Management Report

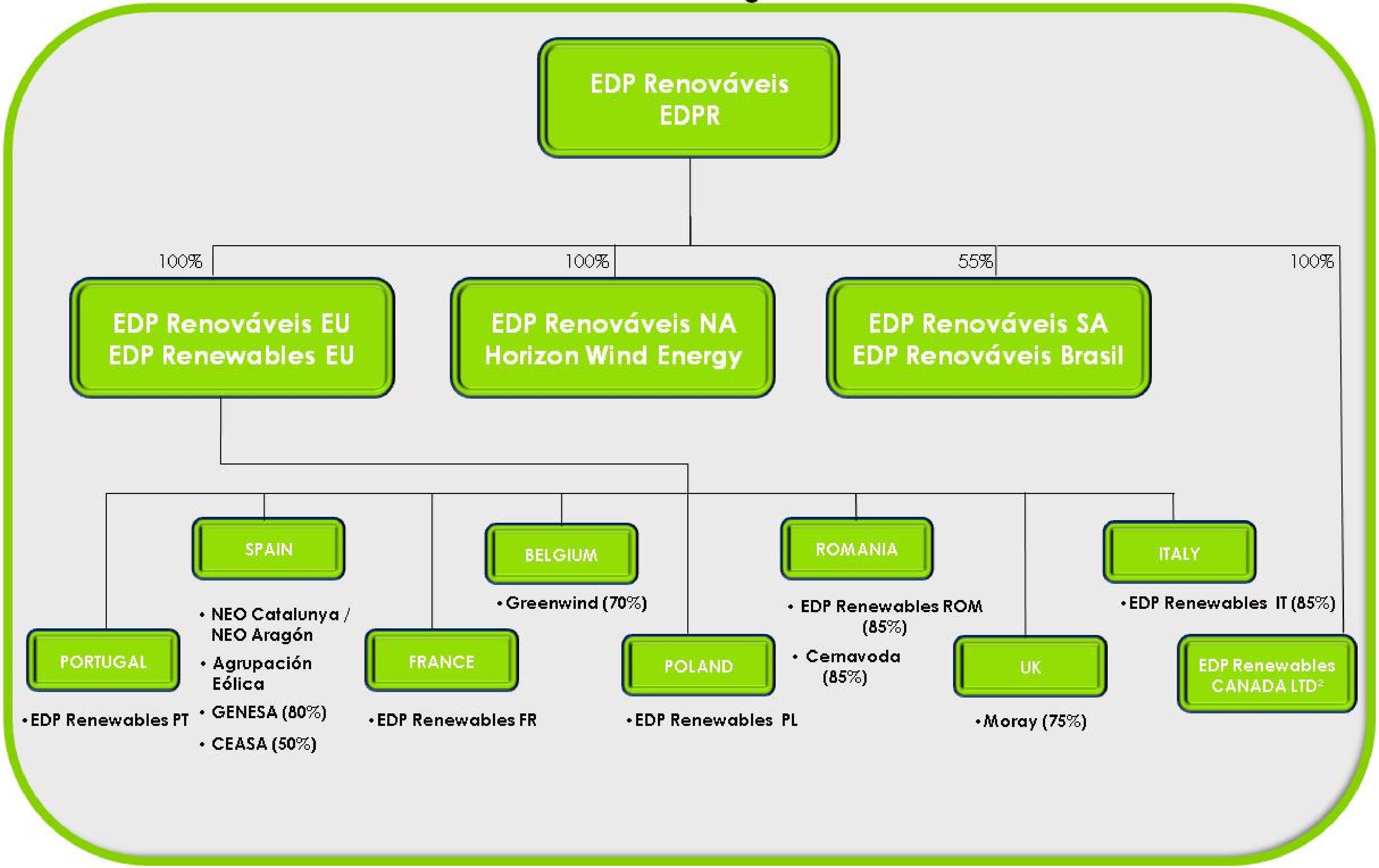
June 2010

MANAGEMENT REPORT
for
EDP Renováveis Group (EDPR)

1st Semester of 2010 (6 months ending June 30th, 2010)

Table of Contents

EDP Renováveis Organization[1]



[1] Non-exhaustive Organization Chart, illustrating key business companies rather than a comprehensive list of legal entities. For simplification purposes, country holdings are shown representing individual wind farm entities

[2] Operationally integrated in EDPR NA

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1. MAIN EVENTS OF THE PERIOD

JANUARY

Jan 8th – EDP Renováveis awarded 1.3 GW of wind offshore capacity in the UK

EDPR and SeaEnergy Renewable Limited ("SERL"), through a joint-venture designated Moray Offshore Renewables Limited ("MORL"), have been awarded exclusive rights to develop offshore wind farm sites in Zone 1 with an approximated target capacity of 1.3 GW. This partnership, in which EDPR holds a 75% shareholding and SERL the remaining 25%, enabled to leverage the complementary expertise of EDPR in wind and SERL's know-how on offshore construction, thereby enhancing the result obtained in the UK Round 3.

Zone 1 is located on the Smith Bank in the Moray Firth in the North East of Scotland and covers an area of 520 square km. It is approximately 25 km southeast of the Caithness coast and has water depths between 30m and 60m.

MORL will firstly proceed with the study and development of the offshore wind farm projects in Zone 1 for the purpose of obtaining the relevant key consents. Upon successful completion, MORL will be authorized and will hold the option to begin construction and operation of the offshore wind farm project, which is expected to take place between 2015 and 2020.

Jan 25th – EDP Renováveis signed a long-term agreement to sell green certificates in Poland

EDP Renováveis has entered into a 15-year agreement with Energa to sell the green certificates generated from its 120 MW Margonin wind farm in Poland.

Jan 27th – EDP Renováveis entered the Italian market through the acquisition of 520 MW to be developed

EDP Renováveis S.A. acquired 85% of Italian Wind srl, from Co-Ver group (an industrial conglomerate from the north of Italy), adding to its portfolio several wind projects in Italy totalling 520 MW in different stages of maturity and in prime locations: i) 4 wind projects totalling 108 MW classified as Tier 2; ii) 98 MW of projects classified as Tier 3; and iii) 314 MW classified as prospects.

The amount paid for the above mentioned stake is €12 million (Enterprise Value) and additional success fees will be paid as the wind projects reach certain predefined milestones.

FEBRUARY

Feb 3rd – EDP Renováveis disclosed 2009 provisional data

In 2009, EDP Renováveis added 1.2 GW to its base of installed capacity, representing a 23% increase vis-à-vis 2008. In the US, EDPR successfully installed 700 MW during the period, while in Europe added 461 MW and in Brazil 14 MW.

The wind output for the full 2009 increased a sound 40% vs. 2008. The US assets continued to be the major contributor to the output increase, while European assets managed to deliver a strong recovery on the last quarter of the year, on the back of a high quality of wind resource.

EDPR's total average load factor in 2009 was 29%, with Europe's strong performance compensating the lower wind resource achieved in the US. Such stability on the total average load factor is the result of a balanced portfolio and a selective geographical diversification in terms of countries and regions.

Feb 17th – EDP Renováveis signs a Power Purchase Agreement (PPA) with Tennessee Valley Authority in the United States

EDP Renováveis has entered into a 20-year Power Purchase Agreement with Tennessee Valley Authority (TVA) to sell 115 MW of renewable wind energy from the first phase of its Pioneer Prairie Wind Farm located in Mitchell and Howard Counties in Iowa.

The Pioneer Prairie Wind Farm, which is located in Iowa along the Minnesota state line in Howard and Mitchell counties, has an installed capacity of 300 MW - enough to power more than 90,000 American homes annually.

