FINANCIAL STATEMENTS
31 DECEMBER 2008

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Consolidated Income Statement for the year ended 31 December 2008 and the period from 4 December to 31 December 2007

	Notes	2008	2007
		(Thousands of Euros)	(Thousands of Euros)
Revenue	5	532,429	14,363
Cost of consumed electricity	5	-993	-158
Changes in inventories and cost of raw materials and consumables used	5	-11,251	-501
		520,185	13,704
Other operating income / (expenses)			
Other operating income	6	89,524	1,749
Supplies and services	7	-106,947	-2,927
Personnel costs	8	-37,011	-999
Employee benefits expenses	8	-1,090	-23
Other operating expenses	9	-26,784	-792
		-82,308	-2,992
		437,877	10,712
Provisions		806	-
Depreciation and amortisation expense	10	-207,764	-6,885
Amortisation of deferred income / Government grants	10	696	468
		231,615	4,295
Gains / (losses) from the sale of financial assets	11	2,363	888
Other financial income	12	270,901	955
Other financial expenses	12	-348,120	-4,924
Share of profit of associates		4,438	203
Profit before tax		161,197	1,417
Income tax expense	13	-48,979	-47
Profit after tax		112,218	1,370
Profit for the period		112,218	1,370
Attributable to:			
Equity holders of EDP Renováveis	27	104,364	1,093
Minority interest	29	7,854	277
Profit for the period		112,218	1,370
Earnings per share basic and diluted - Euros	27	0.16	0.61

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

Consolidated Balance Sheet as at 31 December 2008 and 2007

	Notes	2008	2007
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Property, plant and equipment	14	7,052,783	4,926,300
Intangible assets	15	22,408	22,958
Goodwill	16	1,372,388	1,201,170
Investments in associates	18	40,782	32,360
Available for sale investments	19	12,501	7,951
Deferred tax assets	20	21,834	16,719
Debtors and other assets	23	141,540	100,462
Total Non-Current Assets		8,664,236	6,307,920
Inventories	21	12,377	39,024
Trade receivables	22	82,598	60,885
Debtors and other assets	23	195,813	99,251
Tax receivable	24	175,093	96,835
Financial assets at fair value through profit or loss	25	35,774	44,839
Cash and cash equivalents	26	229,680	388,492
Assets held for sale	42	985	2,641
Total Current Assets		732,320	731,967
Total Assets		9,396,556	7,039,887
Equity			
Share capital	27	4,361,541	18,873
Share premium	27	552,035	1,882,338
Reserves and retained earnings	28	89,419	129,844
Consolidated net profit attributable to equity holders of the parent		104,364	1,093
Total equity attributable to equity holders of the parent		5,107,359	2,032,148
Minority interest	29	82,751	213,573
Total Equity		5,190,110	2,245,721
Liabilities			
Medium / Long term financial debt	30	1,376,108	2,364,629
Employee benefits	31	1,162	1,211
Provisions	32	49,698	22,597
Deferred tax liabilities	20	303,331	293,394
Trade and other payables	33	1,695,387	1,183,053
Total Non-Current Liabilities		3,425,686	3,864,884
Short term financial debt	30	86,165	517,444
Trade and other payables	33	648,334	398,193
Tax payable	34	46,261	13,645
Total Current Liabilities		780,760	929,282
Total Liabilities		4,206,446	4,794,166
Total Equity and Liabilities		9,396,556	7,039,887

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

Statement of Changes in Consolidated Equity as at 31 December 2008 and 2007

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Reserves and retained earnings	Hedging reserve	Fair value reserve	Equity attributable to equity holders of EDP Renováveis	Minority Interests
Balance as at 3 December 2007	-	-	-	-	-	-	-	-
Recognised income and expense for the period								
Fair value reserve (cash flow hedge) net of taxes	13,354	-	-	-	11,566	-	11,566	1,788
Exchange differences arising on consolidation	-819	-	-	-819	-	-	-819	-
Profit for the period	1,370	-	-	1,093	-	-	1,093	277
Total recognised income and expense for the period	13,905	-	-	274	11,566	-	11,840	2,065
Incorporation of EDP Renováveis	15	15	-	-	-	-	15	-
Share capital increase in kind	1,901,196	18,858	1,882,338	-	-	-	1,901,196	-
Non monetary contribution of NEO	119,097	-	-	119,097	-	-	119,097	-
Minority interests arising from NEO contribution	183,522							183,522
Minority interests resulting from PPA adjustment in Relax acquisition	27,986	-	-	-	-	-	-	27,986
Balance as at 31 December 2007	**2,245,721**	**18,873**	**1,882,338**	**119,371**	**11,566**	**-**	**2,032,148**	**213,573**
Recognised income and expense for the period								
Exchange differences arising on consolidation	1,998	-	-	1,998	-	-	1,998	-
Fair value reserve (cash flow hedge) net of tax	6,117	-	-	-	-	7,103	7,103	-986
Fair value reserve (available for sale financial assets) net of tax	7,747	-	-	-	7,747	-	7,747	-
Profit for the period	112,218	-	-	104,364	-	-	104,364	7,854
Total recognised income and expense for the period	128,080	-	-	106,362	7,747	7,103	121,212	6,868
Share capital increase in kind	180,208	4,718	175,490	-	-	-	180,208	-
Share capital increase by incorporation of share premium	-	2,057,828	-2,057,828	-	-	-	-	-
Share capital increase by incorporation of loans	1,300,000	1,300,000	-	-	-	-	1,300,000	-
Share capital increase by IPO	1,566,726	980,122	586,604	-	-	-	1,566,726	-
Expenses incurred with the IPO	-49,385	-	-49,385	-	-	-	-49,385	-
Tax effect of expenses incurred with the IPO	14,816	-	14,816	-	-	-	14,816	-
Dividends attributable to minority interests	-2,740	-	-	-	-	-	-	-2,740
Reserves and minority interests arising from the acquisition of 40% of NEO	-205,109	-	-	-58,431	-	-	-58,431	-146,678
Share capital increase in NEO Group companies	11,320	-	-	-	-	-	-	11,320
Minority interests decrease resulting from acquisitions	3,489	-	-	-	-	-	-	3,489
Minority interests arising from acquisition of additional 10% of Dessarollos Catalanes del Viento subsidiaries	-2,479	-	-	-	-	-	-	-2,479
Other	-537	-	-	65	-	-	65	-602
Balance as at 31 December 2008	**5,190,110**	**4,361,541**	**552,035**	**167,367**	**19,313**	**7,103**	**5,107,359**	**82,751**

