edp renováveis

MANAGEMENT REPORT

JUNE 2011

MANAGEMENT REPORT

of

EDP Renováveis Group (EDPR)

1st Semester of 2011 (6 months ending June 30th, 2011)

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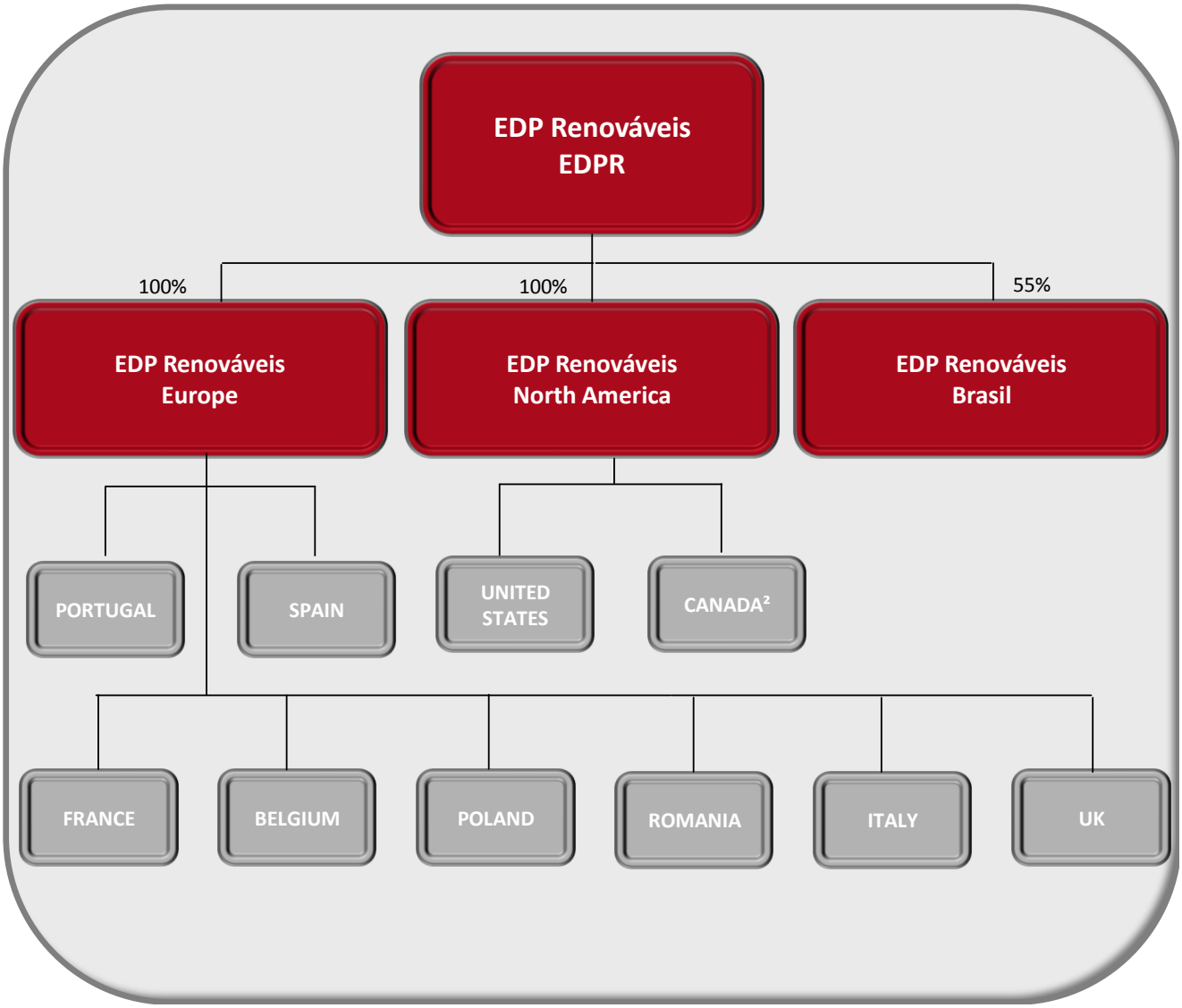
0. ORGANIZATIONAL CHART

EDP Renováveis Organization[1]



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

[2] 100% owned by EDPR, operationally integrated in EDPR NA

1. MAIN EVENTS OF THE PERIOD

JANUARY

None

FEBRUARY

Feb 18th – EDP Renováveis disclosed 2010 provisional data

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

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

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

Feb 24th – EDP Renováveis announced 2010 results

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

MARCH

Mar 30th – EDP Renováveis takes full control of Genesa

EDP Renováveis takes full control of Genesa, following the decision of Caja Madrid to exercise its put option over its 20% stake in Genesa, in accordance to the provisions under the shareholders' agreement.
An agreement was signed between EDPR and Caja Madrid, under which the strike price of the put option was set at €231 million.
With the closing of this transaction, EDPR controls 100% of Genesa – a company that as of December 2010 had in Spain 1.7 GW of wind installed capacity, 50 MW under construction and 3.9 GW of pipeline & prospects –, enabling a more efficient management and structure of EDPR's business in Spain.

APRIL

Apr 7th – EDP Renováveis sells financial stake in Spanish wind farm

EDP Renováveis closed an agreement with Enel Green Power Spain to sell its stake in SEASA - a company with 74 operating MW in Spain.
EDPR sells its 16.67% equity shareholding by €10.7 million (or €24.5 million of enterprise value, including the equivalent net debt as of December 10).
With this transaction, EDPR crystallizes the value of a non controlling minority stake and recognizes an after-tax capital gain of €6.6 million.

Apr 11th – EDP Renováveis Annual Shareholder's Meeting

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

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

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

Apr 14th – EDP Renováveis Board of Directors approved resolutions

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

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

Apr 18th – EDP Renováveis disclosed 1Q2011 provisional data

In the last 12 months, EDP Renováveis' wind energy capacity grew by 1.2 GW (+21% YoY), adding 1,058 MW to its consolidated installed capacity (EBITDA MW) and 138 MW (attributable to EDPR) through the Eólicas de Portugal consortium. At the end of March 2011, EDPR managed a portfolio of 6.6 GW in 8 different countries plus 239 MW through its interest in Eólicas de Portugal.
In the 1Q11, EDPR produced 4,421 GWh of clean energy, a 21% increase vs. 1Q10, in line with capacity growth. The annual growth of electricity generation also benefited from a stronger wind resource in the US, while in Europe the effect from the capacity additions over the last 12 months was partially offset by the lower wind resource in the Iberian Peninsula in the 1Q11 vis-à-vis an unusually strong wind resource in the 1Q10.

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

MAY

May 4th – EDP Renováveis announced 1Q2011 results

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

JUNE

Jun 3rd – EDP Renováveis is awarded new long-term contract in the US

EDP Renováveis, through its fully owned subsidiary Horizon, was awarded a 10-year contract by NYSERDA in conjunction with the PSC to sell the RECs equivalent to 45 MW from its Marble River Wind Farm project in the state of New York, expected to be commissioned in 2012.
This agreement follows the contract awarded in April 2010 also from NYSERDA and PSC to sell for 10-years the RECs equivalent to 171 MW of the Marble River Wind Farm, bringing the total contracted capacity to 216 MW.
EDPR keeps its commitment to install capacity with high top-line visibility for the long-term.

Jun 6th – EDP Renováveis establishes a partnership for the development of 2.4 GW wind offshore capacity in the UK

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

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

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

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

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

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

Jun 21st – EDP Renováveis Extraordinary Shareholder Meeting

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

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

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

June 21st – EDP Renováveis execute project finance for 138 MW in Romania

EDP Renováveis has executed a project finance structure agreement with a consortium of banks led by the EBRD and the IFC, a member of the World Bank Group, for 138 MW in Romania.
The long-term contracted debt facility amounts to €115 million and the transaction financial close is expected to occur in the third quarter of 2011.
Cernavoda I (69 MW) was the first wind farm installed by EDPR in Romania, being currently in full operation, while the Cernavoda II wind farm (69 MW) is currently under commissioning.
This transaction provides strong evidence of EDPR competences in the development of top quality projects and financial structures meeting the requirements of partners with rigorous investment criteria and a strong focus on renewable energy development.

Jun 27th – EDP Renováveis Board of Directors approved resolutions

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

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

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

Jun 28th – EDP Renováveis awarded with 127 MW in Spain

The Spanish regional Government of Aragón has announced the granting of a total of 1.2 GW in its tender to award electricity production licenses through wind energy.
EDP Renováveis was awarded with 127 MW in the region of Aragón under the above mentioned tender, corresponding to 11% of the total assigned capacity.
The execution of these wind projects are subject to the regular process of development and licensing, in accordance with the Law and with the applicable regulation in Spain.
The projects awarded to EDPR are expected to reach the ready-to-build phase from 2013 onwards.

2. PERFORMANCE OF 1st SEMESTER 2011 (1H11)

2.1 Operational and Financial Performance

2.1.1 Operating Overview

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

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

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

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

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

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

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

2.1.2 Development of Capacity and Capex

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

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

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

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

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

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

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

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

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

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

2.2 Condensed Consolidated Financial Statements

2.2.1 Statement of Financial Position

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

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

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

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

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

Total Liabilities summed 6,605 M€ by the end of 1H2011 corresponding to a c. 11% decrease (or 454 M€) versus prior year-end. Total non-current liabilities decrease mainly resulting from:
i) lower liabilities with institutional partnerships in US wind farms (-161 M€) driven in great part from the effect of forex translation and, ii) the reduction of the fair value of derivative financial instruments (-147 M€). Total current liabilities decrease generally resulting from i) lower trade payables, mostly property and equipment suppliers, (-294 M€) and, ii) the liquidation of the exercise price related to option for non-controlling interests (-234 M€).

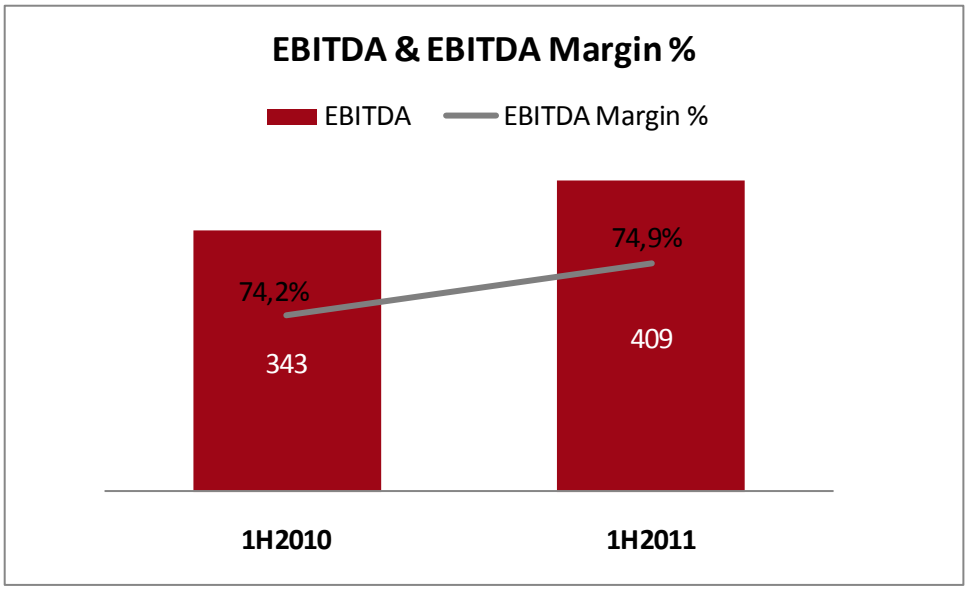
2.2.2 Statement of Income

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

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

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

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



Provisions, Depreciation and Amortization amounted to 211 M€ in 1H2011 (197 M€ in 1H2010). In the 2Q11, EDPR adjusted the useful life of its operating assets to 25 years, following the result of a technical study conducted by an industry expert on the expectable period that each turbine is able to be economically in operation. The useful life extension had a €21m net impact on the bottom line in the 2Q11 stand-alone, mainly as a result of lower depreciation charges.
Below the EBIT line, EDPR realized in the 2Q an after-tax capital gain of €6.6m after selling its stake in SEASA for a €2.0m/MW multiple.

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

[3] Defined as Operating Costs + Revenues from Tax Equity Partners – Other Operating Results
[4] Defined as Revenues + Revenues from Tax Equity Partners – Cost of Used Goods

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

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

2.2.3 Cash-flow and change in Net Debt

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

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

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

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

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

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

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

EDPR's Gross Financial Debt was stable at 3.6 B€ (vs. 2010 YE). 80% of EDPR's debt corresponds to loans with EDP Group, while debt with financial institutions is mostly related to project finance.
Net Debt as of Jun-11 amounted to 3.3 B€, increasing from the 2.8 B€ at the end of 2010, mainly reflecting the investment payments done in the period through Cash-Flow and cash and equivalents, and the payment of 231 M€ to Caja Madrid (for the 20% stake in Genesa). Net debt related to assets in operation amounted to 2,907 M€ and related to assets under construction and development amounted to 379 M€.

2.3. Competitive Landscape and Business Plan

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

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

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

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

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

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

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

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

3. REGULATORY ENVIRONMENT

GLOBAL REGULATION EVENTS

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

REGULATION EVENTS IN EUROPE

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

GOVERNMENT SUPPORT OF RENEWABLE ENERGY FOR EDPR RELEVANT COUNTRIES

SPAIN

Regulatory change	Description
Royal Decree 1614/2010 of December 7th	• Sets a temporary cut of the renewable premium applicable to wind governed by Royal Decree 661/2007 • Provides regulatory stability and visibility to the full useful life of the wind farms to be installed until 2012 • Fixes a cap to the annual equivalent hours entitled to receive the premium
Royal Decree 1565/2010 of November 19th	• Modifies the reactive power regime
Decree-Law 14/2010 of December 23rd	• Imposes a generation levy of €0,5/MWh applicable to ordinary and special regime generators

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

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

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

Wind farms are currently governed by RD 661/2007 but this regulation expires in 2012 and no further regulation has been approved yet. For this reason, the Government has started negotiations with the wind sector in order to release a new regulation by the end of this year and expects to send the first draft to the Energy Regulator by this summer.
Additionally, a draft of a new PER (Renewable Energy Plan) was released in May 2011. According to this draft, the onshore wind target is maintained at 35 GW (as targeted in the National Renewable Energy Action Plan). However, the offshore wind target could be reduced to 750 MW (from the 3 GW set in the NREAP).