Feb 25th – EDP Renováveis announced 2009 results

Gross Profit reached €725 million (+25% YoY) and EBITDA €543 million (+24% YoY), with an EBITDA margin of 75%. Net income increased 10% YoY to €114 million.

APRIL

Apr 12th – EDP Renováveis was awarded contract by NYSERDA

EDP Renováveis has been awarded a contract by the New York State Energy Research and Development Authority (NYSERDA) in conjunction with the Public Service Commission (PSC) to sell renewable energy credits, the clean environmental attributes of wind power, for a volume equivalent to 171 MW of capacity for ten years from its Marble River Wind Farm, currently under development and located in Clinton County, New York.

The contract award is from NYSERDA's fifth competitive solicitation and will be funded through the New York Renewable Portfolio Standard (RPS), which supports and finances the development of renewable energy resources that will help reduce harmful emissions, increase energy security, and build a clean energy economy.

Apr 13th – EDP Renováveis Annual Shareholder Meeting

EDP Renováveis Annual Shareholder Meeting was held on April 13th and approved the following resolutions:

- Approval of the 2009 fiscal year individual and consolidated accounts;
- Approval of the application of results generated in 2009;
- Approval of the individual and consolidated Management Report, and the Corporate Governance Report for 2009;
- Approval of the management conducted by the Board of Directors during 2009;
- Approval of the remuneration policies for the managers of EDP Renováveis:
- Approval of the amendment of the paragraphs 1 and 2 of Article 17 of the Articles of Association of EDP Renováveis, S.A.;
- Authorization to the Board of Directors for the derivative acquisition and sale of own shares by the Company and/or other affiliate companies to the maximum limit established by the Law and in accordance with its terms;
- Reappointment, as Auditors of EDP Renováveis S.A., of KPMG Auditores, S.L.;

- Option for the Consolidated Tax Regime regulated in Articles 64 et seq of Real Decreto-Legislativo 4/2004 of 5 March.

Apr 22th – EDP Renováveis disclosed 1Q2010 provisional data

EDP Renováveis managed a portfolio of 6.3 GW at the end of the 1Q10, having increased its installed capacity by 21%, or 1,094 MW, vis-à-vis 1Q09. From this, 492 MW were installed in Europe and 602 MW in the US. In the first quarter of 2010, EDPR total additions amounted to 32 MW, of which 16 MW were installed in Portugal and the remaining were installed in France. EDPR's construction cycle typically follows a back-end loaded profile on the annual new capacity additions.

In line with the capacity increase (+21% YoY), electricity output was up 28% vs. the 1Q09, with Europe being the main contributor to this increase. EDP Renováveis total average load factor in the 1Q09 was 33%, with Europe delivering a 34% figure and the US 31%.

Apr 26th – EDP Renováveis awarded Vestas a procurement contract to deliver up to 2.1 GW of wind capacity

EDP Renováveis S.A. and Vestas Wind Systems A/S signed a global master supply agreement for the delivery of up to 2,100 MW of wind turbines.

EDPR selected Vestas, the world's leader wind turbine manufacturer, through a competitive process to close a sizeable supply agreement under the following main terms and conditions:

- Initial firm order of 1,500 MW, to be supplied, installed and commissioned in 2011 and 2012.
- Options to order additional capacity up to 600 MW, exercisable in 2010 and 2011.
- Flexibility in deliveries to North America, South America and Europe.
- Flexibility to choose commercial available wind turbine models and classes for each project with a given notice.
- Operating and maintenance service agreement for 2 years, extendable to 5 or 10 years, with subsequent Technical Assistance Agreement (depending on the project).

A succesful combination of its short-term pipeline optionalities together with a flexible procurement position post-2010 and scale within the industry, were key factors to achieve an agreement of utmost strategic importance reinforcing EDPR's worldwide leadership in the sector.

MAY

May 5th – EDP Renováveis announced 1Q2010 results

Gross Profit increased a solid 22% YoY to €242 million resulting in a 20% YoY EBITDA increase to €185 million, with an EBITDA margin of 76%. Net income reached €43 millions (-15% YoY).

May 19th – EDP Renováveis holds its first Investor Day in Lisbon

EDP Renováveis management team present to the market the company's strategy for the next few years.

JUNE

Jun 28th - EDP Renováveis fully closed Vento III institutional partnership structure through the sale of the remaining stake amounting to $141 million

EDP Renováveis has secured $141 million of institutional equity financing from Wells Fargo Wind Holdings LLC in exchange for an interest in the Vento III portfolio.

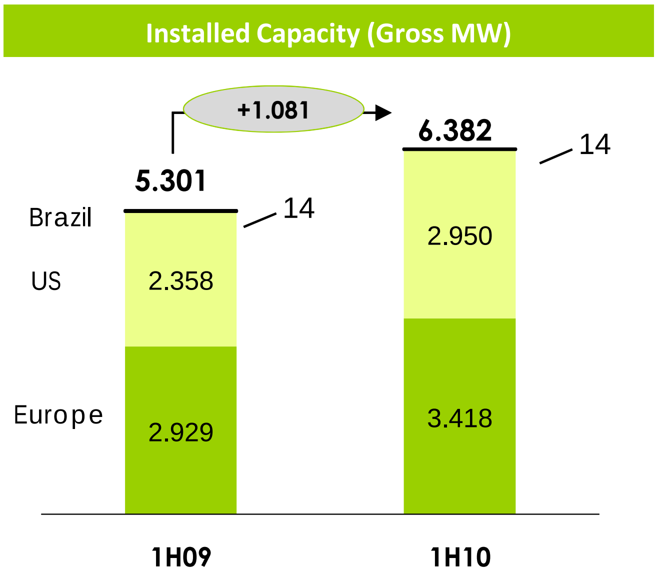
Vento III is a 604 MW portfolio of wind farms structured in December 2008 and consists of Rattlesnake Road (103 MW), Pioneer Prairie (300 MW), and Meridian Way (201 MW). $376 million was previously funded by JPM Capital Corporation, New York Life Insurance Co., New York Life Insurance & Annuity Corp., and GE Energy Financial Services.

With this new investment by Wells Fargo Wind Holdings LLC, EDPR has raised a total of $517 million through Vento III and closed all its funding needs. The transaction accelerates the monetization of tax benefits generated by the wind farms and improves the projects' economics.

2. PERFORMANCE OF 1ST SEMESTER 2010 (1H10)

2.1 Financial[1] and Operational Performance

During the first semester of 2010 (1H10), EDPR added 155MW of gross installed capacity, of which 92MW in North America and 63MW in Europe. In terms of total output, EDPR recorded a significant growth in electricity generation, with 6,9TWh generated in 1H10 (32% increase vs. 5.3 TWh in 1H09), mainly a result of an YoY growth in 1.1GW installed capacity.



On top of the 155MW of new installed capacity, EDPR ended 1H10 with 1,319MW under construction (of which 740MW in Europe, 509MW in North America and 70MW in Brazil), providing confidence and credibility on the organization's ability to achieve the 1,2GW added capacity target for 2010.

By the end of June 2010, EDPR had 6.4 GW of gross installed capacity in Spain, Portugal, France, Belgium, Poland a variety of US states and Brazil.

