



renováveis

**MANAGEMENT REPORT**

**JUNE 2011**

**MANAGEMENT REPORT**  
**of**  
**EDP Renováveis Group (EDPR)**

*1<sup>st</sup> Semester of 2011 (6 months ending June 30<sup>th</sup>, 2011)*

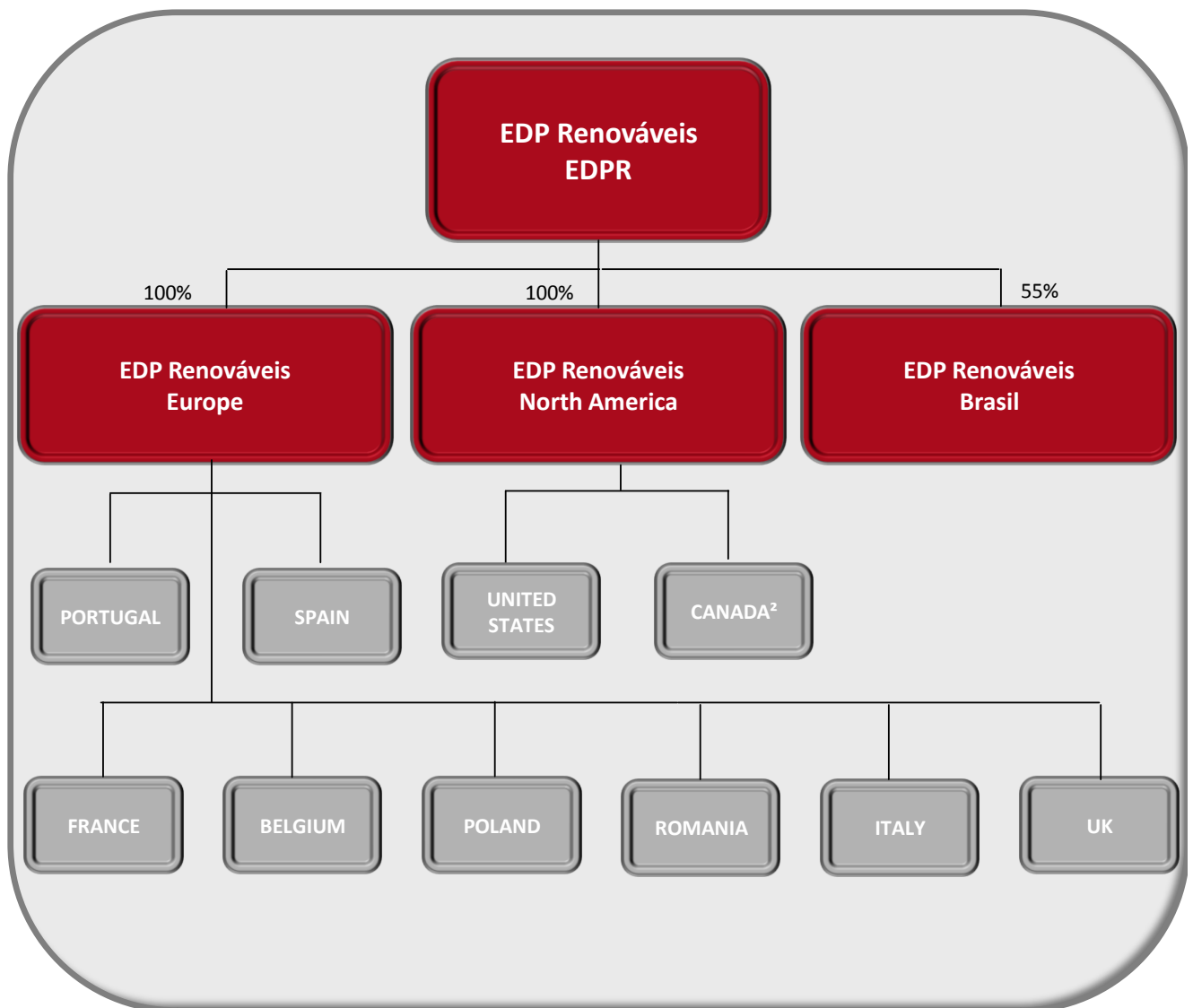
**Table of Contents**

0. ORGANIZATIONAL CHART .....	3
1. MAIN EVENTS OF THE PERIOD .....	4
2. PERFORMANCE OF 1 <sup>st</sup> SEMESTER 2011 (1H11) .....	11
3. REGULATORY ENVIRONMENT .....	21
4. RISK MANAGEMENT.....	31
5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS.....	38
6. ENVIRONMENTAL PERFORMANCE .....	39
7. HUMAN CAPITAL.....	42
8. RESEARCH AND DEVELOPMENT (R&D).....	46
9. RELEVANT SUBSEQUENT EVENTS .....	47
10. CORPORATE GOVERNANCE OVERVIEW .....	49
11. SHAREHOLDER STRUCTURE .....	52
12. CAPITAL MARKETS.....	53
13. DISCLAIMER.....	55

ATTACHED – EDP RENOVÁVEIS CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/JUN/2011

**0. ORGANIZATIONAL CHART**

**EDP Renováveis Organization<sup>1</sup>**



<sup>1</sup> Non-exhaustive Organization Chart, illustrating simplified geography of presence rather than comprehensive list of legal entities. For simplification purposes, country holdings are shown

<sup>2</sup> 100% owned by EDPR, operationally integrated in EDPR NA

## 1. MAIN EVENTS OF THE PERIOD

### JANUARY

None

### FEBRUARY

#### **Feb 18<sup>th</sup> – EDP Renováveis disclosed 2010 provisional data**

In 2010 EDPR wind energy capacity grew by 1.1 GW (+20% YoY), adding 947 MW to its consolidated installed capacity (EBITDA MW) and 154 MW (attributable to EDPR) through the Eólicas de Portugal consortium. At the end of December 2010, EDPR managed a portfolio of 6.4 GW in 8 different countries plus 239 MW through its interest in Eólicas de Portugal. In 2010, EDPR successfully installed a total of 501 MW in Europe and 600 MW in the US.

In 2010 EDPR produced 14.4 TWh of clean energy, a 32% increase vs. 2009. EDPR's portfolio effect was clearly visible this year, with Europe and US showing different growth profiles on a quarterly basis but delivering at the end of the year respectively 33% and 30% increase YoY of its electricity output.

EDPR achieved a solid top-sector load factor of 29%, with the capacity factor reaching 27% in Europe and 32% in the US, underlying the high quality of EDPR's assets. The annual stability on the total average load factor is the result of a balanced portfolio, a selective geographical diversification and a strong knowledge in maximizing windfarms' output.

#### **Feb 24<sup>th</sup> – EDP Renováveis announced 2010 results**

Revenues reached €948 million (+31% YoY) and EBITDA €713 million (+31% YoY), with an EBITDA margin of 75%. Net income decreased 30% YoY to €80 million.

## MARCH

### **Mar 30<sup>th</sup> – EDP Renováveis takes full control of Genesa**

EDP Renováveis takes full control of Genesa, following the decision of Caja Madrid to exercise its put option over its 20% stake in Genesa, in accordance to the provisions under the shareholders' agreement.

An agreement was signed between EDPR and Caja Madrid, under which the strike price of the put option was set at €231 million.

With the closing of this transaction, EDPR controls 100% of Genesa – a company that as of December 2010 had in Spain 1.7 GW of wind installed capacity, 50 MW under construction and 3.9 GW of pipeline & prospects –, enabling a more efficient management and structure of EDPR's business in Spain.

## APRIL

### **Apr 7<sup>th</sup> – EDP Renováveis sells financial stake in Spanish wind farm**

EDP Renováveis closed an agreement with Enel Green Power Spain to sell its stake in SEASA - a company with 74 operating MW in Spain.

EDPR sells its 16.67% equity shareholding by €10.7 million (or €24.5 million of enterprise value, including the equivalent net debt as of December 10).

With this transaction, EDPR crystallizes the value of a non controlling minority stake and recognizes an after-tax capital gain of €6.6 million.

### **Apr 11<sup>th</sup> – EDP Renováveis Annual Shareholder's Meeting**

EDP Renováveis Annual General Shareholders' Meeting was held on April 11<sup>th</sup> and approved the following resolutions:

- Review and approval of the individual and consolidated accounts for the fiscal year ended on December 31, 2010, namely the balance sheet, profit and loss account, changes to the net assets, cash flow statement and notes.
- Review and approval of the application of results for the fiscal year ended on December 31<sup>st</sup>, 2010: i) Base breakdown: profit for the year 2010: €44,091,046.97; ii) Distribution: €4,409,104.70 to legal reserve and €39,681,942.27 to voluntary reserve.

- Review and approval of the Individual Management Report, Consolidated Management Report with its subsidiaries, and the Corporate Governance Report, for the fiscal year ended on December 31<sup>st</sup>, 2010.
- Review and approval of the management conducted by the Board of Directors during the fiscal year ended on December 31<sup>st</sup>, 2010, as well as a vote of confidence to its members.
- Approval of the remuneration policy for the managers of EDP Renováveis.
- Board of Directors: re-election of António L. Guerra Nunes Mexia, Ana Maria Machado Fernandes, Nuno Maria Pestana de Almeida Alves and João Manuel Manso Neto as Directors; and appointment of Rui Manuel Rodrigues Lopes Teixeira as Director.
- Re-election of Rui Manuel Parente Chancellere Machete as the Chairperson of the General Meeting.
- Re-election, as Auditor of EDP Renováveis S.A., of KPMG Auditores, S.L. recorded in the Official Register of Auditors under number S0702 and with Tax Identification Number B-78510153, for the year 2011.
- Delegation of powers to the Chairperson of the Board, António L. Guerra Nunes Mexia, to the Vice-Chairperson, Ana Maria Machado Fernandes, and to the Company Secretary, Emilio Garcia-Conde Noriega, for the formalization and implementation of all resolutions adopted at the General Shareholders' Meeting, for the purpose of celebrating the respective public deed and to permit its interpretation, correction, addition or development in order to obtain the appropriate registrations.

#### **Apr 14<sup>th</sup> – EDP Renováveis Board of Directors approved resolutions**

EDP Renováveis Board of Directors approved, pursuant to the terms provided for under the applicable Spanish law, the following resolutions:

- Renew António Luís Guerra Nunes Mexia (Chairperson), Ana Maria Machado Fernandes (Vice-Chairperson), João Manuel Manso Neto and Nuno Maria Pestana de Almeida Alves mandates as members of the EDP Renováveis Executive Committee, and appointment of Rui Manuel Rodrigues Lopes Teixeira as member of the same committee;
- Renew Ana Maria Machado Fernandes mandate to exercise the function of Chief Executive Officer, as “Consejera Delegada” of EDP Renováveis;
- Renew João Manuel Manso Neto mandate as member of the Related Party Transactions Committee;
- Following Francisco Queiroz de Barros de Lacerda resignation request as member of the Audit and Control Committee, João José Belard da Fonseca Lopes Raimundo has been appointed as member of the Audit and Control Committee.

### **Apr 18<sup>th</sup> – EDP Renováveis disclosed 1Q2011 provisional data**

In the last 12 months, EDP Renováveis' wind energy capacity grew by 1.2 GW (+21% YoY), adding 1,058 MW to its consolidated installed capacity (EBITDA MW) and 138 MW (attributable to EDPR) through the Eólicas de Portugal consortium. At the end of March 2011, EDPR managed a portfolio of 6.6 GW in 8 different countries plus 239 MW through its interest in Eólicas de Portugal.

In the 1Q11, EDPR produced 4,421 GWh of clean energy, a 21% increase vs. 1Q10, in line with capacity growth. The annual growth of electricity generation also benefited from a stronger wind resource in the US, while in Europe the effect from the capacity additions over the last 12 months was partially offset by the lower wind resource in the Iberian Peninsula in the 1Q11 vis-à-vis an unusually strong wind resource in the 1Q10.

EDPR achieved a solid top-sector load factor of 33%, reaching 29 % in Europe and 35% in the US, underlining the high quality of EDPR's assets. The stability of the total average load factor is a result of a balanced portfolio, a selective geographical diversification and a strong knowledge in maximizing wind farm output.

### **MAY**

### **May 4<sup>th</sup> – EDP Renováveis announced 1Q2011 results**

Revenues increased 17% YoY to €284 million resulting in a 19% YoY EBITDA increase to €220 million, with an EBITDA margin of 77%. Net income reached €49 million (+16% YoY).