PORTUGAL

Regulatory change	Description
Decree Law 51/2010	• Simplifies procedure for installing additional equipment in wind farms • Obliges wind generators to have equipment installed in each turbine to attenuate voltage drops and supply reactive energy
End of reactive energy premiums	• Wind generators are not entitled to receive reactive energy premiums • The impact on total remuneration will not be meaningful

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

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

FRANCE

Regulatory change	Description
"Grenelle 2" in June 2010	• Introduces new restrictions and requirements in the permitting process that could hinder the future development of wind farms

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

Another requirement to benefit from the guaranteed electricity purchase price is, since 2007, to be built in predefined zones: in "ZDEs" (wind development areas) being these specific areas designated by the municipalities hosting the projects. In articulation with the ZDEs, the "Grenelle 2" introduces a new layer requiring wind farms to be also included in the "Regional Development Areas" to be approved by the Regions and currently under preparation.
In addition, wind farms will be subject to "ICPE" (Industries Classified for the Protection of the Environment") regulation which adds new permitting requirements, and put wind farms on the same level than industries with a proven potential risk for the environment.

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

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

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

BELGIUM

Regulatory change	Description
Increase of the quotas of electricity from renewable sources	• Introduces higher quotas of electricity produced from renewable sources which is expected to spur renewables

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

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

POLAND

Regulatory change	Description
Amendment of the energy law in January 2010	• Aims to limit speculative action in the reservation of interconnection rights for wind farms by charging developers with a fee • A local master plan or a planning permit for the real property is also required to obtain grid connection

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

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

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

This new regulation also approves an extension of validity of "artificial island permit" (site permit) to 30 years (from 5) with a possible extension for 20 years more, and speeds up the consenting process. To allocate the exclusivity to develop wind farms in a given area, tenders will be launched: each application for a site permit will be announced to the public and other developers will have 60 days to place their own offer.
The Polish Government has still not revealed what the remuneration will be for offshore wind facilities.

ROMANIA

Regulatory change	Description
Amendment of the energy law in July 2010	• Extends the period in which developers are granted with 2 Green Certificates • Increases renewable quotas • Increases the penalty for missing certificate • Extends the period in which the green certificate scheme is guaranteed

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

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

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

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

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

UNITED KINGDOM

Regulatory change	Description
Energy market reform package under consultation process	• The current RO scheme could be replaced by a Feed-in tariff system • Introduction of capacity payments have been proposed • Introduction of floor price for carbon emissions • Approval of Emission Performance Standard for new coal-fired power plants

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

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

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

ITALY

Regulatory change	Description
A new decree regulating the promotion of renewable energies is under approval process	• Green certificate system could be phased out • A feed-in tariff system for facilities up to 10 MW could be introduced • Larger facilities would be bound to participate in competitive processes to obtain a tariff

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

According to this new regulation, wind farms up to 5 MW that begin operations on or after January 1st, 2013 would be rewarded with a fixed incentive price. Larger facilities would have to take part in a competitive bidding process favoring those projects seeking a lower incentive payment (to be defined by Dutch Auctions). Tenders will have a predefined floor value (a starting price to be defined by GSE) and the incentive will have a constant value and will be granted for the whole average useful life of the wind farm.
The new Decree also foresees a transitory regime for wind farms on line by 2012. Under this regime, green certificates would continue to be issued through 2015, after which these producers would be absorbed into the feed-in tariff scheme. During the transitory scheme, the GSE will have the obligation to buy the green certificates issued until 2015 at a 78% discount over the reference price. The new Renewables' Decree sets only the general framework and principles as specifics and details will be defined by ad hoc Ministerial decrees within the next few months.

US

Regulatory change	Description
Tax relief bill	• One-year extension of the cash grant • An increase of the bonus depreciation

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

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

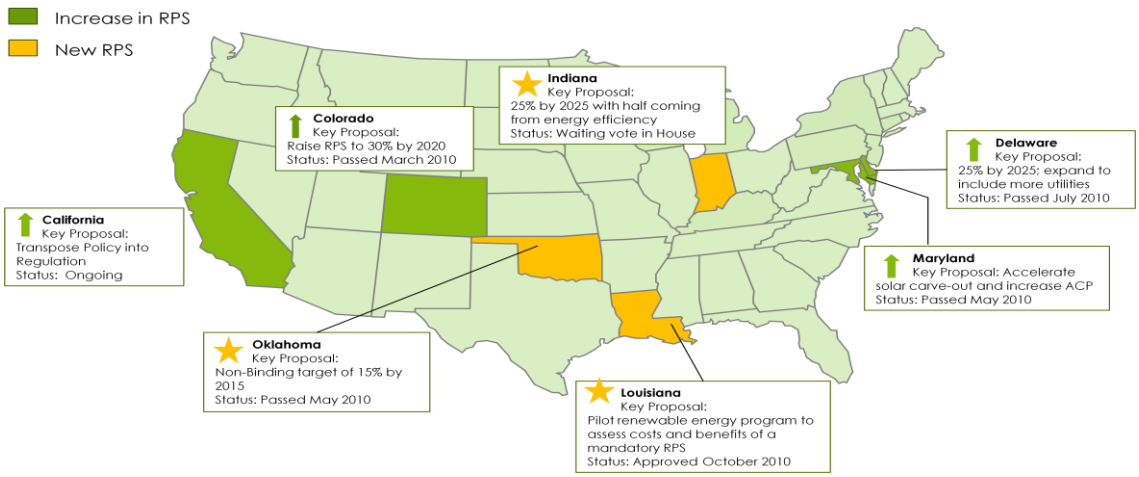
In December 2010 President Obama signed off the "Tax Relief Bill" that includes the extension of many clean energy policies.

In order to spur renewable energies development the law includes:

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

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

Changes in renewable portfolio standards



CANADA

Regulatory change	Description
Ontario's long-term energy plan	• Increases renewable targets

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

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

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

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

BRAZIL

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

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

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

I. Reserve tender: designed to provide back-up power to guarantee the security of the energy supply, allowing an additional "reserve" to the national interconnection system. The reserve tenders are managed by the Electric Energy Commercialization Agency (CCEE) and the energy is bought by the Government. In the reserve tenders, a fixed amount of generation is set in each contract and penalties are triggered when power generation is below 90%. There is an associated extra-revenue, at 70% of contract price, to any generation exceeding 130% of the contracted energy. The output level is reviewed every 4 year-period.

II. Alternative energy tender: in this type of tender, the buyers are national distribution companies. Contracts refer to baseload capacity and winning bidders are granted a 20-year power purchase agreement. The contracts refer to a generation level and any annual unbalance below 90% must be settled at selling price in favor of buyers. Through a real-time generation escrow account, the excess of generation of one year can compensate any lack of generation, since not lower than 90%, within the 4 year-period. Any excess of generation leading to a 4-year period balance over 100% is settled in the wholesale market.

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

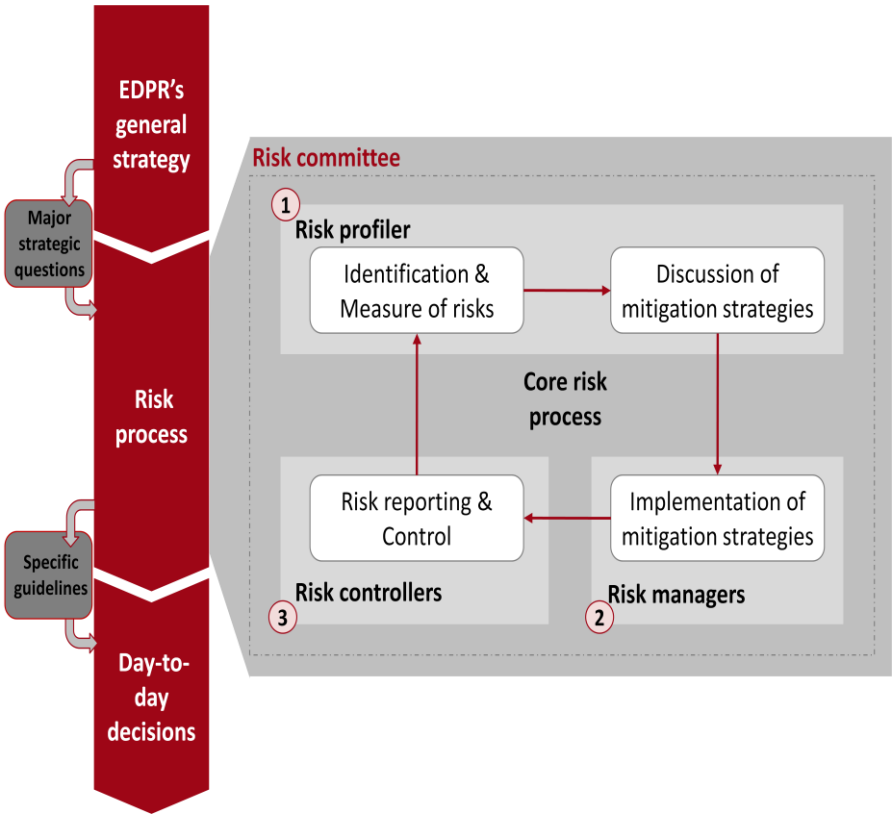
4. RISK MANAGEMENT

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

RISK FRAMEWORK AND PROCESS

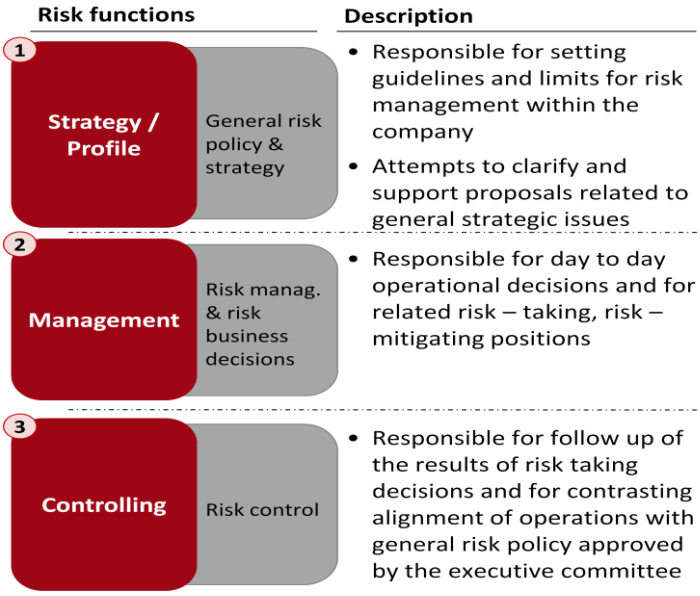
In EDPR's risk framework, risk process aims to link the company's overall strategy into manager's day-to-day decisions, enabling the company to increase the likelihood of achieving its strategic objectives.

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



RISK FUNCTIONS AND RISK COMMITTEE

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



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

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

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

RISK AREAS AND RISK RELATED STRATEGIC QUESTIONS

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

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

4.1 Countries and regulations

4.1.1 Regulatory risks

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

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

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

Management of regulatory risks

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

4.2 Revenues

4.2.1 Exposure to market electricity prices

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

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

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

with local utilities in line with the Company's policy of signing long-term contracts for the output of its wind farms.
In Brazilian operations, selling price is defined through a public auction which is later translated into a long-term contract.
Under EDPR's global approach to optimize the exposure to market electricity prices, the Company evaluates on a permanent basis if there are any deviations to the defined limits, assessing in which markets financial hedges may be more effective to correct it. In 2010, in order to manage such exposure, EDPR financially hedged a significant part of its generation in Spain while it closed a significant portion of its exposure through several physical and financial deals for the long-term in the US.

4.2.2 Risk related to volatility of energy production

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

Management of risks related to volatility of energy production

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

4.3 Financing

4.3.1 Risks related to the exposure to financial markets

EDPR is exposed to fluctuations in interest rates through financing. This risk can be mitigated using fixed rates and hedging instruments, including interest rate swaps.
Also because of its presence in several countries, currency fluctuations may have a material adverse effect on the financial condition and results of operations. EDPR may attempt to hedge against currency fluctuations risks by natural hedging strategies, as well as by using hedging instruments, including forward foreign exchange contracts and Cross Interest Rate Swaps.
EDPR hedging efforts will minimize but not eliminate the impact of interest rate and exchange rate volatility.

Management of financial risks

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

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

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

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

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

4.3.1.1 Interest rate risk

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

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

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

4.3.1.2 Exchange rate risk

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

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

4.3.2 Counterparty credit risk

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

Management of counterparty credit risk

EDPR policy in terms of the counterparty credit risk on financial transactions is managed by an analysis of the technical capacity, competitiveness, credit notation and exposure to each counterparty. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, there cannot be considered any significant risk of counterparty non-compliance and no collateral is demanded for these transactions.

4.3.3 Liquidity risk

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

Management of liquidity risk

EDPR's strategy to manage liquidity is to ensure, as far as possible, that it will always have significant liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring in unacceptable losses or risking damage to EDPR's reputation.

4.4 Wind turbine contracts

4.4.1 Wind turbine supply risk

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

Management of wind turbine supply risk

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

4.5 Pipeline development

4.5.1 Permitting risks

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

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

Management of permitting risk

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

4.6 Operations

4.6.1 Wind turbine performance risk

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

Management of wind turbine performance risk

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

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

5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS

Topic 4 provides a description of the key financial risks faced by EDPR. According to EDPR risk policy, and in order to manage, control or minimize impact of some of those risks, in 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 note 36 to the financial statements.

