edp renováveis

Management Report

June 2009

MANAGEMENT REPORT
for
EDP Renováveis Group (EDPR)

1st Semester of 2009 (6 months ending June 30st, 2009)

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1. MAIN EVENTS OF THE PERIOD

1.1 Close of CENAEEL transaction

On February 16th, 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.

1.2 Approval of U.S. energy related Tax Incentives applicable to EDPR North America platform

On February 17th, 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 from 2009 to 2012, and the construction begin in 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 filling of such application.

On July 2009 the US Treasury Department published the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits, as well as the application form. These documents set the application specifications for renewable energy producers to benefit from the cash grant.

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.

1.3 Acquisition of Elebrás Projects Ltda. (Brazil)

On March 18th 2009, EDP Renováveis Brasil, S.A., a subsidiary held by EDP Renováveis, S.A. (55%) and EDP – Energias do Brasil, S.A., signed an agreement to acquire the total share capital of Elebrás Projects Ltda. This company was previously owned by the German wind developer innoVent Gmbh. Elebrás owns several wind projects in the Brazilian state Rio Grande do Sul totalling 532 MW in prime locations and in different stages of maturity: i) 70 MW in Tier 1; ii) 81 MW in Tier 2; and (iii) 381 MW in Tier 3. With this transaction EDPR increased its presence in the Brazilian wind market to a total portfolio of 832 MW of wind projects. Furthermore, EDPR Brasil signed a service agreement with innoVent to benefit from this company experience on the development of the acquired projects.

Total acquisition value amounts to R$6.2 million and additional success fees will be paid as the projects reach certain pre-defined milestones. The final conclusion of this transaction is pending confirmation from regulatory authorities, so that as of June 30th 2009, EDPR financial statements do not consider the consolidation of Elebras.

1.4 EDPR contracts Vestas for 75 wind generators for two Romanian projects

During March 2009, EDPR contracted Vestas for a total of 76 wind generators for wind energy projects in Romania. The contract covers the supply and installation of V90- 3.0 MW turbines, the VestasOnline Business SCADA solution, and a five-year agreement for the supply of services. The wind generators will be installed from late 2009 and throughout 2010.

This contract allows EDPR to progress in the execution of its Romanian network, in line with the decision it made to enter this market in October 2008.

These projects cover the annual electric power needs for approximately 97,000 homes and, from an environmental viewpoint, will prevent the emission of more than 392,100 tons of CO_2 per year.

1.5 EDPR signs a Power Purchase Agreement (PPA) with Public Service Company of Oklahoma in the United States

On February 2nd 2009 EDPR entered into a 20-year Power Purchase Agreement with Public Service Company of Oklahoma, a wholly-owned subsidiary of American Electric Power (AEP) located in the state of Oklahoma - Southwest region, for the renewable wind energy produced by the 99 MW wind farm of Blue Canyon V.

1.6 EDPR signs a Power Purchase Agreement (PPA) with AmerenUE in the United States

On June 10th 2009 EDPR entered into a 15-year Power Purchase Agreement with AmerenUE to sell renewable wind energy from the 102.3 MW second phase of its Pioneer Prairie Wind Farm, which has a total installed capacity of 300 MW already in operation.

The second phase of the Pioneer Prairie Wind Farm is located in Mitchell County, Iowa. The wind farm spans approximately 10,000 acres and is comprised of 62 Vestas V82 wind turbines that produce 1.65 MW each and started full operations in January 2009.

1.7 EDPR Annual Shareholder Meeting

EDPR Annual Shareholder Meeting was held on April 14th 2009 and approved the following resolutions:

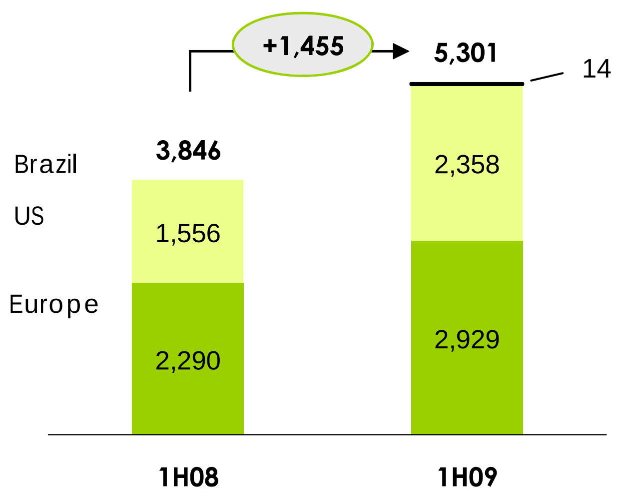
- Approval of the individual and consolidated accounts for 2008 fiscal year;
- Approval of the application of results generated in 2008;
- Approval of individual and consolidated Management Reports for 2008;
- Approval of the management conducted by the Board of Directors during 2008;
- Approval of the increase in the number of members of the Board of Directors from 15 to 16 and appointment of Mr. Gilles August as member of the Board of Directors.

2. PERFORMANCE OF 1ST SEMESTER 2009 (1H09)

2.1 Financial[1] and Operational Performance

During the first semester of 2009 (1H09), EDPR added 249MW of gross installed capacity, of which 200MW in North America, 35MW in Europe and 14MW in Brazil. In terms of total output, EDPR recorded a significant growth in electricity generation, with 5,3TWh generated in 1H09 (33% or 1.3 times increase vs. 1H08), mainly a result of increased installed capacity.

Installed Capacity (Gross MW)



On top of the 249MW of new installed capacity, EDPR ended 1H09 with 1,261MW under construction (of which 760MW in Europe and 501MW in North America), providing confidence and credibility on the organization's ability to achieve the 1,3GW added capacity target for 2009.

By the end of June 2009, EDPR had 5.3 GW of gross installed capacity in Spain, Portugal, France, Belgium, a variety of US states and Brazil. Most notably, 2.9 GW of gross installed capacity are located in Europe and 2.4 GW in the United States of America.

[1] Prepared according to IFRS accounting standards. EDPR consolidated accounts are considered for the purpose of this Management Report. EDPR S.A. individual accounts are therefore reflected as part of consolidation and by itself in isolation do not contain substantial additional information considered of relevance.

Installed Capacity (Gross MW)	1H09	1H08	△ MW
Spain	2.109	1.651	+458
Portugal (1)	570	517	+53
Rest of Europe	250	122	+128
- France	*193*	*122*	*+71*
- Belgium	*57*	*0*	*+57*
Europe	**2.929**	**2.290**	**+639**
US	**2.358**	**1.556**	**+802**
Brazil	**14**		**+14**
Total	**5.301**	**3.846**	**+1.455**

Total balance sheet assets reached by the end of the semester €10,117 million with c. 8% increase (or €720 million) when compared to prior year (1H08). Of this, €7.770 million relate to net Fixed Assets (PPE) which year-on-year increased by €717 million.

Total equity amounted to €5.269 million by 1H09, driven by the €102 million increase in Reserves and Retained Earnings and leading to a solid Equity / Total Assets ratio in excess of 52%. Total Liabilities summed by the end of 1H09 to €4.847 million, with an increase of c. 15% (or €641 million) used to fuel growth of fixed assets.

Total revenues reached €314 million driven by higher installed capacity and represented a 22% growth comparing to 1H08. This growth is of particularly relevance given the current unfavourable pricing environment in the global power markets. EDPR benefited from an active risk management practice, namely by hedging c. 1.0 TWh of output and therefore reducing its exposure to the variability of the Spanish pool price. This hedging coverage had a positive impact of €12 million in 1H09 revenues, or c. €12 / MWh of electricity hedged.

Focus on operational efficiency, with Other Operating Income / (Expenses) amounting to (€38) million, lead to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of €271 million and a sound EBITDA Margin (EBITDA / Gross Margin[2]) of 76.1%.

Provisions and net Depreciation & Amortization in 1H09 were of (€128) million and net Financial Results of (€44) million, benefiting from lower interest expenses than in 1H08, resulting in a Profit before Taxes of €86 million and a Income Tax Expense of €21 million.