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

Installed Capacity (Gross MW)	1H09	1H10	△ MW
Spain	2.109	2.278	+169
Portugal	570	722	+152
Rest of Europe	**250**	**418**	**+168**
France	*193*	*241*	*+48*
Belgium	*57*	*57*	*-*
Poland	*0*	*120*	*+120*
Europe	**2.929**	**3.418**	**+489**
US	**2.358**	**2.950**	**+592**
Brazil	**14**	**14**	**0**
Total	**5.301**	**6.382**	**+1.081**

EDPR 1H10 production totalled 6.9 TWh, which represents a +32% growth (+50% for EU operations) when compared to 1H09 electricity output. This semester EDPR reached once again load factors above market average, underlining the quality of its wind farms.

Nevertheless, load factors were lower than in 1H09, particularly given the volatility of the wind resource, particularly during the second quarter. In Europe the load factor reached 29% and in the US 32%. Excellence in operational performance is best reflected in the sustainable and high availability levels and consistent load factor premiums vs. Spanish market.

Region	Electricity Generated (GWh)		Load Factors (%)	
	1H10	△ 1H10/1H09	1H10	△ 1H10/1H09
Europe	3.244	+50%	29%	+4 pp
US	3.682	+20%	32%	(4 pp)
Brazil	14	+19%	23%	+3 pp
Total Generation	**6.940**	**+32%**	31%	-

Total balance sheet assets reached by the end of the semester €12,931 million with c. 28% increase (or €2,814 million) when compared to prior year (1H09). Of this, €10.051 million relate to net Fixed Assets (PPE) which year-on-year increased by €2,281 million.

Total equity amounted to €5,359 million by 1H10, driven by the €90 million increase in Reserves and Retained Earnings and leading to a solid Equity / Total Assets ratio in excess of 41.4%. Total

Liabilities summed by the end of 1H10 to €7,572 million, with an increase of c. 56% (or €2,725 million) used to fuel growth business.

Total revenues reached €413 million driven by higher installed capacity and represented a 32% growth comparing to 1H09. This growth is of particularly relevance given the current unfavourable pricing environment in the global power markets. EDPR benefited from an active risk management practice, namely by hedging c. 0.8 TWh of output and therefore reducing its exposure to the variability of the Spanish pool price. This hedging coverage had a positive impact of €11 million in 1H10 revenues, or c. €14.9 / MWh for the electricity hedged.

Focus on operational efficiency, with Opex amounting to €119 million, lead to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of €343 million and an EBITDA Margin (EBITDA / Gross Margin[2]) of 74.2%.

Provisions and net Depreciation & Amortization in 1H10 were of (€197) million and net Financial Results of (€85) million (including €3M in gains from associates), benefiting from lower interest expenses than in 1H09, resulting in a Profit before Taxes of €61 million and a Income Tax Expense of €16 million.

Net Income totalled €44.2 million, of which €1.3 million belong to minority interest and €42.9 million is attributable to EDPR equity holders. This compares unfavourably (or €23 million) with the €66 million of Net Income attributable to EDPR equity holders in 1H09.

Throughout 1H10, EDPR invested about €834 million as capital expenditures (excluding M&A and financial investments) and used EDP shareholder loans to reach a Net Debt of approx. €2.7 billion by the end of June 2010.

[2] Defined as Revenues + Revenues from Tax Equity Partners – Cost of Used Goods

Capex (€ m)	1H10	1H09
Spain	91	535
Portugal	2	44
RoE & other	192	201
Europe	**285**	**902**
USA	**518**	**419**
Other	**31**	**1**
Total Capex	**834**	**1.322**

Net Debt (€ m)	1H10	1H09
External Debt	558	543
Group Debt	2.687	1.707
Cash & Equivalents	(519)	(326)
Net Debt	**2.726**	**1.924**

2.2 Competitive Landscape and Business Plan

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

EDPR is a leading 'pure-play' renewable energy company, having derived the revenue stream from renewable energy activity. EDPR has leading position and "early mover" advantages in attractive high-growth markets, and continues to analyze new markets and new opportunities within the markets we currently operate within. This strategy provides the company with a unique combination of size, focus and experience in the sector.

In 2008 EDPR went public and was listed in the NYSE Euronext Lisbon, in what turned out to be the largest Initial Public Offering in Western Europe in 2008. The company ended the first semester of 2010 with a €4.2 billion market capitalization.

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

The combination of diversified operations with a stable revenue base spread across countries with favourable regulatory regimes limits the exposure to market prices of electricity and provides a significant visibility and stability.

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

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

For that, by the end of 1H10, EDPR has crafted a robust, visible and geographically diverse pipeline of nearly 31GW worldwide (varying from projects in a variety of European countries, nineteen US states, and several regions in Brazil).

Gross MW	Under Constr.	Pipeline				Prospects	Total
		Tier 1	Tier 2	Tier 3	Total		
Spain	328	300	485	1.821	2.606	2.340	5.274
Portugal	138	217	18	9	244	200	582
Rest of Europe	274	194	590	2.544	3.328	1.893	5.494
- France	33	67	70	304	440	652	1.125
- Belgium	13	-	-	37	37	25	74
- Poland	-	70	386	776	1.232	402	1.634
- Romania	228	57	26	30	113	500	841
- Italy	-	-	108	98	206	314	520
- UK	-	-	-	1.300	1.300	-	1.300
Europe	**740**	**711**	**1.093**	**4.374**	**6.178**	**4.433**	**11.350**
US	**508**	**450**	**6.882**	**7.545**	**14.877**	**4.087**	**19.472**
Brazil	**70**	**111**	**153**	**351**	**615**	**760**	**1.445**
Total	**1.318**	**1.272**	**8.128**	**12.270**	**21.670**	**9.280**	**32.268**

This aggressive medium term targets will reinforce EDPR's position as a leading player in the renewable industry and underlines management's commitment to create shareholder value.

On the core of EDPR's confidence on achieving these targets, is a dynamic, highly qualified and experienced team of world-wide employees with the track record and ambition to deliver upon the superior growth targets.

3. REGULATORY ENVIRONMENT

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

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

The 2009 United Nations Climate Change Conference, commonly known as the Copenhagen Summit, was held in Copenhagen, between December 7 and December 18. On December 18, it was announced that a "meaningful agreement" had been reached between the United States, China, India, South Africa, and Brazil. The negotiations ended without a binding treaty to reduce greenhouse gas emissions. Despite this, The Copenhagen Accord recognises the scientific case for keeping temperature rises below 2°C.

At the European level, The European Commission published a white paper on renewable energy in 1997, setting forth the renewable energy strategy of the Member States of the European Union (the "EU") and reaffirmed its commitment to the promotion of energy from renewable sources on January 10, 2007 with the European Commission's presentation of a long-term "Renewable Energy Roadmap" which proposes a mandatory target of generating 20% of energy from renewable sources by 2020. Furthermore, in January 2008, the EU proposed specific binding targets for each country.

The European Commission further developed the "Emissions Trading Scheme" ("ETS") allowances (which allows for companies to trade "permits" to pollution at the lowest cost) and rising prices for oil and gas, and reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

As far as United States of America is related, in September 2008, the U.S. House of Representatives passed the Comprehensive American Energy Security and Consumer Protection Act containing provisions for a Federal RPS to require 15% of power demand to be supplied through renewables by 2020. The wide ranging bill was defeated in the Senate, but its progress indicates the growing expectation for federal action on RPS legislation.

On climate change legislation, the states continued to lead the way in the US. The Regional Greenhouse Gas Initiative (RGGI) held its first CO2 allowance auction in September 2008. The RGGI provides the mechanism to manage the CO2 Budget Trading Programs for 10 participating states in the north-eastern U.S. representing 12% of total US CO2 emissions. At the federal level, members of the 110th Congress (2007-2008) introduced legislation related to global climate change at a faster pace than any previous Congress.

