


# Financial Statements & Notes

EDP Renováveis Group

June 2010

**FINANCIAL STATEMENTS & NOTES**
**for**
**EDP Renováveis Group (EDPR)**

ATTACHED – EDP RENOVÁVEIS CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/JUNE/2010

Made in Madrid, July 30th of 2010

# EDP Renováveis, S.A.

Condensed Consolidated Financial Statements

30 June 2010

# EDP Renováveis, S.A. and subsidiaries

## Unaudited Condensed Consolidated Income Statement
## for the six months period ended 30 June 2010 and 30 June 2009

| | Notes | 2010 | 2009 |
|---|---|---|---|
| | | (Thousands Euros) | (Thousands Euros) |
| Revenue | 6 | 412,907 | 313,916 |
| Cost of consumed electricity | 6 | -606 | -658 |
| Changes in inventories and cost of raw materials and consumables used | 6 | -1,320 | -4,001 |
| | | 410,981 | 309,257 |
| Other operating income / (expenses) | | | |
| Other operating income | 7 | 65,337 | 67,697 |
| Supplies and services | 8 | -91,138 | -67,641 |
| Personnel costs | 9 | -22,597 | -20,331 |
| Employee benefits expenses | 9 | -1,197 | - |
| Other operating expenses | 10 | -18,456 | -18,156 |
| | | -68,051 | -38,431 |
| | | 342,930 | 270,826 |
| Provisions | | 46 | 208 |
| Depreciation and amortisation expense | 11 | -201,645 | -143,010 |
| Amortisation of deferred income / Government grants | 11 | 4,760 | 407 |
| | | 146,091 | 128,431 |
| Gains / (losses) from the sale of financial assets | 12 | - | 268 |
| Other financial income | 13 | 24,158 | 18,961 |
| Other financial expenses | 13 | -112,910 | -63,114 |
| Share of profit of associates | | 3,287 | 1,751 |
| Profit before tax | | 60,626 | 86,297 |
| Income tax expense | 14 | -16,414 | -20,560 |
| Profit after tax | | 44,212 | 65,737 |
| **Profit for the period** | | 44,212 | 65,737 |
| **Attributable to:** | | | |
| Equity holders of EDP Renováveis | 27 | 42,897 | 65,578 |
| Non controlling interest | 29 | 1,315 | 159 |
| Profit for the period | | 44,212 | 65,737 |
| Earnings per share basic and diluted - Euros | 27 | **0.05** | **0.08** |

## EDP Renováveis, S.A. and subsidiaries

### Unaudited Condensed Consolidated Statement of Financial Position
### as at 30 June 2010 and 31 December 2009

| | Notes | 2010 (Thousands Euros) | 2009 (Thousands Euros) |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 15 | 10,050,703 | 8,639,052 |
| Intangible assets | 16 | 15,240 | 17,340 |
| Goodwill | 17 | 1,490,303 | 1,320,680 |
| Investments in associates | 18 | 42,739 | 47,609 |
| Available for sale financial assets | 19 | 13,977 | 12,630 |
| Deferred tax assets | 20 | 35,542 | 28,066 |
| Debtors and other assets | 23 | 157,607 | 129,447 |
| Total Non-Current Assets | | 11,806,111 | 10,194,824 |
| Inventories | 21 | 16,412 | 11,344 |
| Trade receivables | 22 | 120,287 | 106,148 |
| Debtors and other assets | 23 | 327,951 | 337,458 |
| Tax receivable | 24 | 141,372 | 169,670 |
| Financial assets at fair value through profit or loss | 25 | 35,778 | 37,103 |
| Cash and cash equivalents | 26 | 483,226 | 443,633 |
| Total Current Assets | | 1,125,026 | 1,105,356 |
| Total Assets | | 12,931,137 | 11,300,180 |
| **Equity** | | | |
| Share capital | 27 | 4,361,541 | 4,361,541 |
| Share premium | 27 | 552,035 | 552,035 |
| Reserves | 28 | 1,040 | 25,964 |
| Other reserves and Retained earnings | 28 | 280,947 | 166,173 |
| Consolidated net profit attributable to equity holders of the parent | | 42,897 | 114,349 |
| Total equity attributable to equity holders of the parent | | 5,238,460 | 5,220,062 |
| Non controlling interest | 29 | 120,763 | 107,493 |
| Total Equity | | 5,359,223 | 5,327,555 |
| **Liabilities** | | | |
| Medium / Long term financial debt | 30 | 3,259,102 | 2,563,171 |
| Employee benefits | 31 | 78 | 59 |
| Provisions | 32 | 77,866 | 67,085 |
| Deferred tax liabilities | 20 | 355,968 | 344,969 |
| Trade and other payables | 33 | 2,514,825 | 1,751,831 |
| Total Non-Current Liabilities | | 6,207,839 | 4,727,115 |
| Short term financial debt | 30 | 113,067 | 110,268 |
| Trade and other payables | 33 | 1,197,223 | 1,098,105 |
| Tax payable | 34 | 53,785 | 37,137 |
| Total Current Liabilities | | 1,364,075 | 1,245,510 |
| Total Liabilities | | 7,571,914 | 5,972,625 |
| Total Equity and Liabilities | | 12,931,137 | 11,300,180 |

The following notes form an integral part of these Condensed Consolidated Financial Statements

# EDP Renováveis, S.A.

**Statement of Changes in Consolidated Equity**
**as at 30 June 2010 and 31 December 2009**

(Thousands of Euros)

| | Total Equity | Share Capital | Share Premium | Reserves and retained earnings | Exchange Differences | Hedging reserve | Fair value reserve | Equity attributable to equity holders of EDP Renováveis | Minority Interests |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2008** | **5,198,873** | **4,361,541** | **552,035** | **166,188** | **1,179** | **18,669** | **7,747** | **5,107,359** | **91,514** |
| Recognised income and expense for the period | | | | | | | | | |
| Fair value reserve (available for sale financial assets) net of taxes | - | - | - | - | - | - | - | - | - |
| Fair value reserve (cash flow hedge) net of taxes | -1,302 | - | - | - | - | -727 | - | -727 | -575 |
| Exchange differences arising on consolidation | -1,050 | - | - | - | -1,520 | - | - | -1,520 | 470 |
| Profit for the period | 65,737 | - | - | 65,578 | - | - | - | 65,578 | 159 |
| Total recognised income and expense for the period | 63,385 | - | - | 65,578 | -1,520 | -727 | - | 63,331 | 54 |
| Transactions with owners recorded directly in Equity | | | | | | | | | |
| Share capital increase in EDP Renovaveis Brasil | 6,836 | - | - | - | - | - | - | - | 6,836 |
| Share capital increase in EDPR EU Group companies | 9,073 | - | - | - | - | - | - | - | 9,073 |
| Other | -20 | - | - | -12 | - | - | - | -12 | -8 |
| **Balance as at 30 June 2009** | **5,278,147** | **4,361,541** | **552,035** | **231,754** | **-341** | **17,942** | **7,747** | **5,170,678** | **107,469** |
| Recognised income and expense for the period | | | | | | | | | |
| Fair value reserve (available for sale financial assets) net of taxes | 912 | - | - | - | - | - | 912 | 912 | - |
| Fair value reserve (cash flow hedge) net of taxes | -1,003 | - | - | - | - | -1,207 | - | -1,207 | 204 |
| Actuarial gains / (losses) | -24 | | | -24 | - | | | -24 | - |
| Exchange differences arising on consolidation | 1,299 | - | - | | 911 | - | - | 911 | 388 |
| Profit for the period | 52,050 | - | - | 48,771 | - | - | - | 48,771 | 3,279 |
| Total recognised income and expense for the period | 53,234 | - | - | 48,747 | 911 | -1,207 | 912 | 49,363 | 3,871 |
| Dividends attributable to minority interests | -3,491 | - | - | - | - | - | - | - | -3,491 |
| Share capital increase in EDP Renovaveis Brasil | 1,161 | - | - | - | - | - | - | - | 1,161 |
| Share capital increase in EDPR EU Group companies | 127 | - | - | - | - | - | - | - | 127 |
| Non controlling interests decrease resulting from acquisitions | -1,625 | - | - | - | - | - | - | - | -1,625 |
| Other | 2 | - | - | 21 | - | - | - | 21 | -19 |
| **Balance as at 31 December 2009** | **5,327,555** | **4,361,541** | **552,035** | **280,522** | **570** | **16,735** | **8,659** | **5,220,062** | **107,493** |
| Recognised income and expense for the period | | | | | | | | | |
| Fair value reserve (available for sale financial assets) net of taxes | - | - | - | - | - | - | - | - | - |
| Fair value reserve (cash flow hedge) net of taxes | -22,225 | - | - | - | - | -21,671 | - | -21,671 | -554 |
| Exchange differences arising on consolidation | -2,539 | - | - | | -2,828 | - | - | -2,828 | 289 |
| Profit for the period | 44,212 | - | - | 42,897 | - | - | - | 42,897 | 1,315 |
| Total recognised income and expense for the period | 19,448 | - | - | 42,897 | -2,828 | -21,671 | - | 18,398 | 1,050 |
| Share capital increase in EDPR EU Group companies | 2,514 | - | - | - | - | - | - | - | 2,514 |
| Non controlling interests arising from Parque Eolico Altos del Voltoya business combination | 9,706 | - | - | - | - | - | - | - | 9,706 |
| Other | - | - | - | - | - | - | - | - | - |
| **Balance as at 30 June 2010** | **5,359,223** | **4,361,541** | **552,035** | **323,419** | **-2,258** | **-4,936** | **8,659** | **5,238,460** | **120,763** |

## EDP Renováveis and subsidiaries

### Unaudited condensed consolidated statement of comprehensive income for the six months period ended at 30 June 2010 and 2009

(Thousands of Euros)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Equity holders of the parent | Non controlling Interests | Equity holders of the parent | Non controlling Interests |
| **Profit for the period** | 42,897 | 1,315 | 65,578 | 159 |
| Exchange differences arising on consolidation | -2,828 | 289 | -1,520 | 470 |
| Fair value reserve (cash flow hedge) net of taxes | -21,671 | -554 | -727 | -575 |
| **Other comprehensive income for the period, net of income tax** | -24,499 | -265 | -2,247 | -105 |
| **Total comprehensive income for the period** | 18,398 | 1,050 | 63,331 | 54 |

# EDP Renováveis, S.A. and subsidiaries

**Unaudited Condensed Consolidated Cash Flow Statement**
**for the six months period ended 30 June 2010 and 30 June 2009**

(Thousands of Euros)

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 404,753 | 325,797 |
| Cash paid to suppliers | -108,192 | -68,655 |
| Cash paid to employees | -29,388 | -30,479 |
| Concession rents paid | -1,046 | -4,811 |
| Other receipts / (payments) relating to operating activities | -11,396 | 37,656 |
| | 254,731 | 259,508 |
| Income tax received / (paid) | -18,168 | -16,355 |
| **Net cash flows from operating activities** | 236,563 | 243,153 |
| **Continuing activities** | 236,563 | 243,153 |
| **Cash flows from investing activities** | | |
| Cash receipts resulting from: | | |
| Proceeds from sale of financial assets | 72,722 | 300 |
| Proceeds from sale of property, plant and equipment | 803 | 260 |
| Interest received | 4,888 | 8,891 |
| Dividends received | 1,171 | 175 |
| | 79,584 | 9,626 |
| Cash payments resulting from: | | |
| Acquisition of subsidiaries (net of cash acquired) and other investments | -51,374 | -50,299 |
| Acquisition of property, plant and equipment | -740,955 | -1,105,534 |
| Subsidies | - | - |
| | -792,329 | -1,155,833 |
| **Net cash flows from investing activities** | -712,745 | -1,146,207 |
| **Continuing activities** | -712,745 | -1,146,207 |
| **Cash flows from financing activities** | | |
| Receipts/ (payments) of loans | 411,316 | 946,908 |
| Interest and similar costs | -9,864 | -42,652 |
| Governmental cash grants received | 419 | - |
| Increases in capital and share premium | - | 15,755 |
| Receipts/ (payments) from derivative financial instruments | -3,155 | -774 |
| Dividends paid | -1,304 | - |
| Receipts from institutional partnership (Horizon) | 108,773 | 39,289 |
| **Net cash flows from financing activities** | 506,185 | 958,526 |
| **Continuing activities** | 506,185 | 958,526 |
| **Net increase / (decrease) in cash and cash equivalents** | 30,003 | 55,472 |
| Effect of exchange rate fluctuations on cash held | 9,590 | 4,300 |
| **Cash and cash equivalents at the beginning of the period (*)** | 443,633 | 229,680 |
| **Cash and cash equivalents at the end of the period (*)** | 483,226 | 289,452 |

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

## 1. The business operations of the EDP Renováveis Group

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

As at 30 June 2010 the share capital is held 62.02% by EDP S.A. - Sucursal en España ("EDP Branch"), 15.51% by Hidroeléctrica del Cantábrico, S.A. and 22.47% of the share capital is free-float in the Euronext Lisbon.