6. ENVIRONMENTAL PERFORMANCE

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

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

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

ECO-EFFICIENCY

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

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

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

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

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

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

NEW OFFICE IN OPORTO

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

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

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

ENVIRONMENTAL MANAGEMENT SYSTEM

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

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

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

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

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

BIODIVERSITY

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

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

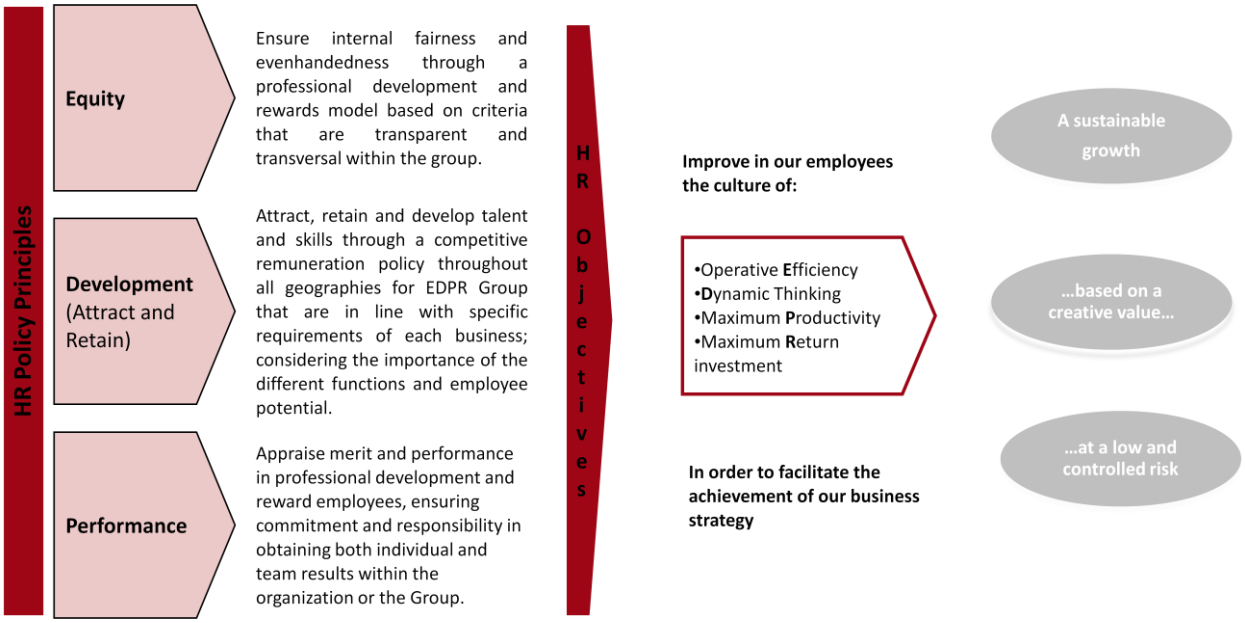
2011 is the International year of Forests. In the US, EDPR NA's Employee Volunteer Program promoted the participation of Houston Corporate Office employees in an event with Trees for Houston. Trees for Houston is a non-profit organization committed to planting, protecting, and promoting trees in the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

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

7. HUMAN CAPITAL

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

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



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

COMPANY PROFILE

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

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

Note: figures don´t include the Board of Directors

[1] EDPR NA headcount includes Executive Committee

[2] In June 2011, the high increase of holding's headcount resulted from internal transfers

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

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

EVALUATION & PERFORMANCE

During the first semester of 2011, the Performance Appraisal was done for all employees in EDPR. The Performance Appraisal, meaning the Individual Results, looks at employee past and present job performance, focusing on their individual results from this period.
Their objectives, i.e. KPIs and Responsibilities, are aligned with the Performance Appraisal. KPIs are the employee's specific objectives that are based on the objectives of the company itself, and should reflect the quantitative and qualitative results to be obtained. They are set each year by the employee's direct superior and should relate to department, area, business unit and company objectives.

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

TRAINING AND CARRER DEVELOPMENT

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

The development of our employees is a strategic objective for EDPR in order to align current and future demands of the organization with employees' capabilities, while fulfilling their professional development expectations and support their continued employability. We also have launched the High Potential Program. The program is targeted to a selected group of individuals who have demonstrated a high potential for growth through outstanding performance, intellectual rigor and a strong commitment to company values and business objectives. It is organized around 2 Modules: Energizing (for junior employees) and Executive Developing Program.
The aim of the program is to guide their career development through high-quality training, mentoring programs and networking opportunities that will significantly enhance their visibility within the company and beyond. This HIPO program is running during all 2011.
By June 2011, EDPR has reached 19.826 training hours.

WORK/LIFE BALANCE

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

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

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

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

EMPLOYEE SATISFACTION SURVEY

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

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

8. RESEARCH AND DEVELOPMENT (R&D)

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

9. RELEVANT SUBSEQUENT EVENTS

Jul 11th – EDP Renováveis executes project finance for 90 MW in Romania

EDP Renováveis has executed another project finance structure agreement with a consortium of banks led by the European Bank for Reconstruction and Development ("EBRD") and the IFC, a member of the World Bank Group, for the 90 MW Pestera wind farm in Romania.
The long-term contracted debt facility amounts to €73 million and the transaction financial closure is expected during the third quarter of 2011.

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

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

Jul 13th – EDP Renováveis establishes new institutional partnership structure for 99 MW in the United States

EDP Renováveis, through its fully owned subsidiary EDP Renewables North America LLC, has signed an agreement to secure USD 116 million of institutional equity financing from Bank of America Corporation and Paribas North America, Inc., a subsidiary of BNP Paribas, in exchange for a partial interest in its 99 MW Timber Road II wind farm, currently being commissioned in the State of Ohio.
The transaction will provide the investors access to the Section 1603 cash grant, for which Timber Road II will apply pursuant to the American Recovery and Reinvestment Act of 2009.
EDPR will continue to choose the best financing structure available for each project, Timber Road II being the fifth transaction incorporating the cash grant in lieu of production tax credits. With this new partnership structure EDPR will improve the project's economics and will enable an efficient utilization of tax benefits.

Jul 14th – EDP Renováveis discloses 1H2011 provisional data

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

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

Jul 25th – EDP Renováveis executes project finance for 70 MW in Brazil

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

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

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

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

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

10. CORPORATE GOVERNANCE OVERVIEW

10.1 Model of Management and Supervision

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

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

Aditionally, on the 23rd of February 2011, the Board of Directors approved to create an Ethics Committee. The Committee will have three members, which are the Presidents of the Committees of the Board of Directors.
The governance model of EDPR is designed to ensure the transparency, meticulous separation of duties and the specialization of supervision.

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

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

The experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDP Renováveis activity, especially because it affords transparency and healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialised Board of Directors committees.
The institutional and functional relationship between the Executive Committee, the Audit and Control Committee and the other non-executive members of the Board of Directors has been harmony conducive to the development of the company's business.

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

10.2 Corporate Bodies

10.2.1 General Meeting of Shareholders

The General Meeting of Shareholders, when properly convened, has the power to decide and adopt majority decisions on matters that the law and the Articles of Association set forth that it should be decided and be submitted for its approval.

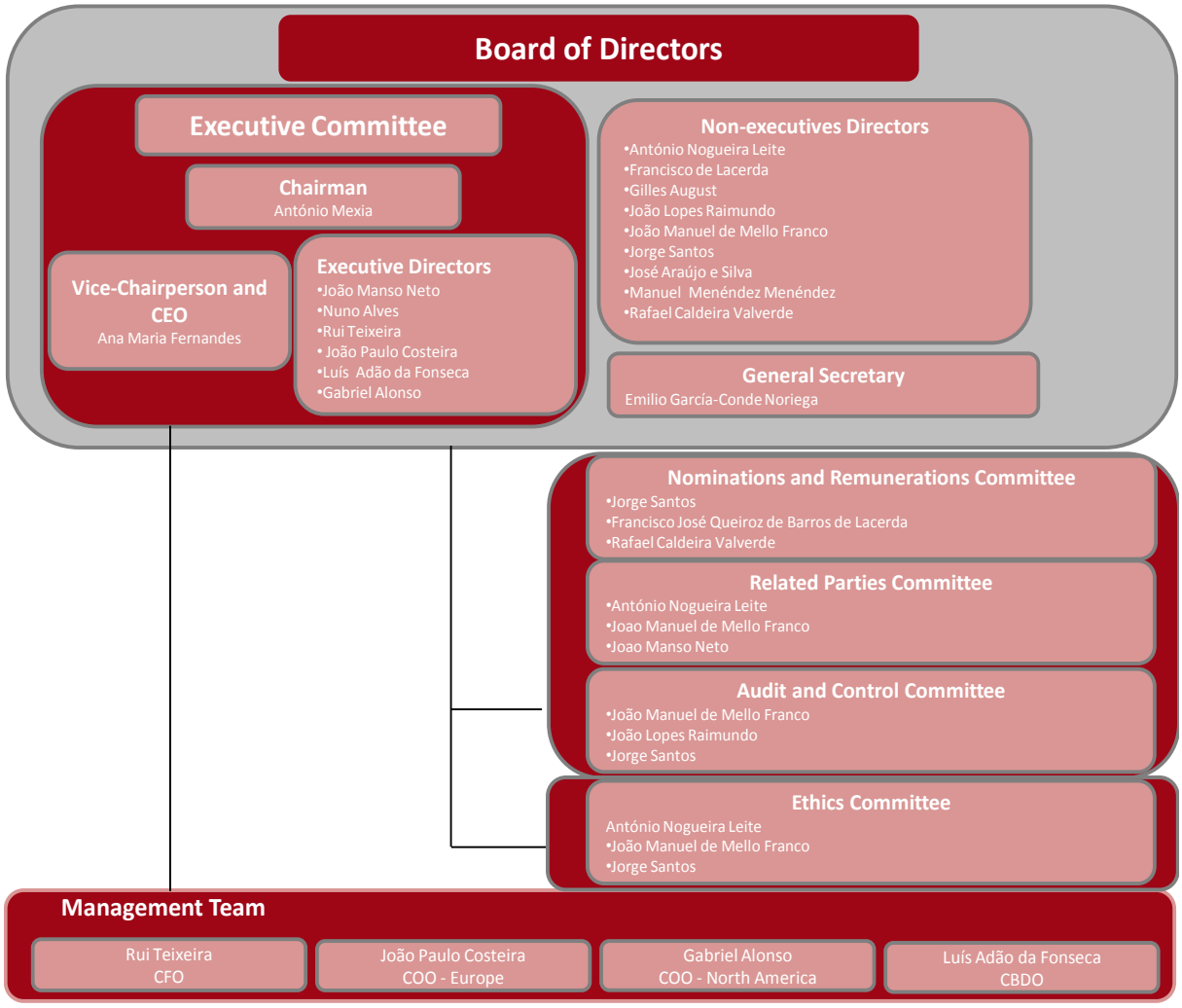
10.2.2 Board of Directors

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

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

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

10.3 Summarized Organization Chart



11. SHAREHOLDER STRUCTURE

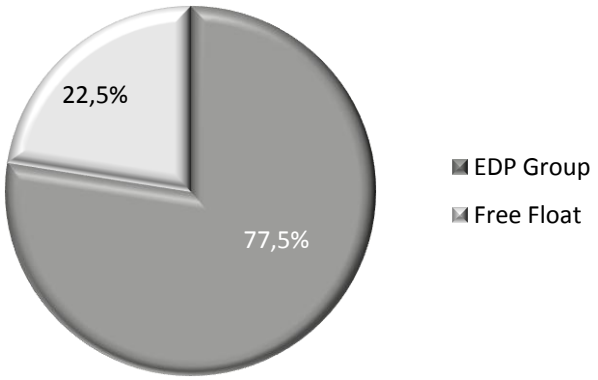
The EDP Renováveis share capital of €4,361,540,810 is fully subscribed by 872,308,162 shares with a face value of €5 each. All shares integrate a single class and series and are fully issued and paid. There are no holders of special rights.

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

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

Shareholder Structure

Shareholder Structure – 30 June 2011



Qualifying Shareholding

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

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

12. CAPITAL MARKETS

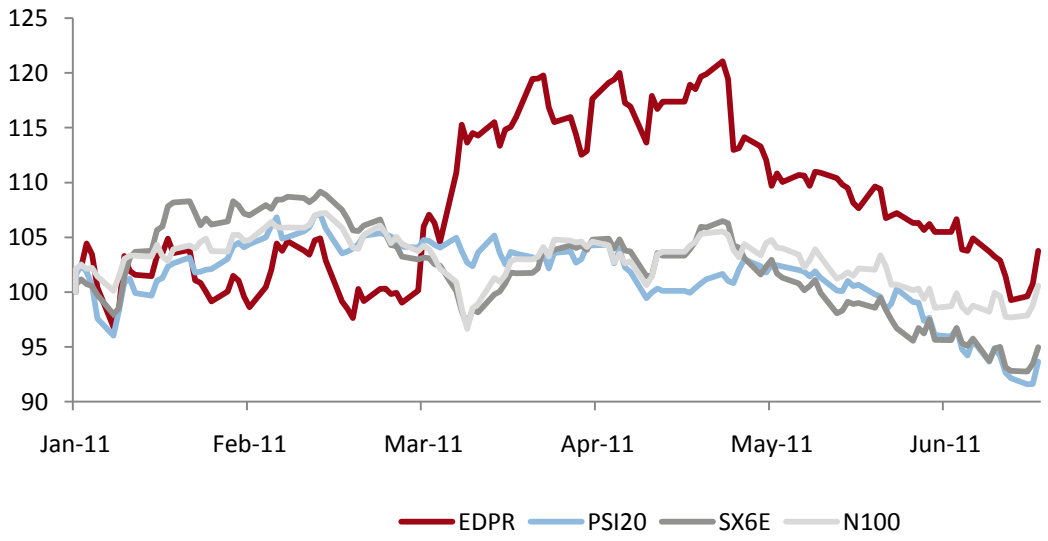
The shares representing 100% of the EDPR share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on the 4th June 2008. Since then, the free float level is unchanged at 22.5%.

