income on partially funded properties received under concessions	540	154	-	-	-	2	696
	<u>51,104</u>	<u>165,676</u>	<u>5,126</u>	<u>-999</u>	<u>50,779</u>	<u>-40,071</u>	<u>231,615</u>
Gains / (losses) from the sale of financial assets	-	549	-	-	-	1,814	2,363
Other financial income	9,139	34,859	310	1,087	3,190	222,316	270,901
Other financial expenses	-28,419	-68,058	-10,250	-2,661	-45,595	-193,137	-348,120
Share of profit of associates	-	610	-	-	-6	3,834	4,438
Profit before tax	31,824	133,636	-4,814	-2,573	8,368	-5,244	161,197
Income tax expense	-8,038	-36,005	-617	-	-	-4,319	-48,979
Profit after tax but before gains / (losses) on discontinued operations	23,786	97,631	-5,430	-2,573	8,368	-9,564	112,218
<b>Profit (loss) for the period</b>	<b><u>23,786</u></b>	<b><u>97,631</u></b>	<b><u>-5,430</u></b>	<b><u>-2,573</u></b>	<b><u>8,368</u></b>	<b><u>-9,564</u></b>	<b><u>112,218</u></b>
Attributable to:				-			
Equity holders of the parent company	23,786	97,632	-5,430	-2,573	8,370	-17,421	104,364
Minority interest	-	-	-	-	-	7,854	7,854
<b>Profit (loss) for the period</b>	<b><u>23,786</u></b>	<b><u>97,632</u></b>	<b><u>-5,430</u></b>	<b><u>-2,573</u></b>	<b><u>8,370</u></b>	<b><u>-9,567</u></b>	<b><u>112,218</u></b>
Other information:							
Property, plant and equipment	498,264	1,436,448	218,912	59,919	3,478,077	1,361,163	7,052,783
Intangible assets	6,760	-	-	161	12,459	3,028	22,408
Total Current Assets	67,208	358,423	36,555	17,754	126,338	126,042	732,320
Total Equity	74,848	381,175	6,434	22,409	2,786,532	1,918,712	5,190,110
Total Current Liabilities	68,281	326,955	63,474	35,226	175,002	111,822	780,760

## EDP Renováveis Group Activity by Operating Segment

### Operating Segment Information for the period from December 4 to December 31, 2007

(Thousands of Euros)

	Renewable Production			
	Europe	E.U.A.	Other Operations	EDP Renováveis Group
Turnover	10,689	3,674	-	14,363
Cost of Consumed Electricity	-11	-147	-	-158
Changes in inventories and cost of raw materials and consumables used	-501	-	-	-501
	10,177	3,527	-	13,704
Other operating income / (expenses)				
Other operating income	805	944	-	1,749
Supplies and services	-2,027	-833	-67	-2,927
Personnel costs	-372	-627	-	-999
Employee benefits expense	-5	-18	-	-23
Other operating expenses	-635	-157	-	-792
	-2,234	-691	-67	-2,992
	7,943	2,836	-67	10,712
Depreciation and amortisation expense	-4,473	-2,412	-	-6,885
Amortisation of deferred income / Government grants	6	462	-	468
	3,476	886	-67	4,295
Gains / (losses) from the sale of financial assets	888	-	-	888
Other financial income	396	401	158	955
Other financial expenses	-4,265	-659	-	-4,924
Share of profit of associates	224	-21	-	203
Profit before tax	719	607	91	1,417
Income tax expense	-	-	-47	-47
Profits after tax	719	607	44	1,370
<b>Profit for the period</b>	<b>719</b>	<b>607</b>	<b>44</b>	<b>1,370</b>
<b>Attributable to:</b>				
Equity holders of EDP Renováveis	442	607	44	1,093
Minority interest	277	-	-	277
Profit for the period	<b>719</b>	<b>607</b>	<b>44</b>	<b>1,370</b>
<b>Other informations:</b>				
Property plant and equipment	2,753,098	2,173,202	-	4,926,300
Intangible assets	12,617	10,341	-	22,958
Current assets	360,311	333,636	38,020	731,967
Equity + Minority interest	333,120	11,346	1,901,255	2,245,721
Current liabilities	528,842	400,363	77	929,282

## **MANAGEMENT REPORT**

### **for**

## **EDP Renováveis Group (EDPR)**

*Full year of 2008 (12 months ending December 31<sup>st</sup>, 2008)*

### **1. MAIN EVENTS OF THE PERIOD**

#### **1.1 IPO - Initial Public Offering**

On June 4<sup>th</sup>, EDP Renováveis, S.A. (“EDPR”) started trading on NYSE Euronext’s Lisbon market under the ticker symbol “EDPR” following its successful spin-off from EDP Group (NYSE Euronext: EDP). The EDPR IPO raised a total of €1.566 billion/\$2.42 billion in global proceeds, representing the largest IPO launched in Western Europe during 2008.

Priced at €8.00 (eight Euros) per share – midway between the offering price range of €7.40 to €8.90 per share – the Public Subscription Offer was oversubscribed by 87.9 times the total amount of 45,085,590 shares<sup>1</sup>. The institutional offer had a demand of 6.1 times the total amount of 180,342,362 shares. These combined shares make up 22.5% of EDPR, with EDP maintaining majority ownership of the other 77.5% of the company.

The proceeds of the Offering are being used to finance EDPR’s growth plans, including the execution of its portfolio of wind projects to meet the target of consistently increasing its portfolio of installed wind capacity to more than 10.5 GW by 2012.

In challenging financial markets, the success of the IPO clearly demonstrates the high regard investors have for EDPR as the fastest growing pure-play among the world’s largest global renewables companies, with first class assets and strong track record in execution. EDPR welcomes all new shareholders and looks forward to rewarding their confidence as the organization delivers on the growth strategy and pipeline. EDPR ended up 2008 ranking #4 in the Euronext’s Lisbon market with a total capitalization of €4.4 billion.

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<sup>1</sup> Including *greenshoe*



## **1.2 Acquisition of 1,050MW of pipeline in the US**

On February 14th, EDPR acquired from Hydra Wind, LLC six development projects in the USA totalling 1,050MW. The six projects are located in Illinois, Indiana, and Ohio, within the regional transmission systems of PJM and MISO. This acquisition supports consolidation of EDPR's leadership in Illinois, where EDPR owns and operates the 396MW Twin Groves wind farm - the largest wind farm east of the Mississippi River. The acquisition also strengthens the EDPR pipeline in Indiana and Ohio, where EDPR is the developer with the largest pipeline. All projects will be regionally managed by the Great Lakes Regional Development office, located in Bloomington, Illinois.

Noteworthy, although unrelated with the transaction, is the favourable advance on the regulatory front, since last May Ohio enacted its first Alternative Energy Resource Standard, mandating Ohio utilities to have at least 12.5% of their generation coming from renewable energy by 2025.

## **1.3 Acquisition of wind projects in France (EOLE-76)**

On April 7<sup>th</sup>, EDPR acquired French wind assets from EOLE 76 complementing the French wind assets with, at the time of the transaction, 35MW in operation, 8MW under construction, 258MW in pipeline and 595MW in prospective stage. Of the pipeline projects, 13MW have all the necessary authorizations to start construction and are expected to enter operation between 2009 and 2010. Construction licenses have been submitted for additional 43MW. The total amount of the transaction summed up to €54.9 million.

The 35MWs in operation - the "Pays de Bray" complex in Normandy - came online in the second quarter of 2008 and provides electricity for the annual consumption of approximately 90,000 people. The original EOLE 76 development team will stay responsible for the projects, and will be working jointly with the rest of the EDPR development team in France.

## **1.4 EDPR entrance into the Brazilian market**

On June 11<sup>th</sup>, EDPR made a move towards the Brazilian market, establishing a subsidiary "EDP Renováveis Brasil", owned 55% by EDPR and 45% by Energias do Brasil (EDP Group company). At the same time, EDP Renováveis Brasil agreed to acquire 100% of the share capital of CENAEEL

– Central Nacional da Energia Eólica S.A. for R\$51 million (enterprise value). This transaction was closed in February 2009 and includes a total portfolio of 84 MW in various stages of maturity.

### **1.5 Entrance into the Romanian market**

On October 17<sup>th</sup>, EDPR enters the Romanian market by acquiring 85% of Renovatio Power SRL and Cernadova Power SRL, which owned several wind projects in prime locations, totalling 736MW in different stages of maturity: i) 225 MW classified as Tier 1 (ready to build on the short term); ii) 60 MW of projects rated as Tier 2; iii) 462 MW of Tier 3 and Prospects. The total acquisition price amount to €64.4 million, including success fees to be paid as wind projects reach certain pre-defined milestones.

### **1.6 Transactions with Institutional Equity Investors (“Tax Equity”)**

On January 2<sup>nd</sup>, EDPR closed a \$600 million transaction Institutional Investors Partnership in the USA. The agreement with the institutional equity investors GE Energy Financial Services and Wachovia Investment Holdings relates with 2007 and 2008 wind farm projects.

On December 29<sup>th</sup>, EDPR establishes a new Investors Partnership for the investment in 2008 wind projects in the USA. The agreement is closed with JP Morgan Capital Co and New York Life Insurance Group for a portfolio of \$265 million worth.

### **1.7 EDPR announces Year-end 2008 provisional data**

On January 20<sup>th</sup>, 2009 EDPR announced to reach a total portfolio of gross MW in operation in excess of 5.0GW. This corresponds to an additional gross installed capacity of 1,413MW during 2008, fully accomplishing its yearly defined target upon the IPO of cc 1.4GW. Total generated output reached 7.8GW, which corresponds to a 78% increase vs. 2007.

## **2. PERFORMANCE OF FULL YEAR 2008**

### **2.1 Financial<sup>2</sup> and Operational Performance**

During the year of 2008, EDPR added 1,413MW of gross installed capacity, fully achieving its yearly target of 1.4GW defined upon the IPO and leading to a total portfolio of assets in operation in excess of 5.0GW. In terms of total output, EDPR recorded a significant growth in electricity generation ending 2008 with 7.8TWh (78% or 1.8 times increase vs. 2007), mainly a result of increased installed capacity.

On top of the 1,413MW of new installed capacity, EDPR ended the year with 769MW under construction (of which 569MW in Europe and 199MW in North America) which represents a significant carry forward of capacity into 2009 (standing for more than 50% of the previously mentioned yearly target) and, most notably, provides clear of the organization's ability to manage more than 2.2GW of construction throughout the year<sup>3</sup>.

Total revenues reached €532 million driven by higher installed capacity as well as attractive selling prices in Europe and stable PPA conditions in the North American portfolio.

Focus on operational efficiency, with Other Operating Income / (Expenses) amounting to (€82) million, lead to an EBITDA of €437.8 million.

Net Financial Results in 2008 were (€77.2) million (benefiting from cash proceeds from IPO and capitalization of EDP Group debt) and Net Income totalled €112.2 million, of which €104.4 million is attributable to EDPR equity holders and €7.9 million belong to minority interest.

Excellence in operational performance is best reflected in the sustainable high availability levels in Europe (97%, in line 2007) and a significant improvement in availability in North America operations (from 90% in 2007 to a full year average of 94%, with 96% performance level during 4<sup>th</sup> quarter of 2008).

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<sup>2</sup> Prepared according to IFRS accounting standard. Comparison with prior year not presented since 2007 audited accounts reflect only the period of December 4<sup>th</sup> to December 31<sup>st</sup>, 2007

<sup>3</sup> Totalling 2008 additions plus capacity under construction by year-end

<sup>5</sup> Currently only Spanish market data is available comparison using official sources (REE)

Volatile quarterly wind conditions, with a particularly low 3<sup>rd</sup> quarter, lead to a load factor in Europe of 26% in line with mark of 2007 and consistent with the historical premium towards the market<sup>5</sup> (e.g., EDPR's assets in Spain recorded a load factor of 25,7%, cc. 200 bps premium compared to market), underlining the quality of EDPR' assets. In North America, load factor reached a significant 34%, considerably higher than prior year mark of 30% mainly resulting from new additions to US portfolio and particularly strong 4<sup>th</sup> quarter winds.

Throughout the year of 2008, EDPR invested about €2.2 billion as capital expenditures (including M&A transactions) and used the €1.6 billion cash proceeds from the IPO and the €1.3 billion from the capitalization of EDP shareholder loans to reach a year-end Net Debt of approx. €1.1 billion<sup>6</sup>. This resulted in a solid Net Debt / EBITDA ratio of 2.44x. Future growth is anticipated to be financed mainly through shareholder loans with EDP parent company.

## **2.2 Competitive Landscape and Business Plan**

EDPR continues to look to the renewable energy sector with a long-term outlook, believing that the environmental, economic and technological trends that have underpinned the current favourable renewable energy market conditions will continue to drive further support for and growth in the markets we are active in.

EDPR is a leading 'pure-play' renewable energy company, having derived the revenue stream from renewable energy activity. EDPR has leading position and "early mover" advantages in attractive high-growth markets, and continues to analyze new markets and new opportunities within the markets we currently operate within.

EDPR has a solid history of executing projects and delivering targets. We consistently increased gross installed capacity by surpassing the 2006-2008 targets. The combination of diversified operations with a stable revenue base spread across countries with favourable regulatory regimes limits the exposure to market prices of electricity and provides a significant visibility and stability. EDPR's asset portfolio is well-balanced, in terms of geography and stages of development. In addition, EDPR is selectively engaged in expanding our activities into other geographies.

EDPR is positioned to deliver on significant and superior growth targets and achieve over 10.5GW in operating assets by 2012. For that, by year-end 2008, EDPR has crafted a robust, visible and

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<sup>6</sup> Excluding Institutional Investors Partnership. Including I.I.P., Net Debt / EBITDA would be of 3.9x.

geographically diverse pipeline in excess of 28.2GW worldwide (varying from projects in nineteen US states to regions of Brazil and different European countries).

This aggressive medium term targets will reinforce EDPR's position as a leading player in the renewable industry and underlines management's commitment to create shareholder value. On the core of EDPR's confidence on achieving these targets, is a dynamic, highly qualified and experienced team of world-wide employees with the track record and ambition to deliver upon the superior growth targets.

### **3. REGULATORY ENVIRONMENT**

In recent years, global attention has been increasingly focused on climate change and its effect on world populations, economies and, consequently, strategies for generating energy from renewable sources. At a global level, an important milestone was reached on May 9, 1992, when 154 countries signed the United Nations' Framework Convention on Climate Change (the "UNFCCC"), which came into effect on March 21, 1994. The objective of the UNFCCC is to "achieve stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system".

As a result, on December 11, 1997, a majority of the countries that are party to the UNFCCC also signed the Kyoto Protocol, which came into effect on February 16, 2005 for those signatories that subsequently ratified it. The Kyoto Protocol sets mandatory limits on emissions of carbon dioxide and five other greenhouse gasses for individual nations in an effort to reduce emissions by a collective average of at least 5% against 1990 levels in the period between 2008 and 2012. The Kyoto Protocol establishes enforcement provisions and penalties for nations that exceed their designated emissions limits.

At the European level, The European Commission published a white paper on renewable energy in 1997, setting forth the renewable energy strategy of the Member States of the European Union (the "EU") and reaffirmed its commitment to the promotion of energy from renewable sources on January 10, 2007 with the European Commission's presentation of a long-term "Renewable Energy Roadmap" which proposes a mandatory target of generating 20% of energy from renewable sources by 2020. Furthermore, in January 2008, the EU proposed specific binding targets for each country.

The European Commission further developed the "Emissions Trading Scheme" ("ETS") allowances (which allows for companies to trade "permits" to pollution at the lowest cost) and rising prices for oil

and gas, and reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

As far as North America is related, in September 2008, the U.S. House of Representatives passed the Comprehensive American Energy Security and Consumer Protection Act containing provisions for a Federal RPS to require 15% of power demand to be supplied through renewables by 2020. The wide ranging bill was defeated in the Senate, but its progress indicates the growing expectation for federal action on RPS legislation.

On climate change legislation, the states continued to lead the way in the US. The Regional Greenhouse Gas Initiative (RGGI) held its first CO<sub>2</sub> allowance auction in September 2008. The RGGI provides the mechanism to manage the CO<sub>2</sub> Budget Trading Programs for 10 participating states in the north-eastern U.S. representing 12% of total US CO<sub>2</sub> emissions. At the federal level, members of the 110th Congress (2007-2008) introduced legislation related to global climate change at a faster pace than any previous Congress.

In fact, lawmakers introduced more than three times as many bills, resolutions, and amendments specifically addressing global climate change and greenhouse gas emissions than the 109th Congress (2005-2006). While climate change legislation has not succeeded to date, expectations are building that the new administration and the Democratic controlled Congress will make progress.

Following the formal appointment of the New Administration in January 20th of 2009, the “American Recovery and Reinvestment Act of 2009” was signed into law on February 17th. This plan includes several provisions to stimulate investment in renewable energy and specifically the wind business.

Overall, in essence, the renewable energy industry benefits from government subsidies or incentives in the markets in which EDP Renováveis operates (Spain, Portugal, France, Belgium, Poland, Romania, the United States, and Brazil). These incentives and subsidies benefit the producers of electricity from renewable energy sources and can broadly be classified into three groups:

- (i) price related incentives: feed-in tariffs
- (ii) quantity related incentives: renewable portfolio requirements and public auction systems, and
- (iii) tax-related and other types of incentives: production tax credits, Modified Accelerated Cost Recovery System, direct subsidies and transmission and dispatch benefits.

#### **4. KEY RISKS AND UNCERTAINTIES**

In line with the objectives and the strategy of EDP Group reinforced during the IPO of EDP Renováveis, EDPR decided to implement a Internal Control System of Finance Report (SCIRF) with volunteer character that follows the international standards and aims to promote a set of activities to strengthen controls to ensure confidence and integrity of financial information.

In the European platform activities began at the end of 2007 and continued throughout 2008 with implementation of SCIRF following the following action lines:

- a) Lifting of process in accordance with the scope agreed with the Group.
- b) Review in a phase of evaluation and testing of effectiveness of the identified controls.
- c) Process optimization, upgrade and enlargement, following the business activities evolution.

Additionally in 2008, the first phase of deployment for the North America platform was initiated. This phase consisted in the reinforcement of the controls associated with the three major components that are covered in the model that follow the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of reference the first two and Control Objectives for Information and related Technologies (COBIT) the last

- a) Controls associated with entity level controls.
- b) Controls associated to the identity process in the model range.
- c) General controls related to Information Technologies

The body responsible for SCIRF in EDPR is the Internal Audit Department whose functions include the implementation, follow up and system improvement designed for assuring confidence and integrity of the financial information.

Apart from the SCIRF, during 2nd half of 2008, EDPR created a Risk Management Department and started creating the basis for an integrated Risk Management Internal System with the purpose of pro-actively identify and manage the key risks arising from its business.

#### **4.1 Risks related with the Renewable Energy Industry**

EDPR's business is focused on the production of electricity from renewable energy sources. The amount of energy generated by, and the profitability of, wind farms is dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years.

Remuneration for electricity sold by a number of the wind farms depends, at least in part, on market prices for electricity. Market prices may be volatile and are affected by various factors, including the cost of the raw materials used as sources of energy, average rainfall levels, the cost of power plant construction, the technological mix of installed generation capacity and user demand.

At the same time, all new investments are subject to construction risk (in a diversity of forms) and once brought to operations are exposed to market, operational, credit and business risks which may penalize project's initial profitability.

#### **4.2 Financial Risks**

The businesses of the EDPR are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The unpredictability of the financial markets is analyzed on an on-going basis in accordance with the EDP Group's risk management policy. Financial instruments are used to minimize potential adverse effects resulting from the interest rates and foreign exchange rates risks on its financial performance.

The management of financial risks of EDPR is undertaken by the Financial Department of EDP (under the terms of the outsourcing of management services agreement "Contrato de Prestação Serviços Consultoria" between EDPR and EDP), in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits.

##### **d) Capital investments**

The capital investment required to develop and construct a wind farm is very high and generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipments and/or civil construction works may increase, or continue to increase as in the case of



turbines, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipments increases.

e) Exchange rate

The Group operates internationally and is exposed to the exchange-rate risk resulting from investments in subsidiaries whose functional currency is the U.S. dollar. Currently, the exposure to the U.S. dollar/euro currency fluctuation risk results principally from the shareholding in EDPR NA. EDP Group's Financial Department is responsible for monitoring the evolution of the U.S. dollar, seeking to mitigate the impact of currency fluctuations on the financial results of the Group companies and consequently, on consolidated net profit, using exchange-rate derivatives and/or other hedging structures. The policy implemented by the Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

f) Interest rate

The Group's operating and financial cash flows are substantially independent from the fluctuation in interest-rate markets.

The purpose of the interest-rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges through a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest-rate risk or upcoming cash flows.

EDPR has a portfolio of interest-rate derivatives with maturities between approximately 1 and 10 years. The EDP Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

g) Market price

As of December 31, 2008, EDPR faced limited market price risk. In the case of EDPR NA, most prices are fixed and principally determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDPR also has an option of selling this electricity through regulated tariffs, guaranteeing

minimum prices. In 2008 the company closed a hedge in order to mitigate pool price fluctuations in Q4 in Spain, which mitigates the risk related to fluctuations in pool prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or managed through long-term power purchase agreement (Brazil, Poland, Romania and Belgium).

#### **4.3 Regulatory Risks**

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which we operate provide various types of incentives that support the sale of energy generated from renewable sources.

Support for renewable energy sources has been strong during the last years, and both the European Union and the various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support (as legislative advances in early 2009 are adequate evidence). However, we can neither guarantee that support will be maintained nor guarantee that the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources.

#### **4.4 Country Risks**

With operating projects and ongoing development pipeline across multiple countries, EDPR faces the risks inherent in the individual countries, including:

- h) Rules and regulations are subject to change
- i) Changes in market conditions
- j) Economic recessions, political risk and instability
- k) Technological risk not directly controlled by EDPR

#### **4.5 Environmental Risks**

Wind energy development requires multiple permits and studies about environmental impact of the proposed or existing projects. As with other risks, these permits do not have guaranteed approval from the relevant authorities.

#### **4.6 Other Risks**

Other operational, financial, political, reputation or others risks may arise from running the business while prospecting opportunities, developing projects or operating existing assets.

### **5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS**

Topic 4.2 provides a description of the key financial risks faced by EDPR. According to EDPR risk policy, and in order to manage, control or minimize impact of some of those risks, EDPR may, occasionally, use financial derivatives and enter hedging transactions with the sole intent to protect against risks and as a consequence mitigate fluctuations of earnings. These derivative instruments are explained in detail as part of the notes to the financial statements.

### **6. TREASURY STOCK (OWN SHARES)**

During the 2008 exercise, EDP Holding and EDPR do not hold (or have bought) any treasury stocks (own shares).

### **7. ENVIRONMENT**

EDPR's business model focused on renewable energy springs from its firm pledge to promote environmental protection as a fundamental pillar of its activity, complying with current environmental legislation while fostering sustainable development.

EDPR focuses its daily efforts on mitigating environmental impacts in all of its activities. From project development to construction and operation, EDPR conducts extensive location environmental viability studies, environmental impact studies, bird studies, noise studies, and promotes environmental awareness and alertness.

As a result of EDPR's philosophy to reach a sustainable development and its continuous aim to improve the environmental practices in all its activities, Environmental Management Systems

(EMSs) are currently in the process of being implemented in both the European and North American platforms.

For the European platform, under the international specification UNE-EN ISO 14001, wind farms currently in operation managed to achieve the corresponding certification by the end of 2008. This entails a project efficiency increase, minimizing consumption and enables a more exhaustive control of the compliance of legal requisites, among other aspects.

The North American platform is developing an EMS and has implemented standards for baseline wildlife studies applicable to all projects under development, construction, or operation, with the goals of:

- a) Avoiding “non-environmental friendly” impacts
- b) Where it is not possible to avoid, at least minimize impact
- c) Mitigate any impact of significance

The EMS is a set of processes and practices that enables both EDPR platforms to reduce its environmental impacts during development, construction, and operations. EDPR is committed to exceeding all standards and requirements for environmental impacts and as such is proactively integrating environmental awareness as key part of its growth strategy.

## **8. HUMAN RESOURCES POLICY**

During 2008, the main objective of the Human Resources Department in EDPR was to harmonize, standardize and adjust the Human Resources policies of all the group companies to the comprehensive EDPR Talent Management structure, considering the organization and retribution model, as well as the performance evaluation. A new EDPR remuneration policy was established to link to this Talent Management Structure with the following dimensions:

- a) Align fixed salaries, according to the reference market
- b) Application of a Meritorious Culture, based on an evaluation for objectives, with a direct impact on the variable remuneration
- c) Implementation of an annual variable remuneration linked with the triennial Strategic Plan
- d) Conceptualization of a unique long term incentive policy for EDPR and all of the group companies

Additionally, HR analyzed the key executive functions for each EDPR Group company. This analysis solidified the process of redefining the organization structure, as well as promotes the executives' national and international mobility and development.

## **9. RESEARCH & DEVELOPMENT ACTIVITIES**

With the intent to foster and support R&D within the renewables arena, EDP Renováveis signed an agreement with EDP Inovação, S.A. establishing the basis for joint project development in new technologies, technologies currently in pilot mode as well as in the enhancing of existing ones.

The purpose of this R&D agreement is to promote the exchange of knowledge between companies and to establish legal and commercial relations setting the tone for development R&D projects. This agreement is intended to remain in force as long as both companies are detained in more than 50% by EDP Group, reinforcing the long term commitment of EDPR to support of R&D activities in areas that relate with its business.

## **10. RELEVANT EVENTS OCCURED AFTER CLOSING OF THE PERIOD**

### **10.1 Close of CENAEEL transaction**

On February 16<sup>th</sup>, EDPR closed the transaction (initiated and announced still during 2008) to acquire 100% of the Brazilian wind assets of Central Nacional de Energia Eólica S.A. ("CENAEEL") for R\$51 million (enterprise value). Included in the transaction were 14MW of operating capacity spread across two wind farms in the state of Santa Catarina and a total of 70 MW of pipeline projects in various stages of maturity.

### **10.2 Approval of U.S. key energy related Tax Incentives applicable to EDPR North America platform**

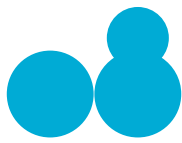
On February 17<sup>th</sup>, the President of the United States of America signed the American Recovery and Reinvestment Act of 2009, which includes a number of energy-related tax and policy provisions to benefit the development of wind energy generation in the country. The key tax incentives to be introduced as a result of this Act are the following:

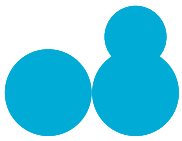
- a) Three year extension of the Production Tax Credits (“PTC”) through 2012 – the PTC is one of the components of the wind energy generation remuneration scheme, which was scheduled to expire on December 31, 2009;
- b) Option to elect a 30% Investment Tax Credit (“ITC”) in lieu of the PTC through the duration of the extension;
- c) Cash grant provided by the Secretary of Treasury in lieu of the ITC for projects placed in service during 2009 and 2010, or the construction of which begin during 2009 and 2010 – the Act requires an application to be filed with the Secretary of the Treasury before October 1, 2011, and grants are to be paid within 60 days of the date of placement in service or, if later, 60 days from the filing of such application.

The approved provisions will increase the optionalities on the monetization of the federal tax subsidies, providing a greater liquidity vis-à-vis the traditional monetization through Institutional Partnership transactions. The law, besides providing a wider regulatory stability until 2012, constitutes a major positive development in the US wind market in terms of improved project’s economics and risks.

## **11. CORPORATE GOVERNANCE REPORT**

In accordance with the regulations, attached is an appendix with the Corporate Governance chapter, being an integral part of the current management report.

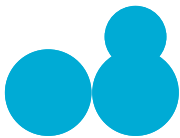






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CORPORATE GOVERNANCE

0. STATEMENT OF COMPLIANCE

EDP Renováveis, S.A. (hereinafter referred to as EDP Renováveis or the Company) is a listed company that was admitted to trading on the regulated market of NYSE Euronext Lisboa (Eurolist by Euronext Lisbon) following an initial public offering in May 2008 under Spanish law. In view of its status as a company quoted on a regulated market in Portugal, EDP Renováveis is subject to the corporate governance code called “Código de Governo das Sociedades” approved by the CMVM (Portuguese Securities Market Commission) in September 2007. This governance code is available to the public on the CMVM website, [www.cmvm.pt](http://www.cmvm.pt).

EDP Renováveis states that it has adopted in full the CMVM recommendations on the governance of listed companies in the “Código de Governo das Sociedades”, with the exception of Recommendations I.4.1. and II.2.2. of the code, which has not been adopted for the reasons indicated below.

The following table shows the CMVM recommendations set forth in the code and indicates whether or not they have been fully adopted by EDP Renováveis and the place in this report in which they are described in more detail.

RECOMMENDATION	ADOPTION INFORMATION	DESCRIPTION IN REPORT
<b>I. – General meeting of shareholders</b>		
<b>I.1. – Board of the general meeting</b>		
I.1.1. The chairperson of the general meeting shall have access to human and logistical resources appropriate to his/her needs, taking into account the company’s financial position.	Adopted	4.6
I.1.2. The remuneration of the chairperson of the Board of the General Meeting shall be disclosed in the annual corporate governance report.	Adopted	4.6
<b>I.2. – Participation in the meeting</b>		
I.2.1. The time limit imposed by the Articles of Association for depositing or blocking shares for the purpose of participating in the meeting shall not exceed five working days.	Adopted	4.2
I.2.2. Should the general meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then apply the same time limit as for the first session.	Adopted	4.2
<b>I.3. – Voting and voting rights</b>		
I.3.1. Company’s Articles of Association shall not impose any restrictions on votes by mail.	Adopted	4.4
I.3.2. The time limit imposed by the Articles of Association on receipt of votes by mail shall not exceed three working days.	Adopted	4.4
I.3.3. Company Articles of Association shall provide for one vote per share.	Adopted	4.3

I.4. – Quorum and decisions

I.4.1. Companies shall not fix a constitutive or deliberative quorum higher than that prescribed by law.	Not adopted ("Under Spanish law, the constitutive quorums on first and second call to order are 25% and 0% for ordinary and extraordinary general meetings and 50% and 25% for ordinary and extraordinary general meetings in which valid decisions may be made on the issue of bonds, increases or reductions in share capital, transformation, mergers or spin off of the company and, in general, any amendments to the Articles of Association. The company's Articles of Association establish a slightly higher constitutive quorum in order to reinforce shareholder support for approval of decisions.")
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I.5. – Minutes and information on decisions

I.5.1. The minutes of general meetings shall be made available to shareholders on the company's website within five days, even if they do not constitute privileged information under the law. A collection of attendance lists, agendas and decisions passed during meetings shall be kept on file on the company's website for at least three years.	Adopted	4.7
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I.6. – Company control measures

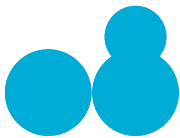
I.6.1. Measures to prevent successful takeover bids shall respect the interests of the company and its shareholders.	Adopted	4.8
I.6.2. Company's Articles of Association that, in compliance with the previous sub-paragraph, limit the number of votes that may be held or cast by a sole shareholder, either individually or jointly with other shareholders, shall also provide for the general meeting to decide, at least every five years, on whether this provision is to be maintained, without higher quorum requirements than those established by law, and for all votes cast to be counted in said decision without the limitation being imposed.	Not applicable	
I.6.3. There shall be no defensive measures intended to automatically cause a serious depletion of the company's assets in the event of transfer of control or a change of membership of the Board of Directors thereby affecting the free transferability of shares and free appreciation by shareholders of the Board members' performance.	Adopted	4.8

II – Management and supervisory bodies

II.1. – General matters

II.1.1. – Structure and duties

II.1.1.1. The Board of Directors shall, in its governance report, assess the model adopted, identify any constraints on its functioning and recommend appropriate measures to overcome them.	Adopted	1.1
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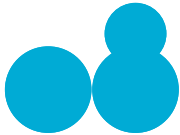
CORPORATE GOVERNANCE

I.1.1.2. Companies shall set up in-house control systems for the effective detection of risks associated with their activity in order to safeguard their assets and ensure the transparency of their corporate governance.	Adopted	3.7
II.1.1.3. Management and supervisory bodies shall have their own regulations which shall be posted on the company's website.	Adopted	3.1.3/3.3.3/7.3
<b>II.1.2. – Incompatibilities and independence</b>		
II.1.2.1. The Board of Directors shall include a number of non-executive members to guarantee its effective ability to supervise, audit and assess the work of the executive members.	Adopted	1.2.2/1.2.6.1/3.1.3
II.1.2.2. The non-executive directors must include a suitable number of independent directors, taking into account the size of the company and its shareholder structure. This number shall be no less than one quarter of the total number of directors.	Adopted	1.2.2/1.2.6.1
<b>II.1.3. – Eligibility and appointment</b>		
II.1.3.1. Depending on the applicable model, the chairperson of the Audit Committee or Financial Committee shall be independent and have the necessary competences to perform his/her duties.	Adopted	1.2.2/1.3/3.3
<b>II.1.4. – Whistle-blowing policy</b>		
II.1.4.1. The company shall adopt a whistle-blowing policy for reporting irregularities occurring in it, indicating the following information: i) means by which irregularities can be reported within the company, including the names of the people qualified to receive reports, ii) the treatment to be given to reports, including confidentiality if the whistle-blower so wishes.	Adopted	3.9
II.1.4.2. The general lines of this policy shall be set forth in the corporate governance report.	Adopted	3.9
<b>II.1.5. – Remuneration</b>		
II.1.5.1. The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure that their interests are in line with that of the company. In this context: i) The remuneration of executive directors shall include a performance-based component and a performance evaluation conducted by the competent body shall therefore be taken into account. ii) The variable component shall be such as to maximise the company's long-term performance and shall depend on the sustainability of the performance variables adopted. iii) When not otherwise required by law, the remuneration of the non-executive members of the Board of Directors shall consist exclusively of a fixed amount.	Adopted	5.1/5.2/5.3

II.1.5.2. The Remuneration Committee and the Board of Directors shall submit to the annual general meeting a statement on pay policy of the members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code. In this context, the shareholders shall be informed of the criteria and main parameters used to evaluate performance for the purpose of calculating the variable component, whether it is in the form of rewards in shares, share options or other components.	Adopted	5.4
II.1.5.3. At least one representative of the Remuneration Committee shall attend annual general meetings.	Adopted	5.6
II.1.5.4. A proposal to approve share distribution or share option plans or plans based on variations in share price to members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code shall be submitted to the general meeting. The proposal shall contain all the necessary information for a correct evaluation of the plan. The proposal shall be accompanied by the regulations of the plan or, if they have not yet been drawn up, the general conditions with which they must comply. The main characteristics of the retirement benefit system for members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code shall be approved by the general meeting.	Not applicable	5.3/5.7
II.1.5.5. The remuneration of each member of the managing and supervisory bodies shall be published, distinguishing, whenever appropriate, between fixed and variable remuneration and between remuneration received from other group companies or companies controlled by shareholders owning qualifying holdings.	Adopted ("EDP Renováveis informs its shareholders of the remuneration of its CEO and breaks it down into fixed and variable remuneration. However, EDP Renováveis considers that the remuneration of the remaining members of the Board of Directors and Audit Committee should be disclosed to shareholders as a whole (specifying the fixed and variable remuneration), as it feels that the performance of the managing and supervisory bodies should be analysed globally and provide a collective overview.")	5.3

II.2. – Board of Directors

II.2.1. Within the limits established by law for each managing and supervisory body, and unless the company is small in size, the Board of Directors shall delegate the day-to-day running of the company. The duties delegated shall be identified in the annual corporate governance report.	Adopted	3.1/3.2.1/3.3
II.2.2. The Board of Directors shall ensure that the company acts in accordance with its goals and shall not delegate its powers to: i) define the company's general strategy and policies; ii) define the group's corporate structure; iii) make decisions that should be considered strategic due to their amount, risk or special characteristics.	Not adopted ("Under Spanish law, the matters referred to in this recommendation can be delegated to the Executive Committee. It is common practice in Spanish listed companies for the delegation of powers to be far-reaching, with the exception of matters related to the preparation of accounts.")	
II.2.3. If the chairperson of the Board of Directors has executive functions, the Board of Directors shall find efficient mechanisms for coordinating the work of the non-executive members to ensure that they can make independent, informed decisions. These mechanisms shall be explained to the shareholders in the annual corporate governance report.	Adopted	3.1.3



CORPORATE GOVERNANCE

II.2.4. The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints arising.	Adopted	3.1.3
II.2.5. The Board of Directors shall rotate the financial director at least at the end of every two terms.	Not applicable ("The Board of Directors only took office in the first half of 2008.")	
<b>II.3. – CEO, Executive Committee and executive Board of Directors</b>		
II.3.1. When asked to do so by other members of the corporate bodies, executive directors shall provide the appropriate information in good time.	Adopted	3.2.1.3
II.3.2. The chairperson of the Executive Committee shall send to the chairperson of the Board of Directors and, as applicable, the chairperson of the Supervisory Board or Audit Committee invitations to and minutes of its meetings.	Adopted	3.2.1.3.
II.3.3. The chairperson of the Executive Board of Directors shall send to the chairperson of the General and Supervisory Board and the chairperson of the Financial Committee invitations to and minutes of its meetings.	Not applicable	
<b>II.4. – General and supervisory board, financial committee, audit committee and supervisory board</b>		
II.4.1. In addition to its supervisory duties, the General and Supervisory Board shall advise, monitor and constantly assess the company's management by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinions include: i) the company's general strategy e policies, ii) the group's corporate structure and iii) decisions that are considered strategic due to their amount, risk or special characteristics.	Not applicable	
II.4.2. The annual reports on the work of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall be published on the company's website together with the financial statements.	Adopted	3.3.4./7.3
II.4.3. The annual reports on the work of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall include a description of their supervision and mention any constraints found.	Adopted	3.3.4/7.3
II.4.4. The Financial Committee, Audit Committee and Supervisory Board, depending on the model adopted, shall represent the company for all purposes in relations with the external auditor and shall propose an auditor to provide these services and his/her fees, ensure that the company offers all the right conditions for the provision of these services, act as an interlocutor for the company and be first recipient of the auditor's reports.	Adopted	3.3.2
II.4.5. Every year, the Financial Committee, Audit Committee and Supervisory Board, depending on the model adopted, shall evaluate the external auditor and propose his/her discharge to the general meeting, if there is due cause.	Adopted	3.3.2/3.8

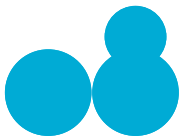
II.5. – Specialised committees

II.5.1. Unless the company is small in size, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any necessary committees to: i) conduct a competent, independent evaluation of the performance of the executive directors and assess their own overall performance and that of the different committees, ii) reflect on the company's governance system, check its effectiveness and suggest measures for improving it to the competent bodies.	Adopted	1.1/2.2.2/3.3.2
II.5.2. The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors.	Not applicable ("The members of the Nomination and Remuneration Committee are members of the Board of Directors. However, its members are considered independent members and do not therefore belong to the Executive Committee. In accordance with Articles 9 and 130 of the Spanish Public Company Law, the remuneration scheme for directors should be fixed in the articles of association. It is normal practice in Spanish companies for this remuneration to be decided upon by the General Meeting of Shareholders and for its allocation to the different members of the Board of Directors to be decided on by the Board itself)."	1.2.6.2/3.2.2.1
II.5.3. All committees shall draft minutes of their meetings.	Adopted	3.2.1.3 / 3.2.2.3 / 3.2.3.3 / 3.3.3

III. – Disclosure and audits

III.1. – General disclosure obligations

III.1.2. Companies shall ensure permanent contact with the capital market, abide by the principle of equality between shareholders and prevent asymmetries in access to information by investors. The company shall maintain an investor relations office for the purpose.	Adopted	7.1 / 7.2
III.1.3. The following information shall be posted on the company's website in English: a. Its name, status as a listed company, registered office and other information mentioned in Article 171 of the Company Code; b. Its Articles of Association; c. The names of the members of the corporate bodies and market liaison officer; d. Investor relations office, its functions and contact information; e. Financial statements; f. Half-yearly calendar of company events; g. Proposals submitted for discussion and voting at general meetings; h. Invitations to general meetings.	Adopted	7.3



CORPORATE GOVERNANCE

Statement on compliance with independence criteria

Article 20.2 of the EDP Renováveis Articles of Association qualifies as independent directors who can perform their jobs without being limited by relations with the company, its shareholders with significant holdings or its directors and meet the other legal requirements.

For the purpose of this statement of compliance with independence criteria and for the sake of comparison

between EDP Renováveis and the other companies quoted on Eurolist by Euronext Lisbon in matters of compliance with corporate governance recommendations, we have also considered the criteria for appraising independence and incompatibilities set forth in Article 414(5), both of the Código das Sociedades Comerciais, and so the Board of Directors of EDP Renováveis considers that the following directors meet these criteria of independence required by law and the Articles of Association:

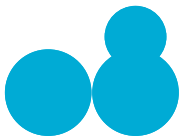
Name	Position	Age	Date of appointment	End of term
José Silva Lopes	Director (independent) Member of Audit Committee	76	04/06/2008	04/06/2011
António Nogueira Leite	Director (independent)	46	04/06/2008	04/06/2011
Rafael Caldeira Valverde	Director (Independent)	55	04/06/2008	04/06/2011
José Araújo e Silva	Director (independent)	57	04/06/2008	04/06/2011
Jorge Santos	Director (independent)	57	04/06/2008	04/06/2011
Francisco José Queiroz de Barros de Lacerda	Director (independent) Member of Audit Committee	48	04/06/2008	04/06/2011
João Manuel de Mello Franco	Director (independent) Chairperson of Audit Committee	62	04/06/2008	04/06/2011
João Lopes Raimundo	Director (independent)	48	04/06/2008	04/06/2011
Daniel M. Kammen	Director (independent)	46	04/06/2008	04/06/2011

With regard to the situations set forth in Article 414-A(I) of the Company Code, the director António Nogueira Leite holds the position of director with more than five companies.









CORPORATE GOVERNANCE

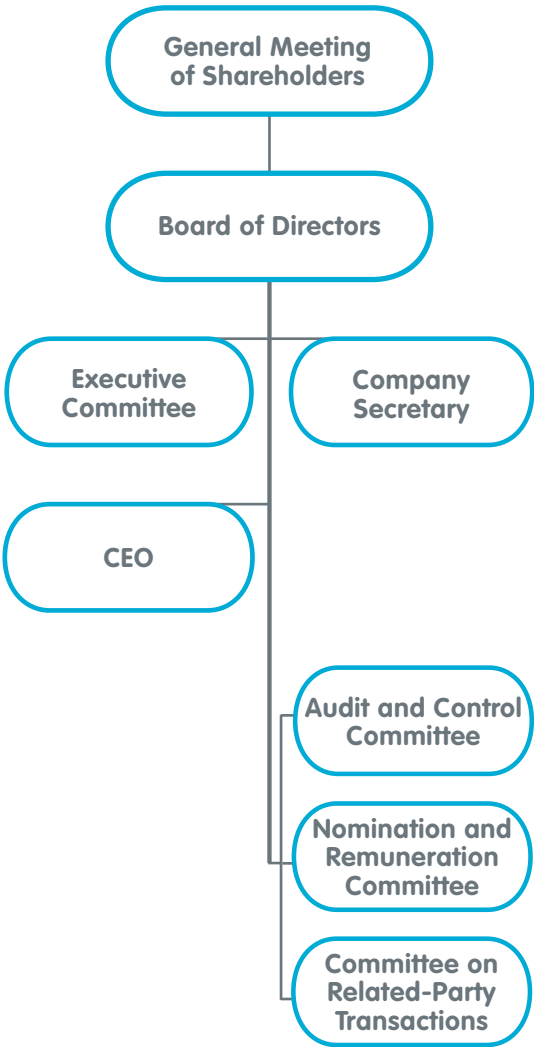
1. CORPORATE GOVERNANCE STRUCTURE

1.1. Model of management and supervision

EDP Renováveis, has adopted the governance structure in effect in Spain. It comprises a General Meeting of Shareholders, which expresses corporate wishes, and a Board of Directors that represents and manages the company.

As required by law and the Articles of Association, the Company's Board of Directors has set up four committees. They are the Executive Committee, the Audit and Control Committee, the Nomination and Remuneration Committee and the Committee on Related-Party Transactions.

The Company's governance structure is shown in the chart below.



The governance model of EDP Renováveis is designed to ensure the transparent, meticulous separation of duties and the specialisation of supervision. The following are the most important bodies in the management and supervision model at EDP Renováveis:

- Board of Directors
- Executive Committee
- Audit and Control Committee
- External auditor

The adoption of this model by EDP Renováveis is intended to adapt the Company's corporate governance to the specificities of Portuguese legislation, due to the fact that Spanish law is its personal law. The governance model adopted by EDP Renováveis therefore seeks, insofar as it is compatible with its personal law, to correspond to the Anglo-Saxon model set forth in the Código das Sociedades Comerciais, in which the management body is a Board of Directors, and supervision and control are the responsibility of an Audit Committee.

The choice of this model is essentially an attempt to establish compatibility between two different systems of company law, which can be considered applicable to the model.

Although EDP Renováveis shares were only admitted to trading on Euronext Lisbon in mid-2008, experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDP Renováveis activity, especially because it affords a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialised Board of Directors committees.

The institutional and functional relationship between the Executive Committee, Audit and Control Committee and the other non-executive members of the Board of Directors has proved very positive and has fostered internal harmony conducive to the development of the company's businesses.

In order to ensure a better understanding by its shareholders of EDP Renováveis corporate governance, the Company posts its updated Articles of Association on [www.edprenovaveis.com](http://www.edprenovaveis.com).

1.2. Corporate Bodies

1.2.1. General Meeting of Shareholders

The General Meeting of Shareholders is the Company’s highest governing body. It is a meeting of shareholders that, when properly convened, has the power to decide and adopt majority decisions on matters that the law and the Articles of Association set forth that it should decide and be submitted for its approval.

The Board of the General Meeting is responsible for organising its proceedings. It is made up of the Chairperson of the Meeting, the Chairperson of the Board of Directors, or his/her substitute, the other Board members and the Secretary of the Board of Directors.

1.2.2. Board of Directors

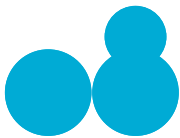
The Board of Directors has the broadest powers for the management and governance of the Company, with no limitations other than the competences expressly allocated exclusively to the General Meeting of Shareholders by law or the Articles of Association.

The structure, competences and functioning of the Board of Directors are described in more detail in point 3.1.

The Board of Directors currently consists of the following fifteen (15) members:

Name	Position	Age	Date of appointment	End of term
António Mexia	Chairman and Director	51	3/18/08	3/18/11
Ana Maria Fernandes	Vice-Chairman, CEO	46	3/18/08	3/18/11
António Martins da Costa	Director	54	3/18/08	3/18/11
Nuno Alves	Director	50	3/18/08	3/18/11
João Manso Neto	Director	50	3/18/08	3/18/11
José Silva Lopes*	Director (independent)	76	6/4/08	6/4/11
António Nogueira Leite*	Director (independent)	46	6/4/08	6/4/11
Rafael Caldeira Valverde*	Director (independent)	55	6/4/08	6/4/11
José Araújo e Silva*	Director (independent)	57	6/4/08	6/4/11
Manuel Menéndez Menéndez*	Director	49	6/4/08	6/4/11
Jorge Santos*	Director (independent)	57	6/4/08	6/4/11
Francisco José Queiroz de Barros de Lacerda*	Director (independent)	48	6/4/08	6/4/11
João Manuel de Mello Franco*	Director (independent)	62	6/4/08	6/4/11
João Lopes Raimundo*	Director (independent)	48	6/4/08	6/4/11
Daniel M. Kammen*	Director (independent)	46	6/4/08	6/4/11

\* Appointed in agreements adopted by the General Meeting of Edp Renováveis, S.A. on 14 May 2008, to take office as members of the Board of Directors on 4 June 2008



CORPORATE GOVERNANCE

The positions held by the members of the Board in the last five (5) years, those that they currently hold and positions in Group and non-Group companies are listed in Annexes I, II and III, respectively. Annex IV also gives a brief description of the Board members’ professional and academic careers.

Finally, the shares of EDP Renováveis owned by each Board member are described in the table in Annex V.

1.2.3. Chairperson and Vice-Chairperson of the Board

The Chairperson of the Board is the Chairperson of the Company and fully represents it, using the company name, implementing decisions of the General Meeting, Board of Directors and the Executive Committee.

Without prejudice to the powers of the Chairperson under the law and Articles of Association, he also has the following powers:

- Convening and presiding over the meetings of the Board of Directors, establishing their agenda and directing discussions and decisions;
- Acting as the Company’s highest representative in dealings with public bodies and any sectoral or management bodies.

The Chairperson of the Board is appointed by the members of the Board of Directors, unless this is done by the General Meeting. The current Chairperson was appointed on 18 March 2008.

Chairman of the Board

António Mexia

It is the Vice-Chairperson who replaces the Chairperson when he is unable to attend. The Board may also delegate executive powers to the Vice-Chairperson.

The Vice-Chairperson is appointed by the Board of Directors on the proposal of the Chairperson. The Vice-Chairperson was appointed on 18 March 2008.

Vice-Chairperson

Ana Maria Fernandes

1.2.4. CEO

The Board of Directors may appoint one or more CEOs. CEOs are appointed on the proposal of the Chairperson or two-thirds of the directors. CEOs are appointed with a vote in favour of two-thirds of the directors and must be chosen from among the Board members.

The competences of each CEO are those deemed appropriate in each case by the Board, with the only

requirement being that they are delegable under the law and Articles of Association.

The CEO was appointed on 4 June 2008 and the competences allocated to her include coordination of the implementation of Board and Executive Committee decisions, monitoring, leading and coordinating the management team, representing the company in dealings with third parties and other related duties.

CEO

Ana Maria Fernandes

1.2.5. Company Secretary

The duties of the Company Secretary are those set forth in current laws, the Articles of Association and Board Regulations. In particular, in accordance with the Board Regulations and in addition to those set forth in the Articles of Association, his competences are:

- Assisting the Chairperson in his/her duties;
- Ensuring the smooth operation of the Board and assisting and informing it and its members;
- Safeguarding company documents;
- Describing in the minutes books the proceedings of Board meetings and bearing witness to its decisions;
- Ensuring at all times the formal and material legality of the Board’s actions so that they comply with the Articles of Association and Board Regulations;
- Monitoring and guaranteeing compliance with provisions imposed by regulatory bodies and consideration of their recommendations;
- Acting as secretary to the committees.

The Company Secretary, who is also the General Secretary and Director of the Legal Department at EDP Renováveis, was appointed on 4 December 2007.

Company Secretary

Emílio García-Conde Noriega

1.2.6. Committees

The structure, competences and operation of the Executive Committee, Nomination and Remuneration Committee and the Committee on Related-Party Transactions are described in point 3.2. Nonetheless, the nature of the committees and the names of their members are detailed below.

1.2.6.1. Executive Committee

The Executive Committee is a permanent body to which all competences of the Board of Directors that are delegable under the law and the Articles of Association can be delegated, with the exception of i) election of the Chairperson of the Board of Directors, ii) appointment of directors by cooption, iii) requests to convene or convening of General Meetings, iv) preparation and drafting of the Annual Report and Accounts and submission to the General Meeting, v) change of registered office and vi) drafting and approval of mergers, spin off or transformation of the company.

The committee currently consists of five (5) members, who were appointed on 4 June 2008, plus the Secretary.

Executive Committee	
Chairman	António Mexia
CEO	Ana Maria Fernandes
	António Martins da Costa
	Nuno Alves
	João Manso Neto
Secretary	Emilio García-Conde Noriega

The members of the Executive Committee shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the Executive Committee at any time and the members may resign said positions while still remaining Company directors.

1.2.6.2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a permanent body of a merely informative and advisory nature and its recommendations and reports are not binding.

The Nomination and Remuneration Committee currently consists of three (3) independent members, who were appointed on 4 June 2008, plus the Secretary.

Nomination and Remuneration Committee	
Chairman	Jorge Santos
	João Lopes Raimundo
	Rafael Caldeira Valverde
Secretary	Emilio García-Conde Noriega

None of the committee members are spouses or up to third-degree relatives in direct line of the other members of the Board of Directors.

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

1.2.6.3. Committee on Related-Party Transactions

The Committee on Related-Party Transactions is a body of the Board of Directors.

The committee currently consists of three (3) members, who were appointed on 4 June 2008, plus the Secretary.

Committee on Related-Party Transactions	
Chairman	António Nogueira Leite
	João Manuel de Mello Franco
	João Manso Neto
Secretary	Emilio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

1.3. Audit and Control Committee

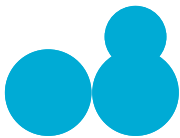
The Audit and Control Committee is a permanent body and performs supervisory tasks independently from the Board of Directors.

The committee currently consists of three (3) members who are independent directors and were appointed on 4 June 2008, plus the Secretary.