As at 30 June 2010, EDP Renováveis holds a 100% stake in the share capital of EDP Renewables Europe, S.L. ("EDPR EU"), a 100% stake in the share capital of Horizon Wind Energy, LLC ("Horizon") and a 55% stake in the share capital of EDP Renováveis Brasil.

EDPR EU operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania and Italy. EDPR EU's main subsidiaries are: EDP Renovavéis Portugal, SA (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors), EDP Renewables Polska, SPZOO (wind farms in Poland), EDP Renewables Romania, SRL (wind farms in Romania) and EDP Renewables Italy, SRL (wind farms in Italy).

Horizon's main activities consist on the development, management and operation of wind farms in the United States of America.

The purpose of EDP Renováveis Brasil is to establish a new business unit to aggregate all the investments in the renewable energy market of South America.

### Changes in regulatory framework

The main changes in regulatory framework disclosed in 31 December 2009 consolidated financial statements have been:

*Spain*

The Ministry of Industry reached an agreement with the associations of developers of wind and solar thermal facilities to amend the existing regulation. For wind, the agreement means (i) no change to the remuneration of plants under RD 436/2004 (pre 1 January 2008), (ii) a 35% cut in the premium to plants post 1 January 2008 ruled by RD 66/2007 during 2011 and 2012 (iii) no change in the fixed tariff, cap and floor and (iv) the elimination of the premiums for all the output in excess of 2,589 hours when national output exceeds 2,350 hours a year.

*France*

The final draft of the Grenelle 2 bill was agreed by a parliamentary commission of 15 June 2010. The law includes (i) the obligation for wind farms to comprise at least 5 turbines, (ii) a minimum compulsory distance of wind farms of 500 meters from habitation (iii) turbines will be subject to regulation of ICPE regulation ("Industries classified for the protection of the environment"), adding a new regulatory layer and, (iv) in the future it will only be possible to install wind farms in areas designated in the wind power plans that are being drawn up for each region (these plans are not expected before 2013).

*Poland*

The Energy law has been amended on January 2010. The main aim was to limit speculative action in the reservation of interconnection power for wind farms in the energy system. 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. Within this new regulation, the entity applying for the conditions of interconnection must pay in advance towards the grid interconnection fee of 30 PLN per kW of interconnection capacity.

## 2. Accounting policies

### a) Basis of preparation

The condensed consolidated financial statements presented reflect EDP Renováveis and its subsidiaries results from operations and Group's interest in associated companies for the six months period ended 30 June 2010 and the financial position as at 30 June 2010 and 31 December 2009.

The Board of Directors approved these condensed consolidated financial statements (referred to as "financial statements") on 28 July 2010. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

These condensed consolidated financial statements have been prepared in accordance with International Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and, should be read in conjuction with the Consolidated Financial Statements of the Group as at 31 December 2009.

In accordance with IFRS 3, the adjustments that have resulted from the purchase price allocation carried out in 2010 (Neo Catalunya subgroup) for the goodwill booked in 2009, originate a reclassification of the comparative financial information as if the accounting for this business combination had been completed at the date of acquisition.

### b) Basis of consolidation

As from 1 January, 2010 onwards, the EDP Group applied IFRS 3 (2008) for the accounting of business combination. The changes in the accounting policies resulting from the application of IFRS 3 (2008) are applied prospectively.

*Subsidiaries*

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

Until 31 December, 2009, when the accumulated losses of a subsidiary attributable to non-controlling interest exceed the non-controlling interest in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interest previously recognised by the Group have been recovered. After 1 January, 2010, the due proportion of accumulated losses are attributed to non-controlling interest, implying that the Group can recognise negative non-controlling interest.

After 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a parcial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

*Associates*

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

The significant influence by EDP Renováveis Group is normally demonstrated by one or more of the following ways:
- Representation on the Board of Directors or equivalent management committee;
- Participation in the policy making processes, including participation in decisions over dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

The condensed consolidated financial statements include the Group's attributable share of total reserves and results of associated companies accounted under the equity method.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is descontinued, except to the extent that the Group has a legal or constructive obligation of covering those losses or make payments on behalf of the associate.

*Jointly controlled entities*

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

*Business combination*

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Renováveis Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December, 2009.

From 1 January 2010 the Group has applied IFRS 3 (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January, 2010 onwards, the EDP Renováveis Group has the possibility to book non-controlling interest at fair value or at cost, implying the goodwill can be fully booked in the financial statements, including the portion attributable to the non-controlling interest, against non-controlling interest, in the case that the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

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

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December, 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against "goodwill". As from 1 January, 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

*Investments in foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

*Balances and transactions eliminated on consolidation*

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

*Common control transactions*

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

*Put options related to non controlling interests*

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

Until 31 December 2009, in years subsequent to initial recognition, the changes in the liability due to the effect of the financial discount are recognised as a financial expense in the consolidated income statement, and the remaining changes are recognised as an adjustment to the cost of the business combination. Where applicable, dividends paid to minority shareholders up to the date the options are exercised are also recorded as adjustments to the cost of the business combination. In the event that the options are not exercised, the transaction would be recorded as a sale of interests to minority shareholders.

As from January 2010, the Group aplies IAS 27 (2008) to new put options related to non controlling interest and there subsequent changes in the carrying amount of the minority put liability are recognised in profit or loss.

**c) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

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

**Hedge accounting**

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

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

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*Fair value hedge*

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

*Cash flow hedge*

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

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

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

*Net investment hedge*

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

**e) Non derivative financial assets**

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

*Accounts receivable and loans*

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

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

*Financial assets at fair value through profit or loss*

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

*Available for sale investments*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. The Group's investments in equity securities are classified as available-for-sale financial assets.

**Initial recognition, measurement and derecognition**

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

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

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

**Subsequent measurement**

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

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

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

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

**Reclassifications between categories**

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

**Impairment**

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

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

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

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

**f) Financial liabilities**

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

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

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

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

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

**g) Borrowing costs**

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

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

**h) Property, plant and equipment**

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

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

**i) Intangible assets**

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

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

*Acquisition and development of software*

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

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

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

*Industrial property and other rights*

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

**j) Impairment of non financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is then estimated. For goodwill the recoverable amount is estimated at each reporting date.

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

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

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

**k) Leases**

The Group classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

*Operating leases*

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

**l) Inventories**

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

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

**m) Classification of assets and liabilities as current and non-current**

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Current assets and liabilities are determined as follows:

Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months of the balance sheet date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months from the balance sheet date.

Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months of the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorised for issue.

**n) Employee benefits**

**Pensions**

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

*Defined benefit plans*

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

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

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

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

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

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

*Defined contribution plans*

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

**Other benefits**

*Medical care and other plans*

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

*Variable remuneration to employees*

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

**o) Provisions**

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

*Dismantling and decommissioning provisions*

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

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

**p) Recognition of costs and revenue**

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

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

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

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

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

**q) Financial results**

Financial results include interest payable on borrowings, interest receivable on funds invested, dividend income, unwinding of the discount of provisions and written put options to non controlling interest, foreign exchange gains and losses and gains and losses on financial instruments.

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

**r) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### s) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

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

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

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

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

### u) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

### v) Government grants

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

### x) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

### y) New standards and interpretations already effective

The new standards and interpretations that have been issued that are already effective and that have no impact in the EDP Renováveis Group Condensed Consolidated Financial Statements:

- IAS 39 (amendment) - "Financial Instruments: Recognition and measurement — Eligible hedged items"
- IFRS 1 (amendment) - First time adoption of the International Financial Reporting Standards and IAS 27 - "Consolidated and Separate Financial Statements
- IFRIC 12 — "Service Concession Arrangements"
- IFRIC 17 — "Distributions of Non-cash Assets to Owners"
- IFRIC 18 — "Transfers of Assets from Customers"

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

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

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

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

**Impairment of available for sale investments**

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

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

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

**Fair value of derivatives**

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

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

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

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

**Impairment of non financial assets**

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

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

**Income taxes**

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

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

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

**Dismantling and decommissioning provisions**

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

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

**4. Financial-risk management policies**

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

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

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

The risk management policy implemented by the Group accomodated the adverse environment in capital markets allowing EDP Renováveis to follow its strategy and investment plan without significative changes.

**Exchange-rate risk management**

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

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

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

**Sensivity analysis - Foreign exchange rate**

As a consequence a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 30 June 2010 and 2009, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity, as follows (amounts in thousand Euros):

| | 30 Jun 2010 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| | +10% | -10% | +10% | -10% |
| USD / EUR | 4,459 | -5,450 | - | - |
| PLN / EUR | - | - | 5,370 | -6,563 |
| RON / EUR | - | - | -650 | 795 |
| | 4,459 | -5,450 | 4,720 | -5,768 |

| | 30 Jun 2009 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| | +10% | -10% | +10% | -10% |
| USD / EUR | 4,432 | -5,416 | - | - |
| PLN / EUR | - | - | 7,316 | (8,942) |
| | 4,432 | -5,416 | 7,316 | -8,942 |

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

As at 30 June 2010 and 2009, EDP Renováveis Group has no significant exposure to exchange rate risks related essentially with the Horizon activity. To hedge these risks, EDP Renováveis Group entered into a CIRS in USD and EUR with EDP Branch (see note 33).

**Interest rate risk management**

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

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

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

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

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities between 1 and 16 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

About 94% of EDP Renováveis Group financial debt bear interest at fixed rates.

**Sensivity analysis - Interest rates**

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

Based on the debt portfolio of the EDPR EU Group and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 100 basis points in the interest rates with reference to 30 June 2010 and 2009 would increase / (decrease) equity and results of EDP Renováveis Group in the following amounts (in thousand Euros):

| | 30 Jun 2010 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Cash flow hedge derivatives | - | - | 9,839 | -11,554 |
| Unhedged debt (variable interest rates) | -1,082 | 1,082 | - | - |
| | -1,082 | 1,082 | 9,839 | -11,554 |

| | 30 Jun 2009 | | | |
|---|---|---|---|---|
| | Profit or loss | | Equity | |
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Cash flow hedge derivatives | - | - | 11,091 | -11,828 |
| Unhedged debt (variable interest rates) | -918 | 918 | - | - |
| | -918 | 918 | 11,091 | -11,828 |

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

As at 30 June 2010 and 2009, Horizon has no significant exposure to interest rate risks.

**Counter-party credit-rate risk management in financial transactions**

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

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

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

In the specific case of Horizon Group, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. The Group's main customers are regulated utility companies and regional market agents in the U.S.

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

**Liquidity-risk**

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

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

**Market price risk**

As at 30 June 2010, market price risk affecting the EDP Renovavéis Group is not significant. In the case of Horizon, prices are fixed and mainly determined by power purchase agreements. In the case of EDPR EU the electricity is sold in Spain directly on the daily market at spot prices plus a pre-defined premium (regulated). Nevertheless, EDPR EU has an option of selling the power through regulated tariffs, granting minimum prices. In the remaining countries, prices are mainly determined through regulated tariffs.

EDPR EU and Horizon have electricity sales swaps that qualify for hedge accounting (cash flow hedge) that are related to electricity sales for the year 2010 and 2009 (see note 35).The purpose of EDP Renováveis Group is to hedge a volume of energy generated to reduce its exposure to the energy price volatility.

**Capital management**

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

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

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

During the six month period ended 30 June 2010, the changes in the consolidation perimeter of the EDP Renováveis Group were:

**Companies acquired during the period:**

- EDP Renewables Europe acquired 85% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l. (formerly named as Italian wind S.r.l.). The EDPR Group consolidates 100% of these subsidiaries because there is a put option over the remain 15% (see note 36);
- EDP Renewables Europe acquired 100% of the share capital of the polish companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO.

**Companies liquidated during the period:**

- Freeport Windpower I, LP.

**Companies incorporated during the period:**

- Headwaters Wind Farm L.L.C.*;
- Round Barn Wind Farm L.L.C.*;
- Waverly Wind Farm L.L.C.*;
- EDP Renewables Canada;
- 2010 Vento VII, LLC*;
- Horizon Wind Ventures VII, LLC*.

* EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a set of subsidiaries in the United States of America legally incorporated without share capital and that as at 30 June 2010 do not have any assets, liabilities, or any operating activity.

**Other changes**

- The Group EDPR increased its indirect holding from 19.5% to 35.6% in the share capital of ENEOP - Éolicas de Portugal, S.A. through the subsidiary EDP Renewables Europe, S.L.;
- The Group EDPR increased its indirect holding from 49% to 61% in the share capital of Parque Eólico Altos del Voltoya, S.A. through the subsidiary Sinae, S.L.

## 6. Revenue

**Revenue** is analysed by sector as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 30 Jun 2009<br>Euro'000 |
| **Revenue by sector of activity/business:** | | |
| Electricity | 410,956 | 305,694 |
| Other | 43 | 5,660 |
| | 410,999 | 311,354 |
| **Services rendered by sector of activity:** | | |
| Other | 1,908 | 2,562 |
| | 412,907 | 313,916 |
| **Total Revenue:** | | |
| Electricity | 410,956 | 305,694 |
| Other | 1,951 | 8,222 |
| | 412,907 | 313,916 |

The breakdown of **Revenue** for the Group, by geographic market, is presented in the Segmental reporting (see note 41).