EDP Renováveis, S.A.	
Shares	
Share Capital	€ 4,361,540,810
Nominal Share Value	€ 5.00
N.º of Shares	872,308,162
Date of IPO	June 4th, 2008
NYSE Euronext Lisbon	
Reuters RIC	EDPR.LS
Bloomberg	EDPR PL
ISIN	ES0127797019

Share price performance

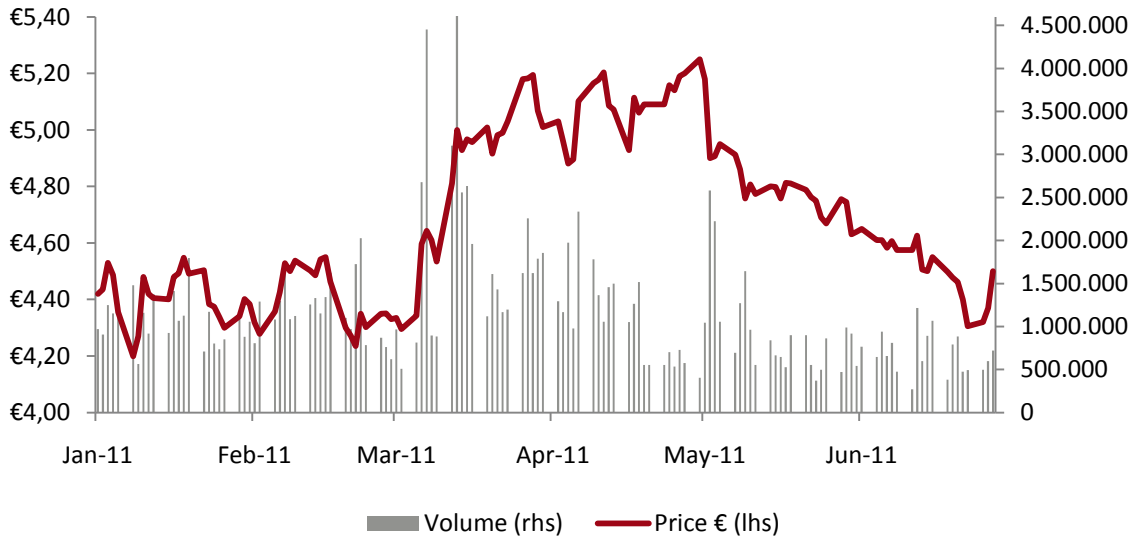
During 1H2011, EDP Renováveis' share price increased by 6%, closing the semester at €4.55. In the same period, the Dow Jones Eurostoxx Utilities, the PSI20, and the Euronext 100 were up by 4%, 3% and 2%, respectively.

EDPR vs PSI20 vs DJ Eurostoxx Utilities



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

1H2011 EDP Renováveis share price and transactions



13. DISCLAIMER

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

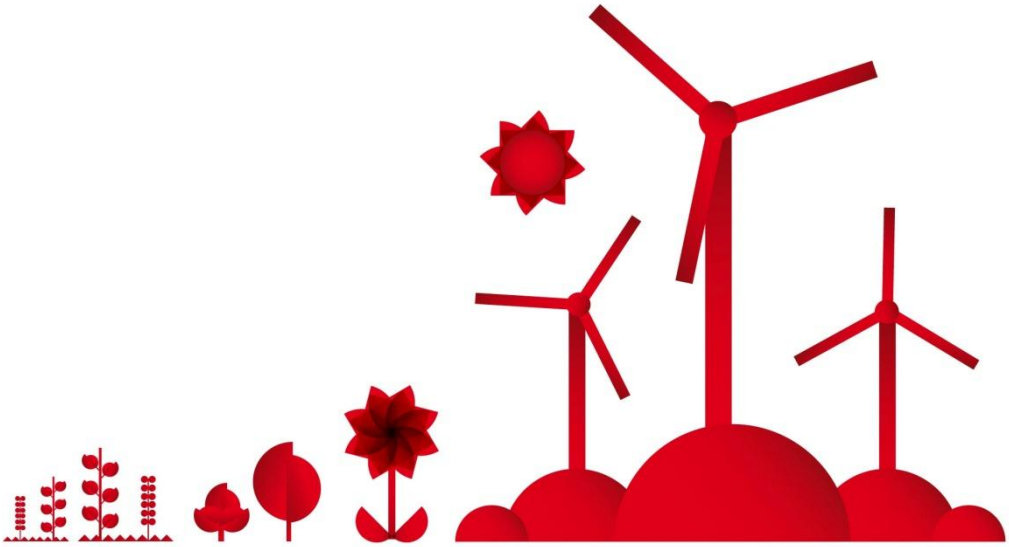
This document has not been audited by any independent third party. Therefore, the information contained in the report was not verified for its impartiality, accuracy, completeness or correctness.

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

Any information regarding the performance of EDP Renováveis share price cannot be used as a guide for future performance.
Neither this document nor any of its parts have a contractual nature, and it can not be used to complement or interpret any contract or any other kind of commitment.
The present document does not constitute an offer or invitation to acquire, subscribe, sell or exchange shares or securities.

The 2011 management report contains forward-looking information and statements about the Company. Although EDP Renováveis is confident these expectations are reasonable, they are subject to several risks and uncertainties that are not predictable or quantifiable in advance. Therefore, future results and developments may differ from these forward-looking statements. Given this, forward-looking statements are not guarantees of future performance.

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



edp renováveis

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EDP Renováveis Group

JUNE 2011

EDP Renováveis, S.A.

Condensed Consolidated Financial Statements

30 June 2011

EDP Renováveis, S.A. and subsidiaries

Unaudited Condensed Consolidated Income Statement
for the six months period ended 30 June 2011 and 30 June 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Revenue	6	491,350	412,907
Cost of consumed electricity	6	-2,758	-606
Changes in inventories and cost of raw materials and consumables used	6	-2,961	-1,320
		485,631	410,981
Other operating income / (expenses)			
Other operating income	7	82,899	65,337
Supplies and services	8	-107,388	-91,138
Personnel costs and employee benefits expenses	9	-25,390	-23,794
Other operating expenses	10	-26,509	-18,456
		-76,388	-68,051
		409,243	342,930
Provisions		285	46
Depreciation and amortisation expense	11	-219,222	-201,645
Amortisation of deferred income / Government grants	11	7,948	4,760
		198,254	146,091
Gains / (losses) from the sale of financial assets	12	10,139	-
Other financial income	13	27,832	24,158
Other financial expenses	13	-125,798	-112,910
Share of profit of associates		3,375	3,287
Profit before tax		113,802	60,626
Income tax expense	14	-23,477	-16,414
Profit for the period		90,325	44,212
Attributable to:			
Equity holders of EDP Renováveis	27	89,509	42,897
Non-controlling interest	29	816	1,315
Profit for the period		90,325	44,212
Earnings per share basic and diluted - Euros	27	**0.10**	**0.05**

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 2011 and 31 December 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Property, plant and equipment	15	9,722,014	9,981,771
Intangible assets	16	20,144	22,727
Goodwill	17	1,287,283	1,344,006
Investments in associates	18	56,323	45,871
Available for sale financial assets	19	7,548	18,380
Deferred tax assets	20	38,979	38,519
Debtors and other assets	23	137,643	123,311
Total Non-Current Assets		11,269,934	11,574,585
Inventories	21	31,300	24,162
Trade receivables	22	116,269	143,650
Debtors and other assets	23	350,198	552,259
Tax receivable	24	69,554	81,050
Financial assets at fair value through profit or loss	25	35,826	35,744
Cash and cash equivalents	26	203,732	423,700
Total Current Assets		806,879	1,260,565
Total Assets		12,076,813	12,835,150
Equity			
Share capital	27	4,361,541	4,361,541
Share premium	27	552,035	552,035
Reserves	28	-19,702	-9,249
Other reserves and Retained earnings	28	365,509	283,440
Consolidated net profit attributable to equity holders of the parent		89,509	80,203
Total Equity attributable to equity holders of the parent		5,348,892	5,267,970
Non-controlling interest	29	122,699	125,541
Total Equity		5,471,591	5,393,511
Liabilities			
Medium / Long term financial debt	30	3,318,367	3,325,943
Employee benefits	31	98	95
Provisions	32	46,699	53,787
Deferred tax liabilities	20	365,260	371,600
Institutional partnerships in US wind farms	33	1,483,085	1,644,048
Trade and other payables	34	540,329	753,991
Total Non-Current Liabilities		5,753,838	6,149,464
Short term financial debt	30	237,856	207,647
Trade and other payables	34	543,799	1,035,782
Tax payable	35	69,729	48,746
Total Current Liabilities		851,384	1,292,175
Total Liabilities		6,605,222	7,441,639
Total Equity and Liabilities		12,076,813	12,835,150

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

EDP Renováveis, S.A. and subsidiaries

Consolidated statement of comprehensive income for the six months period ended at 30 June 2011 and 2010

(Thousands of Euros)

	2011		2010	
	Equity holders of the parent	Non controlling Interests	Equity holders of the parent	Non controlling Interests
Profit for the period	89,509	816	42,897	1,315
Exchange differences arising on consolidation	-2,576	-236	-2,828	289
Fair value reserve (cash flow hedge)	879	687	-28,621	-791
Tax effect from the fair value reserve (cash flow hedge)	-1,031	-211	6,950	237
Fair value reserve (available for sale investments)	-8,993	-	-	-
Other comprehensive income for the period, net of income tax	-11,721	240	-24,499	-265
Total comprehensive income for the period	77,788	1,056	18,398	1,050

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 2011 and 31 December 2010

(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	Non-controlling Interest
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 (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
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**
Recognised income and expense for the period									
Fair value reserve (available for sale financial assets) net of taxes	4,402	-	-	-	-	-	2,321	2,321	2,081
Fair value reserve (cash flow hedge) net of taxes	659	-	-	-	-	23	-	23	636
Exchange differences arising on consolidation	-13,852	-	-	-	-13,058	-	-	-13,058	-794
Profit for the period	38,826	-	-	37,306	-	-	-	37,306	1,520
Total recognised income and expense for the period	30,035	-	-	37,306	-13,058	23	2,321	26,592	3,443
Dividends attributable to minority interests	-1,363	-	-	-	-	-	-	-	-1,363
Share capital increase in EDP Renovaveis Brazil	2,463	-	-	-	-	-	-	-	2,463
Share capital increase in NEO Group companies	235	-	-	-	-	-	-	-	235
Other	2,918	-	-	2,918	-	-	-	2,918	-
Balance as at 31 December 2010	**5,393,511**	**4,361,541**	**552,035**	**363,643**	**-15,316**	**-4,913**	**10,980**	**5,267,970**	**125,541**
	-	-	-				-	-	-
Recognised income and expense for the period									
Fair value reserve (available for sale financial assets) net of taxes	-8,993	-	-	-1,268	-	-	-7,725	-8,993	-
Fair value reserve (cash flow hedge) net of taxes	324	-	-	-	-	-152	-	-152	476
Exchange differences arising on consolidation	-2,812	-	-	-	-2,576	-	-	-2,576	-236
Profit for the period	90,325	-	-	89,509	-	-	-	89,509	816
Total recognised income and expense for the period	78,844	-	-	88,241	-2,576	-152	-7,725	77,788	1,056
Dividends attributable to minority interests	-411	-	-	-	-	-	-	-	-411
Changes resulting fromacquisitions / sales and equity increases	-353	-	-	3,134	-	-	-	3,134	-3,487
Balance as at 30 June 2011	**5,471,591**	**4,361,541**	**552,035**	**455,018**	**-17,892**	**-5,065**	**3,255**	**5,348,892**	**122,699**

EDP Renováveis, S.A. and subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows
for the six months period ended 30 June 2011 and 30 June 2010

(Thousands of Euros)

	Group	
	2011	**2010**
Cash flows from operating activities		
Cash receipts from customers	518,694	404,753
Cash paid to suppliers	-130,915	-108,192
Cash paid to employees	-31,974	-29,388
Concession rents paid	-	-1,046
Other receipts / (payments) relating to operating activities	17,472	-11,396
	373,277	254,731
Income tax received / (paid)	-20,407	-18,168
Net cash flows from operating activities	352,870	236,563
Continuing activities	352,870	236,563
Cash flows from investing activities		
Cash receipts resulting from:		
Proceeds from sale of financial assets	96,483	72,722
Proceeds from sale of property, plant and equipment	39,279	803
Interest received	2,670	4,888
Dividends received	-	1,171
	138,432	79,584
Cash payments resulting from:		
Acquisition of subsidiaries (net of cash acquired) and other investments	-250,012	-51,374
Acquisition of property, plant and equipment	-627,030	-740,955
	-877,042	-792,329
Net cash flows from investing activities	-738,610	-712,745
Continuing activities	-738,610	-712,745
Cash flows from financing activities		
Receipts/ (payments) of loans	227,815	411,316
Interest and similar costs	-50,428	-9,864
Governmental cash grants received	1,574	419
Increases in capital and share premium	3,720	-
Receipts/ (payments) from derivative financial instruments	-3,034	-3,155
Dividends paid	-2,673	-1,304
Receipts / (Payments) from institutional partnership (Horizon)	-7,343	108,773
Net cash flows from financing activities	169,631	506,185
Continuing activities	169,631	506,185
Net increase / (decrease) in cash and cash equivalents	-216,109	30,003
Effect of exchange rate fluctuations on cash held	-3,859	9,590
Cash and cash equivalents at the beginning of the period (*)	423,700	443,633
Cash and cash equivalents at the end of the period (*)	203,732	483,226

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

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

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 2011 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 2011, 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 ("EDPR NA") and a 55% stake in the share capital of EDP Renováveis Brasil (EDPR BR).

The Company belongs to the EDP Group, of which the parent company is EDP Energias de Portugal, S.A., with registered offices at Praça Marquês de Pombal, 12 – 4, Lisbon.

EDPR EU operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania and Italy. EDPR EU's main subsidiaries are: EDP Renováveis 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).

EDPR NA's main activities consist in 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.

During the six months period ended 30 June 2011 no significant changes occurred in the economic activity of EDP Renováveis.

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 2011 and the financial position as at 30 June 2011 and 31 December 2010.

The Board of Directors approved these condensed consolidated financial statements (referred to as financial statements) on 26 July 2011. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

These condensed financial statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at 31 December 2010.

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

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

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The condensed consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Jointly controlled entities

Jointly controlled entities, consolidated under the proportionate consolidation method, are entities over whose activities the Group has joint control along with another company, under a contractual agreement. The consolidated 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

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Some business combinations in the period have been determined provisionally as the Group is currently in the process of measuring the fair value of the net assets acquired. The identifiable net assets have therefore initially been recognised at their provisional value. Adjustments during the measurement period have been recorded as if they had been known at the date of the combination and comparative information for the prior year has been restated where applicable. Adjustments to provisional values only include information relating to events and circumstances existing at the acquisition date and which, had they been known, would have affected the amounts recognised at that date.

After that period, adjustments to initial measurement are only made to correct an error.