[2] Defined as Revenues of €314 million + Revenues from Tax Equity Partners of €47 million – Cost of Used Goods of €5 million = €356 million

Net Income totalled €65.7 million, of which €0.2 million belong to minority interest and €65.6 million is attributable to EDPR equity holders. This compares 32% favourably (or €16 million) with the €50 million of Net Income attributable to EDPR equity holders in 1H08.

EDPR 1H09 production totalled 5.3 TWh, which represents a +33% growth (+53% for US operations) when compared to 1H08 electricity output. This semester EDPR reached once again load factors above market average, underlining the quality of its wind farms.

Nevertheless, load factors were lower than in 1H08, particularly given the volatility of the wind resource, particularly during the second quarter. In Europe the load factor reached 25% and in the US 36%. Excellence in operational performance is best reflected in the sustainable and high availability levels and consistent load factor premiums vs. Spanish market.

Region	Electricity Generated (GWh)		Load Factors (%)	
	1H09	∆ 09/08	1H09	∆ 09/08
Europe	2.163	+11%	25%	(3 pp)
US	3.074	+53%	36%	(2 pp)
Brazil	15	-	20%	-
Total Generation	**5.253**	**+33%**		

Throughout 1H09, EDPR invested about €913 million as capital expenditures (excluding M&A and financial investments) and used EDP shareholder loans to reach a Net Debt of approx. €1.9 billion by the end oF June 2009.

Future growth is expected to be primarily supported by the largest shareholder, EDP, through shareholder loans.

Capex (€ m)	1H09	1H08
Spain	248	301
Portugal	44	32
RoE & other	201	10
Europe	**493**	**343**
USA	**419**	**417**
Other	**1**	**-**
Total Capex	**913**	**760**

Net Debt (€ m)	1H09	FY08
Bank Loans and Other	547	560
Loans with EDP Group Related Companies	1,753	902
Financial Debt	**2,300**	**1,462**
Cash and Equivalents	289	230
Loans to EDP Group Related Companies	50	128
Financial assets held for trading	36	36
Cash & Equivalents	**375**	**393**
Net Debt	**1,924**	**1,069**

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. This strategy provides the company with a unique combination of size, focus and experience in the sector.

In 2008 EDPR went public and was listed in the NYSE Euronext Lisbon, in what turned out to be the largest Initial Public Offering in Western Europe in 2008. The company ended the first semester of 2009 with a €6.4 billion market capitalization.

EDPR has a solid history of executing projects and delivering targets. We consistently increased gross installed capacity through the successful development of greenfield and pipeline acquisition. The company success results from a unique combination of factors: strong track record in execution, first class assets with above average quality wind resources, a well balanced portfolio in terms of geography, stage of development and revenue sources, and a competitive turbine supply strategy.

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.

Furthermore, EDPR has proven its ability to selectively identify new markets, to enter such markets and successfully integrate new platforms to foster growth and diversify the existing portfolio.

EDPR is well positioned to deliver on significant and superior growth targets and achieve over 10 GW in operating assets by 2012.

For that, by the end of 1H09, EDPR has crafted a robust, visible and geographically diverse pipeline of nearly 30GW worldwide (varying from projects in a variety of European countries, nineteen US states, and several regions in Brazil).

Gross MW	Under Constr.	Pipeline				Prospects	Total
		Tier 1	Tier 2	Tier 3	Total		
Spain	477	373	483	1,814	2,669	2,330	5,476
Portugal	133	372	14	9	395	200	728
Rest of Europe	151	288	605	810	1,703	1,679	3,532
- France	18	60	92	356	507	744	1,269
- Belgium	13	-	-	37	37	25	74
- Poland	120	-	456	406	862	354	1,336
- Romania	-	228	57	12	297	556	853
Europe	**760**	**1,033**	**1,101**	**2,633**	**4,767**	**4,209**	**9,736**
US	**501**	**650**	**5,062**	**7,359**	**13,071**	**4,714**	**18,286**
Brazil	**-**	**70**	**381**	**125**	**576**	**968**	**1,544**
Total	**1,261**	**1,753**	**6,544**	**10,117**	**18,414**	**9,891**	**29,565**

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 11th, 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 United States of 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 CO2 allowance auction in September 2008. The RGGI provides the mechanism to manage the CO2 Budget Trading Programs for 10 participating states in the north-eastern U.S. representing 12% of total US CO2 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. The plan allows renewable energy producers to choose one of three alternatives:

- Production Tax Credit (PTC) extension: tax credits are tied to energy production for the first 10 years of operations. This option is possible for projects placed into service by year end 2012.
- Investment Tax Credit (ITC): developers receive an ITC equal to 30% of eligible capex in full during the year the project is placed into service. Projects placed into service by year end 2012 are eligible for this option.
- Cash Grant: instead of receiving tax credits, developers can choose to receive a Cash Grant equal to the value of the ITC. To be eligible for this option, projects must be under construction by 2010 and placed into service by year end of 2012.