Audit and Control Committee	
Chairman	João Manuel de Mello Franco
	José Silva Lopes
	Francisco José Queiroz de Barros de Lacerda
Secretary	Emilio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

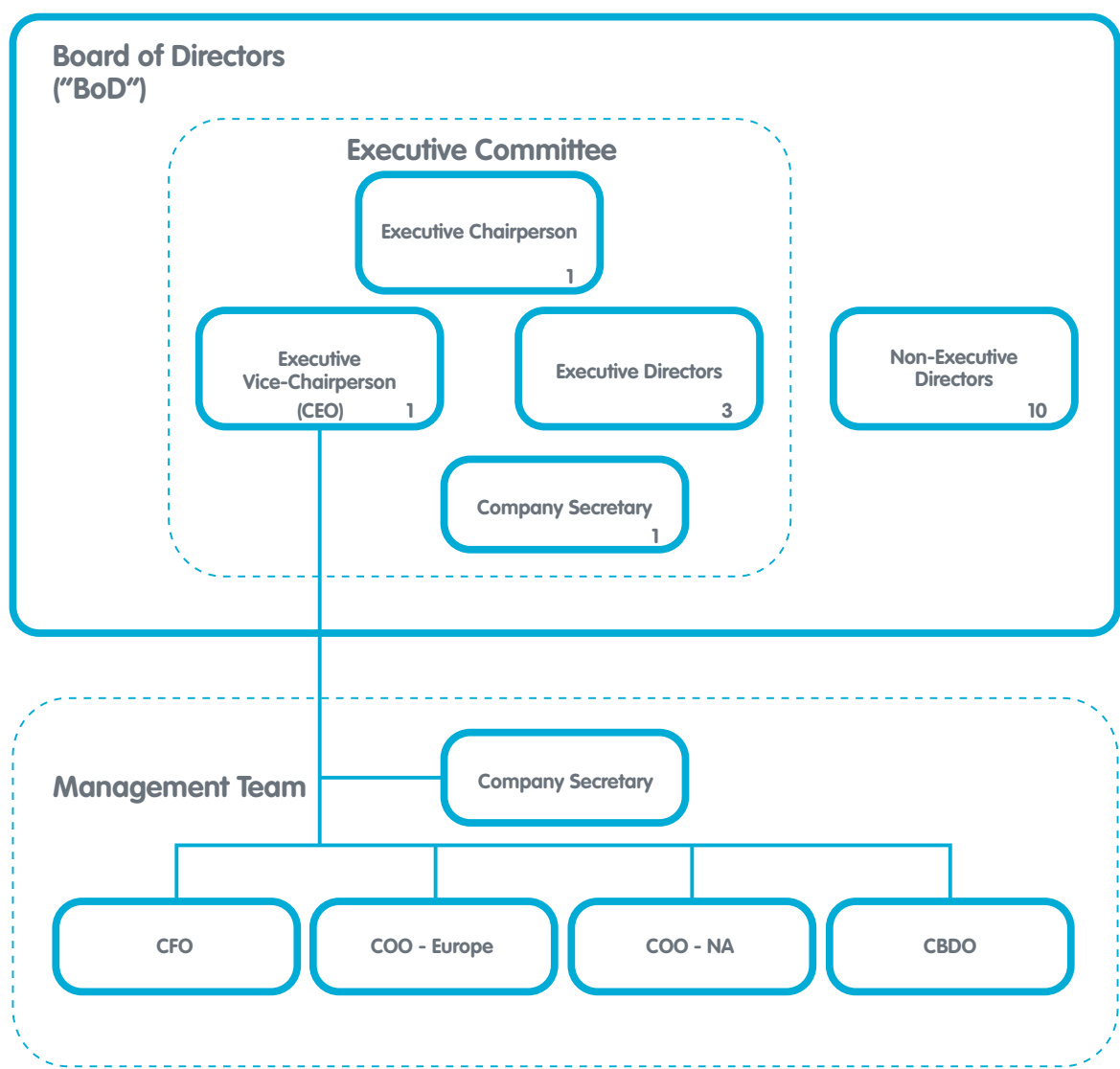
The structure, competences and functioning of the Audit and Control Committee are described in point 3.3.



CORPORATE GOVERNANCE

1.4. Organisation Chart

EDP Renováveis has adopted the following organisation chart for its management:



The EDP Renováveis management team consists of the Chief Executive Officer, four areas of responsibility (Chief Financial Officer, Chief Business Development Officer, Chief Operating Officer for Europe and Chief Operating Officer for North America) and Company Secretary and Legal Counsel. The functions and competences of the management team, with the exception of the Chief Executive Officer, whose functions have already been described and who runs the management team, are as follows:

1.4.1. Chief Financial Officer (Rui Teixeira)

It is the Chief Financial Officer's job:

- To propose and ensure the implementation of the Group's financial policy and management, including (i) negotiating, managing and controlling financing, (ii) optimizing cash management and (iii) proposing financial risk management policy;

- To manage the Group's monthly closing of accounts and profits/losses and compare them to forecasts and the business plan, coordinating the discussion of the business plan and forecast with the Group's business platforms;
- To manage relations with the Group's shareholders, potential investors and market analysts to promote the value of its shares on the capital market;
- To coordinate the Group's procurement and its relations with main suppliers and ensuring the implementation of the Group's procurement strategy and policy.

#### **1.4.2. Chief Business Development Officer (Luís Adão da Fonseca)**

The job of the Chief Business Development Officer is to promote, direct and approve the development of EDP Renováveis business. In line with the strategic plan and in coordination with the other members of the management team, he must increase the value of the group's business portfolio, while watching the potential and risks of markets and new technologies. His teams coordinate and implement new business development initiatives in new countries and are responsible for monitoring and assessing investments in the consolidated platforms in Europe and the United States.

#### **1.4.3. Chief Operating Officer for Europe (João Paulo Costeira)**

It is the job of the Chief Operating Officer for Europe to coordinate the EDP Renováveis European platform in establishing, developing and implementing the EDP Renováveis group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for Europe in accordance with the guidelines set by the Board of Directors of EDP Renováveis, planning, organising and managing resources, controlling, measuring and improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDP Renováveis a leader in the renewable energy sector in Europe.

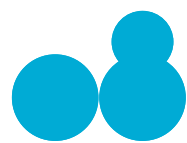
#### **1.4.4. Chief Operating Officer for North America (Gabriel Alonso Imaz)**

The Chief Operating Officer for North America is responsible for coordinating the North American platform of EDP Renováveis in establishing, developing and implementing the EDP Renováveis group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for the United States, in accordance with the guidelines set by the Board of Directors of EDP Renováveis, planning, organising and managing resources, controlling, measuring and

improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDP Renováveis a leader in the renewable energy sector in the United States.

#### **1.4.5. Company Secretary and Legal Counsel (Emilio García-Conde Noriega)**

S/he assists the Board of Directors in its legal, administrative and logistics activities to ensure that it functions effectively, provides legal advice to the group in order to guarantee compliance with applicable legislation, and provides legal support at Board meetings, including the circulation of its decisions.



CORPORATE GOVERNANCE

2. SHAREHOLDER STRUCTURE

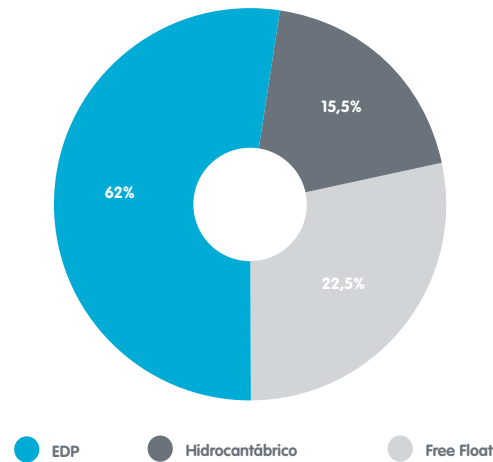
2.1. Capital structure

In 2008, the EDP Renováveis shareholder structure changed significantly after the institutional public offering (IPO) of 196,024,306 shares representing 22.5% of its share capital. As at 31 December 2007, 80% of the share capital of EDP Renováveis was owned by EDP – Energias de Portugal Sucursal Espanha, S.A. (“EDP”) and 20% by Hidroelétrica del Cantábrico, S.A. (Hidrocantábrico), 97% of which is owned by EDP. The initial public offering took place in June 2008 through a share capital increase of 196,024,306 shares and admission to trading at Euronext Lisboa of the 872,308,162 shares of EDP Renováveis, with a face value of € 5.00 each. Following the IPO, the shareholder structure is as follows:

Shareholder structure

31 Dec 2008	No. shares
EDP	541,027,156
Hidrocantábrico	135,256,700
Free float	196,024,306
Total	872,308,162

Shareholder structure – 31 December 2008

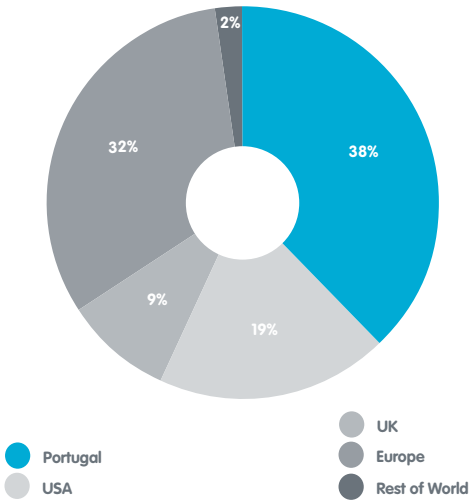


All EDP Renováveis shares are of the same category. Under the Spanish Ley de Sociedades Anónimas, approved by Royal Decree 1564/1989 of 22 December 1989 (hereinafter Public Company Law) and the Articles of Association of EDP Renováveis, the owner of a share becomes a shareholder with all the inherent rights and obligations established in the Public Company Law and articles of association of EDP Renováveis. The most important rights inherent in shares are the right to receive dividends, the right to obtain general information on any matters to be discussed at General Meetings, general rights to attend, voting rights, the right to object to company decisions, pre-emptive rights in share capital increases and the right to participate in the distribution of assets if EDP Renováveis is dissolved.

Free float

In December 2008, EDP Renováveis had around 140,000 institutional and private shareholders in over 50 countries, with special focus on Portugal, the United States, United Kingdom and the rest of Europe. The pie chart below shows the geographical division of the EDP Renováveis free float.

Free float breakdown by geography



2.2. Qualifying shareholdings

Qualifying shareholdings in EDP Renováveis are subject to Spanish law, which regulates the criteria and thresholds of shareholders’ holdings. As at 31 December 2008 no qualifying shareholdings in EDP Renováveis with the exception of EDP and Hidrocantábrico were identified.

2.3. Holders of special rights

EDP Renováveis shares are of a single class and series and have been fully paid up. There are no holders of special rights.

2.4. Restrictions on the transfer of shares

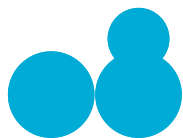
Pursuant to Article 8 of the Company’s Articles of Association, there are no restrictions on the transfer of EDP Renováveis shares.

2.5. Shareholders’ agreements

As far as the Board of Directors of EDP Renováveis knows, there are currently no shareholders’ agreements regarding the Company.







## CORPORATE GOVERNANCE

### 3. MANAGEMENT AND CONTROL SYSTEM

Pursuant to Articles 10 and 19 et seq of the Articles of Association of EDP Renováveis, the Company's managing body is a Board of Directors, and there are four committees stemming from it. They are the Executive Committee, the Audit and Control Committee, the Nomination and Remuneration Committee and the Committee on Related-Party Transactions.

#### 3.1. Structure, competences and functioning of the Board of Directors

##### 3.1.1. Structure

Pursuant to Articles 20 and 21 of the Company's Articles of Association, the Board of Directors shall consist of no fewer than five (5) and no more than seventeen (17) directors. Their term of office shall be three (3) years, and they may be re-elected once or more times for equal periods. The Board of Directors currently consists of fifteen (15) members, whose particulars were indicated in point 1.2.2. above.

##### 3.1.2. Competences

Pursuant to Article 19 of the Company's Articles of Association, the Board of Directors has the broadest powers for the administration, management and governance of the Company, with no limitations other than the responsibilities expressly and exclusively invested in General Meetings in the Company's Articles of Association or applicable law. The Board is therefore expressly empowered to:

- Acquire, for the purpose of encumbrance or profit, assets and properties, rights, shares and holdings convenient to the Company;
- Dispose of, mortgage or encumber assets and properties, rights, shares and holdings of the Company and cancel mortgages and other real rights;
- Negotiate and make as many loans or credit operations as it sees fit;
- Sign and enter into any acts or contracts with public or private entities;
- Bring all civil and criminal suits of all kinds pertaining to the Company and represent it in dealings with officials, authorities, corporations and government, administrative, economic, litigant and judicial courts, civil courts and chambers for social and labour matters of the Supreme Court and higher courts of justice of the autonomous communities, with no limitations, including the Court of Justice of the European Communities, and

in general in dealings with the public administration at all levels and to intervene or promote, pursue and end by all proceedings and instances any processes, judgements and proceedings, to consent to settlements, lodge all classes of appeal, including cassation and other extraordinary actions, to drop cases or settle, make concessions, submit disputes to arbitration, make all kinds of notifications and applications and grant powers to attorneys and other representatives to settle cases, with the authority for the case and those usual in general for lawsuits and special authority to grant and revoke these powers;

- Call General Meetings and submit to their appreciation any proposals that it sees fit;
- Run the Company's affairs and the organisation of its work and operations, be informed of the course of company business and operations, decide on the investment of funds, perform extraordinary amortization of bonds in circulation and do anything it sees fit for the best pursuit of the Company's object;
- Freely appoint and discharge directors and all technical and administrative personnel at the Company and indicate their duties and remuneration;
- Agree to changes in registered office within the same municipality;
- Constitute and endow under the law all kinds of legal person, contribute and transfer all classes of goods and rights and enter into concentration and cooperation agreements, associations, groupings and temporary unions of companies or businesses and community property and agree upon their alteration, conversion and closure;
- Perform any other acts expressly assigned to it by the Articles of Association or applicable law. This list is not limitative and only indicative in nature.

Regarding decisions to increase the share capital, the Board of Directors, by delegation from the General Meeting, may decide to increase the share capital once or several times. This delegation, which may be the subject of replacement, can include the power to demand a pre-emptive right in the issue of shares that are the subject of delegation and with the requirements established by law.

On the other hand, the General Meeting may also delegate to the Board of Directors the power to implement an adopted decision to increase the share capital, indicating the date or dates of its implementation and establishing any other conditions that have not been specified by the General Meeting. This delegation may be the subject of replacement. The Board of Directors may use this

delegation wholly or in part and may also decide not to perform it in consideration of the conditions of the Company, the market or any particularly relevant events or circumstances that justify said decision, of which the General Meeting must be informed at the end of the time limit or limits for performing it.

### 3.1.3. Functioning

In addition to the Articles of Association and the law, the Board of Directors is governed by the regulations approved on 13 May 2008. The regulations on the functioning of the Board are available to Company shareholders on the website [www.edprenovaveis.com](http://www.edprenovaveis.com).

The Board of Directors must meet at least four (4) times a year, preferably once a quarter. Nonetheless, the Chairperson, on his own initiative or that of three (3) directors, shall convene a Board meeting whenever he deems it in the Company's interest. The Board of Directors held seventeen (17) meetings during the year ended on 31 December 2008.

Meetings are convened by the Chairperson, who may order the Secretary to send the invitations. Invitations shall be sent at least five (5) days prior to the date of the meeting. On exception, when the circumstances so require, the Chairperson may call a meeting of the Board without respecting the required advance notice.

The meetings of the Board are valid if half of the directors plus one are present or represented. Directors shall attend Board meetings personally and, on exception, if they are unable to do so, they shall delegate their representation in writing to another Board member. Without prejudice to the above, the Board of Directors shall be deemed to have been validly convened, with no need for an invitation, if all the directors present or represented agree unanimously to hold the meeting as universal and accept the agenda to be dealt with at it.

Decisions are adopted by absolute majority among those present. Each director present or represented has one vote and the Chairperson has the casting vote in the event of a tie.

In order for the non-executive directors to be able to decide independently and be informed, Articles 22, 24 and 25 of the Board regulations established the following mechanisms:

- Invitations to meetings shall include the agenda, albeit provisional, of the meeting and be accompanied by relevant available information or documentation;
- The directors have the broadest powers to obtain information on any aspect of the Company, to examine its books, records, documents and other registers of the

Company's operations. In order to prevent distortions in the Company management, the exercise of the powers to obtain information shall be channelled through the Chairperson or Secretary of the Board of Directors;

- Any director may request the hiring, on the Company's account, of legal advisers, accountants, financial or commercial specialists or other experts. The performance of the job must necessarily relate to concrete problems of a certain importance and complexity. Requests to hire experts shall be channelled through the Chairperson or Secretary of the Board of Directors, who shall be subject to the approval of the Board of Directors.

Thanks to the mechanisms set forth in the regulations, non-executive directors have encountered no difficulties in performing their duties.

In 2008, the non-executive directors were involved in the governance of EDP Renováveis not only by participating in meetings of the Board of Directors, where they gave their opinions on different company matters, made any suggestions they saw fit and took decisions on matters submitted to them, but also by working on the Nomination and Remuneration Committee, Committee on Related-Party Transactions and Audit and Control Committee, where all the members are non-executive, with the exception of the Committee on Related-Party Transactions, which has one executive director.

In 2008, several meetings were held with the non-executive directors in order to provide them with specific information on Company activities. The following workshops were held in September and October:

- Two at the Control and Operation Centre in Oporto;
- One on international strategy in Lisbon;
- One on strategy and finance in the United States, which was signed in Lisbon.

## 3.2. Structure, competences and functioning of committees

### 3.2.1. Executive Committee

#### 3.2.1.1. Structure

Pursuant to Article 27 of the Company's Articles of Association, the Executive Committee shall consist of no fewer than three (3) and no more than six (6) directors. The committee currently consists of the members indicated in point 1.2.6.1.





CORPORATE GOVERNANCE

Its creation, the appointment of its members and the extension of the powers delegated must be approved by two-thirds (2/3) of the members of the Board of Directors.

3.2.1.2. Competences

The Executive Committee is a permanent body. It has currently been delegated all the Board of Directors' powers that are delegable under the law and the articles of association legal, with the exception of: i) election of the Chairperson of the Board of Directors, ii) appointment of directors by cooption, iii) requests to convene or convening of General Meetings, iv) preparation and drafting of the Annual Report and Accounts and submission to the General Meeting, v) change of registered office and vi) drafting and approval of mergers, spin off or transformation of the company.

The Executive Committee members have been delegated all the powers of representation of the Company so that any of its members can act jointly in the name and on behalf of the Company.

3.2.1.3. Functioning

In addition to the Articles of Association, this committee is also governed by the regulations approved on 4 June 2008 and also by the Board Regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The Executive Committee shall meet at least once a month and whenever deemed appropriate by its Chairperson, who may also suspend or postpone meetings when he sees fit. The Executive Committee shall also meet when requested by at least two (2) of its members. The Executive Committee held eleven (11) meetings during the year ended on 31 December 2008.

The Executive Committee shall draft minutes for each of the meetings held and shall inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The Chairperson of the Executive Committee, who is currently also the Chairperson of the Board of Directors, shall send the Chairperson of the Audit and Control Committee invitations to the Executive Committee meetings and the minutes of said meetings.

Meetings of the Executive Committee shall be valid if half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. In the event of a tie, the Chairperson shall have the casting vote.

Executive directors shall provide any clarifications needed by the other corporate bodies whenever requested to do so.

3.2.2. Appointments and Remunerations Committee

3.2.2.1. Structure

Pursuant to Article 29 of the Company's Articles of Association, the Appointments and Remunerations Committee shall consist of no fewer than three (3) and no more than six (6) directors. At least one of its members must be independent and shall be the Chairperson of the committee.

The members of the committee should also not be members of the Executive Committee. The committee currently consists of the members indicated in point 1.2.6.2 and are all independent directors.

The Appointments and Remunerations Committee is made up of independent members of the Board of Directors, in compliance with Recommendation 44 of the Unified Code of Good Governance approved by decision of the Board of the Spanish Securities Committee (hereinafter the CNMV), as amended by CNMV Circular 4/2007 of 27 December, which lays down that the Appointments and Remunerations Committee must be entirely made up of external directors numbering no fewer than three (3). As it is made up of independent directors (in Spain the committee may only be comprised of directors) it complies as completely as possible with the recommendation indicated in point II.5.2 of the Portuguese Code of Corporate Governance.

3.2.2.2. Competences

The Appointments and Remunerations Committee is a permanent body of a merely informative and advisory nature and its recommendations and reports are not binding.

The Appointments and Remunerations Committee has no executive functions. The main functions of the Appointments and Remunerations Committee are to assist and report to the Board of Directors about appointments (including by cooption), re-elections, dismissals and remunerations of the Board and its positions, about the composition of the Board and the appointment, remuneration and dismissal of senior management personnel. The Appointments and Remunerations Committee shall also inform the Board of Directors on general remuneration policy and incentives to them and senior management. These functions include the following:

- To define the principles and criteria regarding the membership of the Board of Directors and the selection and appointment of its members;

- To propose the appointment and re-election of directors when they should be done by co-option or in any case for their submission to the General Meeting by the Board;
- To propose members of the different committees to the Board of Directors;
- Within the provisions of the Articles of Association, to propose to the Board the system, distribution and amount of remuneration of the directors and, if applicable, propose to the Board the terms of the directors' contracts;
- To inform and, if applicable, propose to the Board of Directors the appointment and/or dismissal of senior managers and the terms of their contracts and, in general, define senior management hiring and remuneration policies;
- To revise and report on incentive plans, pension supplements and remuneration programmes;
- To evaluate the members of the Executive Committee with a view to establishing individual remuneration proposals for each of its members;
- To evaluate the overall performance of the Board of Directors, on the basis of its own performance and that of its committees;
- To perform any other functions assigned to it by the Articles of Association or the Board of Directors.

### 3.2.2.3. Functioning

In addition to the articles of association, the Appointments and Remunerations Committee is governed by the Regulations approved on 4 June 2008 and also by the Board regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

This committee shall meet at least once every quarter and also whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the deciding vote in the event of a tie.

### 3.2.2.4. Activity in 2008

In 2008 the Appointments and Remunerations Committee held four (4) meetings. The main proposals made by the Committee during the year were:

- Recommending a remuneration policy aimed at reinforcing the variable component of the remuneration of the Board of Directors in order to guarantee alignment of the Board's work with shareholders' interests and fulfilment of commitments made when admitted to trading;
- Fixed remuneration of members of the Board of Directors;
- Maintaining the multi-annual component of the remuneration of the Executive Committee members and establishing a multi-annual component for the structure of EDP Renováveis;
- Maintaining the same remuneration in 2009 as in 2008 in annual terms with regard to fixed and variable remuneration.

### 3.2.3. Related Party Transactions Committee

#### 3.2.3.1. Structure

Pursuant to Article 30 of the Articles of Association, the Board may set up other committees, such as the Related Party Transactions Committee. This committee shall consist of no fewer than three (3) members. The majority of the members of the Related Party Transactions Committee shall be independent.

Members of the Related Party Transactions Committee shall be considered independent if they can perform their duties without being conditioned by relations with EDP Renováveis, its majority shareholders or its directors and, if this is the case, meet the other requirements of applicable legislation.

The committee currently consists of the members indicated in point 1.2.6.3.

#### 3.2.3.2. Competences

The Related Party Transactions Committee is a body belonging to the Board of Directors and performs the following duties, without prejudice to others that the Board may assign to it:

- Periodically informing the Company's Board of Directors of business and legal relations to be established between EDP or related parties and EDP Renováveis or related parties;



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- To submit for annual approval the Company's results in terms of compliance of business and legal relations between the EDP Group and the EDP Renováveis Group and operations between related parties performed during the year in question;
- Ratifying, within the deadlines of meeting the needs of each particular case, operations between EDP and/or its related parties with EDP Renováveis, and/or its related parties, whenever the value of an operation is higher than € 5.000.000 or represents 0.3% of the consolidated annual revenue of the EDP Renováveis Group in the preceding year;
- Ratifying any amendments to the framework agreement signed by EDP and EDP Renováveis on 7 May 2008;
- Submitting recommendations to the Company's Board of Directors or the Executive Committee on operations between EDP Renováveis and its related parties and EDP and its related parties;
- Asking EDP for access to information required to perform its duties.

Should the Related Party Transactions Committee not ratify business or legal relations between EDP or its related parties and EDP Renováveis and its related parties, said relations shall require the approval of two-thirds (2/3) of the members of the Board of Directors, whenever at least half of the members proposed by entities other than EDP, including independent directors, vote in favour, unless, before submission for ratification by the Related Party Transactions Committee, this majority of members has voiced its approval.

The previous paragraphs shall not apply to operations between EDP or its related parties and EDP Renováveis or its related parties that have standardised conditions and are applied in the same way, including when the conditions regard price, to different parties related to EDP and EDP Renováveis and their related parties.

### 3.2.3.3. Functioning

In addition to the Articles of Association, the Related Party Transactions Committee is governed by the regulations approved on 4 June 2008 and by the Board Regulations. The committee's regulations are at the shareholders disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes

at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

### 3.2.3.4. Activity in 2008

In 2008, the Related Party Transactions Committee held four (4) meetings. The committee analysed the agreements between EDP Renováveis and companies in the EDP Group that do not belong to the subgroup in which the dominant company is EDP Renováveis submitted for its consideration.

The committee revised, approved and proposed to the Board of Directors the approval of all agreements and contracts between related parties submitted for its consideration. Regarding the framework agreement between EDP and EDP Renováveis, the contents of which are described in point 3.6 of this report, the Company Secretary was asked to give an opinion on the compliance of the agreement with the Articles of Association. His opinion was that it did.

Point 3.6 of this report includes a description of the fundamental aspects of the agreements and contracts between related parties the object of which does not pertain to the ordinary course of EDP Renováveis business.

## 3.3. Audit and Control Committee

### 3.3.1. Structure

Pursuant to Article 28 of the Articles of Association, the Audit and Control Committee consists of no fewer than three (3) and no more than five (5) directors. The majority of the members shall be independent directors. The committee currently consists of the members indicated in point 1.3.

### 3.3.2. Competences

The Audit and Control Committee is a permanent body and performs independent supervision of the work of the Board of Directors. The competences of the Audit and Control Committee are as follows:

- Informing General Meetings, through its Chairperson, on matters regarding its competences;
- Proposing to the Board of Directors for submission to the General Meeting the appointment of Company Auditors and the terms of their hiring, scope of their work and revocation and renewal of their contracts;

- Supervising internal auditing activities;
- Monitoring financial reporting, internal control systems and risk management;
- Drafting an annual report on its supervisory duties and giving its opinion on the annual report, accounts and proposals submitted by the Board of Directors;
- Receiving whistle-blowing reports on financial and accounting matters made by Company employees or shareholders;
- Hiring experts to collaborate with any of the committee members in their duties, in which case contracts and remuneration of said experts shall take into account the importance of the matters assigned to them and the Company's economic situation;
- Keeping up relations with the auditors on questions that may jeopardise their independence and any others related to the auditing process and receiving and keeping information on any other matters set forth in audit legislation and auditing standards in effect at any given time;
- Writing reports at the request of the Board and its committees;
- Reflecting on the governance system adopted by EDP Renováveis in order to identify areas for improvement;
- Dealing with any other matters assigned to it by the Board of Directors or the Articles of Association.

### 3.3.3. Functioning

In addition to the Articles of Association and the law, this committee is governed by the regulations approved on 4 June 2008 and also by the Board regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit. In 2008, the Audit and Control Committee met eleven (11) times not only to monitor the closure of quarterly accounts in the first half-year but also to familiarise itself with the preparation and disclosure of financial information, internal audit, internal control and risk management activities.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of the Audit and Control Committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

### 3.3.4. Activity in 2008

In 2008, the Audit Committee's activities included the following: (i) assessment of its own draft internal regulations, (ii) analysis of relevant rules to which the committee is subject in Portugal and Spain, (iii) appraisal of the independence and responsibilities of the external auditor for his/her duties, (iv) assessment of the external auditor's work, (v) supervision of the quality and integrity of the financial information in the financial statements and participation in the Executive Committee meeting at which these documents were analysed and discussed, (vi) drafting of an opinion in the individual and consolidated annual reports and accounts, (vii) supervision of the quality, integrity and efficacy of the internal control system, risk management and internal auditing and (viii) reflection on the corporate governance system adopted by EDP Renováveis.

The Audit and Control Committee found no constraints during its control and supervision activities.

A report on the activities of the Audit Committee in the year ended on 31 December 2008 is available to shareholders on [www.edprenovaveis.com](http://www.edprenovaveis.com).

### 3.4. Incompatibility and independence

Following the recommendations of the CMVM, Article 12 of the Board regulations requires at least twenty-five percent (25%) of the Board members to be independent directors, who are considered to be those who can perform their duties without being conditioned by relations with the Company, its significant shareholders or directors and, if applicable, meet the requirements of applicable laws.

In addition, pursuant to Article 23 of the Articles of Association, the following may not be directors:

- People who are directors of or are associated with any competitor of EDP Renováveis and those who are related to the above. A company shall be considered to be a competitor of EDP Renováveis if it is directly or indirectly involved in the generation, storage, transmission, distribution, sale or supply of electricity or combustible gases and also those that have interests opposed to those of EDP Renováveis, a competitor or any of the companies in its Group, and directors, employees, lawyers, consultants or representatives of any of them. Under no circumstances shall companies belonging to the same group as EDP Renováveis, including abroad, be considered competitors;



## CORPORATE GOVERNANCE

- People who are in any other situation of incompatibility or prohibition under the law or Articles of Association. Under Spanish law, people, among others, who are i) aged under eighteen (18) years, (ii) disqualified, (iii) competitors; (iv) convicted of certain offences or (v) hold certain management positions are not allowed to be directors.

### 3.5. Rules of appointment and discharge of members of the Board of Directors and Audit and Control Committee

Each member of the Board of Directors is appointed by majority of the General Meeting for an initial period of three (3) years and may be re-elected once or more times for further periods of three (3) years. Nonetheless, pursuant to Article 23 of the Articles of Association and 137 of the Public Company Law, shareholders so wishing may group their shares until they constitute an amount of capital equal to or higher than the result of dividing it by the number of Board members and appoint those that, using only whole fractions, are deducted from the corresponding proportion. Those making use of this power cannot intervene in the appointment of the other members of the Board of Directors.

Given that the directors do not have to be elected on the same date, if there is a vacancy, pursuant to Article 23 of the Articles of Association and 137 of the Public Company Law, the Board of Directors may co-opt people from the shareholders, who will occupy the position until the first General Meeting, which shall ratify the co-opted director. Pursuant to Article 139 of the Public Company Law, the co-option of directors, as for other Board decisions, must be approved by absolute majority of the directors at the meeting.

Pursuant to Article 28 of the Articles of Association, the members of the Audit and Control Committee are appointed by the Board of Directors. The term of office of the members of the Audit and Control Committee is the same as their term as directors. The committee members, the majority of whom must be independent, can be re-elected and discharged by the Board of Directors at any time. The term of office of the Chairperson of the Audit Committee is three (3) years, after which he may only be re-elected for a new term of three (3) years. Nonetheless, chairmen leaving the committee may continue as members of the Audit and Control Committee.

### 3.6. Business between the Company and members of the company's governing bodies or Group companies

EDP Renováveis has signed no contracts with the members of the corporate bodies at the close of 2008.

Regarding related party transactions, EDP Renováveis and/or its subsidiaries have signed the contracts detailed below with EDP – Energias de Portugal, S.A. (hereinafter, EDP) or other members of its group not belonging to the EDP Renováveis subgroup.

#### 3.6.1. Framework agreement

The framework agreement was signed by EDP and EDP Renováveis on 7 May 2008 and came into effect when the latter was admitted to trading. The purpose of the framework agreement is to set out the principles and rules governing the legal and business relations existing when it came into effect and those entered into subsequently.

The framework agreement establishes that neither EDP, nor the EDP Group companies other than EDP Renováveis and its subsidiaries can engage in activities in the field of renewable energies without the consent of EDP Renováveis. EDP Renováveis shall have the world exclusive, with the exception of Brazil, where it shall engage in them jointly with EDP – Energias do Brasil, S.A., for the development, construction, exploitation, operation and maintenance of facilities or activities related to wind, solar, wave and/or tidal power and other renewable energy generation technologies that may be developed in the future. Nonetheless, the agreement excludes technologies being developed in hydroelectric power, biomass, cogeneration and waste in Portugal and Spain.

The framework agreement provides for the creation of a Related Party Transactions Committee to minimize conflicts of interest.

Finally, it lays down the obligation to provide EDP with any information that it may request from EDP Renováveis to fulfil its legal obligations and prepare the EDP Group's consolidated accounts.

The framework agreement shall remain in effect for as long as EDP directly or indirectly owns more than 50% of the share capital of EDP Renováveis or appoints more than 50% of its directors.

#### 3.6.2. Executive Management Services Agreement

On 4 November 2008 EDP and EDP Renováveis signed an Executive Management Services Agreement.

The object of the contract is the provision by EDP of management services, including matters related to the day-to-day running of the Company. Four people were appointed with the purpose of forming the Company management with the CEO in the Executive Committee.

Under this contract, EDP Renováveis paid to EDP the amount of €485,100 for management services for



a seven-month period in 2008, which includes the remuneration of all the executive directors.

The initial duration of the contract is until 18 March 2011.

### 3.6.3. Finance agreements and guarantees

The finance agreements between EDP and EDP Renováveis, which were approved by the Related Party Transactions Committee at its meeting of 6 October 2008 and ratified by the Board of Directors at its meeting on 9 December 2008, are as follows.

#### 3.6.3.1. Loan agreement

EDP Energias de Portugal, Sociedade Anónima, sucursal en España (as the lender) signed a framework loan agreement with EDP Renováveis (as the borrower), which was ratified by the Board of Directors on 9 December 2008. Its object is capital investments, project finance and general objectives of the company.

Each loan requested under this agreement shall specify what it will be used for, the amount and repayment times. The type of interest applicable to loan agreements will be 10-year Mid Swap plus a differential of 2.85% a year.

Under this agreement, a loan agreement was signed on 30 December 2008 for \$ 500,000,000 falling due on 30 December 2018, its object being the finance of EDP Renováveis capital investments.

In addition, prior to the signing of the framework agreement, on 28 November 2008 a loan agreement was signed by the same parties for \$ 1.450.000.000, falling due on 28 November 2018, type of interest 10-year Mid Swap plus a differential of 1.25% a year. Its object is the finance of EDP Renováveis capital investments.

#### 3.6.3.2. Counter-guarantee agreement

A counter-guarantee agreement was signed, under which EDP or EDP Energias de Portugal Sociedade Anónima, sucursal en España (hereinafter guarantor) undertakes with regard to EDP Renováveis, Nuevas Energias de Occidente, SL (hereinafter EDPR EU) and Horizon Wind Energy LLC (hereinafter EDPR NA) to provide corporate guarantees or request the issue of bank guarantees, on the terms and conditions requested by the subsidiaries, which have been approved case by case by the EDP Executive Board.

EDP Renováveis will be jointly liable for compliance by EDPR EU and EDPR NA.

The subsidiaries of EDP Renováveis undertake to indemnify the guarantor for any losses or liabilities resulting from the guarantees provided under the agreement and to pay an

annual fee of 0.5% in the case of bank guarantees and 0.25% in the case of corporate guarantees on the amount guaranteed. Nonetheless, certain guarantees issued prior to the date of approval of these agreements have different conditions.

The agreement may be terminated (i) by any party at any time, whenever there are no guarantees in effect, or (ii) if any of the subsidiaries ceases to be controlled by the guarantor with regard to the guarantees provided to said subsidiary.

#### 3.6.3.3. Current account agreement

EDP Energias de Portugal, Sociedade Anónima, sucursal en España (hereinafter EDP Sucursal) and EDP Renováveis signed an agreement on a mandate from EDP Renováveis to EDP Sucursal to manage its cash accounts. The agreement also regulates a current account between EDP Sucursal and EDP Renováveis, with the following types of interest:

- If EDP Renováveis finances EDP Sucursal, the interest will be one-month Euribor.
- If EDP Sucursal finances EDP Renováveis, the interest will be one-month Euribor plus 0.5% per year.

The duration of the agreement is one year as of date of signing and it is renewable tacitly for equal periods.

#### 3.6.3.4. Financing agreements

On 29 and 31 December 2008, EDP Renováveis, as the lender, and EDP Finance BV (hereinafter EDP BV), as the borrower, entered into two finance agreements due on 5 January 2009 at one-day Euribor with a differential of 0.1%.

The first of the financing agreements totalled € 53,025,042.50 at 2.618% interest. The second was € 30,000,000 at 1.85% interest.

#### 3.6.4. Trademark licensing agreement

On 14 May 2008, EDP and EDP Renováveis signed an agreement under which the former granted to the latter a non-exclusive license for the trademark “EDP Renováveis” for use in the renewable energy market and related activities.

In return for the granting of the trademark license, EDP Renováveis will pay to EDP fees calculated on the basis of the proportion of the costs pertaining to the former in the Group’s annual budget for image and trademark services, which are subject to annual review. The fee established for 2008 was € 1.5 million.



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The licence is granted indefinitely and shall remain in effect until the expiry of EDP's legal ownership of the trademark or until EDP ceases to hold the majority of the capital or does not appoint the majority of directors of EDP Renováveis. EDP may also terminate the agreement in case of non-payment or breach of contract.

The licensing agreement is restricted by the terms of the framework agreement.

### 3.6.5. Consultancy service agreement

On 4 June 2008, EDP and EDP Renováveis signed a consultancy service agreement.

The object of the agreement is the provision by EDP to EDP Renováveis, through EDP Sucursal, of consultancy services in the areas of legal services, internal control systems, financial reporting, taxation, sustainability, regulation and competition, risk management, customer relations and financial management and operational consultancy in the areas of human resources, human resource management, information systems, brand and communication, energy planning, accounting, corporate marketing and organisation.

The price of the agreement is calculated as the cost incurred by EDP plus a margin. For the first year, it was fixed at 8% by an independent expert on the basis of market research. For 2008 the estimated cost of these services is € 2,021,724.

The duration of the agreement is one (1) year tacitly renewable for equal periods.

### 3.6.6. Research and development agreement

On 13 May 2008, EDP Inovação, S.A. (hereinafter EDP Inovação), an EDP Group company, and EDP Renováveis signed an agreement regulating relations between the two companies regarding projects in the field of renewable energies (hereinafter the R&D Agreement).

The object of the R&D Agreement is to prevent conflicts of interest and foster the exchange of knowledge between companies and the establishment of legal and business relationships. The agreement forbids EDP Group companies other than EDP Inovação to undertake or invest in companies that undertake the renewable energy projects described in the agreement.

The R&D Agreement establishes an exclusive right on the part of EDP Inovação to projects to develop new renewable energy technologies that are already in the pilot or economic and/or commercial feasibility study phase, whenever EDP exercises its option to undertake them.

The agreement shall remain in effect for as long as EDP directly or indirectly maintains control of more than 50% of both companies or appoints the majority of the members of the Board and Executive Committee of the parties to the agreement.

### 3.6.7. Management support service agreement between Hidroeléctrica del Cantábrico, S.A. and EDPR EU

On 1 January 2006, Hidroeléctrica del Cantábrico, S.A. (hereinafter HC), an EDP Group company, and EDPR EU, the leading company in the European platform of the EDP Renováveis subgroup, signed a management support service agreement.

The object of the agreement is the provision by HC to EDPR EU of tax, legal management, human resource management, occupational health and safety, system support, environment and auditing advisory services.

The remuneration paid to HC by EDPR EU in the form of fees for management support services in the year ended on 31 December 2008 was € 1,588,000.

The duration of the agreement is five (5) years from date of signing. It shall be tacitly renewed for periods of one (1) year whenever neither party renounces it fifteen (15) days in advance of its initial expiry or any of its extensions.

### 3.6.8. Management support service agreement between Enernova – Novas Energias, S.A. and EDP Valor – Gestão Integrada de Recursos, S.A.

On 1 January 2003, Enernova – Novas Energias, S.A. (hereinafter Enernova), leader of the EDP Renováveis subgroup in Portugal, and EDP Valor – Gestão Integrada de Recursos, S.A. (hereinafter EDP Valor), an EDP Group company, signed a management support service agreement.

The object of the agreement is the provision to Enernova by EDP Valor of services in the areas of procurement, economic and financial management, fleet management, property management and maintenance, insurance, occupational health and safety and human resource management and training.

The remuneration paid to EDP Valor by Enernova and its subsidiaries for the services provided in 2008 totalled € 623,451.50.

The initial duration of the agreement was five (5) years from date of signing and it was tacitly renewed for a new period of five (5) years on 1 January 2008.

Either party may renounce the contract with one (1) year's notice.

### 3.7. Internal control systems and risk management

#### 3.7.1. Internal financial information control system

In harmony with the EDP Group’s objectives and strategy, reinforced by the admission to training of EDP Renováveis, the EDP Renováveis Group decided to set up a voluntary internal financial reporting control system abiding by international standards in order to promote the reinforcement of controls to ensure the reliability and integrity of financial information.

The activities on the European platform began in late 2007. The Control System of Finance Report (hereinafter SCIRF) was implemented in 2008 following several lines of action:

- Survey of agreement with a scope agreed upon with the Group;
- Revision of these processes in the evaluation phase and test of effectiveness of controls identified;
- Optimization, update and extension of processes, following developments in business activity.

A reputed international entity collaborated within the European Platform.

In addition, in 2008 the first phase of the implementation of the system took place on the North American Platform (EDPR NA). This phase also received the support of a specialised consultant and consisted of a survey of controls in the three main areas of the model, the first two of which follow the COSO benchmark and the last the COBIT:

- Controls associated with entity level controls;
- Controls of processes identified in the scope;
- General controls related to information technologies.

The EDP Renováveis Internal Audit Department is responsible for the SCIRF. Its functions include the implementation, monitoring and improvement of the system to ensure the reliability and integrity of financial information.

#### 3.7.2. Internal business risk detection system

##### 3.7.2.1. Key risks

The main risks and uncertainties that can affect the operation performance of EDP Renováveis are the following:

#### A. Risks relating to the renewable energy industry

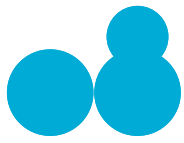
EDP Renováveis business is focused on the production of electricity from renewable energy sources. The amount of energy generated by and the profitability of wind farms are dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at wind farms would decline.

Variation and fluctuations in wind conditions at wind farms may result in seasonal and other fluctuations in the amount of electricity that is generated and consequently the results of operations. Furthermore, a sustained decline in wind conditions could lead to reductions in operational efficiency, energy production and profitability.

#### B. Exposure to market electricity prices risk and to financial markets

Remuneration for electricity sold by EDP Renováveis wind farms depends, at least in part, on market prices for electricity. Market prices may be volatile as they are affected by various factors, including the cost of fuels, average rainfall levels, the cost of power plant construction, the technological mix of installed generation capacity and user demand. Therefore, a decline in market prices below anticipated levels could have a material adverse effect on EDP Renováveis business, financial condition or results of operations. EDP Renováveis currently uses various financial and commodity hedging instruments in order to reduce the exposure to fluctuating electricity prices. However, it may not be possible to successfully hedge the exposures or the company may face other difficulties in executing the hedging strategy.

EDP Renováveis is also exposed to fluctuations in interest rates through the financing, in particular, shareholder loans from the EDP Group and financing from institutional investors in connection with its Partnerships Structures in the case of the U.S. operations, as well as project financing and third party loans from entities outside the EDP Group. This risk can be mitigated using hedging instruments, including interest rate swaps, but it cannot be guaranteed that the hedging efforts will operate successfully. Finally, currency fluctuations may also have a material adverse effect on the financial condition and results of operations. EDP Renováveis may attempt to hedge against currency fluctuations risks by matching revenue and costs in the same currency, as well as by using various hedging instruments, including forward foreign exchange contracts. However, there can be no assurance that the company’s efforts to mitigate the effects of currency exchange rate fluctuations will be successful.



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C. Risks related to increases in capital costs

The capital investment required to develop and build a wind farm is very high and generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipments and/or civil construction works may increase, or continue to increase as in the case of turbines, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipments increases.

D. Regulatory risks

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which EDP Renováveis operates provide various types of incentives that support the sale of energy generated from renewable sources.

Support for renewable energy sources has been strong in previous years, and both the European Union and various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, it cannot be guaranteed that support will be maintained or that the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources.

E. Permitting risks

Wind farms are subject to strict international, national, state, regional and local regulations relating to the development, construction, licensing and operation of power plants. Among other things, these regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions. If the relevant authorities in the jurisdictions in which EDP Renováveis operates fail to continue to support, or reduce their support for the development of wind farms, such actions could have a material adverse effect on the business.

F. Wind turbine supply risk

Wind turbine is a significant part of a wind farm's Capital Expenditures (around 70-80%). The main risks associated to wind turbines are:

- Price risk: this occurs when the supply of wind turbines cannot meet the growing demand, and prices rise sharply, impacting profitability of new wind farms;

- Quantity risk: when no wind turbines are available for the construction of new wind farms.

3.7.2.2. Risk management

In order to cope with the risks associated to its activities, EDP Renováveis has implemented several types of actions or strategies adapted to minimise the mitigation of the relevant types of risks to which it is exposed or benefits from global risk management policies used at the EDP Group level. The business unit responsible for dealing and accompanying the risk management processes is the Risk Management Directory of EDP Renováveis. The risk management of EDP Renováveis concerns the following areas of risk:

A. Risks relating to the renewable energy industry

Variations in wind conditions are due to seasonal fluctuations, and these fluctuations have an impact on the amount of electricity generated. EDP Renováveis mitigates this risk by the geographical diversification of its wind farm in each country. This "portfolio effect" enables to offset wind variations in each area and to keep the total energy generation relatively steady.

B. Electricity prices and financial risks

The businesses of the EDP Renováveis Group are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Financial instruments are used to minimise potential adverse effects resulting from the interest rates and foreign exchange rate risks on its financial performance.

The financial risks are assessed and managed by EDPR, being its execution undertaken by the Financial Department of EDP (following strictly the policies and guidelines mandated by EDPR, under the terms of the outsourcing of management services agreement "Contrato de Prestação Serviços Consultoria" between EDPR and EDP), in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits.

i. Exchange rate risk

The Group operates internationally and is exposed to the exchange rate risk resulting from investments

in subsidiaries whose functional currency is the U.S. dollar. Currently, the exposure to the U.S. dollar/euro currency fluctuation risk results principally from the shareholding in EDPR NA.

EDP Group's Financial Department is responsible for monitoring the evolution of the U.S. dollar, seeking to mitigate the impact of currency fluctuations on the financial results of the Group companies and consequently, on consolidated net profit, using exchange rate derivatives and/or other hedging structures. The policy implemented by the Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

## ii. Interest rate risk

The Group's operating and financial cash flows are substantially independent from the fluctuation in interest rate markets.

The purpose of the interest rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context, the Group contracts interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges through a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest rate risk or upcoming cash flows.

The EDP Renováveis Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 10 years. The EDP Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

## iii. Market price risk

As of December 31, 2008, EDP Renováveis faced limited market price risk. In the case of EDPR NA, most prices are fixed and principally determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDP Renováveis also has an option of selling this electricity through regulated tariffs, guaranteeing minimum prices. In 2008 the company closed a hedge in order to mitigate pool price

fluctuations in Q4 in Spain, which mitigates the risk related to fluctuations in pool prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or determined by long-term power purchase agreements (Brazil, Poland, Romania and Belgium).

## C. Regulatory risk

EDP Renováveis belongs to the most prestigious wind energy associations, both at national and international level. EDP Renováveis is member of "La Asociación Empresarial Eólica" (Spain), "APREN" – Associação Portuguesa de Produtores de Energia Eléctrica de Fontes Renováveis (Portugal), Le Syndicat des Energies Renouvelables (France), ANEV (Italy) and PIGEO (Poland). These associations are important players in the process of promoting the adjustment of regulations to the needs of the renewable energy sector.

## D. Counterparty credit risk

The EDP Renováveis Group policy in terms of the counterparty credit risk on financial transactions is managed by an analysis of the technical capacity, competitiveness, credit notation and exposure to each counterparty. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, it cannot be considered that there is any significant risk of counterparty non-compliance and no collateral is demanded for these transactions.

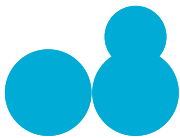
In the specific case of EDPR EU, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. In Europe, main customers are operators and distributors in the energy market of their respective countries

## E. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group strategy to manage liquidity is to ensure, as far as possible, that it will always have significant liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Given the current condition of the debt market, it could be difficult to cover the financial requirements needed to carry out the Group's activities.

The liquidity policy followed ensures compliance with payment obligations acquired, through maintaining sufficient credit facilities and having access to the EDP Group credit facilities.



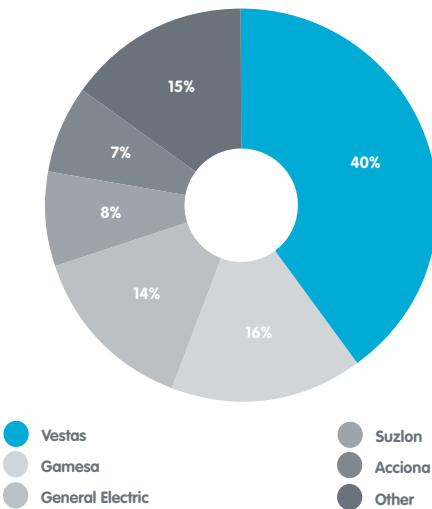
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F. Wind turbine supply risk

The last few years have been marked by the difficulties of the wind turbine industry in catching up with booming demand. In this high growth environment, wind power generators have endured difficulties to secure the supply of wind turbines. In response, EDP Renováveis has shifted from national and project-driven agreements to multi-year frame agreements covering several regions with built in flexibilities. This trend, however, seems to be reversing as turbine demand slows down.

EDP Renováveis uses a mix of turbine suppliers in order to reduce its dependency on any one supplier. At present EDP Renováveis is one of the generators with a more diversified portfolio, with Vestas and Gamesa the most important suppliers. The large range of EDP Renováveis suppliers allows the company to avoid technological risk of each turbine supplier. Additionally, EDP Renováveis has the required size to contract with a large range of suppliers. The following chart represents the share of EDP Renováveis current installed turbines plus contracted ones until 2010.

Turbines portfolio until 2010



EDP Renováveis has been securing its wind turbines by establishing long-term flexible agreements with several major turbine vendors. Framework agreements enabled EDP Renováveis to have turbines available when required, but in the current context, they could prevent the company from capturing a drop in turbine prices, if this occurs. For this reason, EDP Renováveis is renegotiating framework agreements as well as negotiating more flexible agreements for future years.

G. Wind turbine performance risk

EDP Renováveis mitigates wind turbine performance risk by using a mix of toptien suppliers, which minimises technological risk. Additionally, wind turbine performance risk is reduced by signing strict and thorough O&M contracts with suppliers, usually for a 5-year period. Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimal. The availability and the power curve of each turbine is adequately guaranteed with "liquidated damages" clauses that establish penalties to be paid by the supplier when the minimum availability is not met (usually 95 or 97%) or the power curve is not reached. Finally, wind turbine performance risk is also mitigated with an adequate preventive and scheduled maintenance.

3.8. External auditor

The Audit and Control Committee is responsible for proposing to the Board of Directors for submission to the General Meeting the appointment of the Company auditors and the terms of their contracts, scope of their duties and revocation and renewal of their contracts.

The Audit and Control Committee remains in contact with the auditors on matters that may pose a risk to their independence and any other matters related to the auditing of accounts. It also receives and stores information on any other matters provided for in legislation on audits and in auditing standards in effect at any time.

The auditor appointed by EDP Renováveis at the moment is KPMG Auditores S.L.

The Audit and Control Committee assessed the performance of the external auditor in providing the services hired by the Company and made a positive evaluation of their quality, considering that they meet applicable standards and that it is advisable to maintain the same auditor.

The work of the external auditor, including reports and audits of its accounts, was supervised and evaluated in accordance with applicable rules and standards, in particular international auditing standards.

3.9. Whistle-blowing policy

In spite of the fact that EDP Renováveis was recently admitted to trading on the Eurolist by Euronext Lisbon, it has sought to introduce measures to ensure its good governance and that of its companies, including the prevention of improper practices, especially in the fields of accounting and finance.

The Board of Directors of EDP Renováveis therefore decided to provide its employees with a direct, confidential communication channel for them to report any presumed unlawful practices or alleged accounting or financial irregularities occurring in their company. These communications go to the Audit and Control Committee.

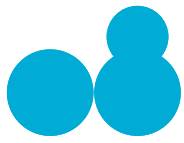
EDP Renováveis creation of this channel for whistle-blowing on irregularities in financial and accounting practices is essentially intended:

- To enable any employee to freely report his/her concerns in these areas to the Audit and Control Committee;
- To facilitate early detection of irregularities that, if they occurred, might cause serious losses to the EDP Renováveis Group and its employees, customers and shareholders.

Contact with the Company's Audit and Control Committee is only possible by email and post, and access to information received is restricted.

Any complaint addressed to the Audit and Control Committee will be kept strictly confidential and the whistle-blower will remain anonymous, provided that this does not prevent the investigation of the complaint. S/he will be assured that the Company will not take any retaliatory or disciplinary action as a result of exercising his/her right to blow the whistle on irregularities, provide information or assist in an investigation.





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### 4. EXERCISE OF SHAREHOLDER' RIGHTS

#### 4.1. Description and competences of the General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest governing body and is a meeting of shareholders that, when properly convened, has the power to deliberate and adopt, by majority, decisions on matters that the law and Articles of Association reserve for its decision and are submitted for its approval. In particular, it is responsible for:

- Appointing and dismissing the directors;
- Appointing the auditors;
- Review of the performance the company management, approving, if applicable, the accounts of the previous financial year and deciding on the appropriation of profits;
- Increasing and reducing the share capital and delegating to the Board of Directors, if applicable, within the legal time limits, the power to set the date or dates, who may use said delegation wholly or in part, or refraining from increasing or reducing the capital in view of the conditions of the market or the Company or any particularly relevant fact or event justifying such a decision in their opinion, reporting it at the first General Meeting of Shareholders held after the end of the time limit for its execution;
- Delegating to the Board of Directors the power to increase the share capital pursuant to Article 153(1)(b) of Royal Legislative Decree 1564/1989 of 22 December, which approves the Revised Text of the Law on Public Limited Companies (Public Company Law);
- Issuing bonds;
- Amending the Articles of Association;
- Dissolving, merging, spin off and transformation the Company;
- Deciding on any matter submitted to it for decision by the Board of Directors, which shall be obliged to call a General Meeting of Shareholders as soon as possible to deliberate and decide on concrete decisions included in this article submitted to it, in the event of relevant facts or circumstances that affect the Company, shareholders or corporate bodies.