In fact, lawmakers introduced more than three times as many bills, resolutions, and amendments specifically addressing global climate change and greenhouse gas emissions than the 109th Congress (2005-2006). While climate change legislation has not succeeded to date, expectations are building that the new administration and the Democratic controlled Congress will make progress.

Following the formal appointment of the New Administration in January 20th of 2009, the "American Recovery and Reinvestment Act of 2009" was signed into law on February 17th. This plan includes several provisions to stimulate investment in renewable energy and specifically the wind business. The plan allows renewable energy producers to choose one of three alternatives:

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

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

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

Regarding the Spanish market, industry expects regulatory changes arising from agreement between the government and the wind sector. The Real Decreto ley 6/2009 of May 2009 established the creation of a new Register (‘Registro de preasignación para el régimen especial’) for renewable energy producers with installed capacity under 20,155 MW that fulfil certain requirements. All facilities admitted in this register are being granted the remuneration set by the ‘Real Decreto 661/2007.

The Ministry of Industry announced an agreement with the wind and the solar thermal sectors to adjust some aspects of the remuneration scheme in a transitory way. For wind it´s likely to be approved:

- No change to the remuneration of plants under RD 436/2004 (pre January 1st 2008)
- A 35% cut in the reference premium of wind farms under RD 661/2007 until December 2012
- No change in the fixed tariff option, cap and floor prices of wind farms under RD 661/2007
- The elimination of the premiums for all the output in excess of 2.589 hours when national output exceeds 2.350 hours/year

Overall, in essence, the renewable energy industry benefits from government subsidies or incentives in the markets in which EDP Renováveis operates (Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, the United States, and Brazil). These incentives and subsidies benefit the producers of electricity from renewable energy sources and can broadly be classified into three groups:

(i) price related incentives: feed-in tariffs
(ii) quantity related incentives: renewable portfolio requirements and public auction systems, and
(iii) tax-related and other types of incentives: production tax credits, Modified Accelerated Cost Recovery System, direct subsidies and transmission and dispatch benefits.

4. KEY RISKS AND UNCERTAINTIES

In line with the objectives and the strategy reinforced during the IPO, EDPR decided to implement an Internal Control System of Finance Report (SCIRF) with volunteer character that follows the international standards and aims to promote a set of activities to strengthen controls to ensure confidence and integrity of financial information.

In the European platform activities began at the end of 2007 and continue throughout 2010 with implementation of SCIRF following the following action lines:

a) Lifting of process in accordance with the scope agreed with the Group.

b) Review in a phase of evaluation and testing of effectiveness of the identified controls.

c) Process optimization, upgrade and enlargement, following the business activities evolution.

Additionally in North America platform this phase consisted in the reinforcement of the controls associated with the three major components that are covered in the model that follow the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework of reference the first two and Control Objectives for Information and related Technologies (COBIT) the last

a) Controls associated with entity level controls.

b) Controls associated to the identity process in the model range.

c) General controls related to Information Technologies

The body responsible for SCIRF in EDPR is the Internal Audit Department whose functions include the implementation, follow up and system improvement designed for assuring confidence and integrity of the financial information.

Apart from the SCIRF, EDPR created a Risk Management Department and started creating the basis for an integrated Risk Management Internal System with the purpose of pro-actively identify and manage the key risks arising from its business.

4.1 Risks related with the Renewable Energy Industry

EDPR's business is focused on the production of electricity from renewable energy sources. The profitability and amount of energy generated by wind farms is dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Consequently, fluctuations in the amount of energy generated will impact the results of operations.

Remuneration for electricity sold by a number of the wind farms depends, at least in part, on market prices for electricity. Market prices may be volatile and are affected by various factors, including the cost of fuels, average rainfall levels, the cost of power plant construction, the technological mix of installed generation capacity and user demand.

At the same time, all new investments are subject to construction risk (in a diversity of forms) and once brought to operations are exposed to market, operational, credit and business risks which may penalize project's initial profitability.

4.2 Financial Risks

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

The management of financial risks of EDPR is undertaken by the Financial Department of EDP (under the terms of the outsourcing of management services agreement "Contrato de Prestaçao Serviços Consultoria" between EDPR and EDP), in accordance with the policies approved by the Board of Directors.

The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

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

a) Capital investments

The capital investment required to develop and construct a wind farm is very high and generally varies based on the cost of the necessary fixed assets, such as turbines. The price of such equipments and/or civil construction works may increase, or continue to increase as in the case of turbines, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipments increases.

b) Exchange rate

The Group operates internationally and is exposed to the exchange-rate risk resulting from investments in subsidiaries whose functional currency is the U.S. dollar. Currently, the exposure to the U.S. dollar / euro currency fluctuation risk results primarily from the shareholding in EDPR North America.

EDP Group's Financial Department is responsible for monitoring the evolution of the U.S. dollar, seeking to mitigate the impact of currency fluctuations on the financial results of the Group companies and consequently, on consolidated net profit, using exchange-rate derivatives and/or other hedging structures. The policy implemented by the Group consists of undertaking derivative financial instruments for the purpose of hedging foreign exchange risks with characteristics similar to those of the hedged item. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

c) Interest rate

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

The purpose of the interest-rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates.

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

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

EDPR has a portfolio of interest-rate derivatives with maturities between approximately 1 and 10 years. The EDP Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

d) Market price

As of 1H10, EDPR faced limited market price risk. For a significant portion of EDPR portfolio, prices are fixed and mainly determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDPR also has an option of selling this electricity through regulated tariffs, guaranteeing minimum prices. Still in 2008 the company closed a c. 2 TWh hedge in order to mitigate Spanish pool price fluctuations during 2009 and 1H10, which mitigates the risk related to fluctuations in market prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or mostly managed through long-term power purchase agreement (Brazil, Poland, Romania, Belgium and, fore and foremost, in the United States).

4.3 Regulatory Risks

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which we operate provide various types of incentives that support the sale of energy generated from renewable sources.

Support for renewable energy sources has been strong during the last years, and both the European Union and the various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support (as legislative advances in early 2009 are adequate evidence).

However, we can neither guarantee that support will be maintained nor guarantee that the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources.

4.4 Country Risks

With operating projects and ongoing development pipeline across multiple countries, EDPR faces the risks inherent in the individual countries, including:

e) Rules and regulations are subject to change
f) Changes in market conditions
g) Economic recessions, political risk and instability
h) Technological risk not directly controlled by EDPR

4.5 Environmental Risks

Wind energy development requires multiple permits and studies about environmental impact of the proposed or existing projects. As with other risks, these permits do not have guaranteed approval from the relevant authorities.

4.6 Other Risks

Other operational, financial, political, reputation or others risks may arise from running the business while prospecting opportunities, developing projects or operating existing assets.

5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS

Topic 4 provides a description of the key financial risks faced by EDPR. According to EDPR risk policy, and in order to manage, control or minimize impact of some of those risks, in liaise with a discipline risk management practice, EDPR uses financial derivatives and enters hedging transactions with the sole intent to protect against risks and as a consequence mitigate fluctuations of earnings.

These derivative instruments are explained in detail as part of the notes to the financial statements.

6. TREASURY STOCK (OWN SHARES)

During the 1st semester of 2010, EDP Holding and EDPR do not hold (or have bought) any treasury stocks (own shares).

7. ENVIRONMENT

EDP Renováveis has made environmental stewardship a core value. The Company is dedicated to providing clean renewable energy through the development, construction and operation of wind farms.

Even though all human activity has an impact on the environment, the Company is committed to identifying and assessing these impacts at all stages of its business cycle and incorporating them into its decision-making process.