In business combinations achieved in stages, any excess of the consideration given, plus the fair value of the interest previously held in the acquiree, and the net assets acquired and net liabilities assumed is recognised as goodwill. Any shortfall, after measuring the consideration given to the previously held interest and identifying and measuring the net assets acquired, is recognised in profit and loss. The Group recognises the difference between the fair value of the interest previously held in the acquiree and its carrying amount in consolidated profit and loss, based on the classification of the interest. The Group also reclassifies amounts deferred in other comprehensive income in relation to the previously held interest to profit and loss or consolidated reserves, based on their nature.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Accounting for acquisitions of non-controlling interests

From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

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 absence of specific guidance, within IFRSs, the EDP Renováveis Group has developed an accounting policy for such transactions, as considered appropriate. According to the Group's policy, business combinations among entities under common control are accounted for in the consolidated annual accounts using the EDP consolidated 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

Until 31 December 2009 EU-IFRS did 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 applies IAS 27 (2008) to new put options related to non controlling interest and there subsequent changes in the carrying amount of the 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	25
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

In the second quarter of 2011 EDPR Group, based on a study performed by an independent entity, has changed the useful life of the wind farms from 20 to 25 years, with effect from 1 April 2011 (see note 3).

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

With the change of the useful life of the wind farms from 20 to 25 years (see note 2 h) the capitalization rate (number of years) of the dismantling and descomissioning provisions has changed to 25 years, with a prospective application from 1 April 2011.

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.

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

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

q) Financial results

Financial results include interest payable on borrowings, interest receivable on funds invested, dividend income, 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 rate 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.

w) 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.

x) Institutional partnerships in US wind farms

The Group has entered in several partnerships with institutional investors in the United States, through limited liability companies operating agreements that aportions the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

The institutional investors purchase their minority partnership interests for an upfront cash payment with an agreed targeted internal rate of return over the period that the tax credits are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTC's / ITC's, allocated taxable income or loss and cash distributions received.

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these Condensed Financial Statements.

The upfront cash payment received is recognised under "Liabilities arising from institutional partnerships" and subsequently measured at amortised cost.

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and PTC's / ITC's, is recorded as non-current deferred income and is recognized as Revenue on a pro rata basis over the 25 year useful life of the underlying projects (see note 6). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors.

The liability with institutional investors is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

3. Critical accounting estimates and judgments in applying accounting policies

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

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

Although estimates are calculated by the Company's directors based on the best information available at 30 June 2011 and 31 December 2010, future events may require changes to these estimates in subsequent years. Any effect on the financial statements of adjustments to be made in subsequent years would be recognised prospectively.

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. This quarter, the EDPR Group has changed the useful life of wind farms from 20 to 25 years (see note 2 h)).

In the second quarter of 2011 EDPR Group has changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was made based on a technical study performed by an independent entity which has considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study has covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimated that requires judgements. The estimated impact of this change was approximately 25 millions of Euros (pre tax).

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.

Exchange-rate risk management

EDP Group's Financial Department is responsible for managing the foreign exchange exposure of the Group, seeking to mitigate the impact of exchange rate fluctuations on the net assets and net profits of the Group, using foreign exchange derivatives, raising foreign exchange debt and/or other hedging structures with symmetrical exposure characteristics to those of the hedged item. The effectiveness of these hedges is reassessed and monitored throughout their lives.

EDPR operates internationally and is exposed to the exchange-rate risk resulting from investments in foreign subsidiaries. With the objective of minimizing the impact of exchange rates fluctuations, EDP Renováveis general policy is to fund each project in the currency of the operating cash flows generated by the project.

Currently, the main currency exposure is the U.S. Dollar, resulting from the shareholding in EDPR NA. With the increasing capacity in other geographies, EDPR is also becoming exposed to other currencies (Brazilian Real, Polish Zloty and Romanian Leu).

Sensivity analysis - Foreign exchange rate

As a consequence a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 30 June 2011 and 30 June 2010, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity, as follows (amounts in thousands of Euros):

	30 Jun 2011			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD / EUR	4,830	-5,903	-	-
PLN / EUR	-	-	3,642	-4,451
	4,830	-5,903	3,642	-4,451

	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

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

As at 30 June 2011 and 2010, EDP Renováveis Group has no significant exposure to exchange rate risks related essentially with the EDPR NA activity. To hedge these risks, EDP Renováveis Group entered into a CIRS in USD and EUR with EDP Branch (see note 36).

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 15 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 91% 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 2011 and 30 June 2010 would increase / (decrease) equity and results of EDP Renováveis Group in the following amounts (in thousands of Euros):

	30 Jun 2011			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow hedge derivatives	-	-	27,134	-29,428
Unhedged debt (variable interest rates)	-2,104	2,104	-	-
	-2,104	2,104	27,134	-29,428

	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

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

As at 30 June 2011 and 2010, EDPR NA 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 EDPR NA 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.

The EDP Renováveis Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with its main shareholder. as well as directly in the market with national and international financial institutions, with the best conditions, assuring the necessary funds to perform its activities.

Market price risk

As at 30 June 2011, market price risk affecting the EDP Renovavéis Group is not significant. In the case of EDPR NA, 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 EDPR NA have electricity sales swaps that qualify for hedge accounting (cash flow hedge) that are related to electricity sales for the year 2011 and 2010 (see note 36). 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 in 30 June 2011, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:

- EDPR Group, through its subsidiary EDPR UK, acquired 49% of the share capital of Seaenergy Renewables Inch Cape Limited.

Companies sold and liquidated:

- Generaciones Especiales , S.L. dissolved and liquidated the subsidiary Sodecoan, S.L.;
- Generaciones Especiales , S.L. sold the subsidiary Subgrupo Veinco;
- EDPR UK, sold an interest of 8.36% in the Moray Offshore Renewables Limited share capital by 4,033 thousands of Euros . As a consequence, the shareholding in the subsidiaries MacColl Offshore Windfarm Limited, Stevenson Offshore Windfarm Limited and Telford Offshore Windfarm Limited has also been reduced in 8.36%.

Companies incorporated:

- EDP Renováveis Cantabria, S.L.;
- Pestera Wind Farm, S.A.;
- Paulding Wind Farm IV LLC*.

* EDP Renováveis holds through its subsidiary EDPR NA, a set of subsidiaries in the United States of America legally incorporated without share capital and that as at 30 June 2011 do not have any assets, liabilities, or any operating activity.

Other changes

- The Group EDPR increased its indirect holding from 47% to 61% in the share capital of Aplicaciones Industriales de Energias Limpias, S.L. through the subsidiary Santa Quitéria Energia, S.L.U.;
- The Group EDPR increased its indirect holding from 58% to 84% in the share capital of Parque Eólico Santa Quitéria, S.L. through the subsidiary Aplicaciones Industriales de Energias Limpias, S.L..

6. Revenue

Revenue is analysed by sector as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Revenue by sector of activity/business:		
Electricity	488,676	410,956
Other	41	43
	488,717	410,999
Services rendered by sector of activity:		
Other	2,633	1,908
	491,350	412,907
Total Revenue:		
Electricity	488,676	410,956
Other	2,674	1,951
	491,350	412,907

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

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Cost of consumed electricity	2,758	606
Changes in inventories and cost of raw material and consumables used:		
Cost of consumables used	53,995	3,061
Changes in inventories	-51,034	-1,741
	2,961	1,320
	5,719	1,926

7. Other operating income

Other operating income is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Supplementary income	943	733
Gains on fixed assets	678	-
Turbine availability income	713	585
Income from sale of interests in institutional partnerships - EDPR NA	60,951	51,390
Amortization of deferred income related to power purchase agreements	5,125	6,200
Operating indemnities	899	-
Gain related with business combination of Parque Eólico Altos del Voltoya, S.A.	-	3,170
Other income	13,590	3,259
	82,899	65,337

Income from institutional partnerships - EDPR NA, includes revenue recognition related to production tax credits (PTC) and tax depreciations, related to projects Vento I, II, III, IV, V, VI, VII and VIII (see note 33).

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.

The power purchase agreements between EDPR NA 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 of Euros (190.4 million of USD) and recorded as a non-current liability (note 34). This liability is amortised over the period of the agreements against other operating income. As at 30 June 2011, the amortization for the period amounts to 5,125 thousands of Euros (30 June 2010: 6,200 thousands of Euros).

Operating indemnities refer to amounts received from insurance companies related with claims for tangible fixed assets and/or losses on the operational activity.

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 final purchase price allocation this acquisition has originated a gain of 3,170 thousands of Euros (see note 17).

8. Supplies and services

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Supplies and services:		
Water, electricity and fuel	1,914	1,332
Tools and office material	948	978
Leases and rents	16,984	14,372
Communications	1,544	1,317
Insurance	6,080	5,243
Transportation, travelling and representation	3,613	3,702
Commissions and fees	347	495
Maintenance and repairs	58,324	46,534
Advertising	1,519	1,204
Specialised works		
- IT services	1,303	1,832
- Legal fees	1,628	1,748
- Advisory fees	4,922	4,236
- Shared services	2,848	2,551
- Other services	2,363	2,274
Royalties	750	750
Other supplies and services	2,301	2,570
	107,388	91,138

9. Personnel costs and employee benefits expense

Personnel costs is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Management remuneration	640	732
Remunerations	25,355	23,340
Social charges on remunerations	3,751	3,332
Employee's variable remuneration	4,259	3,380
Employee's benefits	1,198	1,026
Pension, medical care and other plans expenses	1,204	1,197
Indemnities	97	249
Other costs	1,258	1,617
Own work capitalised	-12,372	-11,079
	25,390	23,794

Pension, medical care and other plans expense is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Costs with pension plans	1,073	1,175
Costs with medical care plan and other benefits	131	22
	1,204	1,197

As at 30 June 2011, Costs with pension plans relates to defined contribution plans (1,068 thousands of Euros) and defined benefit plans (5 thousands of Euros), see also note 31.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	30 Jun 2010 Euro'000
Direct operating taxes	10,118	7,687
Indirect taxes	6,216	3,460
Losses on fixed assets	1,224	40
Lease costs related to the electricity generating centres	4,209	3,943
Donations	195	100
Amortizations of deferred O&M cost	71	610
Turbine availability bonus	1,480	715
Other costs and losses	2,996	1,901
	26,509	18,456

11. Depreciation and amortisation expense

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	30 Jun 2010 Euro'000
Property, plant and equipment:		
Buildings and other constructions	747	584
Plant and machinery:		
Hydroelectric generation	41	41
Wind generation	213,500	196,704
Other	7	8
Transport equipment	164	103
Office equipment	2,909	2,702
Other	757	409
Impairment	9	117
	218,134	200,668
Other intangible assets:		
Industrial property, other rights and other intangibles	1,088	977
	1,088	977
	219,222	201,645
Amortisation of deferred income (Government grants):		
Investment grants	-7,948	-4,760
	-7,948	-4,760
	211,274	196,885

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 2011		30 Jun 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates				
Sociedad Eólica de Andalucia, S.A.	16.67%	9,405	-	-
Subgroup Veinco	100.00%	732	-	-
Sodecoan, S.L.	50.00%	2	-	-
		10,139		-

In 2011, EDP Renováveis closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucia, SA ("SEASA") by 10.7 million of Euros, with an after-tax capital gain of 6.6 million of Euros.

13. Other financial income and financial expenses

Other financial income and financial expenses are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Other financial income:		
Interest income	4,540	4,391
Derivative financial instruments		
Interest	8,246	998
Fair value	4,855	3,619
Foreign exchange gains	9,544	14,628
Other financial Income	647	522
	27,832	24,158
Other financial expenses:		
Interest expense	103,281	81,605
Derivative financial instruments		
Fair value	3,014	2,388
Banking services	882	592
Foreign exchange losses	5,154	26,497
Own work capitalised (financial interests)	-22,970	-34,665
Unwinding	33,565	34,658
Other financial expenses	2,872	1,835
	125,798	112,910
Financial income / (expenses)	-97,966	-88,752

Derivative financial instruments - Interest, relates to the interest liquidations on the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 34 and 36).

In accordance with the accounting policy described on note 2g), of the 30 June 2011 consolidated financial statements the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2011 amounted to 22,970 thousands of Euros (30 June 2010: 34,665 thousands of Euros) and are included under Own work capitalised (financial interest).

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

Unwinding expenses refers essentially to the financial update of provisions for dismantling and decommissioning of wind farms 1,579 thousands of Euros (30 June 2010: 2,218 thousands of Euros) (see note 32), to the financial update of the liability related with put option of EDPR Italia 996 thousands of Euros (30 June 2010: 945 thousands of Euros related with put option of Genesa Group) (see note 34) and the implied return in institutional partnerships in US wind farms 30,329 thousands of Euros (30 June 2010: 31,495 thousands of Euros) (see note 33).