The decisions of the General Meeting are binding on all shareholders, including those voting against and those who did not participate in the meeting.

A General Meeting may be ordinary or extraordinary. In either case, it is governed by the law and Articles of Association.

- An Ordinary General Meeting must be held in the first six (6) months of each year to review of the performance the company management, approve the annual report and accounts for the previous year and the proposal for appropriation of profits and approve the consolidated accounts, if appropriate. The General Meeting also decides on any other matters falling within its powers and included on the agenda;
- An Extraordinary General Meeting is any meeting other than that mentioned above.

#### 4.2. Right to attend

All shareholders, irrespective of the number of shares that they own, may attend a General Meeting and take part in its deliberations with right to speak and vote.

In order to exercise their right to attend, shareholders must have their shares registered in their name in the Book Entry Account at least five (5) days in advance of the date of the General Meeting. EDP Renováveis therefore does not even establish the need to block shares as a requirement for shareholders to participate in the General Meeting.

Moreover, although there is no express provision on the matter in the Articles of Association, in the event of the suspension of a General Meeting, EDP Renováveis plans to adopt Recommendation I.2.2 of the Corporate Governance Code and not require the blocking of shares more than five days in advance.

Any shareholder with the right to attend may send a representative to a General Meeting, even if this person is not a shareholder. Power of attorney is revocable. The Board of Directors may require shareholders' power of attorney to be in the Company's possession at least two (2) days in advance, indicating the name of the representative.

Power of attorney shall be specific to each General Meeting, in writing or by remote means of communication, such as post.

#### 4.3. Voting and voting rights

Each share entitles its holder to one vote.

Shares issued without this right do not have voting rights, with exception of cases set forth by current legislation.

There is no employee share-owning system at EDP Renováveis and so no relevant control mechanisms



on the exercise of voting rights by employees or their representatives have been set up.

#### **4.4. Mail and electronic communication votes**

Shareholders may vote on points on the agenda, relating to any matters of the Shareholder's competence, by mail or electronic communication. It is essential for their validity that they be received by the company by midnight of the day before the date scheduled for the first calling to order of the General Meeting.

Votes by mail shall be sent in writing to the place indicated on the invitation to the meeting accompanied by the documentation indicated in the Shareholder's Guide.

In order to vote by electronic communication, shareholders must express this intention to the Chairperson of the General Meeting of the in the form indicated in the invitation to the meeting, sufficient time in advance to permit the vote within the established time limit. They will then receive a letter containing a password for voting by electronic communication within the time limit and in the form established in the call of the General Meeting.

Remote votes can be revoked subsequently by the same means used to cast them within the time limit established for the purpose or by personal attendance at the General Meeting by the shareholder who cast the vote or his/her representative.

The Board of Directors has approved a Shareholder's Guide for the first General Meeting, detailing mail and electronic communication voting forms among other matters. It is at shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

#### **4.5. Quorum for constituting and adapting decisions of the General Meeting**

Both ordinary and extraordinary General Meetings are validly constituted when first called to order if the shareholders present or represented own at least thirty-three percent (33%) of the subscribed capital with voting rights and when called to order a second time if the shareholders present or represented own at least twenty-five (25%) of the subscribed capital with voting rights.

Nonetheless, for ordinary or extraordinary General Meetings to be able to pass valid decisions on the issue of bonds, increases or reductions in share capital, conversion, merger or split of the Company and, in general, any amendments to the Articles of Association, shareholders representing fifty percent (50%) of the subscribed capital with voting rights must be present or represented when the meeting is first called to order and thirty-three percent (33%) of the subscribed capital with voting rights when the meeting is called to order a second time.

An ordinary or extraordinary General Meeting shall adopt its decisions by simple majority of votes of shares with voting rights present or represented. Nonetheless, for the decisions referred to in the previous paragraph, when shareholders representing less than fifty percent (50%) the subscribed capital with voting rights are present or represented, decisions may only be validly adopted with a vote in favour of two-thirds (2/3) of the capital with voting rights present or represented at the meeting.

#### **4.6. Board of the General Meeting**

The Chairperson of the General Meeting is appointed by the meeting itself and must be a person who meets the same requirements of independence as for independent directors. The appointment is for three years and s/he may be re-elected once only.

Since 4 June 2008, the position of Chairperson of the General Meeting has been held by Rui Chancerelle de Machete, whose work address is Luso-American Development Foundation, Rua do Sacramento à Lapa, 21, 1249-090 Lisbon.

In addition to the Chairperson, the Board of the General Meeting is made up of the Chairperson of the Board of Directors, or his replacement, the other directors and the Secretary of the Board of Directors.

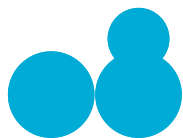
The position of Secretary of the General Meeting is occupied by the non-member Secretary of the Board of Directors, Emilio García-Conde Noriega, whose work address is that of the Company.

The Chairperson of the General Meeting of EDP Renováveis has the appropriate human and logistical resources for his needs, considering the economic situation of EDP Renováveis, in that, in addition to the resources from the Company Secretary and the legal support provided for the purpose, the Company hires a specialised entity to collect, process and count votes.

In 2008, the remuneration of the Chairperson of the General Meeting of EDP Renováveis was € 0.

#### **4.7. Minutes and information on decisions**

Given that EDP Renováveis has been a listed company since 4 June 2008 with its shares admitted to trading on Eurolist by Euronext Lisbon, shareholders have access to corporate governance information on [www.edprenovaveis.com](http://www.edprenovaveis.com). Extracts of General Meeting minutes and the invitation, agenda, motions submitted to the General Meeting and forms of participation shall be placed at shareholders' disposal five (5) days after they are held. The publishing of the minutes will begin



## CORPORATE GOVERNANCE

after the first General Meeting held after the Company's admission to trading.

Given the personal nature of the information involved, the history does not include attendance lists at general meetings, although, in accordance with CMVM Circular no. 156/EMIT/DMEI/2009/515, when General Meetings are held, EDP Renováveis plans to replace them by statistical information indicating the number of shareholders present and distinguishing between the number of physical presences by mail.

EDP Renováveis considers that materially relevant information to investors does not include all the content of the minutes. Indeed, their publication in full could be used for purposes unrelated to the interest of the company, shareholders, investors and the market in general.

EDP Renováveis therefore publishes on its website an extract of the minutes of General Meetings with all information on the constitution of the General Meeting and decisions made by it, including motions submitted and any explanations of votes.

The website also provides EDP Renováveis shareholders with information on: i) requirements for participating in the General Meeting, ii) mail and electronic communication votes iii) information available at the registered office.

### **4.8. Measures regarding control and changes of control of the Company**

The Company has taken no defensive measures that might seriously affect its assets in any of the cases of a change in control in its shareholder structure or the Board of Directors.

The Articles of Association contain no limitations on the transferability of shares or voting rights in any type of decision and no limitations on membership of the governing bodies of EDP Renováveis. Neither are there any decisions that come into effect as a result of a takeover bid.

The fact that the Company has not adopted any measures designed to prevent successful takeover bids is therefore in line with Recommendation I.6.1 of the CMVM Code of Corporate Governance.

On the other hand, EDP Renováveis has not entered into any agreements (current or future) subject to the condition of a change in control of the Company.

Finally, there are no agreements between the Company and members of its Board of Directors or managers providing for compensation in the event of resignation

of discharge of directors or in the event of resignation, dismissal without just cause or cessation of the working relationship following a change in control of the Company.





CORPORATE GOVERNANCE

5. REMUNERATION

5.1. Remuneration of the members of the Board of Directors and of the Audit and Control Committee

Pursuant to Article 26 of the Company’s Articles of Association, the remuneration of the members of its Board of Directors shall consist of a fixed amount to be determined by the General Meeting for the whole Board and expenses for attending Board meetings.

The above article also establishes the possibility of the directors being remunerated with Company shares, share options or other securities granting the right to obtain shares, or by means of share-indexed remuneration systems. In any case, the system chosen must be approved by the General Meeting and comply with current legal provisions.

The Appointments and Remunerations Committee is responsible for proposing to the Board of Directors, albeit not bindingly, the system, distribution and amount of remuneration of the directors on the basis of the overall amount of remuneration authorised by the General Meeting. It also may propose to the Board the terms of contracts with the directors. The distribution and exact amount paid to each director and the frequency and other details of the remuneration shall be determined by the Board on the basis of a proposal from the Appointments and Remunerations Committee.

The maximum remuneration approved by the General Meeting of Shareholders for 2008 for all the members of the Board of Directors is € 2,500,000.

5.2. Performance-based components, variable component and fixed amount

Although remuneration for all the members of the Board of Directors is provided for, the members of the Executive Committee, with the exception of the CEO (who devotes most of his/her work to the activity of EDP Renováveis) are not remunerated and so in 2008 the remuneration paid by EDP Renováveis to these directors was zero.

This corporate governance practice for remuneration is in line with the model adopted by the EDP Group, in which executive directors of EDP do not receive any remuneration directly from the group companies on whose governing bodies they serve, but rather through EDP.

Nonetheless, in line with the above corporate governance practice, EDP Renováveis has signed an Executive Management Services Agreement with EDP, under which the Company bears a cost for the provision of said services corresponding to the remuneration defined for the executive members of the Board of Directors.

The fees in the management service contract are divided into a fixed and a variable part. The variable part is divided into an annual and a multi-annual component, each of which is calculated on the basis of shareholders’ return, ability to create value, increases in installed capacity (MW), growth in net profits and EBITDA.

The remuneration of the CEO has a fixed and a variable part. The variable part is divided into an annual and a multi-annual component, each of which is calculated on the basis of shareholders’ return, ability to create value, increases in installed capacity (MW), growth in net profits and EBITDA.

On the other hand, the non-executive directors only receive fixed remuneration, which is calculated on the basis of their work exclusively as directors or their work in this position together with their membership of the Appointments and Remunerations Committee, Related Party Transactions Committee and the Audit and Control Committee.

5.3. Annual remuneration of the Board of Directors and Audit and Control Committee

The remuneration of the members of the Board of Directors for the year ended on 31 December 2008 was as follows:

Remuneration	Fixed	Variable	Total
CEO*	€ 235,200.00	–	€ 235,200.00
Executive directors**	–	–	–
Non-executive directors	€ 277,083.33	–	€ 277,083.33
Total	€ 512,283.33	–	€ 512,283.33

\* The remuneration for 2008 was paid the CEO by EDP on the account of EDP Renováveis, which will reimburse EDP through the management service agreement signed by the parties.

\*\* Even though the Executive Committee has not received any funding from the company, due to the contracts for their directive services provided in the written draft 3.6.2, EDP Renováveis paid EDP 249.900 Euros for the services provided by the Executive Committee apart from the CEO.

As 2008 was the Company’s first full year, only fixed remuneration was paid, while the variable part will be paid in 2009.

The retirement savings plan for the members of the Executive Committee acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The directors do not receive any relevant non-monetary benefits as remuneration.

5.4. Statement on remuneration policy

The Nomination and Remuneration Committee appointed by the Board of Directors is responsible for defining the draft remuneration policy for the members of the Board of Directors. This committee defined the directors’ remuneration and sought to ensure that it reflected the performance of all members in each year (variable annual remuneration) and their performance throughout

their terms of office by means of a variable component consistent with the maximisation of the Company's long-term performance (multi-annual variable remuneration). This is intended to ensure alignment of the Board of Directors' behaviour with the shareholders' interests. A statement on remuneration policy will be submitted to the next General Meeting, for appreciation as a separate point on the agenda of a consultative nature. It is currently in force (with no alterations), on the following terms:

Fixed remuneration for the CEO is € 384,000 gross annual salary and will be determined for the remaining members on terms fixed by the EDP Group.

Variable annual remuneration for each Executive Committee member may vary between 0% and 100% of their gross, fixed, annual remuneration. The amount is determined on the basis of the following indicators on each year of their term: relative performance of total shareholder return of EDP Renováveis vs. Eurostoxx Utilities, PSI-20 and Iberdrola Renováveis 2008, real capacity to generate shareholder value at EDP Renováveis, increase in installed capacity (MW), growth in net profits and EDP Renováveis EBITDA in 2008.

Multi-annual variable remuneration for all members of the Executive Committee may total from 0% to 100% of their gross annual remuneration and is based on an accumulated annual evaluation of the directors' performance in achieving economic sustainability for the EDP Renováveis Group. Although this multi-annual remuneration is calculated annually, it only comes into effect at the end of their term of office if at least 90% of the strategic goals have been met. This is assessed on the basis of performance and a comparison with strategic benchmarks. In fact, the factors used to calculate the remuneration component are the relative performance of the EDP Renováveis Group's market capitalisation vs. Eurostoxx Utilities and PSI-20 during the term, the EDP Renováveis Group's capacity to create value, the performance of the Sustainability Index applied to EDP Renováveis (DJSI method), the EDP Renováveis Group's image in the national and international markets, its capacity to change and adapt to new market requirements, fulfilment of strategic national and international targets and the EDP Renováveis Group's EBITDA vs. Eurostoxx Utilities during their term.

The time period considered for determining the multi-annual variable component of their remuneration (3 years), the use of qualitative criteria aimed at a strategic, medium-term perspective in the Company's development, the existence of a cap on variable remuneration and the relative weight of this component on total remuneration are decisive factors in fostering management performance that does not focus only on short-term objectives but

includes the medium and long term interests of the Company and its shareholders.

The retirement savings plan for the members of the Executive Committee acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The directors do not receive any substantial non-monetary benefits as remuneration.

The Board of Directors is responsible for fixing managers' remuneration policy (as understood in Article 248-B(3) of the Securities Code) who do not belong to the governing or supervisory bodies.

The Board will therefore submit the managers' remuneration policy to the next General Meeting for appreciation. It is based on the following factors:

- The policy followed when fixing EDP Renováveis managers' remuneration is the same as that for Company employees in general.
- The remuneration of the Company's managers therefore consists of fixed remuneration and a possible performance bonus.
- The quality quantification of performance is established in accordance with criteria defined by the Board of Directors;
- As a result, when defining any managers' performance bonuses, consideration is given not only to factors all employees' behaviour, taking into account the degree of responsibility their position and their ability to adapt to the Company and its procedures but also the economic and financial performance of their particular business area and of EDP Renováveis as a whole.

### 5.5. General Meeting's assessment of Company remuneration policy and performance evaluation of its governing bodies

The General Meeting is responsible for appointing the Board of Directors, which appoints the Nomination and Remuneration Committee, which is responsible for submitting the statement on remuneration policy for the Company's corporate bodies.

The General Meeting's duties include appreciating the above statement.

Pursuant to Article 95 of the Public Company Law, the General Meeting is also required to evaluate the performance of the corporate public bodies and make an annual decision as whether to maintain confidence in their members.



CORPORATE GOVERNANCE

5.6. Attendance at the Ordinary General Meeting  
of Shareholders of a representative of the  
Appointments and Remuneration Committee

All the members of the Appointments and Remuneration Committee will be present or represented at the first General Meeting of Shareholders of EDP Renováveis.

5.7. Proposal on the approval of plans on share  
remuneration and/or share purchase options  
or on the basis of share price fluctuations

The Company has not approved any plans for share remuneration or share purchase options or plans based on share price fluctuations.

5.8. Auditor’s Remuneration

For the year ended on 31 December 2008, the fees paid to KPMG Auditores, S.L. for auditing of the annual accounts, guarantee and reliability services, tax advisory and other services unrelated to audits are as follows:

EDP Renováveis Group					Euros
Country	Portugal	España	EDPR NA	Otros	Total
Auditing of accounts	85,000	636,000	562,116	123,550	1,406,666
Reliability guarantee services	343,845	328,930	410,772	11,400	1,094,947
Tax consultancy services	7,470	120,000	687,360	40,840	855,670
Legal auditing of accounts	-	46,400	-	-	46,400
TOTAL	436,315	1,131,330	1,660,248	175,790	3.403,683

The accounts audit services are those necessary for the issue of a legal opinion on the annual individual and consolidated accounts of the company and its subsidiaries in Spain and abroad.







CORPORATE GOVERNANCE

6. SHARES AND DIVIDEND POLICY

Initial public offering

On 15 May 2008, EDP announced approval by the Portuguese Stock Exchange Commission of the Prospectus for the initial public offering (IPO) and admission to trading of EDP Renováveis shares on Eurolist by Euronext Lisbon. The IPO prospectus provided for a combined offering of up to 225,427,952 shares, representing up to 25% of EDP Renováveis share capital after a share capital increase (including the 29,403,646 in the subscription option of a supplementary batch of shares, which was not exercised) aimed at retail and institutional investors. The price interval for subscription of the shares in the PO was between € 7.40 and € 8.90 per share. On 2 June 2008, a final price of € 8.00 was announced, below the average value of the interval.

The following shares were placed at a special regulated market session for the EDP Renováveis IPO:

- 45,085,590 shares for the PO representing 5.2% of the share capital;
- 150,938,716 shares for direct sale to institutional investors representing 17.3% of the EDP Renováveis capital.

The quantity intended for the initial public offering was divided into three trenches: Segment A –EDP Group employees, Segment B – EDP shareholders and Segment C – the general public. EDP employees were given a 5% discount in the price fixed for EDP shareholders and the general public, i.e. they bought shares at € 7.60.

EDP Renováveis, S.A.	
Shares	
Share Capital	€ 4,361,540,810
Face value	€ 5.00
No. of shares	872,308,162
Trading began	4 June 2008
Euronext Lisboa	
Reuters RIC	EDPR.LS
Bloomberg	EDPR.PL
ISIN	ES0127797019

6.1. Share price

In a year marked by a serious financial crisis, from the time they were admitted to trading on 4 June 2008, EDP Renováveis shares fell 37% and closed the year at € 5.00 each. In the same period, the PSI20, Dow Jones Eurostoxx Utilities and Euronext 100 fell by 40%, 33% and 39%, respectively and over the whole year totalled losses of 51%, 38% and 45% each.

EDP Renováveis vs PSI20 vs DJ Eurostoxx Utilities



During the year, 263,130,606 EDP Renováveis shares, corresponding to a turnover of approximately € 1.646 billion were traded. On average, at Euronext Lisboa, excluding the first day of listing, when almost 50 million shares were traded, EDP Renováveis liquidity was around 1.5 million shares a day. Thanks to the company's high liquidity and market capitalisation, on 1 July 2008, less than a month after it was listed, it was included in the main Portuguese share index, the PSI20.

EDP Renováveis ended the year with a market capitalisation of € 4.4 billion, making it the fourth largest company in the main Portuguese share index.

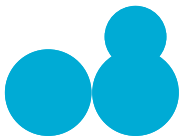
2008 EDP Renováveis share price and transactions





EDP Renováveis shares on Euronext Lisboa (euros)		2008	
Opening price		8.00	
Closing price		5.00	
Highest price		8.00	
Lowest price		3.45	
Variation in price and reference indexes		2008	since IPO
EDP Renováveis shares		-37%	-37%
PSI20		-51%	-40%
Dow Jones Eurostoxx Utilities		-38%	-33%
Euronext 100		-45%	-39%
Liquidity of EDP Renováveis shares on markets			
Volume on Euronext Lisboa (€ millions)		1,646.0	
Daily average volume (€ millions)		11.0	
Number of shares traded		215,951,049	
Average number of shares traded (1)		1,459,129	
Total number of shares issued		872,308,162	
Number of own shares		0	
Market values of EDP Renováveis (€ millions)			
Market capitalisation at end of period		€ 4,364	

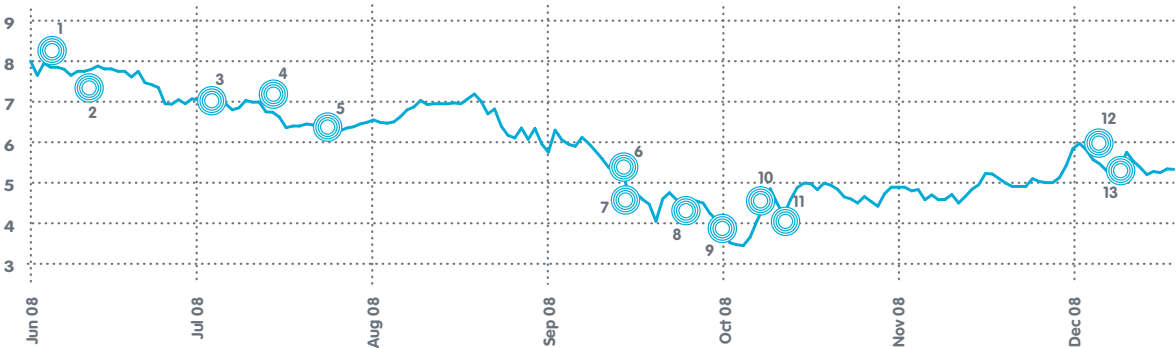
(1) excluding first day of trading



CORPORATE GOVERNANCE

The graph below shows the evolution in EDP Renováveis share prices over the year and all announcements and relevant events that may had an impact on them.

2008 Main events impact on EDP Renováveis share price



	Date	Description
1	04 Jun	First day of trading of EDP Renováveis shares
2	11 Jun	EDP Renováveis enters the Brazilian market
3	07 Jul	EDP Renováveis announces end of share stabilisation period
4	21 Jul	EDP Renováveis announces provisional half-year operating data
5	29 Jul	EDP Renováveis announces half-year profits
6	03 Oct	Approval of one-year extension of PTCs applicable aplicable in the U.S.
7	06 Oct	EDP Renováveis provides clarification on call for tenders in Galicia
8	17 Oct	EDP Renováveis enters Romanian market
9	23 Oct	EDP Renováveis announces provisional operating data for first nine months
10	05 Nov	EDP Renováveis announces profits for first nine months
11	06 Nov	EDP Group presents 2009-2012 Business Plan
12	29 Dec	EDP Renováveis establishes new tax equity agreement for 2008 wind power projects in the U.S.
13	31 Dec	EDP Renováveis provides clarification on call for tenders in Galicia

## 6.2. Dividend policy

The distribution of dividends is proposed by the Board of Directors of EDP Renováveis and authorised by decision of the company's General Meeting of Shareholders.

As set forth in the Spanish Public Company Law, a dividend declared in each financial year may only be distributed from EDP Renováveis profits for that year or from distributable reserves and this distribution must not cause the assets of EDP Renováveis to fall below the value of the company's share capital.

As of 2011, EDP Renováveis expects to declare and pay dividends representing at least 20% of the profits for the year and to begin to do so for the financial year ending on 31 December 2010. The Board of Directors of EDP Renováveis may, if necessary, adjust this dividend policy in order to reflect changes in business strategy and capital needs, among other aspects. Any future dividends will depend on conditions at the time, including individual and consolidated net profits, earnings, the company's financial situation, availability of legally distributable funds and future prospects. As a result, no guarantee can be given that dividends will be proposed and declared in any particular year. Any dividends paid in the future may be subject to withholding of tax at source.



## CORPORATE GOVERNANCE

### 7. INVESTOR RELATIONS

#### 7.1. General obligation to provide information

The provision to actual and potential investors of information about the Company is a structural aspect of EDP Renováveis policy and action as a listed company. The promotion of transparent, easily accessible, high-quality information is of fundamental importance to an accurate perception of the company's strategy, financial situation, accounts, assets and significant events.

EDP Renováveis therefore seeks to provide investors with information that will help them make informed, clear, concrete investment (or disinvestment) decisions.

This Company positioning is demonstrated by the relative frequency with which it publishes privileged information on significant events in its activities each year.

The periodic publication of information on the company, such as the quarterly announcement of profits, as required by law, is an important feature of the company's relationship with the market when it comes to the duty to inform.

EDP Renováveis considers its website a fundamental vehicle for circulating information and uses it to ensure that up-to-date information on its activities and results is always available.

EDP Renováveis therefore wishes to maintain a close, ongoing, transparent relationship with all market agents.

#### 7.2. EDP Renováveis Investor Relations Department

The EDP Renováveis Investor Relations Department (IRD) was set up in 2008 following the initial public offering and acts as an intermediary between the EDP Renováveis management team and a vast universe of shareholders, financial analysts, investors and the market in general. Its main purposes are to guarantee the principle of equality among shareholders, prevent asymmetries in access to information by investors and reduce the gap in the perception of the company's strategy and intrinsic value. This department is responsible for developing and implementing the company's communication strategy and maintaining an appropriate institutional and informative relationship with the financial market, the stock exchange at which EDP Renováveis shares are traded and their regulatory and supervisory bodies (CMVM – Comissão do Mercado de Valores Mobiliários in Portugal and CNMV – Comisión Nacional del Mercado de Valores in Spain)

The company's investors relations representative is Rui Teixeira, a member of the management team. The Investor

Relations Department is coordinated by Rui Antunes and is located at the company's Madrid office. Its contact details are as follows

Calle Serrano Galvache, nº 56  
Centro Empresarial Parque Norte  
Edificio Encinca – 4º Piso  
28033 Madrid, Spain  
Telephone: +34 902 830 700  
Fax: +34 914 238 410  
E-mail: [ir@edprenovaveis.com](mailto:ir@edprenovaveis.com)

The IRD reports directly to the EDP Renováveis management team through its Chief Financial Officer (CFO) and its main duties are:

- To ensure compliance with all legal obligations arising from the fact that EDP Renováveis is a listed, public limited company;
- To define and implement the company's strategy for communication with analysts and investors, when assisting the management team in drafting EDP Renováveis financial and strategic communication policy and in preparing, processing and publishing information;
- To coordinate, prepare and conduct information sessions, press conferences and roadshows, which includes disclosing significant events and other communications, to publish quarterly results and periodic financial statements, to give strategic presentations to the market, to organise road-shows with management team members in the main financial markets, to hold and monitor regular meetings and conference calls at the request of investors and analysts and to provide answers to queries on the business environment and activities of EDP Renováveis by email, telephone or in person from analysts and institutional and private investors;
- To inform the management team of the expectations of financial analysts and benchmark with the competition, to monitor all changes in the stock exchange and financial markets of interest to the company, to filter information into the company when justified and to inform it of the different perceptions that capital market players have of EDP Renováveis activity;
- To develop and update the investor relations section of the EDP Renováveis website ([www.edprenovaveis.com](http://www.edprenovaveis.com)).

#### Activity in 2008

Although it was only formally set up after the initial public offering, the work of the Investor Relations Department began with its preparation. The Investor Relations

Department was part of the team that prepared the prospectus of the public offer for subscription and accompanied the Executive Committee on the roadshow to present EDP Renováveis to the world’s main financial markets. For more than two weeks, two teams made up of members of the Executive Committee and management team of EDP Renováveis and the Investor Relations Department of EDP Renováveis and EDP visited more than 400 institutional investors in some 20 cities.

In addition to the presentation roadshow, following the initial public offering and after the end of the blackout period, the Investor Relations Department, carried out four roadshows (September, October, November and December) in the world’s main financial cities (New York, Boston, San Francisco, London, Lisbon, Paris, Milan, Dublin, Brussels, Amsterdam, Stockholm, Oslo, Zurich, Geneva, etc) and several conferences, many devoted only to energy companies. It met with around 200 institutional investors in this period.

The Investor Relations Department also remained in permanent contact with the financial analysts who evaluate the company and with all shareholders and investors by mail, phone or face-to-face meetings. Every quarter, when the profits for the period are disclosed, the Investor Relations Department organises a conference call for all interested parties involving one or more members of the company’s management team, in which it announces developments in EDP Renováveis activities and updates future prospects in the different business areas.

7.3. Company information on website

As required by CMVM regulations, EDP Renováveis provides all legal and corporate governance information on its website (www.edprenovaveis.com). The company website also carries updates on developments in the Group’s activity and financial and operational data to ensure that shareholders, financial analysts and others have easy access to information.

This online information includes reports on accounts, announcements of relevant events, the articles of association, internal regulations of corporate bodies, the Group’s shareholder structure, preparatory documentation for each General Meeting, fluctuations in EDP Renováveis share prices and other information of potential interest on the Group.

This information also includes data on the company, such as its name, status as a listed company, registered office, articles of association, regulations governing the management and supervisory bodies, names of the members of the corporate bodies and the market relations representative and the report on the Audit Committee’s work. Contact details for the Investor Relations Department,

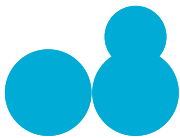
its functions, financial statements and a calendar of company events are also available.

EDP Renováveis posts on its website invitations to the General Meeting and proposals for discussion and voting at the meeting.

EDP Renováveis also publishes online the annual report on the work of the Audit Committee.

The table below summarises the information posted on the website and in which languages used.

	Portuguese	English	Spanish
Identification of the company	✓	✓	✓
Financial statements	✓	✓	✓
Regulations of the management and supervisory bodies	✓	✓	✓
Annual report on the work of the Audit Committee	✓	✓	✓
Investor Relations Department – functions and contact details	✓	✓	✓
Articles of association	✓	✓	✓
Calendar of company events	✓	✓	
Invitation to General Meeting	✓	✓	✓
Proposals submitted for discussion and voting at General Meetings	✓	✓	✓

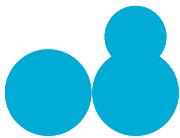


ANNEX I

MAIN POSITIONS HELD BY MEMBERS OF BOARD OF DIRECTORS IN LAST FIVE YEARS

Name	Positions
António Mexia	CEO of Galp Energia Chairperson of the Board of Petrogal Chairperson of the Board of Gás de Portugal Chairperson of the Board of Trangas Chairperson of the Board of Trangas-Atlântico CEO of EDP – Energias de Portugal, S.A.
Ana Maria Fernandes	Chairperson and CEO of Galp Power Member of the Board of Directors of Galp Energia Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
António Martins da Costa	CEO and Vice-Chairperson of EDP – Energias do Brasil, S.A. CEO and Chairperson of Horizon Wind Energy LLC Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
Nuno Alves	Director of the Foreign Exchange and Capital Division of Millennium BCP Investimento Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
João Manso Neto	Chairperson of the Executive Committee of EDP Produção CEO and Vice-Chairperson of Hidroelétrica del Cantábrico, S.A. Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
José Silva Lopes	Chairperson of the Board of Directors of Montepio Geral
António Nogueira Leite	Board member of Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, S.A. Managing Director of José de Mello, SGPS, S.A. Director of Companhia União Fabril CUF, SGPS, S.A. Director of Quimigal, S.A. Director of CUF – Químicos Industriais,SA Director of ADP, S.A.-CUF Adubos Director of Sociedades de Explosivos Civic, SEC, S.A. Director of Brisa, S.A. Director of Efacec Capital, SGPS, S.A. Director of Comitur, SGPS, S.A. Director of Comitur Imobiliária, S.A. Director of Expocomitur-Promoções e Gestão Imobiliária, S.A. Director of Herdade do Vale da Fonte-Sociedade Agrícola, Turística e Imobiliária, S.A. Director of Sociedade Imobiliária e Turística do Cojo, S.A. Director of Sociedade Imobiliária da Rua das Flores, nº 59, S.A. Director of José de Mello Saúde, SGPS, S.A. Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, S.A. Member of the Advisory Board of IGCP Vice-Chairperson of Fórum para a Competitividade

<b>Rafael Caldeira Valverde</b>	Vice-Chairperson of the Board of Directors of Banco Espírito Santo de Investimento, S.A. Member of the Executive Committee of Banco Espírito Santo de Investimento, S.A.
<b>José Araújo e Silva</b>	Director of Corticeira Amorin, SGPS, S.A. Member of the Executive Committee of Corticeira, SGPS, S.A. Member of the Board of Directors of Caixa Geral de Depósitos
<b>Manuel Menéndez Menéndez</b>	Member of the Board of Directors of EDP – Energias de Portugal, S.A. Chairperson of Cajastur Chairperson of Hidroeléctrica del Cantábrico, S.A. Chairperson of Naturgas Energia, S.A. Member of the Board of Directors of Nuevas Energias de Occidente, SL Representative of Peña Rueda, SL on the Board of Enagas, S.A. Member of the Board of Confederación Española de Cajas de Ahorro Member Board of Directors of UNESA
<b>Jorge Santos</b>	Full Professor of Economics at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa
<b>Francisco José Queiroz de Barros de Lacerda</b>	Member of the Board of Império Insurance Company Member of the Supervisory Board of Millennium Bank in Poland Member of the Senior Board of Millennium Bank in Greece Vice-Chairperson of the Board of Directors of Millennium Bank in Turkey Chairperson of the Board of Directors of Millennium Bank in Romania Member of the Board of Directors of Millennium bcp Investimentos Member of the Board of Directors of Fundação Millenniumbcp . Director of Millennium bcp Member of the Board of Directors of Banco Comercial Português, S.A. Member of the General Board of Clube Naval de Cascais Chairperson of the Audit Committee of Dragopor – Associação Portuguesa da Classe Internacional Dragão Member of the Board of Mague-SPGS, S.A.
<b>João Manuel de Mello Franco</b>	Vice-Chairperson of José de Mello Imobiliária, S.A. Chairperson of the Board of Directors of Imopolis, S.A. Chairperson of the Board of Directors of José de Mello Residenciais & Serviços, S.A. Chairperson of the Board of Directors of Engimais, S.A. Director of Portugal Telecom SGPS, S.A. Chairperson of the Audit Committee of Portugal Telecom SGPS, S.A. Member of the Remuneration Committee of Portugal Telecom SGPS, S.A. Chairperson of the Corporate Governance Committee of Portugal Telecom SGPS, S.A.

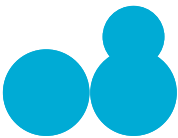


ANNEX I

<b>João Lopes Raimundo</b>	Chairperson of the Board of Directors of Banque BCP (Luxembourg) Chairperson of the Board of Directors of Banque BCP (France) Member of the Board of Banque Orive BCP (Switzerland) Managing Director of Banco Comercial Português Vice-Chairperson of the Board of Millennium Angola Member of the Board de Directors of Banco Millennium BCP de Investimento
<b>Daniel M. Kammen</b>	Founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of University of California, Berkeley Lecturer in Nuclear Energy at University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at the Goldman School of Public Policy, University of California, Berkeley Class of 1935 Distinguished Chair in Energy Codirector of the Berkeley Institute of the Environment Member of the Executive Committee of the Energy Biosciences Institute





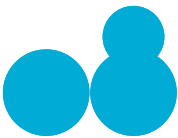


ANNEX II

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTERS IN COMPANIES  
NOT BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

Name	Positions
António Mexia	N/A
Ana Maria Fernandes	N/A
António Martins da Costa	N/A
Nuno Alves	N/A
João Manso Neto	N/A
José Silva Lopes	Chairperson of the Board of Directors of Montepio Geral
António Nogueira Leite	Member of the Board of Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, S.A. Managing Director of José de Mello, SGPS, S.A. Director of Companhia União Fabril CUF, SGPS, S.A. Director of CUF – Químicos Industriais,SA Director of ADP, S.A. – CUF Adubos Director of Brisa, S.A. Director of Efacec Capital, SGPS, S.A. Director of Comitur, SGPS, S.A. Director of Comitur Imobiliária, S.A. Director of Expocomitur-Promoções e Gestão Imobiliária, S.A. Director of Herdade do Vale da Fonte-Sociedade Agrícola, Turística e Imobiliária, S.A. Director of Sociedade Imobiliária e Turística do Cojo, S.A. Director of Sociedade Imobiliária da Rua das Flores, nº 59, S.A. Director of José de Mello Saúde, SGPS, S.A. Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, S.A. Member of the Advisory Board of IGCP
Rafael Caldeira Valverde	Vice-Chairperson of the Board of Directors of Banco Espírito Santo de Investimento, S.A. Member of the Executive Committee of Banco Espírito Santo de Investimento, S.A.
José Araújo e Silva	Member of the Board of Directors of Caixa Geral de Depósitos
Manuel Menéndez Menéndez	Chairperson of Cajastur Member of the Board of Confederación Española de Cajas de Ahorro Representative of Peña Rueda, SL on the board of Enagas, S.A. Member of the Board of Directors of UNESA

Jorge Santos	Full Professor of Economics at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa
Francisco José Queiroz de Barros de Lacerda	Member of the General Board of Clube Naval de Cascais Chairperson of the Audit Committee of Dragopor – Associação Portuguesa da Classe Internacional Dragão Member of the Board of Mague-SPGS, S.A.
João Manuel de Mello Franco	Director of Portugal Telecom SGPS, S.A. Chairperson of the Audit Committee of Portugal Telecom SGPS, S.A. Member of the Remuneration Committee of Portugal Telecom SGPS, S.A. Chairperson of the Corporate Governance Committee of Portugal Telecom SGPS, S.A.
João Lopes Raimundo	Vice-Chairperson of the Board of Millennium Angola Member of the Board de Directors of Banco Millennium BCP de Investimento
Daniel M. Kammen	Founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of University of California, Berkeley Lecturer in Nuclear Energy at University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at the Goldman School of Public Policy, University of California, Berkeley Class of 1935 Distinguished Chair in Energy Codirector of the Berkeley Institute of the Environment Member of the Executive Committee of the Energy Biosciences Institute



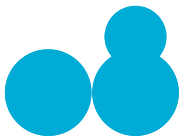
ANNEX III

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTERS IN COMPANIES  
BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
EDP – Energias de Portugal, S.A.	Chairperson of the Executive Board of Directors	Director	Director	Director	Director	
EDP – Gestão da Produção de Energia, S.A.					Chairperson of the Board of Directors	
EDP – Energias do Brasil, S.A.	Chairperson of the Board of Directors	Director		Director		
EDP Comercial – Comercialização de Energia, S.A.						
EDP – Estudos e Consultoria, S.A.				Chairperson of the Board of Directors		
EDP – Soluções Comerciais, S.A.						
EDP – Imobiliária e Participações, S.A.				Chairperson of the Board of Directors		
EDP Serviner – Serviços de Energia, S.A.						
EDP Valor – Gestão Integrada de Serviços, S.A.				Chairperson of the Board of Directors		
Sávida – Medicina Apoiada, S.A.				Chairperson of the Board of Directors		

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
SCS – Serviços Complementares de Saúde, S.A.				Chairperson of the Board of Directors		
Energia RE – Sociedade Cativa de Resseguro				Chairperson of the Board of Directors		
Enernova – Novas Energias, S.A.						
Hidroelétrica del Cantábrico, S.A.		Director		Director	Vice-Chairperson of the Board of Directors	Chairperson of the Board of Directors
Naturgás Energia, S.A.					2nd vice-chairperson	Chairperson of the Board of Directors
Desarrolos Eólicos S.A.		Vice-chairperson of the Board of Directors				
Genesa S.L.		Chairperson of the Board of Directors				
EDP Investimentos, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Gás III, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Gás II, SGPS, S.A. (ex-NQF Gás)					Chairperson of the Board of Directors	
EDP Gás – SGPS, S.A.					Chairperson of the Board of Directors	

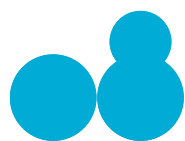




ANNEX III

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
Portgás – Sociedade de Produção e Distribuição de Gás, S.A.						
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.						
Enagas, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Powerline						
EDP Internacional, S.A.					Chairperson of the Board of Directors	
Horizon Wind Energy LLC		Director	Chairperson of the Board of Directors	Director		
Nuevas Energias de Occidente, S.L.		Chairperson of the Board of Directors				Director
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.				Manager		
EDP – Investimentos, Gestão de Participações e Assistência Técnica, Lda.				Director		
MRH Mudança e Recursos Humanos, S.A.				Chairperson of the Board of Directors		
EDP Energias de Portugal, Sucursal en España, Sociedad Anonima	Permanent representative	Permanent representative	Permanent representative	Permanent representative	Permanent representative	

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
EDP Gás.com - Comércio de Gás Natural, S.A.					Director	
EDP Finance BV	Representative	Representative	Representative	Representative	Representative	
Electricidade de Portugal Finance Company Ireland Lt.				Director		
ENEOP – Eólicas de Portugal, S.A.		Chairperson of the Board of Directors				



## ANNEX IV

### BOARD OF DIRECTORS

#### **António Mexia, Chairman**

Born in 1958. From 1979 to 1981, he held the position of assistant lecturer in the Department of Economics at the Université Genève (Switzerland), and from 1985 to 1989, he held the position of postgraduate lecturer in European Studies at Universidade Católica (Lisbon). From 1989 to 1991, he served as Assistant to the Secretary of State for Foreign Trade, and between 1991 and 1992, he served as vice-chairman of the Board of Directors of ICEP (the Portuguese Institute for Foreign Trade). Between 1992 and 1998, he served as a Director of Banco Espírito Santo de Investimentos, and in 1998 he was appointed as Chief Executive Officer of Gás de Portugal and Transgás, a position he held until 2000. From 2000 to 2001, he served as Vice-Chairman of the Board of Directors of Galp Energia, and from 2001 to 2004, he held the positions of Chief Executive Officer of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004 he was appointed as Minister of Public Works, Transport and Communication by the Portuguese government. He was appointed Chief Executive Officer of EDP in March 2006.

He served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, a member of the Trilateral Commission (1992-1998), vice-president of the Portuguese Industrial Association (AIP), Chairman of the General Supervisory Board of Ambelis and as a representative of the Portuguese government before the EU in the working group for the development of the pan-European networks.

He holds a degree in Economics from the Université Genève in Switzerland.

#### **Ana Maria Fernandes, Vice-Chairman and Chief Executive Officer**

She began her professional career in the area of capital markets, investments and restructuring of companies in 1986, at Conselho – Gestão e Investimentos, a company in the Banco Português do Atlântico group. Between 1989 and 1991, she was a lecturer at the University of Oporto. Also in 1989, she worked in the Corporate Finance Arm of Sociedade de Investimentos EFISA, becoming a Director of Banco EFISA. In 1992, she moved to the Banco de Fomento e Exterior group as Director of several of the investment bank subsidiaries of the group. In addition, between 1996 to 1998, she was Corporate Finance Manager of BPI. From 1998 to 2005, she then moved to holding various positions within the GALP group, including Chairman and Chief Executive Officer of GALP Power between 2002 and 2005, and from 2004 to 2005, was also a member of the Board of Directors of GALP Energia. In 2006, she was appointed a member of the Board of Directors of EDP.

She holds a degree in Economics and a post-graduate degree in Finance, both from the University of Oporto, as well as a master of Business Administration degree from the Management School of Oporto.

#### **António Martins da Costa**

Born in 1954. From 1976 to 1989, he held the position of Lecturer at the Superior Engineering Institute of Porto. In 1981 he joined EDP to work in the hydro-power generation sector, a position he held until 1989. From 1989 to 2003, he held various positions in the Banco Comercial Português group, namely as an executive member of the Board of Directors of its insurance companies and asset management operations, as well as being a General Manager of the bank. Between 1999 and 2003, he served as Deputy Chief Executive Officer and Vice-President of the Board of Directors of PZU (Poland). In 2003 he rejoined EDP as a general manager and was appointed as Chief Executive Officer and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil, a position he held until being appointed as Chief Executive Officer and Chairman of the Board of Directors of Horizon in July 2007, a position he still holds. In March 2006, he was appointed as a member of the Executive Committee of EDP's Board of Directors.

He holds a degree in Civil Engineering and a master of Business Administration degree from the University of Oporto, has completed executive education studies at INSEAD (Fontainebleau) and AESE (University of Navarra), and has completed the Advanced Management Programme at the Wharton School (University of Pennsylvania).

#### **Nuno Alves**

Born in 1958. From 1988 to 2006, he held various positions at Banco Comercial Português, including: Technician in the Studies and Planning Director (1988-1990), sub-Director of the Financial Investment Director (1990-1991), Director of Investor Relations (1991-1995), Director of Private Retail Coordination (1995-2000), Director of Capital Markets for Banco CISF, Banco de Investimento do Banco Comercial Português (1996-1997). From 1999 to 2000, he served as Chairman of the Board of Directors of CISF Dealer, and in 2001 he was appointed as a Director of the money and capital markets division of Banco Millennium BCP Investimento (formerly Banco CISF). In 2006 he left Banco Millennium BCP Investimento to become the Chief Financial Officer of EDP, a position he still holds.

He holds a degree in Naval Architecture and Engineering and a master of Business Administration degree, both from the University of Michigan.



**João Manso Neto**

Born in 1958. From 1981 to September 2002, he held various positions within the BCP Group, including General Finance Manager and General Manager of the Treasury, Capital Markets and Large Corporate Clients Divisions, as well as Director of Big Bank Gdansk, Poland, and Banco Millennium BCP Investimento. Between September 2002 and July 2003, he also performed management functions within the BPN group. In 2003 he joined EDP as General Manager, a position he held until 2006, when he became a member of the Board of Directors of EDP. He is currently President of the Executive Committee of EDP Produção and the Chief Executive Officer of Hidrocontábrico. On the EDP Group level, he is responsible for generation and trading, regulation, power planning, and the day-to-day running of Hidrocontábrico.

He holds a degree in Economics from the Instituto Superior de Economia e Gestão de Lisboa, a postgraduate degree in European Economy from the Universidade Católica de Lisboa and the academic component of a master's degree in Economics from the Universidade Nova de Lisboa.

**José Silva Lopes**

Born in 1932. From 1969 to 1974, he was a member of the Board of Caixa Geral de Depósitos and Director of the Cabinet of Studies and Planning of the Ministry of Finance. In 1972, he held the position of Deputy Chief of negotiations for the free market agreement of the EC. Between 1974 and 1978, he was Minister of Finance, additionally holding the position of External Markets Minister between 1974 to 1975. Between 1975 and 1980, he held the position of Governor of the Bank of Portugal. Since January 2004, he has been Chairman of the Board of Directors of Montepio Geral.

In 2003, he was awarded the Order of Grã Cruz by the President of Portugal for his 48 years of service as an economist predominantly for the Portuguese state. In 2004, he was awarded a degree of "Doutor Honoris Causa" by Instituto Superior de Economia e Gestão. He also has a degree in Finance from the Instituto Superior de Ciências Educativas de Felgueiras.

**António Nogueira Leite**

Born in 1962. Between 1988 and 1996, he held the position of Consultant to several national and international institutions, including the Bank of Portugal, the OECD and the EC. Between 1995 and 1998, he was General Secretary of APRITEL, and between 2000 and 2002 was a member of the Board of Directors of APRITEL. From 1997 to 1999, he was a Director of Soporcel, S.A., between 1998 and 1999, he was a Director of Papercel, S.A., and in 1999, was a director of MC Corretagem, S.A. Also in 1999, he was appointed Chairman of the Board of Directors of Bolsa de Valores de Lisboa and became a member of the Executive Committee of Associação de Bolsas Ibero-Americanas. Since 2000, Mr. Nogueira Leite has been a member of the Consultative Council of Associação Portuguesa para o Desenvolvimento das Comunicações. Between 2000 and 2002, he was a Consultant for Vodafone – Telecomunicações Pessoais, S.A., between 2001 and 2002, he was a Consultant of GE Capital, and in 2002 was a member of the Consultant Council of IGCP. Since 2002, he has held various positions within the José de Mello group and has held directorships with numerous other entities including Rediut, SGPS, S.A., Quimigal, S.A., Brisa, S.A., ADP, S.A., Comitur, SGPS, S.A., Comitur Imobiliária, S.A., Expocomitur – Promoções e Gestão Imobiliária, S.A., Herdade do Vale da Fonte – Sociedade Agrícola, Turística e Imobiliária, S.A., e SGPS, S.A., Efacec Capital, SGPS, S.A., and Cuf – Químicos Industriais, S.A. He held a further directorship with Sociedade de Explosivos Civis, SEC, S.A. from 2007 to March 2008. Between October 1999 and August 2000, he was Secretary of State for Treasury and Finance and Governor Substitute of the European Bank of Investments. He additionally held positions with the European Bank for Reconstruction and Development, the International Monetary Fund and was a member of the Financial and Economic Council of the European Union. He was Vice-Chairman of the Consultative Council of Banif-Banco de Investimento, S.A., and Chairman of the General and Supervision Council of OPEX, S.A.

He has an undergraduate degree in Economics from the Universidade Católica Portuguesa, a master of science degree in Economics, and a Ph.D. in Economics from the University of Illinois.

**Rafael Caldeira Valverde**

Born in 1953. In 1991, he joined Banco Espírito Santo de Investimento, S.A. and was the Director Responsible for Financial Services Management, Client Management, Structured Financing Management, Capital Markets Management, and for the Department for Origination and Information. In March 2005, he was appointed as Vice-Chairman of the Board of Directors of Banco Espírito Santo de Investimento, S.A. and formed part of the Executive Committee of the company.

He has an undergraduate degree in Economics from the Instituto de Economia da Faculdade Técnica de Lisboa.

**José Fernando Maia de Araújo e Silva**

Born in 1951. He began his professional career as an Assistant Lecturer at Faculdade de Economia do Porto. From 1991 he was invited to be a Lecturer at Universidade Católica do Porto and additionally held a part-time position as Technician for Comissão de Coordenação da Região Norte. He has since held the position of Director of several companies, including of Banco Espírito Santo e Comercial de Lisboa and Soserfin – Sociedade Internacional de Serviços Financeiros – Oporto group. He has been involved in the Finance and Management Coordination of Sonae Investimentos SGPS, was Executive Director of Sonae Participações Financeiras, SGPS, S.A. and was Vice-Chairman of Sonae Indústria, SGPS, S.A. He has additionally held directorships with Tafisa, S.A., Spread



## ANNEX IV

SGPS, S.A. and Corticeira Amorim, SGPS. He presently serves on the Board of Directors of Caixa Geral de Depósitos, S.A. He has an undergraduate degree in Economics from the Faculdade de Economia do Porto and has obtained certificates from Universidade de Paris IX, Dauphine and the Midland Bank International banker's course in London.

### **Manuel Menéndez Menéndez**

Born in 1960. He has been a member of the Board of Directors and a member of the Executive Committee of each of Cajastur and Hidrocontábrico. He has been a member of the Board Directors, Executive Committee and Audit and Control Committee of AIRTEL. He has also been a member of the Board of Directors of LICO Corporación and ENCE, Vice-Chairman of the board of SEDES, S.A. and Executive Chairman of Sociedade de Garantias Recíprocas de Astúrias. Currently, he is Chairman of Cajastur, Hidrocontábrico and Naturgas Energia, a member of the Board of NEO and Confederación Española de Cajas de Ahorros, a member of the Junta Directiva of UNESA and a member of Registro Oficial de Auditores de Cuentas. He also represents Peña Rueda, S.L. (a subsidiary of Cajastur) on the Board of Directors of Enagas.

He has an undergraduate degree in Economics and Company Management and a Ph.D. in Economic Sciences, each from the University of Oviedo. He has been appointed university professor of Company Management and Accounts at the University of Oviedo.

### **Jorge Santos**

Born in 1951. From 1997 to 1998, he coordinated the Committee for Evaluation of the EC Support Framework II and was a member of the Committee for the Elaboration of the ex-ante EC Support Framework III. From 1998 to 2000, he Chairman of the Unidade de Estudos sobre a Complexidade na Economia and from 1998 to 2002 was Chairman of the Scientific Council of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa. From 2001 to 2002, he coordinated the Committee for the Elaboration of the Strategic Programme of Economic and Social Development for the Peninsula of Setúbal. Since 2007, he has been Coordinator of the masters program in Economics, and since 2008, he has been a member of the Representatives Assembly of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa.

He has an undergraduate degree in Economics from Instituto Superior de Economia, a master degree in Economics from the University of Bristol and a Ph.D. in Economics from the University of Kent. He additionally has a doctorate degree in Economics from the Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa, and has consequently held the positions of Auxiliary Professor and Associate Professor with Universidade Técnica de Lisboa. He has been appointed as university professor (catedrático) of Universidade Técnica de Lisboa.

### **Francisco José Queiroz de Barros de Lacerda**

Born in 1960. From 1984 to 1985, he was an Assistant Lecturer at Universidade Católica Portuguesa. Between 1982 and 1990, he held the position of Technician and Director of Locaport (Leasing), CISF and Hispano Americano-Sociedade de Investimentos. Between 1990 and 2000, he joined the Management Team of the José de Mello group as Director of UIF, SGPS. Between 1991 and 2000, he was a Director of Banco Mello, and, from 1993 to 2000, additionally held the position of Chairman of the Executive Committee of Banco Mello. Between 1997 and 2000, he was Vice-Chairman of the Board of Directors of Banco Mello, and since 2000 has been a Director of Insurance Company Império and Chairman or Director of several banks and financial companies of the Banco Mello group. Between 2000 and 2008, he was a member of the Executive Board of Directors of Banco Comercial Português, S.A., and in this capacity was responsible for the activity of the group in investment banking in Europe. He is presently a member of the board of Mague – SPGS, S.A. He has an undergraduate degree in Company Administration and Management from Universidade Católica Portuguesa.

### **João Manuel de Mello Franco**

Born in 1946. Between 1986 and 1989, he was a member of the Management Council of Tecnologia das Comunicações, Lda. Between 1989 to 1994, he was Chairman of the Board of Directors of Telefones de Lisboa e Porto, S.A., and between 1993 to 1995 he was Chairman of Associação Portuguesa para o Desenvolvimento das Comunicações. From 1994 to 1995, he was Chairman of the Board of Directors of Companhia Portuguesa Rádio Marconi and additionally was Chairman of the Board of Directors of Companhia Santomense de Telecomunicações e da Guiné Telecom. From 1995 to 1997, he was Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Lisnave (Estaleiros Navais) S.A. Between 1997 and 2001, he was Chairman of the Board of Directors of Soponata and was a Director and Member of the Audit Committee of International Shipowners Reinsurance, Co S.A. Between 2001 and 2004, he was Vice-Chairman of José de Mello Imobiliária SGPS, S.A., and was Chairman of the Boards of Directors of IMOPÓLIS, S.A., José de Mello Residenciais & Serviços, S.A. and Engimais, S.A. Since 1998, he has been a Director of Portugal Telecom SGPS, S.A., Chairman of the Audit Committee since 2004, and Chairman of the Corporate Governance Committee since 2006. He has an undergraduate degree in Mechanical Engineering from Instituto Superior Técnico. He additionally holds a certificate in Strategic Management and Company Boards and is the holder of a grant of Junta de Energia Nuclear.