As such, from project development to construction and operation, EDPR conducts extensive location environmental viability studies, environmental impact studies, bird studies, noise studies, and promotes environmental awareness and alertness.

EDP Renováveis believes that protecting the environment and investing in local communities is fundamental to achieving its business objectives. Therefore, the Company invests in several environmental protection measures and allocates internal resources dedicated to implementing and managing environmental protection activities, throughout the full project life cycle of its projects.

In 2008, EDPR began the development of an Environmental Management System (EMS). The purpose of the EMS is to stimulate good environmental practices focused on protecting natural resources, minimizing waste and conducting spill management, with a commitment to continuous improvement of environmental performance.

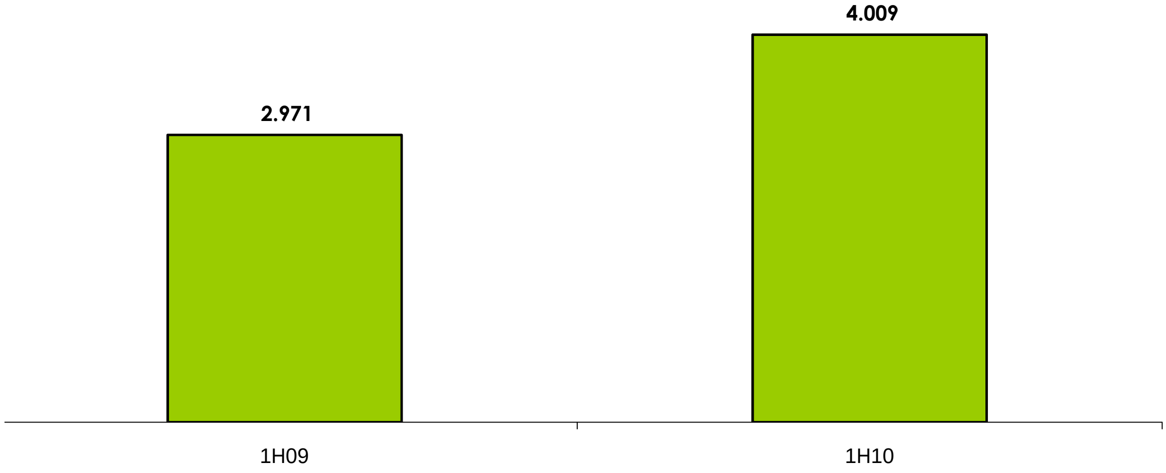
Climate Change

EDP Renováveis is dedicated to the development of renewable energy. Accordingly, the Company plays a significant role in the transition towards a more sustainable energy model that is less dependent on fossil fuels.

EDPR, as a pure-play renewable energy provider, is contributing to the reduction of emissions into the environment by displacing generation from fossil-fired power plants (such as, coal, oil, and natural gas plants), and thus, avoiding the resulting emissions and pollution. Carbon Dioxide (CO2) is believed to be a main cause of global warming and climate change, thereby disrupting ecosystems and causing unstable and dangerous weather patterns

In the first semester of 2010, EDP Renováveis produced almost 7 GWh of wind energy, avoiding the emission of approximately 4,000 k tons of CO2.

CO2 Emission Avoidance (ktons)



Technological progress in recent years has contributed to making renewable energy cheaper and more efficient in generating electricity.

Renewable energy has significant advantages over traditional energy sources:

- It does not directly produce greenhouse gases;
- Power delivered to the grid from wind farms will directly offset the generation of energy at existing conventional power plants, having a net positive impact on air quality;
- It is inexhaustible;
- It increases the energy independence of a country.

Efficient use of resources

Due to the nature of its activity, the major "raw material" of EDP Renováveis needed to produce energy is wind.

Therefore, with the exception of the construction phase, the consumption of resources, materials and energy is mainly attributed to the company offices and on-site facilities that directly support the operation and maintenance of EDP Renováveis wind farms, which can be considered of low impact in relation to the company activity through which it collects its revenue – the sale of energy produced by its wind farms.

Nevertheless, the promotion of responsible use of resources among its employees and contractors is a priority for the Company.

EDP Renováveis has taken measures to reduce the consumption of resources in its facilities through:

- The utilization of energy efficient lamps;
- The judicious use of air conditioning systems;
- The configuration of computer settings to save energy;
- The purchasing of Energy Star office appliances, such as computers and monitors;
- The use of ambient light in the offices;
- The recycling of paper, aluminium cans and plastic; and
- The optimization of water consumption.

Environmental Protection

EDP Renováveis believes that harnessing wind and other renewable sources is fundamental to produce energy in a manner that respects the integrity of our planet.

EDP Renováveis conducts environmental studies early in the development phase of all new projects or when significant modifications of existing wind farms are required. The Company's goal is always to avoid, minimize, or mitigate any impact on the environment. These environmental studies identify wildlife use, threatened or endangered plants and animals, sensitive habitats, wetlands, protected areas, and cultural resources.

During the construction phase, EDP Renováveis performs Environmental Construction Monitoring to ensure that environmental laws and regulations and any permit conditions are met and potential environmental impacts of construction are addressed for the entire project area.

Although not always obliged by law, EDP Renováveis promotes environmental excellence during the whole life cycle of its operating wind farms by providing training, developing waste management plans and performing environmental site audits to ensure continuous improvement. In decommissioning, EDP Renováveis will implement a restoration plan to restore the wind farm area as close to its original state as reasonably practicable.

Biodiversity

Early in the process of development, EDP Renováveis collects information about threatened, endangered, and sensitive species; migratory birds; and other potential wildlife impacts.

EDP Renováveis conducts post-construction wildlife studies, including mortality monitoring. Post- construction mortality monitoring is conducted at all wind farms.

The company has also promoted and developed several habitat enhancement projects and performed thorough field studies of various animal and plant species.

8. HUMAN CAPITAL

During the first six months of 2010, EDP Renováveis implemented a global compensation strategy policy, while respecting the local markets for each platform. The new policy promotes a system in which all positions are evaluated and graded according to a defined methodology of job evaluation and ensure internal fairness.

The company policy is based on the following principals:

- Equity - Ensure internal fairness and even-handedness through a professional development and rewards model based on criteria that are transparent and transversal within the group.
- Development - Attract, retain and develop talent and skills through a competitive remuneration policy throughout all geographies for EDPR Group that are in line with specific requirements of each business; considering the importance of the different functions and employee potential.
- Performance - Appraise merit and performance in professional development and reward employees, ensuring commitment and responsibility in obtaining both individual and team results within the organization or the Group.

Headcount	June 2010	09YE	Var (%)	
EDPR EU	395	365	8%	
EDPR NA	309	303	2%	
EDPR BR	12	8	50%	
Holding	65	45	44%	14 transfers between EU and NA
Total	**781**	**721**	8%	

Note: figures do not include the Board of Directors

EDP Renováveis offers professional development programs to all employees, regardless of professional category.

Until June 2010, EDP Renováveis almost triplicated the number of hours of training to 15.598 hours (1134 participants in 2010 vs 772 in the same period of 2009). Total investment reached €278 thousands.

We continue improve the internal training, and during these six month in June we increase until 23% of our training with internal resources in Europe.

As EDP Renováveis grows its business in new geographies, mobility is more and more a crucial factor in the success of the Company strategy and employee's career development. During the first six month of 2010 we increased 40% our number of expats.