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

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 30 Jun 2009<br>Euro'000 |
| **Cost of consumed electricity** | 606 | 658 |
| **Changes in inventories and cost of raw material and consumables used:** | | |
| Cost of consumables used | 3,061 | -540 |
| Changes in inventories | -1,741 | 4,541 |
| | 1,926 | 4,659 |

## 7. Other operating income

**Other operating income** is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| Supplementary income | 733 | 793 |
| Gains on fixed assets | - | 17 |
| Turbine availability income | 585 | 6,414 |
| Income from sale of interests in institutional partnerships - Horizon | 51,390 | 46,616 |
| Amortization of deferred income related to power purchase agreements | 6,200 | 9,244 |
| Gain related with business combination de Parque Eólico Altos del Voltoya, S.A. | 3,170 | - |
| Other income | 3,259 | 4,613 |
| | 65,337 | 67,697 |

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

The power purchase agreements between Horizon and its customers were valued, at the acquisition date, using discounted cash flow techniques. At that date, these agreements were valued based on market assumptions by approximately 120 million Euros (USD 190.4 million) and recorded as a non-current liability (note 33). This liability is amortised over the period of the agreements against other operating income. As at 30 June 2010, the amortization for the period amounts to 6,200 thousand Euros (30 June 2009: 9,244 thousand Euros).

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

During the six month period ended 30 June 2010, the EDP Renováveis Group acquired an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya,

S.A., obtaining the control of this company. Based on the preliminary purchase price allocation this acquisition has originated a gain of 3,170 thousand Euros (see note 2 b)).

## 8. Supplies and services

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| **Supplies and services:** | | |
| Water, electricity and fuel | 1,332 | 964 |
| Tools and office material | 978 | 949 |
| Leases and rents | 14,372 | 10,790 |
| Communications | 1,317 | 961 |
| Insurance | 5,243 | 3,895 |
| Transportation, travelling and representation | 3,702 | 3,752 |
| Commissions and fees | 495 | 290 |
| Maintenance and repairs | 46,534 | 30,487 |
| Advertising | 1,204 | 745 |
| Specialised works | | |
| - IT services | 1,832 | 2,018 |
| - Legal fees | 1,748 | 1,430 |
| - Advisory fees | 4,236 | 5,049 |
| - Shared services | 2,551 | 1,313 |
| - Other services | 2,274 | 3,489 |
| Royalties | 750 | - |
| Other supplies and services | 2,570 | 1,509 |
| | 91,138 | 67,641 |

## 9. Personnel costs and employee benefits expense

**Personnel costs** is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| Management remuneration | 732 | 238 |
| Remunerations | 23,340 | 20,173 |
| Social charges on remunerations | 3,332 | 2,610 |
| Employee's variable remuneration | 3,380 | 6,497 |
| Employee's benefits | 1,026 | 899 |
| Indemnities | 249 | 72 |
| Other costs | 1,617 | 2,205 |
| Own work capitalised | -11,079 | -12,363 |
| | 22,597 | 20,331 |

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| Costs with pension plans | 1,175 | -7 |
| Costs with medical care plan and other benefits | 22 | 7 |
| | 1,197 | - |

As at 30 June 2010, Costs with pension plans relates to defined contribution plans (1,171 thousand Euros) and defined benefit plans (22 thousand Euros), see also note 31.

## 10. Other operating expenses

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| Direct operating taxes | 7,687 | 7,217 |
| Indirect taxes | 3,460 | 2,407 |
| Losses on fixed assets | 40 | 1,872 |
| Lease costs related to the electricity generating centres | 3,943 | 2,384 |
| Donations | 100 | 235 |
| Amortizations of Deferred O&M cost | 610 | 750 |
| Turbine availability bonus | 715 | 452 |
| Research and development | - | 468 |
| Other costs and losses | 1,901 | 2,371 |
| | 18,456 | 18,156 |

## 11. Depreciation and amortisation expense

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| **Property, plant and equipment:** | | |
| Buildings and other constructions | 584 | 270 |
| Plant and machinery: | | |
| Hydroelectric generation | 41 | 41 |
| Thermoelectric generation | - | 192 |
| Wind generation | 196,704 | 139,862 |
| Other | 8 | 18 |
| Transport equipment | 103 | 39 |
| Office equipment | 2,702 | 1,238 |
| Other | 409 | 173 |
| Impairment | 117 | - |
| | 200,668 | 141,833 |
| **Other intangible assets:** | | |
| Industrial property, other rights and other intangibles | 977 | 1,177 |
| | 977 | 1,177 |
| | 201,645 | 143,010 |
| **Amortisation of deferred income (Government grants):** | | |
| Investment grants | -4,760 | -407 |
| | -4,760 | -407 |
| | 196,885 | 142,603 |

## 12. Gains / (losses) from the sale of financial assets

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

| | 30 Jun 2010 | | 30 Jun 2009 | |
|---|---|---|---|---|
| | Disposal % | Value Euro'000 | Disposal % | Value Euro'000 |
| **Investments in subsidiaries and associates** | | | | |
| Ibersol Solar Ibérica, S.A. | - | - | 50% | 268 |
| | | - | | 268 |

During the six month period ended 30 June 2010, does not have any gains or losses from the sales of financial assets.

## 13. Other financial income and financial expenses

**Other financial income and financial expenses** are analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| **Other financial income:** | | |
| Interest income | 4,391 | 3,884 |
| Derivative financial instruments | | |
| Interest | 998 | 5,827 |
| Fair value | 3,619 | 4,101 |
| Foreign exchange gains | 14,628 | 5,149 |
| Other financial Income | 522 | - |
| | 24,158 | 18,961 |
| **Other financial expenses:** | | |
| Interest expense | 81,605 | 40,191 |
| Derivative financial instruments | | |
| Fair value | 2,388 | 1,104 |
| Banking services | 592 | 370 |
| Foreign exchange losses | 26,497 | 3,395 |
| Own work capitalised (financial interests) | -34,665 | -19,029 |
| Unwinding | 34,658 | 35,853 |
| Other financial expenses | 1,835 | 1,230 |
| | 112,910 | 63,114 |
| Financial income / (expenses) | -88,752 | -44,153 |

Derivative financial instruments - Interest, relates to the interest liquidations on the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 33 and 35).

In acordance with the accounting policy described on note 2g), of the 30 June 2010 consolidated financial statetments the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2010 amounted to 34,665 thousand Euros (19,029 thousand Euros as at 30 June 2009) and are included under Own work capitalised (financial interest).

Interest expense refers to interest on loans bearing interest at market rates.

Unwinding expenses refers to the financial update of provisions for dismantling and decommissioning of wind farms 2,218 thousand Euros (30 June 2009 : 1,598 thousand Euros) (see note 32), to the financial update of the liability related with put option of EDPR Italia 945 thousand Euros (June 2009: 6,276 thousand Euros related with put option of Genesa Group) (see note 33) and the implied return in institutional partnerships in US wind farms 31,495 thousand Euros, 2008: 27,979 thousand Euros (see note 33).

## 14. Income tax expense

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| **Current tax** | -14,834 | -19,808 |
| **Deferred tax** | -1,580 | -752 |
| | -16,414 | -20,560 |

The effective income tax rate as at 30 June 2010 and 2009 is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 30 Jun 2009 Euro'000 |
| Profit before tax | 60,626 | 86,297 |
| Income tax | -16,414 | -20,560 |
| Effective Income Tax Rate | 27.07% | 23.82% |

The reconciliation between the nominal and the effective income tax rate for the Group during the period of 6 months ended 30 June 2010 is analysed as follows:

| | Group 30 Jun 2010 Euro'000 | Group 30 Jun 2009 Euro'000 |
|---|---|---|
| Profit before taxes | 60,626 | 85,912 |
| Nominal income tax rate | 30.00% | 30.00% |
| Expected income taxes | -18,188 | -25,774 |
| Income taxes for the period | -16,414 | -20,560 |
| Difference | 1,774 | 5,214 |
| | | |
| Tax effect of operations with institutional partnerships | 8,463 | 32,955 |
| Depreciation and amortization | -1,884 | -22,378 |
| Unrecognised deferred tax assets related to tax losses generated in the period | -11,546 | -12,758 |
| Production tax credits | 4,706 | 8,012 |
| Tax effect of put options | - | -1,884 |
| Fair value of financial instruments and financial investments | 1,175 | 1,290 |
| Financial investments in associates | 986 | 570 |
| Difference between gains and accounting gains and losses | 1,108 | - |
| Tax differencial | -595 | -927 |
| Autonomous Tax | -492 | - |
| Tax exempt dividends | 501 | - |
| Deferred taxes not recognised in the financial statements | -648 | - |
| Other | - | 334 |
| | 1,774 | 5,214 |

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

| | | Tax rate | |
|---|---|---|---|
| Country | Subgroup | 2010 and 2009 | Subsequent years |
| Spain | EDPR EU | 30.00% | 30.00% |
| Portugal | EDPR EU | 26.50% | 26.50% |
| France | EDPR EU | 33.33% | 33.33% |
| Poland | EDPR EU | 19.00% | 19.00% |
| Belgium | EDPR EU | 33.99% | 33.99% |
| Romania | EDPR EU | 16.00% | 16.00% |
| United States | Horizon Wind Energy | 37.63% | 37.63% |
| Brasil | EDPR Brasil | 34.00% | 34.00% |

## 15. Property, plant and equipment

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Cost:** | | |
| Land and natural resources | 16,184 | 13,119 |
| Buildings and other constructions | 12,389 | 11,041 |
| Plant and machinery: | | |
| Hydroelectric generation | 2,619 | 2,619 |
| Thermoelectric cogeneration | 6,008 | 6,008 |
| Wind generation | 8,643,121 | 7,354,463 |
| Other plant and machinery | 274 | 255 |
| Transport equipment | 1,286 | 1,063 |
| Office equipment and tools | 25,370 | 21,492 |
| Other tangible fixed assets | 10,396 | 8,829 |
| Assets under construction | 2,443,646 | 2,042,105 |
| | 11,161,293 | 9,460,994 |
| **Accumulated depreciation:** | | |
| Depreciation and amortisation expense for the period | -200,668 | -312,133 |
| Accumulated depreciation | -909,922 | -509,809 |
| | -1,110,590 | -821,942 |
| **Carrying amount** | 10,050,703 | 8,639,052 |

The movement in **Property, plant and equipment** from 31 December 2009 to 30 June 2010, is analysed as follows:

| | Balance 1 January Euro'000 | Acquisitions / Increases Euro'000 | Disposals Euro'000 | Transfers Euro'000 | Exchange Differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Land and natural resources | 13,119 | 3,000 | -39 | - | 104 | - | 16,184 |
| Buildings and other constructions | 11,041 | 601 | - | - | 747 | - | 12,389 |
| Plant and machinery: | | | | | | | |
| Hydroelectric generation | 2,619 | - | - | - | - | - | 2,619 |
| Thermoelectric cogeneration | 6,008 | - | - | - | - | - | 6,008 |
| Wind generation | 7,354,463 | 5,068 | - | 530,515 | 663,208 | 89,867 | 8,643,121 |
| Other plant and machinery | 255 | 6 | -1 | - | - | 14 | 274 |
| Transport equipment | 1,063 | 18 | - | 34 | 171 | - | 1,286 |
| Office equipment and tools | 21,492 | 1,093 | -98 | 315 | 1,778 | 790 | 25,370 |
| Other | 8,829 | 1,068 | - | 117 | 381 | 1 | 10,396 |
| Assets under construction | 2,042,105 | 829,872 | - | -530,981 | 114,433 | -11,783 | 2,443,646 |
| | 9,460,994 | 840,726 | -138 | - | 780,822 | 78,889 | 11,161,293 |

| | Balance 1 January Euro'000 | Charge for the period Euro'000 | Impairment Losses / Reverses Euro'000 | Disposals Euro'000 | Exchange Differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Buildings and other constructions | 2,287 | 584 | - | - | 112 | - | 2,983 |
| Plant and machinery: | | | | | | | |
| Hydroelectric generation | 1,526 | 41 | - | - | - | | 1,567 |
| Thermoelectric cogeneration | 6,009 | - | - | - | - | - | 6,009 |
| Wind generation | 799,376 | 196,704 | - | - | 54,955 | 32,039 | 1,083,074 |
| Other plant and machinery | 227 | 8 | - | - | - | - | 235 |
| Transport equipment | 367 | 103 | - | - | 56 | - | 526 |
| Office equipment and tools | 7,050 | 2,702 | - | -12 | 572 | 83 | 10,395 |
| Other | 5,100 | 409 | 117 | - | 174 | 1 | 5,801 |
| | 821,942 | 200,551 | 117 | -12 | 55,869 | 32,123 | 1,110,590 |

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

The caption Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDPR EU, during the six months period ended at 30 June 2010, namely EDP Renewables Italy, S.r.l. and Repano Wind, S.r.l. and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, following the acquisition of an additional 12% interest (see note 5).