**João José Belard da Fonseca Lopes Raimundo**

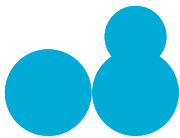
Born in 1960. Between 1982 to 1985 he was Senior Auditor of BDO – Binder Dijker Otte Co. Between 1987 to 1990, he was Director of Banco Manufactures Hanover (Portugal), S.A. and between 1990 to 1993 was a member of the Board of TOTTAFactor, S.A. (Grupo Banco Totta e Açores) and Valores Ibéricos, SGPS, S.A. In 1993, he held directorships with Nacional Factoring, da CISF – Imóveis and CISF Equipamentos. Between 1995 and 1997 he was a director of CISF – Banco de Investimento and a member of the Board of Directors of Nacional Factoring. In 1998, he was appointed to the board of several companies, including Leasing Atlântico, Comercial Leasing, Factoring Atlântico, Nacional Leasing and Nacional Factoring. From 1999 to 2000, he was a member of the Board of BCP Leasing, BCP Factoring and Leasefactor SGPS. From 2000 to 2003, he was appointed Chairman of the Board of Directors of Banque BCP (Luxemburg) and Chairman of the Executive Committee of Banque BCP (France). Between 2003 and 2006 he was a member of Management of Banque Prive BCP (Switzerland) and was General Director of private banking of BCP. Since 2006, he has been a member of the Board of Directors of Banco Millennium BCP de Investimento, and General Director of Banco Comercial Português. Mr. Lopes Raimundo is presently Vice-Chairman of the General Board of Millennium Angola. He has an undergraduate degree in Company Management and Administration from Universidade Católica Portuguesa de Lisboa, and a Master of Business Administration degree from INSEAD.

**Daniel M. Kammen**

Born in 1962. Between 1988 and 1991, he was a research fellow in the Division of Engineering and Applied Science and the Division of Biology at the California Institute of Technology and a post-doctorate researcher of Weizmann & Bantrell in the Engineering and Applied Science and Biology Department at California Institute of Technology. Between 1991 and 1993, he was a Research Collaborator for Science and International Affairs at the John F. Kennedy School of Government, Harvard University. Between 1991 and 1993, he was a Research Associate for the Northeast Regional Centre for Global Environmental Change and the Department of Physics, Harvard University. In 1993, he was appointed a permanent fellow at the African Academy of Sciences. Between 1993 and 1999, he was a member of the Research Faculty at the Centre for Energy and Environmental Studies at the School of Engineering and Applied Science at Princeton University. Between 1997 and 1999, he was Class of 1934 Preceptor at the Woodrow Wilson School of Public and International Affairs at Princeton University, and between 1998 to 1999 he was Chair of the Science, Technology and Environmental Policy Program (STEP) of the same institution. Between 1998 and 2001, he was an Associate Professor of the Energy and Resource Group and between 1999 and 2001 was an Associate Professor of Nuclear Engineering at the University of California, Berkeley. In 1999, he was a founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of the University of California, Berkeley. From 2000 to 2001, he joined the Core Management Team of the Commission of Power of California Public Interest Environmental Research – Environmental Area. Between 2004 and 2009, he was the Director of the University of California, Berkeley, and Industrial Technology Research Institute of Taiwan. In 2005, he was appointed Co-director of the Berkeley Institute of the Environment. In 2006, he was appointed a member of the Energy and Resources Group and in 2007 held the position of Coordinator of the Science and Impact Sector in the Energy Biosciences Institute. In addition, since 2001, he has been a Professor of Public Policy of the Goldman School of Public Policy, University of California, Berkeley. He is also an author of several studies and has received several awards in the Energy sector. He has an undergraduate degree, a masters degree and a Ph.D. each in Physics.

**SECRETARY OF THE BOARD****Emilio García-Conde Noriega**

Born in 1955. In 1981, he joined Soto de Ribera Power Plant, which was owned by a consortium comprising Electra de Viesgo, Iberdrola and Hidrocontábrico, as Legal Counsel. In 1995, he was appointed General Counsel of Soto de Ribera Power Plant, and also Chief of Administration and Human Resources of the consortium. In 1999, he was appointed Legal Counsel at Hidrocontábrico, and in 2003 was appointed General Counsel of Hidrocontábrico and also a member of its Management Committee. He presently serves as General Counsel of the Company, as Secretary of the Board, and is also Director and Secretary of the Boards of Directors of a number of the Company's subsidiaries in Spain. He holds a masters degree in Law from the University of Oviedo.



ANNEX V

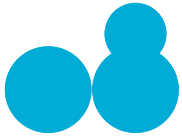
EDP RENOVÁVEIS SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AS AT 31.12.2008

Name	Direct	Indirect	Total
António Luis Guerra Nunes Mexía	3,880	320	4,200
Ana Maria Machado Fernandes	1,510	0	1,510
João Manuel Manso Neto	0	0	0
Nuno Maria Pestana de Almeida Alves	5,000	0	5,000
António Fernando Melo Martins da Costa	1,330	150	1,480
Francisco José Queiroz de Barros de Lacerda	310	310	620
João Manuel de Mello Franco	380	0	380
Jorge Manuel Azevedo Henriques dos Santos	200	0	200
José Silva Lopes	760	0	760
José Fernando Maia de Araújo e Silva	80	0	80
Rafael Caldeira de Castel-Branco Valverde	0	0	0
António do Pranto Nogueira Leite	0	0	0
João José Belard da Fonseca Lopes Raimundo	170	670	840
Daniel M. Kammen	0	0	0
Manuel Menéndez Menéndez	0	0	0



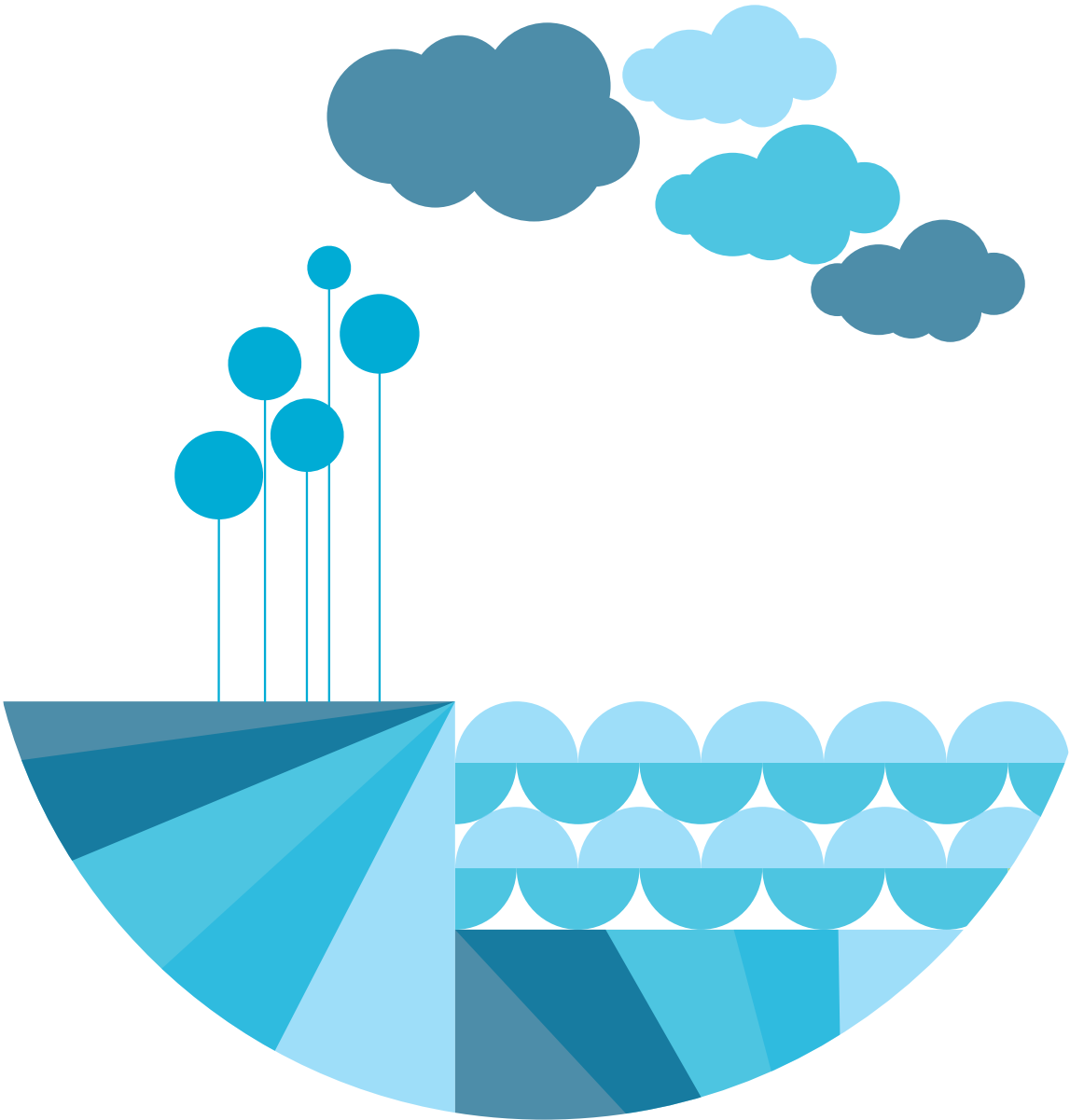
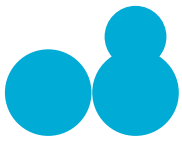






EXTRACT OF MINUTES OF GENERAL MEETING









**DECLARE**

To the best of our knowledge, the information referred to in a) of paragraph 1 of Article 245 of Decree-Law No 357-A/2007 of October 31 and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards, reflecting a true and real assets, liabilities, financial position and results of EDP Renováveis, SA and the companies included in its scope of consolidation and the management report fairly present the evolution of business performance and position of EDP Renováveis, SA and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, February 26, 2009.

Mr./Antonio Luís/Guerra Nunes Mexia

  
Mrs. Ana Maria Fernandes Machado

Mr. Antonio Fernando Melo Martins da Costa

Mr. Nuno Maria Pestana de Almeida Alves

Mr. João Manuel Manso Neto

Mr. José Silva Lopes 

Mr. Antonio do Pranto Nogueira Leite

Mr. Rafael Caldeira de Castel-Branco Valverde

Mr. José Fernando Maia de Araujo e Silva

Mr. Manuel Menéndez Menéndez

Mr. João Manuel de Mello Franco

Mr. Jorge Manuel Azevedo Henriques dos Santos

Mr. Daniel M. Kammen

Mr. Francisco José Quieroz de Barros de Lacerda

Mr. João José Belard da Fonseca Lopes Raimundo

Auditors' Report on the Annual Accounts

To the Shareholders of  
EDP Renováveis, S.A.

We have audited the annual accounts of EDP Renováveis, S.A. (the Company), which comprise the balance sheet at 31 December 2008, the related statements of income, changes in equity and cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

These annual accounts for 2008 are the first the Company's directors have prepared applying the Spanish General Chart of Accounts approved by Royal Decree 1514/2007. In accordance with section one of the fourth transitional provision of Royal Decree 1514/2007, the 2008 annual accounts have been considered as the opening annual accounts and, therefore, do not include comparative figures. Note 23 to the annual accounts, "Issues deriving from transition to new accounting standards", includes the balance sheet and statement of profit and loss forming part of the authorised 2007 annual accounts, which were prepared in accordance with the Spanish General Chart of Accounts in force for that year. This note also contains an explanation of the main differences between the current and former accounting principles, as well as a quantification of the impact of this change in accounting criteria on equity at 1 January 2008, which is the transition date. We express our opinion solely on the annual accounts for 2008. On 6 March 2008 we issued our unqualified audit report on the annual accounts for 2007, which were prepared in accordance with the accounting principles prevailing that year.

In our opinion, these annual accounts for 2008 present fairly, in all material respects, the equity and financial position of EDP Renováveis, S.A. at 31 December 2008 and the results of its operations and changes in equity and cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain.

The accompanying directors' report for 2008 contains such explanations as the directors of EDP Renováveis, S.A. consider relevant to the situation of the Company, the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2008. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

Ana Fernández Poderós  
Partner  
2 March 2009

EDP RENOVÁVEIS, S.A.

Annual Accounts and Directors' Report

31 December 2008

EDP Renováveis, S.A.

Balance sheets  
at 31 December 2008

(Expressed in thousands of Euros)

<u>Assets</u>	<u>Note</u>	<u>2008</u>
Intangible assets	5	58
Property, plant and equipment	6	238
Non-current investments in group companies and associates		<u>6,256,959</u>
Equity instruments	8	3,648,347
Loans to companies	10.a	2,608,612
Investments		2
Trade and other receivables	16	<u>160</u>
Total non-current assets		<u>6,257,417</u>
Trade and other receivables		<u>16,204</u>
Trade receivables from group companies and associates – current	10.c	1,679
Other receivables	10.c	170
Public entities, other	10.c	14,355
Current investments in group companies and associates		<u>302,355</u>
Debt securities	10.a	194,978
Derivatives	11	1,527
Other financial assets	10.a	83,025
Other investments	10.a	22,825
Prepayments for current assets		91
Cash and cash equivalents		<u>16,610</u>
Cash	12	<u>16,610</u>
Total current assets		<u>335,260</u>
Total assets		<u><u>6,592,677</u></u>

The accompanying notes form an integral part of the annual accounts.

EDP Renováveis, S.A.

Balance sheets  
at 31 December 2008

(Expressed in thousands of Euros)

<u>Equity and Liabilities</u>	<u>Note</u>	<u>2008</u>
Capital and reserves		
Share capital		4,361,541
Share premium		1,228,451
Reserves		(34,526)
Profit for the year		<u>74,794</u>
Total equity	13	<u>5,630,260</u>
Non-current payables		<u>65,480</u>
Derivatives	11	65,478
Other financial liabilities	15.c	2
Group companies and associates – non-current	15.a	862,817
Deferred tax liabilities	16	<u>13,123</u>
Total non-current liabilities		<u>941,420</u>
Current payables	11	1,527
Group companies and associates– current	15.a	4,813
Trade and other payables		<u>14,657</u>
Current provisions	15.c	8,069
Suppliers, group companies and associates – non-current	15.c	5,307
Personnel (salaries payable)	15.c	1,061
Public entities, other	16	<u>220</u>
Total current liabilities		<u>20,997</u>
Total equity and liabilities		<u><u>6,592,677</u></u>

The accompanying notes form an integral part of the annual accounts.

## EDP Renováveis, S.A.

Income Statements  
for the year ended  
31 December 2008

(Expressed in thousands of Euros)

	<u>Note</u>	<u>2008</u>
CONTINUING OPERATIONS		
Other operating income	18.b	<u>1,679</u>
Non-trading and other administrative income		1,679
Personnel expense		<u>(1,723)</u>
Wages and salaries		(1,723)
Employee benefits expense	19.a	(47)
Other operating expenses		<u>(7,205)</u>
External services		(7,205)
Results from operating activities		<u>(7,249)</u>
Finance income	9	<u>127,543</u>
Other investment income		127,543
Group companies and associates		126,936
Other		607
Finance expenses	14.a	<u>(13,256)</u>
Group companies and associates		(13,249)
Other		(7)
Change in fair value of financial instruments		-
Exchange gains		<u>(219)</u>
Net finance income		<u>114,068</u>
Profit before income tax		<u>106,819</u>
Income tax expense	16	(32,025)
Profit from continuing operations		<u>74,794</u>
DISCONTINUED OPERATIONS		
		-
Profit for the year		<u>74,794</u>

The accompanying notes form an integral part of the annual accounts.



EDP Renováveis, S.A.

Statement of Total Changes in Equity for the year ended  
31 de diciembre de 2008

Statement of Recognised Income and Expense  
for the years ended  
31 de diciembre de 2008

(Expressed in thousands of Euros)

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	<u>Note</u>	<u>2008</u>
Profit for the year		<u>74,794</u>
Total income and expense recognised directly in equity Equity		<u>-</u>
Total income and expense recognised in the income statement		<u>-</u>
Total non-financial assets and non-financial liabilities		<u>-</u>
Total recognised income and expense		<u>74,794</u>

The accompanying notes form an integral part of the annual accounts.

## EDP Renováveis, S.A.

Statement of Total Changes in Equity for the year ended  
31 December 2008

(Expressed in thousands of Euros)

Item	Share capital	Share premium	Reserves	Share capital increase costs	Profit/(Loss) for the year	Total
Balance at 31 December 2007	18,873	1,882,338	-	-	(23,520)	1,877,691
Adjustments for changes in criteria in 2007 and prior years	-	-	-	-	23,564	23,564
Adjusted balance at 1 January 2008	18,873	1,882,338	-	-	44	1,901,255
Recognised income and expense	-	-	-	-	74,794	74,794
Operations with equity holders or owners						
Share capital increases	4,342,668	(653,887)	-	(34,570)	-	3,654,211
Distribution of profit/(Application of loss) for the period						
Reserves	-	-	44	-	(44)	-
Balance at 31 December 2008	4,361,541	1,228,451	44	(34,570)	74,794	5,630,260

The accompanying notes form an integral part of the annual accounts.

EDP Renováveis, S.A.

Statement of Cash Flow  
For the year ended  
31 December 2008

(Expressed in thousands of Euros)

	Note	2008
Cash flows from operating activities		
Profit for the year before tax		106,819
Adjustments for:		(114,068)
Finance income	9	(127,543)
Finance expense	14	13,256
Exchange losses		219
Change in operating assets and liabilities		4,883
Trade and other receivables		(1,942)
Trade and other payables		7,365
Other current liabilities		(540)
Other cash flows from operating activities		65,494
Interest paid		(13,318)
Interest received		111,505
Income tax paid		(32,693)
Cash flows from operating activities		63,128
Cash flows from investing activities		
Payments for investments		(2,453,121)
Intangible assets	5	(58)
Property, plant and equipment	6 and 15.c	(43)
Other financial assets		(2,453,023)
Other assets		3
Cash flows from investing activities		(2,453,121)
Cash flows from financing activities		
Proceeds from and payments for equity instruments		1,538,958
Issue of equity instruments	13	1,538,958
Proceeds from and payments for financial liability instruments		867,630
Issue		
Group companies and associates		1,024,420
Redemption and repayment of		
Group companies and associates		(156,790)
Cash flows from financing activities		2,406,588
Net increase in cash and cash equivalents		16,595
Cash and cash equivalents at beginning of year		15
Cash and cash equivalents at year end	12	16,610

La memoria adjunta forma parte de las cuentas anuales

## EDP RENOVÁVEIS, S.A.

### Notes to the annual accounts

31 December 2008

#### (1) Nature and Activities of the Company

EDP Renováveis, S.A. (hereinafter, “the Company”) was incorporated by public deed on 4 December 2007 and commenced operations on the same date. Its registered offices are at Plaza de la Gesta, 2, Oviedo.

On 18 March 2008, the shareholders agreed to change the name of the Company from EDP Renováveis, S.L. to EDP Renováveis, S.A.

According to the Company’s articles of association, the statutory activity of EDP Renováveis S.A., comprises activities related to the electrical sector, specifically the projection, construction, maintenance and management of electricity production facilities, in particular those eligible for the special arrangements for electricity generation. The Company promotes and develops projects relating to energy resources and electricity production activities as well as managing and administering other companies’ equity securities.

The Company can engage in its statutory activities directly or indirectly through ownership of shares or investments in companies or entities with identical or similar statutory activities.

On 28 January 2008, EDP Energías de Portugal, S.A. informed the market and the general public that its directors had decided to launch a public share offering in EDP Renováveis, S.L. The Company completed its initial public offering in June 2008, with 22.5% of shares in the Company quoted on the Lisbon stock exchange.

As explained in note 8 the Company holds interests in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies are provided in Appendix I.

The Company belongs to the EDP Group, of which the parent company is EDP Energías de Portugal, S.A., with registered offices at Praça Marquês de Pombal, 12 – 4, Lisbon.

On 26 February 2009 the directors also prepared the consolidated annual accounts of EDP Renováveis, S.A. and subsidiaries for 2008.

(Continúa)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(2) Basis of presentation(a) Fair view

The accompanying annual accounts have been prepared on the basis of the accounting records of EDP Renováveis, S.A. The annual accounts for 2008 have been prepared in accordance with prevailing legislation and the new Spanish General Chart of Accounts (NPGC) to present fairly the equity and financial position at 31 December 2008 and results of operations and changes in equity for the year then ended. The annual accounts for 2008 are the first the Company has prepared applying the Spanish General Chart of Accounts approved by Royal Decree 1514/2007. In accordance with section one of the fourth transitional provision of this Royal Decree, the 2008 annual accounts have been considered as the opening annual accounts and therefore, do not include comparative figures. Note 23 “Issues arising from transition to the new accounting standards” presents the balance sheet and statement of profit and loss forming part of the 2007 annual accounts approved by the shareholders at the annual general meeting held on 8 April 2008, which were prepared in accordance with the Spanish General Chart of Accounts in force during that year. This note also contains an explanation of the main differences between the accounting principles applied in the current year and those applied in the previous year, as well as a quantification of the impact of this change in accounting criteria on equity at 1 January 2008, which is the transition date and, therefore, the opening balance sheet date.

As mentioned in note 21 and the first transitional provision of Royal Decree 1514/2007, the Company has opted to measure all equity items on the opening balance sheet in accordance with principles and standards prevailing at 31 December 2007, except for financial instruments which are measured at fair value.

The directors consider that the annual accounts for 2008 prepared on 26 February 2009 will be approved without significant changes.

(b) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company’s functional and presentation currency.

(c) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates, judgements and assumptions have to be made when applying the Company’s accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts is as follows:

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

- Relevant accounting estimates and assumptions

The Company tests investments in Group companies for impairment on an annual basis.

An asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The Company generally uses cash flow discounting methods to calculate these values. Cash flow discounting calculations are based on the 20-year projections of the budgets approved by management. The flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions employed to calculate the fair value less costs to sell and value in use include growth rates in accordance with best estimates of rises in electricity prices in each country, the weighted average capital rate (between 6.66% and 8.53% depending on subgroup and country) and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss.

The fair value of financial instruments is based on market quotations when available.

Otherwise, fair value is based on prices applied in recent, similar transactions in market conditions or on evaluation methodologies using discounted future cash flow techniques, considering market conditions, time value, profitability curve and volatility factors. These methods may require assumptions or judgements in estimating fair value.

- Change in accounting estimate

Although estimates are calculated by the Company's directors based on the best estimate available at 31 December 2008, future events may take place requiring these estimates to be modified in subsequent years. The effect on the annual accounts of modifications which, where applicable, result from adjustments to be made in subsequent years are recognised prospectively.

### (3) Distribution of Profit

The proposed distribution of 2008 profit to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Thousands of Euros
<u>Basis of allocation</u>	
Profit for the year	74,794
<u>Distribution</u>	
Legal reserve	7,479
Voluntary reserve	67,315
Total	<u>74,794</u>

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(4) Significant Accounting Policies(a) Foreign currency transactions, balances and cash flows

Foreign currency transactions have been translated into Euros using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Intangible assets

Software is measured at cost of acquisition and carried at cost, less any accumulated amortisation and accumulated impairment valuation allowances. Software is amortised by allocating the amortisable amount on a systematic basis over its useful life, which has been estimated at four years from the asset entering normal use.

Software maintenance costs are charged as expenses when incurred.

(c) Property, plant and equipment(i) Initial recognition

Property, plant and equipment are measured at cost of acquisition. Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment valuation allowances.

(ii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

At 31 December 2008, all property, plant and equipment are in progress and depreciation has therefore not commenced.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(d) Financial instruments(i) Transition

As mentioned in note 23 and the first transitional provision of Royal Decree 1514/2007, the Company has opted to measure all equity items on the opening balance sheet in accordance with principles and standards prevailing at 31 December 2007, except for financial instruments which are measured at fair value.

Consequently, the Company has applied the criteria for prospectively measuring financial assets and financial liabilities at amortised cost as of 1 January 2008.

(ii) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and management's intentions on initial recognition.

(iii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Financial assets and financial liabilities held for trading

Financial assets or financial liabilities held for trading are those which are classified as held for trading from initial recognition.

A financial asset or financial liability is classified as held for trading if it:

- Originates or is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- Forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or
- Is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(Continues)



## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

Financial assets and financial liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrual interest and dividends are recognised separately.

(v) Financial assets and financial liabilities at fair value through profit or loss

Upon initial recognition the Company designates financial assets and financial liabilities at fair value through profit or loss in the income statement only if:

- it eliminates or significantly reduces the measurement or recognition inconsistency between financial assets and financial liabilities or
- the performance of a group of financial assets, financial liabilities or both is managed and evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. Information on these financial assets and financial liabilities provided internally to the Company's key management personnel is evaluated on that basis.

Financial assets and financial liabilities at fair value through profit or loss are measured following the criteria established for financial assets and financial liabilities classified as held for trading.

(vi) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are recognised initially at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(vii) Investments in Group companies

Investments in Group companies are initially recognised at cost, which is equivalent to the fair value of the consideration paid, including transaction costs, and are subsequently measured at cost net of any accumulated impairment losses.

(viii) Interest and dividends

Interest is recognised using the effective interest method.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

(ix) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(x) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises valuation allowances for impairment of loans and receivables and debt instruments when a reduction or delay is incurred in the estimated future cash flows, due to debtor insolvency.

- Impairment of financial assets carried at amortised cost

In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate is used corresponding to the measurement date under the contractual conditions.

The amount of an impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. Nevertheless, the reversal may not result in a carrying amount that would exceed what the amortised cost would have been had the impairment not been recognised.

- Investments in Group companies

An asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use or fair value less costs to sell.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

The carrying amount of the investment includes any receivable or payable monetary item, the settlement of which is not contemplated or likely to occur in the foreseeable future, excluding items which are commercial in nature.

In subsequent years, reversals in impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised.

The recognition or reversal of an impairment loss is recorded in the income statement.

The impairment allowance for an investment is limited to the amount of the investment, except when contractual, legal or implicit obligations have been assumed by the Company or payments have been made on behalf of the companies.

(xi) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as held for trading or as financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

(xii) Derecognition of financial liabilities

A financial liability, or part of it, is derecognised when the Company either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(f) Income taxes

The income tax expense and tax income for the year comprises current tax and deferred tax.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or a business combination.

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- They are associated with investments in subsidiaries, associates, jointly controlled entities and interests in joint ventures over which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future.

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- The temporary differences are associated with investments in subsidiaries and associates to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Company intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(iv) Offset and recognition

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(g) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting period or are cash or a cash equivalent, unless the assets are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting period or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

(h) Leases

The Company has rights to use certain assets through lease contracts.

Leases in which the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(i) Environmental informationEnvironmental assets

Long-term assets acquired by the Company to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as property, plant and equipment in the balance sheet at cost of purchase or production and depreciated over their estimated useful lives.

Environmental expenses

Environmental expenses are the amounts derived from managing the environmental effects of the Company's operations and those derived from existing environmental commitments. These include expenses incurred to prevent pollution caused by current ordinary activities and for waste treatment and disposals, decontamination, restoration, environmental management or environmental audit.

Expenses derived from environmental activities are recognised as operating expenses in the period in which they are incurred.

Environmental provisions

The Company makes an environmental provision when expenses are probably or certain to arise but the amount or timing is unknown. Where necessary, a provision is also made for environmental work arising from any legal or contractual commitments and for those commitments acquired for the prevention and repair of environmental damage.

(j) Related party transactions

Transactions between Group companies, except those related to business combinations, mergers, spin-offs and non-monetary contributions mentioned in the previous sections, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(k) Hedge accounting

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Company undertakes fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Company has also opted to record hedges of foreign currency risk of a firm commitment as a cash flow hedge.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

For cash flow hedges of forecast transactions, the Company assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

(i) Hedges of a net investment in a foreign operation

The Company hedges the risk of changes in foreign currency exchange rates derived from investments in Group companies denominated in foreign currency. Investments include the monetary items that are accounted for as part of the net investment in accordance with section 4 (a). The hedges are classified as fair value hedges. The portion of gains or losses on the hedging instrument or on the changes in the exchange of the monetary item used as the hedging instrument are recognised as exchange gains or losses. Gains or losses on investments related with the foreign currency amount of the underlying in the annual accounts are recognised as exchange gains or losses in profit and loss with a valuation adjustment for the effective part of the hedge.

(5) Intangible Assets

Intangible assets comprise the cost of software acquired during the year.

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

		Thousands of Euros		
		Balance at 31.12.07	Additions	Balance at 31.12.08
Cost				
Property, plant and equipment under construction		-	238	238
Carrying amount		-	238	238

The Company has contracted insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(7) Risk Management Policy(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including currency risk and interest rate risk in fair value), credit risk, liquidity risk and interest rate risk in cash flows. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits. The Company uses derivatives to mitigate certain risks.

The directors of the Company are responsible for defining general risk management principles and establishing exposure limits. The Company's financial risk management is subcontracted to the Finance Department of EDP Energias de Portugal, S.A. in accordance with the policies approved by the directors. The subcontracted service includes the identification and evaluation of hedging instruments.

All operations involving derivative financial instruments are subject to prior approval from the board of directors, which sets the parameters of each operation and approves the formal documents describing the objectives of the operation.

(i) Currency risk

The Company operates internationally and is therefore, exposed to currency risks when operating with foreign currencies, especially the US Dollar. Currency risk is associated with recognised assets and liabilities and net investments in foreign operations.

The Company holds investments in Group companies denominated in foreign currency which are exposed to currency risk. Currency risk affecting these investments in US Dollars are mitigated primarily through a derivative financial instrument and borrowings in the corresponding foreign currencies.

Details of the hedged financial assets and the derivative financial instruments obtained to hedge them are provided in notes 8 and 11.

Details of financial assets and liabilities in foreign currencies and transactions in foreign currencies are provided in notes 8, 15 and 19.

As a result of the hedging policy applied to both investments in Group companies denominated in foreign currency and loans extended in foreign currency, at 31 December 2007 and at 31 December 2008, had the Euro strengthened/weakened by 10% against the US Dollar, with the other variables remaining constant, the effect on profit after income tax would have been very minor. The US Dollar is expected to depreciate 10% against the Euro in 2009, which would have a positive effect of approximately Euros 7.6 million on profit before tax. However, were the US Dollar to appreciate 10% against the Euro, profit before tax would be reduced by Euros 9.3 million.

(Continues)



## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(ii) Credit risk

The Company is not significantly exposed to credit risk as the majority of its balances and transactions are with Group companies. As the counterparties of derivative financial instruments are Group companies, and the counterparties of their derivative financial instruments are highly solvent banks, the Company is not subject to significant counterparty default risk. Guarantees or other derivatives are therefore not requested in this type of operation.

The Company has documented its financial operations in accordance with international standards. The majority of its operations with derivative financial instruments are therefore contracted under “ISDA Master Agreements”, which facilitate the transfer of instruments in the market.

Details of financial assets exposed to credit risk are provided in note 10.

(iii) Liquidity risk

Liquidity risk is the risk that the Company is unable to comply with its financial commitments on maturity. The Company’s approach in managing liquidity risk is to guarantee as far as possible that liquidity will always be available to pay its debts before they mature, in normal conditions and during financial difficulties, without incurring unacceptable losses or compromising the Company’s reputation.

The adverse conditions in debt markets could make it difficult to meet the financial requirements necessary to carry out the Company and Group’s activities.

Compliance with the liquidity policy ensures that contracted commitments are paid, maintaining sufficient credit facilities and providing access to the EDP Group’s lines of credit.

Details of financial assets and financial liabilities by contracted maturity date are provided in notes 10 and 15.

(iv) Cash flow and fair value interest rate risks

Given the Company’s activity, it has a considerable amount of remunerated assets, and most income and cash flows from operating activities are therefore affected by fluctuations in market interest rates.

The Company is subject to interest rate risk derived from loans extended to and long-term borrowings obtained from Group companies. The loans have fixed interest rates, exposing the Company to fair value interest rate risks.

Details of the hedged financial assets and the derivative financial instruments obtained to hedge them are provided in notes 8 and 11.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(8) Investments in Equity Instruments of Group companies

Details of equity instruments of Group companies are as follows:

	Thousands of Euros
EDP Renováveis Brasil	-
Nuevas Energías de Occidente, S.L.	884,352
Horizon Wind Energy, LLC	2,763,995
	<hr/> 3,648,347 <hr/>

No impairment valuation allowances have been recognised as a result of the tests carried out.

(a) Investments in Group companies

Details of investments in Group companies are provided in Appendix I.

As described in note 13, on 25 February 2008 Hidroeléctrica del Cantábrico, S.A. shareholders subscribed a share capital increase through the non-monetary contribution of 40% of the investment held in Nuevas Energías de Occidente, S.L. for a total amount of Euros 822,054 (see note 13). This operation made the Company the sole owner of Nuevas Energías de Occidente, S.L.

EDP Renováveis Brazil was incorporated in 2008 with share capital of Euros 154. The Company owns 55% of the shares of EDP Renováveis Brazil.

At 31 December 2008, management opted to capitalise a loan of Euros 859,619 thousand (US Dollars 1,196,331 thousand) extended to the subsidiary HWE. This amount has therefore been reclassified at 31 December 2008 as an increase in the investment in HWE.

(i) Foreign currency

The functional currencies of foreign operations are the currencies of the countries in which they are domiciled. The net investment in these operations coincides with the carrying amount of the investment.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(ii) Hedged investments

Details of investments, the fair value of which is hedged against currency risk, are as follows at 31 December 2008:

Investment	Thousands of Euros
Horizon Wind Energy, LLC. (HWE)	2,763,995
	<u>2,763,995</u>

To cover the exchange rate risk arising from the exposure of this investment denominated in foreign currency, Company management has contracted a hedging instrument comprising three swaps for a total notional amount of US Dollars 2,632,613 thousand, equivalent to Euros 1,826,175 thousand. The change in fair value of the financial investment in Horizon Wind Energy, LLC totals Euros 103,314 and the change in fair value of the hedging instrument totals Euros 103,472 thousand in 2008. These amounts have been recognised as exchange gains or losses in the accompanying income statement (see note 11). The fair value of the hedging instrument at 31 December 2008 totals Euros 65,478 thousand, which has been recognised in non-current payables under non-current liabilities in the accompanying balance sheet (see note 11). At 31 December 2008, the balance relating to the aforementioned net investment hedging operation totals Euros 22,825 thousand (see note 10).

The rest of this investment is mainly hedged by loans denominated in the same foreign currency (see note 15).

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(9) Financial Assets by Category

The classification of financial assets by category and class, as well as a comparison of the fair value and the carrying amount is as follows:

	Thousands of Euros							
	Non-current				Current			
	At amortised cost or cost		At fair value	Total	At amortised cost or cost		At fair value	Total
	Carrying amount	Fair value			Carrying amount	Fair value		
Assets held for trading								
Derivative financial instruments	-	-	-	-	-	-	1,527	1,527
Total	-	-	-	-	-	-	1,527	1,527
Loans and receivables								
Fixed-rate loans	2,608,612	2,802,884	-	2,608,612	194,978	194,978	-	194,978
Guarantee deposits	2	2	-	2	83,025	83,010	-	83,025
Other financial assets	-	-	-	-	22,825	22,825	-	22,825
Trade receivables	-	-	-	-	1,849	1,849	-	1,849
Total	2,608,614	2,802,886	-	2,608,614	302,677	302,662	-	302,677
Total financial assets	2,608,614	2,802,886	-	2,608,614	302,677	302,662	1,527	304,204

Net losses and gains by category of financial asset are as follows:

	Thousands of Euros		
	Group loans and receivables	Non-Group loans and receivables	Total
Finance income at amortised cost	126,936	607	127,543
Net gains/losses in profit and loss	126,936	607	127,543

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(10) Investments and Trade Receivables(a) Investments in Group companies

Details of investments in Group companies are as follows:

Group	Thousands of Euros	
	Non-current	Current
Equity instruments	3,648,347	-
Loans	2,608,612	178,940
Interest	-	16,038
Deposits	-	83,025
Derivative financial instruments	-	1,527
Other financial assets (note 8)	-	22,825
	6,256,959	302,355
Impairment valuation allowances	-	-
	6,256,959	302,355

(b) Main characteristics of loans

Details of the main characteristics of loans are as follows.

Type	Currency	Effective rate	Nominal rate	Maturity	Thousands of Euros		
					Nominal amount	Carrying amount	
						Current	Non-current
Group	EUR	5.46%	5.46%	2027	405,414	21,338	384,076
Group	EUR	5.11%	5.11%	2018	122,086	-	122,086
Group	EUR	5.78%	5.78%	2020	12,000	-	12,000
Group	EUR	4.80%	4.80%	2016	95,059	11,882	83,177
Group	EUR	5.15%	5.15%	2023	560,652	38,666	521,986
Group	EUR	4.81%	4.81%	2022	209,737	15,536	194,201
Group	EUR	4.78%	4.78%	2021	443,857	34,143	409,714
Group	EUR	6.34%	6.34%	2023	269,242	9,284	259,958
Group	EUR	5.01%	5.01%	2022	269,854	19,989	249,865
Group	EUR	5.57%	5.57%	2023	347,644	23,975	323,669
Group	EUR	5.68%	5.68%	2023	52,007	4,127	47,880
Total Group					2,787,552	178,940	2,608,612
Total					2,787,552	178,940	2,608,612

All these loans have been extended to Nuevas Energías de Occidente, S.L. and its subsidiaries at fixed interest rates.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(c) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	Non-current	Current
Group		
Trade receivables	-	1,679
Other receivables	-	170
Non-related companies		
Taxation authorities, income tax (note 16)	-	13,582
Public entities, other (note 16)	-	773
Total	-	16,204

(d) Classification by maturity

The classification of financial assets by maturity is as follows:

	Thousands of Euros							Total non-current
	2009	2010	2011	2012	2013	Subsequent years	Less current portion	
Loans and receivables								
Loans								
Fixed rate	178,940	187,518	187,518	187,518	187,518	1,858,540	(178,940)	2,608,612
Guarantee deposits	83,025	-	-	-	-	2	(83,025)	2
Other financial assets	22,825	-	-	-	-	-	(22,825)	-
Derivative financial instruments	1,527	-	-	-	-	-	(1,527)	-
Trade receivables	1,849	-	-	-	-	-	(1,849)	-
Total	288,166	187,518	187,518	187,518	187,518	1,858,542	(288,166)	2,608,614

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(11) Derivative financial instruments

Details of derivative financial instruments are as follows:

	2008			
	Thousands of Euros			
	Fair values			
	Assets		Liabilities	
	Non-current	Current	Non-current	Current
Hedging derivatives				
<i>a) Fair value hedges</i>				
Net investment hedging swaps (note 8)	-	-	65,478	-
Total	-	-	65,478	-
Derivatives held for trading and at fair value through profit and loss				
<i>b) Foreign currency derivatives</i>				
Forward exchange contracts	-	1,527	-	1,527
Total	-	1,527	-	1,527
Total hedging derivatives	-	1,527	65,478	1,527

(a) Fair value hedges

The total amount of gains and losses on hedging instruments and on items hedged under fair value hedges of net investments in Group companies is as follows:

	Thousands of Euros
Gains/(Losses)	
2008	
Forward foreign currency contracts	
- Net investment hedging swaps (note 8)	103,472
- Investments in Group companies (note 8)	(103,314)
	<u>158</u>

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(b) Forward exchange contracts

To eliminate the currency risk of a Group subsidiary, the Company has contracted a cross deal whereby it forward sells Polish Zloty to Neo Polska at a fixed price in Euros and simultaneously forward purchases Polish Zloty from EDP-Energías de Portugal, S.A. Sucursal en España. The nominal amount of these forward contracts is Euros 99 million. The Company has contracted this cross deal to hedge the exchange rate risk in the purchases of wind turbines which are payable in Polish Zloty by its subsidiary Neolica Polska SP Z.O.O.

(12) Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	<u>Thousands of Euros</u>
Cash in hand and at banks	<u>16,610</u>
	<u><u>16,610</u></u>

(13) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Subscribed share capital

At 31 December 2008, the share capital of the Company is represented by 872,308,162 ordinary bearer shares of Euros 5 par value each, all fully paid. These shares have the same voting and profit-sharing rights and are freely transferable.

Companies which hold a direct or indirect interest of at least 10% in the share capital of the Company are as follows:

Company	<u>2008</u>		<u>2007</u>	
	<u>Number of shares</u>	<u>Percentage ownership</u>	<u>Number of shares</u>	<u>Percentage ownership</u>
EDP - Energías de Portugal, S.A. Sucursal en España	541,005,522	62.02%	1,887,298	100.00%
Hidroeléctrica del Cantábrico, S.A.	135,294,996	15.51%	-	-
Others	196,007,644	22.47%	-	-
	<u>872,308,162</u>	<u>100.00%</u>	<u>1,887,298</u>	<u>100.00%</u>

(Continues)



## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

As agreed by the shareholders at the extraordinary general meeting on 25 February 2008, the Company increased its share capital by Euros 4,718 thousand by issuing 471,824 new ordinary registered shares of Euros 10 par value and share premium of Euros 371.94 per share. This share capital increase was fully subscribed by Hidroeléctrica del Cantábrico, S.A. through a non-monetary contribution comprising 40% of its shares in Nuevas Energías de Occidente, S.L. This agreement was executed in a public deed on 29 February 2008, making the Company the sole owner of Nuevas Energías de Occidente, S.L. However, the investment in Nuevas Energías de Occidente, S.L. and the share premium were recognised at an amount Euros 641,846 thousand higher than the aforementioned share capital increase in order to adjust the value of this contribution to the fair value of the investment when the contribution was made (see note 8). As a result of this operation, Hidroeléctrica del Cantábrico, S.A. obtained a 20% interest in the Company, which was therefore no longer solely owned.

The contributions are applicable to the special tax treatment for mergers, spin-offs, transfers of assets and conversion of securities foreseen in Chapter VIII of Section VII of Royal Decree 4 dated 5 March 2004 which approved the revised Spanish tax law. In accordance with article 93 of that Royal Decree, the balance sheet of Hidroeléctrica del Cantábrico, S.A. at 31 December 2007 accompanies these accounts (see Appendix IV).

At the extraordinary general meeting held on 12 March 2008, the shareholders agreed to increase share capital by Euros 2,057,828 thousand by issuing 205,782,806 new ordinary registered shares of Euros 10 par value each. The share capital increase was carried out with a charge to the share premium. This agreement was executed in a public deed on 12 March 2008.

At the same extraordinary general meeting, the shareholders agreed to reduce the par value of the Company's shares from Euros 10 to Euros 2 each through a share split at a ratio of 5 new shares for each old share, without any variation in share capital.

As a result of this agreement the Company's share capital was Euros 2,081,419 thousand, represented by 1,040,709,640 shares of Euros 2 par value each, subscribed and fully paid. The Company subsequently became a limited liability company by converting all of its shares into ordinary registered shares.

At the extraordinary general meeting held on 7 May 2008, the shareholders agreed to increase share capital by Euros 1,300,000 thousand by issuing 650,000,000 new ordinary registered shares of Euros 2 par value each. This increase was fully subscribed by the Company's shareholders in proportion to their interest through the following non-monetary contributions:

- EDP-Energías de Portugal, S.A. Sucursal en España subscribed 520,000,000 shares through the contribution of receivables for loans initially extended by EDP Finance B.V. to Nuevas Energías de Occidente, S.L. and subsequently conveyed to EDP-Energías de Portugal Sucursal en España on 14 December 2007. The characteristics of the contributed loans are as follows:

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

- Loan of Euros 289,844 thousand maturing on 30 June 2022.
- Loan of Euros 225,273 thousand maturing on 30 June 2022.
- Loan of Euros 218,000 thousand maturing on 31 December 2021.
- Loan of Euros 306,884 thousand maturing on 31 December 2027.
- Hidroeléctrica del Cantábrico, S.A. subscribed 130,000,000 shares through a non-monetary contribution comprising the principal of a loan of Euros 260,000 thousand maturing on 31 December 2021 which was initially extended by EDP Finance BV to Nuevas Energías de Occidente, S.L., the receivable balance of which was subsequently conveyed to EDP-Energías de Portugal, S.A. Sucursal en España on 14 December 2007 and finally to Hidroeléctrica del Cantábrico, S.A. on 24 April 2008.

On the same date, shareholders agreed to increase the par value of shares from Euros 2 to Euros 5 each by reducing the number of shares. The share capital of the Company was consequently represented by 676,283,856 shares of Euros 5 par value each.

At the extraordinary general meetings held on 13 May 2008, 14 May 2008, 31 May 2008 and 3 June 2008, the shareholders agreed to increase share capital by Euros 225,428 thousand by issuing 45,085,590 new ordinary registered shares of Euros 5 par value and share premium of Euros 3 euros each, with the exception of shares issued to employees which had a share premium of Euros 2.6 each. These shares were subscribed through a public share offering to EDP Group employees, EDP-Energias de Portugal, S.A. shareholders and the general public.

At the extraordinary general meetings held on 13 May 2008, 14 May 2008 and 31 May 2008, the shareholders agreed to increase share capital by Euros 754,694 thousand by issuing 150,938,716 new ordinary registered shares of Euros 5 par value and Euros 3 share premium each. These shares were subscribed through a public share offering to institutional and qualified investors.

The final share premium arising from this public offering totalled Euros 586,604 thousand.

(b) Legal reserve

The legal reserve has been appropriated in compliance with the revised Spanish Companies Act, in force since 1 January 1990, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. Although the legal reserve can be used to increase share capital, until it reaches an amount equal to 20% of share capital, it can only be used to offset losses if no other reserves are available and cannot be used for any other purpose. At 31 December 2008, the Company has not appropriated to this reserve the minimum amount required by law.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(c) Voluntary reserve

These reserves are freely distributable.

(d) Negative reserve for costs of the public share offering

As a consequence of the public share offering, the Company has incurred a number of expenses associated with the share capital increase which have been recognised in this caption net of the tax effect.

(14) Financial Liabilities by Category

A classification of financial liabilities by category and class, and a comparison of the fair value with the carrying amount are as follows:

	Thousands of Euros							
	Non-current				Current			
	At amortised cost or cost		At fair value	Total	At amortised cost or cost		At fair value	Total
	Carrying amount	Fair value			Carrying amount	Fair value		
Liabilities held for trading								
Derivative financial instruments	-	-	-	-	-	-	1,527	1,527
Total	-	-	-	-	-	-	1,527	1,527
Debits and payables								
Fixed-rate payables to companies	862,817	901,553	-	862,817	-	-	-	-
	862,817	901,553	-	862,817	-	-	-	-
Other financial liabilities	2	2	-	2	4,813	4,813	-	4,813
Trade and other payables	-	-	-	-	14,438	14,438	-	14,438
Total	2	2	-	2	19,251	19,251	-	19,251
Hedging derivatives								
Contracted in OTC markets	-	-	65,478	65,478	-	-	-	-
Total	-	-	65,478	65,478	-	-	-	-
Total financial liabilities	862,819	901,555	65,478	928,297	19,251	19,251	1,527	20,778

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

Net gains and losses by financial liability category are as follows:

	Thousands of Euros		
	Group debits and payables	Non-Group debits and payables	Total
Finance expenses at amortised cost	13,249	7	13,256
Total	13,249	7	13,256

(15) Payables and Trade Payables(a) Group companies

Details of Group companies are as follows:

	Thousands of Euros	
	Non-current	Current
Group		
Group companies	862,817	-
Group trade payables	-	3,225
Current account with Group companies	-	4,813
Total	862,817	8,038

Group companies reflect a fixed-interest loan obtained from EDP-Energías de Portugal, S.A. Sucursal en España.

(b) Main characteristics of payables

The terms and conditions of loans and payables are as follows:

Type	Currency	Effective rate	Nominal rate	Maturity	Thousands of Euros		
					Nominal amount	Carrying amount	
						Current	Non-current
Group	USD	4.41%	4.41%	2018	862,817	-	862,817
Total					862,817	-	862,817

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(c) Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	Non-current	Current
Group		
Suppliers	-	3,759
	-	3,759
Related companies		
Trade payables	-	1,548
	-	1,548
Non-related companies		
Fixed asset suppliers	-	195
Trade payables	-	7,874
Others	2	1,061
Public entities, other	-	220
	2	9,350
Total	2	14,657

(d) Classification by maturity

The classification of financial liabilities by maturity is as follows:

	Thousands of Euros						Less current portion	Total non- current
	2009	2010	2011	2012	2013	Subsequent years		
Group companies	-	-	-	-	-	862,817	-	862,817
Derivative financial instruments	1,527	-	-	-	-	65,478	1,527	65,478
Other financial liabilities	4,813	-	-	-	-	-	4,813	-
Trade and other payables	14,657	-	-	-	-	-	14,657	-
Total financial liabilities	20,997	-	-	-	-	928,295	20,997	928,295

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(16) Taxation

Details of balances payable to public entities are as follows:

	Thousands of Euros	
	Non-current	Current
Assets		
Deferred tax assets	160	-
Current tax assets	-	13,582
Value added tax and similar	-	773
	160	14,355
Liabilities		
Deferred tax liabilities	13,123	-
Value added tax and similar	-	220
	13,123	220

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2007 - 08
Value added tax-	2007 - 08
Personal income tax	2007 - 08
Capital gains tax	2007 - 08
Business activities tax	2007 - 08
Social Security	2007 - 08
Non-residents	2007 - 08

Due to the different possible interpretations of prevailing tax legislation, certain additional liabilities could arise in the event of an inspection. In any event, the directors do not consider that any such contingencies that could arise would have significant effect on the annual accounts.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(a) Income taxes

A reconciliation of net income and expenses for the year and the taxable income is as follows:

	Thousands of Euros		
	Income Statements		
	Increases	Decreases	Net
Profit for the year	74,794		74,794
Income tax	32,025	-	32,025
Profit before income tax	106,819	-	106,819
Permanent differences	23,612	49,386	(25,774)
Temporary differences:	-	29,768	(29,768)
Originating in current year	534	29,163	(28,629)
Originating in prior years	-	1,139	(1,139)
Offset of tax loss carryforwards		36,964	(36,964)
Taxable income			14,314

In the increases column, permanent differences reflect adjustments arising from conversion to the new Spanish General Chart of Accounts, mainly in relation to provisions for impairment of investments in Group companies. All permanent differences in the decreases column are derived from the costs of the public offering.

All tax loss carryforwards are offset in the current year.

Details of the income tax expense related to profit for the year are as follows:

	Thousands of Euros		
	Profit and loss	Equity	Total
Profit for the year	106,819	-	106,819
Tax at 30%	32,046)	-	32,046
Effect of differences in tax rates			
Previously unrecognised tax credits applied	(11,090)		(11,090)
Prior years' adjustments for deferred tax liabilities	4,374		4,374
Adjustment for conversion to new General Chart of Accounts that use tax credits not recognised in prior years	7,084	-	7,084
Prior years' adjustments for deferred tax assets	(389)	-	(389)
Income tax expense	32,025	-	32,025

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

Details of the income tax expense are as follows:

	Thousands of Euros
Current tax for the year	19,062
	<u>19,062</u>
Deferred tax liabilities	
Source and reversal of temporary differences	
Amortisation of HWE goodwill	13,123
Salaries payable	<u>(160)</u>
	12,963
	<u>32,025</u>

The total payment of current tax for 2008 is reduced by Euros 14,816 thousand as a result of the costs related to the public share offering recognised in equity.

Details of deferred tax assets and liabilities that are expected to be realised or reverse in periods exceeding 12 months, are as follows:

	Thousands of Euros		
	Assets	Liabilities	Net
Amortisation of HWE goodwill	-	(13,123)	(13,123)
Personnel expenses	<u>160</u>	<u>-</u>	<u>160</u>
Total assets/liabilities	<u>160</u>	<u>(13,123)</u>	<u>(12,963)</u>

Details of deferred tax assets and liabilities that are expected to be realised or reverse in periods exceeding 12 months, are as follows:

	Thousands of Euros
Amortisation of HWE goodwill	<u>(13,123)</u>
<b>Net</b>	<u><u>(13,123)</u></u>

(Continues)



## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(17) Environmental Information

Given the nature of its activity, the Company does not consider it necessary to make investments to prevent or correct environmental effects of that activity or to make any environmental provisions. However, a number of required environmental studies have been carried out in accordance with prevailing legislation to obtain authorisation for wind farms developed on behalf of Group companies. These studies have been recognised as an increase in property, plant and equipment in progress.

The current annual accounts do not include any environmental costs.

The directors consider that no significant environmental contingencies exist.

(18) Balances and Transactions with Related Parties(a) Balances with related parties

Details of balances receivable from and payable to Group companies and related parties, including members of senior management and directors, and the main characteristics are disclosed in notes 10 and 15.