On July 2009 the US Treasury Department published the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits, as well as the application form. These documents set the application specifications for renewable energy producers to benefit from the cash grant.

In addition, the Economic Stimulus Bill includes a Federal Loan Guarantee program that provides credit support for up to $60 billion - $80 billion in loans directed to renewable energy projects; however, the rules and application process of this program are still unclear at this time.

Regarding the Spanish market, industry expects regulatory changes coming into place by the end of 2009, namely by publishing Real Decreto-ley 6/2009 in May 2009. This new legislation establishes the creation of a new Register ('Registro de preasignación para el régimen especial') for renewable energy producers with installed capacity under 20,155 MW that fulfil certain requirements. All facilities admitted in this register will be granted the remuneration set by the 'Real Decreto 661/2007'. The regulatory regime for facilities excluded from the register is still unknown and being developed.

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 reinforced during the IPO, EDPR decided to implement an 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 profitability and amount of energy generated by wind farms is dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Consequently, fluctuations in the amount of energy generated will impact the results of operations.

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 fuels, 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 Prestaçao 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.

a) 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.

b) 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 primarily from the shareholding in EDPR North America.

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.

c) 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.

d) Market price

As of 1H09, EDPR faced limited market price risk. For a significant portion of EDPR portfolio, prices are fixed and mainly 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. Still in 2008 the company closed a c. 2 TWh hedge in order to mitigate Spanish pool price fluctuations during 2009, which mitigates the risk related to fluctuations in market prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or mostly managed through long-term power purchase agreement (Brazil, Poland, Romania, Belgium and, fore and foremost, in the United States).

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:

e) Rules and regulations are subject to change
f) Changes in market conditions
g) Economic recessions, political risk and instability
h) 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, in liaise with a discipline risk management practice, EDPR uses financial derivatives and enters 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 is committed to increasing productivity and efficiency, reducing exposure to economic, environmental, and social risks and providing high quality of service to all stakeholders, from landowners to energy off-takers.

The company is strongly committed to seek this target, while integrating environmental and social aspects in planning and decision-making processes.

EDPR focuses its daily efforts on mitigating environmental impacts in all of its activities.

As such, 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.

During 2009, EDPR invested a significant amount in environmental related activities (eg. studies, impact assessments), leading to opportunities not only to mitigate impacts, but also to contribute further to the conservation of the ecosystems in which the company operates.

EDP Renováveis also adds to the communities where it has operations, not only through monetary donations, but also through the construction or improvement of the local facilities.

5.1 Improvement of Environmental Practices and efficient use of Resources

EDPR strives to use its resources in an efficient manner in all stages of its business, from development, construction, and operations of wind farms to the management of its corporate offices. But EDPR commitment to sustainability goes beyond its wind farm operations:

- There are recycling processes in the European and US offices;
- In the US the design of a new office space met the guidelines to earn Silver Certification in Leadership in Energy and Environmental Design (LEED); the company provides bike storage, subsidizes the use of public transportation and utilizes office appliances which meet US Environmental Protection Agency energy use requirements;
- In Europe, there is a formal policy related to the efficient use of resources in the company's offices. The company focuses in awareness and training in environmental issues and also to the separation and management of residues.

5.2 Environmental Protection

Throughout all business activities, EDPR aims to minimize its impact across the entire value chain while participating in initiatives that contribute further to the conservation of the environment.

All of the company's activities are based on an environmental policy that tries to protect the environment with the goal of attaining sustainable development.