### **JUNE**

### **Jun 3<sup>rd</sup> – EDP Renováveis is awarded new long-term contract in the US**

EDP Renováveis, through its fully owned subsidiary Horizon, was awarded a 10-year contract by NYSERDA in conjunction with the PSC to sell the RECs equivalent to 45 MW from its Marble River Wind Farm project in the state of New York, expected to be commissioned in 2012.

This agreement follows the contract awarded in April 2010 also from NYSERDA and PSC to sell for 10-years the RECs equivalent to 171 MW of the Marble River Wind Farm, bringing the total contracted capacity to 216 MW.

EDPR keeps its commitment to install capacity with high top-line visibility for the long-term.

## **Jun 6<sup>th</sup> – EDP Renováveis establishes a partnership for the development of 2.4 GW wind offshore capacity in the UK**

EDP Renováveis announced its entry into a partnership with Repsol to jointly develop up to 2.4 GW of offshore wind projects in the UK. EDPR will lead the partnership with a 60% share in the overall capacity to be developed.

Following Repsol's acquisition of the entire share capital of SERL from SeaEnergy PLC and SERL's subsequent restructuring, EDPR will hold the following interests in the various offshore projects:

- 67% of Moray Offshore Wind Limited ("MORL"), previously held at 75% by EDPR and 25% by SERL: MORL is developing up to 1.5 GW at Zone 1 of UK Round 3 offshore wind farm leasing programme conducted by The Crown Estate;
- 49% of Inch Cape Offshore Wind Limited ("Inch Cape") previously held at 100% by SERL: Inch Cape is developing up to 0.9 GW in the outer Firth of Tay region pursuant to an Agreement for Lease with The Crown Estate under the Scottish Territorial Waters leasing programme.

The acquisition of SERL by Repsol is subject to approval by the shareholders of SeaEnergy PLC and is expected to be completed by 30<sup>th</sup> June 2011. The full transaction scope is also subject to approval by The Crown Estate.

The MORL and Inch Cape project companies are currently in the process of securing the required consents for their respective offshore wind developments and ancillary infrastructures.

With this new partnership, EDPR increases its pipeline in the offshore wind technology, thereby enlarging and diversifying the company's long term profitable growth options and balancing its risk, while partnering with Repsol, a 1<sup>st</sup> class company in the Energy Sector with a strong commitment to develop offshore wind capacity.

## **Jun 21<sup>st</sup> – EDP Renováveis Extraordinary Shareholder Meeting**

EDP Renováveis informs that the Extraordinary Shareholders' Meeting held on this day approved the following resolutions:

- Increase of the number of the members of the Board of Directors in one (1) member, so that the Board of Directors will have seventeen (17) members.
- Board of Directors: re-election of João Manuel de Mello Franco, Jorge Manuel Azevedo Henriques dos Santos, José Fernando Maia de Araújo e Silva, Rafael Caldeira de Castelo Branco Valverde, João José Belard da Fonseca Lopes Raimundo, António do Pranto Nogueira Leite, Francisco José Queiroz de Barros de Lacerda and Manuel Menéndez Menéndez as Directors; and the appointment of João Paulo Nogueira da Sousa Costeira, Gabriel Alonso Imaz and Luís de Abreu Castello-Branco Adão da Fonseca as Directors.



- Board of Directors: re-election of António Luís Guerra Nunes Mexia, Ana Maria Machado Fernandes, João Manuel Manso Neto, Nuno Maria Pestana de Almeida Alves, Rui Manuel Rodrigues Lopes Teixeira and Gilles August as Directors in order to start all the terms on the same date as the rest of the members of the Board of Directors.
- Amendments to the Articles 12.4, 12.6, 26 and 27.3 of the Bylaws.
- Establishment of a maximum limit to the Directors remuneration according to Article 26.4 of the Bylaws.
- Delegation of powers to the formalization and implementation of all resolutions adopted at the General Shareholders' Meeting, for the purpose of celebrating the respective public deed and to permit its interpretation, correction, addition or development in order to obtain the appropriate registrations.

### **June 21<sup>st</sup> – EDP Renováveis execute project finance for 138 MW in Romania**

EDP Renováveis has executed a project finance structure agreement with a consortium of banks led by the EBRD and the IFC, a member of the World Bank Group, for 138 MW in Romania.

The long-term contracted debt facility amounts to €115 million and the transaction financial close is expected to occur in the third quarter of 2011.

Cernavoda I (69 MW) was the first wind farm installed by EDPR in Romania, being currently in full operation, while the Cernavoda II wind farm (69 MW) is currently under commissioning.

This transaction provides strong evidence of EDPR competences in the development of top quality projects and financial structures meeting the requirements of partners with rigorous investment criteria and a strong focus on renewable energy development.

### **Jun 27<sup>th</sup> – EDP Renováveis Board of Directors approved resolutions**

EDP Renováveis informs that the Board of Directors approved, pursuant to the terms provided for under the applicable Spanish law, the following resolutions:

- Renew António Luís Guerra Nunes Mexia (Chairperson), Ana Maria Machado Fernandes (Vice-Chairperson), João Manuel Manso Neto, Nuno Maria Pestana de Almeida Alves and Rui Manuel Rodrigues Lopes Teixeira as members of the EDP Renováveis Executive Committee, and appoint João Paulo Nogueira da Sousa Costeira, Gabriel Alonso Imaz and Luís de Abreu Castello-Branco Adão da Fonseca as members of the same committee;
- Renew Ana Maria Machado Fernandes mandate to exercise the function of Chief Executive Officer, as “Consejera Delegada” of EDP Renováveis;
- Renew João Manuel de Mello Franco as Chairperson of the Audit and Control Committee, and renew João José Belard da Fonseca Lopes Raimundo and appoint Jorge Manuel Azevedo Henriques dos Santos as members of the same committee;

- Renew Jorge Manuel Azevedo Henriques dos Santos as Chairperson of the Nominations and Remunerations Committee, and renew Rafael Caldeira de Castel-Branco Valverde and appoint Francisco José Queiroz de Barros de Lacerda as members of the same committee;
- Renew António do Pranto Nogueira Leite as Chairperson of the Committee on Related-Party Transactions and renew João Manuel de Mello Franco and João Manuel Manso Neto as members of the same committee.

### **Jun 28<sup>th</sup> – EDP Renováveis awarded with 127 MW in Spain**

The Spanish regional Government of Aragón has announced the granting of a total of 1.2 GW in its tender to award electricity production licenses through wind energy.

EDP Renováveis was awarded with 127 MW in the region of Aragón under the above mentioned tender, corresponding to 11% of the total assigned capacity.

The execution of these wind projects are subject to the regular process of development and licensing, in accordance with the Law and with the applicable regulation in Spain.

The projects awarded to EDPR are expected to reach the ready-to-build phase from 2013 onwards.

## 2. PERFORMANCE OF 1<sup>st</sup> SEMESTER 2011 (1H11)

### 2.1 Operational and Financial Performance

#### 2.1.1 Operating Overview

EBITDA MW + ENEOP	1H11	1H10	Δ 11/10	Δ %
Europe	3.526	2.936	590	20%
US	3.278	2.715	563	21%
Brazil	84	14	70	500%
ENEOP	275	127	148	117%
<b>EDPR</b>	<b>7.163</b>	<b>5.792</b>	<b>1.370</b>	<b>24%</b>

EDPR added 1,370 MW YoY to its EBITDA + ENEOP installed capacity, of which 738 MW were in Europe, 563 MW in the US and 70 MW in Brazil. As of Jun-11, EDPR had 89% of its portfolio under long-term contracts and visible regulatory frameworks, and only 11% purely exposed to the US spot electricity markets.

Load Factor (%)	1H11	1H10	Δ 11/10
Europe	26%	29%	(2 pp)
US	36%	32%	+4 pp
Brazil	24%	23%	+1 pp
<b>EDPR</b>	<b>32%</b>	<b>31%</b>	<b>+1 pp</b>

During the first half of 2011, the average load factor increased by 1 p.p. to 32%, one of the highest in the wind sector, as the company continues to leverage its balanced portfolio and competitive advantages to maximize overall EDPR fleet output. In the US, the wind resource registered a strong recovery in the 2Q11, leading to an accumulated 1H11 load factor of 36% (+4 p.p. YoY). In Europe, the load factor decreased to 26%, given the lower wind resource in the 1H11 vs. a notably high resource registered in 1H10.

GWh	1H11	1H10	Δ 11/10
Europe	3.567	3.244	13%
US	5.105	3.682	39%
Brazil	29	14	107%
<b>Total</b>	<b>8.790</b>	<b>6.940</b>	<b>27%</b>

Following the load factor improvement, the 1H11 electricity output increased 27% YoY, outpacing the new capacity brought online (+24%). The output in the US grew at a strong rate (+39% YoY), while in Europe the electricity generation improved by 13% YoY, below the capacity increase due to the lower wind resource.

Out of the total electricity output in the 1H11, 84% was sold under long-term remuneration schemes, while 16% was exposed to the US spot electricity prices (spot exposure will decrease once all signed PPA contracts in the US start to contribute in 2012).

### 2.1.2 Development of Capacity and Capex

<b>Installed Capacity (MW)</b>	<b>1H11</b>	<b>1H10</b>	<b>Δ YTD</b>	<b>Δ 11/10</b>
Spain	2.190	1.923	+140	+267
Portugal	599	595	-	+4
France	284	241	-	+43
Belgium	57	57	-	-
Poland	168	120	+48	+48
Romania	228	-	+138	+228
<b>Europe</b>	<b>3.526</b>	<b>2.936</b>	<b>+326</b>	<b>+590</b>
<b>USA</b>	<b>3.278</b>	<b>2.715</b>	<b>+54</b>	<b>+563</b>
<b>Brazil</b>	<b>84</b>	<b>14</b>	<b>+70</b>	<b>+70</b>
<b>Sub-total</b>	<b>6.887</b>	<b>5.665</b>	<b>+450</b>	<b>+1.222</b>
ENEOP - Eólicas de Portugal (equity consolidated)	275	127	+36	+148
<b>EBITDA MW + ENEOP</b>	<b>7.163</b>	<b>5.792</b>	<b>+486</b>	<b>+1.370</b>

By June 2011 EDPR manages a global portfolio of 7,163 MW in 8 different countries (including its interest in the Eólicas de Portugal consortium equity consolidated). During the last 12 months, 1.4 GW were added to the installed capacity, of which 738 MW were in Europe, 563 MW in the US and 70 MW in Brazil.

For 2011, EDPR expects to install 800-900 MW, with most of the new MW to be installed in Europe. In 1H11, EDPR installed 486 MW (~60% of the forecast for the full year): 362 MW in Europe, 54 MW in the US and 70 MW in Brazil.

<b>Under Construction (MW)</b>	<b>1H11</b>
Spain	61
France	22
Poland	22
Romania	57
Italy	20
<b>Europe</b>	<b>181</b>
<b>USA</b>	<b>144</b>
<b>EBITDA MW</b>	<b>325</b>
ENEOP - Eólicas de Portugal (equity consolidated)	50
<b>EBITDA MW + Eólicas de Portugal</b>	<b>376</b>

By June 2011 EDPR had 376 MW under construction, of which 231 MW were in Europe and 144 MW in the US. In Europe, 61 MW were under construction in Spain, 50 MW in Portugal (related with the attributable capacity to EDPR under the Eólicas de Portugal consortium), 22 MW in France, 57 MW in Romania, 22 MW in Poland and was started the construction of the first wind farm in Italy (20 MW). In the US, EDPR is concluding the commissioning of the remaining capacity in the Timber Road II wind farm (45 MW) and started construction of the Blue Canyon VI wind farm in Oklahoma (99 MW).

<b>Capex (€m)</b>	<b>1H11</b>	<b>1H10</b>	<b>Δ %</b>	<b>Δ €</b>
<b>Europe</b>	<b>154</b>	<b>285</b>	<b>(46%)</b>	<b>(131)</b>
<b>US</b>	<b>129</b>	<b>527</b>	<b>(76%)</b>	<b>(398)</b>
<b>Brazil</b>	<b>59</b>	<b>15</b>	<b>284%</b>	<b>+44</b>
Other	3	7	(55%)	(4)
<b>Total Capex</b>	<b>345</b>	<b>834</b>	<b>(59%)</b>	<b>(489)</b>

Capex in the 1H11 was 345M€, reflecting the MW added in the period and the capacity under construction. The 1H11 capex decreased by 59% YoY mainly explained by the capacity growth deceleration planned for 2011. Out of the 345M€ capex for the 1H11, 118M€ were related to the

conclusion of new installed MW, while 227M€ were assigned to capacity under construction and under development.