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

Consolidated Cash Flow Statement for the year ended 31 December 2008 and the period from 4 December to 31 December 2007

(Thousands of Euros)

	Group	
	2008	**2007**
Cash flows from operating activities		
Cash receipts from customers	506,740	11,576
Cash paid to suppliers	-114,662	-9,643
Cash paid to employees	-30,582	-1,152
Concession rents paid	-5,692	-
Other receipts / (payments) relating to operating activities	-25,388	-23,449
	330,416	-22,668
Income tax received / (paid)	-36,573	22
Net cash flows from operating activities	293,843	-22,646
Continuing activities	293,843	-22,646
Cash flows from investing activities		
Cash receipts resulting from:		
Proceeds from sale of financial assets	16,922	1,853
Proceeds from sale of property, plant and equipment	4,512	2,075
Investments grants received	6,803	-39
Interest received	44,492	562
Dividends received	2,651	-
	75,380	4,451
Cash payments resulting from:		
Acquisition of financial assets	-90,299	-499
Acquisition of property, plant and equipment	-1,919,762	-142,483
	-2,010,061	-142,982
Net cash flows from investing activities	-1,934,681	-138,531
Continuing activities	-1,934,681	-138,531
Cash flows from financing activities		
Receipts/ (payments) of loans	-315,854	48,910
Interest and similar costs	-77,625	-13,924
Increases in capital and share premium	1,538,958	15
Receipts/ (payments) from derivative financial instruments	13,412	-6,952
Dividends paid	-2,759	-
Receipts from institutional partnership (Horizon)	319,985	242,809
Net cash flows from financing activities	1,476,117	270,858
Continuing activities	1,476,117	270,858
Net increase / (decrease) in cash and cash equivalents	-164,721	109,681
Effect of exchange rate fluctuations on cash held	738	-269
Changes in cash due to business combinations	5,171	279,080
Cash and cash equivalents at the beginning of the period (*)	388,492	-
Cash and cash equivalents at the end of the period (*)	229,680	388,492

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

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

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).

On 4 June, 2008, following an Initial Public Ofering ("IPO"), EDP Renováveis, S.A. became a public traded company listed in the Euronext Lisbon.

As at 31 December 2008 the share capital is held 62.02% by EDP S.A. through its branch in Spain, 15.51% by Hidrocantábrico and 22.47% of the share capital is free-float in the Euronext Lisbon.

As at 31 December, 2008, EDP Renováveis holds a 100% stake in the share capital of Nuevas Energias de Occidente ("NEO") and a 100% stake in the share capital of Horizon Wind Energy, LLC ("Horizon"). These holdings were transferred to EDP Renováveis through several share capital increases in kind subscribed by EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch) and Hidroeléctrica del Cantábrico, S.A. The holding in Horizon was acquired by EDP Sucursal, on 2 July 2007, from Goldman Sachs, and was subsequently transferred to EDP Renováveis on 18 December 2007.

NEO operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland and Romania. NEO's main subsidiaries are: Enernova (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) and Relax Wind Parks (wind farms in Poland).

Horizon's main activities consist on the development, management and operation of wind farms in the United States of America. Horizon holds a portfolio of projects in the operation and development stages and a portfolio of projects with a potential generation capacity of 10,500 MW.

On 26 February 2008, EDP Renováveis announced the incorporation of a new Brazilian company, 55% owned by EDP Renováveis and 45% owned by Energias do Brasil (the EDP Group Brazilian holding company which consolidates all assets related to generation, trade and distribution of electricity in Brazil). The purpose of this new EDP Renováveis Group company is to establish a new business unit to aggregate all the investments in the renewable energy market of South America.

On 8 April 2008, EDP Renováveis through its subsidiary NEO, acquired to EOLE76 and Eurocape in France (i) 3 operating wind farms in Normandia with a gross installed capacity of 35 MW and (ii) several wind farms in development, mainly located in Normandia and Rhônes-Alpes, that represent a total capacity of 560 MW.

On 11 June 2008, EDP Renováveis through the new company incorporated in Brazil, agreed to purchase 100% of "Central Nacional de Energia Eólica, S.A. ("CENAEEL"). The conclusion of this operation depends from administrative and contractual authorizations (see note 39).

On 27 June 2008, EDP Renováveis through its subsidiary Horizon, started operations in its biggest wind farm in the USA ("Lone Star"), located in Texas, with an installed capacity of 400 MW.

On 2 October 2008, EDP Renováveis through its subsidiary Horizon, started operations in Rattlesnake Road wind farm, located in Oregon, with an installed capacity of 103 MW.

On 3 October 2008, the Congress of the United States of America ("USA") passed a one-year extension of the renewable energy Production Tax Credit ("PTC") that was included as part of the economic recovery legislation approved in the USA. The extension of the PTC reinforces the positive moment for the development of renewable energy in the USA where EDP Renováveis is present through Horizon Wind Energy LLC.

On 17 October 2008, EDP Renováveis through its subsidiary NEO, acquired 85% of Renovatio Power SRL and Cernavoda Power SRL in Romania which own several wind farms in prospects and development phases that represent a total capacity of 737 MW.

On 29 December 2008, EDP Renováveis through its subsidiary Horizon, agreed to enter into a transaction with a consortium of institutional equity investors composed of JPM Capital Corporation, New York Life Insurance Company and New York Life Insurance and Annuity Corporation for the investment in a portfolio of wind farm projects that started operations in 2008. The total contribution of this consortium for the transaction amounts to 264,000 thousands of USD, of which 214,000 thousands of USD to be invested in December 2008 and 50,000 thousands of USD in January 2009.