Details of balances by category are as follows:

	Thousands of Euros			
	Parent company	Group companies	Directors	Total
Non-current investments in Group companies	-	3,648,347	-	3,648,347
Non-current investments	-	2,608,612	-	2,608,612
Total non-current assets	-	6,256,959	-	6,256,959
Trade and other receivables	-	1,679	-	1,679
Current investments	-	302,355	-	302,355
Total current assets	-	304,034	-	304,034
Total assets	-	6,560,993	-	6,560,993
Group companies – non-current	862,817	-	-	862,817
Total non-current liabilities	862,817	-	-	862,817
Current accounts with Group companies	-	4,813	-	4,813
Current payables	-	5,307	30	5,337
Total current liabilities	-	10,120	30	10,150
Total liabilities	862,817	10,120	30	872,967

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(b) Transactions with related parties

The Company's transactions with related parties are as follows:

	Thousands of Euros		
	Group companies	Directors	Total
Revenue			
Other services rendered	1,679	-	1,679
Finance income	126,936	-	126,936
	128,615	-	128,615
Expenses			
Operating lease expenses	(1,500)	-	(1,500)
Other services received	(2,555)	-	(2,555)
Personnel expense			
Salaries	-	(277)	(277)
Finance expenses	(13,249)	-	(13,249)
	(17,304)	(277)	(17,581)
	111,311	(277)	111,034

(c) Information on the Company's directors and senior management personnel

During 2008 the directors of the Company have received remuneration of Euros 277 thousand and senior management have received Euros 244 thousand. Remuneration paid to directors includes Euros 235 thousand which, although it is on account of EDP Renováveis, S.A., has been paid to the chief executive officer by EDP Energias de Portugal, S.A. Transactions with group companies relating to other services received, described in section b) above, include this cost. The directors and senior management have not received any loans or advances and the Company has not extended any guarantees on their behalf. The Company has no pension or life insurance obligations with the Company's former or current directors.

(d) Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Company

During 2008 the directors have not carried out any transactions other than ordinary business with the Company or applying terms that differ from market conditions.

(e) Investments and positions held by directors

Details of interests held by the directors of the Company in both the Company and companies with identical, similar or complementary statutory activities to those of the Parent company and positions held as well as functions and activities performed in these companies are shown in Appendix V, which forms an integral part of this note to the annual accounts.

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(19) Income and Expenses(a) Employee benefits expense and provisions

Details of employee benefits expenses and provisions are as follows:

	Thousands of Euros 2008
Employee benefits expense	
Social security payable by the Company	34
Other employee benefits expenses	13
	<u>47</u>

(b) Foreign currency transactions

Details of revenue and expenses denominated in foreign currencies are as follows:

	Thousands of Euros 2008
Revenue	
Financial instruments	9,353
Finance income	9,353
Expenses	
Financial instruments	(12,958)
Finance expense	(12,958)
Net	<u>(3,605)</u>

(20) Employee information

The average headcount of the Company during 2008, distributed by category, is as follows.

	Number
Management	2
Senior technicians	3
	<u>5</u>

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

At year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	Number	
	Male	Female
Management	9	2
Senior technicians	11	6
Technicians	1	1
	<u>21</u>	<u>9</u>

One of the fifteen members of the board of directors is female.

(21) Audit Fees

KPMG Auditores, S.L., the auditors of the individual and consolidated annual accounts of the Company, and other individuals and companies related to the auditors as defined by Audit Law 19 of 12 July 1988 have invoiced the Company the following net fees for professional services during the year ended 31 December 2008:

	Thousands of Euros
Audit services individual and consolidated annual accounts	157
Audit-related services linked to the public share offering	121
	<u>278</u>

Audit services detailed in the above table include the total fees for services rendered in 2008.

Other companies related to KPMG International have invoiced the Company as follows:

	Thousands of Euros
Audit-related services linked to the public offering	344
	<u>344</u>

(Continues)

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

(22) Subsequent Events

No events have occurred subsequent to year end which could affect these annual accounts.

(23) Issues deriving from transition to the new accounting standards

As mentioned in note 2, the annual accounts for 2008 have been considered as opening annual accounts, and therefore do not include comparative figures for the prior year. This note contains the balance sheet and statement of profit and loss included in the annual accounts for 2007 approved by the shareholders at their annual general meeting held on 8 April 2008, which were prepared in accordance with the Spanish General Chart of Accounts in force during that year. This note also includes an explanation of the main differences between the accounting principles applied in the current year and those applied in the previous year, as well as a quantification of the impact of this change in accounting criteria on equity at 1 January 2008, which is the transition date and, therefore, the opening balance sheet date.

In accordance with the first transitional provision of Royal Decree 1514/2007, the Company has opted to measure all items included in the opening balance sheet based on the accounting principles prevailing at 31 December 2007, except for financial instruments which are measured at fair value.

(a) Balance Sheet and Statement of Profit and Loss

Appendices II and III comprise the balance sheet and statement of profit and loss included in the annual accounts for 2007.

(b) Reconciliation with the opening balance sheet

The main changes deriving from the application of the new Spanish General Chart of Accounts approved by Royal Decree 1514/2007 on equity at 1 January 2008, the date of the transitional balance sheet, and at 31 December 2007, and on the loss for the year ended 31 December 2007, are as follows:

## EDP RENOVÁVEIS, S.A.

## Notes to the annual accounts

	<u>Share capital</u>	<u>Share premium</u>	<u>Profit/(loss) for the year</u>	<u>Total</u>
Balance at 31 December 2007	18,873	1,882,338	(23,520)	1,877,691
Effect of adjustments:				
Recognition of net hedging operation	-	-	158	158
Elimination of provision for decline in value of securities			23,454	23,454
Tax effect of adjustments				
Deferred tax	-	-	(48)	(48)
Balance at 31 December 2007 under new accounting criteria	<u>18,873</u>	<u>1,882,338</u>	<u>44</u>	<u>1,901,255</u>

(c) Exceptions to the general rules governing first-time adoption

The Company has opted to apply the exceptions to the general rules governing first-time adoption detailed below:

(i) Hedge accounting

The Company applies hedge accounting from the transition date to derivative financial instruments where the transactions meet the criteria to qualify for hedge accounting (see note 8).

(ii) Estimates

Estimates made in accordance with previously prevailing standards are coherent with those made in the opening balance sheet and the Company has not recognised any correction of errors.

(iii) Impairment

In the first-time adoption accounting entry, the Company has reversed the provision for impairment of the investment in the HWE Group company which was made at 31 December 2007 in accordance with the accounting principles prevailing at that date. The Company reversed this provision at 1 January 2008 as the recoverable amount exceeded the value of the investment. This recoverable amount was calculated as set out in notes 2 and 4 (d).

## EDP RENOVAVEIS, S.A.

Information in relation to investments in Group companies

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31 December 2008

Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Thousand of Euro				
						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
<b>NUEVAS ENERGÍAS DE OCCIDENTE,S.L.</b>	Oviedo, Spain	100,00%	-	KPMG	Holding	30.000	195.426	-	(31.949)	193.476
Acampo Arias,S.L.	Zaragoza, Spain	-	98,19%	KPMG	Wind	3.314	0	-	0	3.315
Agrupación Eólica, S.L.U.	Zaragoza, Spain	-	100,00%	KPMG	Wind	772	44.398	-	200	45.371
Parque Eólico Plana de Artajona, S.L.U.	Zaragoza, Spain	-	100,00%	Not audited	Wind	12	(3)	-	0	9
C.E.Bourbriac, SAS	Paris, France	-	100,00%	KPMG	Wind	50	(4)	-	4	50
Compañía Eólica Campo de Borja, S.A.	Zaragoza, Spain	-	75,83%	KPMG	Wind	858	99	-	281	1.238
Cía. Eléctrica de Energías Renovables Alternativas, S.A.L.	Zaragoza, Spain	-	100,00%	Deloitte	Wind	69	(14)	-	0	55
Ceprastur AIE	Oviedo, Spain	-	45,41%	Not Audited	Minihydraulic	361	50	-	8	418
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza, Spain	-	100,00%	Not Audited	Wind	86	(2)	-	(0)	84
Parc Eòlic de Coll de Moro, S.L.	Barcelona, Spain	-	60,00%	Not audited	Wind	3	5	-	0	8
Desarrollos Eólicos Almarchal S.A.U.	Sevilla, Spain	-	80,00%	KPMG	Wind	2.061	(33)	-	1.093	3.121
Desarrollos Eólicos Buenavista, S.A.U.	Sevilla, Spain	-	80,00%	KPMG	Wind	1.712	1.449	-	1.080	4.242
Desarrollos Catalanes Del Viento,S.L.	Barcelona, Spain	-	60,00%	KPMG	Wind	794	(3)	-	(102)	688
Desarrollos Eólicos de Corme, S.A.	Sevilla, Spain	-	80,00%	KPMG	Wind	3.666	3.009	-	979	7.655
Desarrollos Eólicos Dumbría, S.A.U.	La Coruña, Spain	-	80,00%	KPMG	Wind	61	2.197	-	5.264	7.522
Desarrollos Eólicos de Galicia, S.A.	La Coruña, Spain	-	77,33%	KPMG	Wind	6.130	1.885	-	1.607	9.623
Desarrollos Eólicos de Lugo, S.A.U.	La Coruña, Spain	-	80,00%	KPMG	Wind	7.761	2.031	-	8.183	17.975
Desarrollos Eólicos Promoción S.A.U.	Sevilla, Spain	-	80,00%	KPMG	Wind	8.061	17.977	-	12.362	38.400
Desarrollos Eólicos de Rabosera, S.A.	Zaragoza, Spain	-	76,00%	KPMG	Wind	7.561	1.147	-	3.654	12.362
Desarrollos Eólicos, S.A.	Sevilla, Spain	-	80,00%	KPMG	Wind	1.056	17.769	-	(1.219)	17.606
Desarrollos Eólicos de Tarifa, S.A.U.	Sevilla, Spain	-	80,00%	KPMG	Wind	5.800	1.772	-	2.511	10.083
Eólica Don Quijote, S.L.	Madrid, Spain	-	80,00%	KPMG	Wind	3	1	-	5.363	5.367
Eólica Dulcinea, S.L.	Madrid, Spain	-	80,00%	KPMG	Wind	10	0	-	1.892	1.902
Eolica Alfoz, S.L.	Madrid, Spain	-	67,98%	KPMG	Wind	10	0	-	0	10

This appendix forms and integral part of Note 8.

## EDP RENOVAVEIS, S.A.

Information in relation to in Investments in Group companies

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31 December 2008

						Thousand of Euro				
Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Eólica Arlanzón, S.A.	Madrid, Spain	-	62,00%	KPMG	Wind	4.509	1.153	-	2.821	8.483
Eólica Campollano, S.A.	Madrid, Spain	-	60,00%	KPMG	Wind	6.560	2.511	-	9.351	18.422
Eólica Mare Nostrum S.A.	Valencia, Spain	-	48,00%	Not Audited	Wind	60	(102)	-	(0)	(43)
Eólica La Brújula, S.A.	Madrid, Spain	-	67,92%	KPMG	Wind	3.294	938	-	3.148	7.380
Energías Eólicas La Manchuela, S.L.U.	Albacete, Spain	-	80,00%	KPMG	Wind	1.142	228	-	1.916	3.286
Eneroliva, S.A.U.	Sevilla, Spain	-	80,00%	Not Audited	Solar	75	(7)	-	0	68
Eólica Fontesilva, S.L.U.	Sevilla, Spain	-	80,00%	Not audited	Wind	10	(0)	-	(0)	10
Hidroeléctrica Fuentermosa S.L.	Oviedo, Spain	-	71,96%	Not Audited	Minihydraulic	77	172	-	12	261
Parques de Generación Eólica, S.L.	Burgos, Spain	-	60,00%	KPMG	Wind	1.924	344	-	418	2.687
Generaciones Especiales I, S.L.	Oviedo, Spain	-	80,00%	KPMG	Holding	28.562	156.581	-	3.343	188.487
Ceasa Promociones Eólicas S.L.U.	Zaragoza, Spain	-	100,00%	Ernst&Young	Holding	1.205	(608)	-	(544)	53
Valle del Ebro Ingeniería y Consultoría SL	Zaragoza, Spain	-	80,00%	Not Audited	Holding	188	3.077	-	722	3.987
Eólica Guadalteba, S.L.	Sevilla, Spain	-	80,00%	Not Audited	Wind	10	(0)	-	(1)	9
Hidroeléctrica Gormaz S.A.	Madrid, Spain	-	60,00%	Not Audited	Minihydraulic	61	(37)	-	(59)	(36)
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza, Spain	-	100,00%	KPMG	Wind	1.919	62	-	1.014	2.995
Investigación y Desarrollo de Energías Renovables, S.L.	León, Spain	-	47,67%	KPMG	Wind	15.718	(259)	-	(2.217)	13.242
Industrias Medioambientales Río Carrión, S.A.	Madrid, Spain	-	72,00%	Not Audited	Waste	15	(610)	-	(0)	(595)
Eólica La janda, S.L.	Madrid, Spain	-	80,00%	Not Audited	Wind	10	(1)	-	14	23
Eólica La Navica, S.L.	Madrid, Spain	-	80,00%	KPMG	Wind	10	0	-	1.170	1.180
Parque Eólico Los Cantales, S.L.U.	Zaragoza, Spain	-	100,00%	KPMG	Wind	1.963	(11)	-	2.498	4.451
Parc Eolic Molinar S.L.	Girona, Spain	-	54,00%	Not audited	Wind	3	0	-	0	3
Molino de Caragüeyes, S.L.	Zaragoza, Spain	-	80,00%	KPMG	Wind	180	(43)	-	10	147
Parque Eólico Montes de Castejón, S.L.	Zaragoza, Spain	-	100,00%	Not audited	Wind	12	(3)	-	0	9
Eólica Muxia, S.L.	La Coruña, Spain	-	80,00%	Not audited	Wind	10	(0)	-	(0)	10
NEO Energía Aragón S.L.	Madrid, Spain	-	100,00%	KPMG	Wind	10	(0)	-	(1)	8

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						Thousand of Euro				
Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
NEO Catalunya S.L.	Barcelona, Spain	-	100,00%	KPMG	Wind	10	0	-	(314)	(304)
Neomai Inversiones SICAV, S.A.	Madrid, Spain	-	100,00%	PriceWaterhouseCoopers	Wind	33.358	6.448	-	(1.304)	38.503
Parque Eólico Santa Quiteria, S.L.	Zaragoza, Spain	-	46,66%	KPMG	Wind	63	8.621	-	3.399	12.083
Parque Eólico Belchite, S.L.U.	Zaragoza, Spain	-	80,00%	KPMG	Wind	3.600	720	-	3.211	7.531
Parques Eólicos del Cantábrico, S.A.	Oviedo, Spain	-	80,00%	KPMG	Wind	9.080	10.148	-	4.127	23.355
Parque Eólico Sotonera, S.L.	Zaragoza, Spain	-	51,88%	KPMG	Wind	2.000	311	-	2.195	4.506
Eolica de Radona, S.L.U.	Madrid, Spain	-	80,00%	Not audited	Wind	10	0	-	0	10
Rasacal Cogeneración, S.A.	Madrid, Spain	-	48,00%	Not Audited	Cogeneration	60	(476)	-	0	(416)
Siesa Renovables Canarias, S.L.	Gran Canaria, Spain	-	80,00%	Not Audited	Wind	3	(2)	-	(1)	0
Renovables Castilla La Mancha, S.A.	Albacete, Spain	-	72,00%	KPMG	Wind	15	(0)	-	2.150	2.165
Hidroeléctrica del Rumblar S.L.	Madrid, Spain	-	64,00%	Not Audited	Minihydraulic	276	(149)	-	(85)	42
Eólica Sierra de Ávila, S.L.	Madrid, Spain	-	71,99%	KPMG	Wind	10	0	-	0	10
Sinae Inversiones Eólicas, S.A.	Madrid, Spain	-	80,00%	KPMG	Wind	6.010	7.670	-	5.567	19.247
Sotromal, S.A.	Soria, Spain	-	72,00%	Not Audited	Waste	113	(279)	-	(10)	(176)
Parc Eòlic de Torre Madrina, S.L.	Barcelona, Spain	-	60,00%	Not audited	Wind	3	4	-	0	7
Tratamientos Medioambientales del Norte, S.A.	Madrid, Spain	-	64,00%	Not Audited	Waste	60	4	-	(47)	17
Tratamientos Medioambientales Río Sotón, S.A.	Madrid, Spain	-	80,00%	KPMG	Waste	60	13	-	2.362	2.435
Veinco Energia Limpia S.L.	Zaragoza, Spain	-	80,00%	Not Audited	Wind	3	340	-	65	408
Bon Vent de Corbera, S.L.	Barcelona, Spain	-	100,00%	Not audited	Wind	90	(4)	-	0	86
Bon Vent de Vilalba, S.L.	Barcelona, Spain	-	100,00%	Not audited	Wind	90	(4)	-	0	86
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona, Spain	-	60,00%	Not audited	Wind	3	0	-	0	3

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						Thousand of Euro				
Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Parc Eolien D'Ardenne	Elbeuf, France	-	100,00%	Not audited	Wind	1	(119)	-	(3)	(121)
C.E. Ayssenes-Le Truel, SAS	Paris, France	-	100,00%	KPMG	Wind	150	(6)	-	(12)	132
Parc Eolien du Clos Bataille, SAS	Elbeuf, France	-	100,00%	Cabinet Exco	Wind	37	(894)	-	(398)	(1.254)
C.E. Beaurevoir, SAS	Paris, France	-	100,00%	KPMG	Wind	50	17	-	(4)	63
Eolienne des Bocages, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(23)	-	(3)	(26)
C.E. Calanhel Lohuec, SAS	Paris, France	-	100,00%	KPMG	Wind	80	(8)	-	(6)	66
Eolienne de Callengeville, SAS	Elbeuf, France	-	100,00%	KPMG	Wind	37	(17)	-	(6)	14
CE Canet-Pont de Salars, SAS	Paris, France	-	100,00%	KPMG	Wind	125	(280)	-	(50)	(205)
Parc Eolien des Longs Champs, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(60)	-	(6)	(66)
Eole Service, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	10	25	-	4	40
Eole 76 Developpement, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	50	(34)	-	(156)	(140)
Eolienne D'Etalondes, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(22)	-	(4)	(25)
Le Gollot SAS	Carhaix, France	-	100,00%	Jean-Yves Morisset	Wind	37	(82)	-	(404)	(449)
CE Gueltas Noyal-Pontivy, SAS	Paris, France	-	100,00%	KPMG	Wind	2.261	843	-	205	3.309
Parc Eolien de La Hetroye, SAS	Elbeuf, France	-	100,00%	Cabinet Exco	Wind	37	(18)	-	(5)	14
Hollywell Investments Limited, SARL	Luxembourg	-	100,00%	Not audited	Wind	13	(341)	-	(551)	(880)
Keranfouler SAS	Carhaix, France	-	100,00%	Jean-Yves Morisset	Wind	37	(15)	-	(222)	(199)
SOCPE Le Mee S.A.R.L	Toulouse, France	-	49,00%	KPMG	Wind	1	0	-	(34)	(33)
Parc Eolien Les Bles D'Or S.A.R.L.	Toulouse, France	-	100,00%	Not Audited	Wind	1	(7)	-	(63)	(69)
C.E. Les Vielles, SAS	Paris, France	-	100,00%	KPMG	Wind	500	(263)	-	(4)	233
Parc Eolien de Mancheville, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(34)	-	(3)	(35)
Eole Futur Montloue 1, SAS	Elbeuf, France	-	100,00%	Cabinet Exco	Wind	37	(47)	-	(88)	(97)
Neo Galia , SAS	Paris, France	-	100,00%	KPMG	Wind	7.037	0	-	(1.427)	5.610

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						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
C.E. Patay, SAS	Paris, France	-	100,00%	KPMG	Wind	1.640	92	-	547	2.279
Parc Eolien des Bocages, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(157)	-	(4)	(160)
SOCPE Petite Piece S.A.R.L.	Toulouse, France	-	49,00%	KPMG	Wind	1	0	-	(4)	(3)
SOCPE Pieces de Vigne S.A.R.L.	Toulouse, France	-	100,00%	Not Audited	Wind	1	(6)	-	(5)	(10)
Plouvien Breiz SAS	Carhaix, France	-	100,00%	Jean-Yves Morisset	Wind	40	(785)	-	(446)	(1.191)
CE Pont d'Yeu, SAS	Paris, France	-	100,00%	KPMG	Wind	200	(142)	-	(4)	54
C.E. Prouville, S.A.S	Paris, France	-	100,00%	KPMG	Wind	38	(4)	-	5	39
Rech. et Dével. Éoliennes	Paris, France	-	100,00%	KPMG	Wind	750	536	-	(920)	366
Ridgeside Investments Limited, SARL	Luxembourg	-	100,00%	Not audited	Wind	13	(200)	-	(343)	(530)
Parc Eolien de Roman, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(92)	-	(3)	(94)
CE Saint Alban-Henanal, SAS	Paris, France	-	100,00%	KPMG	Wind	50	0	-	(2)	48
C.E. Saint Barnabe, SAS	Paris, France	-	100,00%	KPMG	Wind	1.600	(226)	-	296	1.670
SOCPE Saint Jacques S.A.R.L.	Toulouse, France	-	100,00%	Not Audited	Wind	1	(3)	-	(44)	(46)
Eolienne de Saugueuse, SARL	Elbeuf, France	-	100,00%	Not audited	Wind	1	(23)	-	(2)	(24)
SOCPE Sauvageons S.A.R.L.	Toulouse, France	-	49,00%	KPMG	Wind	1	(4)	-	(16)	(18)
C.E. Segur, S.A.S.	Paris, France	-	100,00%	KPMG	Wind	1.615	(134)	-	177	1.658
Truc L'homme	Paris, France	-	100,00%	KPMG	Wind	38	(3)	-	(3)	32
Parc Eolien de Varimpre, SAS	Elbeuf, France	-	100,00%	Cabinet Exco	Wind	37	(1.133)	-	(753)	(1.849)
Parc Eolien des Vatines, SAS	Elbeuf, France	-	100,00%	Cabinet Exco	Wind	37	(1.083)	-	(670)	(1.717)
Chodow Wind Park SP.ZO.O.	Varsóvia, Poland	-	100,00%	Not Audited	Wind	14	(2)	-	(16)	(3)
KIP Wind Park I SP.ZO.O.	Warsaw, Poland	-	100,00%	Not Audited	Wind	14	(2)	-	(13)	(1)
KIP Wind Park II SP.ZO.O.	Warsaw, Poland	-	100,00%	Not Audited	Wind	22	(8)	-	131	145
Neolica Polska SP Z.O.O.	Warsaw, Poland	-	100,00%	Not audited	Holding	139	1.216	-	53	1.408

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						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Relax Wind Park I SP.ZO.O.	Warsaw, Poland	-	93,29%	Not Audited	Wind	312	(183)	-	(212)	(82)
Relax Wind Park II Sp. zoo	Warsaw	-	51,00%	Not audited	Wind	123	(32)	-	(21)	70
Relax Wind Park III SP.ZO.O.	Varsóvia, Poland	-	100,00%	Not Audited	Wind	117	(18)	-	(16)	84
Relax Wind Park IV Sp. zoo	Warsaw, Poland	-	51,00%	Not audited	Wind	109	(35)	-	(142)	(69)
Relax Wind Park V SP.ZO.O.	Warsaw, Poland	-	100,00%	Not audited	Wind	142	(21)	-	(14)	108
Relax Wind Park VI SP.ZO.O.	Warsaw, Poland	-	100,00%	Not audited	Wind	14	(1)	-	(18)	(6)
SK Wind Park SP.ZO.O.	Warsaw, Poland	-	100,00%	Not audited	Wind	14	(2)	-	(12)	0
Sokolowo Wind Park SP.ZO.O.	Warsaw, Poland	-	100,00%	Not audited	Wind	56	(38)	-	(11)	7
Zulawy Wind Park I SP.ZO.O.	Varsóvia, Poland	-	100,00%	Not audited	Wind	14	(4)	-	(6)	4
Eneraltius-Produção de Energia Eléctrica, S.A.	Lisbon, Portugal	-	100,00%	KPMG	Wind	1.505	2.230	-	1.644	5.379
Enernova-Novas Energías, S.A.	Lisbon, Portugal	-	100,00%	KPMG	Wind	7.500	35.344	-	20.754	63.598
Eólica de Alagoa, S.A.	Arcos Valdevez, Portugal	-	59,99%	KPMG	Wind	50	1.726	-	353	2.129
Eólica de Montenegro, Lda	Vila Pouca de Aguiar, Portugal	-	50,10%	KPMG	Wind	50	1.397	-	(259)	1.188
Eólica da Serra das Alturas	Porto, Portugal	-	50,10%	KPMG	Wind	50	782	-	(136)	696
Levante-Energía Eólica, Unipersonal Lda	Porto, Portugal	-	100,00%	KPMG	Wind	5	348	-	955	1.308
Malhadizes-Energía eólica, S.A.	Porto, Portugal	-	100,00%	KPMG	Wind	50	24	-	476	550
Greenwind S.A.	Louvain-la-Neuve, Belgium	-	70,00%	Not Audited	Wind	24.996	(738)	-	(510)	23.748
Tarcan BV	Amsterdam The Netherlands	-	100,00%	KPMG	Holding	20	106	-	(758)	(633)
Cernavoda Power SRL	Bucharest, Rumania	-	85,00%	Not audited	Wind	0	(4)	-	(546)	(550)

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						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Renovatio Power SRL	Bucharest, Rumania	-	85,00%	Not audited	Wind	0	(3)	-	(409)	(412)
<b>HORIZON WIND ENERGY, LLC</b>	Texas, USA	100,00%		KPMG	Holding	2.751.277	(11.578)	-	(51.711)	2.687.988
Wind Turbine Prometheus, LP	California, USA	-	100,00%	KPMG	Wind	(408)	(3)	-	(1)	(412)
Dickinson County Wind Farm LLC	Minnesota, USA	-	100,00%	KPMG	Wind	0	0	-	(70)	(70)
Darlington Wind Farm, LLC	Minnesota, USA	-	100,00%	KPMG	Wind	0	0	-	(5)	(5)
Cloud County Wind Farm	Kansas, USA	-	100,00%	KPMG	Wind	235.725	(0)	-	79	235.804
Whitestone Wind Purchasing, LLC	Texas, USA	-	100,00%	KPMG	Wind	0	0	-	10.735	10.735
Blue Canyon Windpower II LLC	Oklahoma, USA	-	100,00%	KPMG	Wind	163.140	1.304	-	4.414	168.858
Blue Canyon Windpower V, LLC	Oklahoma, USA	-	100,00%	KPMG	Wind	0	0	-	(19)	(19)
Horizon Wind Energy International	Texas, USA	-	100,00%	KPMG	Wind	4.089	98	-	89	4.276
Pioneer Prairie Wind Farm I, LLC	Iowa, USA	-	100,00%	KPMG	Wind	396.570	8.961	-	595	406.126
Sagebrush Power Partners, LLC	Washington, USA	-	100,00%	KPMG	Wind	0	0	-	(13)	(13)
Telocaset Wind Power Partners, LLC	Oregon, USA	-	100,00%	KPMG	Wind	90.854	1.319	-	3.938	96.111
High Trail Wind Farm, LLC	Illionois, USA	-	100,00%	KPMG	Wind	330.107	(165)	-	4.292	334.234
Chocolate Bayou Windpower I, LP	Texas, USA	-	100,00%	KPMG	Wind	2.471	0	-	(171)	2.300
Marble River, LLC	New York, USA	-	100,00%	KPMG	Wind	13.417	(1)	-	(76)	13.340
Rail Splitter	Illionois, USA	-	100,00%	KPMG	Wind	0	0	-	(172)	(172)
Blackstone Wind Farm, LLC	Illionois, USA	-	100,00%	KPMG	Wind	0	0	-	(3)	(3)
Aroostook Wind Energy LLC	Maine, USA	-	100,00%	KPMG	Wind	904	(4)	-	(55)	845
Jericho Rise Wind Farm LLC	New York, USA	-	100,00%	KPMG	Wind	1.150	(2)	-	(23)	1.125
Madison Windpower LLC	New York, USA	-	100,00%	KPMG	Wind	7.591	31	-	(183)	7.439
Mesquite Wind, LLC	Texas, USA	-	100,00%	KPMG	Wind	201.193	1.065	-	5.972	208.231

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Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Thousand of Euro				
						Share Capital	Reserves	Net Profit		Total Equity
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Martinsdale Wind Farm LLC	Colorado, USA	-	100,00%	KPMG	Wind	2.297	(0)	-	(2)	2.295
Post Oak Wind, LLC	Texas, USA	-	100,00%	KPMG	Wind	250.975	99	-	4.932	256.005
BC Maple Ridge Wind LLC	Texas, USA	-	100,00%	KPMG	Wind	349.610	9.721	-	(3.162)	356.169
High Prairie Wind Farm II, LLC	Minnesota, USA	-	100,00%	KPMG	Wind	91.304	768	-	793	92.865
Arlington Wind Power Project LLC	Oregon, USA	-	100,00%	KPMG	Wind	133.787	(5)	-	289	134.071
Signal Hill Wind Power Project LLC	Colorado, USA	-	100,00%	KPMG	Wind	(17)	(0)	-	(2)	(19)
Tumbleweed Wind Power Project LLC	Colorado, USA	-	100,00%	KPMG	Wind	(1)	(1)	-	(1)	(4)
Old Trail Wind Farm, LLC	Illionois, USA	-	100,00%	KPMG	Wind	208.799	3.107	-	(2.889)	209.017
Viento Grande Wind Power Project LLC	Colorado, USA	-	100,00%	KPMG	Wind	619	0	-	(68)	550
OPQ Property LLC	Illionois, USA	-	100,00%	KPMG	Wind	13	11	-	10	33
Meadow Lake Wind Farm, LLC	Indiana, USA	-	100,00%	KPMG	Wind	0	0	-	(220)	(220)
Wheatfield Wind Power Project, LLC	Oregon, USA	-	100,00%	KPMG	Wind	0	0	-	67	67
007 Vento I LLC	Texas, USA	-	100,00%	KPMG	Wind	959.982	(232)	-	1.488	961.237
007 Vento II	Texas, USA	-	100,00%	KPMG	Wind	641.931	(0)	-	(653)	641.278
008 Vento III	Texas, USA	-	100,00%	KPMG	Wind	766.082	0	-	0	766.082
Horizon Wind Ventures I LLC	Texas, USA	-	100,00%	KPMG	Wind	581.960	11.608	-	10.418	603.985
Horizon Wind Ventures II, LLC	Texas, USA	-	100,00%	KPMG	Wind	641.931	253	-	7.262	649.446
Horizon Wind Ventures III, LLC	Texas, USA	-	100,00%	KPMG	Wind	766.082	0	-	0	766.082
Clinton County Wind Farm, LLC	New York, USA	-	100,00%	KPMG	Wind	10.785	(5)	-	0	10.780
BC2 Maple Ridge Holdings LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Cloud West Wind Project, LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Five-Spot, LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Chocolate Bayou I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Alabama Ledge Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-

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						Share Capital	Reserves	Net Profit		Total Equity
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Antelope Ridge Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Arkwright Summit Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Ashford Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Athena-Weston Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Black Prairie Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blackstone Wind Farm II LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blackstone Wind Farm III LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blackstone Wind Farm IV LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blackstone Wind Farm V LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blue Canyon Windpower III LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blue Canyon Windpower IV LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Blue Canyon Windpower VI LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Broadlands Wind Farm II LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Broadlands Wind Farm III LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Broadlands Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Chateaugay River Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Cropsey Ridge Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Crossing Trails Wind, Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Dairy Hills Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Diamond Power Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
East Clickitat Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Ford Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Freeport Windpower I, LP	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-

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Gulf Coast Windpower Management Company, LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Homestead Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Northwest VII LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Northwest X LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Northwest XI LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Panhandle I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Southwest I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Southwest II LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Southwest III LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Southwest IV LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Valley I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind MREC Iowa Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind, Freeport Windpower I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Juniper Wind Power Partners, LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Lexington Chenoa Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Machias Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Meadow Lake Wind Farm II LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
New Trail Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
North S.Lope Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Number Nine Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Pacific Southwest Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Pioneer Prairie Wind Farm II LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Rim Rock Power Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-

This appendix forms and integral part of Note 8.



## EDP RENOVAVEIS, S.A.

Information in relation to investments in Group companies

Appendix I  
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31 December 2008

Subsidiaries Companies	Head Office	% Direct	% Indirect	Auditor	Activity	Thousand of Euro				
						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Saddleback Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Sardinia Windpower LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Turtle Creek Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Western Trail Wind Project I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Whistling Wind WI Energy Center, LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Simpson Ridge Wind Farm LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Coos Curry Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Midwest IX LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Northwest I LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Horizon Wind Energy Northwest XV LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Peterson Power Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Pioneer Prairie Interconnection LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
The Nook Wind Power Project LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Tug Hill Windpower LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Whiskey Ridge Power Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
Wilson Creek Power Partners LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
WTP Management Company LLC	Texas, USA	-	100,00%	Not audited	Wind	-	-	-	-	-
<b>EDP RENOVÁVEIS BRASIL</b>	São Paulo, Brazil	55,00%	-	Not Audited	Holding	-	-	-	-61	-61

This appendix forms and integral part of Note 8.

## EDP RENOVAVEIS, S.A.

Information in relation to investments in Group companies

Appendix I  
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31 December 2008

Jointly Controlled Entities	Head Office	% Direct	% Indirect	Auditor	Activity	Thousand of Euro				
						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Flat Rock Windpower LLC	New York, USA	-	50,00%	E&Y	Wind	377.581	(31.118)	-	5.061	351.524
Flat Rock Windpower II LLC	New York, USA	-	50,00%	E&Y	Wind	149.060	(13.155)	-	2.968	138.874
Compañía Eólica Aragonesa, S.A.	Zaragoza, Spain	-	50,00%	Deloitte	Wind	6.701	28.201	-	14.234	49.136
Desarrollos Energeticos Canarios S.A.	Las Palmas, Spain	-	39,92%	KPMG	Wind	15	(25)	-	0	(10)
Evolución 2000, S.L.	Albacete, Spain	-	39,32%	KPMG	Wind	118	8.281	-	4.066	12.465
Horta Medioambiental, S.A.	Madrid, Spain	-	40,00%	Not Audited	Waste	60	(173)	-	(0)	(113)
Ibersol E. Solar Ibérica	Almería, Spain	-	40,00%	KPMG	Solar	65	0	-	0	65
Murciasol-1 Solar Térmica	Almería, Spain	-	40,00%	KPMG	Solar	3	0	-	0	3
Tebar Eólica, S.A.	Cuenca, Spain	-	40,00%	Audit, S.L.	Wind	4.720	1.695	-	3.657	10.072

This appendix forms and integral part of Note 8.

## EDP RENOVAVEIS, S.A.

Information in relation to investments in Group companies

Appendix I  
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31 December 2008

Associate Companies.	Head Office	% Direct	% Indirect	Auditor	Activity	Thounsand of Euro				
						Share Capital	Reserves	Net Profit		Total Equity
								Extraor.	Total	
Biomassas del Pirineo, S.A.	Huesca, Spain	-	24,00	Not Audited	Biomass	455	(48)	-	(169)	238
Cultivos Energéticos de Castilla, S.A.	Burgos, Spain	-	24,00	Not Audited	Biomass	300	(238)	-	191	252
Desarrollos Eólicos de Canarias, S.A.	Las Palmas, Spain	-	35,80	KPMG	Wind	4.291	3.833	-	1.388	9.512
Hidroastur, S.A.	Oviedo, Spain	-	20,00	Centium	Minihydraulic	4.808	3.275	-	367	8.449
Naturneo Energía, S.L.	Bilbao, Spain	-	49,01	Not audited	Wind	3	0	-	(1)	2
Parque Eólico Belmonte, S.A.	Madrid, Spain	-	23,92	KPMG	Wind	120	2.413	-	2.541	5.075
Parque Eólico Sierra del Madero, S.A.	Soria, Spain	-	33,60	Ernst&Young	Wind	7.194	1.812	-	3.980	12.986
Parque Eólico Altos del Voltoya, S.A.	Madrid, Spain	-	24,80	KPMG	Wind	6.445	3.009	-	2.451	11.905
Sodecoan, S.L.	Sevilla, Spain	-	40,00	Not audited	Wind	6	(9)	-	-	(3)
Solar Siglo XXI, S.A.	Ciudad Real, Spain	-	20,00	Not Audited	Solar	80	(11)	-	(7)	62
ENEOP - ÉOLICAS DE PORTUGAL, S.A.	Lisboa, Portugal	-	19,60	Mazars	Wind	5.000	28.347	-	(258)	33.089

This appendix forms and integral part of Note 8.

EDP Renováveis, S.A.

Balance sheets  
at 31 December 2007

Appendix II

(Expressed in thousands of Euros)

<b>ASSETS</b>	<b>31 Dec 2007</b>
<b>ASSETS</b>	
<b>Investments</b>	<b>3,265,090</b>
Investments in group companies	1,901,196
Loans to Group Companies	1,387,347
Provisions	(23,453)
	<b>3,265,090</b>
<b>CURRENT ASSETS</b>	
<b>Trade receivables</b>	<b>11</b>
Public entities	11
<b>Current investments</b>	<b>443,332</b>
Loans to Group companies	438,827
Accrued interest receivable	4,505
<b>Cash</b>	<b>15</b>
	<b>443,358</b>
<b>TOTAL ASSETS</b>	<b>3,708,448</b>

<b>LIABILITIES</b>	<b>31 Dec 2007</b>
<b>QUITY</b>	
Share capital	18,873
Share premium	1,882,338
Loss for the year	(23,520)
	<b>1,877,691</b>
<b>DEFERRED INCOME</b>	
Unrealised exchange gains	37,836
	<b>37,836</b>
<b>LIABILITIES – NON-CURRENT</b>	
Group companies – non-current	1,358,604
	<b>1,358,604</b>
<b>LIABILITIES - CURRENT</b>	
Group companies - current	434,240
Trade payables	77
	<b>434,317</b>
<b>TOTAL LIABILITIES</b>	<b>3,708,448</b>

This appendix forms an integral part of Note 23.a.

Interest and investments in other Shareholders' companies  
at 31 December 2008

<b>EXPENSE</b>	<b>2007</b>
<b>EXPENSES</b>	
Other operating expenses	67
External services	67
Finance expense	4,505
Group companies	4,505
<b>Net finance income</b>	-
Losses from investments in securities	23,453
Income tax	-

<b>INCOME</b>	<b>2007</b>
<b>INCOME</b>	
<b>Operating losses</b>	67
Finance income from loans to Group Companies	4,505
<b>Net finance expense</b>	-
<b>Losses on ordinary activities</b>	67
<b>Net extraordinary expense</b>	23,453
<b>Loss before income tax</b>	23,520
<b>Loss for the year</b>	23,520

This note forms an integral part of 23.a.

Interest and investments in other Shareholders' companies  
at 31 December 2008

<b>ASSETS</b>	<b>31 Dec 2007</b>
<b>ASSETS</b>	
Intangible assets	600,977
Property, plant and equipment	1,266,318
Investments	2,408,290
	<b>4,275,585</b>
<b>CURRENT ASSETS</b>	
Inventories	54,909
Receivables	164,789
Current investments	3,990
Own shares	4,809
Cash	5,039
Prepayments	6,123
	<b>239,659</b>
<b>TOTAL ASSETS</b>	<b>4,515,244</b>

<b>LIABILITIES</b>	<b>31 Dec 2007</b>
<b>EQUITY</b>	
Share capital	421,740
Share premium	1,198,704
Reserves	30,355
Loss for the year	46,545
	<b>1,697,344</b>
<b>DEFERRED INCOME</b>	11,550
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	249,346
<b>TRADE PAYABLES – NON-CURRENT</b>	1,760,176
<b>TRADE PAYABLES - CURRENT</b>	796,828
<b>TOTAL LIABILITIES</b>	<b>4,515,244</b>

This appendix forms an integral part of Note 13

EDP Renovaveis, S.A.

Appendix V

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Interest and investments in other Shareholders' companies  
at 31 December 2008

Name of the Board member	Name of the company	Position
Antonio Luís Guerra Nunes Mexía	EDP Energías de Portugal, S.A. Energías do Brasil, S.A. EDP Energías de Portugal, S.A. Sucursal en España EDP Finance, B.V.	Chairman of the Board of Directors Chairman of the Board of Directors Representative Representative
Ana María Machado Fernandes	EDP Energías de Portugal, S.A. Energías do Brasil, S.A. Nuevas Energías de Occidente, S.L. Horizon Wind Energy, LLC EDP Energías de Portugal, S.A. Sucursal en España EDP Finance, B.V. Hidroeléctrica del Cantábrico, S.A. ENEOP – Eólicas de Portugal, S.A.	Member of the Board of Directors Member of the Board of Directors Chairman of the Board of Directors Member of the Board of Directors Representative Representative Member of the Board of Directors Chairman of the Board of Directors
Antonio Fernando Melo Martins da Costa	EDP Energías de Portugal, S.A.	Member of the Board of Directors
Nuno María Pestana de Almeida Alves	Balwerk – Consultadoria Económica e Participações, S.U. Lda. Electricidade de Portugal Finance Company Ireland, Lt. EDP – Energias de Portugal, S.A. EDP Energías de Portugal, S.A. Sucursal en España EDP – Investimentos, Gestao de Participações e Assitencia Técnica, Lda. EDP Energias do Brasil, S.A. EDP Imobiliária e Participações, S.A. Sávida Medicina Apoiada, S.A. SCS Servicios Complementares de Saúde, S.A. EDP Valor – Gestao Integrada de Serviços, S.A. Energia RE, S.A. EDP Finance, B.V. Hidroeléctrica del Cantábrico, S.A. Horizon Wind Energy, LLC	Managing Director Director Member of the Board of Directors and Chief Financial Officer Representative Member of the Board of Directors Member of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors Representative Member of the Board of Directors Member of the Board of Directors

This appendix forms and integral part of Note 18.e

Interest and investments in other Shareholders' companies  
at 31 December 2008

Name of the Board member	Name of the company	Position
	MRH Mudança e Recursos Humanos, S.A. EDP Estudos e Consultoria, S.A. EDP Gás III, S.G.P.S., S.A. EDP Investimentos, S.G.P.S., S.A.	Chairman of the Board of Directors Chairman of the Board of Directors Member of the Board of Directors Member of the Board of Directors
João Manuel Manso Neto	Naturgas Energía Grupo, S.A..*  Eléctrica de la Ribera del Ebro, S.A.* HidroCantábrico Energía, S.A.U.* HidroCantábrico Gestión de Energía, S.A.U.* EDP Energías de Portugal, S.A.	ViceChairman of the Board of Directors  Chairman of the Board of Directors Chairman of the Board of Directors Board of Directors Sole member Member of the Board of Directors
	EDPGestao da Produçaco de Energía, S.A. EDP Gás S.G.P.S., S.A. EDP Gás II S.G.P.S., S.A.  EDP Gás III S.G.P.S., S.A.  EDP Investimentos S.G.P.S., S.A.  EDP Gás GPL - Comércio de Petróleo Liquefeito, S.A. EDP Finance, B.V.  Hidroeléctrica del Cantábrico, S.A.  EDP Energías de Portugal, S.A. Sucursal en España Operador del Mercado Ibérico de Energía – Polo Español, S. A.	Chairman of the Board of Directors Chairman of the Board of Directors Chairman of the Board of Directors  Chairman of the Board of Directors  Chairman of the Board of Directors  Representative Chief Executive Officer and ViceChairman of the Board of Directors  Representative  Chairman of the Board of Directors
Antonio do Pranto Nogueira Leite	EFACEC Capital, SGPS, S.A.	Member of the Board of Directors
Manuel Menéndez Menéndez	Naturgas Energía Grupo, S.A.* Nuevas Energías de Occidente, S.L.* Hidroeléctrica del Cantábrico, S.A.  Enagas, S.A.	Chairman of the Board of Directors Member of the Board of Directors Chairman of the Board of Directors Representative of an entity in the Board of Directors
João José Belard da Fonseca Lopes Raimundo	Fomentinvest, SGPS, S.A.	Member of the Board of Directors

This appendix forms and integral part of Note 18.e



Interest and investments in other Shareholders' companies  
at 31 December 2008

Name of the Board Member	Company name	Number of shares
Antonio Luís Guerra Nunes Mexía	EDP Energías de Portugal, S.A.	1.000
João Manuel Manso Neto	EDP Energías de Portugal, S.A.	1.268
João José Belard da Fonseca Lopes Raimundo	REN Redes Energéticas Nacionais, SGPS, S.A.	150
Nuno María Pestana de Almeida Alves	EDP Energías de Portugal, S.A.	40
Jorge Manuel Azevedo Henriques dos Santos	EDP Energías de Portugal, S.A.	2.379

This appendix forms and integral part of Note 18.e.

## **MANAGEMENT REPORT**

### **for**

## **EDP Renováveis S.A. (EDPR Holding)**

*Full year of 2008 (12 months ending December 31<sup>st</sup>, 2008)*

### **0. INTRODUCTION**

EDP Renováveis S.A. individual accounts refer to the Holding of EDP Renováveis Group (EDPR), which includes (apart from EDPR Holding) its subsidiaries EDPR Europe (Nuevas Energías do Ocidente S.L.), EDPR North America (Horizon Wind Energy, LLC) and EDPR South America (EDP Renováveis Brasil). This management report will focus on financials and 2008 activity of “EDPR Holding” as well as its subsidiaries in each of the supra-mentioned platforms. Therefore, the report describes both the Holding and EDPR Group’ business and activity during the year of 2008. Financial accounts for EDPR Holding are presented according to Spanish local GAAP (“Plan General de Contabilidad”, in all material aspects similar to IFRS), while EDPR Group consolidated financial info were prepared according to IFRS. The current management report addresses both EDPR Holding and EDPR Group.

### **1. MAIN EVENTS OF THE PERIOD**

#### **1.1 IPO - Initial Public Offering**

On June 4<sup>th</sup>, EDP Renováveis, S.A. (“EDPR”) started trading on NYSE Euronext’s Lisbon market under the ticker symbol “EDPR” following its successful spin-off from EDP Group (NYSE Euronext: EDP). The EDPR IPO raised a total of €1.566 billion/\$2.42 billion in global proceeds, representing the largest IPO launched in Western Europe during 2008.

Priced at €8.00 (eight Euros) per share – midway between the offering price range of €7.40 to €8.90 per share – the Public Subscription Offer was oversubscribed by 87.9 times the total amount of 45,085,590 shares<sup>1</sup>. The institutional offer had a demand of 6.1 times the total amount of

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<sup>1</sup> Including *greenshoe*

180,342,362 shares. These combined shares make up 22.5% of EDPR, with EDP maintaining majority ownership of the other 77.5% of the company.

The proceeds of the Offering are being used to finance EDPR's growth plans, including the execution of its portfolio of wind projects to meet the target of consistently increasing its portfolio of installed wind capacity to more than 10.5 GW by 2012.

In challenging financial markets, the success of the IPO clearly demonstrates the high regard investors have for EDPR as the fastest growing pure-play among the world's largest global renewables companies, with first class assets and strong track record in execution. EDPR welcomes all new shareholders and looks forward to rewarding their confidence as the organization delivers on the growth strategy and pipeline. EDPR ended up 2008 ranking #4 in the Euronext's Lisbon market with a total capitalization of €4.4 billion.

## **1.2 Acquisition of 1,050MW of pipeline in the US**

On February 14th, EDPR acquired from Hydra Wind, LLC six development projects in the USA totalling 1,050MW. The six projects are located in Illinois, Indiana, and Ohio, within the regional transmission systems of PJM and MISO. This acquisition supports consolidation of EDPR's leadership in Illinois, where EDPR owns and operates the 396MW Twin Groves wind farm - the largest wind farm east of the Mississippi River. The acquisition also strengthens the EDPR pipeline in Indiana and Ohio, where EDPR is the developer with the largest pipeline. All projects will be regionally managed by the Great Lakes Regional Development office, located in Bloomington, Illinois.

Noteworthy, although unrelated with the transaction, is the favourable advance on the regulatory front, since last May Ohio enacted its first Alternative Energy Resource Standard, mandating Ohio utilities to have at least 12.5% of their generation coming from renewable energy by 2025.

## **1.3 Acquisition of wind projects in France (EOLE-76)**

On April 7<sup>th</sup>, EDPR acquired French wind assets from EOLE 76 complementing the French wind assets with, at the time of the transaction, 35MW in operation, 8MW under construction, 258MW in pipeline and 595MW in prospective stage. Of the pipeline projects, 13MW have all the necessary authorizations to start construction and are expected to enter operation between 2009 and 2010.

Construction licenses have been submitted for additional 43MW. The total amount of the transaction summed up to €54.9 million.

The 35MWs in operation - the “Pays de Bray” complex in Normandy - came online in the second quarter of 2008 and provides electricity for the annual consumption of approximately 90,000 people. The original EOLE 76 development team will stay responsible for the projects, and will be working jointly with the rest of the EDPR development team in France.

#### **1.4 EDPR entrance into the Brazilian market**

On June 11<sup>th</sup>, EDPR made a move towards the Brazilian market, establishing a subsidiary “EDP Renováveis Brasil”, owned 55% by EDPR and 45% by Energias do Brasil (EDP Group company). At the same time, EDP Renováveis Brasil agreed to acquire 100% of the share capital of CENAEEL – Central Nacional da Energia Eólica S.A. for R\$51 million (enterprise value). This transaction was closed in February 2009 and includes a total portfolio of 84 MW in various stages of maturity.

#### **1.5 Entrance into the Romanian market**

On October 17<sup>th</sup>, EDPR enters the Romanian market by acquiring 85% of Renovatio Power SRL and Cernadova Power SRL, which owned several wind projects in prime locations, totalling 736MW in different stages of maturity: i) 225 MW classified as Tier 1 (ready to build on the short term); ii) 60 MW of projects rated as Tier 2; iii) 462 MW of Tier 3 and Prospects. The total acquisition price amount to €64.4 million, including success fees to be paid as wind projects reach certain pre-defined milestones.

#### **1.6 Transactions with Institutional Equity Investors (“Tax Equity”)**

On January 2<sup>nd</sup>, EDPR closed a \$600 million transaction Institutional Investors Partnership in the USA. The agreement with the institutional equity investors GE Energy Financial Services and Wachovia Investment Holdings relates with 2007 and 2008 wind farm projects.

On December 29<sup>th</sup>, EDPR establishes a new Investors Partnership for the investment in 2008 wind projects in the USA. The agreement is closed with JP Morgan Capital Co and New York Life Insurance Group for a portfolio of \$265 million worth.

### **1.7 EDPR announces Year-end 2008 provisional data**

On January 20<sup>th</sup>, 2009 EDPR announced to reach a total portfolio of gross MW in operation in excess of 5.0GW. This corresponds to an additional gross installed capacity of 1,413MW during 2008, fully accomplishing its yearly defined target upon the IPO of cc 1.4GW. Total generated output reached 7.8GW, which corresponds to a 78% increase vs. 2007.

## **2. PERFORMANCE OF FULL YEAR 2008**

### **2.1.1 Financial Results – EDPR Holding<sup>3</sup>**

EDPR Holding closed the year of 2008 with €6.6 billion in assets, mainly due to investments in its associates of €3.6 billion and loans to affiliated and group companies of €2.6 billion. Total equity reached €5.6 billion providing evidence of the robust EDPR Holding capital structure with Equity over Total Assets surpassing 85%. Liabilities amounted, by year-end, to €962 million (for the great part a result of €868 million in shareholder loans with EDP Group companies).

The operating results (which were equal to EBITDA) totalled (€7.2) millions driven by personnel costs as well as a variety of management fees due to the outsourcing of key operating and management functions.

Financial results totalled €114 million as proceeds from IPO and capitalization of group debt provided enough liquidity that enabled EDPR Holding to finance the capital investment requirements of its subsidiaries. These financial results are the net of €128 million in financial income (out of the €2.6 billion loans to its subsidiaries and group companies, as of 2008 year-end) and €13 million of financial expenses.

Effective tax rate was 30% on €107 million Earnings before Taxes, leading to a 2008 Net Income of €75 million.

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<sup>3</sup> Prepared according to Spanish local GAAP (“Plan General de Contabilidad”)

### 2.1.2 Financial and Operational Performance – EDPR Group<sup>4</sup>

During the year of 2008, EDPR added 1,413MW of gross installed capacity, fully achieving its yearly target of 1.4GW defined upon the IPO and leading to a total portfolio of assets in operation in excess of 5.0GW. In terms of total output, EDPR recorded a significant growth in electricity generation ending 2008 with 7.8TWh (78% or 1.8 times increase vs. 2007), mainly a result of increased installed capacity.

On top of the 1,413MW of new installed capacity, EDPR ended the year with 769MW under construction (of which 569MW in Europe and 199MW in North America) which represents a significant carry forward of capacity into 2009 (standing for more than 50% of the previously mentioned yearly target) and, most notably, provides clear of the organization's ability to manage more than 2.2GW of construction throughout the year<sup>5</sup>.

Total revenues reached €532 million driven by higher installed capacity as well as attractive selling prices in Europe and stable PPA conditions in the North American portfolio.

Focus on operational efficiency, with Other Operating Income / (Expenses) amounting to (€82) million, lead to an EBITDA of €437.8 million.

Net Financial Results in 2008 were (€77.2) million (benefiting from cash proceeds from IPO and capitalization of EDP Group debt) and Net Income totalled €112.2 million, of which €104.4 million is attributable to EDPR equity holders and €7.9 million belong to minority interest.

Excellence in operational performance is best reflected in the sustainable high availability levels in Europe (97%, in line 2007) and a significant improvement in availability in North America operations (from 90% in 2007 to a full year average of 94%, with 96% performance level during 4<sup>th</sup> quarter of 2008).

Volatile quarterly wind conditions, with a particularly low 3<sup>rd</sup> quarter, lead to a load factor in Europe of 26% in line with mark of 2007 and consistent with the historical premium towards the market<sup>6</sup> (e.g., EDPR's assets in Spain recorded a load factor of 25,7%, cc. 200 bps premium compared to market), underlining the quality of EDPR' assets. In North America, load factor reached a significant

<sup>4</sup> Prepared according to IFRS accounting standard. Comparison with prior year not presented since 2007 audited accounts reflect only the period of December 4<sup>th</sup> to December 31<sup>st</sup>, 2007

<sup>5</sup> Totalling 2008 additions plus capacity under construction by year-end

<sup>6</sup> Currently only Spanish market data is available comparison using official sources (REE)

34%, considerably higher than prior year mark of 30% mainly resulting from new additions to US portfolio and particularly strong 4<sup>th</sup> quarter winds.