14. Income tax expense

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Current tax	-32,539	-14,834
Deferred tax	9,062	-1,580
	-23,477	-16,414

The effective income tax rate as at 30 June 2011 and 2010 is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**30 Jun 2010 Euro'000**
Profit before tax	113,802	60,626
Income tax	-23,477	-16,414
Effective Income Tax Rate	20.63%	27.07%

The reconciliation between the nominal and the effective income tax rate for the Group during the period of six months ended 30 June 2011 is analysed as follows:

	Group 30 Jun 2011 Euro'000	Group 30 Jun 2010 Euro'000
Profit before taxes	113,802	60,626
Nominal income tax rate	30.00%	30.00%
Expected income taxes	-34,141	-18,188
Income taxes for the period	-23,477	-16,414
Difference	10,664	1,774
Tax effect of operations with institutional partnerships	18,232	8,463
Depreciation, amortization and provisions	-135	-1,884
Unrecognised deferred tax assets related to tax losses generated in the period	-7,572	-11,546
Recognition of previously unrecognised tax losses	3,000	-
Production tax credits	-960	4,706
Fair value of financial instruments and financial investments	-	1,175
Financial investments in associates	1,007	986
Difference between gains and accounting gains and losses	-	1,108
Tax differencial	-2,333	-595
Autonomous Tax	-	-492
Tax exempt dividends	-583	501
Tax benefits	627	-
Deductions applied in the period	3,975	-
Deferred taxes not recognised in the financial statements	-4,031	-648
Other	-563	-
	10,664	1,774

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

		Tax rate
Country	**Subgroup**	**2010 and subsequent years**
Spain	EDPR EU	30.00%
Portugal	EDPR EU	29.00%
France	EDPR EU	33.33%
Poland	EDPR EU	19.00%
Belgium	EDPR EU	33.99%
Romania	EDPR EU	16.00%
United States	EDPR NA	37.63%
Brazil	EDPR BR	34.00%

15. Property, plant and equipment

This balance is analysed as follows:

	Group 30 Jun 2011 Euro'000	Group 31 Dec 2010 Euro'000
Cost:		
Land and natural resources	20,207	18,867
Buildings and other constructions	13,261	13,896
Plant and machinery:		
Hydroelectric generation	2,619	2,619
Thermoelectric cogeneration	6,008	6,008
Wind generation	9,875,324	9,536,702
Other plant and machinery	306	290
Transport equipment	1,775	1,641
Office equipment and tools	33,077	29,186
Other tangible fixed assets	11,305	12,205
Assets under construction	1,238,154	1,666,957
	11,202,036	11,288,371
Accumulated depreciation:		
Depreciation and amortisation expense for the period	-218,134	-432,163
Accumulated depreciation	-1,261,888	-874,437
	-1,480,022	-1,306,600
Carrying amount	9,722,014	9,981,771

The movement in **Property, plant and equipment** from 31 December 2010 to 30 June 2011, 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	18,867	1,689	-	-	-402	53	20,207
Buildings and other constructions	13,896	18	-24	-	-512	-117	13,261
Plant and machinery:							
Hydroelectric generation	2,619	-	-	-	-	-	2,619
Thermoelectric cogeneration	6,008	-	-	-	-	-	6,008
Wind generation	9,536,702	72,494	-8,521	659,612	-385,214	251	9,875,324
Other plant and machinery	290	16	-	-	-	-	306
Transport equipment	1,641	278	-46	-	-119	21	1,775
Office equipment and tools	29,186	1,478	-1,800	5,678	-1,232	-233	33,077
Other	12,205	1,930	-1,744	777	-259	-1,604	11,305
Assets under construction	1,666,957	259,780	-481	-666,067	-23,743	1,708	1,238,154
	11,288,371	337,683	-12,616	-	-411,481	79	11,202,036

	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	3,787	747	-	-24	-137	-11	4,362
Plant and machinery:							
Hydroelectric generation	1,612	41	-	-	-	-3	1,650
Thermoelectric cogeneration	6,009	-	-	-	-	-	6,009
Wind generation	1,274,124	213,500	-	-	-41,117	25	1,446,532
Other plant and machinery	249	7	-	-	-	-5	251
Transport equipment	621	164	-	-46	-42	2	699
Office equipment and tools	13,454	2,909	-	-1,799	-510	1	14,055
Other	6,744	757	9	-966	-128	48	6,464
	1,306,600	218,125	9	-2,835	-41,934	57	1,480,022

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

The caption Perimeter Variations / Regularisations includes the effect of the sale of Veinco Group made by EDPR EU during the six months period ended at 30 June 2011 (see note 5).

During the first semester of 2011 EDPR Group changed the useful life of wind farms based on a study performed by an independent entity with prospective effect from 1 April of 2011 as described on the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

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 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	2,038,064	829,872	-	-530,981	114,433	-11,783	2,439,605
	9,456,953	840,726	-138	-	780,822	78,889	11,157,252

	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:							
Plant and machinery:	2,287	584	-	-	112	-	2,983
Hydroelectric generation							
Thermoelectric cogeneration	1,526	41	-	-	-	-	1,567
Wind generation	6,009	-	-	-	-	-	6,009
Other plant and machinery	799,376	196,704	-	-	54,955	32,039	1,083,074
Transport equipment	227	8	-	-	-	-	235
Office equipment and tools	367	103	-	-	56	-	526
Other	7,050	2,702	-	-12	572	83	10,395
Assets under construction	5,100	409	117	-	174	1	5,801
	821,942	200,551	117	-12	55,869	32,123	1,110,590

In the six months period ended 30 June 2010 the caption Perimeter Variations / Regularisations includes essentially 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).

Assets under construction as at 30 June 2011 and 31 December 2010 are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Electricity business:		
EDPR EU Group	842,557	288,285
EDPR NA Group	380,957	1,293,304
EDP Renováveis, S.A.	10,181	7,909
EDPR BR	4,459	77,459
	1,238,154	1,666,957

Assets under construction as at 30 June 2011 and 31 December 2010 for EDPR EU and EDPR NA Group are essentially related to wind farms under construction and development.

The EDP Renováveis Group has lease and purchase obligations as disclosed in Note 37 - Commitments.

16. Intangible assets

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Cost:		
Industrial property, other rights and other intangible assets	39,204	41,069
Intangible assets under development	3	-
	39,207	41,069
Accumulated amortisation:		
Depreciation and amortisation expense for the period	-1,088	-2,240
Accumulated depreciation	-17,975	-16,102
	-19,063	-18,342
Carrying amount	20,144	22,727

Industrial property, other rights and other intangible assets include 14,035 thousands of Euros and 22,829 thousands of Euros related to wind generation licenses of Portuguese companies (31 December 2010: 14,035 thousands of Euros) and EDPR NA Group (31 December 2010: 24,693 thousands of 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 2010 to 30 June 2011, 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	41,069	5	-	-	-1,870	-	39,204
Intangible assets under	-	3	-	-	-	-	3
	41,069	8	-	-	-1,870	-	39,207

	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	18,342	1,088	-	-	-367	-	19,063
	18,342	1,088	-	-	-367	-	19,063

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	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	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	15,882	977	-	-	555	-	17,414
	15,882	977	-	-	555	-	17,414

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 2011 Euro'000	31 Dec 2010 Euro'000
Electricity business:		
Goodwill booked in EDPR EU Group	736,497	749,392
Goodwill booked in EDPR NA Group	549,119	592,915
Goodwill booked in EDPR BR Group	1,667	1,699
	1,287,283	1,344,006

EDP Renewables Group goodwill as at 30 June 2011 and 31 December 2010 is analysed as follows:

		Group	
	Functional Currency	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
EDPR NA group	US Dollar	549,119	592,915
Genesa group	Euro	395,708	408,554
Ceasa group	Euro	117,637	117,637
EDPR Polska	Zloty	23,177	23,266
EDPR Portugal group	Euro	42,588	42,588
NEO Galia SAS group	Euro	79,958	79,958
Romania group	Lei	9,461	9,421
NEO Catalunya	Euro	7,013	7,013
EDPR BR Group	Brasilian Real	1,667	1,699
EDPR Italia Group	Euro	57,781	57,781
Other	Euro	3,174	3,174
		1,287,283	1,344,006

The movements in Goodwill, by subgroup, from 31 December 2010 to 30 June 2011, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Electricity Business							
EDPR NA group	592,915	-	-	-	-43,796	-	549,119
Genesa group	408,554	-	-12,846	-	-	-	395,708
Ceasa group	117,637	-	-	-	-	-	117,637
EDPR Polska	23,266	-	-	-	-89	-	23,177
EDPR Portugal group	42,588	-	-	-	-	-	42,588
NEO Galia SAS group	79,958	-	-	-	-	-	79,958
Romania group	9,421	-	-	-	40	-	9,461
NEO Catalunya	7,013	-	-	-	-	-	7,013
EDPR BR Group	1,699	-	-	-	-32	-	1,667
EDPR Italia Group	57,781	-	-	-	-	-	57,781
Other	3,174	-	-	-	-	-	3,174
	1,344,006	-	-12,846	-	-43,877	-	1,287,283

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	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Electricity Business							
EDPR NA 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
EDPR 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 BR 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

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determined in USD as at 30 June 2011 and amounts to 775,251 thousands of USD, corresponding to 549,119 thousands of Euros (31 December 2010: 592,915 thousands of Euros), including the related transaction costs in the amount of 12,723 thousands of Euros. The decrease in EDPR NA Group goodwill is related with the effect from exchange differences of EUR/USD of 43,796 thousands of Euros (increase of 93,631 thousands of Euros as at 30 June 2010).

Genesa Group

The decrease in Genesa subgroup goodwill of 12,846 thousands of Euros is related with the redefinition of the final price of the liability related with the put option of Caja Madrid over the non controlling interest held by this entity over Genesa (3,363 thousands of Euros) and the sale of Subgroup Veinco (9,483 thousands of Euros). This shareholding was sold by 15,8 million of Euros generating a gain of 732 thousands os Euros (see note 12).

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. and had carried out the purchase price allocation that originates the recognition of an income of 3,170 thousand Euros (see note 7).

EDPR Polska Group

In 2011, the decrease in EDPR Polska goodwill (89 thousands of Euros) is related with the effect from exchange differences of EUR/PLN.

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.

Romania Group

In 2011 the increase of 40 thousands of Euros is related with the effect from exchange differences of EUR/RON.

EDPR BR Group

In 2011, the decrease in EDPR BR Group goodwill is related with the effect from exchange differences of EUR/BRL of 32 thousands of Euros. In 2010 the increase is 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. , considering the put option as an anticipated acquisition of non controlling interest.

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).

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

During the first semester of 2011 the EDPR Group has paid an amount of 250,551 thousands of Euros (30 June 2010: 51,374 thousands of Euros) for business combinations, related essentially with payment of Caja Madrid put option (see note 34), which includes an amount of 665 thousands of Euros of cash and cash equivalents acquired (30 June 2010: 4,220 thousands of Euros).

18. Investments in associates

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Investments in associates:		
Equity holdings in associates	56,323	45,871
Carrying amount	56,323	45,871

19. Available for sale financial assets

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Sociedad Eólica de Andalucia, S.A.	-	10,832
Parque Eólico Montes de las Navas, S.L.	6,684	6,684
Wind Expert	500	500
Other	364	364
	7,548	18,380

In 2011, EDP Renováveis closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucia, SA ("SEASA") by 10.7 million of Euros, with an after-tax capital gain of 6.6 million of Euros (see note 12).

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 2010 consolidated annual accounts.

The main variations in net deferred tax assets and liabilities for the Group during the six months ended 30 June 2011 and 2010 are analysed as follows:

	2011		2010	
	Group		Group	
	Net deferred tax assets Euro'000	Net deferred tax liabilities Euro'000	Net deferred tax assets Euro'000	Net deferred tax liabilities Euro'000
Balance as at 1 January	38,519	-371,600	28,066	-344,969
Variation on tax losses carried forward	26	-	482	-
Variation on fair value of financial instruments	-989	43	3,689	2,734
Variation in allocation of acquired assets and liabilities fair values	-	7,166	-	-13,744
Other	1,423	-869	3,305	11
Balance as at 30 June	38,979	-365,260	35,542	-355,968

21. Inventories

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Advances on account of purchases	6,467	3,549
Finished and intermediate products	22,393	18,669
Raw and subsidiary materials and consumables:		
Other consumables	2,440	1,944
	31,300	24,162

The Finished and intermediate products are essentially related with wind farms construction in progress.

22. Trade receivables

Trade receivables are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Short term trade receivables - Current:		
Spain	49,353	81,619
United States of America	28,199	27,945
Portugal	13,159	13,664
France	7,363	6,262
Belgium	3,504	3,693
Brazil	2,637	349
Romania	4,803	1,148
Poland	7,251	8,967
United Kingdom	-	3
	116,269	143,650
Doubtful debts	1,437	2,339
Impairment losses	-1,437	-2,339
	116,269	143,650

23. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Debtors - Current:		
Loans to related parties	248,522	358,795
Derivative financial instruments	5,156	5,402
Guarantee deposits	7,388	12,496
Tied deposits	10,129	80,121
Other debtors:		
- Amounts related to staff	55	48
- Insurance	606	2,440
- Production tax credits (PTC)	412	864
- EDPR NA warranty claim	510	682
- Prepaid turbine maintenance	8,101	3,651
- Turbine Availability	643	1,376
- Services rendered	5,825	8,103
- Advances to suppliers	43,724	55,917
- Sundry debtors and other operations	19,127	22,364
	350,198	552,259
Debtors - Non-current:		
Loans to related parties	16,301	6,955
Notes receivable (EDPR NA)	9,123	908
Guarantees and tied deposits	36,241	35,957
Derivative financial instruments	6,667	4,068
Other debtors:		
- Deferred costs (EDP Renováveis Portugal Group)	45,702	46,588
- Deferred PPA costs (High Trail)	4,711	5,275
- Mapple Ridge I NYSERDA REC contract (EDPR NA)	5,140	6,317
- Deferred Tax Equity Costs	10,091	11,631
- Sundry debtors and other operations	3,667	5,612
	137,643	123,311
	487,841	675,570

Loans to related parties - Current mainly includes mainly 171,527 thousands of Euros of loans granted by EDP Renováveis Portugal, S.A. to ENEOP Group (31 December 2010: 129,648 thousands of Euros) and 72,070 thousands of Euros related to loans granted by EDPR EU to EDP, S.A. - Sucursal en España (31 December 2010: 55,399 thousands of Euros). As at 31 December 2010, this caption also includes 171,081 thousands of Euros of loans granted by EDP Renováveis, S.A. to EDP S.A. - Sucursal en España related to the net investment derivative interests liquidation.

Tied deposits - Current mainly includes financing agreements 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 are obliged 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 2011	**31 Dec 2010**
	Euro'000	**Euro'000**
State and other public entities:		
- Income tax	30,705	19,131
- Value added tax (VAT)	27,271	53,109
- Other taxes	11,578	8,810
	69,554	81,050

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 2011	**31 Dec 2010**
	Euro'000	**Euro'000**
Equity securities:		
Investment funds	35,495	35,335
Debt securities:		
Bonds	331	409
	35,826	35,744

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 2011	**31 Dec 2010**
	Euro'000	**Euro'000**
Cash:		
- Cash in hand	3	4
Bank deposits:		
- Current deposits	197,756	234,231
- Other deposits	5,973	189,465
	203,729	423,696
Cash and cash equivalents	203,732	423,700

27. Capital

At 30 June 2011 and 2010, the share capital of the Company is represented by 872,308,162 ordinary bearer shares of Euros 5 par value each, all fully paid. These shares have the same voting and profit-sharing rights. These shares are freely transferable.