As at 31 December 2008, EDP Renováveis and its subsidiaries ("the Group" or the "EDP Renováveis Group") had a total gross installed capacity of 5,052 MW, operating in Portugal (553 MW), Spain (2,109 MW), France (185 MW), Belgium (47 MW) and the United States (2,158 MW).

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

Royal Decree 436 of 12 March 2004 was published on 24 March 2004 and sets out the methodology to be used for updating and systematizing the legal and economic regime relating to electrical power production under the special regime, which includes the generation of electricity using renewable sources of energy, cogeneration, biomass and waste. This Royal Decree replaces the former Royal Decree 2818/1998 and unifies regulations applicable to special regime energies. The Royal Decree also defines a system whereby the owners of the electrical installation are entitled to sell the production or surplus electrical power to distributors. A regulated price can be received for this sale, or production and surplus can be sold directly on the daily market, futures market or through a bilateral agreement, in which case a market-negotiated price would be received, plus an incentive for participation in the agreement and a premium if the installation was entitled to receive it.

Royal Decree 661 of 25 May 2007 was published on 26 May 2007 and regulates electrical power produced under the special regime. This Royal Decree replaces Royal Decree 436 of 12 March 2004 and updates regulations on electrical power production under the special regime, whilst maintaining the basic structure of the regulation. The economic framework set out in this Royal Decree maintains the same system of payment for power produced under the special regime, whereby the owner of the installations can opt to sell its power at a regulated price, for all the programming periods only, or sell the power directly on the daily market, futures market or through a bilateral agreement, in this case receiving the negotiated price plus a premium.

The main changes to the Royal Decree include a modification to the regulated price and premiums and the introduction of a variable premium system for certain technologies, such as wind power. The owners of wind power installations officially entering into service prior to 1 January 2008 can opt to adhere to the transitory regime established in the first transitory provision, which stipulates that the owners of this installations may maintain the prices and premiums established in the aforementioned Royal Decree until 31 December 2012.

The NEO Group has opted to sell on the market the power of all its installations currently in operation and to remain in the transitory regime established in the new Royal Decree 661/2007, for all wind power installations officially entering into service prior to 1 January 2008.

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May 1998, as amended by Decree-Law No. 168/99 dated 18 May 1999, Decree-Law No. 312/2001 dated 10 December 2001, and Decree-Law No. 339-C/2001 dated 29 December 2001. Also relevant is Decree-Law No. 33-A/2005, dated 16 February 2005 ("DL 33-A/2005"), which establishes the current amounts used in the remuneration formula applicable to energy produced by means of renewable resources and the deadlines for the application of such remuneration formula.

The main feature of the legal framework for renewable energy power generation in Portugal is that the national grid operator or the regional distribution operator must purchase all electricity produced by renewable producers who hold an operating license. The construction and operation of a wind farm depends on the allocation of a grid connection point issued by the State Energy Department (Direcção Geral de Geologia e Energia) ("DGGE"). The issue of the point of connection by the DGGE occurs upon the request of the promoters during limited periods of time set by the DGGE or by means of a public tender procedure. Award by direct negotiation is exceptional.

Decree-Law No. 225/2007 dated 31 May, establishes a set of regulations associated to renewable energies, predicted in National Strategy for Energy, and has reviewed the formula used in estimating the remuneration of electricity supply generated by renewable power stations, and delivered to the grid of National Electric System, as well as the definition of attribution procedures of available power in the same grid and deadlines to obtain the establishment license to renewable power stations.

Still in the context of renewable energies, Decree-Law No. 363/2007, dated 2 November, has established the legal regime applicable to electricity generation by micro-generating power stations, both using renewable resources as primary energy or generating electricity and heat. The electricity generators able to access this activity are those that have a low tension electricity purchase agreement.

Since July 1, 2007, the Iberian electricity financial market ("MIBEL") has been fully operational, with daily transactions from both Portugal and Spain, including a forwards market that has operated since July 2006.

Regulatory framework for the activities in France

The electricity industry in France is governed primarily by Act 2000-108 (amended by Acts 2004-803 and 2006-1537) ("Act 2000"), passed on 10 February 2000, which governs the modernization and development of public energy services and is the general legislative framework for the operation of wind facilities in France. The operation of wind facilities in France is also subject to the provisions of the French environmental and construction code. Article 10 of Act 2000-108 requires non-nationalized electric power distributors to enter into purchase obligation contracts to buy electricity produced by: (i) installations that extract energy from household or similar waste or that use such sources to provide heat to a district heating system; and (ii) installations that use renewable energy sources (including mechanical energy from wind, for which special provisions apply).

Installations that use renewable energy sources, with the exception of those using mechanical wind energy that are located in areas connected to the continental metropolitan grid or that implement energy-efficient technology such as cogeneration, do not qualify for the power purchase obligation unless they comply with defined installed capacity limits. These limits are set by a decree of the Conseil d'Etat (Decree 2000-1196 of 6 December 2000) for each category of installation eligible to benefit from the power purchase obligation. With the new regulation, only wind farms operating within a ZDE (zone de développement éolien) can benefit the power purchase obligation. The power purchase contracts with non-nationalized distributors of electricity are premised on the rates set by ministerial order for each source of renewable energy and according to a model contract approved by the energy minister.

Act 2000 provides that operator of wind facilities may enter into long-term agreements for the purchase and sale of energy with Electricité de France (EDF). The tariffs are set by Order of July 10, 2006 wich was repealed in August 2008 due to formal defect in its approval, and then republished without any amendment in December 2008. The tariffs are the following: (i) during the first ten years of the EDF Agreement, EDF pays a fixed annual tariff, which is 82 Euros per MWh for applications made during 2006 (tariff is amended annualy based, in part, on a inflation-related index), (ii) During years 11 to 15 of the EDF Agreement, the tariff is based on the annual average percentage of energy produced during the wind facility' s first ten years. These tariffs are also amended annually, based, in part, on a inflation-related index. (iii) Beginning in the year 16, there is no specific support structure and the wind energy generators will sell their electricity at market price.