Aquisitions / Increases of assets under construction include 35,756 thousand Euros related to the purchase price allocation performed in 2009 for the companies acquired during the year (see note 17).

The movement in **Property, plant and equipment** from 31 December 2008 to 30 June 2009, is analysed as follows:

| | Balance 1 January Euro'000 | Acquisitions Euro'000 | Disposals Euro'000 | Transfers Euro'000 | Exchange Differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Land and natural resources | 11,739 | 1,400 | -4 | 127 | -322 | - | 12,940 |
| Buildings and other constructions | 10,855 | 47 | | - | -24 | - | 10,878 |
| Plant and machinery: | | - | - | - | | - | |
| Hydroelectric generation | 2,619 | - | - | - | - | - | 2,619 |
| Thermoelectric cogeneration | 6,008 | - | - | - | - | - | 6,008 |
| Wind generation | 5,227,721 | 15,442 | -381 | 589,102 | -58,144 | 12,840 | 5,786,580 |
| Other plant and machinery | 247 | - | - | 6 | - | - | 253 |
| Transport equipment | 686 | 433 | -13 | - | -34 | 9 | 1,081 |
| Office equipment and tools | 9,378 | 463 | - | 1,169 | -87 | 3 | 10,926 |
| Other | 7,334 | 262 | -34 | 899 | -39 | 86 | 8,508 |
| Assets under construction | 2,382,901 | 897,665 | -2,302 | -591,303 | -19,354 | 7,216 | 2,674,823 |
| | 7,659,488 | 915,712 | -2,734 | - | -78,004 | 20,154 | 8,514,616 |

| | Balance 1 January Euro'000 | Charge for the period Euro'000 | Impairment Losses / Reverses Euro'000 | Disposals Euro'000 | Exchange Differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses:** | | | | | | | |
| | 1,736 | 270 | - | - | -9 | - | 1,997 |
| Plant and machinery: | | | | | | | |
| Hydroelectric generation | 1,443 | 41 | - | - | - | - | 1,484 |
| Thermoelectric cogeneration | 5,817 | 192 | - | - | - | - | 6,009 |
| Wind generation | 499,925 | 139,862 | - | -8 | -5,805 | 1,808 | 635,782 |
| Other plant and machinery | 214 | 18 | - | - | - | -12 | 220 |
| | 266 | 39 | - | -5 | -5 | 2 | 297 |
| | 4,256 | 1,238 | - | - | -56 | -127 | 5,311 |
| | 4,026 | 173 | - | -28 | -21 | 401 | 4,551 |
| | 517,683 | 141,833 | - | -41 | -5,896 | 2,072 | 655,651 |

**Assets under construction** as at 30 June 2010 and 31 December 2009 are analysed as follows:

| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
|---|---|---|
| **Electricity business:** | | |
| Horizon Wind Energy Group | 1,075,426 | 438,274 |
| EDPR EU Group | 1,340,480 | 1,599,828 |
| EDP Renováveis | 8,671 | 1,861 |
| EDP Renováveis Brasil | 19,069 | 2,142 |
| | 2,443,646 | 2,042,105 |

Assets under construction as at 30 June 2010 and December 2009 for EDPR EU and Horizon Wind Energy Group are essentially related to wind farms under construction and development.

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

## 16. Intangible assets

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Cost:** | | |
| Industrial property, other rights and other intangible assets | 32,650 | 30,378 |
| Intangible assets under development | 4 | 2,844 |
| | 32,654 | 33,222 |
| **Accumulated amortisation:** | | |
| Depreciation and amortisation expense for the period | -977 | -2,217 |
| Accumulated depreciation | -16,437 | -13,665 |
| | -17,414 | -15,882 |
| **Carrying amount** | 15,240 | 17,340 |

Industrial property, other rights and other intangible assets include 14,035 thousand Euros and 16,342 thousand Euros related to wind generation licenses of Portuguese companies (31 December 2009: 14,035 thousand Euros) and Horizon Wind Energy Group (31 December 2009: 13,920 thousand Euros), respectively.

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

The movement in Intangible assets from 31 December 2009 to 30 June 2010, is analysed as follows:

| | Balance at 1 January Euro'000 | Acquisitions Euro'000 | Disposals Euro'000 | Transfers Euro'000 | Exchange differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Industrial property, other rights and other intangible assets | 30,378 | 9 | - | - | 2,411 | -148 | 32,650 |
| Intangible assets under development | 2,844 | - | - | - | 1 | -2,841 | 4 |
| | 33,222 | 9 | - | - | 2,412 | -2,989 | 32,654 |

| | Balance at 1 January Euro'000 | Charge for the year Euro'000 | Impairment Euro'000 | Disposals Euro'000 | Exchange differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation:** | | | | | | | |
| Industrial property, other rights and other intangible assets | 15,882 | 977 | - | - | 555 | - | 17,414 |
| | 15,882 | 977 | - | - | 555 | - | 17,414 |

The movement in Intangible assets from 31 December 2008 to 30 June 2009, is analysed as follows:

| | Balance at 1 January Euro'000 | Acquisitions Euro'000 | Disposals Euro'000 | Transfers Euro'000 | Exchange differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Industrial property, other rights and other intangible assets | 33,521 | 38 | - | - | -238 | 3 | 33,324 |
| Concession rights | - | 1 | - | - | - | - | 1 |
| Intangible assets under development | 2,840 | - | - | - | - | - | 2,840 |
| | 36,361 | 39 | - | - | -238 | 3 | 36,165 |

| | Balance at 1 January Euro'000 | Charge for the year Euro'000 | Disposals Euro'000 | Transfers Euro'000 | Exchange differences Euro'000 | Perimeter Variations / Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated amortisation:** | | | | | | | |
| Industrial property, other rights and other intangible assets | 13,953 | 1,177 | | | -65 | -13 | 15,052 |
| | 13,953 | 1,177 | - | - | -65 | -13 | 15,052 |

## 17. Goodwill

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

| | Group 30 Jun 2010 Euro'000 | Group 31 Dec 2009 Euro'000 |
|---|---|---|
| **Electricity business:** | | |
| Goodwill booked in EDPR EU Group | 844 097 | 768,311 |
| Goodwill booked in Horizon Wind Energy Group | 644 499 | 550,868 |
| Goodwill booked in EDP Renováveis Brasil Group | 1 707 | 1,501 |
| | 1,490,303 | 1,320,680 |

EDP Renewables Group goodwill as at 30 June 2010 and 31 December 2009 is analysed as follows:

| | Functional Currency | Group 30 Jun 2010 Euro'000 | Group 31 Dec 2009 Euro'000 |
|---|---|---|---|
| Horizon Wind Energy group | US Dollar | 644,499 | 550,868 |
| Genesa group | Euro | 477,522 | 477,522 |
| Ceasa group | Euro | 117,513 | 117,513 |
| EDPR Polska | Zloty | 41,684 | 26,410 |
| EDP Renewables Portugal group | Euro | 42,588 | 42,588 |
| NEO Galia SAS group | Euro | 83,160 | 83,160 |
| Romania group | Lei | 10,931 | 10,931 |
| NEO Catalunya | Euro | 7,013 | 7,013 |
| EDPR Brasil Group | Brasilian Real | 1,707 | 1,501 |
| EDPR Italia Group | Euro | 60,512 | |
| Other | Euro | 3,174 | 3,174 |
| | | 1,490,303 | 1,320,680 |

In accordance with IFRS 3, following the final purchase price allocation carried out in 2010, the goodwill for NEO Catalunya subgroup as at 31 December 2009 was reclassified in the amount of 2,324 thousand Euros.

The movements in Goodwill, by subgroup, from 31 December 2009 to 30 June 2010, are analysed as follows:

| | Balance at 1 January Euro'000 | Increases Euro'000 | Decreases Euro'000 | Impairment Euro'000 | Exhange Differences Euro'000 | Perimeter Variations/ Regularisations Euro'000 | Balance at 20 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Electricity Business** | | | | | | | |
| Horizon Wind Energy group | 550,868 | - | - | - | 93,631 | - | 644,499 |
| Genesa group | 477,522 | - | - | - | - | - | 477,522 |
| Ceasa group | 117,513 | - | - | - | - | - | 117,513 |
| EDPR Polska | 26,410 | 16,185 | - | - | (911) | - | 41,684 |
| EDP Renováveis Portugal group | 42,588 | - | - | - | - | - | 42,588 |
| NEO Galia SAS group | 83,160 | - | - | - | - | - | 83,160 |
| Romania group | 10,931 | - | - | - | - | - | 10,931 |
| Neo Catalunya | 7,013 | - | - | - | - | - | 7,013 |
| EDPR Brasil Group | 1,501 | - | - | - | 206 | - | 1,707 |
| EDPR Italia Group | - | 60,512 | - | - | - | - | 60,512 |
| Other | 3,174 | - | - | - | - | - | 3,174 |
| | 1,320,680 | 76,697 | - | - | 92,926 | - | 1,490,303 |

The movements in Goodwill, by subgroup, from 31 December 2008 to 30 June 2009, are analysed as follows:

| | Balance at 1 January Euro'000 | Increases Euro'000 | Decreases Euro'000 | Impairment Euro'000 | Exhange Differences Euro'000 | Perimeter Variations/ Regularisations Euro'000 | Balance at 30 June Euro'000 |
|---|---|---|---|---|---|---|---|
| **Electricity Business** | | | | | | | |
| Horizon Wind Energy group | 569,777 | - | - | - | (8,552) | - | 561,225 |
| Genesa group | 441,356 | - | - | - | - | - | 441,356 |
| Ceasa group | 146,469 | - | - | - | - | - | 146,469 |
| EDPR Polska | 25,424 | - | - | - | - | - | 25,424 |
| EDP Renováveis Portugal group | 43,011 | - | - | - | - | - | 43,011 |
| NEO Galia SAS group | 45,104 | 90 | - | - | - | - | 45,194 |
| Hollywell group | 8,007 | - | - | - | - | - | 8,007 |
| Ridgeside group | 4,317 | - | - | - | - | - | 4,317 |
| Romania group | 14,803 | 90 | - | - | - | - | 14,893 |
| NEO Catalunya | 4,187 | 9,955 | - | - | - | - | 14,142 |
| EDPR Brasil Group | - | 5,415 | - | - | 495 | - | 5,910 |
| Other | 3,263 | - | - | - | - | - | 3,263 |
| | 1,305,718 | 15,550 | - | - | (8,057) | - | 1,313,211 |

*Horizon Wind Energy Group*

Goodwill arising from the acquisition of the Horizon Wind Energy Group was determined in USD as at 30 June 2010 and amounts to 775,251 thousands of USD, corresponding to 644,499 thousand Euros (31 December 2009: 550,868 thousand Euros), including the related transaction costs in the amount of 12,723 thousand Euros. The increase in Horizon Wind Energy group goodwill is related with the effect from exchange differences of EUR/USD of 93,631 thousand Euros (decrease of 8,552 thousand Euros as at 30 June 2009).

*EDPR Polska Group*

In the six months period ended 30 June 2010, the goodwill of EDPR Ploska Group goodwill increased 16,185 thousand Euros related with the acquisition of the companies Farma Wiatrowa Bodzanow SP ZOO (6,070 thousand Euros), Farma Wiatrowa Starozreby SP ZOO (5,399 thousand Euros) and Farma Wiatrowa Wyszogrod SP ZOO (4,715 thousand Euros). Additionally the goodwill has decreased 911 thousand Euros related with exchange differences.

| | Bodzanow Euro'000 | Starozreby Euro'000 | Wyszogrod Euro'000 | Total Euro'000 |
|---|---|---|---|---|
| Property, plant and equipment | 39 | 54 | 134 | 228 |
| Non current assets | 39 | 54 | 134 | 228 |
| Current assets | 445 | 442 | 375 | 1,261 |
| Total assets | 484 | 496 | 509 | 1,489 |
| Non current liabilities | 421 | 383 | 332 | 1,136 |
| Current liabilities | 1 | -1 | 13 | 13 |
| Total liabilities | 422 | 382 | 345 | 1,149 |
| Net assets acquired | 62 | 114 | 164 | 340 |
| Consideration transferred | 6,132 | 5,513 | 4,879 | 16,525 |
| Goodwill | 6,070 | 5,399 | 4,715 | 16,185 |

*Neo Catalunya*

In the six months period ended 30 June 2009 the goodwill of Neo Catalunya Group has increased 7,631 thousand Euros related with the acquisition of 100% of the share capital of Bom Ven de L'Ébre. During the second semester of 2009 the Neo Catalunya has carried out a preliminary Purchase Price Allocation. The efects are analysed as follows:

| | Book Value | Provisory PPA | Assets and Liabilities at fair value | Final PPA | Assets and Liabilities at fair value |
|---|---|---|---|---|---|
| | Euro'000 | Euro'000 | Euro'000 | Euro'000 | Euro'000 |
| Property, plant and equipment | 4,113 | 8,995 | 13,108 | 4,042 | 17,150 |
| Other assets (including licenses) | 1,012 | - | 1,012 | - | 1,012 |
| Total assets | 5,125 | 8,995 | 14,120 | 4,042 | 18,162 |
| Deferred tax liabilities | - | 1,864 | 1,864 | 2,046 | 3,910 |
| Current liabilities | 5,070 | - | 5,070 | 4,320 | 9,390 |
| Total liabilities | 5,070 | 1,864 | 6,934 | 6,366 | 13,300 |
| Net assets acquired | 55 | 7,131 | 7,186 | -2,324 | 4,862 |
| Consideration transferred | 7,686 | | 7,688 | | 7,688 |
| Goodwill | 7,631 | | 502 | | 2,826 |

In the six months period ended 30 June 2010 the final purchase price allocation for the acquisition of subsidiary Bon Vent de L'Ébre was carried out and the goodwill of Neo Catalunya subgroup has been reclassified as at 31 December 2009 by 2,324 thousand Euros .