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

	Group	
	30 Jun 2011	30 Jun 2010
Profit attributable to the equity holders of the parent in thousands of Euros	89,509	42,897
Profit from continuing operations attributable to the equity holders of the parent in thousands of Euros	89,509	42,897
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	0.10	0.05
Earnings per share (diluted) attributable to equity holders of the parent in Euros	0.10	0.05
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros	0.10	0.05
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros	0.10	0.05

The EDPR 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 2011 and 2010.

The average number of shares was determined as follows:

	Group	
	30 Jun 2011	30 Jun 2010
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 2011 Euro'000	31 Dec 2010 Euro'000
Reserves		
Fair value reserve (cash flow hedge)	-5,065	-4,913
Fair value reserve (available for sale financial assets)	3,255	10,980
Exchange differences arising on consolidation	-17,892	-15,316
	-19,702	-9,249
Other reserves and retained earnings:		
Retained earnings	286,153	208,493
Additional paid in capital	60,666	60,666
Legal reserve	18,690	14,281
	365,509	283,440
	345,807	274,191

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 EDPR 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 274 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 2011		Exchange rates as at 31 December 2010	
Currency		**Closing Rate**	**Average Rate**	**Closing Rate**	**Average Rate**
US Dollar	USD	1.445	1.403	1.336	1.326
Zloty	PLN	3.990	3.953	3.975	3.995
Brazilian Real	BRL	2.260	2.288	2.218	2.331
Lei	RON	4.244	4.180	4.262	4.212
Pound	GBP	0.903	0.868	0.861	0.858
Canadian Dollar	CAD	1.395	1.371	1.332	1.365

29. Non controlling interest

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**31 Dec 2010 Euro'000**
Non controlling interest in income statement	816	2,835
Non controlling interest in share capital and reserves	121,883	122,706
	122,699	125,541

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

	Group	
	30 Jun 2011 Euro'000	**31 Dec 2010 Euro'000**
EDPR EU Group	112,230	114,216
EDPR BR Group	10,469	11,325
	122,699	125,541

The movement in non-controlling interest of EDP Renováveis Group is mainly related to profits attributable to non-controlling interest of 816 thousands of Euros, to variations resulting from share capital increases attributable to non-controlling interest of EDPR EU subsidiaries (Eólica Alfoz, S.L., Moray Offshore Renewables Limited and Pestera Wind Farm, S.A.) totalling 4,665 thousand Euros and the acquisition of an additional interest in the share capital of Aplicaciones Industriales de Energias Limpias, S.L. (8,124 thousand Euros) (see note 5).

30. Financial debt

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Financial debt - Current		
Bank loans:		
- EDPR EU Group	90,374	125,408
- EDPR BR Group	140,732	72,485
Other loans:		
- EDPR EU Group	2,671	3,634
- EDPR NA Group	901	935
Interest payable	3,178	5,185
	237,856	207,647
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	460,254	491,588
- EDPR BR Group	7,345	8,052
Loans from shareholders of group entities:		
- EDP Renováveis , S.A.	2,825,595	2,799,548
Other loans:		
- EDPR EU Group	22,553	23,423
- EDPR NA Group	2,620	3,332
	3,318,367	3,325,943
	3,556,223	3,533,590

Financial debt Non-current for EDP Renováveis, mainly refers to a set of loans granted by EDP Finance BV (2,825,595 thousands of Euros). These loans have an average maturity of 8.8 years and bear interest at fixed 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 2011, these financings amount to 624,885 thousands of Euros (624,878 thousands of Euros as at 31 December 2010), which are already included in the total debt of the Group.

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

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Bank loans:		
Up to 1 year	233,865	202,184
1 to 5 years	210,937	215,135
Over 5 years	256,662	284,505
	701,464	701,824
Loans from shareholders of group entities:		
Up to 1 year	419	894
1 to 5 years	241,000	-
Over 5 years	2,584,595	2,799,548
	2,826,014	2,800,442
Other loans:		
Up to 1 year	3,572	4,569
1 to 5 years	15,615	16,545
Over 5 years	9,558	10,210
	28,745	31,324
	3,556,223	3,533,590

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

	30 Jun 2011		31 Dec 2010	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term financial debt - Current	237,856	237,856	207,647	207,647
Medium/Long financial debt - Non current	3,318,367	2,991,095	3,325,943	3,178,811
	3,556,223	3,228,951	3,533,590	3,386,458

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 2011, the scheduled repayments of Group's debt are as follows:

	Total Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Subsequent years Euro'000
Short term debt and borrowings	237,856	209,592	28,264	-	-	-	-
Medium/long-term debt and borrowings	3,318,367	-	29,063	59,544	66,513	51,715	3,111,532
	3,556,223	209,592	57,327	59,544	66,513	51,715	3,111,532

The breakdown of guarantees is presented in Note 37 to the condensed consolidated financial statements.

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

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Loans denominated in EUR	1,914,290	1,844,113
Loans denominated in USD	1,378,074	1,452,120
Loans denominated in other currencies	263,859	237,357
	3,556,223	3,533,590

31. Employee benefits

Employee benefits balance are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Provisions for social liabilities and benefits	37	36
Provisions for healthcare liabilities	61	59
	98	95

As at 30 June 2011 and 31 December 2010, Provisions for social liabilities and benefits refers exclusively to defined benefit plans.

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

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

32. Provisions

Provisions are analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**31 Dec 2010 Euro'000**
Dismantling and decommission provisions	46,326	53,156
Provision for other liabilities and charges	373	631
	46,699	53,787

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 21,894 thousands of Euros for wind farms in the United States of America (31 December 2010: 28,813 thousands of Euros), 12,880 thousands of Euros for wind farms in Spain (31 December 2010: 15,904 thousands of Euros), 4,750 thousands of Euros for wind farms in Portugal (31 December 2010: 4,610 thousands of Euros), 2,607 thousands of Euros for wind farms in Brazil (31 December 2010: 639 thousands of Euros), 2,012 thousands of Euros for wind farms in France (31 December 2010: 2,010 thousands of Euros), 1,002 thousands of Euros for wind farms in Romania, 778 thousands of Euros for wind farms in Poland (31 December 2010: 781 thousands of Euros) and 403 thousands of Euros for wind farms in Belgium (31 December 2010: 399 thousands of Euros).

EDP Renováveis believes that the provisions booked on the consolidated statement of financial position 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 2011 and 31 December 2010, 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. Institutional partnerships in US wind farms

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	**31 Dec 2010 Euro'000**
Deferred income related to benefits provided	614,938	635,271
Liabilities arising from institutional partnerships in US wind farms	868,147	1,008,777
	1,483,085	1,644,048

The movements in Institutional partnerships in US wind farms are analysed as follows:

	Group	
	Jun 2011 Euro'000	**Jun 2010 Euro'000**
Balance at the beginning of the period	1,644,048	1,353,612
Proceeds received from institutional investors	-	106,325
Cash paid to institutional investors	-7,229	-6,194
Other operating income	-60,951	-51,390
Unwinding	30,329	31,495
Exchange differences	-123,112	241,860
Balance at the end of the period	1,483,085	1,675,708

The Group has entered in several partnerships with institutional investors in the United States, through limited liability companies operating agreements that aportions the cash flows generated by the wind farms between the investors and the Company and allocates the tax benefits, which include Production Tax Credits (PTC), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

34. Trade and other payables

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Trade and other payables - Current:		
Derivative financial instruments	12,316	10,673
Liabilities arising from options with non controlling interests	-	234,754
Amounts payable for the acquisition of subsidiaries	700	-
Success fees payable for the acquisition of subsidiaries	3,562	3,630
Other payables		
- Suppliers	36,871	40,453
- Other operations with related parties	72,761	16,257
- Property and equipment suppliers	371,855	665,443
- Advances from customers	311	83
- Variable remuneration to employees	10,246	16,881
- Other creditors and sundry operations	35,177	47,608
	543,799	1,035,782

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Trade and other payables – Non-current:		
Payables - Group companies	39,227	61,806
Derivative financial instruments	15,020	162,042
Liabilities arising from options with non controlling interests	37,581	36,584
Amounts payable for the acquisition of subsidiaries	568	-
Success fees payable for the acquisition of subsidiaries	73,369	76,621
Government grants / subsidies for investments in fixed assets	311,178	341,842
Other payables		
- Property and equipment suppliers	1,546	1,673
- Electricity sale contracts - EDPR NA	60,880	71,991
- Other creditors and sundry operations	960	1,432
	540,329	753,991

As at 31 December 2010, Derivative financial instruments (Hedging) - Non Current includes 144,049 thousands of 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 EDPR NA, expressed in USD (see Note 36). In the Group accounts, EDP Renováveis Group has applied the net investment hedge model to state this transaction. As at 30 June 2011 this hedge instrument has a positive fair value of 4,675 thousands of Euros (see note 23 and 36).

As at 30 June 2011 the Liabilities arising from written put options with non controlling interests - Non current includes essentially 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 37,490 thousands of Euros (31 December 2010: 36,494 thousands of Euros - see note 5 and 37).

As at 31 December 2010 the Liabilities arising from written put options with non controlling interests - Current includes the liability for the put option contracted with Caja Madrid for a 20% interest in the Genesa Group in the amount of 234,754 thousands of Euros equivalent to 20% of Genesa's full equity valuation. The option was exercised by Caja Madrid within the exercise period. During first semester of 2011 EDPR Group has liquidated the amount related with this liability.

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

Government grants for investments in fixed assets are essentially related to grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government (see note 1).

Electricity sales contracts - EDPR NA relates to the fair value of the contracts entered into by EDPR NA with its customers, determined under Power purchase agreements (see note 7).

35. Tax payable

This balance is analysed as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
State and other public entities:		
- Income tax	35,735	10,122
- Withholding tax	18,821	22,474
- Value added tax (VAT)	9,743	14,169
- Other taxes	5,430	1,981
	69,729	48,746

36. 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 2011 and 31 December 2010 is as follows:

	Group	
	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Net investment hedge		
Currency swaps	4,260	-145,123
Cash flow hedge		
Power price swaps	-4,981	-287
Interest rate swaps	-13,562	-17,726
Currency forwards	-1,569	-1,368
Power price options	-278	-
Not qualifiable for hedging accounting		
Power price swaps	628	1,357
Interest rate swaps	-11	-98
	-15,513	-163,245

The fair value of derivative financial instruments is recorded under Debtors and other assets (note 23) or Trade and other payables (note 34), if the fair value is positive or negative, respectively.

37. Commitments

As at 30 June 2011 and 31 December 2010, the financial commitments not included in the statement of financial position in respect of financial and real guarantees provided, are analysed as follows:

	Group	
Type	30 Jun 2011 Euro'000	31 Dec 2010 Euro'000
Guarantees of a financial nature		
- EDP Renováveis	19,088	19,453
- EDPR EU Group	2,178	2,178
- EDPR NA Group	3,114	3,368
	24,380	24,999
Guarantees of an operational nature		
- EDP Renováveis	483,738	538,122
- EDPR EU Group	65,384	50,998
- EDPR NA Group	1,217,802	1,304,742
	1,766,924	1,893,862
Total	1,791,304	1,918,861
Real guarantees	11,066	12,718

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 2011, these financings amount to 624,885 thousands of Euros (624,878 thousands of Euros as at 31 December 2010), which are already included in the total debt of the Group.

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

	30 Jun 2011				
	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)	4,922,334	425,570	456,864	442,696	3,597,204
Operating lease rents not yet due	1,002,314	38,602	79,725	77,855	806,132
Purchase obligations	1,513,795	866,280	614,110	13,618	19,787
	7,438,443	1,330,452	1,150,699	534,169	4,423,123

	31 Dec 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)	4,896,942	377,159	442,334	437,899	3,639,550
Operating lease rents not yet due	769,109	42,363	85,458	84,370	556,918
Purchase obligations	2,676,437	1,063,288	1,180,820	429,303	3,026
	8,342,488	1,482,810	1,708,612	951,572	4,199,494

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 2011 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 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 EDPR EU. 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 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 EDPR EU. 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 Renováveis, through its subsidiary Santa Quitéria Energia, S.L.U., 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" (Apineli). The price of exercising these options is 900 thousands of Euros. The option can be exercised when Jorge, S.L. obtain the licenses to amplify the windfarms "Dehesa del Coscojar" and "El Águila", until 30 days after the notification of the suspensive condition with a limit date of 18 April 2014.

- EDP Renováveis, through its subsidiary 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 holds, through its subsidiary EDPR EU, 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 34). 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 is able to build, develop and operate 350 MW in Italy.

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over the remaining shareholders of Re Plus (WPG, Galilea and Gant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation.

- EDP Renováveis, through its subsidiary EDPR EU, holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beggining of construction date or (ii) 31 December 2019.

38. Related parties

Main shareholders and shares held by company officers:

EDP Renováveis, S.A.'s shareholder structure as at 30 June 2011 is analysed as follows:

	Nr. 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 Nominations and Remunerations 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 in 2011 and 2010 were as follows:

	30 Jun 2011	31 Dec 2010
	Euros	Euros
CEO	359,362	592,939
Board members	280,833	565,000
	640,195	**1,157,939**

Balances and transactions with related parties

As at 30 June 2011, 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.	3	17,088	-17,085
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	76,842	52,304	24,538
EDP Group companies	43,997	2,827,878	-2,783,881
Hidrocantábrico Group companies	30,485	2,385	28,100
Associated companies	185,416	2,237	183,179
Jointly controlled entities	7,191	840	6,351
Other	17	2,644	-2,627
	343,951	2,905,376	-2,561,425

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Finance BV in the amount of 2,825,595 thousands of Euros.