Pipeline (MW)	Tier 1	Tier 2	Tier 3	Sub-Total	Prospects	Total
Europe	473	1.164	4.503	6.140	4.275	10.415
North America	975	6.558	7.095	14.627	4.087	18.714
Brazil	81	153	560	794	700	1.494
<b>Total</b>	<b>1.529</b>	<b>7.874</b>	<b>12.158</b>	<b>21.561</b>	<b>9.062</b>	<b>30.623</b>

Today, EDPR has a pipeline of projects in excess of 30.5 GW in 11 different countries. Besides the current geographies with operating capacity, EDPR recently announced that it will develop up to 2.4 GW of wind offshore capacity in the UK jointly with Repsol, following the acquisition by Repsol of EDPR's previous partner SeaEnergy. EDPR therefore increases its presence in the UK offshore wind to 1.45 GW (60% of the partnership), and at the same time benefiting from a partnership with a company with a level of expertise in the energy sector and a strong commitment to the development of offshore wind capacity.

## 2.2 Condensed Consolidated Financial Statements

### 2.2.1 Statement of Financial Position

Statement of Financial Position (M€)	1H2011	2010YE	Δ	Δ %
<b>Assets:</b>				
Fixed Assets	9,742	10,004	-262	-3%
Goodwill	1,287	1,344	-57	-4%
Financial Investments	64	64	0	-1%
Debtors and other non-current assets	177	162	15	9%
<b>Total non-current assets</b>	<b>11,270</b>	<b>11,575</b>	<b>-305</b>	<b>-3%</b>
Debtors and other current assets	603	837	-234	-28%
Cash and cash equivalents	204	424	-220	-52%
<b>Total current assets</b>	<b>807</b>	<b>1,261</b>	<b>-454</b>	<b>-36%</b>
<b>TOTAL ASSETS</b>	<b>12,077</b>	<b>12,835</b>	<b>-758</b>	<b>-6%</b>
<b>Equity:</b>				
Capital, reserves and retained earnings	5,259	5,188	72	1%
Net profit attributable to equity holders of EDPR	90	80	9	12%
Non-controlling interests	123	126	-3	-2%
<b>Total Equity</b>	<b>5,472</b>	<b>5,394</b>	<b>78</b>	<b>1%</b>
<b>Liabilities:</b>				
Medium / long-term financial debt	3,318	3,326	-8	0%
Employee benefits	47	54	-7	-13%
Creditors and other non-current liabilities	2,389	2,770	-381	-14%
<b>Total non-current liabilities</b>	<b>5,574</b>	<b>6,149</b>	<b>-396</b>	<b>-6%</b>
Short-term financial debt	238	208	30	15%
Creditors and other current liabilities	614	1,085	-471	-43%
<b>Total current liabilities</b>	<b>851</b>	<b>1,292</b>	<b>-441</b>	<b>-34%</b>
<b>Total Liabilities</b>	<b>6,605</b>	<b>7,442</b>	<b>-836</b>	<b>-11%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,077</b>	<b>12,835</b>	<b>-758</b>	<b>-6%</b>

Overall, during 1H11 EDPR strengthened its balance sheet since assets reduced by 6%, while liabilities were reduced by 11%, leading to an equity ratio (Total Equity / Total Assets) of 45% (vs. 42% by 2010).

Total assets totaled 12,077 M€ by the end of 1H2011 corresponding to a c. 6% decrease (or 758 M€) when compared to prior year. Of this, 9,742 M€ relate to Tangible and Intangible Fixed Assets which decreased year-on-year by 262 M€, essentially resulting from: i) capital expenditures in

EDPR EU, EDPR NA and EDPR BR (345 M€); ii) effect from the depreciation and amortization in the period (-218 M€), and iii) effect from forex translation mainly due to the appreciation of Euro against the US Dollar (-370 M€).

Total Equity amounted to 5,472 M€ at the end of 1H2011. The increase in capital, reserves and retained earnings is mainly the application of the net profit attributable to equity holders of the parent in prior year (80 €M).

Total Liabilities summed 6,605 M€ by the end of 1H2011 corresponding to a c. 11% decrease (or 454 M€) versus prior year-end. Total non-current liabilities decrease mainly resulting from:

i) lower liabilities with institutional partnerships in US wind farms (-161 M€) driven in great part from the effect of forex translation and, ii) the reduction of the fair value of derivative financial instruments (-147 M€). Total current liabilities decrease generally resulting from i) lower trade payables, mostly property and equipment suppliers, (-294 M€) and, ii) the liquidation of the exercise price related to option for non-controlling interests (-234 M€).

## 2.2.2 Statement of Income

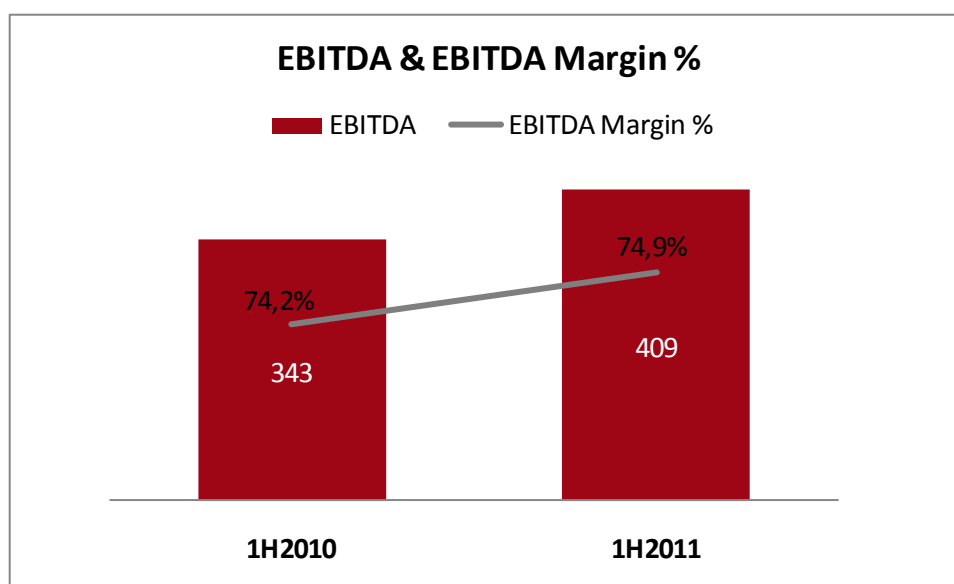
Statement of Income (M€)	1H2011	1H2010	Δ	Δ %
Revenues (incl. Tax Equity Revenues)	546	462	85	18%
Opex & other operating income / (expense)	(137)	(119)	(18)	15%
<b>EBITDA</b>	<b>409</b>	<b>343</b>	<b>66</b>	<b>19%</b>
Provisions	0	0	0	n.d.
Depreciation and amortization (net)	(211)	(197)	(14)	7%
<b>EBIT</b>	<b>198</b>	<b>146</b>	<b>52</b>	<b>36%</b>
Gains/(losses) from the sale of financial assets	10	-	10	n.d.
Financial results	(98)	(89)	(9)	10%
Share of profit in associates	3	3	0	n.d.
<b>EBIT</b>	<b>114</b>	<b>61</b>	<b>53</b>	<b>88%</b>
Income taxes	(23)	(16)	(7)	43%
<b>Profit of the period</b>	<b>90</b>	<b>44</b>	<b>46</b>	<b>104%</b>
<b>Net Income attributable to equity holders of EDPR</b>	<b>90</b>	<b>43</b>	<b>47</b>	<b>109%</b>
Non-controlling interests	1	1	0	n.d.

First semester revenues grew 18% YoY to 547 M€ impacted by the electricity output increase (+27% YoY), despite the 6% decrease in average realized tariff. Average selling price, excluding revenues associated with the Production Tax Credits in the US, was lower at €55.6/MWh due to:



i) a weaker US Dollar (-€1.1/MWh impact); ii) a different generation mix, with a higher weight of the US (-€2.7/MWh impact); iii) a drop in the US average prices (-9%), following the low electricity spot prices and different structures in some of the new PPAs/hedge contracts (-€1.7/MWh impact); but mitigated by iv) a positive contribution from all European geographies (+5%), following the higher pool prices in Spain and a stronger output in the Rest of Europe, which was sold at prices above the portfolio average.

EDPR continued focus on operational efficiency, with Opex<sup>3</sup> amounting to 137 M€, led to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) YoY growth of 19% to 409M€ impacted by strong operating growth, although negatively impacted by a weaker US Dollar and an EBITDA Margin (EBITDA / Revenues<sup>4</sup>) of 75%.



Provisions, Depreciation and Amortization amounted to 211 M€ in 1H2011 (197 M€ in 1H2010). In the 2Q11, EDPR adjusted the useful life of its operating assets to 25 years, following the result of a technical study conducted by an industry expert on the expectable period that each turbine is able to be economically in operation. The useful life extension had a €21m net impact on the bottom line in the 2Q11 stand-alone, mainly as a result of lower depreciation charges.

Below the EBIT line, EDPR realized in the 2Q an after-tax capital gain of €6.6m after selling its stake in SEASA for a €2.0m/MW multiple.

The financial results amounted to 98 M€ in the 1H11, 10% above the 89 M€ registered in the 1H10. This is mainly explained by i) the increase in interest costs mainly as a result of a higher

<sup>3</sup> Defined as Operating Costs + Revenues from Tax Equity Partners – Other Operating Results

<sup>4</sup> Defined as Revenues + Revenues from Tax Equity Partners – Cost of Used Goods

average debt, in line with the growth over the last 12 months, partially mitigated by ii) positive foreign exchange differences. Moreover, 91% of EDPR's financial debt is at a fixed rate. EDPR continues to follow a long-term fixed rate funding strategy to match the operating cash flow profile with its financing costs, therefore mitigating its interest rate risk. Most of the debt contracted with EDP and financial institutions have a post-2018 maturity (in line with long-term profile of our assets).

Net income (attributable to equity holders of EDPR) in the 1H11 posted a two-fold increase to 90 €M, representing an increase of 109% vis-à-vis 1H2010 (43 M€), reflecting the operating performance in the period, the extension of the projects' useful life and the capital gain from the sale of EDPR's stake in SEASA.

### 2.2.3 Cash-flow and change in Net Debt

Cash-Flow (M€)	1H2011	1H2010	Δ	Δ %
FFO (Funds from Operations)	290	255	35	13%
Operating cash-flow	353	237	116	49%
Net Investing cash-flow	(388)	(485)	97	20%
<b>Decrease / (increase) in Net Debt</b>	<b>(437)</b>	<b>(593)</b>	<b>156</b>	<b>26%</b>

In the 1H11, EDPR's operations generated a cash-flow of 353 M€, delivering a 49% growth YoY, clearly demonstrating the recurrent cash generation capabilities of the operating assets. Investment activities, including capex, acquisitions, investments & divestments, and working capital related to PP&E suppliers amounted to 742 M€, above the operating cash-flow and leading to a 437 €M increase in the Net Debt in the period.

The key cash-flow items that explain the 1H11 cash evolution are the following:

- Funds From Operations, resulting from EBITDA after net interest expenses, associates and taxes increased 13% YoY. Interest expenses evolution came in line with the EBITDA;
- Operating Cash-Flow, adjusted by net financial costs, non-cash items (namely revenues from institutional partnerships) and net of changes in working capital, amounted to 353 M€ (+49% YoY);
- Investing activities amounted to 742 M€, which encompasses: i) the capital expenditures with capacity installed and with projects under construction (345 M€); ii) the financial investments and divestments, which includes the acquisition of a 20% additional stake in Genesa for 231 M€ and the divestment of the financial stakes in two wind farms from which EDPR cashed-in a total

27 M€; and iii) the working capital related with PP&E suppliers of 232 M€, which reflects the payment of fixed assets booked in previous periods;

- Funding breakdown of investment activities: i) Operating Cash-Flow more than covered the 1H11 capex (345 M€); while ii) the remaining investment expenditures were mostly covered by cash and equivalents;
- Forex translation decreased Net Debt by 109M€ as a consequence of the US dollar depreciation from Dec-10 to Jun-11 (-8%).

<b>Net Debt (M€)</b>	<b>1H2011</b>	<b>2010YE</b>	<b>Δ</b>
Financial Debt	3.556	3.534	23
Cash and cash equivalents	(271)	(685)	414
<b>Net Debt</b>	<b>3.285</b>	<b>2.848</b>	<b>437</b>

EDPR's Gross Financial Debt was stable at 3.6 B€ (vs. 2010 YE). 80% of EDPR's debt corresponds to loans with EDP Group, while debt with financial institutions is mostly related to project finance.