Regulatory framework for the activities in the United States of America

Federal, state and local energy laws and regulations regulate the development, ownership, business organization and operation of electric generating facilities and the sale of electricity in the United States. All project companies within the Group in the United States operate as exempt wholesale generators ("EWGs") or qualifying facilities ("QFs") under federal law or are dually certified. In addition, most of the project companies in the United States are regulated by the Federal Energy Regulatory Commission ("FERC") and have market-based rates on file with FERC.

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale rates. An EWG cannot make retail sales of electric energy and may only own or operate the limited interconnection facilities necessary to connect its generating facility to the grid.

Regulatory framework for the activities in Poland

The legislation applicable to renewable energy in Poland is primarily contained in an Energy Act passed on 10 April 1997, which has been amended by the Act of 24 July 2002 and the Energy Act of 2 April 2004, which came into effect in January 2005 (together, the "Energy Act"). The Energy Act implemented provisions (i) of Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity, (ii) of Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas, and (iii) of Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market. Detailed regulations regarding the scope of the energy sector are included in the relevant secondary regulations adopted under the Energy Act. On the basis of the Energy Act, the national energy regulatory authority–the president of the Energy Regulatory Authority (the "ERA President") – was established.

Pursuant to the Energy Act, the different forms of supporting power generation from renewable sources introduced in Poland are: (i) A system of obligatory purchase of certificates of origin by the generation companies and trading companies selling electricity to the end user interconnected to a grid in Poland. These power companies are obliged to: a) obtain a certificate of origin and submit it to the ERA President for cancellation, or b) pay a substitute fee calculated in accordance with the Energy Act. ii) If the power company does not purchase certificates of origin or does not pay a substitute fee, the ERA President will penalize such company with a financial penalty calculated in accordance with the Energy Act.

The minimun limit of electricity generated from renewable sources in the total annual volume of electricity delivered to the end users is specified in the ordinance of Ministry of Economy adopted under the Energy Act. In 2008, this minimum limit was 7% and will increase each year up to 12,9% in 2017. These quotas were originally fixed until 2014 but a new regulation approved in August 2008 fixed the quotas for years 2015-2017 and increased the quota for 2013 and 2014.

Regulatory framework for the activities in Belgium

The regulatory framework for electricity in Belgium is complex in view of the division of powers between the federal and the three regional entities: Wallonia, Flanders and Brussels-Capital. The federal regulatory field of competence includes electricity transmission (of transmission levels above 70 kV), generation, tariffs, planning and nuclear energy. The relevant federal legislation is the Electricity Act of 29 April 1999 (as modified) (the "Electricity Act"). The regional regulatory entities are responsible for distribution, renewable energy and cogeneration (with the exception of offshore power plants) and energy efficiency. The relevant regional legislation, respectively, is: (a) for Flanders, the Electricity Decree of 17 July 2000; (b) for Wallonia, the Regional Electricity Market Decree of 12 April 2001; and (c) for Brussels-Capital, the Order of 19 July 2001 on the Organization of the Electricity Market.

In view of the allocation of responsibilities between the federal government and the regions, there currently exist four energy regulators: (a) the federal Commission for Electricity and Gas Regulation ("CREG"); (b) the Flemish Electricity and Gas Regulatory Body ("VREG"); (c) the Walloon Energy Commission ("CwaPE"); and (d) the Regulatory Commission for Energy in the Brussels-Capital Region ("BRUGEL").

The Belgian regulatory system promotes the generation of electricity from renewable sources (and cogeneration) by a system of green certificates (each a "GC"), as described below. The Belgian federal government is responsible for offshore power plants and for imposing obligations on the transmission system operators. The various GC systems are very similar across the three regions and are similar to the GC system for federally-regulated offshore power plants. There are currently differences in terms of quotas, fines and thresholds for granting GCs. However, GCs issued in one region or by the Federal government in respect of offshore plants are not recognized automatically in the other regions.

The GC system aims at creating a market for GC parallel to the market of sale of electricity. In March 2009 an exchange market for GCs will be launched. Besides the GC market, there is a minimum guaranteed price system at the federal level (obligations imposed on the transmission system operator) or at a regional level (the productior aid regime in Flanders and Wallonia).

Regulatory framework for the activities in Romania

The promotion of electricity generated from renewable energy sources in Romania was set with the Electricity Law 318/2003. In 2005 a Green Certificate mechanism was introduced with mandatory quotas for suppliers, in order to comply with their EU renewable requirements. Romania must comply with its target of 33% of gross electricity consumption from renewable energy in 2010. The regulatory authority establishes a fixed quota of electricity produced from renewable energy sources which suppliers are obliged to buy and annually reviews applications from green generators in order to be awarded green certificates. Law 220/2008 of 3 November 2008 has introduced some changes in the green certificates system. Currently, producers of wind energy receive two green certificates for each MWh produced (until 2015), which can be sold separately from the physically delivered electricity. From 2016 onwards generators receive 1 green certificate for each MWh produced. The price of electricity is determined in the electricity market and the price of green certificates is determined on a parallel market.

The trading value of green certificates has a floor of 27 Euros and a cap of 55 Euros, both indexed to Romanian inflation. Law 220/2008 also guarantees the access to the National Grid for the electricity produced from renewable sources. In 2007 a new Energy Law was approved (Law 13/2007), which sets July 2007 as the limit date for the legal unbundling in Romania and defines the role of Implicit Supplier and of the Supplier of Last Resort.

Regulatory framework for the activities in Brazil

The Electrical Sector in Brazil is regulated by Federal Law n° 8,987 of 13 February 1995, which generally rules the concession and permission regime of public services; Law n° 9,074 of 7 July 1995, which rules the grant and extension of public services concession or permission contracts; Federal Law n° 10,438 of 26 April 2002, which governs the increase in Emergency Electric Power Supply and creates the 3,300 MW Program of Incentives for Alternative Electricity Sources (PROINFA); Federal Law n° 10,762 of 11 November 2003 and Law n° 10,848 of 15 March 2004, concerning commercial rules for the trade of Electric Power and; Subsequent amendments to the legislation.