Expats	June 2010	09YE	Var (%)
EDPR EU	8	5	60%
EDPR NA	5	4	25%
EDPR BR	1	0	n.a
EDPR Holding	7	6	17%
Total	**21**	**15**	40%

9. RESEARCH AND DEVELOPMENT (R&D)

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

10. RELEVANT EVENTS AFTER CLOSING OF THE PERIOD

Jul 2nd - Spanish Government and Spanish wind association reach a long term agreement

The Spanish Government through its Ministry of Industry, Tourism and Trade and the wind sector representatives, reach a long term agreement regarding the sector regulation, increasing the visibility and the stability of investments in the country.

Jul 6th - Government of Cantabria awards 220 MW To EDP Renováveis

The Spanish regional Government of Cantabria has announced the granting of a total of 1,336 MW in its tender to award 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.

The execution of this wind projects are now subjected to the regular process of developing and licensing, in accordance to the law and regulation applicable in Spain.

EDPR expects the awarded projects to reach the ready-to-build phase from 2013 onwards.

Jul 8th – Romania approves new wind regulation

The Romanian Parliament's proposal that regulates renewable energy sources was published today.

The legal framework in place since 2004 comprises a system where renewable generators in addition to the electricity price receive tradable green certificates. The proposal now signed into law reinforces the framework in place and the country's 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.

EDP Renováveis currently has 228 MW under construction (to be commissioned by 2010-year end) and 613 MW of projects in different stages of development. The Romanian commitment regarding renewable energy improves the company's investment visibility and enhances the projects' value creation

Jul 14th – EDP Renováveis disclosed its 1H2010 provisional data

Jul 28th – EDP Renováveis disclosed its 1H2010 financial results

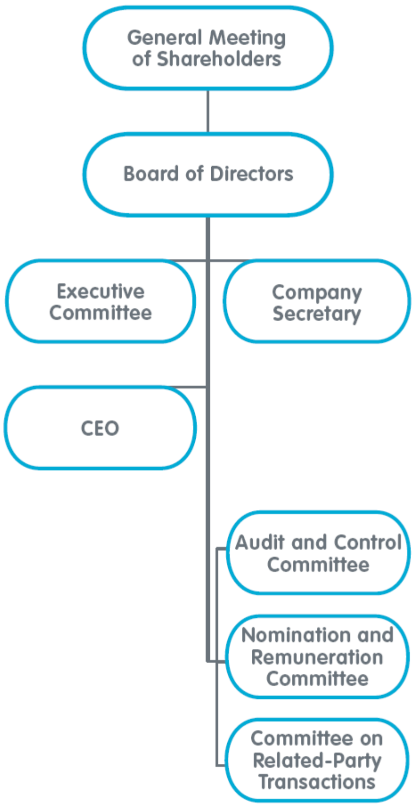
11. CORPORATE GOVERNANCE OVERVIEW

11.1 Model of Management and Supervision

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

The Company's Board of Directors has set up four committees. These are the Executive Committee, the Audit and Control Committee, the Nomination and Remuneration Committee and the Committee on Related-Party Transactions.

The Company's governance structure is shown in the chart below.



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

The purpose of the adoption of this model by EDP Renováveis is to adapt the Company's corporate governance to the Portuguese legislation, due to the fact that Spanish law is its personal law. The governance model adopted by EDP Renováveis therefore seeks, insofar as it is compatible with its personal law, to correspond to the Anglo-Saxon model set forth in the Código das Sociedades Comerciais, in which the management body is a Board of Directors, and the supervision and control duties are the responsibility of an Audit Committee.

The choice of this model is essentially an attempt to establish compatibility between two different systems of company law, which can be considered applicable to the model.

Although EDP Renováveis shares were only admitted to trading on Eurolist by Euronext Lisbon in mid-2008, the experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDP Renováveis activity, especially because it affords a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialised Board of Directors committees.

The institutional and functional relationship between the Executive Committee, Audit and Control Committee and the other non-executive members of the Board of Directors has been proved very positive and has fostered internal harmony conducive to the development of the company's businesses.

In order to ensure a better understanding by its shareholders of EDP Renováveis corporate governance, the Company posts its updated Articles of Association on www.edprenovaveis.com.

11.2 Corporate Bodies

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest governing body. It is a meeting of shareholders that, when properly convened, has the power to decide and adopt majority decisions on matters that the law and the Articles of Association set forth that it should be decided and be submitted for its approval.

The Board of the General Meeting is responsible for organising its proceedings. It is made up of the Chairperson of the Meeting, the Chairperson of the Board of Directors, or his substitute, the other Board members and the Secretary of the Board of Directors.

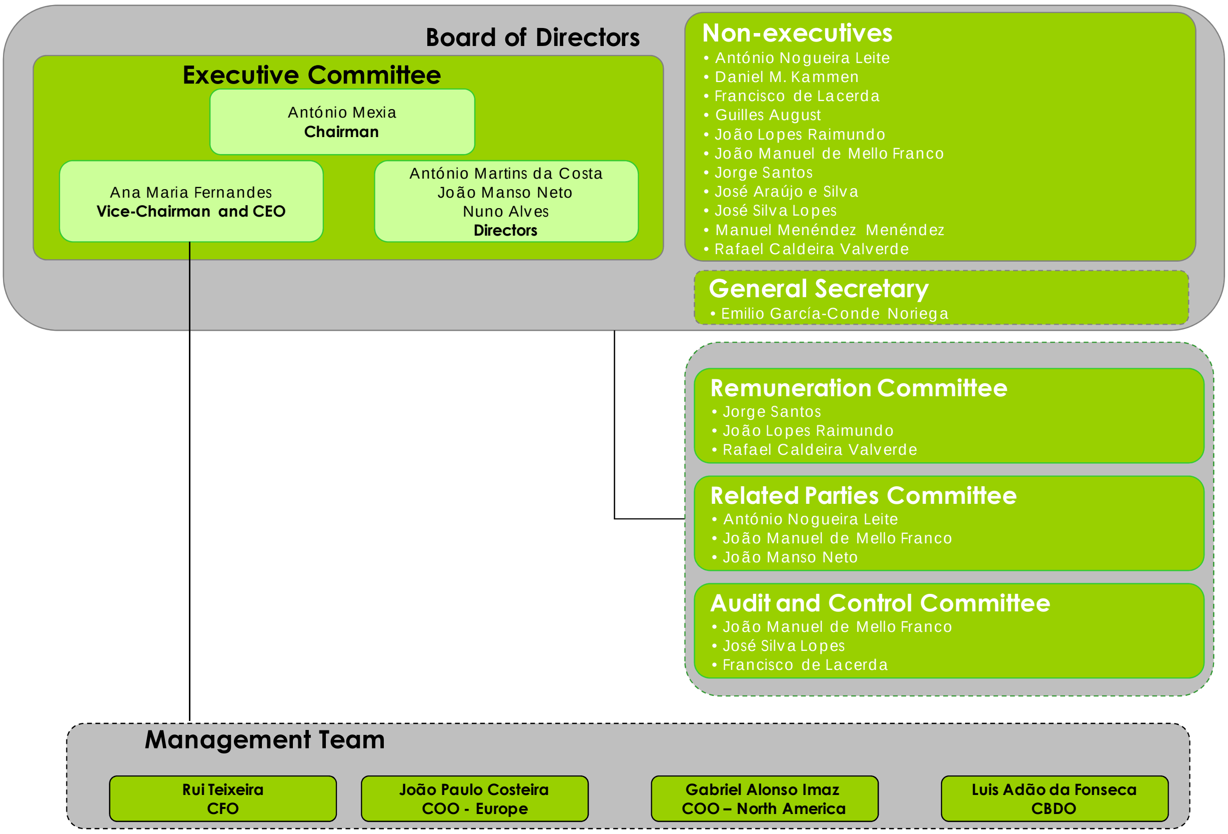
Board of Directors

The Board of Directors has the broadest powers for the management and governance of the Company, with no limitations other than the competences expressly allocated exclusively to the General Meeting of Shareholders by law or the Articles of Association.
The Board of Directors currently consists of the following sixteen (16) members:

Name	Position	Date of appointment	End of term
Ana Maria Fernandes	CEO and Vice-Chairperson	18/03/2008	18/03/2011
Antonio Martins da Costa	Director	18/03/2008	18/03/2011
Antonio Mexia	Chairperson and Director	18/03/2008	18/03/2011
António Nogueira Leite*	Director (Independent)	04/06/2008	04/06/2011
Daniel M. Kammen*	Director (Independent)	04/06/2008	04/06/2011
Francisco José Queiroz de Barros de Lacerda*	Director (Independent)	04/06/2008	04/06/2011
Gilles August	Director (Independent)	14/04/2009	14/04/2012
João Lopes Raimundo*	Director (Independent)	04/06/2008	04/06/2011
João Manso Neto	Director	18/03/2008	18/03/2011
João Manuel de Mello Franco*	Director (Independent)	04/06/2008	04/06/2011
Jorge Santos*	Director (Independent)	04/06/2008	04/06/2011
José Araújo e Silva*	Director (Independent)	04/06/2008	04/06/2011
José Silva Lopes*	Director (Independent)	04/06/2008	04/06/2011
Manuel Menéndez Menéndez*	Director	04/06/2008	04/06/2011
Nuno Alves	Director	18/03/2008	18/03/2011
Rafael Caldeira Valverde*	Director (Independent)	04/06/2008	04/06/2011

* Appointed in agreements adopted by the General Meeting of EDP Renováveis, S.A. on 14 May 2008, to take office as members of the Board of Directors on 4 June 2008

11.3 Summarized Organization Chart



11.4 Capital Structure

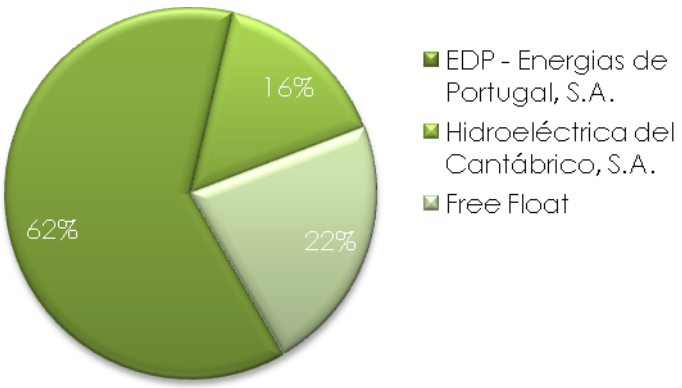
The EDP Renováveis share capital of €4,361,540,810 is fully subscribed by 872,308,162 shares with a face value of €5 each.

All EDP Renováveis shares are of the same category. Under the Spanish Ley de Sociedades Anónimas, approved by Royal Decree 1564/1989 of 22 December 1989 (hereinafter Public Company Law) and the Articles of Association of EDP Renováveis, the owner of a share becomes a shareholder with all the inherent rights and obligations established by the Public Company Law and articles of association of EDP Renováveis. The most important rights inherent in shares are the right to receive dividends, the right to obtain general information on any matters to be discussed in the General Meetings, general rights to attend, voting rights, the right to object to company decisions, pre-emptive rights in share capital increases and the right to participate in the distribution of assets if EDP Renováveis is dissolved.

11.5 Shareholder Structure

Shareholder Structure – 30 June 2010

30 June 2010	# Shares
EDP - Energias de Portugal, S.A.	541.027.156
Hidroeléctrica del Cantábrico, S.A.	135.256.700
Free Float	196.024.306
Total	**872.308.162**



11.6 Qualifying shareholding

Qualifying shareholdings in EDP Renováveis are subject to Spanish law, which regulates the criteria and thresholds of shareholders' holdings. As at 31 December 2009 no qualifying shareholdings in EDP Renováveis with the exception of EDP and Hidrocantábrico were identified.

11.7 Holder of special rights

EDP Renováveis share are of a single class and series and have been fully paid up. There are no holders of special rights.

11.8 Restrictions on the transfer of shares

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

11.9 Acquisition and transmision of own shares by the Company and/or other affiliate companies

On the General Shareholder's meeting of the 13th of April, it was approved to authorize the Board of Directors for the acquisition and transmision of own shares by the Company and/or the affiliate companies through their management bodies for a term of five years from the date of the General Shareholders Meeting. Up to date of this report the Company has no executed any acquisition and consequently transmission of own shares.

Regarding acquisitions of own shares the following terms and requirements should be accomplished:

a) The authorization can be executed one or more times up to the maximum limit permitted under law, which is currently 10%, and under its terms.

b) The acquisition can be executed by any means permitted under law.

c) When the acquisition is for valuable consideration, the Price will have a maximum and minimum limit, respectively of the 125% and 75% of the weighted average of the EDP Renováveis, S.A. shares' listed price at the closing of the last five sessions of the NYSE Euronext Lisbon before the date of the acquisition or constitution of the right for the shares acquisitions.

d) The acquisition may be done anytime at the Board of Directors discretion, taking into account the market situation, the convenience and obligations of the purchaser, and executed through one or more transactions according to the fixed limits.

Regarding transmisions of own shares the following terms and requirements should be accomplished:

a. The number of transactions of sales and of shares to be transmitted will be set by the Board of Directors taking into account the companies' interests and compliance with the law.
b. The transmission may be executed for valuable consideration by any means admitted by the law.
c. The transmission price will have a minimum limit of 75% of the weighted average of the EDP Renováveis S.A. shares' listed price during the last five sessions of the NYSE Euronext Lisbon before the transmission or constitution of the option rights.
d. The transmission may be done anytime at the Board of Directors discretion, taking into account the market situation, the convenience and the obligations of the purchaser and executed through one or more transactions according to fixed limits.

When the Board of Directors executes own shares transactions should take into consideration to the extent possible and according to the circumstances, the current recommendations of the Securities Market and the following practices:

a) Public disclosure of the contents of the authorizations regarding the above mentioned paragraphs, before the beginning of the transactions in its own shares and, in particular, its purpose, maximum value of acquisition, maximum number of shares to acquire and authorised term to do it;

b) Track register of all transactions that take place by virtue of the above mentioned authorizations;

c) Public disclosure of relevant transactions according to Law before the end of the fourth day of the following session, on the date of the execution of the transactions or the shorter period established under Law;

d) The execution of the transactions in terms of time, form and volume shall not disturb the normal running of the market, which implies avoiding transactions in sensitive moments of trading, especially at the opening and closing of the session, the disturbance of the market and/or close to the disclosure of communications related to privileged information and/or the results announcement;

e) To limit the acquisitions to a 25% daily trading medium volume or a 50% of this volume according to Law;

f) Not to transfer during the execution of a repurchase program completed according to Regulation CE nº 2273/2003 of the European Commission on the 22nd day of December and the Directive 2003/6/CE of the European Parliament and the Council referred to the exemptions for repurchase programs and the stabilization of the financial instruments.

11.10 Shareholders' agreements

As far as the Board of Directors of EDP Renováveis knows, there are currently no shareholders' agreements regarding the Company.

11.11 EDP Renováveis in the Capital Markets

The shares representing the EDP Renováveis share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on the 4 June 2008, in the largest Initial Public Offering launched in Western Europe of the year 2008.