*Genesa Group*

In the six months period ended 30 June 2010 the Group EDPR increased its indirect holding from 49% to 61% in the share capital of Parque Eólico Altos del Voltoya, S.A. (see note 5) and has carried out the purchase price allocation that originates the recognition of an income of 3,170 thousand Euros (see note 7).

| | Book value | Provisory PPA | Assets and Liabilities at fair value |
|---|---|---|---|
| | Euro'000 | Euro'000 | Euro'000 |
| Property, plant and equipment | 32,257 | 21,671 | 53,928 |
| Other assets (including licenses) | 7,138 | - | 7,138 |
| Total assets | 39,395 | 21,671 | 61,066 |
| Non controlling interest | 10,507 | 1,459 | 11,966 |
| Deferred tax liabilities | - | 3,966 | 3,966 |
| Financial debt | 27,344 | | 27,344 |
| Current liabilities | 3,040 | - | 3,040 |
| Total liabilities | 30,384 | 3,966 | 34,350 |
| Net assets acquired | 9,011 | 17,705 | 14,750 |
| Consideration transferred | 11,580 | | 11,580 |
| Goodwill | 2,569 | | -3,170 |

*EDPR Brasil Group*

In 2009, the increase in EDPR Brasil Group goodwill is related with the acquisition of 100% of share capital of CENAEEL in the amount of 5,415 thousand Euros and the effect from exchange differences of EUR/BRL of 495 thousand Euros. In 2010 the increase os related with the effect from exchange differences of 206 thousand Euros.

*Italia subgroup*

On 27 January 2010, EDPR Group through its subsidiary EDPR EU acquired 85% of the share capital of EDP Renewables Italia,S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remain 15% of the company's share capital (see note 36); as a consequence, as at 31 March 2010, the EDPR Group has consolidated 100% of EDP Renewables Italia,S.r.l. , taking considering the put option as an anticipated acquisition of non controlling interests.

| | Book value<br>Euro'000 |
|---|---|
| Tangible fixed assets | 4,758 |
| Financial investments | 200 |
| Goodwill | 15,149 |
| Non current assets | 20,107 |
| Current assets | 15 |
| Total assets | 20,122 |
| Non current liabilities | 25 |
| Current liabilities | 542 |
| Total liabilities | 567 |
| Net assets acquired | 19,555 |
| Consideration transferred | 64,872 |
| Goodwill | 45,317 |

The variation in the Italia subgroup goodwill during the first semester of 2010 results from the acquisition of Italian Wind, S.r.l. (60,466 thousand Euros), which includes the preliminary goodwill generated from the acquisition (45,317 thousand Euros) and the amount of the goodwill already included in the financial statements of Italian Wind, S.r.l. (15,149 thousand Euros) and also results from the goodwill generated in the acquisition of Repano, S.r.l. (46 thousand Euros).

During the first semester of 2010, no purchase price allocation has been carried out for these acquisitions.

EDPR Group has performed analysis with reference to 30 June 2010, with the purpose of evaluate the occurrence of facts or circumstances wich reveal potential impairment issues in the goodwill associated with subsidiaries acquisitions. No issues have been identified.

During 2010 the EDPR Group has paid an amount of 51,374 thousand Euros (31 December 2009: 74,342 thousand Euros) for business combinations,which includes na amount of 4,220 thousands of Euros of cash and cash equivalents acquired (31 December 2009: 6,250 thousand Euros).

## 18. Investments in associates

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| **Investments in associates:** | | |
| Equity holdings in associates | 42,739 | 47,609 |
| **Carrying amount** | 42,739 | 47,609 |

## 19. Available for sale financial assets

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| Sociedad Eólica de Andalucia, S.A. | 11,766 | 11,766 |
| Aprofitament D'Energies Renovables de la Terra Alta, S.A. | 1,347 | - |
| Wind Expert | 500 | 500 |
| Other | 364 | 364 |
| | 13,977 | 12,630 |

## 20. Deferred tax assets and liabilities

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. No significant changes occurred in relation to the nature, amounts and maturity of deferred taxes assets and liabilities refering to those reported in 31 December 2009 consolidated annual accounts.

The main variations in deferred tax assets and liabilities for the Group during the six months ended 30 June 2010 and 2009 are analysed as follows:

| | 30 Jun 2010 | | 30 Jun 2009 | |
|---|---|---|---|---|
| | Group | | Group | |
| | Deferred tax assets Euro'000 | Deferred tax liabilities Euro'000 | Deferred tax assets Euro'000 | Deferred tax liabilities Euro'000 |
| **Balance as at 1 January** | 28,066 | -344,969 | 21,834 | -303,331 |
| Variation on tax losses carried forward | 482 | - | 531 | - |
| Variation on fair value of financial instruments | 3,689 | 2,734 | 2,348 | - |
| Variation in allocation of acquired assets and liabilities fair values | - | -13,744 | - | -428 |
| Other | 3,305 | 11 | 1,147 | -1,761 |
| **Balance as at 30 June** | 35,542 | -355,968 | 25,860 | -305,520 |

## 21. Inventories

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| Advances on account of purchases | 5,583 | 2,795 |
| Finished and intermediate products | 9,554 | 8,163 |
| Raw and subsidiary materials and consumables: | | |
| Other consumables | 1,275 | 386 |
| | 16,412 | 11,344 |

## 22. Trade receivables

**Trade receivables** are analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Short term trade receivables - Current:** | | |
| Spain | 58,916 | 47,914 |
| United States of America | 24,980 | 27,434 |
| Portugal | 23,468 | 17,918 |
| France | 4,958 | 7,072 |
| Belgium | 1,886 | 5,301 |
| Brasil | 431 | 452 |
| Romania | 55 | 57 |
| Poland | 5,583 | - |
| United Kingdom | 10 | - |
| | 120,287 | 106,148 |
| Doubtful debts | 2,339 | 2,345 |
| Impairment losses | -2,339 | -2,345 |
| | 120,287 | 106,148 |

## 23. Debtors and other assets

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Short-term debtors - Current:** | | |
| Loans to related parties | 179,256 | 178,028 |
| Derivative financial instruments | 5,723 | 13,765 |
| Guarantee deposits | 31,734 | 11,962 |
| Tied deposits | 30,263 | 90,505 |
| Other debtors: | | |
| - Amounts related to staff | 92 | 32 |
| - Insurance | 1,944 | 1,979 |
| - Production tax credits (PTC) | 678 | 213 |
| - Horizon warranty claim | 600 | 2,678 |
| - Prepaid turbine maintenance | 5,555 | 1,450 |
| - Turbine Availability | 1,891 | 6,680 |
| - Services rendered | 26,551 | 9,110 |
| - Advances to suppliers | 21,222 | 100 |
| - Sundry debtors and other operations | 22,442 | 20,956 |
| | 327,951 | 337,458 |
| **Medium and long-term debtors - Non-current:** | | |
| Loans to related parties | 23,552 | 8,408 |
| Notes receivable (Horizon Wind Energy) | 10,139 | 9,397 |
| Guarantees and tied deposits | 40,817 | 34,961 |
| Derivative financial instruments | 5,084 | 5,443 |
| Other debtors: | | |
| - Deferred costs (EDP Renováveis Portugal Group) | 47,816 | 46,770 |
| - Deferred PPA costs (High Trail) | 7,587 | 5,388 |
| - O&M contract valuation - Mapple Ridge I (Horizon Wind Energy) | 7,786 | 7,405 |
| - Deferred Tax Equity Costs | 9,738 | 6,384 |
| - Sundry debtors and other operations | 5,088 | 5,291 |
| | 157,607 | 129,447 |
| | 485,558 | 466,905 |

Loans to related parties - Current mainly includes 91,572 thousand Euros related to loans granted by EDP Renováveis, S.A. to EDP, S.A. - Sucursal en España (31 December 2009: 37,678 thousand Euros) related to the net investment derivative interests liquidation and 35,409 thousand Euros related to loans granted by EDPR EU to EDP, S.A. - Sucursal en España (31 December 2008: 21,554 thousand Euros).

Tied deposits - Current mainly includes financing agreement related to Vento VI (30 June 2010: 25,228 thousand Euros and 31 December 2009: 63,603 thousand Euros), Vento V (30 June 2010: 1,085 thousand Euros and 31 December 2009: 19,094 thousand Euros) and Vento IV (30 June 2010: 2,416 thousand Euros and 31 December 2009: 4,110 thousand Euros). Funds are required to be held in the amount sufficient to pay remaining construction related costs.

Guarantees and tied deposits - Non Current are related to project finance agreements, which of EDPR EU Group companies obliged the companies to hold these amounts in bank accounts in order to ensure its capacity of comply with responsabilities.

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

## 24. Tax receivable

**Tax receivable** is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| State and other public entities: | | |
| - Income tax | 25,976 | 19,132 |
| - Value added tax (VAT) | 104,209 | 146,464 |
| - Other taxes | 11,187 | 4,074 |
| | 141,372 | 169,670 |

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

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

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| Equity securities: | | |
| Investment funds | 35,262 | 33,012 |
| Debt securities: | | |
| Bonds | 516 | 4,091 |
| | 35,778 | 37,103 |

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

## 26. Cash and cash equivalents

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

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| Cash: | | |
| - Cash in hand | 66 | 57 |
| Bank deposits: | | |
| - Current deposits | 313,870 | 158,411 |
| - Other deposits | 169,290 | 285,165 |
| | 483,160 | 443,576 |
| Cash and cash equivalents | 483,226 | 443,633 |

The other includes 148,766 thousand Euros of deposits made in EDP Finance BV in USD, with a maturity until three months, which earn interests from 0.2% to 0.3%.

## 27. Capital and Share premium

As at 30 June 2010 and 2009 the share capital of EDP Renováveis is composed of 872,308,162 shares with a nominal value of Euros 5 per share.

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 | 30 Jun 2009 |
| Profit attributable to the equity holders of the parent in thousand Euros | 42,897 | 65,578 |
| Profit from continuing operations attributable to the equity holders of the parent in thousand Euros | 42,897 | 65,578 |
| Weighted average number of ordinary shares outstanding | 872,308,162 | 872,308,162 |
| Weighted average number of diluted ordinary shares outstanding | 872,308,162 | 872,308,162 |
| Earnings per share (basic) attributable to equity holders of the parent in Euros | 0.05 | 0.08 |
| Earnings per share (diluted) attributable to equity holders of the parent in Euros | 0.05 | 0.08 |
| Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros | 0.05 | 0.08 |
| Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros | 0.05 | 0.08 |

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

The company does not hold any treasury stock as at 30 June 2010 and 2009.

The average number of shares was determined as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 | 30 Jun 2009 |
| Ordinary shares issued at the beginning of the period | 872,308,162 | 872,308,162 |
| Effect of shares issued during the six monts period | - | - |
| **Average number of realised shares** | 872,308,162 | 872,308,162 |
| Average number of shares during the period | 872,308,162 | 872,308,162 |
| Diluted average number of shares during the period | 872,308,162 | 872,308,162 |

## 28. Reserves and retained earnings

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| Reserves | | |
| Fair value reserve (cash flow hedge) | -5,384 | 16,735 |
| Fair value reserve (available for sale financial assets) | 8,659 | 8,659 |
| Exchange differences arising on consolidation | -2,235 | 570 |
| | 1,040 | 25,964 |
| Other reserves and retained earnings: | | |
| Retained earnings | 206,001 | 98,028 |
| Additional paid in capital | 60,666 | 60,666 |
| Legal reserve | 14,280 | 7,479 |
| | 280,947 | 166,173 |
| | 281,987 | 192,137 |

*Additional paid in capital*

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

*Legal reserve*

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

*Fair value reserve (cash flow hedge)*

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

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

This reserve includes the accumulated net change in the fair value of available-for-sale financial assets as at the balance sheet date.