The Decree n° 5,025 of 30 March 2004, regulates the Federal Law n° 10,438 and states the "Alternative Energy Sources" economical and legal framework. PROINFA participants have granted a PPA with ELETROBRÁS, and are subject to the regulator (ANEEL) authority. However, the first stage of PROINFA has ended and the second stage is highly uncertain.

The Decree n° 5,163 of 30 July 2004 regulates the Federal Law n° 10,762, establishing the possibility of distribution companies and authorized agents to buy *"Distributed Energy"* (Local Generation), by observing a limit of 10% of the total demand of each distribution agent. In addition, the Law n° 10,762 establishes the possibility of an Alternative Source Electricity Producer to sell directly to the final consumer(s) (aggregated demand > 500kW), at any voltage level. As part of the regulatory incentive framework, Renewable Energy producers (or buyers) are granted a discount on the Distribution and Transmission System Use Tariff (TUSD and TUST). Public Electricity Auctions are technically lead by the state "Energy Planning and Research Company" (EPE), who registers, analyses and allows potential participants.

In addition, the Law n° 10,438 has also regulated the use of a special sector fund, the Fossil Fuel Consumption Quota (CCC), to low cost financing of Renewable ventures that are able to replace fossil fuel based energy production.

2. Accounting policies

a) Basis of preparation

The consolidated annual accounts presented reflects EDP Renováveis and its subsidiaries results from operations and Group's interests in its associated companies for the year ended 31 December 2008 and to EDP Renováveis for the period from 4 to 31 December 2007 and to its subsidiaries (NEO and Horizon) for the 13 day period ended 31 December 2007 and the financial position as at 31 December 2008 and 31 December 2007.

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, from the European Council and Parliament, the Group's consolidated annual accounts are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

The Board of Directors approved these consolidated annual accounts on 26 February 2009. The annual accounts are presented in thousand of Euros, rounded to the nearest thousand.

The annual accounts have been prepared under the historical cost convention, modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

EDP Renováveis started its activities on 4 December 2007, consequently, the Group income statement and notes to the income statement captions are not comparable to the Group income statement and notes to the income statement on 31 December 2008.

The preparation of the annual accounts 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 believed to be reasonable under 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).

In accordance with IFRS 3, the adjustments that have resulted from the purchase price allocation carried out in 2008 for the Relax Winds Group goodwill booked in 2007 originates a reclassification of the comparative financial information as if the accounting for this business combination had been completed at the date of acquisition.

The working capital of EDP Renováveis as at 31 December 2008 is negative. The consolidated financial statements of EDP Renováveis and its subsidiaries have been prepared on a going concern basis, considering that the main shareholder has undertaken in writting to provide the necessary financial support for Nuevas Energias de Occidente, S.L. and Horizon Wind Energy, LLC (the parent companies of NEO and Horizon subgroups) to meet their commitments in the short and medium term.

b) Basis of consolidation

The consolidated annual accounts of EDP Renováveis comprise the assets, liabilities and results of EDP Renováveis and its subsidiaries and the results and net equity from its associated companies attributable to the Group. These accounting policies have been consistently applied by all Group companies.

Subsidiaries

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

Accumulated losses of a subsidiary attributable to minority interest, which exceed the equity of the subsidiary attributable to the minority interest, are attributed to the Group and charged to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised as profits of the Group until the losses attributable to the minority interest previously recognised by the group have been recovered.

Associates

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

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

The consolidated annual accounts include the Group's attributable share of total reserves and results of associated companies accounted under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation of covering those losses or make payments on behalf of the associate.

Jointly controlled entities

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

Following the transition to International Financial Reporting Standards (IFRS), adopted by the EDP Energias de Portugal Group as of 1 January 2004, and as permitted by IFRS 1 — First-time Adoption, the EDP Group opted to maintain the goodwill resulting from the business combinations that occurred prior to the transition date, calculated according to the previous accounting principles applied by the Group. This accounting policy was maintained when the holdings in NEO and Horizon were transferred to EDP Renováveis Group. As such, the goodwill booked on the EDP Renováveis consolidated annual accounts remained as it was on the EDP Energias de Portugal Group consolidated annual accounts on the date of the transfer (18 December 2007).

Business combinations occurring are recorded using the purchase method. According to this method, the acquisition cost is equivalent to the fair value of assets transferred and liabilities incurred or assumed on the purchase date, plus any costs directly attributable to the acquisition. The total amount of positive goodwill resulting from acquisitions is recognised as an asset and recorded at cost, not being subject to depreciation.

Goodwill arising on the acquisition of holdings in subsidiaries and associates is defined as the difference between the acquisition cost and the proportion of fair value of the identifiable assets, liabilities and contingent liabilities acquired by the Group.

The Group recognises as a liability the fair value of the liability related to minority interest acquired through written put options celebrated with those minority interest. Any differences between the minority interest acquired and the fair value of the liability, are recognised against goodwill.

The value of goodwill recognised as an asset is assessed annually to identify any impairment, regardless of the existence of any indication of impairment. Impairment losses are recognised in the year's income statement. The recoverable amount is determined based on the future economic benefits of the assets, which are calculated using valuation methods based on discounted cash flows techniques, considering market conditions, time value of money and business risks.

A liability is recognised for contingent consideration as soon as payment becomes probable and the amount can be measured reliably. The purchase price subsequently is adjusted against goodwill or negative goodwill as the estimate of the amount payable is revised.

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

Investments in foreign operations

The annual accounts of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate prevailing at the balance sheet date.

In relation to the foreign subsidiaries consolidated using the full consolidation, proportional or equity method, the exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate, are booked against reserves.

Goodwill from foreign operations is revaluated using the year end exchange rate, and booked against reserves.

The income and expenses of foreign subsidiaries are translated to Euros, at the approximate exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of the result for the reporting period from the exchange rate used in the income statement to the exchange rate prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign operation, exchange differences related thereto and previously booked against reserves are accounted in the income statement.