Net Debt as of Jun-11 amounted to 3.3 B€, increasing from the 2.8 B€ at the end of 2010, mainly reflecting the investment payments done in the period through Cash-Flow and cash and equivalents, and the payment of 231 M€ to Caja Madrid (for the 20% stake in Genesa). Net debt related to assets in operation amounted to 2,907 M€ and related to assets under construction and development amounted to 379 M€.

### **2.3. Competitive Landscape and Business Plan**

Currently, EDPR is a global leading energy company. Our growth has been the result of an extraordinary capacity to implement projects and to smoothly integrate new companies, people and cultures. Our markets provide attractive growth potential, mainly due to their growth prospects and the fact that they possess stable regulatory structures that allows for profitable returns.

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 currently favorable renewable energy market conditions will continue to drive further support for growth in the markets we are active in.

EDPR is a leading 'pure-play' renewable energy company, having derived its revenue stream from renewable energy activity. EDPR holds a leading position and "early mover" advantages in attractive high-growth markets, and continues to analyze new markets as well as new

opportunities within the markets we currently operate in. This strategy continues to provide the company with a unique combination of size, focus and experience in the sector.

EDPR has a solid history of executing projects and delivering targets. We consistently increased installed capacity through the successful development of pipeline. The company's successful results stem from a unique combination of factors: strong track record in execution, first class assets with above average wind resources quality, 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 favorable regulatory regimes limits the exposure to market prices of electricity and provides significant visibility and stability.

Furthermore, EDPR has proven its ability to selectively identify new markets, to enter such markets and successfully integrate new countries.

At the core of EDPR's confidence in 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 targets.

### 3. REGULATORY ENVIRONMENT

#### GLOBAL REGULATION EVENTS

An important step forward was the recognition, in a formal UN decision, of the mitigation pledges agreed in Copenhagen (this is, the confirmation of the target of limiting temperature rises to less than 2°C compared to pre-industrial levels). The parties have also agreed to the “Monitoring, Reporting and Verification”, which is a necessary step to verify the progression of the emission reductions under a transparent process.

#### REGULATION EVENTS IN EUROPE

At the European level, following the approval of the Renewable Energy Directive 2009/28/EC, all the Member States were requested to present a “National Renewable Energy Action Plan” (NREAP) by June 30<sup>th</sup>, 2010. The NREAP is composed by documents in which European Member States present how they intend to reach their binding renewable targets for the year 2020 and the paths towards them.

#### GOVERNMENT SUPPORT OF RENEWABLE ENERGY FOR EDPR RELEVANT COUNTRIES



#### SPAIN

Regulatory change	Description
Royal Decree 1614/2010 of December 7 <sup>th</sup>	<ul style="list-style-type: none"> <li>• Sets a temporary cut of the renewable premium applicable to wind governed by Royal Decree 661/2007</li> <li>• Provides regulatory stability and visibility to the full useful life of the wind farms to be installed until 2012</li> <li>• Fixes a cap to the annual equivalent hours entitled to receive the premium</li> </ul>
Royal Decree 1565/2010 of November 19 <sup>th</sup>	<ul style="list-style-type: none"> <li>• Modifies the reactive power regime</li> </ul>
Decree-Law 14/2010 of December 23 <sup>rd</sup>	<ul style="list-style-type: none"> <li>• Imposes a generation levy of €0,5/MWh applicable to ordinary and special regime generators</li> </ul>

The Spanish government has long struggled to deal with a rising tariff deficit and since mid 2009 has shown concern about the cost of the renewable sector.

The recent amendment of the regulatory scheme on wind, approved in December 2010, is summarized as follows:

- A temporary 35% cut of the reference premium applicable to the wind capacity ruled by RD 661/2007, only during 2011 and 2012. Cap and floor have not been revised and still remain indexed to CPI-“X”;
- An amendment to the article 44.3 of the RD 661/2007 clarifying that eventual future revision to the value of the reference premium would only be applied to the capacity that comes on line after 2012;
- A cap to the annual equivalent working hours entitled to receive the premium value set at 2,589 hours (would only be active if the average of the Spanish wind sector equivalent working hours surpasses the 2,350 in each year). The reference hours are not revisable for the full useful life of the existing and pre-registered wind farms.

Wind farms are currently governed by RD 661/2007 but this regulation expires in 2012 and no further regulation has been approved yet. For this reason, the Government has started negotiations with the wind sector in order to release a new regulation by the end of this year and expects to send the first draft to the Energy Regulator by this summer.

Additionally, a draft of a new PER (Renewable Energy Plan) was released in May 2011. According to this draft, the onshore wind target is maintained at 35 GW (as targeted in the National Renewable Energy Action Plan). However, the offshore wind target could be reduced to 750 MW (from the 3 GW set in the NREAP).



## PORTUGAL

Regulatory change	Description
Decree Law 51/2010	<ul style="list-style-type: none"> <li>• Simplifies procedure for installing additional equipment in wind farms</li> <li>• Obliges wind generators to have equipment installed in each turbine to attenuate voltage drops and supply reactive energy</li> </ul>
End of reactive energy premiums	<ul style="list-style-type: none"> <li>• Wind generators are not entitled to receive reactive energy premiums</li> <li>• The impact on total remuneration will not be meaningful</li> </ul>

On May 20<sup>th</sup>, 2010, Decree Law 51/2010 was approved. This new regulation simplifies the procedure for installing additional equipment in wind farms (overpowering). The decree also

oblige wind generators to have equipment installed in each turbine to attenuate voltage drops (fault ride through) and supply reactive energy. Concerning the latter obligation, there is no longer a premium for supplying reactive power, and there will be a penalty if the wind farm does not operate within certain parameters in terms of reactive power.



## FRANCE

Regulatory change	Description
"Grenelle 2" in June 2010	<ul style="list-style-type: none"> <li>Introduces new restrictions and requirements in the permitting process that could hinder the future development of wind farms</li> </ul>

In order to qualify for the guaranteed purchase price, the "Grenelle 2", which is a toolbox of the "Grenelle de l'Environnement" and establishes a new framework for wind energy, introduces a minimum threshold of five turbines for wind energy plants. This measure aims at avoiding wind scattered development. The law also requires wind farms to be erected at least 500 meters from habitations.

Another requirement to benefit from the guaranteed electricity purchase price is, since 2007, to be built in predefined zones: in "ZDEs" (wind development areas) being these specific areas designated by the municipalities hosting the projects. In articulation with the ZDEs, the "Grenelle 2" introduces a new layer requiring wind farms to be also included in the "Regional Development Areas" to be approved by the Regions and currently under preparation.

In addition, wind farms will be subject to "ICPE" (Industries Classified for the Protection of the Environment") regulation which adds new permitting requirements, and put wind farms on the same level than industries with a proven potential risk for the environment.

Finally, the "Grenelle 2" stipulates that at least 500 turbines must be installed each year with a review after 3 years, but does not include specific mechanisms to achieve this goal. This requirement aims to achieve the onshore wind energy target of 19 GW in 2020.

In January 2011 the French Government announced an offshore tender for up to 3 GW. This tender is the first phase of an overall 6 GW of offshore wind energy the government expects to bring on line by 2020. The 3 GW is divided between 5 zones along France's Atlantic and Channel coasts, previously identified by the regional authorities as being suitable for wind power deployment. November 30<sup>th</sup> will be the deadline to submit bids and the winners will be announced in the first quarter of 2012. Among other criteria, companies will be selected on the

basis of the proposed price for the energy, the environmental impact and the proposed industrial plan to be deployed.



## BELGIUM

Regulatory change	Description
Increase of the quotas of electricity from renewable sources	<ul style="list-style-type: none"> <li>Introduces higher quotas of electricity produced from renewable sources which is expected to spur renewables</li> </ul>

New quotas of renewable generation have been approved in Wallonia. New quotas are considerably higher than the previous ones and are: 13.50% in 2011 and 15.75% in 2012. Quotas from 2013 onwards are yet to be decided, although the CWAPE (The Energy Regulator in Wallonia) has recommended the Government to increase them by 2.25 pp a year, up to 33.75% in 2020.

Currently, the Green Certificate Scheme is being reviewed by the Government but no formal documents have been published yet.



## POLAND

Regulatory change	Description
Amendment of the energy law in January 2010	<ul style="list-style-type: none"> <li>Aims to limit speculative action in the reservation of interconnection rights for wind farms by charging developers with a fee</li> <li>A local master plan or a planning permit for the real property is also required to obtain grid connection</li> </ul>

The Energy law was amended in January 2010. The main aim was to limit speculative action in the reservation of interconnection rights for wind farms. Pursuant to the new provisions, the obligation to prepare an assessment of the impact of the installations being interconnected on the grid lies with the grid company.

In June 2011 the Polish Government approved an amendment of the marine act that affects the offshore regime. Firstly, it introduces a ban on the construction of offshore wind farms in



territorial waters (12 nautical miles from shore), so, from now on, offshore wind farms will only be permitted beyond this strip.

This new regulation also approves an extension of validity of “artificial island permit” (site permit) to 30 years (from 5) with a possible extension for 20 years more, and speeds up the consenting process. To allocate the exclusivity to develop wind farms in a given area, tenders will be launched: each application for a site permit will be announced to the public and other developers will have 60 days to place their own offer.

The Polish Government has still not revealed what the remuneration will be for offshore wind facilities.



## ROMANIA

Regulatory change	Description
Amendment of the energy law in July 2010	<ul style="list-style-type: none"> <li>• Extends the period in which developers are granted with 2 Green Certificates</li> <li>• Increases renewable quotas</li> <li>• Increases the penalty for missing certificate</li> <li>• Extends the period in which the green certificate scheme is guaranteed</li> </ul>

The Romanian Government amended its renewable energy law in order to extend its renewable support. Following the general delays in bringing projects into operation, the Government has decided to extend until 2017 (instead of 2015) the period in which wind generators are entitled to receive two green certificates per MWh. In addition, the 2012 green certificate quota has increased from 8.3% to 12% and will rise by 1 pp every year (except in 2019, in which it will only increase 0.5 pp) up to 20% by 2020.

Lastly, in order to instill more confidence in investors and more visibility to the wind market, the green certificate scheme has been guaranteed until 2025, far beyond the previous 2014 deadline.

The double green certificate support had been established by law 220/2008 (formally enacted and published) but, as a matter of practice, the law is still not applied, as the new system has still not been formally notified to the European Commission.

In April 2011, several amendments of law 220/2008 were proposed, following the advice of the European Commission. The current draft contemplates the risk of overcompensation related to

technology-specific parameters evolution since the publication of law 220/2008. If overcompensation is identified, the regulator is entitled to reduce the period of applicability of the support scheme or the number of Green Certificates' initially granted to the technology.



## UNITED KINGDOM

Regulatory change	Description
Energy market reform package under consultation process	<ul style="list-style-type: none"> <li>• The current RO scheme could be replaced by a Feed-in tariff system</li> <li>• Introduction of capacity payments have been proposed</li> <li>• Introduction of floor price for carbon emissions</li> <li>• Approval of Emission Performance Standard for new coal-fired power plants</li> </ul>

Following the general election of May, 6<sup>th</sup> 2010, the new government expressed its willingness to establish a system of feed-in tariffs for electricity produced from renewable sources, while maintaining the renewable obligation certificates (ROCs) at least until 2017.

The Government has included this issue in its energy market reform package that was presented in December 2010 and is currently under a consultation process. Under the proposal, the Renewable Obligation (RO) system could be phased out in 2017. The RO scheme will be then replaced by a contract for difference, where the support would be calculated on the difference between the wholesale market price and a “strike price” set under the contract. To achieve the climate change targets, the Government also announced a floor price for carbon emissions.

This floor price for carbon emissions was subsequently approved in March 2011. Under this regulation, UK power generators will have to pay at least 16 pounds for every metric ton of carbon dioxide they emit starting in 2013. This minimum price is set to rise to 30 pounds a ton by 2020. This new UK fee is linked to prices in the European Union’s emission trading system, and would require British polluters to pay an additional amount to the Treasury when EU market prices fall below the government UK minimums.

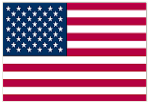

**ITALY**

Regulatory change	Description
A new decree regulating the promotion of renewable energies is under approval process	<ul style="list-style-type: none"> <li>• Green certificate system could be phased out</li> <li>• A feed-in tariff system for facilities up to 10 MW could be introduced</li> <li>• Larger facilities would be bound to participate in competitive processes to obtain a tariff</li> </ul>

In March 2011 the Italian Government approved a new renewables' decree aimed at reviewing its renewable energy incentives.