This is mainly by (next page):

- Europe: Per the UNE-EN ISO 14001: 2004[3] the company is implementing an effective and efficient environmental management system across all phases of the project cycle, ensuring that the project will have the least impact possible to its surroundings. The company's policies and commitments were communicated to all the company during 2008.
- United States: In 2008, EDPR-NA drafted an Environmental Policy and Standards for the Development Phase which was subsequently adopted in January 2009. The company plans to develop an Environmental Management System and Standards for Construction and Operations in 2009.

EDPR, as a pure-play renewable energy provider, is contributing to the reduction of emissions into the environment by displacing generation from fossil-fired power plants (such as, coal, oil, and natural gas plants), and thus, avoiding the resulting emissions and pollution. Carbon Dioxide (CO_2) is believed to be a main cause of global warming and climate change, thereby disrupting ecosystems and causing unstable and dangerous weather patterns. In 2008, EDPR, through the production of emissions-free electricity, avoided 4,251 kilotons of CO_2.

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

[3] ISO 14001:2004 specifies requirements for an environmental management system to enable an organization to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organization subscribes, and information about significant environmental aspects.

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 CAPITAL

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.

	Jun-09	Dec-08	Growth
EDPR EU	345	324	6%
EDPR NA	281	276	2%
EDPR SA	6	0	n.a.
EDP Renováveis	37	30	23%
Total	**669**	**630**	**6%**

9. RESEARCH AND DEVELOPMENT (R&D)

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 commercials relations setting the tone for development R&D projects.

This above referred 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 AFTER CLOSING OF THE PERIOD

There were no events of substance which have occurred at subsequent date to the closing of the semester.

EDPR continues, according to plan, to execute on the implementation of legal entities re-organization on its French and Polish subsidiaries.

In July, US Treasury Department released a transparent and straight forward process for the cash grant program. The guidelines and rules published on July 9th provide more detail regarding eligibility and state a flexible concept of construction start. The US Treasury will begin to accept applications in August, which will be reviewed and paid within 60 days from submission. Furthermore, rules do not limit any potential new tax equity structure over cash grant projects

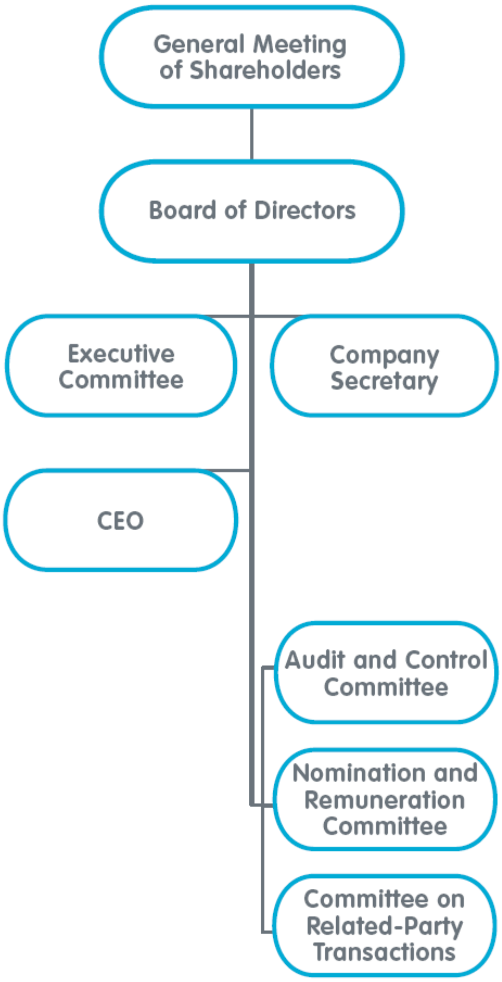
11. CORPORATE GOVERNANCE OVERVIEW

11.1 Model of Management and Supervision

EDPR 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.

These 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 EDPR is designed to ensure the transparent, meticulous separation of duties and the specialisation of supervision. The decision for this model was essentially to establish compatibility between two different systems of company law, which can be considered applicable to the model.

Although EDPR stock was only admitted to trading on Eurolist by 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 EDPR 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.