*Exchange differences arising on consolidation*

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

| | | Exchange rates as at 30 June 2010 | | Exchange rates as at 31 December 2009 | |
|---|---|---|---|---|---|
| Currency | | Closing Rate | Average Rate | Closing Rate | Average Rate |
| Dollar | USD | 1.227 | 1.327 | 1.441 | 1.390 |
| Zloty | PLN | 4.147 | 4.002 | 4.105 | 4.362 |
| Real | BRL | 2.208 | 2.384 | 2.511 | 2.783 |
| Lei | RON | 4.370 | 4.149 | 4.236 | 4.245 |
| Pound Sterling | GBP | 0.817 | 0.870 | 0.888 | 0.890 |
| Canadian Dollar | CAD | 1.289 | 1.372 | - | - |

## 29. Non controlling interest

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| Non controlling interest in income statement | 1,330 | 3,438 |
| Non controlling interest in share capital and reserves | 119,433 | 104,055 |
| | 120,763 | 107,493 |

**Non controlling interest**, by subgroup, are analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| EDPR EU Group | 111,244 | 98,759 |
| EDP Renováveis Brasil | 9,519 | 8,734 |
| | 120,763 | 107,493 |

The movement in non-controlling interest of EDP Renováveis Group is mainly related to profits attributable to non-controlling interest of 1,315 thousand Euros, to variations resulting from share capital increases attributable to non-controlling interest totalling 2,514 thousand Euros and the acquisition of an additional interest in the share capital of Parque Eólico Altos del Voltoya, S.A. (9,706 thousand Euros) (see note 5).

## 30. Financial debt

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Short-term financial debt - Current** | | |
| Bank loans: | | |
| - EDPR EU Group | 90,807 | 102,500 |
| - EDP Renováveis Brasil Group | 14,795 | 539 |
| Loans from shareholders of group entities: | | |
| - EDPR EU Group | - | - |
| Other loans: | | |
| - EDPR EU Group | 2,982 | 2,982 |
| - HWE Group | 975 | 1,114 |
| Interest payable | 3,508 | 3,133 |
| | 113,067 | 110,268 |
| **Medium/long-term financial debt - Non-current** | | |
| Bank loans: | | |
| - EDPR EU Group | 407,583 | 394,895 |
| - EDP Renováveis Brasil Group | 8,432 | 7,704 |
| Loans from shareholders of group entities: | | |
| - EDP Renováveis , S.A. | 2,814,275 | 2,131,042 |
| - EDPR EU Group | - | - |
| Other loans: | | |
| - EDPR EU Group | 24,666 | 25,823 |
| - HWE Group | 4,146 | 3,707 |
| | 3,259,102 | 2,563,171 |
| | 3,372,169 | 2,673,439 |

Financial debt Non - Current for EDP Renováveis, mainly refers to a set of loans granted by EDP Finance BV (2,814,275 thousand Euros). These loans have an average maturity of 8.8 years and bear interest at market rates.

The Group has project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects, and the compliance with some ratios. As at 30 June 2010, these financings amount to 463,607 thousand Euros (444,212 thousand Euros as at 31 December 2009), which are already included in the total debt of the Group.

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| **Bank loans:** | | |
| Up to 1 year | 109 110 | 106,172 |
| 1 to 5 years | 207,916 | 186,423 |
| Over 5 years | 208,099 | 216,176 |
| | 525,125 | 508,771 |
| **Loans from shareholders of group entities:** | | |
| Up to 1 year | - | - |
| 1 to 5 years | - | - |
| Over 5 years | 2,814,275 | 2,131,042 |
| | 2,814,275 | 2,131,042 |
| **Other loans:** | | |
| Up to 1 year | 3,957 | 4,096 |
| 1 to 5 years | 17,721 | 17,558 |
| Over 5 years | 11,091 | 11,972 |
| | 32,769 | 33,626 |
| | 3,372,169 | 2,673,439 |

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

| | 30 Jun 2010 | | 31 Dec 2009 | |
|---|---|---|---|---|
| | Carrying Value Euro'000 | Market Value Euro'000 | Carrying Value Euro'000 | Market Value Euro'000 |
| Short term financial debt - Current | 113,067 | 113,067 | 110,268 | 110,268 |
| Medium/Long financial debt - Non current | 3,259,102 | 3,371,343 | 2,563,171 | 2,532,998 |
| | 3,372,169 | 3,484,410 | 2,673,439 | 2,643,266 |

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

As at 30 June 2010, the scheduled repayments of Group's debt are as follows:

| | Total Euro'000 | 2010 Euro'000 | 2011 Euro'000 | 2012 Euro'000 | 2013 Euro'000 | 2014 Euro'000 | Subsequent years Euro'000 |
|---|---|---|---|---|---|---|---|
| Short term debt and borrowings | 113,067 | 66,940 | 46,127 | - | - | - | - |
| Medium/long-term debt and borrowings | 3,259,102 | - | 28,350 | 59,190 | 55,955 | 62,097 | 3,053,510 |
| | 3,372,169 | 66,940 | 74,477 | 59,190 | 55,955 | 62,097 | 3,053,510 |

The breakdown of guarantees is presented in Note 36 to the condensed consolidated financial statements.

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

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| Loans denominated in Euros | 1,767,241 | 1,352,252 |
| Loans denominated in USD | 1,581,701 | 1,312,944 |
| Loans denominated in other currencies | 23,227 | 8,243 |
| | 3,372,169 | 2,673,439 |

## 31. Employee benefits

**Employee benefits** balance are analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010 Euro'000 | 31 Dec 2009 Euro'000 |
| Provisions for social liabilities and benefits | 25 | 6 |
| Provisions for healthcare liabilities | 53 | 53 |
| | 78 | 59 |

As at 30 June 2010 and 31 December 2009, "Provisions for liabilities and social benefits" refers exclusively to defined benefit plans.

The variation in the provisions for social liabilities and benefits and healthcare liabilities derives from the transfer of part of the obligations to other companies of the EDP Group.

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

The responsabilities and the assets from pension and healthcare pension plans have no significant amounts.

## 32. Provisions

**Provisions** are analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| Dismantling and decommission provisions | 75,637 | 63,956 |
| Provision for other liabilities and charges | 2,229 | 3,129 |
| | 77,866 | 67,085 |

Dismantling and decommission provisions refer to the costs to be incurred with dismantling wind farms and restoring of sites and land to their original condition, in accordance with the accounting policy described in Note 2 o). The above amount includes essentially 52,508 thousand Euros for wind farms in the United States of America (31 December 2009: 41,609 thousand Euros), 15,746 thousand Euros for wind farms in Spain (31 December 2009: 15,053 thousand Euros), 5,399 thousand Euros for wind farms in Portugal (31 December 2009: 5,348 thousand Euros), 1,738 thousand Euros for wind farms in France (31 December 2009: 1,738 thousand Euros), 208 thousand Euros for wind farms in Brasil (31 December 2009: 183 thousand Euros) and 38 thousand Euros for wind farms in Belgium (31 December 2009: 25 thousand Euros).

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

As at 30 June 2010 and 31 December 2009, the EDP Renováveis Group does not have any significant tax-related contingent liabilities or contingent assets related to unresolved disputes with the tax authorities.

## 33. Trade and other payables

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| **Short-term trade and other payables - Current:** | | |
| Derivative financial instruments (Hedging) | 751 | 854 |
| Liabilities arising from options with non controlling interests | 303 722 | 303 722 |
| Other payables | | |
| - Suppliers | 56,047 | 42,765 |
| - Other operations with related parties | 14,244 | 15,425 |
| - Property and equipment suppliers | 675,077 | 652,236 |
| - Advances from customers | 248 | 55 |
| - Deferred income | 916 | 505 |
| - Amounts payable for the acquisition of subsidiaries | - | 10,356 |
| - Success fees payable for the acquisition of subsidiaries | 8,333 | 7,327 |
| - Variable remuneration to employees | 7,144 | 11,128 |
| - Other supplies and services | 95,789 | 22,841 |
| - Other creditors and sundry operations | 34,952 | 30,891 |
| | 1,197,223 | 1,098,105 |

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| **Medium/long-term trade and other payables — Non-current:** | | |
| Payables - Group companies | 60,692 | 40,009 |
| Derivative financial instruments (Hedging) | 348,800 | 18,848 |
| Liabilities arising from options with non controlling interests | 35,608 | 61 |
| Liabilities arising from institutional partnerships in US wind farms | 1,675,700 | 1,353,612 |
| Other payables | | |
| - Government grants / subsidies for investments in fixed assets | 196,815 | 162,486 |
| - Electricity sale contracts - Horizon | 100,439 | 97,951 |
| - Amounts payable for the acquisition of subsidiaries | 4,335 | 21,230 |
| - Success fees payable for the acquisition of subsidiaries | 85,188 | 57,354 |
| - Other creditors and sundry operations | 7,248 | 280 |
| | 2,514,825 | 1,751,831 |

As at 30 June 2010 the Liabilities arising from written put options with non controlling interests - Current includes the liability for the put option contracted in 2005 with Caja Madrid for a 20% interest in the Desa Group and the written put option contracted in 2007 with Caja Madrid for 20% of the Genesa Group in the amount of 303,722 thousand Euros (31 December 2009: 303,722 thousand Euros). - see note 36.

As at 30 June 2010 the Liabilities arising from written put options with non controlling interests - Non current includes the liability for the put option contracted in 2010 with Energia in Natura for a 15% interest in the EDPR Italia group in the amount of 35,547 thousand Euros (see note 36).

During 2010, and as a consequence of the option conditions described above, the liability was reclassified from non current to current.

Amounts payable for the acquisition of subsidiaries Current and Non - Current includes the outstanding amounts related with the acquisition of Relax Wind Group, Greenwind,Vent Corbera, IDER, Vent Vilalba and Bom Vent de L'Ébre.

Success fees payable for the acquisition of subsidiaries Current and Non - Current includes the amounts related to the contingent prices of the acquisitions of the EDPR Italy, Relax Wind Group , EDPR Rumania, Greenwind, Bodzanow, Starozreby, Wyszorod, Elektrownia Wiatrowa Kresy and Elebrás.

Derivative financial instruments (Hedging) - Non Current includes 319,220 thousand Euros (on 31 December 2009 1,268 thousand Euros) related to a hedge instrument of USD and Euros with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in Horizon Wind Energy, expressed in USD (see Note 35). In the Group accounts, EDP Renováveis Group has applied the net investment hedge model to state this transaction.

The subsidiary Horizon books the receipts from equity investors associated to wind farms projects as non current liabilities under Liability to institutional investors incorporate partnership in wind farms in USA. This liability is reduced by the amount of tax benefits provided and payments made to the equity investors during the period (30 June 2010: 596,132 thousand Euros and 31 December 2009: 433,763 thousand Euros). The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest calculated based on the liability amount and the expected return rate of the equity investors (see note 13).

In the first semester of 2010 EDPR Group, through its subsidiary Horizon Wind Energy LLC, has secured 141 million of USD (approximately 115 million Euros) institutional equity financing from Wells Fargo Wind Holdings LLC ("Wells Fargo") in exchange for an interest in the Vento III portfolio.

## 34. Tax payable

This balance is analysed as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| State and other public entities: | | |
| - Income tax | 29,275 | 15,930 |
| - Withholding tax | 16,756 | 15,743 |
| - Value added tax (VAT) | 4,993 | 4,021 |
| - Other taxes | 2,761 | 1,443 |
| | 53,785 | 37,137 |

## 35. Derivative financial instruments

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

The fair value of the derivatives portfolio as at 30 June 2010 and 31 December 2009 is as follows:

| | Group | |
|---|---|---|
| | 30 Jun 2010<br>Euro'000 | 31 Dec 2009<br>Euro'000 |
| **Net investment hedge** | | |
| Currency swaps | -319,220 | -1,268 |
| **Cash flow hedge** | | |
| Power price swaps | 4,728 | 17,491 |
| Interest rate swaps | -24,911 | -17,493 |
| Currency forwards | -40 | -612 |
| **Not qualifiable for hedging accounting** | | |
| Power price swaps | 699 | 1,388 |
| | -338,744 | -494 |

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

The power price swaps are related to the hedging of the electricity sales price for 2009 in subgroup NEO.