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 consolidated annual accounts. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Common control transactions

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

Put options related to minority interests

EU-IFRS currently do not establish specific accounting treatment for commitments related to written put options related with investments in subsidiaries held by minority 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. In the event that these written put options are engaged at a date subsequent to the acquisition of the business combination, the same accounting policy would be applied.

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.

c) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euros at the foreign exchange rates ruling at the date the fair value was determined.

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.

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 or liability, the gains or losses recorded in equity are included in the acquisition cost of the asset or liability.

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 agianst exchange differences arising on consolidation. The ineffective portion of the hedging relation is recognised in the income statement.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness should be demonstrated. Therefore, the Group performs prospective tests at inception and retrospective tests on an on-going basis to demonstrate the effectiveness at each balance sheet date, demonstrating that any changes in the fair value of the hedged item (risk being hedged) are hedged by changes in the fair value of the hedging instrument. Ineffectiveness is recognised in the income statement in the moment it occurs.

e) Other financial assets

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

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 investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, or (ii) designated as available for sale at initial recognition.

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, while foreign exchange differences arising from debt instruments are recognised in the income statement. 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.

For debt instruments, if in a subsequent period, the amount of the impairment losses decrease, the previously recognised impairment losses are reversed through the income statement up to the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. For equity instruments, the impairment reversal is recognised in equity.

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.

Where financial instruments are exchanged between the Group and the counterparty, or substantial modifications are made to initially recorded liabilities, the original financial liability is derecognised and a new financial liability is subsequently recognised, provided that these instruments are substantially different.

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.

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

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

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

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

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Industrial property and other rights

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

j) Impairment of non financial assets

The carrying amounts of the Group's non-financial assets such as investment property, 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 and intangible assets that have indefinite lives or that are not yet available for use, 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

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) Accounts receivable

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.

n) Employee benefits

Pensions

Enernova, 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.

The plan assets are recognised according to the conditions established by IFRIC 14 - IAS 19 and the minimum financing requirements defines legally or under a contract.

Defined contribution plans

In Spain and Portugal, 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.

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.

The assumptions used in the calculation of the provisions for dismantling and decommissioning are as follows:

	Horizon		NEO	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Assumptions				
Average cost per MW (Euros)	-	-	5,500	5,500
Average cost per turbine (thousands of Euros)	97,000	97,000	-	-
Discount rate	7.00%	7.00%	5.13%	5.13%
Inflation rate	2.50%	2.50%	2.20%	2.20%
Capitalization period (nº of years)	20	20	20	20

p) Recognition of costs and revenue

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

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

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

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

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

q) Financial results

Financial results include interest payable on borrowings, interest receivable on funds invested, dividend income, foreign exchange gains and losses, gains and losses on financial instruments and changes on fair value of the risk being hedged.

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

Financial results also include impairment losses on available for sale investments.

r) Income tax

Income tax for the year includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred taxes arising from the revaluation of cash flow hedge derivatives and financial assets available for sale recognised in shareholders' equity are recognised in the profit and loss in the period the results that originated the deferred taxes are recognized.

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

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

s) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders 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.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

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

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturity less than three months from the balance sheet date, including cash and deposits with banks.

The Group classified cash flows related to interest and dividends received and paid as investment and financing activities, respectively.

v) Segment reporting

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

w) Government grants

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

3. Critical accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of available for sale investments

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

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

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

Fair value of derivatives

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

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

Review of the useful life of assets related to production

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

Impairment of long term 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.

The recoverable amount of the goodwill from investments in subsidiaries recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment, and goodwill from associates is tested when there is any indication of impairment.

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.

Doubtful debts

Impairment losses related to Doubtful debts are estimated by the Board of Directors based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of Doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgment. Changes in the estimates and judgments could change the impairment test results which could affect the Group's reported results.

Revenue recognition

Revenue from electricity sales is recognised when electricity is generated and transferred to customers. Estimates of electricity consumed and not invoiced until the end of the period are recognised based on average consumptions from previous periods and analysis to the electricity suppliance activity.

Alternative estimates could affect the Group's reported revenues and consequently 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, the Board of Directors of EDP Renováveis, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the annual accounts.

Pensions and other employee benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, discount rates, salaries and social security increases and other factors that could impact the cost and liability of the pension and medical plans. Changes in these assumptions could materially affect these values.

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 Board of Directors considers that no contractual or constructive obligations arise from regulatory and legal requirements of Group's activity that demands the recognition of a provision for dismantling and decommissioning for the remaining electricity generating centres of EDP Renováveis Group.

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 Renováveis Group operates internationally and is exposed to the exchange-rate risk resulting, mainly, from investments in subsidiaries whose functional currency is the US Dollar (USD). Currently, the exposure to the USD/EUR currency fluctuation risk results mainly from the shareholding in Horizon.

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

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

Sensivity analysis - Foreign exchange rate

Some operations result in an exposure to exchange rate risk due to the fact that they are accounted for as held for trading, although the actual purpose of these operations is to fix the price in the foreign exchange component related to future acquisitions of turbines.

As a consequence, in relation to Horizon, a depreciation/appreciation of 10% in the Dolar, with reference to 31 December 2008 and 2007, would originate an increase/(decrease) in EDP Renováveis Group income statement, as follows:

	2008 Euro'000		2007 Euro'000	
	+10%	-10%	+10%	-10%
USD / EUR	8,349	-10,205	5,620	-6,869
	8,349	-10,205	5,620	-6,869

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

As at 31 December 2008, EDP Renováveis Group has no significant exposure to foreign exchange rate risks.