According to this new regulation, wind farms up to 5 MW that begin operations on or after January 1<sup>st</sup>, 2013 would be rewarded with a fixed incentive price. Larger facilities would have to take part in a competitive bidding process favoring those projects seeking a lower incentive payment (to be defined by Dutch Auctions). Tenders will have a predefined floor value (a starting price to be defined by GSE) and the incentive will have a constant value and will be granted for the whole average useful life of the wind farm.

The new Decree also foresees a transitory regime for wind farms on line by 2012. Under this regime, green certificates would continue to be issued through 2015, after which these producers would be absorbed into the feed-in tariff scheme. During the transitory scheme, the GSE will have the obligation to buy the green certificates issued until 2015 at a 78% discount over the reference price. The new Renewables' Decree sets only the general framework and principles as specifics and details will be defined by ad hoc Ministerial decrees within the next few months.



## US

Regulatory change	Description
Tax relief bill	<ul style="list-style-type: none"> <li>• One-year extension of the cash grant</li> <li>• An increase of the bonus depreciation</li> </ul>

At the Federal level, climate legislation stalled in 2010. Three prominent proposals for a Federal Renewable Electricity Standard (RES) emerged over the past year but did not garner enough bipartisan support to be submitted for a vote.

The main agent of climate and environmental regulation was the Environmental Protection Agency. The EPA issued a plan for establishing greenhouse gas pollution standards under the Clean Air Act. Additionally, existing coal fired generators are increasingly likely to leave the market due to new and tightened air quality standards through the Clean Air Act.

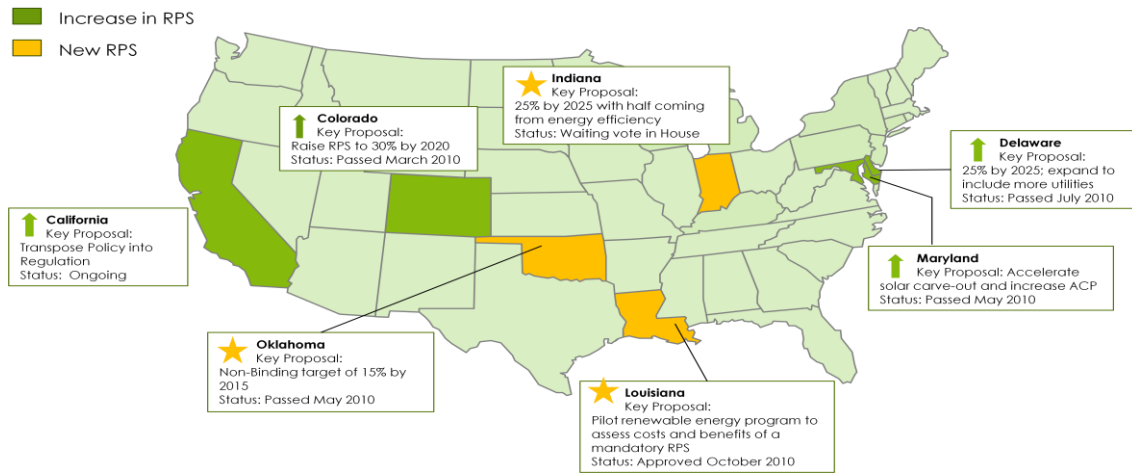
In December 2010 President Obama signed off the “Tax Relief Bill” that includes the extension of many clean energy policies.

In order to spur renewable energies development the law includes:

- A one-year extension of the 1603 Treasury grant program, thus entitling projects to receive cash grant equivalent to 30% of the eligible project costs. This regulation had been approved in 2009 as part of the economic stimulus bill. In order to benefit from this extension, projects will need to prove that they started construction in 2011 and will come on line prior to December, 31<sup>st</sup> 2012.
- An increase in the bonus depreciation allowing projects to deduct 100% of the project value in one year (if operations start in 2011). For projects that start operations in 2012, the deduction will be at 50%.

States’ governments continue to be the primary driver of implementing legislation to support renewable energy. Some states proposed either creating a new Renewable Portfolio Standard (RPS) or increasing their RPS (as can be seen in map shown next page).

## Changes in renewable portfolio standards



### CANADA

Regulatory change	Description
Ontario's long-term energy plan	<ul style="list-style-type: none"> <li>Increases renewable targets</li> </ul>

Canada's decentralized governance gives a leading role to the provinces for the implementation of renewable energy policies.

At a Federal level, in 2007 the ecoEnergy for Renewable Power Program was introduced, replacing the former Wind Power Production Incentive (WPPI). This program provided an incentive of one cent per kWh to renewable projects starting operations between 2007 and 2011. Although this program was designed to remunerate projects for the first ten years of operation, the ecoEnergy ran out of funds in 2009. The lack of federal policy instilled low confidence in investors and incentivized Canadian provinces to put in place their own renewable energies schemes. At a Federal level, wind farms may also benefit from tax policies as the accelerated capital depreciation that allows 50% depreciation per year.

First and foremost, the Green Energy Act (GEA) introduced a lucrative feed-in tariff system. A wide range of renewable technologies are awarded 20-year contracts with guaranteed electricity prices. The guaranteed price for onshore wind is C\$135/MWh, with an extra cent added on for small-scale community projects. For offshore wind, the tariff rises to C\$190/MWh.

The long-term energy plan for the period 2010-2030 Plan rises Ontario's renewable target from 5,3 GW in 2025 to 10,7 GW by 2018.



## BRAZIL

Regulatory change	Description
2 tenders held in 2010	• Both tenders allocated 2,05 GW of wind capacity

Brazil has a tendering system to regulate the allocation of wind capacity. Tenders allow the government to secure the energy supply at the least cost for consumers, which is paramount for economic development.

The amount to be tendered is decided by the Government, which removes the risk of over capacity. Once the auction is held, the contracts offer 20-year power purchase agreements.

There are two types of tenders:

- I. Reserve tender: designed to provide back-up power to guarantee the security of the energy supply, allowing an additional “reserve” to the national interconnection system. The reserve tenders are managed by the Electric Energy Commercialization Agency (CCEE) and the energy is bought by the Government. In the reserve tenders, a fixed amount of generation is set in each contract and penalties are triggered when power generation is below 90%. There is an associated extra-revenue, at 70% of contract price, to any generation exceeding 130% of the contracted energy. The output level is reviewed every 4 year-period.
- II. Alternative energy tender: in this type of tender, the buyers are national distribution companies. Contracts refer to baseload capacity and winning bidders are granted a 20-year power purchase agreement. The contracts refer to a generation level and any annual unbalance below 90% must be settled at selling price in favor of buyers. Through a real-time generation escrow account, the excess of generation of one year can compensate any lack of generation, since not lower than 90%, within the 4 year-period. Any excess of generation leading to a 4-year period balance over 100% is settled in the wholesale market.

Following this Ordinance, the Ministry of Mines and Energy opened the registration and qualification of renewable energy projects for the upcoming new energy auction known as “A-3” (baseload capacity to be delivered in three years time) and for its reserve energy auction. These auctions are scheduled for August 2011 and so far, 560 projects totaling 23 GW (of which 11 GW is wind energy) have registered for the power tenders.

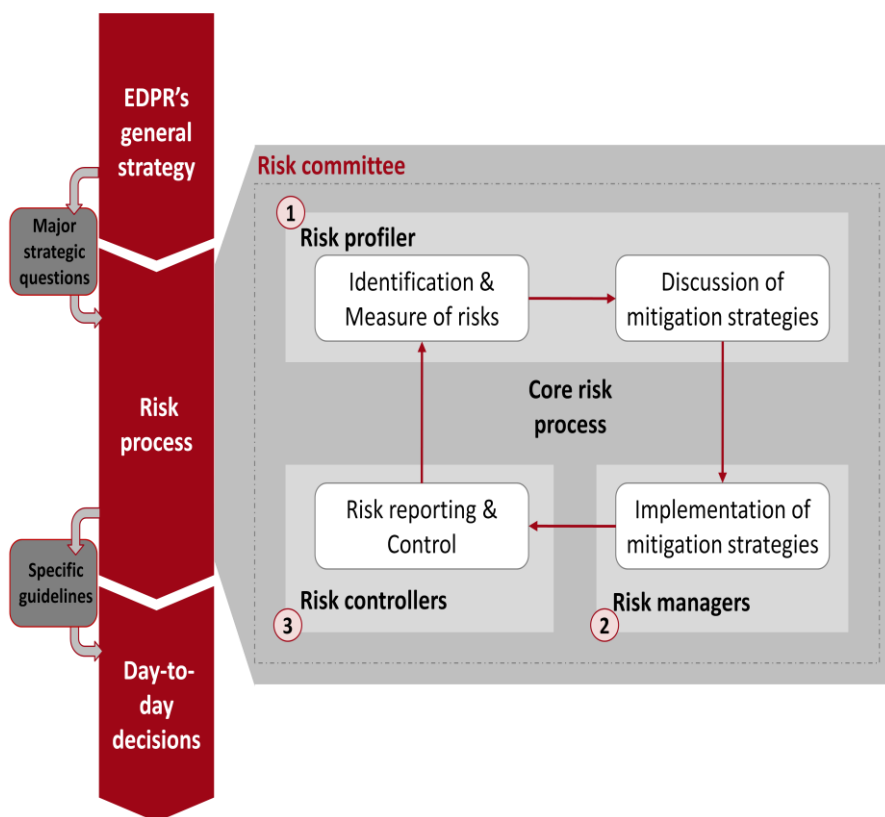
## 4. RISK MANAGEMENT

EDPR’s risk framework was designed to be not a stand-alone activity separated from the main activities and processes of the company, but to be part of the responsibilities of management as an integrating element of all organizational processes, including strategic planning.

### RISK FRAMEWORK AND PROCESS

In EDPR’s risk framework, risk process aims to link the company’s overall strategy into manager’s day-to-day decisions, enabling the company to increase the likelihood of achieving its strategic objectives.

EDPR’s general strategy is translated into major strategic questions that are grouped by risk area and then subject to EDPR’s risk process. The outcome of the risk process is a set of specific guidelines per risk area that will guide managers in their decisions according to the company’s risk profile.



## RISK FUNCTIONS AND RISK COMMITTEE

Risk management in EDPR is supported by three distinct organizational functions:

Risk functions	Description
<b>1</b> <b>Strategy / Profile</b> General risk policy & strategy	<ul style="list-style-type: none"> <li>Responsible for setting guidelines and limits for risk management within the company</li> <li>Attempts to clarify and support proposals related to general strategic issues</li> </ul>
<b>2</b> <b>Management</b> Risk manag. & risk business decisions	<ul style="list-style-type: none"> <li>Responsible for day to day operational decisions and for related risk – taking, risk – mitigating positions</li> </ul>
<b>3</b> <b>Controlling</b> Risk control	<ul style="list-style-type: none"> <li>Responsible for follow up of the results of risk taking decisions and for contrasting alignment of operations with general risk policy approved by the executive committee</li> </ul>

EDPR's Risk Committee integrates and coordinates all the risk functions and assures the link between risk strategy and the company's operations.

EDPR's Risk Committee intends to be the forum to discuss how EDPR can optimize its risk-return position according to its risk profile. The key responsibilities of this committee are:

- To analyze EDPR overall exposures and propose actions;
- To follow-up the effectiveness of the mitigation actions;
- To review transactional limits, risk policies and macro-strategies;
- To review reports and significant findings of the risk profiler analysis and the risk control areas;
- To review the scope of the work of the risk profiler and its planned activities.

## RISK AREAS AND RISK RELATED STRATEGIC QUESTIONS

The following list summarizes the main risk areas and descriptions of EDPR's business:

1. **Countries & regulations** - Changes in regulations may impact EDPR's business in a given country
2. **Revenues** - Revenues received by EDPR's projects may diverge from what is expected
3. **Financing** - EDPR may not be able to raise enough cash to finance all its planned Capex; EDPR may not be able to fulfill its financial obligations
4. **Wind turbine contracts** - Changes in turbine prices may impact projects' profitability; Contracts should take into account the pipeline development risk
5. **Pipeline development** - EDPR may deliver an installed capacity different from its targets or suffers delays and/or anticipations in its installation
6. **Operations** - Projects may deliver a volume different from expected



## **4.1 Countries and regulations**

### **4.1.1 Regulatory risks**

The development and profitability of renewable energy projects are subject to policies and regulatory frameworks. The jurisdictions in which EDPR operates provide numerous types of incentives that support the energy generated from renewable sources.

Support for renewable energy sources has been strong in previous years, and both the European Union and various US federal and state bodies have regularly reaffirmed their wish to continue and strengthen such support.