## 36. Commitments

As at 30 June 2010 and 31 December 2009, the financial commitments not included in the balance sheet in respect of financial and real guarantees provided, are analysed as follows:

| Type | Group 30 Jun 2010 Euro'000 | Group 31 Dec 2009 Euro'000 |
|---|---|---|
| **Guarantees of a financial nature** | | |
| - EDPR EU Group | 2,178 | 6,341 |
| - Horizon Wind Energy Group | 3,667 | 3,124 |
| | 5,845 | 9,465 |
| **Guarantees of an operational nature** | | |
| - EDP Renováveis | 539,745 | 330,227 |
| - EDPR EU Group | 86,116 | 190,322 |
| - Horizon Wind Energy Group | 1,289,192 | 1,093,336 |
| | 1,915,053 | 1,613,885 |
| **Total** | 1,920,898 | 1,623,350 |
| **Real guarantees** | 23,348 | 6,284 |

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

| | 30 Jun 2010 | | | | |
|---|---|---|---|---|---|
| | | Debt capital by period | | | |
| | Total Euro'000 | Up to 1 year Euro'000 | 1 to 3 years Euro'000 | 3 to 5 years Euro'000 | More than 5 years Euro'000 |
| Financial debt (including interests) | 4,681,243 | 269,216 | 427,217 | 422,689 | 3,562,121 |
| Operating lease rents not yet due | 529,576 | 31,588 | 68,043 | 66,270 | 363,675 |
| Purchase obligations | 2,572,223 | 1,052,459 | 1,506,538 | 10,256 | 2,970 |
| | 7,783,042 | 1,353,263 | 2,001,798 | 499,215 | 3,928,766 |

| | 31 Dec 2009 | | | | |
|---|---|---|---|---|---|
| | | Debt capital by period | | | |
| | Total Euro'000 | Up to 1 year Euro'000 | 1 to 3 years Euro'000 | 3 to 5 years Euro'000 | More than 5 years Euro'000 |
| Financial debt (including interests) | 3,715,943 | 225,378 | 335,045 | 336,306 | 2,819,214 |
| Operating lease rents not yet due | 460,432 | 28,498 | 56,165 | 53,713 | 322,056 |
| Purchase obligations | 1,480,277 | 1,100,036 | 376,902 | 3,339 | - |
| | 5,656,652 | 1,353,912 | 768,112 | 393,358 | 3,141,270 |

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

As at 30 June 2010 the Group has the following contingent liabilities/rights related with call and put options on investments:

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

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

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

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over Copcisa for all the shares held by Copcisa on companies Corbera and Vilalba" (49% of share capital).

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over Cajastur for 51% of interest held by Cajastur in the companies Sauvageons, Le Mee and Petite Pièce. Cajastur holds an equivalent put option on these shares over EDP Renováveis. The price of exercising these options will be determined under an investment bank valuation process. The options can be exercised between 1 January 2014 and 31 December 2014.

- EDP holds, through its subsidiary EDPR Europe, a call option of remaining 15% of the share capital of EDPR Itália, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDPR Itália, whose exercise price over 85% of market value of participation (see note 33). The exercise period of the options is 2 years after occurence of one of the following events:

- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renováveis Italy able to build, develop and operate 350 MW in Italy.

## 37. Related parties

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

EDP Renováveis, S.A..'s shareholder structure as at 30 June 2010 is analysed as follows:

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

**Remuneration of company officers**

In accordance with the Company's by-laws, the remuneration of the members of the Board of Directors is proposed by the Nomination and Remuneration Committee to the Board of Directors on the basis of the overall amount of remuneration authorized by the General Meeting. The Board of Directors approves the distribution and exact amount paid to each director on the basis of this proposal.

The remuneration attributed to the members of the Executive Board of Directors (EBD) in 2010 and 2009 were as follows:

| | 30 Jun 2010 | 31 Dec 2009 |
|---|---|---|
| | Euros | Euros |
| CEO* | 400,939 | 246,857 |
| Board members | 316,250 | 508,750 |
| | 717,189 | 755,607 |

**Balances and transactions with related parties**

As at 30 June 2010, assets and liabilities with related parties, are analysed as follows:

| | Assets Euro'000 | Liabilities Euro'000 | Net Euro'000 |
|---|---|---|---|
| EDP Energias de Portugal, S.A. | 388 | 7,852 | -7,464 |
| EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch) | 127,057 | 328,536 | -201,479 |
| EDP Group companies | 55,722 | 2,815,684 | -2,759,962 |
| Hidrocantábrico Group companies | 20,298 | 1,269 | 19,029 |
| Associated companies | 66,556 | 92 | 66,464 |
| Jointly controlled entities | 48,033 | 840 | 47,193 |
| Other | - | 1,829 | -1,829 |
| | 318,054 | 3,156,102 | -2,838,048 |

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Finance BV in the amount of 2,814,275 thousand Euros.

As at 31 December 2009, assets and liabilities with related parties, are analysed as follows:

| | Assets Euro'000 | Liabilities Euro'000 | Net Euro'000 |
|---|---|---|---|
| EDP Energias de Portugal, S.A. | 11,375 | 5,475 | 5,900 |
| EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch) | 59,294 | 13,662 | 45,632 |
| Group EDP companies | 47,872 | 2,137,046 | -2,089,174 |
| Hidrocantábrico Group companies | 18,894 | 1,493 | 17,401 |
| Associated companies | 111,277 | - | 111,277 |
| Jointly controlled entities | 7,742 | 840 | 6,902 |
| Other | - | 239 | -239 |
| | 256,454 | 2,158,755 | -1,902,301 |

Transactions with related parties for the six months period ended 30 June 2010 are analysed as follows:

| | Operating income Euro'000 | Financial income Euro'000 | Operating expenses Euro'000 | Financial expenses Euro'000 |
|---|---|---|---|---|
| EDP Energias de Portugal, S.A. | 11,392 | 40 | -1,486 | -401 |
| EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch) | - | 1,272 | -4,070 | -814 |
| EDP Group companies | 76,989 | 363 | -1,320 | -66,948 |
| Hidrocantábrico Group companies | 93,916 | - | -1,780 | - |
| Associated companies | 512 | 1,222 | - | - |
| Jointly controlled entities | 311 | 3,164 | - | - |
| | 183,120 | 6,061 | -8,656 | -68,163 |

Transactions with related parties for the year ended 30 June 2009 are analysed as follows:

| | Operating income Euro'000 | Financial income Euro'000 | Operating expenses Euro'000 | Financial expenses Euro'000 |
|---|---|---|---|---|
| EDP Energias de Portugal, S.A. | 11,876 | - | -1,412 | -16 |
| EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch) | - | 5,990 | -1,489 | -25,131 |
| Group EDP companies | 53,704 | 98 | -1,691 | -4,916 |
| Hidrocantábrico Group companies | 77,862 | - | -1,785 | -21 |
| Associates | 472 | 597 | - | - |
| Jointly controlled entities | 299 | 656 | - | - |
| | 144,213 | 7,341 | -6,377 | -30,084 |

With the purpose of hedging the foreign exchange risk existing in the company and Group accounts of EDP Renováveis and in the company accounts of EDP Branch, the EDP Group settled a CIRS in USD and Euros between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in Horizon and of the USD external financing). As at 30 June 2010, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 319,220 thousand Euros (31 December 2009: 1,268 thousand Euros) (see note 33 and 35).

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 30 June 2010, EDP, S.A. and Hidrocantábrico granted financial (74,368 thousand Euros, 31 December 2009: 31,114 thousand Euros) and operational (429,535 thousand Euros, 31 December 2009: 588,860 thousand Euros) guarantees to suppliers in favour of EDPR EU and Horizon. The operational guarantees are issued following the commitments assumed by EDPR EU and Horizon Wind Energy in relation to the acquisition of property, plant and equipment, namely turbines (see note 36).

In the normal course of its activity, EDP Renováveis performs business transactions and operations based on normal market conditions with related parties.

## 38. Fair value of financial assets and liabilities

The fair values of assets and liabilities as at 30 June 2010 and 31 December 2009 are analysed as follows:

| | 30 June 2010 Group | | | 31 December 2009 Group | | |
|---|---|---|---|---|---|---|
| | Carrying amount Euro'000 | Fair value Euro'000 | Difference Euro'000 | Carrying amount Euro'000 | Fair value Euro'000 | Difference Euro'000 |
| **Financial assets** | | | | | | |
| Available for sale investments | 13,977 | 13,977 | - | 12,630 | 12,630 | - |
| Trade receivables | 120,287 | 120,287 | - | 106,148 | 106,148 | - |
| Debtor and other assets | 485,558 | 485,558 | - | 466,905 | 466,905 | - |
| Derivative financial instruments | 10,807 | 10,807 | - | 19,208 | 19,208 | - |
| Financial assets at fair value through profit or loss | 35,778 | 35,778 | - | 37,103 | 37,103 | - |
| Cash and cash equivalents (assets) | 483,226 | 483,226 | - | 443,633 | 443,633 | - |
| | 1,149,633 | 1,149,633 | - | 1,085,627 | 1,085,627 | - |
| **Financial liabilities** | | | | | | |
| Financial debt | 3,372,169 | 3,484,410 | 112,241 | 2,673,439 | 2,643,266 | -30,173 |
| Suppliers | 731,124 | 731,124 | - | 695,001 | 695,001 | - |
| Trade and other payables | 2,514,825 | 2,514,825 | - | 1,747,511 | 1,747,511 | - |
| Derivative financial instruments | -751 | -751 | - | 19,702 | 19,702 | - |
| | 6,617,367 | 6,729,608 | 112,241 | 5,135,653 | 5,105,480 | -30,173 |

## 39. Relevant subsequent events

### Government of Cantabria awards 220 MW to EDP Renováveis

On 6 July 2010 the Spanish regional Government of Cantabria has announced the granting of a total 1,336 MW electricity production licenses through wind energy. EDP Renováveis was awarded with 220 MW in the region of Cantabria, corresponding to 16% of the total assigned capacity.

**Romania approves new wind regulation**

On 12 July 2010, the Romanian Parliament has published the proposal that regulates renewable energy sources. The proposal now signed reinforces the framework in place and the country commitment with renewable energy by:

- Increasing the mandatory quotas for electricity produced from renewable sources which benefit from the green certificate's promotion system. 2012 quota increases from 8.3% to 12% of the electricity production, escalating by 1%/year to reach 20% by 2020.
- Extending until 2017 (previously until 2015) the right to collect two green certificates per each MWh generated by wind farms (one certificate per MWh from 2018 onwards).
- Reaffirming the current green certificate's floor and cap prices at €27/MWh and €55/MWh and increasing the penalty by non-compliance to €110 (from €70) for each missing green certificate. Current cap, floor and penalty prices are set in Euros and indexed to Euro-inflation.

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

The new standards and interpretation that have been issued that are already effective and that the EDP Renováveis Group has applied on its Consolidated Financial Statements can be analyzed as follows:

In May 2009, the IASB published the Annual Improvement Project that implied changes to the standards and interpretations in force. The referred changes are applicable from 1 January 2010, as follows:

- Changes to IAS 1 - Presentation of Financial Statements
- Changes to IAS 7 - Statement of Cash Flows
- Changes to IAS 17 - Leases
- Changes to IAS 36 - Impairment of Assets
- Changes to IAS 38 - Intangible Assets
- Changes to IAS 39 - Financial Instruments: Recognition and Measurement
- Changes to IFRS 2 - Share based payment
- Changes to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- Changes to IFRS 8 - Operating segments
- Changes to IFRIC 9 - Reassessment of Embedded Derivatives
- Changes to IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

No significant impact in the Group resulted from the adoption of these changes.

The Group has also decided against the early application of the following standards and interpretations, which are expected to be endorsed by the European Union until the end of 2010:

- IAS 24 (Revised) - Related Party Disclosures;
- IFRS 1 (Amended) - Additional Exemptions for First-time Adopters;
- IFRS 9 - Financial Instruments;
- IFRIC 14 (Amended) - Prepayments of a Minimun Funding Requirement;
- IFRIC 19 (Amended) - Extinguishing Financial Liabilities With Equity Instruments;
- Annual Improvement Project (issued in May 2010).

The Group is evaluating the impact from the adoption of these standards and interpretations.

**41. Segmental reporting**

The Group generates energy from renewable resources and has four reportable segments which are the Group's strategic business units, Portugal, Spain, Rest of Europe and USA. The strategic business units have operations in different geographic zones, and are managed separately because their characteristics are quite different mainly as a consequence of different regulations in each zone. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

Other operations includes the EDP Renováveis Brasil subgroup companies, the financial investments and remain activities (Biomass and mini-hydric generation plants) not included in the reportable segments. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2010 or 2009.

The accounting policies of the reportable segments are the same as described in note 3. Information regarding the results of each reportable segment is included in Appendix 1. Performance is measured based on segment profit , as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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

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

The Group generates energy from renewable resources in several locations and its activity is managed based on the following business segments:

- Portugal - Includes essentially the EDP Renováveis Portugal Group companies;
- Spain - Includes the EDPR EU subgroup companies that operates in Spain;
- Rest of Europe - Includes the EDPR EU subgroup companies that operate in France, Poland, Belgium, Romania and Italia;
- United States of America includes the Horizon Wind Energy subgroup companies.
- Other - Includes the EDP Renováveis Brasil subgroup companies, the financial investments and remain activities (Biomass and mini-hydric generation plants) not included in the business segments.

The segment "Adjustments" corresponds to the adjustments related to the anullation of financial investments in subsidiaries of EDPR Group and to the other consolidation and intra-segment adjustments.

**Segment definition**

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of the intra-segment transactions.

The statement of financial position of each subsidiary and business unit is determined based in the amounts booked directly in the subsidiaries that compose the segment, including the intra-segment anullations, without any inter-segment allocation adjustment.

The income statement for each segment is determined based on the amounts booked directly in the subsidiaries financial statements and business units, adjusted by the intra-segments anullations.