Throughout the year of 2008, EDPR invested about €2.2 billion as capital expenditures (including M&A transactions) and used the €1.6 billion cash proceeds from the IPO and the €1.3 billion from the capitalization of EDP shareholder loans to reach a year-end Net Debt of approx. €1.1 billion<sup>7</sup>. This resulted in a solid Net Debt / EBITDA ratio of 2.44x. Future growth is anticipated to be financed mainly through shareholder loans with EDP parent company.

## **2.2 Competitive Landscape and Business Plan**

EDPR continues to look to the renewable energy sector with a long-term outlook, believing that the environmental, economic and technological trends that have underpinned the current favourable renewable energy market conditions will continue to drive further support for and growth in the markets we are active in.

EDPR is a leading ‘pure-play’ renewable energy company, having derived the revenue stream from renewable energy activity. EDPR has leading position and “early mover” advantages in attractive high-growth markets, and continues to analyze new markets and new opportunities within the markets we currently operate within.

EDPR has a solid history of executing projects and delivering targets. We consistently increased gross installed capacity by surpassing the 2006-2008 targets. The combination of diversified operations with a stable revenue base spread across countries with favourable regulatory regimes limits the exposure to market prices of electricity and provides a significant visibility and stability. EDPR’s asset portfolio is well-balanced, in terms of geography and stages of development. In addition, EDPR is actively engaged in expanding our activities into other geographies.

EDPR is positioned to deliver on significant and superior growth targets and achieve over 10.5GW in operating assets by 2012. For that, by year-end 2008, EDPR has crafted a robust, visible and geographically diverse pipeline in excess of 28.2GW worldwide (varying from projects in nineteen US states to regions of Brazil and different European countries).

This aggressive medium term targets will reinforce EDPR's position as a leading player in the renewable industry and underlines management's commitment to create shareholder value. On the

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<sup>7</sup> Excluding Institutional Investors Partnership. Including I.I.P., Net Debt / EBITDA would be of 3.9x.

core of EDPR's confidence on achieving these targets, is a dynamic, highly qualified and experienced team of world-wide employees with the track record and ambition to deliver upon the superior growth targets.

### **3. REGULATORY ENVIRONMENT**

In recent years, global attention has been increasingly focused on climate change and its effect on world populations, economies and, consequently, strategies for generating energy from renewable sources. At a global level, an important milestone was reached on May 9, 1992, when 154 countries signed the United Nations' Framework Convention on Climate Change (the "UNFCCC"), which came into effect on March 21, 1994.

The objective of the UNFCCC is to "achieve stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system". As a result, on December 11, 1997, a majority of the countries that are party to the UNFCCC also signed the Kyoto Protocol, which came into effect on February 16, 2005 for those signatories that subsequently ratified it. The Kyoto Protocol sets mandatory limits on emissions of carbon dioxide and five other greenhouse gasses for individual nations in an effort to reduce emissions by a collective average of at least 5% against 1990 levels in the period between 2008 and 2012. The Kyoto Protocol establishes enforcement provisions and penalties for nations that exceed their designated emissions limits.

At the European level, The European Commission published a white paper on renewable energy in 1997, setting forth the renewable energy strategy of the Member States of the European Union (the "EU") and reaffirmed its commitment to the promotion of energy from renewable sources on January 10, 2007 with the European Commission's presentation of a long-term "Renewable Energy Roadmap" which proposes a mandatory target of generating 20% of energy from renewable sources by 2020. Furthermore, in January 2008, the EU proposed specific binding targets for each country.

The European Commission further developed the "Emissions Trading Scheme" ("ETS") allowances (which allows for companies to trade "permits" to pollution at the lowest cost) and rising prices for oil and gas, and reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.



As far as North America is related, in September 2008, the U.S. House of Representatives passed the Comprehensive American Energy Security and Consumer Protection Act containing provisions for a Federal RPS to require 15% of power demand to be supplied through renewables by 2020. The wide ranging bill was defeated in the Senate, but its progress indicates the growing expectation for federal action on RPS legislation.

On climate change legislation, the states continued to lead the way in the US. The Regional Greenhouse Gas Initiative (RGGI) held its first CO<sub>2</sub> allowance auction in September 2008. The RGGI provides the mechanism to manage the CO<sub>2</sub> Budget Trading Programs for 10 participating states in the northeastern U.S. representing 12% of total US CO<sub>2</sub> emissions.

At the federal level, members of the 110th Congress (2007-2008) introduced legislation related to global climate change at a faster pace than any previous Congress. In fact, lawmakers introduced more than three times as many bills, resolutions, and amendments specifically addressing global climate change and greenhouse gas emissions than the 109th Congress (2005-2006). While climate change legislation has not succeeded to date, expectations are building that the new administration and the Democratic controlled Congress will make progress.

Following the formal appointment of the New Administration in January 20th of 2009, the “American Recovery and Reinvestment Act of 2009” was signed into law on February 17th. This plan includes several provisions to stimulate investment in renewable energy and specifically the wind business.

Overall, in essence, the renewable energy industry benefits from government subsidies or incentives in the markets in which EDP Renováveis operates (Spain, Portugal, France, Belgium, Poland, Romania, the United States, and Brazil).

These incentives and subsidies benefit the producers of electricity from renewable energy sources and can broadly be classified into three groups:

- (i) price related incentives: feed-in tariffs
- (ii) quantity related incentives: renewable portfolio requirements and public auction systems, and
- (iii) tax-related and other types of incentives: production tax credits, Modified Accelerated Cost Recovery System, direct subsidies and transmission and dispatch benefits.

#### **4. KEY RISKS AND UNCERTAINTIES**

In line with the objectives and the strategy of EDP Group reinforced during the IPO of EDP Renováveis, EDPR decided to implement a Internal Control System of Finance Report (SCIRF) with volunteer character that follows the international standards and aims to promote a set of activities to strengthen controls to ensure confidence and integrity of financial information.

In the European platform activities began at the end of 2007 and continued throughout 2008 with implementation of SCIRF following the following action lines:

- a) Lifting of process in accordance with the scope agreed with the Group.
- b) Review in a phase of evaluation and testing of effectiveness of the identified controls.
- c) Process optimization, upgrade and enlargement, following the business activities evolution.

Additionally in 2008, the first phase of deployment for the North America platform was initiated. This phase consisted in the reinforcement of the controls associated with the three major components that are covered in the model that follow the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of reference the first two and Control Objectives for Information and related Technologies (COBIT) the last

- a) Controls associated with entity level controls.
- b) Controls associated to the identity process in the model range.
- c) General controls related to Information Technologies

The body responsible for SCIRF in EDPR is the Internal Audit Department whose functions include the implementation, follow up and system improvement designed for assuring confidence and integrity of the financial information.

Apart from the SCIRF, during 2nd half of 2008, EDPR created a Risk Management Department and started creating the basis for an integrated Risk Management Internal System with the purpose of pro-actively identify and manage the key risks arising from its business.

The main risks and uncertainties that can affect the operation performance of EDPR are described in the following sub-chapters.

#### **4.1 Risks related with the Renewable Energy Industry**

EDPR's business is focused on the production of electricity from renewable energy sources. The amount of energy generated by, and the profitability of, wind farms is dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years.

Remuneration for electricity sold by a number of the wind farms depends, at least in part, on market prices for electricity. Market prices may be volatile and are affected by various factors, including the cost of the raw materials used as sources of energy, average rainfall levels, the cost of power plant construction, the technological mix of installed generation capacity and user demand.

At the same time, all new investments are subject to construction risk (in a diversity of forms) and once brought to operations are exposed to market, operational, credit and business risks which may penalize project's initial profitability.

#### **4.2 Financial Risks**

The businesses of the EDPR are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The unpredictability of the financial markets is analyzed on an on-going basis in accordance with the EDP Group's risk management policy. Financial instruments are used to minimize potential adverse effects resulting from the interest rates and foreign exchange rates risks on its financial performance.

The management of financial risks of EDPR is undertaken by the Financial Department of EDP (under the terms of the outsourcing of management services agreement "Contrato de Prestação Serviços Consultoria" between EDPR and EDP), in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits.

##### **d) Capital investments**

The capital investment required to develop and construct a wind farm is very high and generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipments and/or civil construction works may increase, or continue to increase as in the case of

turbines, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipments increases.

e) Exchange rate

The Group operates internationally and is exposed to the exchange-rate risk resulting from investments in subsidiaries whose functional currency is the U.S. dollar. Currently, the exposure to the U.S. dollar/euro currency fluctuation risk results principally from the shareholding in EDPR NA. EDP Group's Financial Department is responsible for monitoring the evolution of the U.S. dollar, seeking to mitigate the impact of currency fluctuations on the financial results of the Group companies and consequently, on consolidated net profit, using exchange-rate derivatives and/or other hedging structures. The policy implemented by the Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

f) Interest rate

The Group's operating and financial cash flows are substantially independent from the fluctuation in interest-rate markets.

The purpose of the interest-rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges through a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest-rate risk or upcoming cash flows.

EDPR has a portfolio of interest-rate derivatives with maturities between approximately 1 and 10 years. The EDP Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

g) Market price

As of December 31, 2008, EDPR faced limited market price risk. In the case of EDPR NA, most prices are fixed and principally determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDPR also has an option of selling this electricity through regulated tariffs, guaranteeing

minimum prices. In 2008 the company closed a hedge in order to mitigate pool price fluctuations in Q4 in Spain, which mitigates the risk related to fluctuations in pool prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or managed through long-term power purchase agreement (Brazil, Poland, Romania and Belgium).

#### **4.3 Regulatory Risks**

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which we operate provide various types of incentives that support the sale of energy generated from renewable sources.

Support for renewable energy sources has been strong during the last years, and both the European Union and the various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support (as legislative advances in early 2009 are adequate evidence). However, we can neither guarantee that support will be maintained nor guarantee that the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources.

#### **4.4 Country Risks**

With operating projects and ongoing development pipeline across multiple countries, EDPR faces the risks inherent in the individual countries, including:

- h) Rules and regulations are subject to change
- i) Changes in market conditions
- j) Economic recessions, political risk and instability
- k) Technological risk not directly controlled by EDPR

#### **4.5 Environmental Risks**

Wind energy development requires multiple permits and studies about environmental impact of the proposed or existing projects. As with other risks, these permits do not have guaranteed approval from the relevant authorities.

#### **4.6 Other Risks**

Other operational, financial, political, reputation or others risks may arise from running the business while prospecting opportunities, developing projects or operating existing assets.

### **5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS**

Topic 4.2 provides a description of the key financial risks faced by EDPR. According to EDPR risk policy, and in order to manage, control or minimize impact of some of those risks, EDPR may, occasionally, use financial derivatives and enter hedging transactions with the sole intent to protect against risks and as a consequence mitigate fluctuations of earnings. These derivative instruments are explained in detail as part of the notes to the financial statements.

### **6. TREASURY STOCK (OWN SHARES)**

During the 2008 exercise, EDP Holding and EDPR do not hold (or have bought) any treasury stocks (own shares).

### **7. ENVIRONMENT**

EDPR's business model focused on renewable energy springs from its firm pledge to promote environmental protection as a fundamental pillar of its activity, complying with current environmental legislation while fostering sustainable development.

EDPR focuses its daily efforts on mitigating environmental impacts in all of its activities. From project development to construction and operation, EDPR conducts extensive location environmental viability studies, environmental impact studies, bird studies, noise studies, and promotes environmental awareness and alertness.

As a result of EDPR's philosophy to reach a sustainable development and its continuous aim to improve the environmental practices in all its activities, Environmental Management Systems

(EMSs) are currently in the process of being implemented in both the European and North American platforms.

For the European platform, under the international specification UNE-EN ISO 14001, wind farms currently in operation managed to achieve the corresponding certification by the end of 2008. This entails a project efficiency increase, minimizing consumption and enables a more exhaustive control of the compliance of legal requisites, among other aspects.

The North American platform is developing an EMS and has implemented standards for baseline wildlife studies applicable to all projects under development, construction, or operation, with the goals of:

- a) Avoiding “non-environmental friendly” impacts
- b) Where it is not possible to avoid, at least minimize impact
- c) Mitigate any impact of significance

The EMS is a set of processes and practices that enables both EDPR platforms to reduce its environmental impacts during development, construction, and operations. EDPR is committed to exceeding all standards and requirements for environmental impacts and as such is proactively integrating environmental awareness as key part of its growth strategy.

## **8. HUMAN RESOURCES POLICY**

During 2008, the main objective of the Human Resources Department in EDPR was to harmonize, standardize and adjust the Human Resources policies of all the group companies to the comprehensive EDPR Talent Management structure, considering the organization and retribution model, as well as the performance evaluation. A new EDPR remuneration policy was established to link to this Talent Management Structure with the following dimensions:

- a) Align fixed salaries, according to the reference market
- b) Application of a Meritorious Culture, based on an evaluation for objectives, with a direct impact on the variable remuneration
- c) Implementation of an annual variable remuneration linked with the triennial Strategic Plan
- d) Conceptualization of a unique long term incentive policy for EDPR and all of the group companies

Additionally, HR analyzed the key executive functions for each EDPR Group company. This analysis solidified the process of redefining the organization structure, as well as promotes the executives' national and international mobility and development.

## **9. RESEARCH & DEVELOPMENT ACTIVITIES**

With the intent to foster and support R&D within the renewables arena, EDP Renováveis signed an agreement with EDP Inovação, S.A. establishing the basis for joint project development in new technologies, technologies currently in pilot mode as well as in the enhancing of existing ones.

The purpose of this R&D agreement is to promote the exchange of knowledge between companies and to establish legal and commercial relations setting the tone for development R&D projects. This agreement is intended to remain in force as long as both companies are detained in more than 50% by EDP Group, reinforcing the long term commitment of EDPR to support of R&D activities in areas that relate with its business.

## **10. RELEVANT EVENTS OCCURED AFTER CLOSING OF THE PERIOD**

### **10.1 Close of CENAEEL transaction**

On February 16<sup>th</sup>, EDPR closed the transaction (initiated and announced still during 2008) to acquire 100% of the Brazilian wind assets of Central Nacional de Energia Eólica S.A. ("CENAEEL") for R\$51 million (enterprise value). Included in the transaction were 14MW of operating capacity spread across two wind farms in the state of Santa Catarina and a total of 70 MW of pipeline projects in various stages of maturity.

### **10.2 Approval of U.S. key energy related Tax Incentives applicable to EDPR North America platform**

On February 17<sup>th</sup>, the President of the United States of America signed the American Recovery and Reinvestment Act of 2009, which includes a number of energy-related tax and policy provisions to benefit the development of wind energy generation in the country. The key tax incentives to be introduced as a result of this Act are the following:

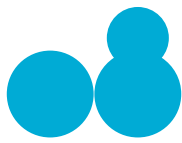


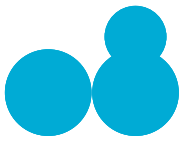
- a) Three year extension of the Production Tax Credits (“PTC”) through 2012 – the PTC is one of the components of the wind energy generation remuneration scheme, which was scheduled to expire on December 31, 2009;
- b) Option to elect a 30% Investment Tax Credit (“ITC”) in lieu of the PTC through the duration of the extension;
- c) Cash grant provided by the Secretary of Treasury in lieu of the ITC for projects placed in service during 2009 and 2010, or the construction of which begin during 2009 and 2010 – the Act requires an application to be filed with the Secretary of the Treasury before October 1, 2011, and grants are to be paid within 60 days of the date of placement in service or, if later, 60 days from the filing of such application.

The approved provisions will increase the optionalities on the monetization of the federal tax subsidies, providing a greater liquidity vis-à-vis the traditional monetization through Institutional Partnership transactions. The law, besides providing a wider regulatory stability until 2012, constitutes a major positive development in the US wind market in terms of improved project’s economics and risks.

## **11. CORPORATE GOVERNANCE REPORT**

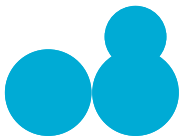
In accordance with the regulations, attached is an appendix with the Corporate Governance chapter, being an integral part of the current management report.





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CORPORATE GOVERNANCE

0. STATEMENT OF COMPLIANCE

EDP Renováveis, S.A. (hereinafter referred to as EDP Renováveis or the Company) is a listed company that was admitted to trading on the regulated market of NYSE Euronext Lisboa (Eurolist by Euronext Lisbon) following an initial public offering in May 2008 under Spanish law. In view of its status as a company quoted on a regulated market in Portugal, EDP Renováveis is subject to the corporate governance code called “Código de Governo das Sociedades” approved by the CMVM (Portuguese Securities Market Commission) in September 2007. This governance code is available to the public on the CMVM website, [www.cmvm.pt](http://www.cmvm.pt).

EDP Renováveis states that it has adopted in full the CMVM recommendations on the governance of listed companies in the “Código de Governo das Sociedades”, with the exception of Recommendations I.4.1. and II.2.2. of the code, which has not been adopted for the reasons indicated below.

The following table shows the CMVM recommendations set forth in the code and indicates whether or not they have been fully adopted by EDP Renováveis and the place in this report in which they are described in more detail.

RECOMMENDATION	ADOPTION INFORMATION	DESCRIPTION IN REPORT
<b>I. – General meeting of shareholders</b>		
<b>I.1. – Board of the general meeting</b>		
I.1.1. The chairperson of the general meeting shall have access to human and logistical resources appropriate to his/her needs, taking into account the company's financial position.	Adopted	4.6
I.1.2. The remuneration of the chairperson of the Board of the General Meeting shall be disclosed in the annual corporate governance report.	Adopted	4.6
<b>I.2. – Participation in the meeting</b>		
I.2.1. The time limit imposed by the Articles of Association for depositing or blocking shares for the purpose of participating in the meeting shall not exceed five working days.	Adopted	4.2
I.2.2. Should the general meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then apply the same time limit as for the first session.	Adopted	4.2
<b>I.3. – Voting and voting rights</b>		
I.3.1. Company's Articles of Association shall not impose any restrictions on votes by mail.	Adopted	4.4
I.3.2. The time limit imposed by the Articles of Association on receipt of votes by mail shall not exceed three working days.	Adopted	4.4
I.3.3. Company Articles of Association shall provide for one vote per share.	Adopted	4.3

I.4. – Quorum and decisions

I.4.1. Companies shall not fix a constitutive or deliberative quorum higher than that prescribed by law.	Not adopted (“Under Spanish law, the constitutive quorums on first and second call to order are 25% and 0% for ordinary and extraordinary general meetings and 50% and 25% for ordinary and extraordinary general meetings in which valid decisions may be made on the issue of bonds, increases or reductions in share capital, transformation, mergers or spin off of the company and, in general, any amendments to the Articles of Association. The company’s Articles of Association establish a slightly higher constitutive quorum in order to reinforce shareholder support for approval of decisions.”)
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I.5. – Minutes and information on decisions

I.5.1. The minutes of general meetings shall be made available to shareholders on the company’s website within five days, even if they do not constitute privileged information under the law. A collection of attendance lists, agendas and decisions passed during meetings shall be kept on file on the company’s website for at least three years.	Adopted	4.7
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I.6. – Company control measures

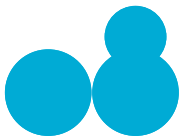
I.6.1. Measures to prevent successful takeover bids shall respect the interests of the company and its shareholders.	Adopted	4.8
I.6.2. Company’s Articles of Association that, in compliance with the previous sub-paragraph, limit the number of votes that may be held or cast by a sole shareholder, either individually or jointly with other shareholders, shall also provide for the general meeting to decide, at least every five years, on whether this provision is to be maintained, without higher quorum requirements than those established by law, and for all votes cast to be counted in said decision without the limitation being imposed.	Not applicable	
I.6.3. There shall be no defensive measures intended to automatically cause a serious depletion of the company’s assets in the event of transfer of control or a change of membership of the Board of Directors thereby affecting the free transferability of shares and free appreciation by shareholders of the Board members’ performance.	Adopted	4.8

II – Management and supervisory bodies

II.1. – General matters

II.1.1. – Structure and duties

II.1.1.1. The Board of Directors shall, in its governance report, assess the model adopted, identify any constraints on its functioning and recommend appropriate measures to overcome them.	Adopted	1.1
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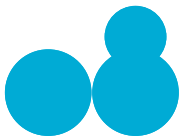


CORPORATE GOVERNANCE

I.1.1.2. Companies shall set up in-house control systems for the effective detection of risks associated with their activity in order to safeguard their assets and ensure the transparency of their corporate governance.	Adopted	3.7
II.1.1.3. Management and supervisory bodies shall have their own regulations which shall be posted on the company's website.	Adopted	3.1.3/3.3.3/7.3
<b>II.1.2. – Incompatibilities and independence</b>		
II.1.2.1. The Board of Directors shall include a number of non-executive members to guarantee its effective ability to supervise, audit and assess the work of the executive members.	Adopted	1.2.2/1.2.6.1/3.1.3
II.1.2.2. The non-executive directors must include a suitable number of independent directors, taking into account the size of the company and its shareholder structure. This number shall be no less than one quarter of the total number of directors.	Adopted	1.2.2/1.2.6.1
<b>II.1.3. – Eligibility and appointment</b>		
II.1.3.1. Depending on the applicable model, the chairperson of the Audit Committee or Financial Committee shall be independent and have the necessary competences to perform his/her duties.	Adopted	1.2.2/1.3/3.3
<b>II.1.4. – Whistle-blowing policy</b>		
II.1.4.1. The company shall adopt a whistle-blowing policy for reporting irregularities occurring in it, indicating the following information: i) means by which irregularities can be reported within the company, including the names of the people qualified to receive reports, ii) the treatment to be given to reports, including confidentiality if the whistle-blower so wishes.	Adopted	3.9
II.1.4.2. The general lines of this policy shall be set forth in the corporate governance report.	Adopted	3.9
<b>II.1.5. – Remuneration</b>		
II.1.5.1. The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure that their interests are in line with that of the company. In this context: i) The remuneration of executive directors shall include a performance-based component and a performance evaluation conducted by the competent body shall therefore be taken into account. ii) The variable component shall be such as to maximise the company's long-term performance and shall depend on the sustainability of the performance variables adopted. iii) When not otherwise required by law, the remuneration of the non-executive members of the Board of Directors shall consist exclusively of a fixed amount.	Adopted	5.1/5.2/5.3

II.1.5.2. The Remuneration Committee and the Board of Directors shall submit to the annual general meeting a statement on pay policy of the members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code. In this context, the shareholders shall be informed of the criteria and main parameters used to evaluate performance for the purpose of calculating the variable component, whether it is in the form of rewards in shares, share options or other components.	Adopted	5.4
II.1.5.3. At least one representative of the Remuneration Committee shall attend annual general meetings.	Adopted	5.6
II.1.5.4. A proposal to approve share distribution or share option plans or plans based on variations in share price to members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code shall be submitted to the general meeting. The proposal shall contain all the necessary information for a correct evaluation of the plan. The proposal shall be accompanied by the regulations of the plan or, if they have not yet been drawn up, the general conditions with which they must comply. The main characteristics of the retirement benefit system for members of the managing and supervisory bodies and other managers, as set forth in Article 248-B(3) of the Securities Code shall be approved by the general meeting.	Not applicable	5.3/5.7
II.1.5.5. The remuneration of each member of the managing and supervisory bodies shall be published, distinguishing, whenever appropriate, between fixed and variable remuneration and between remuneration received from other group companies or companies controlled by shareholders owning qualifying holdings.	Adopted ("EDP Renováveis informs its shareholders of the remuneration of its CEO and breaks it down into fixed and variable remuneration. However, EDP Renováveis considers that the remuneration of the remaining members of the Board of Directors and Audit Committee should be disclosed to shareholders as a whole (specifying the fixed and variable remuneration), as it feels that the performance of the managing and supervisory bodies should be analysed globally and provide a collective overview.")	5.3
<b>II.2. – Board of Directors</b>		
II.2.1. Within the limits established by law for each managing and supervisory body, and unless the company is small in size, the Board of Directors shall delegate the day-to-day running of the company. The duties delegated shall be identified in the annual corporate governance report.	Adopted	3.1/3.2.1/3.3
II.2.2. The Board of Directors shall ensure that the company acts in accordance with its goals and shall not delegate its powers to: i) define the company's general strategy and policies; ii) define the group's corporate structure; iii) make decisions that should be considered strategic due to their amount, risk or special characteristics.	Not adopted ("Under Spanish law, the matters referred to in this recommendation can be delegated to the Executive Committee. It is common practice in Spanish listed companies for the delegation of powers to be far-reaching, with the exception of matters related to the preparation of accounts.")	
II.2.3. If the chairperson of the Board of Directors has executive functions, the Board of Directors shall find efficient mechanisms for coordinating the work of the non-executive members to ensure that they can make independent, informed decisions. These mechanisms shall be explained to the shareholders in the annual corporate governance report.	Adopted	3.1.3





CORPORATE GOVERNANCE

II.2.4. The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints arising.	Adopted	3.1.3
II.2.5. The Board of Directors shall rotate the financial director at least at the end of every two terms.	Not applicable ("The Board of Directors only took office in the first half of 2008.")	
<b>II.3. – CEO, Executive Committee and executive Board of Directors</b>		
II.3.1. When asked to do so by other members of the corporate bodies, executive directors shall provide the appropriate information in good time.	Adopted	3.2.1.3
II.3.2. The chairperson of the Executive Committee shall send to the chairperson of the Board of Directors and, as applicable, the chairperson of the Supervisory Board or Audit Committee invitations to and minutes of its meetings.	Adopted	3.2.1.3.
II.3.3. The chairperson of the Executive Board of Directors shall send to the chairperson of the General and Supervisory Board and the chairperson of the Financial Committee invitations to and minutes of its meetings.	Not applicable	
<b>II.4. – General and supervisory board, financial committee, audit committee and supervisory board</b>		
II.4.1. In addition to its supervisory duties, the General and Supervisory Board shall advise, monitor and constantly assess the company's management by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinions include: i) the company's general strategy e policies, ii) the group's corporate structure and iii) decisions that are considered strategic due to their amount, risk or special characteristics.	Not applicable	
II.4.2. The annual reports on the work of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall be published on the company's website together with the financial statements.	Adopted	3.3.4./7.3
II.4.3. The annual reports on the work of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall include a description of their supervision and mention any constraints found.	Adopted	3.3.4/7.3
II.4.4. The Financial Committee, Audit Committee and Supervisory Board, depending on the model adopted, shall represent the company for all purposes in relations with the external auditor and shall propose an auditor to provide these services and his/her fees, ensure that the company offers all the right conditions for the provision of these services, act as an interlocutor for the company and be first recipient of the auditor's reports.	Adopted	3.3.2
II.4.5. Every year, the Financial Committee, Audit Committee and Supervisory Board, depending on the model adopted, shall evaluate the external auditor and propose his/her discharge to the general meeting, if there is due cause.	Adopted	3.3.2/3.8

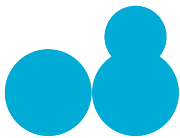
II.5. – Specialised committees

II.5.1. Unless the company is small in size, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any necessary committees to: i) conduct a competent, independent evaluation of the performance of the executive directors and assess their own overall performance and that of the different committees, ii) reflect on the company's governance system, check its effectiveness and suggest measures for improving it to the competent bodies.	Adopted	1.1/2.2.2/3.3.2
II.5.2. The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors.	Not applicable ("The members of the Nomination and Remuneration Committee are members of the Board of Directors. However, its members are considered independent members and do not therefore belong to the Executive Committee. In accordance with Articles 9 and 130 of the Spanish Public Company Law, the remuneration scheme for directors should be fixed in the articles of association. It is normal practice in Spanish companies for this remuneration to be decided upon by the General Meeting of Shareholders and for its allocation to the different members of the Board of Directors to be decided on by the Board itself)."	1.2.6.2/3.2.2.1
II.5.3. All committees shall draft minutes of their meetings.	Adopted	3.2.1.3 / 3.2.2.3 / 3.2.3.3 / 3.3.3

III. – Disclosure and audits

III.1. – General disclosure obligations

III.1.2. Companies shall ensure permanent contact with the capital market, abide by the principle of equality between shareholders and prevent asymmetries in access to information by investors. The company shall maintain an investor relations office for the purpose.	Adopted	7.1 / 7.2
III.1.3. The following information shall be posted on the company's website in English: a. Its name, status as a listed company, registered office and other information mentioned in Article 171 of the Company Code; b. Its Articles of Association; c. The names of the members of the corporate bodies and market liaison officer; d. Investor relations office, its functions and contact information; e. Financial statements; f. Half-yearly calendar of company events; g. Proposals submitted for discussion and voting at general meetings; h. Invitations to general meetings.	Adopted	7.3



CORPORATE GOVERNANCE

Statement on compliance with independence criteria

Article 20.2 of the EDP Renováveis Articles of Association qualifies as independent directors who can perform their jobs without being limited by relations with the company, its shareholders with significant holdings or its directors and meet the other legal requirements.

For the purpose of this statement of compliance with independence criteria and for the sake of comparison

between EDP Renováveis and the other companies quoted on Eurolist by Euronext Lisbon in matters of compliance with corporate governance recommendations, we have also considered the criteria for appraising independence and incompatibilities set forth in Article 414(5), both of the Código das Sociedades Comerciais, and so the Board of Directors of EDP Renováveis considers that the following directors meet these criteria of independence required by law and the Articles of Association:

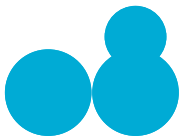
Name	Position	Age	Date of appointment	End of term
José Silva Lopes	Director (independent) Member of Audit Committee	76	04/06/2008	04/06/2011
António Nogueira Leite	Director (independent)	46	04/06/2008	04/06/2011
Rafael Caldeira Valverde	Director (Independent)	55	04/06/2008	04/06/2011
José Araújo e Silva	Director (independent)	57	04/06/2008	04/06/2011
Jorge Santos	Director (independent)	57	04/06/2008	04/06/2011
Francisco José Queiroz de Barros de Lacerda	Director (independent) Member of Audit Committee	48	04/06/2008	04/06/2011
João Manuel de Mello Franco	Director (independent) Chairperson of Audit Committee	62	04/06/2008	04/06/2011
João Lopes Raimundo	Director (independent)	48	04/06/2008	04/06/2011
Daniel M. Kammen	Director (independent)	46	04/06/2008	04/06/2011

With regard to the situations set forth in Article 414-A(I) of the Company Code, the director António Nogueira Leite holds the position of director with more than five companies.









CORPORATE GOVERNANCE

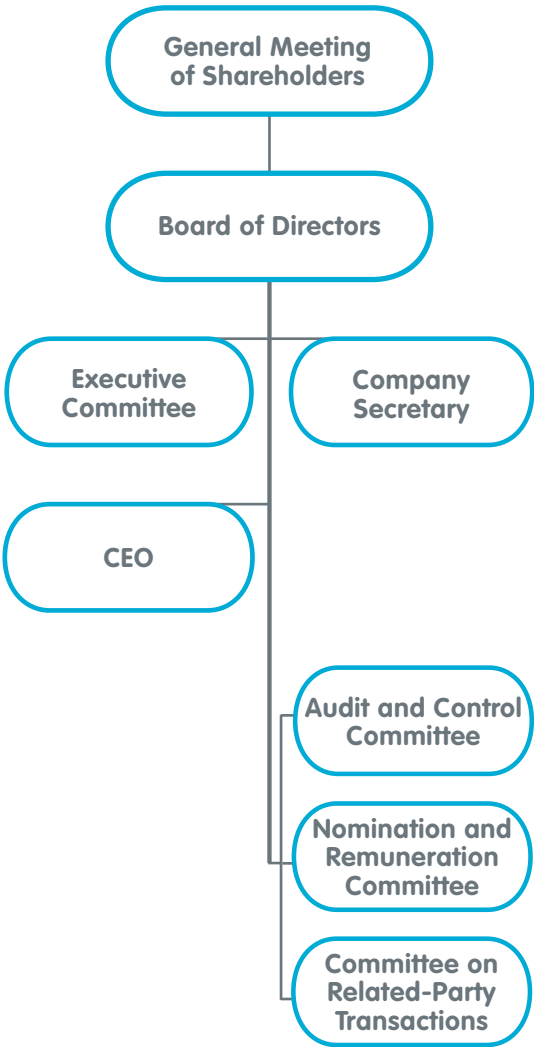
1. CORPORATE GOVERNANCE STRUCTURE

1.1. Model of management and supervision

EDP Renováveis, has adopted the governance structure in effect in Spain. It comprises a General Meeting of Shareholders, which expresses corporate wishes, and a Board of Directors that represents and manages the company.

As required by law and the Articles of Association, the Company's Board of Directors has set up four committees. They are the Executive Committee, the Audit and Control Committee, the Nomination and Remuneration Committee and the Committee on Related-Party Transactions.

The Company's governance structure is shown in the chart below.



The governance model of EDP Renováveis is designed to ensure the transparent, meticulous separation of duties and the specialisation of supervision. The following are the most important bodies in the management and supervision model at EDP Renováveis:

- Board of Directors
- Executive Committee
- Audit and Control Committee
- External auditor

The adoption of this model by EDP Renováveis is intended to adapt the Company's corporate governance to the specificities of Portuguese legislation, due to the fact that Spanish law is its personal law. The governance model adopted by EDP Renováveis therefore seeks, insofar as it is compatible with its personal law, to correspond to the Anglo-Saxon model set forth in the Código das Sociedades Comerciais, in which the management body is a Board of Directors, and supervision and control are the responsibility of an Audit Committee.

The choice of this model is essentially an attempt to establish compatibility between two different systems of company law, which can be considered applicable to the model.

Although EDP Renováveis shares were only admitted to trading on Euronext Lisbon in mid-2008, experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDP Renováveis activity, especially because it affords a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialised Board of Directors committees.

The institutional and functional relationship between the Executive Committee, Audit and Control Committee and the other non-executive members of the Board of Directors has proved very positive and has fostered internal harmony conducive to the development of the company's businesses.

In order to ensure a better understanding by its shareholders of EDP Renováveis corporate governance, the Company posts its updated Articles of Association on [www.edprenovaveis.com](http://www.edprenovaveis.com).

1.2. Corporate Bodies

1.2.1. General Meeting of Shareholders

The General Meeting of Shareholders is the Company’s highest governing body. It is a meeting of shareholders that, when properly convened, has the power to decide and adopt majority decisions on matters that the law and the Articles of Association set forth that it should decide and be submitted for its approval.

The Board of the General Meeting is responsible for organising its proceedings. It is made up of the Chairperson of the Meeting, the Chairperson of the Board of Directors, or his/her substitute, the other Board members and the Secretary of the Board of Directors.

1.2.2. Board of Directors

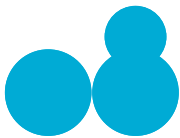
The Board of Directors has the broadest powers for the management and governance of the Company, with no limitations other than the competences expressly allocated exclusively to the General Meeting of Shareholders by law or the Articles of Association.

The structure, competences and functioning of the Board of Directors are described in more detail in point 3.1.

The Board of Directors currently consists of the following fifteen (15) members:

Name	Position	Age	Date of appointment	End of term
António Mexia	Chairman and Director	51	3/18/08	3/18/11
Ana Maria Fernandes	Vice-Chairman, CEO	46	3/18/08	3/18/11
António Martins da Costa	Director	54	3/18/08	3/18/11
Nuno Alves	Director	50	3/18/08	3/18/11
João Manso Neto	Director	50	3/18/08	3/18/11
José Silva Lopes*	Director (independent)	76	6/4/08	6/4/11
António Nogueira Leite*	Director (independent)	46	6/4/08	6/4/11
Rafael Caldeira Valverde*	Director (independent)	55	6/4/08	6/4/11
José Araújo e Silva*	Director (independent)	57	6/4/08	6/4/11
Manuel Menéndez Menéndez*	Director	49	6/4/08	6/4/11
Jorge Santos*	Director (independent)	57	6/4/08	6/4/11
Francisco José Queiroz de Barros de Lacerda*	Director (independent)	48	6/4/08	6/4/11
João Manuel de Mello Franco*	Director (independent)	62	6/4/08	6/4/11
João Lopes Raimundo*	Director (independent)	48	6/4/08	6/4/11
Daniel M. Kammen*	Director (independent)	46	6/4/08	6/4/11

\* Appointed in agreements adopted by the General Meeting of Edp Renováveis, S.A. on 14 May 2008, to take office as members of the Board of Directors on 4 June 2008



CORPORATE GOVERNANCE

The positions held by the members of the Board in the last five (5) years, those that they currently hold and positions in Group and non-Group companies are listed in Annexes I, II and III, respectively. Annex IV also gives a brief description of the Board members’ professional and academic careers.

Finally, the shares of EDP Renováveis owned by each Board member are described in the table in Annex V.

1.2.3. Chairperson and Vice-Chairperson of the Board

The Chairperson of the Board is the Chairperson of the Company and fully represents it, using the company name, implementing decisions of the General Meeting, Board of Directors and the Executive Committee.

Without prejudice to the powers of the Chairperson under the law and Articles of Association, he also has the following powers:

- Convening and presiding over the meetings of the Board of Directors, establishing their agenda and directing discussions and decisions;
- Acting as the Company’s highest representative in dealings with public bodies and any sectoral or management bodies.

The Chairperson of the Board is appointed by the members of the Board of Directors, unless this is done by the General Meeting. The current Chairperson was appointed on 18 March 2008.

Chairman of the Board

António Mexia

It is the Vice-Chairperson who replaces the Chairperson when he is unable to attend. The Board may also delegate executive powers to the Vice-Chairperson.

The Vice-Chairperson is appointed by the Board of Directors on the proposal of the Chairperson. The Vice-Chairperson was appointed on 18 March 2008.

Vice-Chairperson

Ana Maria Fernandes

1.2.4. CEO

The Board of Directors may appoint one or more CEOs. CEOs are appointed on the proposal of the Chairperson or two-thirds of the directors. CEOs are appointed with a vote in favour of two-thirds of the directors and must be chosen from among the Board members.

The competences of each CEO are those deemed appropriate in each case by the Board, with the only

requirement being that they are delegable under the law and Articles of Association.

The CEO was appointed on 4 June 2008 and the competences allocated to her include coordination of the implementation of Board and Executive Committee decisions, monitoring, leading and coordinating the management team, representing the company in dealings with third parties and other related duties.

CEO

Ana Maria Fernandes

1.2.5. Company Secretary

The duties of the Company Secretary are those set forth in current laws, the Articles of Association and Board Regulations. In particular, in accordance with the Board Regulations and in addition to those set forth in the Articles of Association, his competences are:

- Assisting the Chairperson in his/her duties;
- Ensuring the smooth operation of the Board and assisting and informing it and its members;
- Safeguarding company documents;
- Describing in the minutes books the proceedings of Board meetings and bearing witness to its decisions;
- Ensuring at all times the formal and material legality of the Board’s actions so that they comply with the Articles of Association and Board Regulations;
- Monitoring and guaranteeing compliance with provisions imposed by regulatory bodies and consideration of their recommendations;
- Acting as secretary to the committees.

The Company Secretary, who is also the General Secretary and Director of the Legal Department at EDP Renováveis, was appointed on 4 December 2007.

Company Secretary

Emílio García-Conde Noriega

1.2.6. Committees

The structure, competences and operation of the Executive Committee, Nomination and Remuneration Committee and the Committee on Related-Party Transactions are described in point 3.2. Nonetheless, the nature of the committees and the names of their members are detailed below.

1.2.6.1. Executive Committee

The Executive Committee is a permanent body to which all competences of the Board of Directors that are delegable under the law and the Articles of Association can be delegated, with the exception of i) election of the Chairperson of the Board of Directors, ii) appointment of directors by cooption, iii) requests to convene or convening of General Meetings, iv) preparation and drafting of the Annual Report and Accounts and submission to the General Meeting, v) change of registered office and vi) drafting and approval of mergers, spin off or transformation of the company.

The committee currently consists of five (5) members, who were appointed on 4 June 2008, plus the Secretary.

Executive Committee	
Chairman	António Mexia
CEO	Ana Maria Fernandes
	António Martins da Costa
	Nuno Alves
	João Manso Neto
Secretary	Emílio García-Conde Noriega

The members of the Executive Committee shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the Executive Committee at any time and the members may resign said positions while still remaining Company directors.

1.2.6.2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a permanent body of a merely informative and advisory nature and its recommendations and reports are not binding.

The Nomination and Remuneration Committee currently consists of three (3) independent members, who were appointed on 4 June 2008, plus the Secretary.

Nomination and Remuneration Committee	
Chairman	Jorge Santos
	João Lopes Raimundo
	Rafael Caldeira Valverde
Secretary	Emílio García-Conde Noriega

None of the committee members are spouses or up to third-degree relatives in direct line of the other members of the Board of Directors.

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

1.2.6.3. Committee on Related-Party Transactions

The Committee on Related-Party Transactions is a body of the Board of Directors.

The committee currently consists of three (3) members, who were appointed on 4 June 2008, plus the Secretary.

Committee on Related-Party Transactions	
Chairman	António Nogueira Leite
	João Manuel de Mello Franco
	João Manso Neto
Secretary	Emílio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

1.3. Audit and Control Committee

The Audit and Control Committee is a permanent body and performs supervisory tasks independently from the Board of Directors.

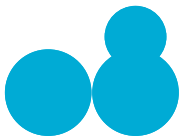
The committee currently consists of three (3) members who are independent directors and were appointed on 4 June 2008, plus the Secretary.

Audit and Control Committee	
Chairman	João Manuel de Mello Franco
	José Silva Lopes
	Francisco José Queiroz de Barros de Lacerda
Secretary	Emílio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company directors.

The structure, competences and functioning of the Audit and Control Committee are described in point 3.3.

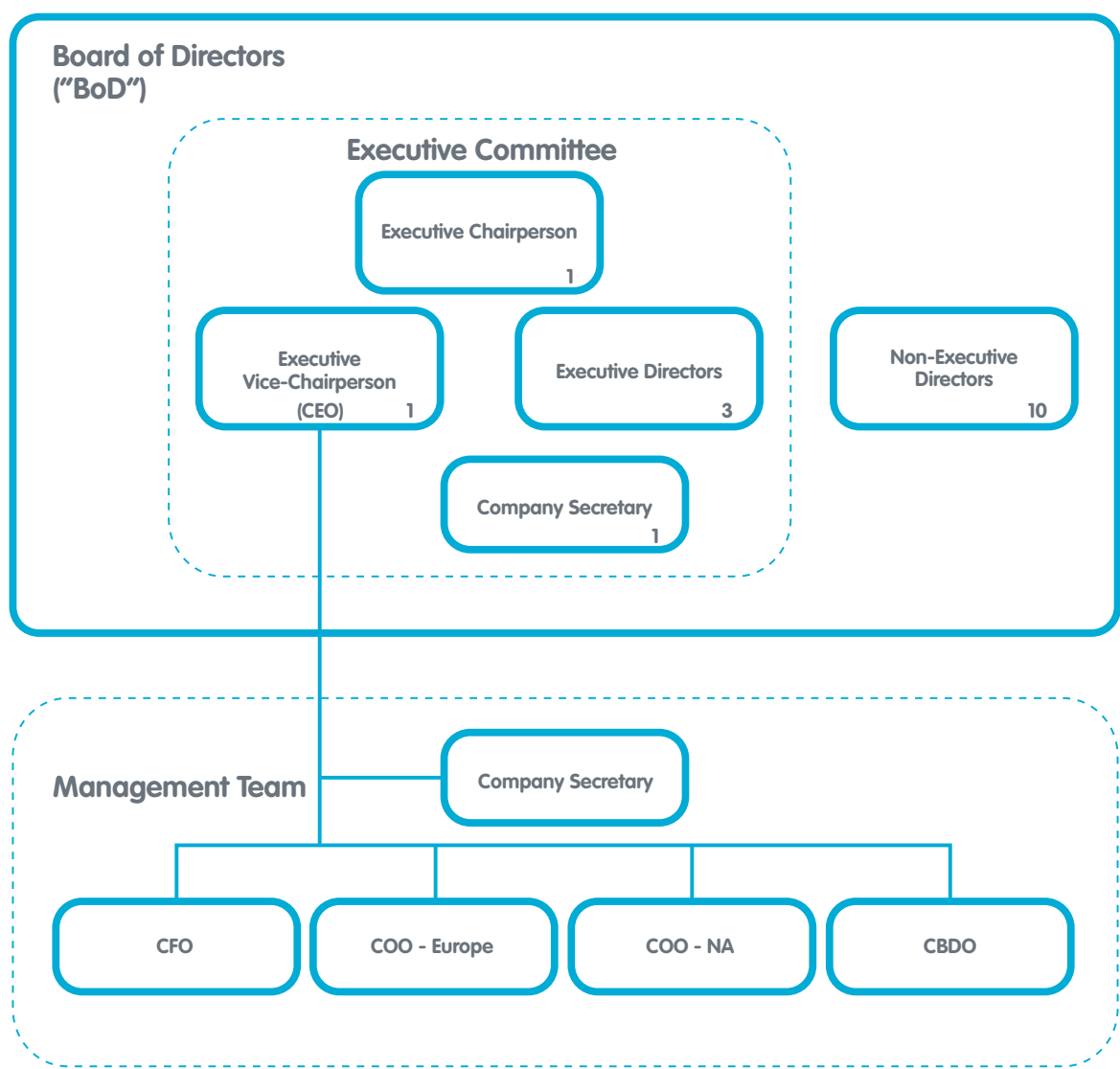




CORPORATE GOVERNANCE

1.4. Organisation Chart

EDP Renováveis has adopted the following organisation chart for its management:



The EDP Renováveis management team consists of the Chief Executive Officer, four areas of responsibility (Chief Financial Officer, Chief Business Development Officer, Chief Operating Officer for Europe and Chief Operating Officer for North America) and Company Secretary and Legal Counsel. The functions and competences of the management team, with the exception of the Chief Executive Officer, whose functions have already been described and who runs the management team, are as follows:

1.4.1. Chief Financial Officer (Rui Teixeira)

It is the Chief Financial Officer's job:

- To propose and ensure the implementation of the Group's financial policy and management, including (i) negotiating, managing and controlling financing, (ii) optimizing cash management and (iii) proposing financial risk management policy;

- To manage the Group's monthly closing of accounts and profits/losses and compare them to forecasts and the business plan, coordinating the discussion of the business plan and forecast with the Group's business platforms;
- To manage relations with the Group's shareholders, potential investors and market analysts to promote the value of its shares on the capital market;
- To coordinate the Group's procurement and its relations with main suppliers and ensuring the implementation of the Group's procurement strategy and policy.

#### **1.4.2. Chief Business Development Officer (Luís Adão da Fonseca)**

The job of the Chief Business Development Officer is to promote, direct and approve the development of EDP Renováveis business. In line with the strategic plan and in coordination with the other members of the management team, he must increase the value of the group's business portfolio, while watching the potential and risks of markets and new technologies. His teams coordinate and implement new business development initiatives in new countries and are responsible for monitoring and assessing investments in the consolidated platforms in Europe and the United States.

#### **1.4.3. Chief Operating Officer for Europe (João Paulo Costeira)**

It is the job of the Chief Operating Officer for Europe to coordinate the EDP Renováveis European platform in establishing, developing and implementing the EDP Renováveis group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for Europe in accordance with the guidelines set by the Board of Directors of EDP Renováveis, planning, organising and managing resources, controlling, measuring and improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDP Renováveis a leader in the renewable energy sector in Europe.

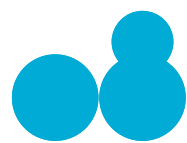
#### **1.4.4. Chief Operating Officer for North America (Gabriel Alonso Imaz)**

The Chief Operating Officer for North America is responsible for coordinating the North American platform of EDP Renováveis in establishing, developing and implementing the EDP Renováveis group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for the United States, in accordance with the guidelines set by the Board of Directors of EDP Renováveis, planning, organising and managing resources, controlling, measuring and

improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDP Renováveis a leader in the renewable energy sector in the United States.

#### **1.4.5. Company Secretary and Legal Counsel (Emilio García-Conde Noriega)**

S/he assists the Board of Directors in its legal, administrative and logistics activities to ensure that it functions effectively, provides legal advice to the group in order to guarantee compliance with applicable legislation, and provides legal support at Board meetings, including the circulation of its decisions.



CORPORATE GOVERNANCE

2. SHAREHOLDER STRUCTURE

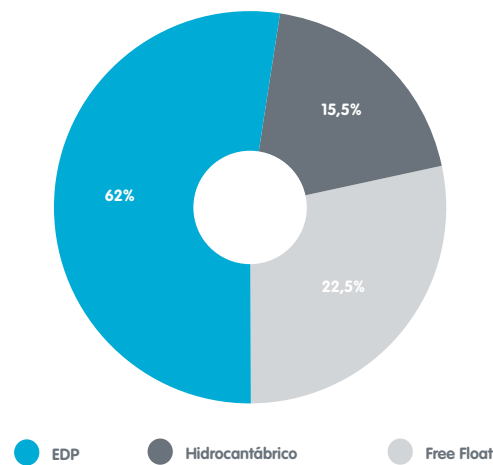
2.1. Capital structure

In 2008, the EDP Renováveis shareholder structure changed significantly after the institutional public offering (IPO) of 196,024,306 shares representing 22.5% of its share capital. As at 31 December 2007, 80% of the share capital of EDP Renováveis was owned by EDP – Energias de Portugal Sucursal Espanha, S.A. (“EDP”) and 20% by Hidroelétrica del Cantábrico, S.A. (Hidrocantábrico), 97% of which is owned by EDP. The initial public offering took place in June 2008 through a share capital increase of 196,024,306 shares and admission to trading at Euronext Lisboa of the 872,308,162 shares of EDP Renováveis, with a face value of € 5.00 each. Following the IPO, the shareholder structure is as follows:

Shareholder structure

31 Dec 2008	No. shares
EDP	541,027,156
Hidrocantábrico	135,256,700
Free float	196,024,306
Total	872,308,162

Shareholder structure – 31 December 2008

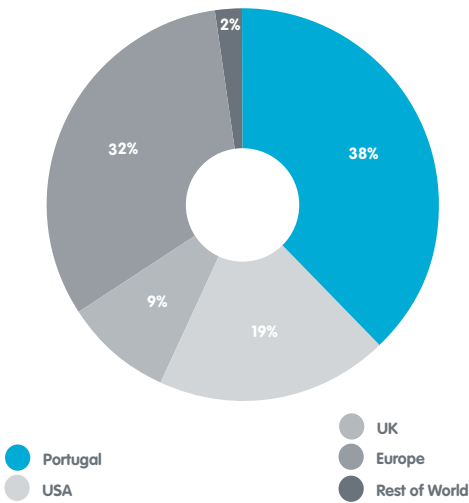


All EDP Renováveis shares are of the same category. Under the Spanish Ley de Sociedades Anónimas, approved by Royal Decree 1564/1989 of 22 December 1989 (hereinafter Public Company Law) and the Articles of Association of EDP Renováveis, the owner of a share becomes a shareholder with all the inherent rights and obligations established in the Public Company Law and articles of association of EDP Renováveis. The most important rights inherent in shares are the right to receive dividends, the right to obtain general information on any matters to be discussed at General Meetings, general rights to attend, voting rights, the right to object to company decisions, pre-emptive rights in share capital increases and the right to participate in the distribution of assets if EDP Renováveis is dissolved.

Free float

In December 2008, EDP Renováveis had around 140,000 institutional and private shareholders in over 50 countries, with special focus on Portugal, the United States, United Kingdom and the rest of Europe. The pie chart below shows the geographical division of the EDP Renováveis free float.

Free float breakdown by geography



2.2. Qualifying shareholdings

Qualifying shareholdings in EDP Renováveis are subject to Spanish law, which regulates the criteria and thresholds of shareholders’ holdings. As at 31 December 2008 no qualifying shareholdings in EDP Renováveis with the exception of EDP and Hidrocantábrico were identified.

2.3. Holders of special rights

EDP Renováveis shares are of a single class and series and have been fully paid up. There are no holders of special rights.

2.4. Restrictions on the transfer of shares

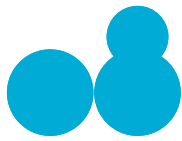
Pursuant to Article 8 of the Company’s Articles of Association, there are no restrictions on the transfer of EDP Renováveis shares.

2.5. Shareholders’ agreements

As far as the Board of Directors of EDP Renováveis knows, there are currently no shareholders’ agreements regarding the Company.







CORPORATE GOVERNANCE

3. MANAGEMENT AND CONTROL SYSTEM

Pursuant to Articles 10 and 19 et seq of the Articles of Association of EDP Renováveis, the Company's managing body is a Board of Directors, and there are four committees stemming from it. They are the Executive Committee, the Audit and Control Committee, the Nomination and Remuneration Committee and the Committee on Related-Party Transactions.

3.1. Structure, competences and functioning of the Board of Directors

3.1.1. Structure

Pursuant to Articles 20 and 21 of the Company's Articles of Association, the Board of Directors shall consist of no fewer than five (5) and no more than seventeen (17) directors. Their term of office shall be three (3) years, and they may be re-elected once or more times for equal periods. The Board of Directors currently consists of fifteen (15) members, whose particulars were indicated in point 1.2.2. above.