Additionally, it cannot be guaranteed that the current support will be maintained or that the electricity produced by future renewable energy projects will benefit from state purchase obligations, tax incentives, or other support measures for the electricity generation from renewable energy sources.

### **Management of regulatory risks**

EDPR is managing its exposure to regulatory risks through diversification (being present in several countries) and by being an active member in several wind associations.

## **4.2 Revenues**

### **4.2.1 Exposure to market electricity prices**

EDPR faces limited market price risk as it pursues a strategy of being present in countries or regions with long term visibility on revenues. In most countries where EDPR is present, prices are determined through regulated framework mechanisms. On the markets where there is expected short term volatility on market prices, EDPR uses various financial and commodity hedging instruments in order to optimize the exposure to fluctuating electricity prices. However, it may not be possible to successfully hedge the exposures or it may face other difficulties in executing the hedging strategy.

In Europe, EDPR operates in countries where the selling price is defined by a feed-in-tariff (Spain, Portugal and France) or in markets where on top of the electricity price EDPR receives either a pre-defined regulated premium or a green certificate, whose price is achieved on a regulated market (Spain, Belgium, Poland, and Romania). Additionally, EDPR is developing activity in Italy and UK where the mechanism is also conditioned by green certificates.

In the case of North America, EDPR focus is developing strategy on the States which by having an RPS program in place provides higher revenues visibility, through the REC (Renewable Energy Credit) system and by non-compliance penalties. The North America market does not provide any regulated framework system for the electricity price although it may exist for the RECs in some States. Most of EDPR's capacity in the US has predefined prices determined by long-term contracts

with local utilities in line with the Company's policy of signing long-term contracts for the output of its wind farms.

In Brazilian operations, selling price is defined through a public auction which is later translated into a long-term contract.

Under EDPR's global approach to optimize the exposure to market electricity prices, the Company evaluates on a permanent basis if there are any deviations to the defined limits, assessing in which markets financial hedges may be more effective to correct it. In 2010, in order to manage such exposure, EDPR financially hedged a significant part of its generation in Spain while it closed a significant portion of its exposure through several physical and financial deals for the long-term in the US.

#### **4.2.2 Risk related to volatility of energy production**

The amount of electricity generated by EDPR on its wind farms, and therefore EDPR's profitability, are dependent on climatic conditions, which vary across the locations of the wind farms, and from season to season and year to year. Energy output at wind farms may decline if wind speeds falls outside specific ranges, as turbines will only operate when wind speeds are within those ranges.

Variations 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, in the operating results and efficiency.

#### **Management of risks related to volatility of energy production**

EDPR mitigates wind resource volatility and seasonality by having a strong knowledge in the design of its wind farms, and by the geographical diversification – in each country and in different countries – of its asset base. This “portfolio effect” enables to offset wind variations in each area and to keep the total energy generation relatively steady. Currently EDPR is present in 11 countries: Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil.

### **4.3 Financing**

#### **4.3.1 Risks related to the exposure to financial markets**

EDPR is exposed to fluctuations in interest rates through financing. This risk can be mitigated using fixed rates and hedging instruments, including interest rate swaps.

Also because of its presence in several countries, currency fluctuations may have a material adverse effect on the financial condition and results of operations. EDPR may attempt to hedge against currency fluctuations risks by natural hedging strategies, as well as by using hedging instruments, including forward foreign exchange contracts and Cross Interest Rate Swaps.

EDPR hedging efforts will minimize but not eliminate the impact of interest rate and exchange rate volatility.

## **Management of financial risks**

The evolution of the financial markets is analyzed on an on-going basis in accordance to EDP Group's risk management policy approved by the EDPR's Board of Directors.

The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits following the recommendation of the risk committee.

Taking into account the risk management policy and exposure limits previously approved, the Financial Department identifies, evaluates and submits for the Board's approval the financial strategy appropriate to each project/location

The execution of the approved strategies is also undertaken by the Financial Department, in accordance with the policies previously defined and approved.

Fixed rate, Natural hedging and Financial instruments are used to minimize potential adverse effects resulting from the interest rate and foreign exchange rate risks on its financial performance.

### **4.3.1.1 Interest rate risk**

The purpose of the interest rate risk management policies is to reduce the exposure of long term debt cash flows from market fluctuations, mainly by issuing long term debt with a fixed rate, but also through the settlement of derivative financial instruments to swap from floating rate to fixed rate when long term debt is issued with floating rates.

EDPR has a portfolio of interest-rate derivatives with maturities between approximately 1 and 10 years. Sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations are performed.

Given the policies adopted by EDPR Group, its financial cash flows are substantially independent from the fluctuation in interest rate markets.

### **4.3.1.2 Exchange rate risk**

EDPR operates internationally and is exposed to the exchange-rate risk resulting from investments in foreign subsidiaries. Currently, main currency exposure is the U.S. dollar/euro currency fluctuation risk that results principally from the shareholding in EDPR NA. With the ongoing increasing capacity in others non-euro regions, EDPR will become also exposed to other local currencies (Poland, Romania and Brazil).

EDPR general policy is the Natural Hedging in order to match currency cash flows, minimizing the impact of exchange rates changes while value is preserved. The essence of this approach is to create financial foreign currency outflows to match equivalent foreign currency inflows.

### **4.3.2 Counterparty credit risk**

Counterparty risk is the default risk of the other party in an agreement, either due to temporary liquidity issues or long term systemic issues.

#### **Management of counterparty credit risk**

EDPR 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, there cannot be considered any significant risk of counterparty non-compliance and no collateral is demanded for these transactions.

### **4.3.3 Liquidity risk**

Liquidity risk is the risk that EDPR will not be able to meet its financial obligations as they fall due.

#### **Management of liquidity risk**

EDPR's 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 in unacceptable losses or risking damage to EDPR's reputation.

## **4.4 Wind turbine contracts**

### **4.4.1 Wind turbine supply risk**

Wind turbine generators (WTG) is a key element in the development of EDPR's wind-related energy projects, as the shortfall or an unexpected sharp increase in WTG prices can create a question mark on new project's development and its profitability. WTG represents the majority of a wind farm capital expenditure (on average, between 70% and 80%).

#### **Management of wind turbine supply risk**

EDPR faces limited risk to the availability and prices' increase of WTG due to its framework agreements with the major global wind turbines suppliers. The Company uses a large mix of turbines suppliers in order to reduce its dependency on any one supplier being one of the worldwide wind energy developers with a more diversified and balanced portfolio.

## **4.5 Pipeline development**

### **4.5.1 Permitting risks**

Wind farms are subject to strict international, national, state, regional and local regulations relating to the development, construction, licensing, grid interconnection and operation of power

plants. Among other things, these laws regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions.

#### **Management of permitting risk**

EDPR mitigates this risk by having development activities in 11 different countries (Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil) with a portfolio of projects in several maturity stages. EDPR has a large pipeline located in the most attractive regions providing a “buffer” to overcome potential delays in the development of new projects, ensuring growth targets.

### **4.6 Operations**

#### **4.6.1 Wind turbine performance risk**

Wind farms output depend upon the availability and operating performance of the equipment necessary to operate it, mainly the components of wind turbines and transformers. Therefore the risk is that the performance of the turbine does not reach its optimum implies that the energy output is not the expected.

#### **Management of wind turbine performance risk**

EDPR mitigates this risk by using a mix of turbine suppliers which minimizes technological risk, by signing a medium-term full-scope maintenance agreement with the turbine supplier and by an adequate preventive and scheduled maintenance.

Most recently, and following the general trend in the wind sector, EDPR is externalizing some pure technical O&M activities of its wind farms.

## 5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS

Topic 4 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 liaison 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 note 36 to the financial statements.

## 6. ENVIRONMENTAL PERFORMANCE

EDPR is a leading company in the renewable energy sector. We produce clean and green energy. Energy without emissions.

Environmental compliance and continuous improvement are major concerns of EDPR. Wind farms are environmentally respectful sites. Only a small percentage of the land leased is taken out of permanent use when the wind farms are in operation, so wind energy generation is compatible with existing land use.

We are committed to assess the impact of our activities on biodiversity in all phases of the business. Although we have pledged to apply EDP's Group Environment and Biodiversity Policies, to reinforce this commitment the Executive Committee approved the EDPR's Environment and Biodiversity Policies at the beginning of 2011. Both of them are available on our website [www.edprenovaveis.com](http://www.edprenovaveis.com).

### ECO-EFFICIENCY

In comparison with other energy generation sources, the impacts of wind farms on the environment are much less significant. Renewable energy production does not cause direct greenhouse gases emissions. Moreover, it plays a central role in the fight against climate change reducing CO2 emissions.

During the first semester of 2011, we produced 8,8 TWh which means 4,559 thousand tons of CO2 avoided, compared to a scenario where this amount of electricity was produced using the current generation mix (coal, natural gas, nuclear power, renewable energy, ...) in each country.

Indirect emissions from our activity are much reduced and are limited to the energy consumption for administrative purposes and for wind farms' auxiliary needs (lights, wind turbine orientation, etc), when self-consumption is not possible.

Nevertheless, we take serious efforts to reduce and eliminate unnecessary indirect emissions in our wind farms and offices, so a number of initiatives are in progress to achieve these objectives.

As an initiative to become more eco-efficient, during the first semester of 2011, we launched the "Be bright, turn off the light" campaign. The goal of this initiative is to reduce energy consumption

in our administrative buildings. Employees are reminded the importance of turning off the lights when they are not necessary, through internal communication and automated computer alerts.

### **NEW OFFICE IN OPORTO**

During the first half of 2011, EDPR, with other EDP companies, moved its headquarters in Oporto to a new location. The new headquarters has innovative features in the energy efficiency field, like electrical blinds on the facade of the building, which contribute to minimize energy consumption by decreasing the need for artificial lighting and cooling. The photovoltaic panels on the roof and facade are also distinctive elements of the new EDPR headquarters in Oporto.

During the construction of the new building, we took extra care on sustainability and energy efficiency, implementing the following systems:

- Groundwater use on the irrigation system, water sanitation and parking;
- WCs equipped with flow meters and timed flow taps to reduce consumption;
- Solar thermal panels for water heating;
- Photovoltaic panels on the roof and façade;
- Electrical blinds on the façade;
- Energy saving lamps;
- Air conditioning with energy recovery systems;
- Heating water system that uses the heat released from air conditioning machines.

### **ENVIRONMENTAL MANAGEMENT SYSTEM**

Wind farms in operation also contribute to the internal commitment of respect for the environment. The Environmental Management System (EMS) is an example of work towards a continuous improvement of our environmental performance.

The EMS is currently implemented in 33 wind farms in operation in Spain and Portugal, accounting for 958 MW, also certified according to ISO 14001 standard. The EMS provides several benefits, including:

- Exhaustive control of applicable legal requirements and their compliance;
- Environmental performance monitoring;
- Definition of environmental objectives;
- Reduction of environmental risks;
- Promotion of new initiatives looking for continual improvement;



- Staff involvement and commitment of the organization;
- Resources management improvement and optimization of investments and costs;
- Operational control established which allows detailed monitoring of environmental features such as waste generation.

We are currently working on the certification of our wind farms in operation in Europe and Brazil according to ISO 14001. Our target is to have the operating wind farms in those geographies certified at the end of 2012.

## **BIODIVERSITY**

EDPR is committed to contribute to biodiversity conservation and respect of the environment. Therefore, in all phases of its business the impact of its activities on biodiversity are assessed. EDPR considers its Environment and Biodiversity Policies a cornerstone of its business, integrating them into the decision making process of the company.

As an example of the activities performed to protect the biodiversity, EDPR promotes the sustainable development of the region of Aula del Río de Pineda de la Sierra, in Spain. In a partnership with Fundación Patrimonio Natural de Castilla y León, scholars and visitors from the neighboring communities learn how to preserve the biodiversity of the rivers through responsible fishing practices. EDPR also performed reforestation, restoration of degraded areas and other activities to recover the biodiversity of the area.

2011 is the International year of Forests. In the US, EDPR NA's Employee Volunteer Program promoted the participation of Houston Corporate Office employees in an event with Trees for Houston. Trees for Houston is a non-profit organization committed to planting, protecting, and promoting trees in the Greater-Houston area. Volunteers spent three hours potting tree seedlings at a local farm in La Torte, Texas.

During the first semester of 2011, an EDPR 71 MW wind farm started its operations in the region of Tramandaí (Brazil). During this period, EDPR established a partnership with *Horto Florestal do Litoral Norte*, a conservation unit well recognized in the region, to contribute to the education of children in the environment. EDPR donated many materials to help this institution to produce seedlings and support the environmental education activities.