As at 31 December 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.	4	15,079	-15,075
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	226,106	156,902	69,204
EDP Group companies	45,169	2,803,263	-2,758,094
Hidrocantábrico Group companies	48,498	2,017	46,481
Associated companies	132,535	2,266	130,269
Jointly controlled entities	7,239	840	6,399
Other	757	2,733	-1,976
	460,308	2,983,100	-2,522,792

Transactions with related parties for the six months period ended 30 June 2011 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.	-	746	-2,961	-1,563
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	6,032	-4,100	-2,067
EDP Group companies	70,871	343	-1,639	-70,855
Hidrocantábrico Group companies	183,279	-	-2,383	-360
Associated companies	896	2,663	-	-
Jointly controlled entities	413	3,645	-	-
Other	234	-	-216	-1,674
	255,693	13,429	-11,299	-76,519

Transactions with related parties for the year ended 31 December 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.	11,664	2,332	-2,929	-3,053
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	3,015	-6,969	-1,438
EDP Group companies	138,124	756	-3,217	-140,074
Hidrocantábrico Group companies	249,062	-	-4,336	-
Associated companies	1,226	2,971	-	-
Jointly controlled entities	644	4,710	-	-
Other	5,702	663	-99	-
	406,422	14,447	-17,550	-144,565

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 EPDR NA and of the USD external financing). As at 30 June 2011, the amount receivable by EDP Renováveis from EDP Branch related to this CIRS amounts to 4,675 thousands of Euros (31 December 2010: 144,049 thousands of Euros -payable) (see note 23, 34 and 36).

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers and in connection with renewable energy contracts. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 30 June 2011, EDP, S.A. and Hidrocantábrico granted financial (56,874 thousands of Euros, 31 December 2010: 57,951 thousands of Euros) and operational (846,554 thousands of Euros, 31 December 2010: 439,195 thousands of Euros) guarantees to suppliers in favour of EDPR EU and EDPR NA. The operational guarantees are issued following the commitments assumed by EDPR EU and EDPR NA in relation to the acquisition of property, plant and equipment, supply agreements, turbines and energy contracts (Power purchase agreements) (see note 37).

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

The Company has no pension or life insurance obligations with its former or current directors in 2011 or 2010.

39. Fair value of financial assets and liabilities

The fair values of assets and liabilities as at 30 June 2011 and 31 December 2010 are analysed as follows:

	30 June 2011			31 December 2010		
	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	7,548	7,548	-	18,380	18,380	-
Trade receivables	116,269	116,269	-	143,650	143,650	-
Debtor and other assets	476,018	476,018	-	666,100	666,100	-
Derivative financial instruments	11,823	11,823	-	9,470	9,470	-
Financial assets at fair value through profit or loss	35,826	35,826	-	35,744	35,744	-
Cash and cash equivalents (assets)	203,732	203,732	-	423,700	423,700	-
	851,216	851,216	-	1,297,044	1,297,044	-
Financial liabilities						
Financial debt	3,556,223	3,228,951	-327,272	3,533,590	3,386,458	-147,132
Suppliers	410,272	410,272	-	654,794	654,794	-
Institutional partnerships in US wind farms	1,483,085	1,483,085	-	1,644,048	1,644,048	-
Trade and other payables	646,520	646,520	-	962,264	962,264	-
Derivative financial instruments	27,336	27,336	-	172,715	172,715	-
	6,123,436	5,796,164	-327,272	6,967,411	6,820,279	-147,132

40. Relevant subsequent events

EDP Renováveis executes project finance for 90 MW in Romania

On 11 July 2011, EDP Renováveis Group has executed a project finance structure agreement with a consortium of banks led by the European Bank for Reconstruction and Development and the IFC , a member of the World Bank Group, for the 90 MW Pestera Wind Farm.

The long-term contracted debt facility amounts to 73 millions of Euros and the transaction financial close is expected on the third quarter of 2011.

EDP Renováveis establishes new institutional partnership structure for 99 MW in the US

On 13 July 2011, EDP Renováveis, through its subsidiary EDP Renewables North America LLC, has signed an agreement to secure 116 millions of USD of institutional equity financing from Bank of America Corporation and Paribas North America, INC., in exchange for a partial interest in its 99 MW Timber Road II wind farm, currently being commissioned in the State of Ohio.

EDP Renováveis executes project finance for 70 MW in Brazil
On 25 July, EDP Renováveis, has executed a project finance structure agreement with Brazilian Development Bank for the 70MW Tramandaí wind farm in Brazil, in Sate of Rio Grande do Sul, fully comissioned in May 2011.

The long-term contracted debt facility amounts to 280 million of BRL and the transaction financial close is expected to occur on the third quarter of 2011.

41. 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.

In May 2010, the IASB published the Annual Improvement Project that implied changes to the standards and interpretations in force. The referred changes are in most cases applicable for the Group for 2011, as follows:

- Changes to IFRS 1 - First - time Adoption of International Financial Reporting Standards,effective from 1 January 2011;
- Changes to IFRS 3 - Business Combinations, effective from 1 January 2011;
- Changes to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2011;
- Changes to IAS 1 - Presentation of Financial Statements, effective from 1 January 2011;
- Changes to IAS 21 - The Effects of Changes in Foreign Exchange Rates, effective from 1 January 2011;
- Changes to IAS 28- Investments in Associates, effective from 1 January 2011;
- Changes to IAS 31- Interests in Joint Ventures, effective from 1 January 2011;
- Changes to IAS 32 - Financial Instruments: Presentation, effective from 1 January 2011;
- Changes to IAS 34 - Interim Financial Reporting, effective from 1 January 2011;
- Changes to IAS 39 - Financial Instruments: Recognition and Measurement, effective from 1 January 2011;
- Changes to IFRIC 13 - Customer Loyalty Programmes, effective from 1 January 2011.

No significant impact in the Group resulted from the adoption of these changes with exception of the impacts of the adoption of IFRS 3 - Business Combinations, which are disclosed and reflected in the consolidated financial statements at 30 June 2011.

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 2011:

• IFRS 1 (Amendment) - First-time Adoption of International Reporting Standards;
• IFRS 7 - Financial Instruments: Disclosures;
• IFRS 9 - Financial Instruments;
• IFRS 10 - Consolidated Financial Statements;
• IFRS 11 - Joint Arrangements;
• IFRS 12 - Disclosures of Interests in Other Entities;
• IFRS 13 - Fair Value Measurement;
• IAS 1 (Amendment) - Presentation of Financial Statements;
• IAS 12 (Amendment) - Income tax;
• IAS 19 (Amendment) - Employee Benenfits;
• IAS 27 - Separate Financial Statements;
• IAS 28 - Investments in Associates and Joint Ventures.

42. 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 include the EDPR BR 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 Annex 2. 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 sources 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 Group companies that operate in Spain;
- Rest of Europe - Includes the EDPR EU Group companies that operate in France, Poland, Belgium, Romania and Italia;
- United States of America includes the EDPR NA Group companies.
- Other - Includes the EDPR BR Group 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 2011

(Thousands of Euros)

	WIND ENERGY OPERATIONS								
	EUROPE						U. S. A.	Other and Adjustments	EDP Renováveis Group
	Portugal	Spain	Rest of Europe	Others	Adjustments	Total			
Revenue	**72,600**	**198,291**	**56,033**	**5,735**	**-7,493**	**325,166**	**162,771**	**3,413**	**491,350**
External customers	1,729	196,981	56,004	109	-1,724	253,099	162,771	3,413	419,283
Other operating segments	70,871	1,310	29	5,626	-5,769	72,067	-	-	72,067
Cost of consumed electricity	-129	-292	-590	-	-	-1,011	-1,676	-71	-2,758
Changes in inventories and cost of raw materials and consumables used	-91	-2,739	208	-344	4	-2,962	-	1	-2,961
	72,380	195,260	55,651	5,391	-7,489	321,193	161,095	3,343	485,631
Other operating income / (expenses)									
Other operating income	1,146	1,231	642	3,095	-276	5,838	71,706	5,355	82,899
Supplies and services	-9,619	-31,508	-8,882	-5,176	6,031	-49,154	-48,930	-9,304	-107,388
Personnel costs	-1,523	-3,049	-1,465	-4,185	-	-10,222	-10,745	-4,423	-25,390
Other operating expenses	-2,644	-5,145	-3,717	-50	10	-11,546	-13,441	-1,522	-26,509
	-12,640	-38,471	-13,422	-6,316	5,765	-65,084	-1,410	-9,894	-76,388
	59,740	156,789	42,229	-925	-1,724	256,109	159,685	-6,551	409,243
Provisions	19	266	-	-	-	285	-	-	285
Depreciation and amortisation expense	-15,347	-70,488	-20,785	-1,110	-	-107,730	-109,264	-2,228	-219,222
Amortisation of deferred income / Government grants	493	82	170	2	-	747	7,201	-	7,948
	44,905	86,649	21,614	-2,033	-1,724	149,411	57,622	-8,779	198,254
Gains / (losses) from the sale of financial assets	-	10,139	-	-	-	10,139	-	-	10,139
Other financial income	-	257	2,179	937	-922	2,451	5,068	7,527	15,046
Interest income	2,794	2,209	490	86,926	-86,843	5,576	501	6,709	12,786
Other financial expenses	-170	-556	-3,960	-4,806	1,763	-7,729	-37,395	-362	-45,486
Interest expense	-16,806	-53,550	-29,184	-123,662	89,498	-133,704	326	53,066	-80,312
Share of profit of associates	2,547	838	-10	-	-	3,375	-	-	3,375
Profit before tax	33,270	45,986	-8,871	-42,638	1,772	29,519	26,122	58,161	113,802
Income tax expense	-8,746	-11,435	-1,208	15,446	-	-5,943	-	-17,534	-23,477
Profit (loss) for the period	**24,524**	**34,551**	**-10,079**	**-27,192**	**1,772**	**23,576**	**26,122**	**40,627**	**90,325**
Attributable to:									
Equity holders of EDP Renováveis	23,647	33,307	-9,458	-27,188	1,772	22,080	26,122	41,307	89,509
Non-Controlling Interest	877	1,244	-621	-4	-	1,496	-	-680	816
Profit (loss) for the period	**24,524**	**34,551**	**-10,079**	**-27,192**	**1,772**	**23,576**	**26,122**	**40,627**	**90,325**
Assets									
Property, plant and equipment	529,980	3,113,489	1,384,201	14,934	-	5,042,604	4,454,917	224,493	9,722,014
Intangible assets and Goodwill	42,830	97,172	93,107	71	505,523	738,703	554,312	14,412	1,307,427
Investments in associates	-	9,369	13,875	12	31,387	54,643	1,680	-	56,323
Current assets	207,222	361,640	119,955	1,442,914	-1,365,476	766,255	103,237	-62,613	806,879
Equity and Liabilities									
Equity and Non-Controlling Interest	80,821	919,049	250,717	138,801	-929,270	460,118	3,104,685	1,906,787	5,471,590
Current Liabilities	79,625	925,815	759,424	468,142	-1,262,266	970,740	179,814	-299,170	851,384
Other information:									
Increase of the period									
Property, plant and equipment	850	51,631	106,606	-7,572	-	151,515	123,242	62,926	337,683
Intangible assets and Goodwill	-	-	5	-	-	5	-	3	8

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 2010

Thousands of Euros

	WIND ENERGY OPERATIONS								
	EUROPE						U. S. A.		
	Portugal	Spain	Rest of Europe	Others	Adjustments	Total		Other and Adjustments	EDP Renováveis Group
Revenue	**78,221**	**152,702**	**33,112**	**5,016**	**6,600**	**275,651**	**135,805**	**-**	**412,907**
External customers	1,232	57,991	33,112	315	-	92,650	135,805	-	228,455
EDP (except EDPR)	76,989	93,914	-	-	-	170,903	-	1,451	172,354
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	516	-1,530	-	211	-1,319
	78,132	151,043	32,737	4,997	7,116	274,025	135,357	1,600	410,982
Other operation 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	4,708	-40,710	-42,986	-7,442	-91,138
Personnel costs	-1,495	-2,996	-1,227	-4,325	1,200	-8,843	-10,719	-4,232	-23,794
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	5,477	-52,996	-4,042	-11,013	-68,051
	65,294	121,006	25,011	-2,875	12,592	221,028	131,315	-9,413	342,930
Provisions	46	-	-	-	-	46	-	-	46
Depreciation and amortisation expense	-17,709	-64,664	-13,042	-956	-	-96,371	-103,915	-1,359	-201,645
properties received under concessions	329	107	98	1	-	535	4,226	-	4,761
	47,960	56,449	12,067	-3,830	12,592	125,238	31,626	-10,772	146,092
Gains / (losses) from the sale of financial assets	-	-	-	-	-	-	-	-	-
Other financial income	290	-	14,473	46,592	-46,592	14,763	3,559	448	18,770
Interest income	1,501	998	10	77,730	-76,087	4,152	235	1,000	5,387
Other financial expense	-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	-20,264	19,811	468	40,347	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**	**-20,624**	**14,527**	**468**	**29,218**	**44,212**
Attributable to:									
Equity holders of EDP Renováveis	24,308	7,986	-4,194	5,346	-20,624	12,822	468	29,607	42,897
Non-Controlling Interest	1,064	4,354	-382	-3,331	-	1,705	-	-389	1,315
Profit (loss) for the period	**25,372**	**12,340**	**-4,576**	**2,015**	**-20,624**	**14,527**	**468**	**29,218**	**44,212**

Operating Segment Information - 31 December 2010

Assets									
Property, plant and equipment	544,126	3,105,798	1,300,198	50,158	-	5,000,280	4,814,548	166,943	9,981,771
Intangible assets and Goodwill	43,167	106,656	93,194	72	508,886	751,975	600,317	14,441	1,366,733
Associated companies	-	15,915	-	12	28,127	44,054	1,817	-	45,871
Current assets	161,590	410,772	148,131	1,223,267	-1,184,134	759,626	199,503	301,436	1,260,565
Equity and Liabilities									
Equity and Non-Controlling Interest	74,258	860,192	253,527	48,858	-794,532	442,303	3,146,741	1,804,467	5,393,511
Current Liabilities	151,655	930,649	409,258	393,605	-813,227	1,071,940	428,332	-208,097	1,292,175
Other information at 30.09.2010:									
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

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 26, 2011.

Mr. António Luís Guerra Nunes Mexia	Mrs. Ana Maria Fernandes Machado
Mr. Nuno Maria Pestana de Almeida Alves	Mr. João Manuel Manso Neto
Mr.Rui Manuel Rodrigues Lopes Teixeira	Mr. João Paulo Nogueira Sousa Costeira
Mr. Luis Castelo Branco Adão da Fonseca	Mr. Gabriel Alonso Imaz

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

Mr. Rafael Caldeira de Castel-Branco Valverde

Mr. Francisco Queiroz de Barros de Lacerda

Mr. António do Pranto Nogueira Leite

Mr. João José Belard da Fonseca Lopes Raimundo

Mr. Gilles August