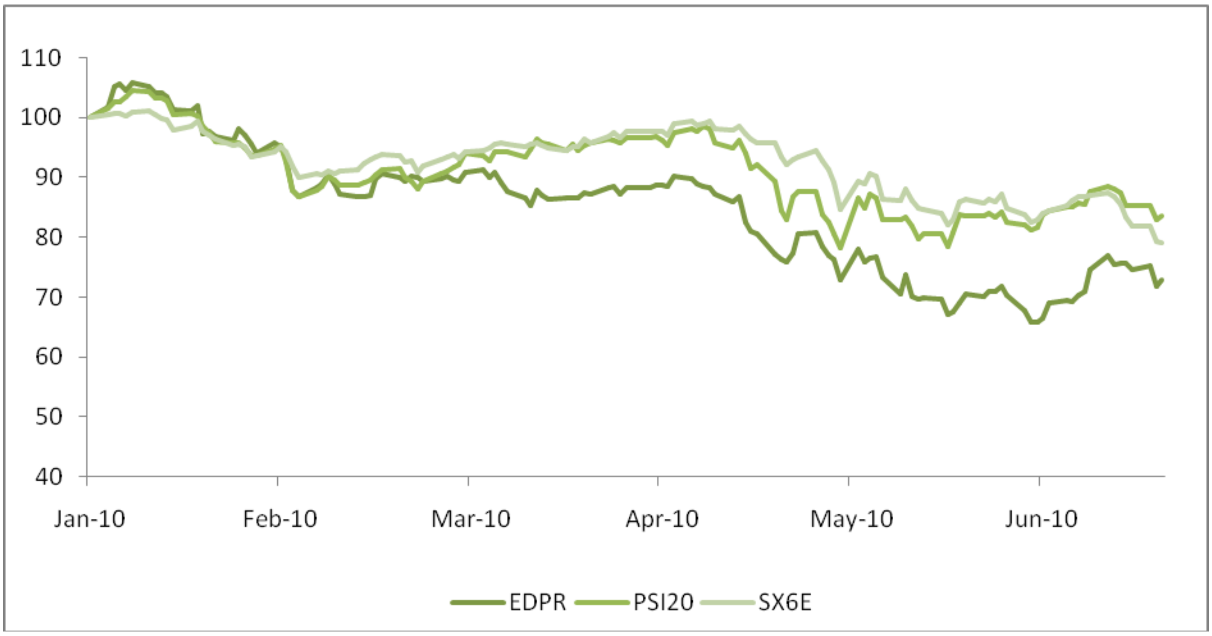
EDP Renováveis has 872,308,162 ordinary shares, with a face value of EUR5.00 representing 100% of the share capital, admitted to trading in the NYSE Euronext Lisbon market. The free float since the IPO is 22.5%.

EDP Renóvaveis, S.A.

Shares	
Share Capital	€ 4,361,540.810
Nominal Share Value	€ 5.00
N.º of Shares	872,308,162
Date of IPO	June 4th, 2008
NYSE Euronext Lisbon	
Reuters RIC	EDPR.LS
Bloomberg	EDPR PL
ISIN	ES0127797019

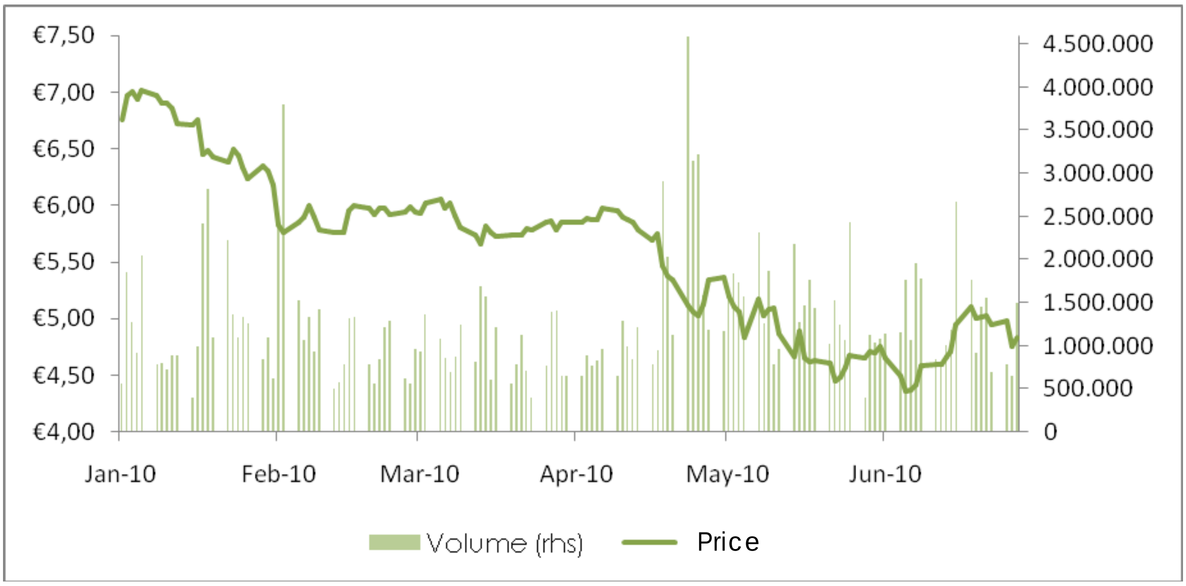
11.12 EDP Renováveis share price

During 1H2010, EDP Renováveis' share price decreased by 27%, closing the semester at €4.83 each. In the same period, the Dow Jones Eurostoxx Utilities, the PSI20, and the Euronext 100 fell by 21%, 17% and 9%, respectively.



During the 1H2010, 163,088,920 EDP Renováveis shares were traded, corresponding to a turnover of approximately €903 million. On average, at Euronext Lisbon, EDP Renováveis daily trade volume was around 1.3 million shares per day. EDP Renováveis market capitalization at 30 of June was €4.2 billion.

1H10 EDP Renováveis share price and transactions



12. DISCLAIMER

This report has been prepared by EDP Renováveis, S.A. (the "Company") to support the presentation of 1H10 financial and operational performances. Therefore, the disclosure or publish of this document for any other purpose without the express and prior written consent of the Company is not allowed. EDP Renováveis does not assume any responsibility for this report if it is used for different purposes.

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

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

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

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

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

The 1H 2010 management report contains forward-looking information and statements about the Company that are not historical facts. Although EDP Renováveis is confident these expectations are reasonable, they are subject to several risks and uncertainties that are not predictable or quantifiable in advance. Therefore, future results and developments may differ from these forward-looking statements. Given this, forward-looking statements are not guarantees of future performance.

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

edp renováveis

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 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 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

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**

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

EDP Renováveis, S.A. and subsidiaries

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

	Notes	2010	2009
		(Thousands Euros)	(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

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

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 Euro'000	30 Jun 2009 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 Euro'000	30 Jun 2009 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	Group
	30 Jun 2010 Euro'000	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	Group 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	Group 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 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Group		30 Jun 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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 Euro'000	31 Dec 2009 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:

	Group	
Type	30 Jun 2010 Euro'000	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								
	Portugal	Spain	Rest of Europe	Others	Adjustments	Total	U. S. A.	Other and Adjustments	EDP Renováveis Group
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

edp renováveis

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
	ABSENT
Mr. António Fernando Melo Martins da Costa	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
	ABSENT
Mr. José Fernando Maia de Araújo e Silva	Mr. Manuel Menéndez Menéndez

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