## 7. HUMAN CAPITAL

We have achieved a top tier position in the renewable energy market thanks to our people commitment and effort. To guarantee the excellence at work of our employees, human capital management plays a key role to support EDPR growth targets maintaining the current operations excellence. Therefore, EDPR is committed to create the most adequate environment to secure employee commitment, empowerment and accountability, while offering them an attractive career development plan with opportunities to grow professionally at the same high pace as the company.

To create the most adequate environment for our employees, the company has developed a Human Resources Policy, based on the following principles:



Our global compensation strategy policy has been implemented to address the needs of every local market, with enough flexibility to adapt to each region where the company is present. The developed system ensures that all positions are evaluated and graded according to a methodology designed to ensure fairness, through an approved salary band for each position within the organization's matrix. The defined salary bands are based on market benchmarks.

## COMPANY PROFILE

EDPR workforce has grown at a high pace, to guarantee the staff availability to support the growth of the organization. At the end of June 2011 EDPR had a total headcount of 854, corresponding to a 2.5% increase compared to that of 2010. EDPR EU accounts for 48.5% of the total workforce, EDPR NA 38.1%, EDPR BR 1.9% and EDPR Holding the remaining 11.5%.

Headcount by Year End	1H11	2010YE	Var (%)
EDPR EU	414	398	4%
EDPR NA <sup>(1)</sup>	326	332	-2%
EDPR BR	16	17	-6%
Holding <sup>(2)</sup>	98	86	14%
<b>Total</b>	<b>854</b>	<b>833</b>	<b>3%</b>

Note: figures don't include the Board of Directors

<sup>(1)</sup> EDPR NA headcount includes Executive Committee

<sup>(2)</sup> In June 2011, the high increase of holding's headcount resulted from internal transfers

Throughout the first semester of 2011, 84 new employees joined the company while 53 left, resulting a turnover ratio of 8%.

Employees' Turnover	1H11	2010YE	2009YE
<b>Chart Variation</b>			
Number of Hires	84	171	156
Number of dismissals	53	70	65
Total Turnover	8%	15%	15%
<b>Gender</b>			
Male	8%	16%	16%
Female	8%	12%	14%
<b>Age Range</b>			
Less than 30 years old	13%	14%	20%
Between 30 and 39 years old	7%	14%	14%
Over 40 years old	5%	16%	13%
<b>Company</b>			
EDPR EU	8%	11%	12%
EDPR NA	8%	18%	18%
EDPR BR	16%	41%	50%
Holding	9%	13%	17%

## **EVALUATION & PERFORMANCE**

During the first semester of 2011, the Performance Appraisal was done for all employees in EDPR. The Performance Appraisal, meaning the Individual Results, looks at employee past and present job performance, focusing on their individual results from this period.

Their objectives, i.e. KPIs and Responsibilities, are aligned with the Performance Appraisal. KPIs are the employee's specific objectives that are based on the objectives of the company itself, and should reflect the quantitative and qualitative results to be obtained. They are set each year by the employee's direct superior and should relate to department, area, business unit and company objectives.

Lastly, once we had consolidated all the information on the indicators mentioned above (Individual KPIs/Responsibilities), and according to the annual results of EDP and EDPR Group, the amount of the annual bonus will be defined and then approved by EDPR's Executive Commission.

## **TRAINING AND CARRER DEVELOPMENT**

EDPR is committed to offer its employees an attractive career development plan, and also offers continuous education and training activities.

The development of our employees is a strategic objective for EDPR in order to align current and future demands of the organization with employees' capabilities, while fulfilling their professional development expectations and support their continued employability. We also have launched the High Potential Program. The program is targeted to a selected group of individuals who have demonstrated a high potential for growth through outstanding performance, intellectual rigor and a strong commitment to company values and business objectives. It is organized around 2 Modules: Energizing (for junior employees) and Executive Developing Program.

The aim of the program is to guide their career development through high-quality training, mentoring programs and networking opportunities that will significantly enhance their visibility within the company and beyond. This HIPO program is running during all 2011.

By June 2011, EDPR has reached 19.826 training hours.

## **WORK/LIFE BALANCE**

EDPR promotes and encourages work/life balance of its employees as a mean to boost productivity, through an increase in performance, accountability and commitment while employees are able to attain a greater level of satisfaction and enjoyment, both on and off the job. Overall this creates bottom-line results for the organization.

EDPR has actions in place for our work/life balance programs throughout geographies where the company has presence and will continue to improve and provide new benefits as possible. Benefits in the work/life balance programs include (depending on the geographies) maternity leave, subsidized summer activities for dependents of employees, birthdays, etc.

Since June 2011 EDPR is a certified Family-Responsible Employer (Empresa Familiarmente Responsable) by the MásFamilia Foundation, thanks to the involvement of the entire company and the strong efforts of managers of our Conciliation initiatives. This certification reinforces the commitment EDPR has to the balance between its employees professional and personal lives, which the company considers an important priority in order to retain and attract the best workforce. The MásFamilia Foundation has the mission to enhance and monitor the quality of life and social cohesion of families.

Several requirements came along with the certification, and obtaining it required EDPR to implement new processes, as well to conduct an external audit. The company stood out for its effectiveness in terms of quality work, scheduling flexibility, family support and equal opportunities, as well as its ambitious policy of continuous improvement.

## EMPLOYEE SATISFACTION SURVEY

In June 2011, EDPR performed its second global employee satisfaction survey, which will take place every two years. All Company employees were asked to participate through a web based survey, achieving a high participation rate of 90.5% (in 2009 our participation rate was 78%)

Country	Number	Answers	%
Spain	319	275	86.2
Brazil	13	9	69.2
Portugal	67	55	82.1
France/Belgium	33	24	72.7
Italy	15	14	93.3
Poland	31	31	100.0
Romania	14	13	92.9
UK	17	17	100.0
NA/Canada	329	320	97.3
<b>Total</b>	<b>838</b>	<b>758</b>	<b>90.5</b>

## 8. RESEARCH AND DEVELOPMENT (R&D)

Beyond the commercial activities, EDP Renováveis supports EDP Inovação (EDPI) in developing a pilot project in order to deploy a wind turbine installed on floating structure off the Portuguese coast. Such floating structure is a patented technology named Windfloat owned by Principle Power, whom EDPI has a memorandum of understanding, providing privilege access to the technology.

## 9. RELEVANT SUBSEQUENT EVENTS

### **Jul 11<sup>th</sup> – EDP Renováveis executes project finance for 90 MW in Romania**

EDP Renováveis has executed another project finance structure agreement with a consortium of banks led by the European Bank for Reconstruction and Development (“EBRD”) and the IFC, a member of the World Bank Group, for the 90 MW Pesteră wind farm in Romania.

The long-term contracted debt facility amounts to €73 million and the transaction financial closure is expected during the third quarter of 2011.

This transaction, for the fully operational 90 MW Pesteră wind farm, represents EDPR's second project finance in Romania. The total 228 MW of EDPR's wind installed capacity in Romania has now the project financing fully secured (€188 million).

The ability of EDPR to close project finance transactions in Eastern Europe provides strong evidence of the company's competences in the development of top quality projects and financial structures meeting the requirements of partners with rigorous investment criteria and a strong focus on renewable energy development.

### **Jul 13<sup>th</sup> – EDP Renováveis establishes new institutional partnership structure for 99 MW in the United States**

EDP Renováveis, through its fully owned subsidiary EDP Renewables North America LLC, has signed an agreement to secure USD 116 million of institutional equity financing from Bank of America Corporation and Paribas North America, Inc., a subsidiary of BNP Paribas, in exchange for a partial interest in its 99 MW Timber Road II wind farm, currently being commissioned in the State of Ohio.

The transaction will provide the investors access to the Section 1603 cash grant, for which Timber Road II will apply pursuant to the American Recovery and Reinvestment Act of 2009.

EDPR will continue to choose the best financing structure available for each project, Timber Road II being the fifth transaction incorporating the cash grant in lieu of production tax credits. With this new partnership structure EDPR will improve the project's economics and will enable an efficient utilization of tax benefits.

### **Jul 14<sup>th</sup> – EDP Renováveis discloses 1H2011 provisional data**

In the last 12 months, EDPR increased its wind installed capacity by 1.4 GW YoY (+24% YoY), adding 1.2 GW to its EBITDA consolidated MW and 148 MW (attributable to EDPR) through the Eólicas de Portugal consortium. By the end of June 2011, EDPR managed a portfolio of 6.9 GW in 8 different countries plus the 275 MW through its interest in Eólicas de Portugal consortium.

In the 1H11, EDPR produced 8.8 TWh of safe and clean energy, a 27% increase vis-à-vis 1H10, outpacing the capacity growth. The US represented the main source of growth (+39%) while Europe continues to face hard comparables due to the unusually strong wind resource in the 1Q10. Once more, EDPR delivered in the period a solid top-sector load factor of 32%, reaching 26% in Europe and 36% in the US, highlighting the high quality of EDPR's wind farms.

### **Jul 25<sup>th</sup> – EDP Renováveis executes project finance for 70 MW in Brazil**

EDP Renováveis has executed a project finance structure agreement with the Brazilian Development Bank for its 70 MW Tramandaí wind farm in Brazil, in the State of Rio Grande do Sul, fully commissioned in May 2011.

The long-term contracted debt facility amounts to R\$ 228 million and the transaction financial close is expected to occur on the third quarter of 2011.

The Tramandaí wind farm is a milestone of EDPR's wind development in South America. It was the first wind farm built and installed by EDPR in Brazil, a country with a strong potential for the development of wind energy given its attractive wind resource.

Tramandaí's production is fully contracted under the PROINFA renewable energy incentive program, through a 20-year PPA with Eletrobrás – Centrais Elétricas Brasileiras S.A. -, providing visible and attractive returns.

EDPR continues to execute top quality projects which are enabling the company to diversify its funding sources and access to local project financing at a competitive cost.



## 10. CORPORATE GOVERNANCE OVERVIEW

### 10.1 Model of Management and Supervision

EDP Renováveis, has adopted the governance structure in effect in Spain. It comprises a General Meeting of Shareholders and a Board of Directors that represents and manages the company.

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, the Committee on Related-Party Transactions.

Additionally, on the 23<sup>rd</sup> of February 2011, the Board of Directors approved to create an Ethics Committee. The Committee will have three members, which are the Presidents of the Committees of the Board of Directors.

The governance model of EDPR is designed to ensure the transparency, meticulous separation of duties and the specialization of supervision.

The purpose of the choice of this model by EDPR is to adapt the Company's corporate governance structure to the Portuguese legislation. The governance model adopted by EDPR therefore seeks, insofar as it is compatible with its personal law, to correspond to the so-called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors, and the supervision and control duties are of the responsibility of an Audit and Control Committee.

The choice of this model obeys to the purpose of establishing compatibility between two different systems of company law, which could be considered applicable to the model.

The 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 transparency and 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, the Audit and Control Committee and the other non-executive members of the Board of Directors has been harmony conducive to the development of the company's business.

In order to ensure a better understanding of EDP Renováveis corporate governance by its shareholders, the Company posts its updated Articles of Association at [www.edprenovaveis.com](http://www.edprenovaveis.com).

## 10.2 Corporate Bodies

### 10.2.1 General Meeting of Shareholders

The General Meeting of Shareholders, 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 be decided and be submitted for its approval.