# EDP Renováveis, S.A.

## Group Activity by Operating Segment

### Operating Segment Information for the six months period ended 30 June 2010

(Thousands of Euros)

| | WIND ENERGY OPERATIONS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUROPE | | | | | | U. S. A. | Other and Adjustments | EDP Renováveis Group |
| | Portugal | Spain | Rest of Europe | Others | Adjustments | Total | | | |
| Revenue | **78,221** | **152,702** | **33,112** | **5,016** | **6,600** | **275,651** | **135,805** | **1,451** | **412,907** |
| External customers | 78,221 | 151,905 | 33,112 | 315 | - | 263,553 | 135,805 | 1,451 | 400,809 |
| Other operating segments | - | 797 | - | 4,701 | 6,600 | 12,098 | - | - | 12,098 |
| Cost of consumed electricity | -96 | - | - | - | - | -96 | -448 | -62 | -606 |
| Changes in inventories and cost of raw materials and consumables used | 7 | -1,659 | -375 | -19 | 515 | -1,531 | - | 211 | -1,320 |
| | 78,132 | 151,043 | 32,737 | 4,997 | 7,115 | 274,024 | 135,357 | 1,600 | 410,981 |
| Other operating income / (expenses) | | | | | | | | | |
| Other operating income | 413 | 3,981 | 379 | 634 | -426 | 4,981 | 59,600 | 756 | 65,337 |
| Supplies and services | -9,009 | -26,921 | -5,378 | -4,110 | 4,710 | -40,708 | -42,986 | -7,444 | -91,138 |
| Personnel costs | -1,486 | -2,983 | -1,220 | -4,208 | 1,200 | -8,697 | -9,722 | -4,178 | -22,597 |
| Employee benefits expenses | -9 | -13 | -7 | -117 | - | -146 | -997 | -54 | -1,197 |
| Other operating expenses | -2,747 | -4,101 | -1,500 | -71 | -5 | -8,424 | -9,937 | -95 | -18,456 |
| | -12,838 | -30,037 | -7,726 | -7,872 | 5,479 | -52,994 | -4,042 | -11,015 | -68,051 |
| | 65,294 | 121,006 | 25,011 | -2,875 | 12,594 | 221,030 | 131,315 | -9,415 | 342,930 |
| Provisions | 46 | - | - | - | - | 46 | - | - | 46 |
| Depreciation and amortisation expense | -17,709 | -64,664 | -13,042 | -956 | 1 | -96,370 | -103,915 | -1,360 | -201,645 |
| Amortisation of deferred income / Government grants | 329 | 107 | 98 | 1 | - | 535 | 4,226 | -1 | 4,760 |
| | 47,960 | 56,449 | 12,067 | -3,830 | 12,595 | 125,241 | 31,626 | -10,776 | 146,091 |
| Gains / (losses) from the sale of financial assets | - | - | - | - | - | - | - | - | - |
| Other financial income | 290 | - | 14,473 | 46,592 | -46,592 | 14,763 | 3,559 | 447 | 18,769 |
| Interest income | 1,501 | 998 | 10 | 77,730 | -76,087 | 4,152 | 235 | 1,002 | 5,389 |
| Other financial expenses | -33 | -4,406 | -19,337 | -15,421 | 13,448 | -25,749 | -36,556 | -3,665 | -65,970 |
| Interest expense | -16,326 | -38,112 | -11,688 | -112,129 | 76,375 | -101,880 | 1,604 | 53,336 | -46,940 |
| Share of profit of associates | 1,730 | 1,557 | - | - | - | 3,287 | - | - | 3,287 |
| Profit before tax | 35,122 | 16,486 | -4,475 | -7,058 | -20,261 | 19,814 | 468 | 40,344 | 60,626 |
| Income tax expense | -9,750 | -4,146 | -101 | 9,073 | -360 | -5,284 | - | -11,130 | -16,414 |
| **Profit (loss) for the period** | **25,372** | **12,340** | **-4,576** | **2,015** | **-20,621** | **14,530** | **468** | **29,214** | **44,212** |
| **Attributable to:** | | | | | | | | | |
| Equity holders of EDP Renováveis | 24,308 | 7,986 | -4,194 | 5,346 | -20,621 | 12,825 | 468 | 29,604 | 42,897 |
| Minority interest | 1,064 | 4,354 | -382 | -3,331 | - | 1,705 | - | -390 | 1,315 |
| **Profit (loss) for the period** | **25,372** | **12,340** | **-4,576** | **2,015** | **-20,621** | **14,530** | **468** | **29,214** | **44,212** |
| **Assets** | | | | | | | | | |
| Property, plant and equipment | 558,084 | 3,168,362 | 1,050,252 | 46,812 | -1 | 4,823,509 | 5,119,870 | 107,324 | 10,050,703 |
| Intangible assets and Goodwill | 43,523 | 106,532 | 79,829 | 73 | 617,069 | 847,026 | 644,080 | 14,437 | 1,505,543 |
| Investments in associates | - | 15,713 | - | -24,216 | 49,263 | 40,760 | 1,979 | - | 42,739 |
| Current assets | 114,640 | 417,535 | 72,261 | 1,067,843 | -978,005 | 694,274 | 273,115 | 157,637 | 1,125,026 |
| **Equity and Liabilities** | | | | | | | | | |
| Equity and Minority Interest | 61,499 | 889,378 | 208,959 | 12,214 | -731,809 | 440,241 | 3,508,279 | 1,410,703 | 5,359,223 |
| Current Liabilities | 121,197 | 837,569 | 380,389 | 369,744 | -613,227 | 1,095,672 | 566,355 | -297,952 | 1,364,075 |
| **Other information:** | | | | | | | | | |
| **Increase of the period** | | | | | | | | | |
| Property, plant and equipment | 2,396 | 94,697 | 196,960 | -3,347 | - | 290,706 | 527,736 | 22,284 | 840,726 |
| Intangible assets and Goodwill | - | - | 76,705 | - | - | 76,705 | - | 1 | 76,706 |

The following notes form an integral part of these Consolidated Financial Statements

# EDP Renováveis, S.A.

## Group Activity by Operating Segment

### Operating Segment Information for the six months period ended 30 June 2009

Thousand Euros

| | WIND ENERGY OPERATIONS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUROPE | | | | | | U. S. A. | | |
| | Portugal | Spain | Rest of Europe | Others | Adjustments | Total | | Other and Adjustments | EDP Renováveis Group |
| **Revenue** | **55,413** | **121,876** | **13,579** | **12,736** | **-919** | **202,685** | **110,062** | **1,169** | **313,916** |
| External customers | 55,413 | 120,904 | 13,579 | 11,989 | - | 201,885 | 110,062 | 1,300 | 313,247 |
| Other operating segments | - | 972 | - | 747 | -919 | 800 | - | -131 | 669 |
| Cost of consumed electricity | -105 | | - | - | - | -105 | -527 | -26 | -658 |
| Changes in inventories and cost of raw materials and consumables used | 12 | -4,313 | -128 | -12 | 440 | -4,001 | - | - | -4,001 |
| | 55,320 | 117,563 | 13,451 | 12,724 | -479 | 198,579 | 109,535 | 1,143 | 309,257 |
| Other operation income / (expenses): | | | | | | | | | |
| Other operating income | 435 | 3,431 | 228 | 286 | -160 | 4,220 | 63,380 | 97 | 67,697 |
| Supplies and services | -6,514 | -16,662 | -2,561 | -2,762 | 640 | -27,859 | -32,683 | -7,099 | -67,641 |
| Personnel costs | -813 | -4,286 | -376 | -2,234 | - | -7,709 | -10,158 | -2,464 | -20,331 |
| Employee benefits expenses | 974 | -10 | - | -65 | - | 899 | -891 | -8 | - |
| Other operating expenses | -2,542 | -3,315 | -1,019 | -19 | - | -6,895 | -11,049 | -212 | -18,156 |
| | -8,460 | -20,842 | -3,728 | -4,794 | 480 | -37,344 | 8,599 | -9,686 | -38,431 |
| | 46,860 | 96,721 | 9,723 | 7,930 | 1 | 161,235 | 118,134 | -8,543 | 270,826 |
| Provisions | 258 | 12 | -50 | -12 | - | 208 | - | - | 208 |
| Depreciation and amortisation expense | -14,532 | -47,873 | -6,966 | -418 | - | -69,789 | -72,845 | -376 | -143,010 |
| received under concessions | 329 | 77 | - | 1 | - | 407 | - | - | 407 |
| | 32,915 | 48,937 | 2,707 | 7,501 | 1 | 92,061 | 45,289 | -8,919 | 128,431 |
| Gains / (losses) from the sale of financial assets | - | 268 | - | - | - | 268 | - | - | 268 |
| Other financial income | - | 138 | 4,485 | -9 | - | 4,614 | 4,161 | 475 | 9,250 |
| Interest income | 1,018 | 2,051 | 20 | 51,375 | -51,342 | 3,122 | 419 | 6,170 | 9,711 |
| Other financial expense | -22 | -1,035 | -2,113 | -6,517 | -76 | -9,763 | -31,545 | -644 | -41,952 |
| Interest expense | -11,075 | -30,437 | -7,262 | -80,217 | 51,418 | -77,573 | 1,751 | 54,660 | -21,162 |
| Share of profit of associates | - | 1,901 | - | - | - | 1,901 | -150 | - | 1,751 |
| Profit before tax | 22,836 | 21,823 | -2,163 | -27,867 | 1 | 14,630 | 19,925 | 51,742 | 86,297 |
| Income tax expense | -5,874 | -5,623 | -1,400 | 6,872 | - | -6,025 | - | -14,535 | -20,560 |
| **Profit (loss) for the period** | **16,962** | **16,200** | **-3,563** | **-20,995** | **1** | **8,605** | **19,925** | **37,207** | **65,737** |
| **Attributable to:** | | | | | | | | | |
| Equity holders of the parent company | 16,777 | 12,910 | -3,059 | -18,214 | 1 | 8,415 | 19,925 | 37,238 | 65,578 |
| Minority interest | 185 | 3,290 | -504 | -2,781 | - | 190 | - | -31 | 159 |
| **Profit (loss) for the period** | **16,962** | **16,200** | **-3,563** | **-20,995** | **1** | **8,605** | **19,925** | **37,207** | **65,737** |

### Operating Segment Information - 31 December 2009

| | Portugal | Spain | Rest of Europe | Others | Adjustments | Total | U. S. A. | Other and Adjustments | EDP Renováveis Group |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Property, plant and equipment | 574,592 | 3,081,900 | 882,020 | 55,810 | - | 4,594,322 | 3,978,845 | 65,885 | 8,639,052 |
| Intangible assets and Goodwill | 43,920 | 107,048 | 51,874 | 75 | 571,751 | 774,668 | 549,122 | 14,230 | 1,338,020 |
| Associated companies | - | 20,238 | - | -23,835 | 49,521 | 45,924 | 1,686 | -1 | 47,609 |
| Current assets | 159,152 | 442,570 | 57,273 | 792,842 | -839,570 | 612,267 | 208,581 | 284,508 | 1,105,356 |
| **Equity and Liabilities** | | | | | | | | | |
| Equity and Minority Interests | 81,582 | 864,882 | 190,378 | 6,079 | -697,366 | 445,555 | 2,858,681 | 2,023,319 | 5,327,555 |
| Current Liabilities | 99,865 | 953,159 | 259,080 | 379,776 | -545,615 | 1,146,265 | 274,160 | -174,915 | 1,245,510 |
| **Other information at 30.06.2009:** | | | | | | | | | |
| **Increase of the period** | | | | | | | | | |
| Property, plant and equipment | 44,520 | 244,264 | 182,189 | 20,443 | -2,036 | 489,380 | 424,270 | 2,062 | 915,712 |
| Intangible assets and Goodwill | - | 7,632 | 218 | - | - | 7,850 | - | 5,415 | 13,265 |

The following notes form an integral part of these Consolidated Financial Statements

Members of the Board of Directors of the Company EDP Renováveis, S.A.

**DECLARE**

To the extent of our knowledge, the information referred to in sub-paragraph a) of paragraph 1 of Article 245 of Decree-Law no. 357-A/2007 of October 31 and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of EDP Renováveis, S.A. and the companies included in its scope of consolidation and the management report fairly presents the evolution of business performance and position of EDP Renováveis, S.A. and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, July 27, 2010.

| | |
|---|---|
| Mr. António Luís Guerra Nunes Mexía | Mrs. Ana María Fernandes Machado |
| Mr. António Fernando Melo Martins da Costa | ABSENT<br>Mr. Nuno Maria Pestana de Almeida Alves |
| Mr. João Manuel Manso Neto | Mr. José Silva Lopes |
| Mr. António do Pranto Nogueira Leite | Mr. Rafael Caldeira de Castel-Branco Valverde |
| Mr. José Fernando Maia de Araújo e Silva | ABSENT<br>Mr. Manuel Menéndez Menéndez |

edp renováveis

Mr. João Manuel de Mello Franco

Mr. Jorge Manuel Azevedo Henriques dos Santos

ABSENT

Mr. Daniel M. Kammen

Mr. Francisco José Queiroz de Barros de Lacerda

Mr. Gilles August

Mr. João José Belard da Fonseca Lopes Raimundo