3.1.2. Competences

Pursuant to Article 19 of the Company's Articles of Association, the Board of Directors has the broadest powers for the administration, management and governance of the Company, with no limitations other than the responsibilities expressly and exclusively invested in General Meetings in the Company's Articles of Association or applicable law. The Board is therefore expressly empowered to:

- Acquire, for the purpose of encumbrance or profit, assets and properties, rights, shares and holdings convenient to the Company;
- Dispose of, mortgage or encumber assets and properties, rights, shares and holdings of the Company and cancel mortgages and other real rights;
- Negotiate and make as many loans or credit operations as it sees fit;
- Sign and enter into any acts or contracts with public or private entities;
- Bring all civil and criminal suits of all kinds pertaining to the Company and represent it in dealings with officials, authorities, corporations and government, administrative, economic, litigant and judicial courts, civil courts and chambers for social and labour matters of the Supreme Court and higher courts of justice of the autonomous communities, with no limitations, including the Court of Justice of the European Communities, and

in general in dealings with the public administration at all levels and to intervene or promote, pursue and end by all proceedings and instances any processes, judgements and proceedings, to consent to settlements, lodge all classes of appeal, including cassation and other extraordinary actions, to drop cases or settle, make concessions, submit disputes to arbitration, make all kinds of notifications and applications and grant powers to attorneys and other representatives to settle cases, with the authority for the case and those usual in general for lawsuits and special authority to grant and revoke these powers;

- Call General Meetings and submit to their appreciation any proposals that it sees fit;
- Run the Company's affairs and the organisation of its work and operations, be informed of the course of company business and operations, decide on the investment of funds, perform extraordinary amortization of bonds in circulation and do anything it sees fit for the best pursuit of the Company's object;
- Freely appoint and discharge directors and all technical and administrative personnel at the Company and indicate their duties and remuneration;
- Agree to changes in registered office within the same municipality;
- Constitute and endow under the law all kinds of legal person, contribute and transfer all classes of goods and rights and enter into concentration and cooperation agreements, associations, groupings and temporary unions of companies or businesses and community property and agree upon their alteration, conversion and closure;
- Perform any other acts expressly assigned to it by the Articles of Association or applicable law. This list is not limitative and only indicative in nature.

Regarding decisions to increase the share capital, the Board of Directors, by delegation from the General Meeting, may decide to increase the share capital once or several times. This delegation, which may be the subject of replacement, can include the power to demand a pre-emptive right in the issue of shares that are the subject of delegation and with the requirements established by law.

On the other hand, the General Meeting may also delegate to the Board of Directors the power to implement an adopted decision to increase the share capital, indicating the date or dates of its implementation and establishing any other conditions that have not been specified by the General Meeting. This delegation may be the subject of replacement. The Board of Directors may use this

delegation wholly or in part and may also decide not to perform it in consideration of the conditions of the Company, the market or any particularly relevant events or circumstances that justify said decision, of which the General Meeting must be informed at the end of the time limit or limits for performing it.

### 3.1.3. Functioning

In addition to the Articles of Association and the law, the Board of Directors is governed by the regulations approved on 13 May 2008. The regulations on the functioning of the Board are available to Company shareholders on the website [www.edprenovaveis.com](http://www.edprenovaveis.com).

The Board of Directors must meet at least four (4) times a year, preferably once a quarter. Nonetheless, the Chairperson, on his own initiative or that of three (3) directors, shall convene a Board meeting whenever he deems it in the Company's interest. The Board of Directors held seventeen (17) meetings during the year ended on 31 December 2008.

Meetings are convened by the Chairperson, who may order the Secretary to send the invitations. Invitations shall be sent at least five (5) days prior to the date of the meeting. On exception, when the circumstances so require, the Chairperson may call a meeting of the Board without respecting the required advance notice.

The meetings of the Board are valid if half of the directors plus one are present or represented. Directors shall attend Board meetings personally and, on exception, if they are unable to do so, they shall delegate their representation in writing to another Board member. Without prejudice to the above, the Board of Directors shall be deemed to have been validly convened, with no need for an invitation, if all the directors present or represented agree unanimously to hold the meeting as universal and accept the agenda to be dealt with at it.

Decisions are adopted by absolute majority among those present. Each director present or represented has one vote and the Chairperson has the casting vote in the event of a tie.

In order for the non-executive directors to be able to decide independently and be informed, Articles 22, 24 and 25 of the Board regulations established the following mechanisms:

- Invitations to meetings shall include the agenda, albeit provisional, of the meeting and be accompanied by relevant available information or documentation;
- The directors have the broadest powers to obtain information on any aspect of the Company, to examine its books, records, documents and other registers of the

Company's operations. In order to prevent distortions in the Company management, the exercise of the powers to obtain information shall be channelled through the Chairperson or Secretary of the Board of Directors;

- Any director may request the hiring, on the Company's account, of legal advisers, accountants, financial or commercial specialists or other experts. The performance of the job must necessarily relate to concrete problems of a certain importance and complexity. Requests to hire experts shall be channelled through the Chairperson or Secretary of the Board of Directors, who shall be subject to the approval of the Board of Directors.

Thanks to the mechanisms set forth in the regulations, non-executive directors have encountered no difficulties in performing their duties.

In 2008, the non-executive directors were involved in the governance of EDP Renováveis not only by participating in meetings of the Board of Directors, where they gave their opinions on different company matters, made any suggestions they saw fit and took decisions on matters submitted to them, but also by working on the Nomination and Remuneration Committee, Committee on Related-Party Transactions and Audit and Control Committee, where all the members are non-executive, with the exception of the Committee on Related-Party Transactions, which has one executive director.

In 2008, several meetings were held with the non-executive directors in order to provide them with specific information on Company activities. The following workshops were held in September and October:

- Two at the Control and Operation Centre in Oporto;
- One on international strategy in Lisbon;
- One on strategy and finance in the United States, which was signed in Lisbon.

## 3.2. Structure, competences and functioning of committees

### 3.2.1. Executive Committee

#### 3.2.1.1. Structure

Pursuant to Article 27 of the Company's Articles of Association, the Executive Committee shall consist of no fewer than three (3) and no more than six (6) directors. The committee currently consists of the members indicated in point 1.2.6.1.



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Its creation, the appointment of its members and the extension of the powers delegated must be approved by two-thirds (2/3) of the members of the Board of Directors.

3.2.1.2. Competences

The Executive Committee is a permanent body. It has currently been delegated all the Board of Directors' powers that are delegable under the law and the articles of association legal, with the exception of: i) election of the Chairperson of the Board of Directors, ii) appointment of directors by cooption, iii) requests to convene or convening of General Meetings, iv) preparation and drafting of the Annual Report and Accounts and submission to the General Meeting, v) change of registered office and vi) drafting and approval of mergers, spin off or transformation of the company.

The Executive Committee members have been delegated all the powers of representation of the Company so that any of its members can act jointly in the name and on behalf of the Company.

3.2.1.3. Functioning

In addition to the Articles of Association, this committee is also governed by the regulations approved on 4 June 2008 and also by the Board Regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The Executive Committee shall meet at least once a month and whenever deemed appropriate by its Chairperson, who may also suspend or postpone meetings when he sees fit. The Executive Committee shall also meet when requested by at least two (2) of its members. The Executive Committee held eleven (11) meetings during the year ended on 31 December 2008.

The Executive Committee shall draft minutes for each of the meetings held and shall inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The Chairperson of the Executive Committee, who is currently also the Chairperson of the Board of Directors, shall send the Chairperson of the Audit and Control Committee invitations to the Executive Committee meetings and the minutes of said meetings.

Meetings of the Executive Committee shall be valid if half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. In the event of a tie, the Chairperson shall have the casting vote.

Executive directors shall provide any clarifications needed by the other corporate bodies whenever requested to do so.

3.2.2. Appointments and Remunerations Committee

3.2.2.1. Structure

Pursuant to Article 29 of the Company's Articles of Association, the Appointments and Remunerations Committee shall consist of no fewer than three (3) and no more than six (6) directors. At least one of its members must be independent and shall be the Chairperson of the committee.

The members of the committee should also not be members of the Executive Committee. The committee currently consists of the members indicated in point 1.2.6.2 and are all independent directors.

The Appointments and Remunerations Committee is made up of independent members of the Board of Directors, in compliance with Recommendation 44 of the Unified Code of Good Governance approved by decision of the Board of the Spanish Securities Committee (hereinafter the CNMV), as amended by CNMV Circular 4/2007 of 27 December, which lays down that the Appointments and Remunerations Committee must be entirely made up of external directors numbering no fewer than three (3). As it is made up of independent directors (in Spain the committee may only be comprised of directors) it complies as completely as possible with the recommendation indicated in point II.5.2 of the Portuguese Code of Corporate Governance.

3.2.2.2. Competences

The Appointments and Remunerations Committee is a permanent body of a merely informative and advisory nature and its recommendations and reports are not binding.

The Appointments and Remunerations Committee has no executive functions. The main functions of the Appointments and Remunerations Committee are to assist and report to the Board of Directors about appointments (including by cooption), re-elections, dismissals and remunerations of the Board and its positions, about the composition of the Board and the appointment, remuneration and dismissal of senior management personnel. The Appointments and Remunerations Committee shall also inform the Board of Directors on general remuneration policy and incentives to them and senior management. These functions include the following:

- To define the principles and criteria regarding the membership of the Board of Directors and the selection and appointment of its members;

- To propose the appointment and re-election of directors when they should be done by co-option or in any case for their submission to the General Meeting by the Board;
- To propose members of the different committees to the Board of Directors;
- Within the provisions of the Articles of Association, to propose to the Board the system, distribution and amount of remuneration of the directors and, if applicable, propose to the Board the terms of the directors' contracts;
- To inform and, if applicable, propose to the Board of Directors the appointment and/or dismissal of senior managers and the terms of their contracts and, in general, define senior management hiring and remuneration policies;
- To revise and report on incentive plans, pension supplements and remuneration programmes;
- To evaluate the members of the Executive Committee with a view to establishing individual remuneration proposals for each of its members;
- To evaluate the overall performance of the Board of Directors, on the basis of its own performance and that of its committees;
- To perform any other functions assigned to it by the Articles of Association or the Board of Directors.

### 3.2.2.3. Functioning

In addition to the articles of association, the Appointments and Remunerations Committee is governed by the Regulations approved on 4 June 2008 and also by the Board regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

This committee shall meet at least once every quarter and also whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the deciding vote in the event of a tie.

### 3.2.2.4. Activity in 2008

In 2008 the Appointments and Remunerations Committee held four (4) meetings. The main proposals made by the Committee during the year were:

- Recommending a remuneration policy aimed at reinforcing the variable component of the remuneration of the Board of Directors in order to guarantee alignment of the Board's work with shareholders' interests and fulfilment of commitments made when admitted to trading;
- Fixed remuneration of members of the Board of Directors;
- Maintaining the multi-annual component of the remuneration of the Executive Committee members and establishing a multi-annual component for the structure of EDP Renováveis;
- Maintaining the same remuneration in 2009 as in 2008 in annual terms with regard to fixed and variable remuneration.

### 3.2.3. Related Party Transactions Committee

#### 3.2.3.1. Structure

Pursuant to Article 30 of the Articles of Association, the Board may set up other committees, such as the Related Party Transactions Committee. This committee shall consist of no fewer than three (3) members. The majority of the members of the Related Party Transactions Committee shall be independent.

Members of the Related Party Transactions Committee shall be considered independent if they can perform their duties without being conditioned by relations with EDP Renováveis, its majority shareholders or its directors and, if this is the case, meet the other requirements of applicable legislation.

The committee currently consists of the members indicated in point 1.2.6.3.

#### 3.2.3.2. Competences

The Related Party Transactions Committee is a body belonging to the Board of Directors and performs the following duties, without prejudice to others that the Board may assign to it:

- Periodically informing the Company's Board of Directors of business and legal relations to be established between EDP or related parties and EDP Renováveis or related parties;





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- To submit for annual approval the Company's results in terms of compliance of business and legal relations between the EDP Group and the EDP Renováveis Group and operations between related parties performed during the year in question;
- Ratifying, within the deadlines of meeting the needs of each particular case, operations between EDP and/or its related parties with EDP Renováveis, and/or its related parties, whenever the value of an operation is higher than € 5.000.000 or represents 0.3% of the consolidated annual revenue of the EDP Renováveis Group in the preceding year;
- Ratifying any amendments to the framework agreement signed by EDP and EDP Renováveis on 7 May 2008;
- Submitting recommendations to the Company's Board of Directors or the Executive Committee on operations between EDP Renováveis and its related parties and EDP and its related parties;
- Asking EDP for access to information required to perform its duties.

Should the Related Party Transactions Committee not ratify business or legal relations between EDP or its related parties and EDP Renováveis and its related parties, said relations shall require the approval of two-thirds (2/3) of the members of the Board of Directors, whenever at least half of the members proposed by entities other than EDP, including independent directors, vote in favour, unless, before submission for ratification by the Related Party Transactions Committee, this majority of members has voiced its approval.

The previous paragraphs shall not apply to operations between EDP or its related parties and EDP Renováveis or its related parties that have standardised conditions and are applied in the same way, including when the conditions regard price, to different parties related to EDP and EDP Renováveis and their related parties.

3.2.3.3. Functioning

In addition to the Articles of Association, the Related Party Transactions Committee is governed by the regulations approved on 4 June 2008 and by the Board Regulations. The committee's regulations are at the shareholders disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes

at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

3.2.3.4. Activity in 2008

In 2008, the Related Party Transactions Committee held four (4) meetings. The committee analysed the agreements between EDP Renováveis and companies in the EDP Group that do not belong to the subgroup in which the dominant company is EDP Renováveis submitted for its consideration.

The committee revised, approved and proposed to the Board of Directors the approval of all agreements and contracts between related parties submitted for its consideration. Regarding the framework agreement between EDP and EDP Renováveis, the contents of which are described in point 3.6 of this report, the Company Secretary was asked to give an opinion on the compliance of the agreement with the Articles of Association. His opinion was that it did.

Point 3.6 of this report includes a description of the fundamental aspects of the agreements and contracts between related parties the object of which does not pertain to the ordinary course of EDP Renováveis business.

3.3. Audit and Control Committee

3.3.1. Structure

Pursuant to Article 28 of the Articles of Association, the Audit and Control Committee consists of no fewer than three (3) and no more than five (5) directors. The majority of the members shall be independent directors. The committee currently consists of the members indicated in point 1.3.

3.3.2. Competences

The Audit and Control Committee is a permanent body and performs independent supervision of the work of the Board of Directors. The competences of the Audit and Control Committee are as follows:

- Informing General Meetings, through its Chairperson, on matters regarding its competences;
- Proposing to the Board of Directors for submission to the General Meeting the appointment of Company Auditors and the terms of their hiring, scope of their work and revocation and renewal of their contracts;

- Supervising internal auditing activities;
- Monitoring financial reporting, internal control systems and risk management;
- Drafting an annual report on its supervisory duties and giving its opinion on the annual report, accounts and proposals submitted by the Board of Directors;
- Receiving whistle-blowing reports on financial and accounting matters made by Company employees or shareholders;
- Hiring experts to collaborate with any of the committee members in their duties, in which case contracts and remuneration of said experts shall take into account the importance of the matters assigned to them and the Company's economic situation;
- Keeping up relations with the auditors on questions that may jeopardise their independence and any others related to the auditing process and receiving and keeping information on any other matters set forth in audit legislation and auditing standards in effect at any given time;
- Writing reports at the request of the Board and its committees;
- Reflecting on the governance system adopted by EDP Renováveis in order to identify areas for improvement;
- Dealing with any other matters assigned to it by the Board of Directors or the Articles of Association.

### 3.3.3. Functioning

In addition to the Articles of Association and the law, this committee is governed by the regulations approved on 4 June 2008 and also by the Board regulations. The committee's regulations are at the shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit. In 2008, the Audit and Control Committee met eleven (11) times not only to monitor the closure of quarterly accounts in the first half-year but also to familiarise itself with the preparation and disclosure of financial information, internal audit, internal control and risk management activities.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of the Audit and Control Committee shall be valid if at least half of the directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

### 3.3.4. Activity in 2008

In 2008, the Audit Committee's activities included the following: (i) assessment of its own draft internal regulations, (ii) analysis of relevant rules to which the committee is subject in Portugal and Spain, (iii) appraisal of the independence and responsibilities of the external auditor for his/her duties, (iv) assessment of the external auditor's work, (v) supervision of the quality and integrity of the financial information in the financial statements and participation in the Executive Committee meeting at which these documents were analysed and discussed, (vi) drafting of an opinion in the individual and consolidated annual reports and accounts, (vii) supervision of the quality, integrity and efficacy of the internal control system, risk management and internal auditing and (viii) reflection on the corporate governance system adopted by EDP Renováveis.

The Audit and Control Committee found no constraints during its control and supervision activities.

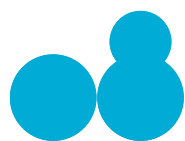
A report on the activities of the Audit Committee in the year ended on 31 December 2008 is available to shareholders on [www.edprenovaveis.com](http://www.edprenovaveis.com).

### 3.4. Incompatibility and independence

Following the recommendations of the CMVM, Article 12 of the Board regulations requires at least twenty-five percent (25%) of the Board members to be independent directors, who are considered to be those who can perform their duties without being conditioned by relations with the Company, its significant shareholders or directors and, if applicable, meet the requirements of applicable laws.

In addition, pursuant to Article 23 of the Articles of Association, the following may not be directors:

- People who are directors of or are associated with any competitor of EDP Renováveis and those who are related to the above. A company shall be considered to be a competitor of EDP Renováveis if it is directly or indirectly involved in the generation, storage, transmission, distribution, sale or supply of electricity or combustible gases and also those that have interests opposed to those of EDP Renováveis, a competitor or any of the companies in its Group, and directors, employees, lawyers, consultants or representatives of any of them. Under no circumstances shall companies belonging to the same group as EDP Renováveis, including abroad, be considered competitors;



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- People who are in any other situation of incompatibility or prohibition under the law or Articles of Association. Under Spanish law, people, among others, who are i) aged under eighteen (18) years, (ii) disqualified, (iii) competitors; (iv) convicted of certain offences or (v) hold certain management positions are not allowed to be directors.

**3.5. Rules of appointment and discharge of members of the Board of Directors and Audit and Control Committee**

Each member of the Board of Directors is appointed by majority of the General Meeting for an initial period of three (3) years and may be re-elected once or more times for further periods of three (3) years. Nonetheless, pursuant to Article 23 of the Articles of Association and 137 of the Public Company Law, shareholders so wishing may group their shares until they constitute an amount of capital equal to or higher than the result of dividing it by the number of Board members and appoint those that, using only whole fractions, are deducted from the corresponding proportion. Those making use of this power cannot intervene in the appointment of the other members of the Board of Directors.

Given that the directors do not have to be elected on the same date, if there is a vacancy, pursuant to Article 23 of the Articles of Association and 137 of the Public Company Law, the Board of Directors may co-opt people from the shareholders, who will occupy the position until the first General Meeting, which shall ratify the co-opted director. Pursuant to Article 139 of the Public Company Law, the co-option of directors, as for other Board decisions, must be approved by absolute majority of the directors at the meeting.

Pursuant to Article 28 of the Articles of Association, the members of the Audit and Control Committee are appointed by the Board of Directors. The term of office of the members of the Audit and Control Committee is the same as their term as directors. The committee members, the majority of whom must be independent, can be re-elected and discharged by the Board of Directors at any time. The term of office of the Chairperson of the Audit Committee is three (3) years, after which he may only be re-elected for a new term of three (3) years. Nonetheless, chairmen leaving the committee may continue as members of the Audit and Control Committee.

**3.6. Business between the Company and members of the company's governing bodies or Group companies**

EDP Renováveis has signed no contracts with the members of the corporate bodies at the close of 2008.

Regarding related party transactions, EDP Renováveis and/or its subsidiaries have signed the contracts detailed below with EDP – Energias de Portugal, S.A. (hereinafter, EDP) or other members of its group not belonging to the EDP Renováveis subgroup.

**3.6.1. Framework agreement**

The framework agreement was signed by EDP and EDP Renováveis on 7 May 2008 and came into effect when the latter was admitted to trading. The purpose of the framework agreement is to set out the principles and rules governing the legal and business relations existing when it came into effect and those entered into subsequently.

The framework agreement establishes that neither EDP, nor the EDP Group companies other than EDP Renováveis and its subsidiaries can engage in activities in the field of renewable energies without the consent of EDP Renováveis. EDP Renováveis shall have the world exclusive, with the exception of Brazil, where it shall engage in them jointly with EDP – Energias do Brasil, S.A., for the development, construction, exploitation, operation and maintenance of facilities or activities related to wind, solar, wave and/or tidal power and other renewable energy generation technologies that may be developed in the future. Nonetheless, the agreement excludes technologies being developed in hydroelectric power, biomass, cogeneration and waste in Portugal and Spain.

The framework agreement provides for the creation of a Related Party Transactions Committee to minimize conflicts of interest.

Finally, it lays down the obligation to provide EDP with any information that it may request from EDP Renováveis to fulfil its legal obligations and prepare the EDP Group's consolidated accounts.

The framework agreement shall remain in effect for as long as EDP directly or indirectly owns more than 50% of the share capital of EDP Renováveis or appoints more than 50% of its directors.

**3.6.2. Executive Management Services Agreement**

On 4 November 2008 EDP and EDP Renováveis signed an Executive Management Services Agreement.

The object of the contract is the provision by EDP of management services, including matters related to the day-to-day running of the Company. Four people were appointed with the purpose of forming the Company management with the CEO in the Executive Committee.

Under this contract, EDP Renováveis paid to EDP the amount of €485,100 for management services for

a seven-month period in 2008, which includes the remuneration of all the executive directors.

The initial duration of the contract is until 18 March 2011.

### 3.6.3. Finance agreements and guarantees

The finance agreements between EDP and EDP Renováveis, which were approved by the Related Party Transactions Committee at its meeting of 6 October 2008 and ratified by the Board of Directors at its meeting on 9 December 2008, are as follows.

#### 3.6.3.1. Loan agreement

EDP Energias de Portugal, Sociedade Anónima, sucursal en España (as the lender) signed a framework loan agreement with EDP Renováveis (as the borrower), which was ratified by the Board of Directors on 9 December 2008. Its object is capital investments, project finance and general objectives of the company.

Each loan requested under this agreement shall specify what it will be used for, the amount and repayment times. The type of interest applicable to loan agreements will be 10-year Mid Swap plus a differential of 2.85% a year.

Under this agreement, a loan agreement was signed on 30 December 2008 for \$ 500,000,000 falling due on 30 December 2018, its object being the finance of EDP Renováveis capital investments.

In addition, prior to the signing of the framework agreement, on 28 November 2008 a loan agreement was signed by the same parties for \$ 1.450.000.000, falling due on 28 November 2018, type of interest 10-year Mid Swap plus a differential of 1.25% a year. Its object is the finance of EDP Renováveis capital investments.

#### 3.6.3.2. Counter-guarantee agreement

A counter-guarantee agreement was signed, under which EDP or EDP Energias de Portugal Sociedade Anónima, sucursal en España (hereinafter guarantor) undertakes with regard to EDP Renováveis, Nuevas Energias de Occidente, SL (hereinafter EDPR EU) and Horizon Wind Energy LLC (hereinafter EDPR NA) to provide corporate guarantees or request the issue of bank guarantees, on the terms and conditions requested by the subsidiaries, which have been approved case by case by the EDP Executive Board.

EDP Renováveis will be jointly liable for compliance by EDPR EU and EDPR NA.

The subsidiaries of EDP Renováveis undertake to indemnify the guarantor for any losses or liabilities resulting from the guarantees provided under the agreement and to pay an

annual fee of 0.5% in the case of bank guarantees and 0.25% in the case of corporate guarantees on the amount guaranteed. Nonetheless, certain guarantees issued prior to the date of approval of these agreements have different conditions.

The agreement may be terminated (i) by any party at any time, whenever there are no guarantees in effect, or (ii) if any of the subsidiaries ceases to be controlled by the guarantor with regard to the guarantees provided to said subsidiary.

#### 3.6.3.3. Current account agreement

EDP Energias de Portugal, Sociedade Anónima, sucursal en España (hereinafter EDP Sucursal) and EDP Renováveis signed an agreement on a mandate from EDP Renováveis to EDP Sucursal to manage its cash accounts. The agreement also regulates a current account between EDP Sucursal and EDP Renováveis, with the following types of interest:

- If EDP Renováveis finances EDP Sucursal, the interest will be one-month Euribor.
- If EDP Sucursal finances EDP Renováveis, the interest will be one-month Euribor plus 0.5% per year.

The duration of the agreement is one year as of date of signing and it is renewable tacitly for equal periods.

#### 3.6.3.4. Financing agreements

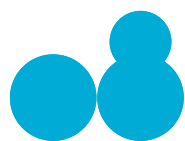
On 29 and 31 December 2008, EDP Renováveis, as the lender, and EDP Finance BV (hereinafter EDP BV), as the borrower, entered into two finance agreements due on 5 January 2009 at one-day Euribor with a differential of 0.1%.

The first of the financing agreements totalled € 53,025,042.50 at 2.618% interest. The second was € 30,000,000 at 1.85% interest.

#### 3.6.4. Trademark licensing agreement

On 14 May 2008, EDP and EDP Renováveis signed an agreement under which the former granted to the latter a non-exclusive license for the trademark “EDP Renováveis” for use in the renewable energy market and related activities.

In return for the granting of the trademark license, EDP Renováveis will pay to EDP fees calculated on the basis of the proportion of the costs pertaining to the former in the Group’s annual budget for image and trademark services, which are subject to annual review. The fee established for 2008 was € 1.5 million.



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The licence is granted indefinitely and shall remain in effect until the expiry of EDP's legal ownership of the trademark or until EDP ceases to hold the majority of the capital or does not appoint the majority of directors of EDP Renováveis. EDP may also terminate the agreement in case of non-payment or breach of contract.

The licensing agreement is restricted by the terms of the framework agreement.

### 3.6.5. Consultancy service agreement

On 4 June 2008, EDP and EDP Renováveis signed a consultancy service agreement.

The object of the agreement is the provision by EDP to EDP Renováveis, through EDP Sucursal, of consultancy services in the areas of legal services, internal control systems, financial reporting, taxation, sustainability, regulation and competition, risk management, customer relations and financial management and operational consultancy in the areas of human resources, human resource management, information systems, brand and communication, energy planning, accounting, corporate marketing and organisation.

The price of the agreement is calculated as the cost incurred by EDP plus a margin. For the first year, it was fixed at 8% by an independent expert on the basis of market research. For 2008 the estimated cost of these services is € 2,021,724.

The duration of the agreement is one (1) year tacitly renewable for equal periods.

### 3.6.6. Research and development agreement

On 13 May 2008, EDP Inovação, S.A. (hereinafter EDP Inovação), an EDP Group company, and EDP Renováveis signed an agreement regulating relations between the two companies regarding projects in the field of renewable energies (hereinafter the R&D Agreement).

The object of the R&D Agreement is to prevent conflicts of interest and foster the exchange of knowledge between companies and the establishment of legal and business relationships. The agreement forbids EDP Group companies other than EDP Inovação to undertake or invest in companies that undertake the renewable energy projects described in the agreement.

The R&D Agreement establishes an exclusive right on the part of EDP Inovação to projects to develop new renewable energy technologies that are already in the pilot or economic and/or commercial feasibility study phase, whenever EDP exercises its option to undertake them.

The agreement shall remain in effect for as long as EDP directly or indirectly maintains control of more than 50% of both companies or appoints the majority of the members of the Board and Executive Committee of the parties to the agreement.

### 3.6.7. Management support service agreement between Hidroeléctrica del Cantábrico, S.A. and EDPR EU

On 1 January 2006, Hidroeléctrica del Cantábrico, S.A. (hereinafter HC), an EDP Group company, and EDPR EU, the leading company in the European platform of the EDP Renováveis subgroup, signed a management support service agreement.

The object of the agreement is the provision by HC to EDPR EU of tax, legal management, human resource management, occupational health and safety, system support, environment and auditing advisory services.

The remuneration paid to HC by EDPR EU in the form of fees for management support services in the year ended on 31 December 2008 was € 1,588,000.

The duration of the agreement is five (5) years from date of signing. It shall be tacitly renewed for periods of one (1) year whenever neither party renounces it fifteen (15) days in advance of its initial expiry or any of its extensions.

### 3.6.8. Management support service agreement between Enernova – Novas Energias, S.A. and EDP Valor – Gestão Integrada de Recursos, S.A.

On 1 January 2003, Enernova – Novas Energias, S.A. (hereinafter Enernova), leader of the EDP Renováveis subgroup in Portugal, and EDP Valor – Gestão Integrada de Recursos, S.A. (hereinafter EDP Valor), an EDP Group company, signed a management support service agreement.

The object of the agreement is the provision to Enernova by EDP Valor of services in the areas of procurement, economic and financial management, fleet management, property management and maintenance, insurance, occupational health and safety and human resource management and training.

The remuneration paid to EDP Valor by Enernova and its subsidiaries for the services provided in 2008 totalled € 623,451.50.

The initial duration of the agreement was five (5) years from date of signing and it was tacitly renewed for a new period of five (5) years on 1 January 2008.

Either party may renounce the contract with one (1) year's notice.

### 3.7. Internal control systems and risk management

#### 3.7.1. Internal financial information control system

In harmony with the EDP Group’s objectives and strategy, reinforced by the admission to training of EDP Renováveis, the EDP Renováveis Group decided to set up a voluntary internal financial reporting control system abiding by international standards in order to promote the reinforcement of controls to ensure the reliability and integrity of financial information.

The activities on the European platform began in late 2007. The Control System of Finance Report (hereinafter SCIRF) was implemented in 2008 following several lines of action:

- Survey of agreement with a scope agreed upon with the Group;
- Revision of these processes in the evaluation phase and test of effectiveness of controls identified;
- Optimization, update and extension of processes, following developments in business activity.

A reputed international entity collaborated within the European Platform.

In addition, in 2008 the first phase of the implementation of the system took place on the North American Platform (EDPR NA). This phase also received the support of a specialised consultant and consisted of a survey of controls in the three main areas of the model, the first two of which follow the COSO benchmark and the last the COBIT:

- Controls associated with entity level controls;
- Controls of processes identified in the scope;
- General controls related to information technologies.

The EDP Renováveis Internal Audit Department is responsible for the SCIRF. Its functions include the implementation, monitoring and improvement of the system to ensure the reliability and integrity of financial information.

#### 3.7.2. Internal business risk detection system

##### 3.7.2.1. Key risks

The main risks and uncertainties that can affect the operation performance of EDP Renováveis are the following:

#### A. Risks relating to the renewable energy industry

EDP Renováveis business is focused on the production of electricity from renewable energy sources. The amount of energy generated by and the profitability of wind farms are dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at wind farms would decline.

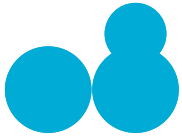
Variation and fluctuations in wind conditions at wind farms may result in seasonal and other fluctuations in the amount of electricity that is generated and consequently the results of operations. Furthermore, a sustained decline in wind conditions could lead to reductions in operational efficiency, energy production and profitability.

#### B. Exposure to market electricity prices risk and to financial markets

Remuneration for electricity sold by EDP Renováveis wind farms depends, at least in part, on market prices for electricity. Market prices may be volatile as they are affected by various factors, including the cost of fuels, average rainfall levels, the cost of power plant construction, the technological mix of installed generation capacity and user demand. Therefore, a decline in market prices below anticipated levels could have a material adverse effect on EDP Renováveis business, financial condition or results of operations. EDP Renováveis currently uses various financial and commodity hedging instruments in order to reduce the exposure to fluctuating electricity prices. However, it may not be possible to successfully hedge the exposures or the company may face other difficulties in executing the hedging strategy.

EDP Renováveis is also exposed to fluctuations in interest rates through the financing, in particular, shareholder loans from the EDP Group and financing from institutional investors in connection with its Partnerships Structures in the case of the U.S. operations, as well as project financing and third party loans from entities outside the EDP Group. This risk can be mitigated using hedging instruments, including interest rate swaps, but it cannot be guaranteed that the hedging efforts will operate successfully. Finally, currency fluctuations may also have a material adverse effect on the financial condition and results of operations. EDP Renováveis may attempt to hedge against currency fluctuations risks by matching revenue and costs in the same currency, as well as by using various hedging instruments, including forward foreign exchange contracts. However, there can be no assurance that the company’s efforts to mitigate the effects of currency exchange rate fluctuations will be successful.





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C. Risks related to increases in capital costs

The capital investment required to develop and build a wind farm is very high and generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipments and/or civil construction works may increase, or continue to increase as in the case of turbines, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipments increases.

D. Regulatory risks

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which EDP Renováveis operates provide various types of incentives that support the sale of energy generated from renewable sources.

Support for renewable energy sources has been strong in previous years, and both the European Union and various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, it cannot be guaranteed that support will be maintained or that the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources.

E. Permitting risks

Wind farms are subject to strict international, national, state, regional and local regulations relating to the development, construction, licensing and operation of power plants. Among other things, these regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions. If the relevant authorities in the jurisdictions in which EDP Renováveis operates fail to continue to support, or reduce their support for the development of wind farms, such actions could have a material adverse effect on the business.

F. Wind turbine supply risk

Wind turbine is a significant part of a wind farm's Capital Expenditures (around 70-80%). The main risks associated to wind turbines are:

- Price risk: this occurs when the supply of wind turbines cannot meet the growing demand, and prices rise sharply, impacting profitability of new wind farms;

- Quantity risk: when no wind turbines are available for the construction of new wind farms.

3.7.2.2. Risk management

In order to cope with the risks associated to its activities, EDP Renováveis has implemented several types of actions or strategies adapted to minimise the mitigation of the relevant types of risks to which it is exposed or benefits from global risk management policies used at the EDP Group level. The business unit responsible for dealing and accompanying the risk management processes is the Risk Management Directory of EDP Renováveis. The risk management of EDP Renováveis concerns the following areas of risk:

A. Risks relating to the renewable energy industry

Variations in wind conditions are due to seasonal fluctuations, and these fluctuations have an impact on the amount of electricity generated. EDP Renováveis mitigates this risk by the geographical diversification of its wind farm in each country. This "portfolio effect" enables to offset wind variations in each area and to keep the total energy generation relatively steady.

B. Electricity prices and financial risks

The businesses of the EDP Renováveis Group are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the EDP Group's risk management policy. Financial instruments are used to minimise potential adverse effects resulting from the interest rates and foreign exchange rate risks on its financial performance.

The financial risks are assessed and managed by EDPR, being its execution undertaken by the Financial Department of EDP (following strictly the policies and guidelines mandated by EDPR, under the terms of the outsourcing of management services agreement "Contrato de Prestação Serviços Consultoria" between EDPR and EDP), in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits.

i. Exchange rate risk

The Group operates internationally and is exposed to the exchange rate risk resulting from investments

in subsidiaries whose functional currency is the U.S. dollar. Currently, the exposure to the U.S. dollar/euro currency fluctuation risk results principally from the shareholding in EDPR NA.

EDP Group's Financial Department is responsible for monitoring the evolution of the U.S. dollar, seeking to mitigate the impact of currency fluctuations on the financial results of the Group companies and consequently, on consolidated net profit, using exchange rate derivatives and/or other hedging structures. The policy implemented by the Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

## ii. Interest rate risk

The Group's operating and financial cash flows are substantially independent from the fluctuation in interest rate markets.

The purpose of the interest rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context, the Group contracts interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges through a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest rate risk or upcoming cash flows.

The EDP Renováveis Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 10 years. The EDP Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

## iii. Market price risk

As of December 31, 2008, EDP Renováveis faced limited market price risk. In the case of EDPR NA, most prices are fixed and principally determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDP Renováveis also has an option of selling this electricity through regulated tariffs, guaranteeing minimum prices. In 2008 the company closed a hedge in order to mitigate pool price

fluctuations in Q4 in Spain, which mitigates the risk related to fluctuations in pool prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or determined by long-term power purchase agreements (Brazil, Poland, Romania and Belgium).

## C. Regulatory risk

EDP Renováveis belongs to the most prestigious wind energy associations, both at national and international level. EDP Renováveis is member of "La Asociación Empresarial Eólica" (Spain), "APREN" – Associação Portuguesa de Produtores de Energia Eléctrica de Fontes Renováveis (Portugal), Le Syndicat des Energies Renouvelables (France), ANEV (Italy) and PIGEO (Poland). These associations are important players in the process of promoting the adjustment of regulations to the needs of the renewable energy sector.

## D. Counterparty credit risk

The EDP Renováveis Group policy in terms of the counterparty credit risk on financial transactions is managed by an analysis of the technical capacity, competitiveness, credit notation and exposure to each counterparty. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, it cannot be considered that there is any significant risk of counterparty non-compliance and no collateral is demanded for these transactions.

In the specific case of EDPR EU, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. In Europe, main customers are operators and distributors in the energy market of their respective countries

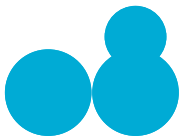
## E. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group strategy to manage liquidity is to ensure, as far as possible, that it will always have significant liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Given the current condition of the debt market, it could be difficult to cover the financial requirements needed to carry out the Group's activities.

The liquidity policy followed ensures compliance with payment obligations acquired, through maintaining sufficient credit facilities and having access to the EDP Group credit facilities.





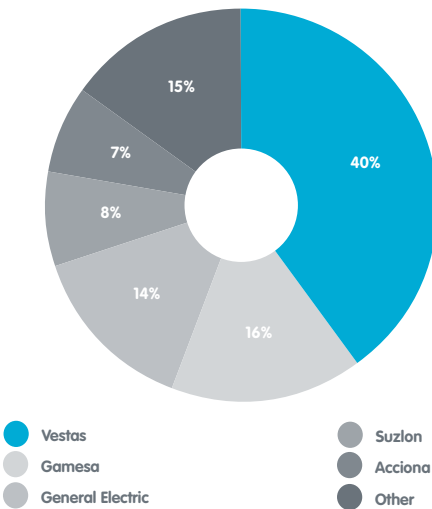
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F. Wind turbine supply risk

The last few years have been marked by the difficulties of the wind turbine industry in catching up with booming demand. In this high growth environment, wind power generators have endured difficulties to secure the supply of wind turbines. In response, EDP Renováveis has shifted from national and project-driven agreements to multi-year frame agreements covering several regions with built in flexibilities. This trend, however, seems to be reversing as turbine demand slows down.

EDP Renováveis uses a mix of turbine suppliers in order to reduce its dependency on any one supplier. At present EDP Renováveis is one of the generators with a more diversified portfolio, with Vestas and Gamesa the most important suppliers. The large range of EDP Renováveis suppliers allows the company to avoid technological risk of each turbine supplier. Additionally, EDP Renováveis has the required size to contract with a large range of suppliers. The following chart represents the share of EDP Renováveis current installed turbines plus contracted ones until 2010.

Turbines portfolio until 2010



EDP Renováveis has been securing its wind turbines by establishing long-term flexible agreements with several major turbine vendors. Framework agreements enabled EDP Renováveis to have turbines available when required, but in the current context, they could prevent the company from capturing a drop in turbine prices, if this occurs. For this reason, EDP Renováveis is renegotiating framework agreements as well as negotiating more flexible agreements for future years.

G. Wind turbine performance risk

EDP Renováveis mitigates wind turbine performance risk by using a mix of toptien suppliers, which minimises technological risk. Additionally, wind turbine performance risk is reduced by signing strict and thorough O&M contracts with suppliers, usually for a 5-year period. Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimal. The availability and the power curve of each turbine is adequately guaranteed with "liquidated damages" clauses that establish penalties to be paid by the supplier when the minimum availability is not met (usually 95 or 97%) or the power curve is not reached. Finally, wind turbine performance risk is also mitigated with an adequate preventive and scheduled maintenance.

3.8. External auditor

The Audit and Control Committee is responsible for proposing to the Board of Directors for submission to the General Meeting the appointment of the Company auditors and the terms of their contracts, scope of their duties and revocation and renewal of their contracts.

The Audit and Control Committee remains in contact with the auditors on matters that may pose a risk to their independence and any other matters related to the auditing of accounts. It also receives and stores information on any other matters provided for in legislation on audits and in auditing standards in effect at any time.

The auditor appointed by EDP Renováveis at the moment is KPMG Auditores S.L.

The Audit and Control Committee assessed the performance of the external auditor in providing the services hired by the Company and made a positive evaluation of their quality, considering that they meet applicable standards and that it is advisable to maintain the same auditor.

The work of the external auditor, including reports and audits of its accounts, was supervised and evaluated in accordance with applicable rules and standards, in particular international auditing standards.

3.9. Whistle-blowing policy

In spite of the fact that EDP Renováveis was recently admitted to trading on the Eurolist by Euronext Lisbon, it has sought to introduce measures to ensure its good governance and that of its companies, including the prevention of improper practices, especially in the fields of accounting and finance.

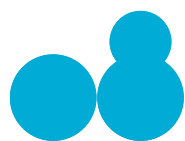
The Board of Directors of EDP Renováveis therefore decided to provide its employees with a direct, confidential communication channel for them to report any presumed unlawful practices or alleged accounting or financial irregularities occurring in their company. These communications go to the Audit and Control Committee.

EDP Renováveis creation of this channel for whistle-blowing on irregularities in financial and accounting practices is essentially intended:

- To enable any employee to freely report his/her concerns in these areas to the Audit and Control Committee;
- To facilitate early detection of irregularities that, if they occurred, might cause serious losses to the EDP Renováveis Group and its employees, customers and shareholders.

Contact with the Company's Audit and Control Committee is only possible by email and post, and access to information received is restricted.

Any complaint addressed to the Audit and Control Committee will be kept strictly confidential and the whistle-blower will remain anonymous, provided that this does not prevent the investigation of the complaint. S/he will be assured that the Company will not take any retaliatory or disciplinary action as a result of exercising his/her right to blow the whistle on irregularities, provide information or assist in an investigation.



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### 4. EXERCISE OF SHAREHOLDER' RIGHTS

#### 4.1. Description and competences of the General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest governing body and is a meeting of shareholders that, when properly convened, has the power to deliberate and adopt, by majority, decisions on matters that the law and Articles of Association reserve for its decision and are submitted for its approval. In particular, it is responsible for:

- Appointing and dismissing the directors;
- Appointing the auditors;
- Review of the performance the company management, approving, if applicable, the accounts of the previous financial year and deciding on the appropriation of profits;
- Increasing and reducing the share capital and delegating to the Board of Directors, if applicable, within the legal time limits, the power to set the date or dates, who may use said delegation wholly or in part, or refraining from increasing or reducing the capital in view of the conditions of the market or the Company or any particularly relevant fact or event justifying such a decision in their opinion, reporting it at the first General Meeting of Shareholders held after the end of the time limit for its execution;
- Delegating to the Board of Directors the power to increase the share capital pursuant to Article 153(1)(b) of Royal Legislative Decree 1564/1989 of 22 December, which approves the Revised Text of the Law on Public Limited Companies (Public Company Law);
- Issuing bonds;
- Amending the Articles of Association;
- Dissolving, merging, spin off and transformation the Company;
- Deciding on any matter submitted to it for decision by the Board of Directors, which shall be obliged to call a General Meeting of Shareholders as soon as possible to deliberate and decide on concrete decisions included in this article submitted to it, in the event of relevant facts or circumstances that affect the Company, shareholders or corporate bodies.

The decisions of the General Meeting are binding on all shareholders, including those voting against and those who did not participate in the meeting.

A General Meeting may be ordinary or extraordinary. In either case, it is governed by the law and Articles of Association.

- An Ordinary General Meeting must be held in the first six (6) months of each year to review of the performance the company management, approve the annual report and accounts for the previous year and the proposal for appropriation of profits and approve the consolidated accounts, if appropriate. The General Meeting also decides on any other matters falling within its powers and included on the agenda;
- An Extraordinary General Meeting is any meeting other than that mentioned above.

#### 4.2. Right to attend

All shareholders, irrespective of the number of shares that they own, may attend a General Meeting and take part in its deliberations with right to speak and vote.

In order to exercise their right to attend, shareholders must have their shares registered in their name in the Book Entry Account at least five (5) days in advance of the date of the General Meeting. EDP Renováveis therefore does not even establish the need to block shares as a requirement for shareholders to participate in the General Meeting.

Moreover, although there is no express provision on the matter in the Articles of Association, in the event of the suspension of a General Meeting, EDP Renováveis plans to adopt Recommendation I.2.2 of the Corporate Governance Code and not require the blocking of shares more than five days in advance.

Any shareholder with the right to attend may send a representative to a General Meeting, even if this person is not a shareholder. Power of attorney is revocable. The Board of Directors may require shareholders' power of attorney to be in the Company's possession at least two (2) days in advance, indicating the name of the representative.

Power of attorney shall be specific to each General Meeting, in writing or by remote means of communication, such as post.

#### 4.3. Voting and voting rights

Each share entitles its holder to one vote.

Shares issued without this right do not have voting rights, with exception of cases set forth by current legislation.

There is no employee share-owning system at EDP Renováveis and so no relevant control mechanisms

on the exercise of voting rights by employees or their representatives have been set up.

#### **4.4. Mail and electronic communication votes**

Shareholders may vote on points on the agenda, relating to any matters of the Shareholder's competence, by mail or electronic communication. It is essential for their validity that they be received by the company by midnight of the day before the date scheduled for the first calling to order of the General Meeting.

Votes by mail shall be sent in writing to the place indicated on the invitation to the meeting accompanied by the documentation indicated in the Shareholder's Guide.

In order to vote by electronic communication, shareholders must express this intention to the Chairperson of the General Meeting of the in the form indicated in the invitation to the meeting, sufficient time in advance to permit the vote within the established time limit. They will then receive a letter containing a password for voting by electronic communication within the time limit and in the form established in the call of the General Meeting.

Remote votes can be revoked subsequently by the same means used to cast them within the time limit established for the purpose or by personal attendance at the General Meeting by the shareholder who cast the vote or his/her representative.

The Board of Directors has approved a Shareholder's Guide for the first General Meeting, detailing mail and electronic communication voting forms among other matters. It is at shareholders' disposal on [www.edprenovaveis.com](http://www.edprenovaveis.com).

#### **4.5. Quorum for constituting and adapting decisions of the General Meeting**

Both ordinary and extraordinary General Meetings are validly constituted when first called to order if the shareholders present or represented own at least thirty-three percent (33%) of the subscribed capital with voting rights and when called to order a second time if the shareholders present or represented own at least twenty-five (25%) of the subscribed capital with voting rights.

Nonetheless, for ordinary or extraordinary General Meetings to be able to pass valid decisions on the issue of bonds, increases or reductions in share capital, conversion, merger or split of the Company and, in general, any amendments to the Articles of Association, shareholders representing fifty percent (50%) of the subscribed capital with voting rights must be present or represented when the meeting is first called to order and thirty-three percent (33%) of the subscribed capital with voting rights when the meeting is called to order a second time.

An ordinary or extraordinary General Meeting shall adopt its decisions by simple majority of votes of shares with voting rights present or represented. Nonetheless, for the decisions referred to in the previous paragraph, when shareholders representing less than fifty percent (50%) the subscribed capital with voting rights are present or represented, decisions may only be validly adopted with a vote in favour of two-thirds (2/3) of the capital with voting rights present or represented at the meeting.

#### **4.6. Board of the General Meeting**

The Chairperson of the General Meeting is appointed by the meeting itself and must be a person who meets the same requirements of independence as for independent directors. The appointment is for three years and s/he may be re-elected once only.

Since 4 June 2008, the position of Chairperson of the General Meeting has been held by Rui Chancerelle de Machete, whose work address is Luso-American Development Foundation, Rua do Sacramento à Lapa, 21, 1249-090 Lisbon.

In addition to the Chairperson, the Board of the General Meeting is made up of the Chairperson of the Board of Directors, or his replacement, the other directors and the Secretary of the Board of Directors.

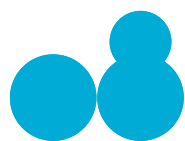
The position of Secretary of the General Meeting is occupied by the non-member Secretary of the Board of Directors, Emilio García-Conde Noriega, whose work address is that of the Company.

The Chairperson of the General Meeting of EDP Renováveis has the appropriate human and logistical resources for his needs, considering the economic situation of EDP Renováveis, in that, in addition to the resources from the Company Secretary and the legal support provided for the purpose, the Company hires a specialised entity to collect, process and count votes.

In 2008, the remuneration of the Chairperson of the General Meeting of EDP Renováveis was € 0.

#### **4.7. Minutes and information on decisions**

Given that EDP Renováveis has been a listed company since 4 June 2008 with its shares admitted to trading on Eurolist by Euronext Lisbon, shareholders have access to corporate governance information on [www.edprenovaveis.com](http://www.edprenovaveis.com). Extracts of General Meeting minutes and the invitation, agenda, motions submitted to the General Meeting and forms of participation shall be placed at shareholders' disposal five (5) days after they are held. The publishing of the minutes will begin



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after the first General Meeting held after the Company's admission to trading.

Given the personal nature of the information involved, the history does not include attendance lists at general meetings, although, in accordance with CMVM Circular no. 156/EMIT/DMEI/2009/515, when General Meetings are held, EDP Renováveis plans to replace them by statistical information indicating the number of shareholders present and distinguishing between the number of physical presences by mail.

EDP Renováveis considers that materially relevant information to investors does not include all the content of the minutes. Indeed, their publication in full could be used for purposes unrelated to the interest of the company, shareholders, investors and the market in general.

EDP Renováveis therefore publishes on its website an extract of the minutes of General Meetings with all information on the constitution of the General Meeting and decisions made by it, including motions submitted and any explanations of votes.

The website also provides EDP Renováveis shareholders with information on: i) requirements for participating in the General Meeting, ii) mail and electronic communication votes iii) information available at the registered office.

### **4.8. Measures regarding control and changes of control of the Company**

The Company has taken no defensive measures that might seriously affect its assets in any of the cases of a change in control in its shareholder structure or the Board of Directors.

The Articles of Association contain no limitations on the transferability of shares or voting rights in any type of decision and no limitations on membership of the governing bodies of EDP Renováveis. Neither are there any decisions that come into effect as a result of a takeover bid.

The fact that the Company has not adopted any measures designed to prevent successful takeover bids is therefore in line with Recommendation I.6.1 of the CMVM Code of Corporate Governance.

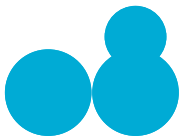
On the other hand, EDP Renováveis has not entered into any agreements (current or future) subject to the condition of a change in control of the Company.

Finally, there are no agreements between the Company and members of its Board of Directors or managers providing for compensation in the event of resignation

of discharge of directors or in the event of resignation, dismissal without just cause or cessation of the working relationship following a change in control of the Company.







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5. REMUNERATION

5.1. Remuneration of the members of the Board of Directors and of the Audit and Control Committee

Pursuant to Article 26 of the Company’s Articles of Association, the remuneration of the members of its Board of Directors shall consist of a fixed amount to be determined by the General Meeting for the whole Board and expenses for attending Board meetings.

The above article also establishes the possibility of the directors being remunerated with Company shares, share options or other securities granting the right to obtain shares, or by means of share-indexed remuneration systems. In any case, the system chosen must be approved by the General Meeting and comply with current legal provisions.

The Appointments and Remunerations Committee is responsible for proposing to the Board of Directors, albeit not bindingly, the system, distribution and amount of remuneration of the directors on the basis of the overall amount of remuneration authorised by the General Meeting. It also may propose to the Board the terms of contracts with the directors. The distribution and exact amount paid to each director and the frequency and other details of the remuneration shall be determined by the Board on the basis of a proposal from the Appointments and Remunerations Committee.

The maximum remuneration approved by the General Meeting of Shareholders for 2008 for all the members of the Board of Directors is € 2,500,000.

5.2. Performance-based components, variable component and fixed amount

Although remuneration for all the members of the Board of Directors is provided for, the members of the Executive Committee, with the exception of the CEO (who devotes most of his/her work to the activity of EDP Renováveis) are not remunerated and so in 2008 the remuneration paid by EDP Renováveis to these directors was zero.

This corporate governance practice for remuneration is in line with the model adopted by the EDP Group, in which executive directors of EDP do not receive any remuneration directly from the group companies on whose governing bodies they serve, but rather through EDP.

Nonetheless, in line with the above corporate governance practice, EDP Renováveis has signed an Executive Management Services Agreement with EDP, under which the Company bears a cost for the provision of said services corresponding to the remuneration defined for the executive members of the Board of Directors.

The fees in the management service contract are divided into a fixed and a variable part. The variable part is divided into an annual and a multi-annual component, each of which is calculated on the basis of shareholders’ return, ability to create value, increases in installed capacity (MW), growth in net profits and EBITDA.

The remuneration of the CEO has a fixed and a variable part. The variable part is divided into an annual and a multi-annual component, each of which is calculated on the basis of shareholders’ return, ability to create value, increases in installed capacity (MW), growth in net profits and EBITDA.

On the other hand, the non-executive directors only receive fixed remuneration, which is calculated on the basis of their work exclusively as directors or their work in this position together with their membership of the Appointments and Remunerations Committee, Related Party Transactions Committee and the Audit and Control Committee.

5.3. Annual remuneration of the Board of Directors and Audit and Control Committee

The remuneration of the members of the Board of Directors for the year ended on 31 December 2008 was as follows:

Remuneration	Fixed	Variable	Total
CEO*	€ 235,200.00	–	€ 235,200.00
Executive directors**	–	–	–
Non-executive directors	€ 277,083.33	–	€ 277,083.33
Total	€ 512,283.33	–	€ 512,283.33

\* The remuneration for 2008 was paid the CEO by EDP on the account of EDP Renováveis, which will reimburse EDP through the management service agreement signed by the parties.

\*\* Even though the Executive Committee has not received any funding from the company, due to the contracts for their directive services provided in the written draft 3.6.2, EDP Renováveis paid EDP 249.900 Euros for the services provided by the Executive Committee apart from the CEO.

As 2008 was the Company’s first full year, only fixed remuneration was paid, while the variable part will be paid in 2009.

The retirement savings plan for the members of the Executive Committee acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The directors do not receive any relevant non-monetary benefits as remuneration.