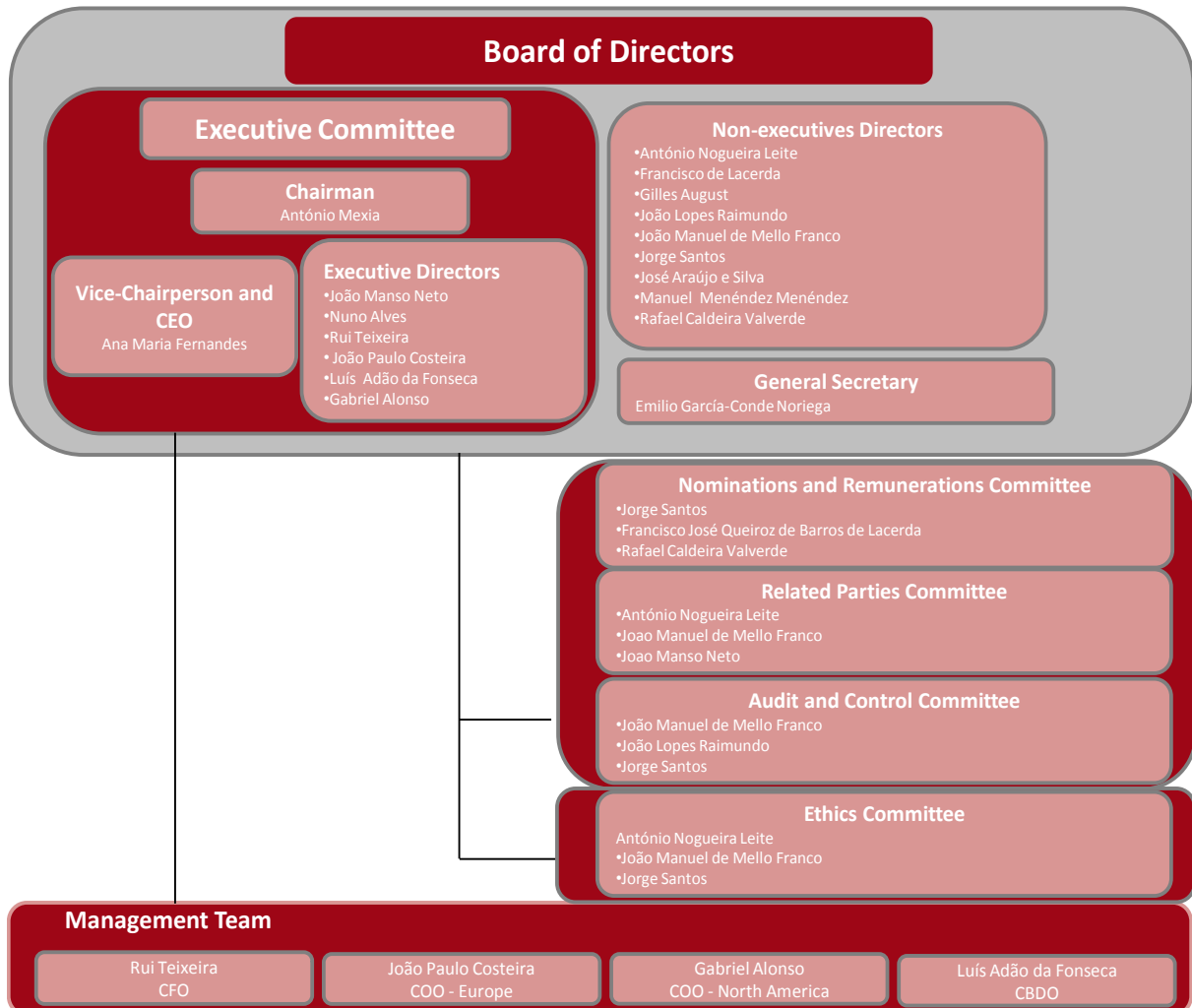
### 10.2.2 Board of Directors

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.

On June 21<sup>st</sup> 2011, EDP Renováveis held an Extraordinary Shareholders Meeting in order to approve the proposals for re-elections and appointments of Directors for its Board of Directors for a second mandate. João Paulo Costeira, Luis Adão da Fonseca and Gabriel Alonso, from the Management Team, were appointed members of the Board of Directors. All the Executive Directors were re-elected. The Non-Executive Directors re-elected were António Nogueira Leite, Francisco José Queiroz de Barros de Lacerda, Gilles August, João Lopes Raimundo, João Manuel de Mello Franco, Jorge Santos, José Araújo e Silva, Manuel Menéndez Menéndez and Rafael Caldeira Valverde.

Name	Position	Appointment	End of Term
António Mexia	Chairman and Director	21/06/2011	21/06/2014
Ana Maria Fernandes	Vice-Chairman, CEO	21/06/2011	21/06/2014
João Manso Neto	Director	21/06/2011	21/06/2014
Nuno Alves	Director	21/06/2011	21/06/2014
Rui Teixeira	Director	21/06/2011	21/06/2014
João Paulo Costeira	Director	21/06/2011	21/06/2014
Luis Adão da Fonseca	Director	21/06/2011	21/06/2014
Gabriel Alonso Imaz	Director	21/06/2011	21/06/2014
António Nogueira Leite	Director (Indep.)	21/06/2011	21/06/2014
Francisco José Queiroz de Barros de Lacerda	Director (Indep.)	21/06/2011	21/06/2014
Gilles August	Director (Indep.)	21/06/2011	21/06/2014
João Lopes Raimundo	Director (Indep.)	21/06/2011	21/06/2014
João Manuel de Mello Franco	Director (Indep.)	21/06/2011	21/06/2014
Jorge Santos	Director (Indep.)	21/06/2011	21/06/2014
José Araújo e Silva	Director (Indep.)	21/06/2011	21/06/2014
Manuel Menéndez Menéndez	Director	21/06/2011	21/06/2014
Rafael Caldeira Valverde	Director (Indep.)	21/06/2011	21/06/2014

### 10.3 Summarized Organization Chart



## 11. SHAREHOLDER STRUCTURE

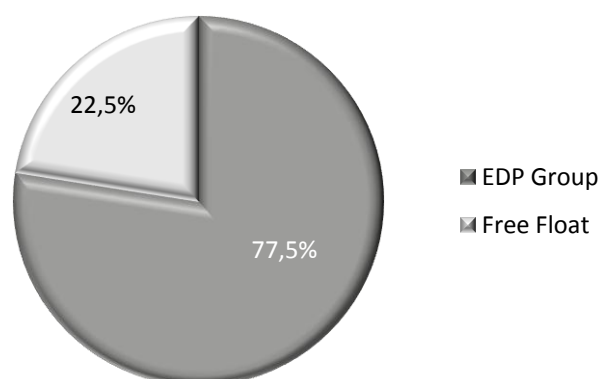
The EDP Renováveis share capital of €4,361,540,810 is fully subscribed by 872,308,162 shares with a face value of €5 each. All shares integrate a single class and series and are fully issued and paid. There are no holders of special rights.

Pursuant to Article 8 of the Company's Articles of Association, there are no restrictions on the transfer of EDPR shares.

As far as the Board of Directors of EDPR is aware, there are currently no shareholders' agreement regarding the Company.

### Shareholder Structure

Shareholder Structure – 30 June 2011



### Qualifying Shareholding

Qualifying shareholdings in EDP Renováveis are subject to the Spanish law, which regulates the criteria and thresholds of the shareholders' holdings. As at 30 June 2011 no qualifying shareholdings in EDP Renováveis with the exception of EDP – Energias de Portugal, S.A. and Hidrocantábrico were identified.

30 Jun 2011	# Shares
<b>EDP - Energias de Portugal, S.A.</b>	
EDP – Energias de Portugal, S.A.	541,027,156
Sucursal en España	
Hidroeléctrica del Cantábrico, S.A.	135,256,700
<b>Total</b>	<b>676,283,856</b>

## 12. CAPITAL MARKETS

The shares representing 100% of the EDPR share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on the 4<sup>th</sup> June 2008. Since then, the free float level is unchanged at 22.5%.

### EDP Renováveis, S.A.

#### Shares

Share Capital	€ 4,361,540,810
Nominal Share Value	€ 5.00
N.º of Shares	872,308,162
Date of IPO	June 4 <sup>th</sup> , 2008

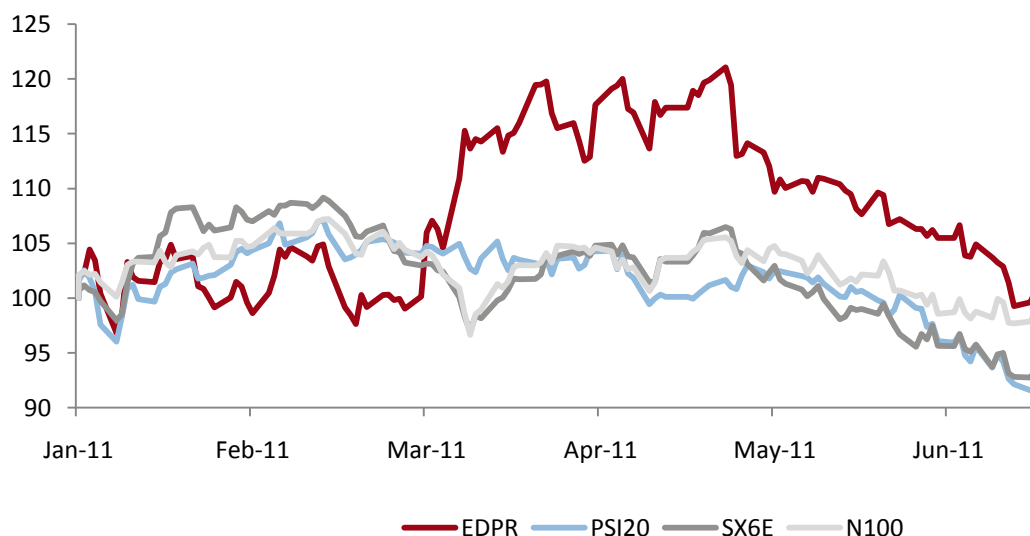
#### NYSE Euronext Lisbon

Reuters RIC	EDPR.LS
Bloomberg	EDPR PL
ISIN	ES0127797019

### Share price performance

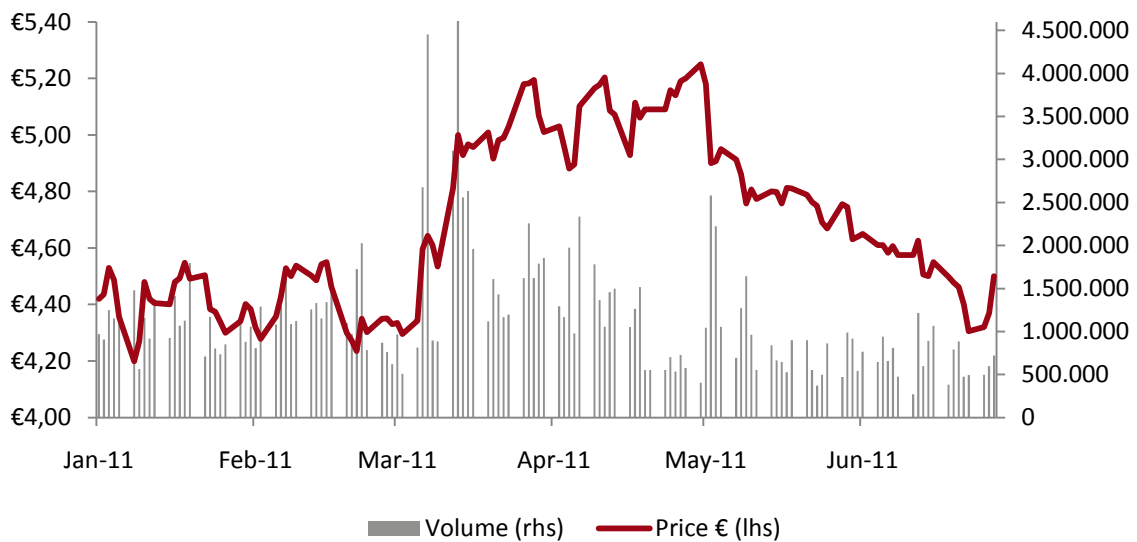
During 1H2011, EDP Renováveis' share price increased by 6%, closing the semester at €4.55. In the same period, the Dow Jones Eurostoxx Utilities, the PSI20, and the Euronext 100 were up by 4%, 3% and 2%, respectively.

### EDPR vs PSI20 vs DJ Eurostoxx Utilities



During the 1H2011, 150,624,499 EDP Renováveis shares were traded, corresponding to a turnover of approximately €712 million. On average, at Euronext Lisbon, EDP Renováveis daily trade volume was around 1.2 million shares per day. EDP Renováveis market capitalization at 30 of June was €3.9 billion

### 1H2011 EDP Renováveis share price and transactions



### 13. DISCLAIMER

This report has been prepared by EDP Renováveis, S.A. (the “Company”) to support the presentation 1H2011 financial and operational performances. EDP Renováveis does not assume any responsibility for this report if it is used for different purposes.

This document has not been audited by any independent third party. Therefore, the information contained in the report was not verified for its impartiality, accuracy, completeness or correctness.

Neither the Company -including any of its subsidiaries, any company of EDP Renováveis Group and any of the companies in which they have a shareholding-, nor their advisors or representatives assume any responsibility whatsoever, including negligence or any other concept, in relation with the damages or losses that may be derived from the use of the present document and its attachments.

Any information regarding the performance of EDP Renováveis share price cannot be used as a guide for future performance.

Neither this document nor any of its parts have a contractual nature, and it can not be used to complement or interpret any contract or any other kind of commitment.

The present document does not constitute an offer or invitation to acquire, subscribe, sell or exchange shares or securities.

The 2011 management report contains forward-looking information and statements about the Company. 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.