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 financial charges and 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 11 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

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 NEO 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 31 December 2008 and 31 December 2007 would increase / (decrease) equity and results of EDP Renováveis Group in the following amounts (in thousands of Euros):

	31 Dec 2008			
	Profit or loss		Equity	
	100 pb increase	100 pb decrease	100 pb increase	100 pb decrease
Cash flow hedge derivatives	-	-	10,621	-11,109
Unhedged debt (variable interest rates)	-1,433	1,433	-	-
	-1,433	1,433	10,621	-11,109

	31 Dec 2007			
	Profit or loss		Equity	
	100 pb increase	100 pb decrease	100 pb increase	100 pb decrease
Cash flow hedge derivatives	-	-	11,123	-11,165
Unhedged debt (variable interest rates)	-942	942	-	-
	-942	942	11,123	-11,165

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

As at 31 December 2008 and 31 December 2007, Horizon has no significant exposure to interest rate risks.

Counter-party credit-rate risk management in financial transactions

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

The EDP Renováveis Group documents financial operations according to international standards. Most operations with derivative financial instruments 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 NEO 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).

The Board of Directors believe 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 unacceptable losses or risking damage to the Group's reputation.

The adverse scenario of debt market could make it difficult to cover the financial requirements needed to carry out the Group's activities.

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

Market price risk

As at 31 December 2008, market price risk affecting the EDP Renovavéis Group is not significant. In the case of Horizon, prices are fixed and mainly determined by power purchase agreements. In the case of NEO the electricity is sold in Spain directly on the daily market at spot prices plus a pre-defined premium (regulated). Nevertheless, NEO has an option of selling the power through regulated tariffs, granting minimum prices. In the remaining countries, prices are mainly determined through regulated tariffs.

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 order to maintain and adjust its equity structure, the Group could adjust the amount of dividends to be distributed to shareholders.

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. Revenue

Revenue is analysed by sector as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Revenue by sector of activity/business:		
Electricity	514,039	13,653
Other	12,738	472
	526,777	14,125
Services rendered by sector of activity:		
Other	5,652	238
	532,429	14,363
Total Revenue:		
Electricity	514,039	13,653
Other	18,390	710
	532,429	14,363

The breakdown of **Revenue** for the Group, by geographic market, is as follows:

	31 Dec 2008			31 Dec 2007		
	Europe	United States	Total	Europe	United States	Total
Electricity	382,226	131,813	514,039	10,167	3,486	13,653
Other	12,738	-	12,738	472	-	472
	394,964	131,813	526,777	10,639	3,486	14,125

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

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Cost of consumed electricity	993	158
Changes in inventories and cost of raw material and consumables used:		
Cost of consumables used	17,160	7,939
Changes in inventories	-5,909	-7,437
	12,244	659

6. Other operating income

Other operating income is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Supplementary income	1,503	53
Gains on fixed assets	823	18
Turbine availability income	2,390	-
Income from sale of interests in institutional partnerships - Horizon	61,238	886
Amortization of deferred income related to power purchase agreements	18,272	-
Other income	5,298	792
	89,524	1,749

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

The power purchase agreements between Horizon and its customers were valued, at the acquisition date, using discounted cash flow techniques. At that date, these agreements were valued based on market assumptions by approximately 120 million Euros (USD 190.4 million) and recorded as a non-current liability (note 33). This liability is amortised over the period of the agreements against other operating income. As at 31 December 2008, the amortization for the year amounts to 18,272 thousands of Euros.

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

7. Supplies and services

This balance is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Supplies and services:		
Water, electricity and fuel	1,808	50
Tools and office material	1,628	38
Leases and rents	19,196	506
Communications	1,686	68
Insurance	6,009	185
Transportation, travelling and representation	6,258	152
Commissions and fees	574	-
Maintenance and repairs	40,251	325
Advertising	2,223	40
Specialised work	25,181	1,426
Other supplies and services	2,133	137
	106,947	2,927

8. Personnel costs and employee benefits expense

Personnel costs is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Management remuneration	414	5
Employees' remuneration	32,426	928
Social charges on remunerations	5,095	105
Employee's variable remuneration	14,257	574
Employee's benefits	1,501	104
Other costs	2,823	41
Own work capitalised	-19,505	-758
	37,011	999

The average breakdown by management positions and professional category of the permanent staff (annual average) as of 31 December 2008 and 31 December 2007 is as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Board members	14	11
Senior management / Senior officers	44	47
Middle management	108	190
Highly-skilled and skilled employees	177	177
Semi-skilled workers	214	38
	557	463

The number of employees includes Management and all the employees of all the companies included in the consolidation perimeter (full or proportionate method), regardless of the EDP Renováveis holding in the share capital.

Employee benefits expense is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Costs with pension plan	1,085	22
Costs with medical care plan and other benefits	5	1
	1,090	23

As at 31 December 2008, the balance Costs with pension plan is related to defined contribution plan expense (1,080 thousands of Euros) and defined benefit plans (5 thousands of Euros).

9. Other operating expenses

Other operating expenses are analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Direct operating taxes	8,574	109
Indirect taxes	4,047	71
Impairment loss on debtors and other assets	38	3
Losses on fixed assets	2,289	506
Operating indemnities	2	-
Lease costs related to the electricity generating centres	4,343	-
Donations	1,988	14
Amortizations of Deferred O&M cost	1,629	-
Rents	1,512	-
Turbine availability bonus	255	-
Other costs and losses	2,107	89
	26,784	792

As discussed in Note 6, the Horizon's assets and liabilities were revalued to reflect fair value as of EDP Group acquistion date. During this process, it was determined that certain of the Horizon's Operation and Maintenance (O&M) and Warranty contracts, which were executed prior to the EDP Group acquisition, were at lower than then current market prices. Accordingly, it was determined that these contracts constituted an asset to the Company and a non-current asset was recorded. This asset is amortized into other operating expense over the life of the associated contract.

During the period the Group did not incur in any research and development expenses.