5.4. Statement on remuneration policy

The Nomination and Remuneration Committee appointed by the Board of Directors is responsible for defining the draft remuneration policy for the members of the Board of Directors. This committee defined the directors’ remuneration and sought to ensure that it reflected the performance of all members in each year (variable annual remuneration) and their performance throughout

their terms of office by means of a variable component consistent with the maximisation of the Company's long-term performance (multi-annual variable remuneration). This is intended to ensure alignment of the Board of Directors' behaviour with the shareholders' interests. A statement on remuneration policy will be submitted to the next General Meeting, for appreciation as a separate point on the agenda of a consultative nature. It is currently in force (with no alterations), on the following terms:

Fixed remuneration for the CEO is € 384,000 gross annual salary and will be determined for the remaining members on terms fixed by the EDP Group.

Variable annual remuneration for each Executive Committee member may vary between 0% and 100% of their gross, fixed, annual remuneration. The amount is determined on the basis of the following indicators on each year of their term: relative performance of total shareholder return of EDP Renováveis vs. Eurostoxx Utilities, PSI-20 and Iberdrola Renováveis 2008, real capacity to generate shareholder value at EDP Renováveis, increase in installed capacity (MW), growth in net profits and EDP Renováveis EBITDA in 2008.

Multi-annual variable remuneration for all members of the Executive Committee may total from 0% to 100% of their gross annual remuneration and is based on an accumulated annual evaluation of the directors' performance in achieving economic sustainability for the EDP Renováveis Group. Although this multi-annual remuneration is calculated annually, it only comes into effect at the end of their term of office if at least 90% of the strategic goals have been met. This is assessed on the basis of performance and a comparison with strategic benchmarks. In fact, the factors used to calculate the remuneration component are the relative performance of the EDP Renováveis Group's market capitalisation vs. Eurostoxx Utilities and PSI-20 during the term, the EDP Renováveis Group's capacity to create value, the performance of the Sustainability Index applied to EDP Renováveis (DJSI method), the EDP Renováveis Group's image in the national and international markets, its capacity to change and adapt to new market requirements, fulfilment of strategic national and international targets and the EDP Renováveis Group's EBITDA vs. Eurostoxx Utilities during their term.

The time period considered for determining the multi-annual variable component of their remuneration (3 years), the use of qualitative criteria aimed at a strategic, medium-term perspective in the Company's development, the existence of a cap on variable remuneration and the relative weight of this component on total remuneration are decisive factors in fostering management performance that does not focus only on short-term objectives but

includes the medium and long term interests of the Company and its shareholders.

The retirement savings plan for the members of the Executive Committee acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The directors do not receive any substantial non-monetary benefits as remuneration.

The Board of Directors is responsible for fixing managers' remuneration policy (as understood in Article 248-B(3) of the Securities Code) who do not belong to the governing or supervisory bodies.

The Board will therefore submit the managers' remuneration policy to the next General Meeting for appreciation. It is based on the following factors:

- The policy followed when fixing EDP Renováveis managers' remuneration is the same as that for Company employees in general.
- The remuneration of the Company's managers therefore consists of fixed remuneration and a possible performance bonus.
- The quality quantification of performance is established in accordance with criteria defined by the Board of Directors;
- As a result, when defining any managers' performance bonuses, consideration is given not only to factors all employees' behaviour, taking into account the degree of responsibility their position and their ability to adapt to the Company and its procedures but also the economic and financial performance of their particular business area and of EDP Renováveis as a whole.

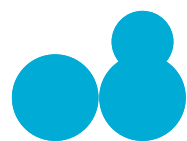
### 5.5. General Meeting's assessment of Company remuneration policy and performance evaluation of its governing bodies

The General Meeting is responsible for appointing the Board of Directors, which appoints the Nomination and Remuneration Committee, which is responsible for submitting the statement on remuneration policy for the Company's corporate bodies.

The General Meeting's duties include appreciating the above statement.

Pursuant to Article 95 of the Public Company Law, the General Meeting is also required to evaluate the performance of the corporate public bodies and make an annual decision as whether to maintain confidence in their members.





CORPORATE GOVERNANCE

5.6. Attendance at the Ordinary General Meeting  
of Shareholders of a representative of the  
Appointments and Remuneration Committee

All the members of the Appointments and Remuneration Committee will be present or represented at the first General Meeting of Shareholders of EDP Renováveis.

5.7. Proposal on the approval of plans on share  
remuneration and/or share purchase options  
or on the basis of share price fluctuations

The Company has not approved any plans for share remuneration or share purchase options or plans based on share price fluctuations.

5.8. Auditor’s Remuneration

For the year ended on 31 December 2008, the fees paid to KPMG Auditores, S.L. for auditing of the annual accounts, guarantee and reliability services, tax advisory and other services unrelated to audits are as follows:

EDP Renováveis Group					Euros
Country	Portugal	España	EDPR NA	Otros	Total
Auditing of accounts	85,000	636,000	562,116	123,550	1,406,666
Reliability guarantee services	343,845	328,930	410,772	11,400	1,094,947
Tax consultancy services	7,470	120,000	687,360	40,840	855,670
Legal auditing of accounts	-	46,400	-	-	46,400
TOTAL	436,315	1,131,330	1,660,248	175,790	3.403,683

The accounts audit services are those necessary for the issue of a legal opinion on the annual individual and consolidated accounts of the company and its subsidiaries in Spain and abroad.





CORPORATE GOVERNANCE

6. SHARES AND DIVIDEND POLICY

Initial public offering

On 15 May 2008, EDP announced approval by the Portuguese Stock Exchange Commission of the Prospectus for the initial public offering (IPO) and admission to trading of EDP Renováveis shares on Eurolist by Euronext Lisbon. The IPO prospectus provided for a combined offering of up to 225,427,952 shares, representing up to 25% of EDP Renováveis share capital after a share capital increase (including the 29,403,646 in the subscription option of a supplementary batch of shares, which was not exercised) aimed at retail and institutional investors. The price interval for subscription of the shares in the PO was between € 7.40 and € 8.90 per share. On 2 June 2008, a final price of € 8.00 was announced, below the average value of the interval.

The following shares were placed at a special regulated market session for the EDP Renováveis IPO:

- 45,085,590 shares for the PO representing 5.2% of the share capital;
- 150,938,716 shares for direct sale to institutional investors representing 17.3% of the EDP Renováveis capital.

The quantity intended for the initial public offering was divided into three trenches: Segment A –EDP Group employees, Segment B – EDP shareholders and Segment C – the general public. EDP employees were given a 5% discount in the price fixed for EDP shareholders and the general public, i.e. they bought shares at € 7.60.

EDP Renováveis, S.A.	
Shares	
Share Capital	€ 4,361,540,810
Face value	€ 5.00
No. of shares	872,308,162
Trading began	4 June 2008
Euronext Lisboa	
Reuters RIC	EDPR.LS
Bloomberg	EDPR.PL
ISIN	ES0127797019

6.1. Share price

In a year marked by a serious financial crisis, from the time they were admitted to trading on 4 June 2008, EDP Renováveis shares fell 37% and closed the year at € 5.00 each. In the same period, the PSI20, Dow Jones Eurostoxx Utilities and Euronext 100 fell by 40%, 33% and 39%, respectively and over the whole year totalled losses of 51%, 38% and 45% each.

EDP Renováveis vs PSI20 vs DJ Eurostoxx Utilities



During the year, 263,130,606 EDP Renováveis shares, corresponding to a turnover of approximately € 1.646 billion were traded. On average, at Euronext Lisboa, excluding the first day of listing, when almost 50 million shares were traded, EDP Renováveis liquidity was around 1.5 million shares a day. Thanks to the company's high liquidity and market capitalisation, on 1 July 2008, less than a month after it was listed, it was included in the main Portuguese share index, the PSI20.

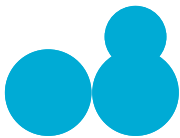
EDP Renováveis ended the year with a market capitalisation of € 4.4 billion, making it the fourth largest company in the main Portuguese share index.

2008 EDP Renováveis share price and transactions



EDP Renováveis shares on Euronext Lisboa (euros)		2008	
Opening price		8.00	
Closing price		5.00	
Highest price		8.00	
Lowest price		3.45	
Variation in price and reference indexes		2008	since IPO
EDP Renováveis shares		-37%	-37%
PSI20		-51%	-40%
Dow Jones Eurostoxx Utilities		-38%	-33%
Euronext 100		-45%	-39%
Liquidity of EDP Renováveis shares on markets			
Volume on Euronext Lisboa (€ millions)		1,646.0	
Daily average volume (€ millions)		11.0	
Number of shares traded		215,951,049	
Average number of shares traded (1)		1,459,129	
Total number of shares issued		872,308,162	
Number of own shares		0	
Market values of EDP Renováveis (€ millions)			
Market capitalisation at end of period		€ 4,364	

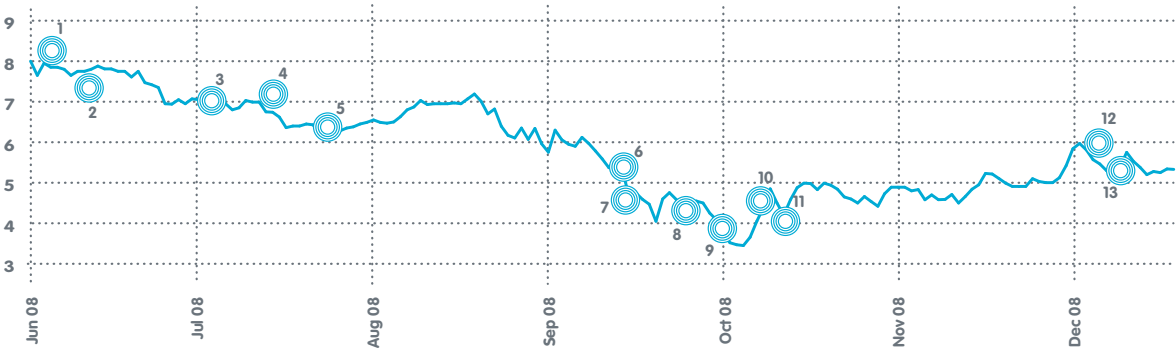
(1) excluding first day of trading



CORPORATE GOVERNANCE

The graph below shows the evolution in EDP Renováveis share prices over the year and all announcements and relevant events that may had an impact on them.

2008 Main events impact on EDP Renováveis share price



	Date	Description
1	04 Jun	First day of trading of EDP Renováveis shares
2	11 Jun	EDP Renováveis enters the Brazilian market
3	07 Jul	EDP Renováveis announces end of share stabilisation period
4	21 Jul	EDP Renováveis announces provisional half-year operating data
5	29 Jul	EDP Renováveis announces half-year profits
6	03 Oct	Approval of one-year extension of PTCs applicable aplicable in the U.S.
7	06 Oct	EDP Renováveis provides clarification on call for tenders in Galicia
8	17 Oct	EDP Renováveis enters Romanian market
9	23 Oct	EDP Renováveis announces provisional operating data for first nine months
10	05 Nov	EDP Renováveis announces profits for first nine months
11	06 Nov	EDP Group presents 2009-2012 Business Plan
12	29 Dec	EDP Renováveis establishes new tax equity agreement for 2008 wind power projects in the U.S.
13	31 Dec	EDP Renováveis provides clarification on call for tenders in Galicia

## 6.2. Dividend policy

The distribution of dividends is proposed by the Board of Directors of EDP Renováveis and authorised by decision of the company's General Meeting of Shareholders.

As set forth in the Spanish Public Company Law, a dividend declared in each financial year may only be distributed from EDP Renováveis profits for that year or from distributable reserves and this distribution must not cause the assets of EDP Renováveis to fall below the value of the company's share capital.

As of 2011, EDP Renováveis expects to declare and pay dividends representing at least 20% of the profits for the year and to begin to do so for the financial year ending on 31 December 2010. The Board of Directors of EDP Renováveis may, if necessary, adjust this dividend policy in order to reflect changes in business strategy and capital needs, among other aspects. Any future dividends will depend on conditions at the time, including individual and consolidated net profits, earnings, the company's financial situation, availability of legally distributable funds and future prospects. As a result, no guarantee can be given that dividends will be proposed and declared in any particular year. Any dividends paid in the future may be subject to withholding of tax at source.





## CORPORATE GOVERNANCE

### 7. INVESTOR RELATIONS

#### 7.1. General obligation to provide information

The provision to actual and potential investors of information about the Company is a structural aspect of EDP Renováveis policy and action as a listed company. The promotion of transparent, easily accessible, high-quality information is of fundamental importance to an accurate perception of the company's strategy, financial situation, accounts, assets and significant events.

EDP Renováveis therefore seeks to provide investors with information that will help them make informed, clear, concrete investment (or disinvestment) decisions.

This Company positioning is demonstrated by the relative frequency with which it publishes privileged information on significant events in its activities each year.

The periodic publication of information on the company, such as the quarterly announcement of profits, as required by law, is an important feature of the company's relationship with the market when it comes to the duty to inform.

EDP Renováveis considers its website a fundamental vehicle for circulating information and uses it to ensure that up-to-date information on its activities and results is always available.

EDP Renováveis therefore wishes to maintain a close, ongoing, transparent relationship with all market agents.

#### 7.2. EDP Renováveis Investor Relations Department

The EDP Renováveis Investor Relations Department (IRD) was set up in 2008 following the initial public offering and acts as an intermediary between the EDP Renováveis management team and a vast universe of shareholders, financial analysts, investors and the market in general. Its main purposes are to guarantee the principle of equality among shareholders, prevent asymmetries in access to information by investors and reduce the gap in the perception of the company's strategy and intrinsic value. This department is responsible for developing and implementing the company's communication strategy and maintaining an appropriate institutional and informative relationship with the financial market, the stock exchange at which EDP Renováveis shares are traded and their regulatory and supervisory bodies (CMVM – Comissão do Mercado de Valores Mobiliários in Portugal and CNMV – Comisión Nacional del Mercado de Valores in Spain)

The company's investors relations representative is Rui Teixeira, a member of the management team. The Investor

Relations Department is coordinated by Rui Antunes and is located at the company's Madrid office. Its contact details are as follows

Calle Serrano Galvache, nº 56  
Centro Empresarial Parque Norte  
Edificio Encinca – 4º Piso  
28033 Madrid, Spain  
Telephone: +34 902 830 700  
Fax: +34 914 238 410  
E-mail: [ir@edprenovaveis.com](mailto:ir@edprenovaveis.com)

The IRD reports directly to the EDP Renováveis management team through its Chief Financial Officer (CFO) and its main duties are:

- To ensure compliance with all legal obligations arising from the fact that EDP Renováveis is a listed, public limited company;
- To define and implement the company's strategy for communication with analysts and investors, when assisting the management team in drafting EDP Renováveis financial and strategic communication policy and in preparing, processing and publishing information;
- To coordinate, prepare and conduct information sessions, press conferences and roadshows, which includes disclosing significant events and other communications, to publish quarterly results and periodic financial statements, to give strategic presentations to the market, to organise road-shows with management team members in the main financial markets, to hold and monitor regular meetings and conference calls at the request of investors and analysts and to provide answers to queries on the business environment and activities of EDP Renováveis by email, telephone or in person from analysts and institutional and private investors;
- To inform the management team of the expectations of financial analysts and benchmark with the competition, to monitor all changes in the stock exchange and financial markets of interest to the company, to filter information into the company when justified and to inform it of the different perceptions that capital market players have of EDP Renováveis activity;
- To develop and update the investor relations section of the EDP Renováveis website ([www.edprenovaveis.com](http://www.edprenovaveis.com)).

#### Activity in 2008

Although it was only formally set up after the initial public offering, the work of the Investor Relations Department began with its preparation. The Investor Relations

Department was part of the team that prepared the prospectus of the public offer for subscription and accompanied the Executive Committee on the roadshow to present EDP Renováveis to the world’s main financial markets. For more than two weeks, two teams made up of members of the Executive Committee and management team of EDP Renováveis and the Investor Relations Department of EDP Renováveis and EDP visited more than 400 institutional investors in some 20 cities.

In addition to the presentation roadshow, following the initial public offering and after the end of the blackout period, the Investor Relations Department, carried out four roadshows (September, October, November and December) in the world’s main financial cities (New York, Boston, San Francisco, London, Lisbon, Paris, Milan, Dublin, Brussels, Amsterdam, Stockholm, Oslo, Zurich, Geneva, etc) and several conferences, many devoted only to energy companies. It met with around 200 institutional investors in this period.

The Investor Relations Department also remained in permanent contact with the financial analysts who evaluate the company and with all shareholders and investors by mail, phone or face-to-face meetings. Every quarter, when the profits for the period are disclosed, the Investor Relations Department organises a conference call for all interested parties involving one or more members of the company’s management team, in which it announces developments in EDP Renováveis activities and updates future prospects in the different business areas.

7.3. Company information on website

As required by CMVM regulations, EDP Renováveis provides all legal and corporate governance information on its website (www.edprenovaveis.com). The company website also carries updates on developments in the Group’s activity and financial and operational data to ensure that shareholders, financial analysts and others have easy access to information.

This online information includes reports on accounts, announcements of relevant events, the articles of association, internal regulations of corporate bodies, the Group’s shareholder structure, preparatory documentation for each General Meeting, fluctuations in EDP Renováveis share prices and other information of potential interest on the Group.

This information also includes data on the company, such as its name, status as a listed company, registered office, articles of association, regulations governing the management and supervisory bodies, names of the members of the corporate bodies and the market relations representative and the report on the Audit Committee’s work. Contact details for the Investor Relations Department,

its functions, financial statements and a calendar of company events are also available.

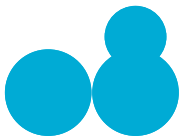
EDP Renováveis posts on its website invitations to the General Meeting and proposals for discussion and voting at the meeting.

EDP Renováveis also publishes online the annual report on the work of the Audit Committee.

The table below summarises the information posted on the website and in which languages used.

	Portuguese	English	Spanish
Identification of the company	✓	✓	✓
Financial statements	✓	✓	✓
Regulations of the management and supervisory bodies	✓	✓	✓
Annual report on the work of the Audit Committee	✓	✓	✓
Investor Relations Department – functions and contact details	✓	✓	✓
Articles of association	✓	✓	✓
Calendar of company events	✓	✓	
Invitation to General Meeting	✓	✓	✓
Proposals submitted for discussion and voting at General Meetings	✓	✓	✓



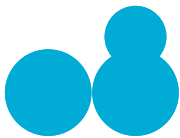


ANNEX I

MAIN POSITIONS HELD BY MEMBERS OF BOARD OF DIRECTORS IN LAST FIVE YEARS

Name	Positions
António Mexia	CEO of Galp Energia Chairperson of the Board of Petrogal Chairperson of the Board of Gás de Portugal Chairperson of the Board of Trangas Chairperson of the Board of Trangas-Atlântico CEO of EDP – Energias de Portugal, S.A.
Ana Maria Fernandes	Chairperson and CEO of Galp Power Member of the Board of Directors of Galp Energia Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
António Martins da Costa	CEO and Vice-Chairperson of EDP – Energias do Brasil, S.A. CEO and Chairperson of Horizon Wind Energy LLC Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
Nuno Alves	Director of the Foreign Exchange and Capital Division of Millennium BCP Investimento Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
João Manso Neto	Chairperson of the Executive Committee of EDP Produção CEO and Vice-Chairperson of Hidroelétrica del Cantábrico, S.A. Member of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
José Silva Lopes	Chairperson of the Board of Directors of Montepio Geral
António Nogueira Leite	Board member of Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, S.A. Managing Director of José de Mello, SGPS, S.A. Director of Companhia União Fabril CUF, SGPS, S.A. Director of Quimigal, S.A. Director of CUF – Químicos Industriais,SA Director of ADP, S.A.-CUF Adubos Director of Sociedades de Explosivos Civic, SEC, S.A. Director of Brisa, S.A. Director of Efacec Capital, SGPS, S.A. Director of Comitur, SGPS, S.A. Director of Comitur Imobiliária, S.A. Director of Expocomitur-Promoções e Gestão Imobiliária, S.A. Director of Herdade do Vale da Fonte-Sociedade Agrícola, Turística e Imobiliária, S.A. Director of Sociedade Imobiliária e Turística do Cojo, S.A. Director of Sociedade Imobiliária da Rua das Flores, nº 59, S.A. Director of José de Mello Saúde, SGPS, S.A. Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, S.A. Member of the Advisory Board of IGCP Vice-Chairperson of Fórum para a Competitividade

<b>Rafael Caldeira Valverde</b>	Vice-Chairperson of the Board of Directors of Banco Espírito Santo de Investimento, S.A. Member of the Executive Committee of Banco Espírito Santo de Investimento, S.A.
<b>José Araújo e Silva</b>	Director of Corticeira Amorin, SGPS, S.A. Member of the Executive Committee of Corticeira, SGPS, S.A. Member of the Board of Directors of Caixa Geral de Depósitos
<b>Manuel Menéndez Menéndez</b>	Member of the Board of Directors of EDP – Energias de Portugal, S.A. Chairperson of Cajastur Chairperson of Hidroeléctrica del Cantábrico, S.A. Chairperson of Naturgas Energia, S.A. Member of the Board of Directors of Nuevas Energias de Occidente, SL Representative of Peña Rueda, SL on the Board of Enagas, S.A. Member of the Board of Confederación Española de Cajas de Ahorro Member Board of Directors of UNESA
<b>Jorge Santos</b>	Full Professor of Economics at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa
<b>Francisco José Queiroz de Barros de Lacerda</b>	Member of the Board of Império Insurance Company Member of the Supervisory Board of Millennium Bank in Poland Member of the Senior Board of Millennium Bank in Greece Vice-Chairperson of the Board of Directors of Millennium Bank in Turkey Chairperson of the Board of Directors of Millennium Bank in Romania Member of the Board of Directors of Millennium bcp Investimentos Member of the Board of Directors of Fundação Millenniumbcp . Director of Millennium bcp Member of the Board of Directors of Banco Comercial Português, S.A. Member of the General Board of Clube Naval de Cascais Chairperson of the Audit Committee of Dragopor – Associação Portuguesa da Classe Internacional Dragão Member of the Board of Mague-SPGS, S.A.
<b>João Manuel de Mello Franco</b>	Vice-Chairperson of José de Mello Imobiliária, S.A. Chairperson of the Board of Directors of Imopolis, S.A. Chairperson of the Board of Directors of José de Mello Residenciais & Serviços, S.A. Chairperson of the Board of Directors of Engimais, S.A. Director of Portugal Telecom SGPS, S.A. Chairperson of the Audit Committee of Portugal Telecom SGPS, S.A. Member of the Remuneration Committee of Portugal Telecom SGPS, S.A. Chairperson of the Corporate Governance Committee of Portugal Telecom SGPS, S.A.

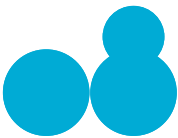


ANNEX I

<b>João Lopes Raimundo</b>	Chairperson of the Board of Directors of Banque BCP (Luxembourg) Chairperson of the Board of Directors of Banque BCP (France) Member of the Board of Banque Orive BCP (Switzerland) Managing Director of Banco Comercial Português Vice-Chairperson of the Board of Millennium Angola Member of the Board de Directors of Banco Millennium BCP de Investimento
<b>Daniel M. Kammen</b>	Founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of University of California, Berkeley Lecturer in Nuclear Energy at University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at the Goldman School of Public Policy, University of California, Berkeley Class of 1935 Distinguished Chair in Energy Codirector of the Berkeley Institute of the Environment Member of the Executive Committee of the Energy Biosciences Institute





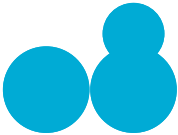


ANNEX II

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTERS IN COMPANIES  
NOT BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

Name	Positions
António Mexia	N/A
Ana Maria Fernandes	N/A
António Martins da Costa	N/A
Nuno Alves	N/A
João Manso Neto	N/A
José Silva Lopes	Chairperson of the Board of Directors of Montepio Geral
António Nogueira Leite	Member of the Board of Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, S.A. Managing Director of José de Mello, SGPS, S.A. Director of Companhia União Fabril CUF, SGPS, S.A. Director of CUF – Químicos Industriais,SA Director of ADP, S.A. – CUF Adubos Director of Brisa, S.A. Director of Efacec Capital, SGPS, S.A. Director of Comitur, SGPS, S.A. Director of Comitur Imobiliária, S.A. Director of Expocomitur-Promoções e Gestão Imobiliária, S.A. Director of Herdade do Vale da Fonte-Sociedade Agrícola, Turística e Imobiliária, S.A. Director of Sociedade Imobiliária e Turística do Cojo, S.A. Director of Sociedade Imobiliária da Rua das Flores, nº 59, S.A. Director of José de Mello Saúde, SGPS, S.A. Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, S.A. Member of the Advisory Board of IGCP
Rafael Caldeira Valverde	Vice-Chairperson of the Board of Directors of Banco Espírito Santo de Investimento, S.A. Member of the Executive Committee of Banco Espírito Santo de Investimento, S.A.
José Araújo e Silva	Member of the Board of Directors of Caixa Geral de Depósitos
Manuel Menéndez Menéndez	Chairperson of Cajastur Member of the Board of Confederación Española de Cajas de Ahorro Representative of Peña Rueda, SL on the board of Enagas, S.A. Member of the Board of Directors of UNESA

<b>Jorge Santos</b>	Full Professor of Economics at Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa
<b>Francisco José Queiroz de Barros de Lacerda</b>	Member of the General Board of Clube Naval de Cascais Chairperson of the Audit Committee of Dragopor – Associação Portuguesa da Classe Internacional Dragão Member of the Board of Mague-SPGS, S.A.
<b>João Manuel de Mello Franco</b>	Director of Portugal Telecom SGPS, S.A. Chairperson of the Audit Committee of Portugal Telecom SGPS, S.A. Member of the Remuneration Committee of Portugal Telecom SGPS, S.A. Chairperson of the Corporate Governance Committee of Portugal Telecom SGPS, S.A.
<b>João Lopes Raimundo</b>	Vice-Chairperson of the Board of Millennium Angola Member of the Board de Directors of Banco Millennium BCP de Investimento
<b>Daniel M. Kammen</b>	Founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of University of California, Berkeley Lecturer in Nuclear Energy at University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at the Goldman School of Public Policy, University of California, Berkeley Class of 1935 Distinguished Chair in Energy Codirector of the Berkeley Institute of the Environment Member of the Executive Committee of the Energy Biosciences Institute



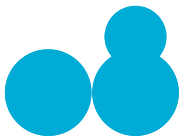
ANNEX III

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTERS IN COMPANIES  
BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
EDP – Energias de Portugal, S.A.	Chairperson of the Executive Board of Directors	Director	Director	Director	Director	
EDP – Gestão da Produção de Energia, S.A.					Chairperson of the Board of Directors	
EDP – Energias do Brasil, S.A.	Chairperson of the Board of Directors	Director		Director		
EDP Comercial – Comercialização de Energia, S.A.						
EDP – Estudos e Consultoria, S.A.				Chairperson of the Board of Directors		
EDP – Soluções Comerciais, S.A.						
EDP – Imobiliária e Participações, S.A.				Chairperson of the Board of Directors		
EDP Serviner – Serviços de Energia, S.A.						
EDP Valor – Gestão Integrada de Serviços, S.A.				Chairperson of the Board of Directors		
Sávida – Medicina Apoiada, S.A.				Chairperson of the Board of Directors		

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
SCS – Serviços Complementares de Saúde, S.A.				Chairperson of the Board of Directors		
Energia RE – Sociedade Cativa de Resseguro				Chairperson of the Board of Directors		
Enernova – Novas Energias, S.A.						
Hidroelétrica del Cantábrico, S.A.		Director		Director	Vice-Chairperson of the Board of Directors	Chairperson of the Board of Directors
Naturgás Energia, S.A.					2nd vice-chairperson	Chairperson of the Board of Directors
Desarrolos Eólicos S.A.		Vice-chairperson of the Board of Directors				
Genesa S.L.		Chairperson of the Board of Directors				
EDP Investimentos, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Gás III, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Gás II, SGPS, S.A. (ex-NQF Gás)					Chairperson of the Board of Directors	
EDP Gás – SGPS, S.A.					Chairperson of the Board of Directors	

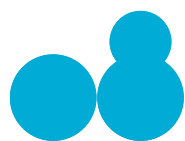




ANNEX III

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
Portgás – Sociedade de Produção e Distribuição de Gás, S.A.						
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.						
Enagas, SGPS, S.A.					Chairperson of the Board of Directors	
EDP Powerline						
EDP Internacional, S.A.					Chairperson of the Board of Directors	
Horizon Wind Energy LLC		Director	Chairperson of the Board of Directors	Director		
Nuevas Energias de Occidente, S.L.		Chairperson of the Board of Directors				Director
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.				Manager		
EDP – Investimentos, Gestão de Participações e Assistência Técnica, Lda.				Director		
MRH Mudança e Recursos Humanos, S.A.				Chairperson of the Board of Directors		
EDP Energias de Portugal, Sucursal en España, Sociedad Anonima	Permanent representative	Permanent representative	Permanent representative	Permanent representative	Permanent representative	

	António Mexia	Ana Maria Fernandes	António Martins da Costa	Nuno Alves	João Manso Neto	Manuel Menéndez Menéndez
EDP Gás.com - Comércio de Gás Natural, S.A.					Director	
EDP Finance BV	Representative	Representative	Representative	Representative	Representative	
Electricidade de Portugal Finance Company Ireland Lt.				Director		
ENEOP – Eólicas de Portugal, S.A.		Chairperson of the Board of Directors				



## ANNEX IV

### BOARD OF DIRECTORS

#### **António Mexia, Chairman**

Born in 1958. From 1979 to 1981, he held the position of assistant lecturer in the Department of Economics at the Université Genève (Switzerland), and from 1985 to 1989, he held the position of postgraduate lecturer in European Studies at Universidade Católica (Lisbon). From 1989 to 1991, he served as Assistant to the Secretary of State for Foreign Trade, and between 1991 and 1992, he served as vice-chairman of the Board of Directors of ICEP (the Portuguese Institute for Foreign Trade). Between 1992 and 1998, he served as a Director of Banco Espírito Santo de Investimentos, and in 1998 he was appointed as Chief Executive Officer of Gás de Portugal and Transgás, a position he held until 2000. From 2000 to 2001, he served as Vice-Chairman of the Board of Directors of Galp Energia, and from 2001 to 2004, he held the positions of Chief Executive Officer of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004 he was appointed as Minister of Public Works, Transport and Communication by the Portuguese government. He was appointed Chief Executive Officer of EDP in March 2006.

He served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, a member of the Trilateral Commission (1992-1998), vice-president of the Portuguese Industrial Association (AIP), Chairman of the General Supervisory Board of Ambelis and as a representative of the Portuguese government before the EU in the working group for the development of the pan-European networks.

He holds a degree in Economics from the Université Genève in Switzerland.

#### **Ana Maria Fernandes, Vice-Chairman and Chief Executive Officer**

She began her professional career in the area of capital markets, investments and restructuring of companies in 1986, at Conselho – Gestão e Investimentos, a company in the Banco Português do Atlântico group. Between 1989 and 1991, she was a lecturer at the University of Oporto. Also in 1989, she worked in the Corporate Finance Arm of Sociedade de Investimentos EFISA, becoming a Director of Banco EFISA. In 1992, she moved to the Banco de Fomento e Exterior group as Director of several of the investment bank subsidiaries of the group. In addition, between 1996 to 1998, she was Corporate Finance Manager of BPI. From 1998 to 2005, she then moved to holding various positions within the GALP group, including Chairman and Chief Executive Officer of GALP Power between 2002 and 2005, and from 2004 to 2005, was also a member of the Board of Directors of GALP Energia. In 2006, she was appointed a member of the Board of Directors of EDP.

She holds a degree in Economics and a post-graduate degree in Finance, both from the University of Oporto, as well as a master of Business Administration degree from the Management School of Oporto.

#### **António Martins da Costa**

Born in 1954. From 1976 to 1989, he held the position of Lecturer at the Superior Engineering Institute of Porto. In 1981 he joined EDP to work in the hydro-power generation sector, a position he held until 1989. From 1989 to 2003, he held various positions in the Banco Comercial Português group, namely as an executive member of the Board of Directors of its insurance companies and asset management operations, as well as being a General Manager of the bank. Between 1999 and 2003, he served as Deputy Chief Executive Officer and Vice-President of the Board of Directors of PZU (Poland). In 2003 he rejoined EDP as a general manager and was appointed as Chief Executive Officer and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil, a position he held until being appointed as Chief Executive Officer and Chairman of the Board of Directors of Horizon in July 2007, a position he still holds. In March 2006, he was appointed as a member of the Executive Committee of EDP's Board of Directors.

He holds a degree in Civil Engineering and a master of Business Administration degree from the University of Oporto, has completed executive education studies at INSEAD (Fontainebleau) and AESE (University of Navarra), and has completed the Advanced Management Programme at the Wharton School (University of Pennsylvania).

#### **Nuno Alves**

Born in 1958. From 1988 to 2006, he held various positions at Banco Comercial Português, including: Technician in the Studies and Planning Director (1988-1990), sub-Director of the Financial Investment Director (1990-1991), Director of Investor Relations (1991-1995), Director of Private Retail Coordination (1995-2000), Director of Capital Markets for Banco CISF, Banco de Investimento do Banco Comercial Português (1996-1997). From 1999 to 2000, he served as Chairman of the Board of Directors of CISF Dealer, and in 2001 he was appointed as a Director of the money and capital markets division of Banco Millennium BCP Investimento (formerly Banco CISF). In 2006 he left Banco Millennium BCP Investimento to become the Chief Financial Officer of EDP, a position he still holds.

He holds a degree in Naval Architecture and Engineering and a master of Business Administration degree, both from the University of Michigan.

**João Manso Neto**

Born in 1958. From 1981 to September 2002, he held various positions within the BCP Group, including General Finance Manager and General Manager of the Treasury, Capital Markets and Large Corporate Clients Divisions, as well as Director of Big Bank Gdansk, Poland, and Banco Millennium BCP Investimento. Between September 2002 and July 2003, he also performed management functions within the BPN group. In 2003 he joined EDP as General Manager, a position he held until 2006, when he became a member of the Board of Directors of EDP. He is currently President of the Executive Committee of EDP Produção and the Chief Executive Officer of Hidrocontábrico. On the EDP Group level, he is responsible for generation and trading, regulation, power planning, and the day-to-day running of Hidrocontábrico.

He holds a degree in Economics from the Instituto Superior de Economia e Gestão de Lisboa, a postgraduate degree in European Economy from the Universidade Católica de Lisboa and the academic component of a master's degree in Economics from the Universidade Nova de Lisboa.

**José Silva Lopes**

Born in 1932. From 1969 to 1974, he was a member of the Board of Caixa Geral de Depósitos and Director of the Cabinet of Studies and Planning of the Ministry of Finance. In 1972, he held the position of Deputy Chief of negotiations for the free market agreement of the EC. Between 1974 and 1978, he was Minister of Finance, additionally holding the position of External Markets Minister between 1974 to 1975. Between 1975 and 1980, he held the position of Governor of the Bank of Portugal. Since January 2004, he has been Chairman of the Board of Directors of Montepio Geral.

In 2003, he was awarded the Order of Grã Cruz by the President of Portugal for his 48 years of service as an economist predominantly for the Portuguese state. In 2004, he was awarded a degree of "Doutor Honoris Causa" by Instituto Superior de Economia e Gestão. He also has a degree in Finance from the Instituto Superior de Ciências Educativas de Felgueiras.

**António Nogueira Leite**

Born in 1962. Between 1988 and 1996, he held the position of Consultant to several national and international institutions, including the Bank of Portugal, the OECD and the EC. Between 1995 and 1998, he was General Secretary of APRITEL, and between 2000 and 2002 was a member of the Board of Directors of APRITEL. From 1997 to 1999, he was a Director of Soporcel, S.A., between 1998 and 1999, he was a Director of Papercel, S.A., and in 1999, was a director of MC Corretagem, S.A. Also in 1999, he was appointed Chairman of the Board of Directors of Bolsa de Valores de Lisboa and became a member of the Executive Committee of Associação de Bolsas Ibero-Americanas. Since 2000, Mr. Nogueira Leite has been a member of the Consultative Council of Associação Portuguesa para o Desenvolvimento das Comunicações. Between 2000 and 2002, he was a Consultant for Vodafone – Telecomunicações Pessoais, S.A., between 2001 and 2002, he was a Consultant of GE Capital, and in 2002 was a member of the Consultant Council of IGCP. Since 2002, he has held various positions within the José de Mello group and has held directorships with numerous other entities including Rediut, SGPS, S.A., Quimigal, S.A., Brisa, S.A., ADP, S.A., Comitur, SGPS, S.A., Comitur Imobiliária, S.A., Expocomitur – Promoções e Gestão Imobiliária, S.A., Herdade do Vale da Fonte – Sociedade Agrícola, Turística e Imobiliária, S.A., e SGPS, S.A., Efacec Capital, SGPS, S.A., and Cuf – Químicos Industriais, S.A. He held a further directorship with Sociedade de Explosivos Civis, SEC, S.A. from 2007 to March 2008. Between October 1999 and August 2000, he was Secretary of State for Treasury and Finance and Governor Substitute of the European Bank of Investments. He additionally held positions with the European Bank for Reconstruction and Development, the International Monetary Fund and was a member of the Financial and Economic Council of the European Union. He was Vice-Chairman of the Consultative Council of Banif-Banco de Investimento, S.A., and Chairman of the General and Supervision Council of OPEX, S.A.

He has an undergraduate degree in Economics from the Universidade Católica Portuguesa, a master of science degree in Economics, and a Ph.D. in Economics from the University of Illinois.

**Rafael Caldeira Valverde**

Born in 1953. In 1991, he joined Banco Espírito Santo de Investimento, S.A. and was the Director Responsible for Financial Services Management, Client Management, Structured Financing Management, Capital Markets Management, and for the Department for Origination and Information. In March 2005, he was appointed as Vice-Chairman of the Board of Directors of Banco Espírito Santo de Investimento, S.A. and formed part of the Executive Committee of the company.

He has an undergraduate degree in Economics from the Instituto de Economia da Faculdade Técnica de Lisboa.

**José Fernando Maia de Araújo e Silva**

Born in 1951. He began his professional career as an Assistant Lecturer at Faculdade de Economia do Porto. From 1991 he was invited to be a Lecturer at Universidade Católica do Porto and additionally held a part-time position as Technician for Comissão de Coordenação da Região Norte. He has since held the position of Director of several companies, including of Banco Espírito Santo e Comercial de Lisboa and Soserfin – Sociedade Internacional de Serviços Financeiros – Oporto group. He has been involved in the Finance and Management Coordination of Sonae Investimentos SGPS, was Executive Director of Sonae Participações Financeiras, SGPS, S.A. and was Vice-Chairman of Sonae Indústria, SGPS, S.A. He has additionally held directorships with Tafisa, S.A., Spread



## ANNEX IV

SGPS, S.A. and Corticeira Amorim, SGPS. He presently serves on the Board of Directors of Caixa Geral de Depósitos, S.A. He has an undergraduate degree in Economics from the Faculdade de Economia do Porto and has obtained certificates from Universidade de Paris IX, Dauphine and the Midland Bank International banker's course in London.

### **Manuel Menéndez Menéndez**

Born in 1960. He has been a member of the Board of Directors and a member of the Executive Committee of each of Cajastur and Hidrocontábrico. He has been a member of the Board Directors, Executive Committee and Audit and Control Committee of AIRTEL. He has also been a member of the Board of Directors of LICO Corporación and ENCE, Vice-Chairman of the board of SEDES, S.A. and Executive Chairman of Sociedade de Garantias Recíprocas de Astúrias. Currently, he is Chairman of Cajastur, Hidrocontábrico and Naturgas Energia, a member of the Board of NEO and Confederación Española de Cajas de Ahorros, a member of the Junta Directiva of UNESA and a member of Registro Oficial de Auditores de Cuentas. He also represents Peña Rueda, S.L. (a subsidiary of Cajastur) on the Board of Directors of Enagas.

He has an undergraduate degree in Economics and Company Management and a Ph.D. in Economic Sciences, each from the University of Oviedo. He has been appointed university professor of Company Management and Accounts at the University of Oviedo.

### **Jorge Santos**

Born in 1951. From 1997 to 1998, he coordinated the Committee for Evaluation of the EC Support Framework II and was a member of the Committee for the Elaboration of the ex-ante EC Support Framework III. From 1998 to 2000, he Chairman of the Unidade de Estudos sobre a Complexidade na Economia and from 1998 to 2002 was Chairman of the Scientific Council of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa. From 2001 to 2002, he coordinated the Committee for the Elaboration of the Strategic Programme of Economic and Social Development for the Peninsula of Setúbal. Since 2007, he has been Coordinator of the masters program in Economics, and since 2008, he has been a member of the Representatives Assembly of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa.

He has an undergraduate degree in Economics from Instituto Superior de Economia, a master degree in Economics from the University of Bristol and a Ph.D. in Economics from the University of Kent. He additionally has a doctorate degree in Economics from the Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa, and has consequently held the positions of Auxiliary Professor and Associate Professor with Universidade Técnica de Lisboa. He has been appointed as university professor (catedrático) of Universidade Técnica de Lisboa.

### **Francisco José Queiroz de Barros de Lacerda**

Born in 1960. From 1984 to 1985, he was an Assistant Lecturer at Universidade Católica Portuguesa. Between 1982 and 1990, he held the position of Technician and Director of Locaport (Leasing), CISF and Hispano Americano-Sociedade de Investimentos. Between 1990 and 2000, he joined the Management Team of the José de Mello group as Director of UIF, SGPS. Between 1991 and 2000, he was a Director of Banco Mello, and, from 1993 to 2000, additionally held the position of Chairman of the Executive Committee of Banco Mello. Between 1997 and 2000, he was Vice-Chairman of the Board of Directors of Banco Mello, and since 2000 has been a Director of Insurance Company Império and Chairman or Director of several banks and financial companies of the Banco Mello group. Between 2000 and 2008, he was a member of the Executive Board of Directors of Banco Comercial Português, S.A., and in this capacity was responsible for the activity of the group in investment banking in Europe. He is presently a member of the board of Mague – SPGS, S.A. He has an undergraduate degree in Company Administration and Management from Universidade Católica Portuguesa.

### **João Manuel de Mello Franco**

Born in 1946. Between 1986 and 1989, he was a member of the Management Council of Tecnologia das Comunicações, Lda. Between 1989 to 1994, he was Chairman of the Board of Directors of Telefones de Lisboa e Porto, S.A., and between 1993 to 1995 he was Chairman of Associação Portuguesa para o Desenvolvimento das Comunicações. From 1994 to 1995, he was Chairman of the Board of Directors of Companhia Portuguesa Rádio Marconi and additionally was Chairman of the Board of Directors of Companhia Santomense de Telecomunicações e da Guiné Telecom. From 1995 to 1997, he was Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Lisnave (Estaleiros Navais) S.A. Between 1997 and 2001, he was Chairman of the Board of Directors of Soponata and was a Director and Member of the Audit Committee of International Shipowners Reinsurance, Co S.A. Between 2001 and 2004, he was Vice-Chairman of José de Mello Imobiliária SGPS, S.A., and was Chairman of the Boards of Directors of IMOPÓLIS, S.A., José de Mello Residenciais & Serviços, S.A. and Engimais, S.A. Since 1998, he has been a Director of Portugal Telecom SGPS, S.A., Chairman of the Audit Committee since 2004, and Chairman of the Corporate Governance Committee since 2006. He has an undergraduate degree in Mechanical Engineering from Instituto Superior Técnico. He additionally holds a certificate in Strategic Management and Company Boards and is the holder of a grant of Junta de Energia Nuclear.

**João José Belard da Fonseca Lopes Raimundo**

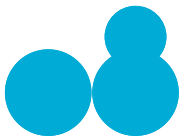
Born in 1960. Between 1982 to 1985 he was Senior Auditor of BDO – Binder Dijker Otte Co. Between 1987 to 1990, he was Director of Banco Manufactures Hanover (Portugal), S.A. and between 1990 to 1993 was a member of the Board of TOTTAFactor, S.A. (Grupo Banco Totta e Açores) and Valores Ibéricos, SGPS, S.A. In 1993, he held directorships with Nacional Factoring, da CISF – Imóveis and CISF Equipamentos. Between 1995 and 1997 he was a director of CISF – Banco de Investimento and a member of the Board of Directors of Nacional Factoring. In 1998, he was appointed to the board of several companies, including Leasing Atlântico, Comercial Leasing, Factoring Atlântico, Nacional Leasing and Nacional Factoring. From 1999 to 2000, he was a member of the Board of BCP Leasing, BCP Factoring and Leasefactor SGPS. From 2000 to 2003, he was appointed Chairman of the Board of Directors of Banque BCP (Luxemburg) and Chairman of the Executive Committee of Banque BCP (France). Between 2003 and 2006 he was a member of Management of Banque Prive BCP (Switzerland) and was General Director of private banking of BCP. Since 2006, he has been a member of the Board of Directors of Banco Millennium BCP de Investimento, and General Director of Banco Comercial Português. Mr. Lopes Raimundo is presently Vice-Chairman of the General Board of Millennium Angola. He has an undergraduate degree in Company Management and Administration from Universidade Católica Portuguesa de Lisboa, and a Master of Business Administration degree from INSEAD.

**Daniel M. Kammen**

Born in 1962. Between 1988 and 1991, he was a research fellow in the Division of Engineering and Applied Science and the Division of Biology at the California Institute of Technology and a post-doctorate researcher of Weizmann & Bantrell in the Engineering and Applied Science and Biology Department at California Institute of Technology. Between 1991 and 1993, he was a Research Collaborator for Science and International Affairs at the John F. Kennedy School of Government, Harvard University. Between 1991 and 1993, he was a Research Associate for the Northeast Regional Centre for Global Environmental Change and the Department of Physics, Harvard University. In 1993, he was appointed a permanent fellow at the African Academy of Sciences. Between 1993 and 1999, he was a member of the Research Faculty at the Centre for Energy and Environmental Studies at the School of Engineering and Applied Science at Princeton University. Between 1997 and 1999, he was Class of 1934 Preceptor at the Woodrow Wilson School of Public and International Affairs at Princeton University, and between 1998 to 1999 he was Chair of the Science, Technology and Environmental Policy Program (STEP) of the same institution. Between 1998 and 2001, he was an Associate Professor of the Energy and Resource Group and between 1999 and 2001 was an Associate Professor of Nuclear Engineering at the University of California, Berkeley. In 1999, he was a founding Director of the Renewable and Appropriate Energy Laboratory (RAEL) of the University of California, Berkeley. From 2000 to 2001, he joined the Core Management Team of the Commission of Power of California Public Interest Environmental Research – Environmental Area. Between 2004 and 2009, he was the Director of the University of California, Berkeley, and Industrial Technology Research Institute of Taiwan. In 2005, he was appointed Co-director of the Berkeley Institute of the Environment. In 2006, he was appointed a member of the Energy and Resources Group and in 2007 held the position of Coordinator of the Science and Impact Sector in the Energy Biosciences Institute. In addition, since 2001, he has been a Professor of Public Policy of the Goldman School of Public Policy, University of California, Berkeley. He is also an author of several studies and has received several awards in the Energy sector. He has an undergraduate degree, a masters degree and a Ph.D. each in Physics.

**SECRETARY OF THE BOARD****Emilio García-Conde Noriega**

Born in 1955. In 1981, he joined Soto de Ribera Power Plant, which was owned by a consortium comprising Electra de Viesgo, Iberdrola and Hidrocontábrico, as Legal Counsel. In 1995, he was appointed General Counsel of Soto de Ribera Power Plant, and also Chief of Administration and Human Resources of the consortium. In 1999, he was appointed Legal Counsel at Hidrocontábrico, and in 2003 was appointed General Counsel of Hidrocontábrico and also a member of its Management Committee. He presently serves as General Counsel of the Company, as Secretary of the Board, and is also Director and Secretary of the Boards of Directors of a number of the Company's subsidiaries in Spain. He holds a masters degree in Law from the University of Oviedo.



ANNEX V

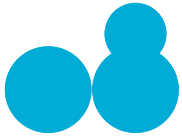
EDP RENOVÁVEIS SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AS AT 31.12.2008

Name	Direct	Indirect	Total
António Luis Guerra Nunes Mexía	3,880	320	4,200
Ana Maria Machado Fernandes	1,510	0	1,510
João Manuel Manso Neto	0	0	0
Nuno Maria Pestana de Almeida Alves	5,000	0	5,000
António Fernando Melo Martins da Costa	1,330	150	1,480
Francisco José Queiroz de Barros de Lacerda	310	310	620
João Manuel de Mello Franco	380	0	380
Jorge Manuel Azevedo Henriques dos Santos	200	0	200
José Silva Lopes	760	0	760
José Fernando Maia de Araújo e Silva	80	0	80
Rafael Caldeira de Castel-Branco Valverde	0	0	0
António do Pranto Nogueira Leite	0	0	0
João José Belard da Fonseca Lopes Raimundo	170	670	840
Daniel M. Kammen	0	0	0
Manuel Menéndez Menéndez	0	0	0



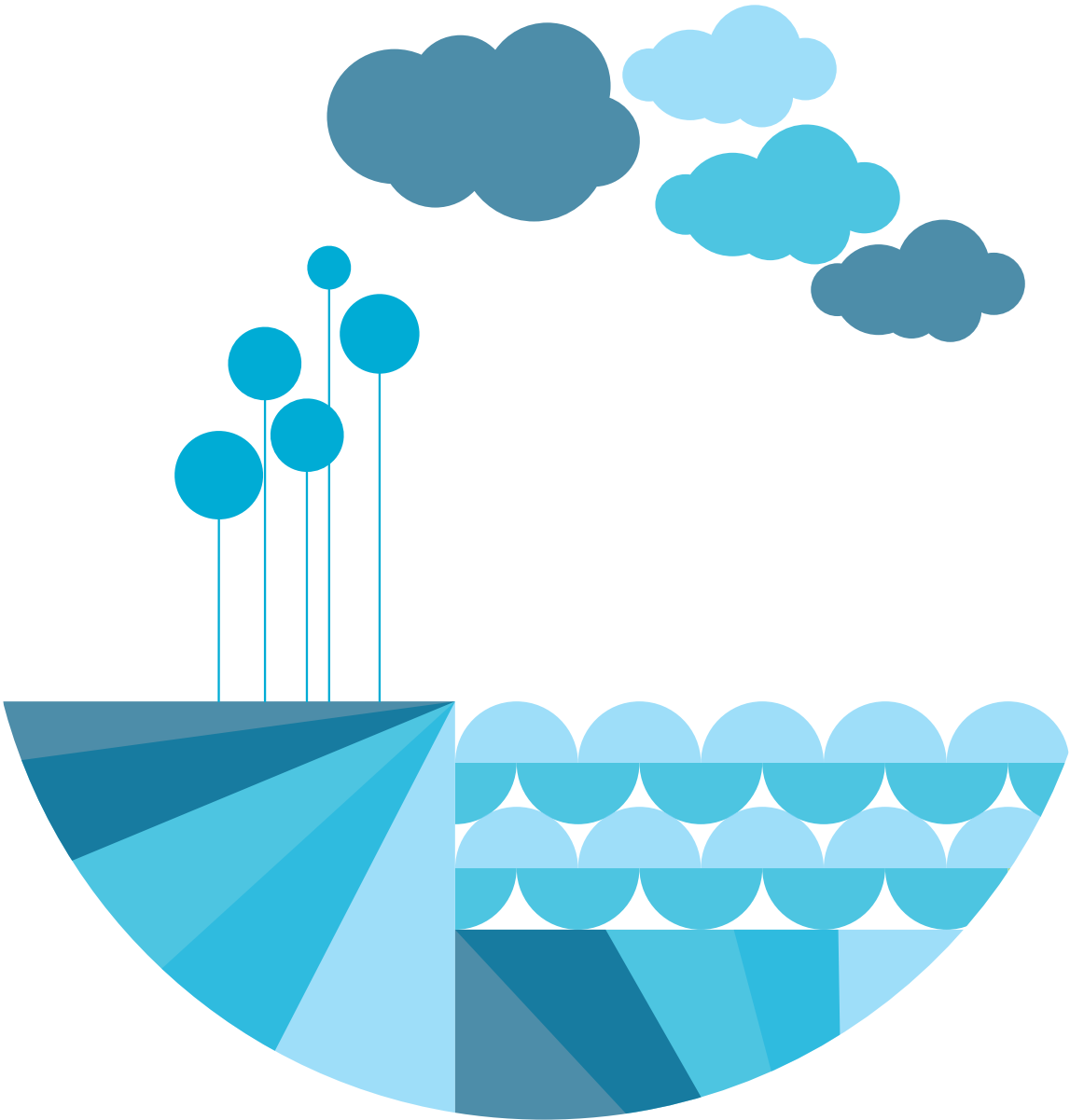
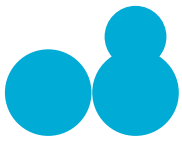






EXTRACT OF MINUTES OF GENERAL MEETING







The President and the Secretary of the Board of Directors of the Company EDP Renováveis, S.A.

**DECLARE**

To the best of our knowledge, the information referred to in a) of paragraph 1 of Article 245 of Decree-Law No 357-A/2007 of October 31 and other documents relating to the submission of annual accounts required by current regulations have been prepared and signed in Spanish by the members of the Board of Directors in accordance with applicable accounting standards, reflecting a true and real assets, liabilities, financial position and results of EDP Renováveis, S.A. and the management report fairly present the evolution of business performance and position of EDP Renováveis, S.A., containing a description of the principal risks and uncertainties that it faces. The board has also prepared the same documents in English and as evidence of the approval of the referred documents made in English is issued this declaration.

Lisbon, February 26, 2009.

President of the Board of Directors

Secretary of the Board of Directors

Mr. Antonio Luís Guerra Nunes Mexía

Mr. Emilio García-Conde Noriega