11.2 Changes in Corporate Bodies

- **Board of Directors**

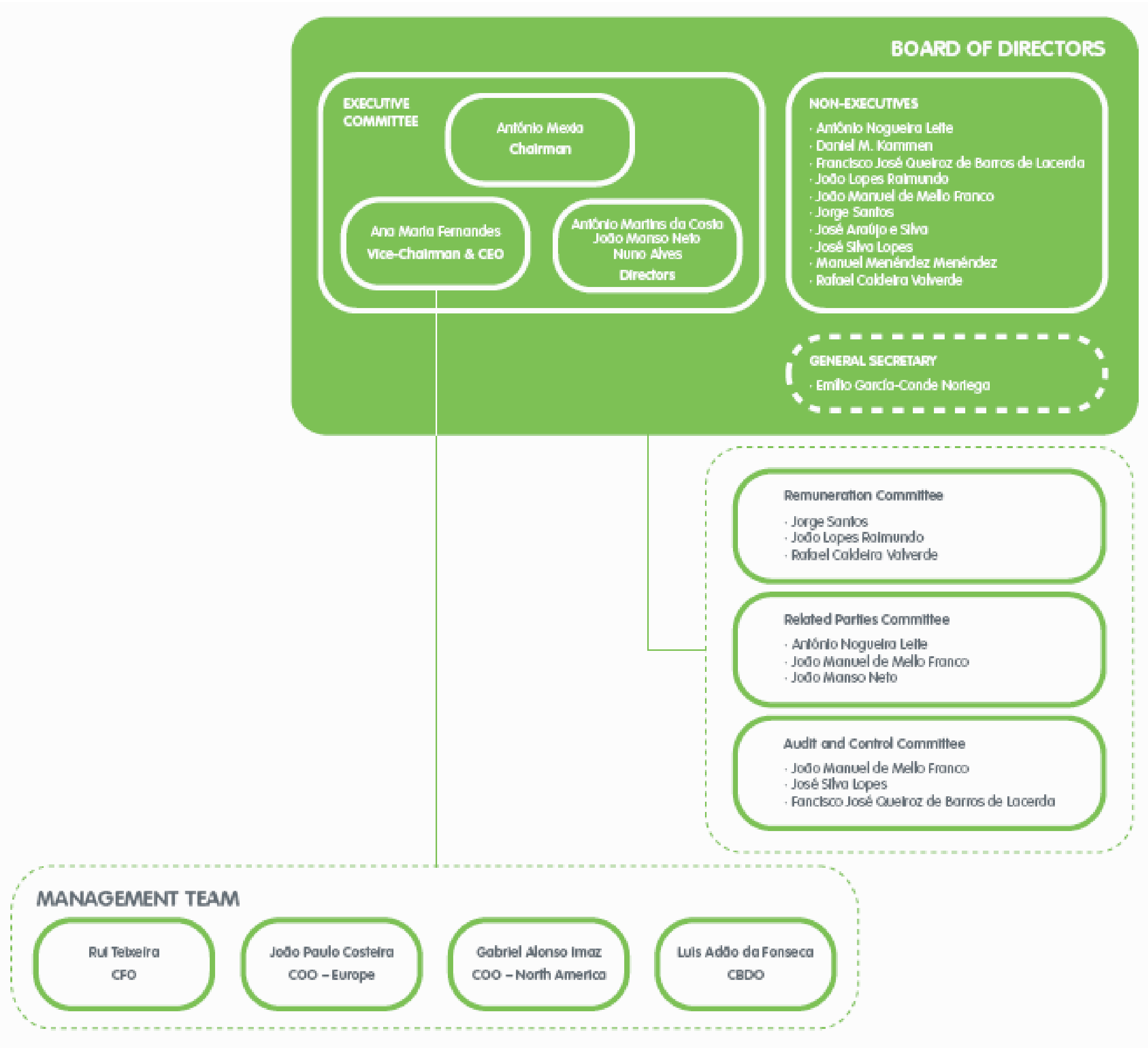
The Board of Directors has the broadest powers for the management and governance of the Company, with no limitations other than the competences expressly allocated exclusively to the General Meeting of Shareholders by law or the Articles of Association.

In April 2009 the Board of Directors was increased to 16 members, listed below:

Name	Position	Date of Appointment	End of Term
Antonio Mexia	Chairman and Director	3/18/08	3/18/11
Ana Maria Fernandes	Vice-Chairman, CEO	3/18/08	3/18/11
Antonio Martins da Costa	Director	3/18/08	3/18/11
Nuno Alves	Director	3/18/08	3/18/11
João Manso Neto	Director	3/18/08	3/18/11
José Silva Lopes*	Director (independent)	6/4/08	6/4/11
António Nogueira Leite*	Director (independent)	6/4/08	6/4/11
Rafael Caldeira Valverde*	Director (independent)	6/4/08	6/4/11
José Araújo e Silva*	Director (independent)	6/4/08	6/4/11
Manuel Menéndez Menéndez*	Director	6/4/08	6/4/11
Jorge Santos*	Director (independent)	6/4/08	6/4/11
Francisco José Queiroz de Barros de Lacerda*	Director (independent)	6/4/08	6/4/11
João Manuel de Mello Franco*	Director (independent)	6/4/08	6/4/11
João Lopes Raimundo*	Director (independent)	6/4/08	6/4/11
Daniel M. Kammen*	Director (independent)	6/4/08	6/4/11
Giller August	Director (independent)	4/14/09	4/14/12

* Apponted 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

11.3. Summarized Organization Chart



11.4 Shareholder Structure

EDPR is a public company trading at Euronext Lisboa since June 2008, when 196,024,306 shares representing 22.5% of its share capital where subject to an initial public offer.

At 30 June 2009 the shareholder structure was the following (next page):

Shareholder Structure	# Shares
30 June 2009	
EDP	541,027,156
Hidrocantábrico	135,256,700
Free Float	196,024,306
Total	**872,308,162**

All EDPR shares are of the same category. Under the Spanish Ley de Sociedades Anónimas, approved by Royal Decree RD 1564/1989 of 22 December 1989 (hereinafter Public Company Law) and the Articles of Association of EDPR, 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 EDPR.

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 EDPR is dissolved.

11.5 Share Price

EDPR share price evolution in the 1H09 was extremely positive, ending the period with a price nearly 1,5x higher than in January 2009. This growth is particularly relevant given the stock markets performance.

The table below summarize EDPR shares performance during the first six months of 2009:

EDPR shares on Euronext Lisboa (euros)	1H09
Opening Price	5.00
Closing Price	7.30
Highest Price	7.64
Lowest Price	5.00

Variation in price (versus reference indexes) is shown below:

Variation in price and reference indexes	1H09
EDPR shares	45.9%
PSI20	12.1%
Dow Jones Eurostoxx Utilities	-13.9%
Euronext 100	0.4%

And liquidity of EDPR shares:

Liquidity of EDPR shares on markets	1H09
Volume on Euronext Lisboa (€ millions)	923.3
Daily average volume (€ millions)	7.2
Number of shares traded	149,114,248
Average number of shares traded	1,155,924
Total number of shares issued	872,308,162
Number of own shares	0

In June 2009 the company's market capitalization was c. €6.4 billion, c. 46% above the beginning of the current year:

Market values of EDPR (€ millions)	
Market capitalization at 31/12/2008	€ 4,364
Market capitalization at 30/06/2009	€ 6,368

12. DISCLAIMER

This report has been prepared by EDP Renováveis, S.A. (the "Company") to support the presentation of 1H09 financial and operational performances. Therefore, the disclosure or publish of this document for any other purpose without the express and prior written consent of the Company is not allowed. EDP Renováveis does not assume any responsibility for this report if it is used for different purposes.

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The 1H09 management report contains forward-looking information and statements about the Company that are not historical facts. Although EDP Renováveis is confident these expectations are reasonable, they are subject to several risks and uncertainties that are not predictable or quantifiable in advance. Therefore, future results and developments may differ from these forward-looking statements. Given this, forward-looking statements are not guarantees of future performance.

The forward-looking information and statements herein contained are based on the information available at the date of the present document. Except when required by applicable law, the Company does not assume any obligation to publicly update or revise said forward-looking information or statements.

ATTACHED – EDP RENOVÁVEIS CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/JUN/2009

The present report for the first semester of 2009 has not been audited by the company's external auditors.

Made in Madrid, July 27th of 2009