10. Depreciation and amortisation expense

This balance is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Property, plant and equipment:		
Buildings and other constructions	489	398
Plant and machinery:		
Hydroelectric generation	83	3
Thermoelectric generation	460	16
Wind generation	201,500	6,022
Other	23	-
Transport equipment	140	-
Office equipment	1,600	38
Other	344	-
	204,639	6,477
Other intangible assets:		
Industrial property, other rights and other intangibles	3,125	408
	3,125	408
	207,764	6,885
Amortisation of deferred income (Government grants):		
Investment grants	-696	-468
	-696	-468
	207,068	6,417

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

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

	31 Dec 2008 Disposal %	31 Dec 2008 Value Euro'000	31 Dec 2007 Disposal %	31 Dec 2007 Value Euro'000
Investments in subsidiaries and associates				
Marquesado del Solar, S.A.	50%	2,378	50%	1,136
Investigación y Desarollo de Energias Renovables, S.L. ("IDER")	20%	-15	20%	-248
		2,363		888

On 28 March 2008, Generaciones Especiales I S.L., a company in which NEO holds an 80% interest, authorised the sale of the subsidiary Marquesado del Solar, S.A. to Solar Millenium AG, a german company. The sale price amounted to 3.4 million Euros, originating a gain of 2.4 million Euros.

12. Other financial income and financial expenses

Other financial income and financial expenses are analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Other financial income:		
Interest income	19,271	561
Derivative financial instruments		
Interest	25,978	-
Fair value	1,692	157
Foreign exchange gains	223,960	237
	270,901	955
Other financial expenses:		
Interest expense	93,851	5,210
Derivative financial instruments		
Fair value	5,663	227
Banking services	530	6
Foreign exchange losses	227,272	-
Own work capitalised (financial interests)	-39,176	-699
Unwinding	57,922	-
Other financial expenses	2,058	178
	348,120	4,922
Financial income / (expenses)	-77,219	-3,969

Derivative financial instruments - Interest, relating to the interest liquidations result from the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 23 and 35).

Foreign exchange gains (223,960 thousands of Euros) and losses (227,272 thousands of Euros) as at 31 December 2008 are essentially related with the financings granted by EDP Branch to EDP Renováveis.

In accordance with the accounting policy described on note 2g), the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 31 December 2008 amounted to 39,176 thousands of Euros (699 thousands of Euros as at 31 December 2007) and are included under Own work capitalised (financial interest). The implicit interest rates used for this capitalisation vary in accordance with the related loans, between 2.71% and 7.91%.

Interest expense refers to interest on loans which bear interest at market rates.

Unwinding expenses refers to financial update of provision for wind farms dismantling and commissioning in the amount of 2,157 thousands of Euros (see note 32), financial update of the liability related with put option Genesa and Desa in the amount of 12,134 thousands of Euros (see note 33) and implied return in institutional partnership in US wind farms in the amount of 43,631 thousands of Euros (see note 33).

13. Income tax expense

In accordance with prevailing legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal and Spain this period is four years, and 2004 is the last year considered to be definitively reviewed by the tax authorities. In the United States of America, generally, the statute to the issuance by tax authorities (IRS) of a tax additional liquidation is three years from the date of settlement of the annual tax declaration of a company.

Tax losses generated in each year, also subject to inspection and adjustment, may be deductible from taxable profits during subsequent years (6 years in Portugal, 15 years in Spain and 20 years in the EUA). The breakdown of tax losses carried forward and the respective expiration date are presented in Note 20. The companies of the EDP Renováveis Group are taxed, whenever possible, on a consolidated basis allowed by the tax law of the respective countries.

Nuevas Energías de Occidente, S.L. and its subsidiary companies file individual tax declarations in accordance with prevailing tax legislation. Nevertheless, the main Group companies pay income tax following the specific principles of the Special Tax Consolidation Regime, contained in articles 64 and 82 of Royal Legislative Decree 4/2004 whereby the revised corporate income tax law was approved.

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Current tax	-55,047	-
Deferred tax	6,068	-47
	-48,979	-47

The reconciliation between the nominal and the effective income tax rate for the Group as at 31 December 2008, is analysed as follows:

	31 Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax (in parent company)	30.00%	161,197	48,359
Non deductible provisions for tax purposes		190	57
Unrecognised deferred tax assets related to tax losses generated in the year	-0.20%	-837	-251
Tax exempt dividends	1.30%	6,947	2,084
Tax benefits	0.60%	2,578	970
Fair value of financial instruments and financial investments	6.20%	26,739	10,062
Difference between tax and accounting gains/losses	0.80%	3,255	1,225
Financial investments in associates and subsidiaries	-0.80%	-4,443	-1,333
Autonomous taxation and tax benefits		75	20
Deferred taxes unrecognised in financial statements	31.80%	199,010	51,317
Tax effect of operations with institutional partnerships	-23.50%	-100,795	-37,929
Depreciation without tax effect	-15.10%	-93,765	-24,274
Tax differential and other adjustments	-0.80%	-4,204	-1,328
Effective tax rate and total income tax	30.30%	195,947	48,979

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

		Tax rate	
Country	Subgroup	2008	Subsequent years
Spain	NEO	30.00%	30.00%
Portugal	NEO	26.50%	26.50%
France	NEO	33.00%	33.00%
Poland	NEO	19.00%	19.00%
Belgium	NEO	33.99%	33.99%
United States	Horizon	37.63%	37.63%

14. Property, plant and equipment

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Cost:		
Land and natural resources	11,739	4,589
Buildings and other constructions	10,855	241,920
Plant and machinery:		
Hydroelectric generation	2,619	2,619
Thermoelectric cogeneration	6,008	6,008
Wind generation	5,227,721	2,640,479
Other plant and machinery	247	247
Transport equipment	686	332
Office equipment and tools	9,378	5,091
Other tangible fixed assets	7,334	27,754
Assets under construction	2,293,879	2,303,822
	7,570,466	5,232,861
Accumulated depreciation:		
Depreciation and amortisation expense for the perioc	-204,639	-6,477
Accumulated depreciation	-313,044	-300,084
	-517,683	-306,561
Carrying amount	7,052,783	4,926,300

The balance of Assets under construction for 31 December 2007 has been reclassified due to Relax Winds Group purchase price allocation carried out in 2008, in the amount of 86,818 thousands of Euros (see note 16).

The movement in **Property, plant and equipment** from 31 December 2007 to 31 December 2008, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance 31 December Euro'000
Cost:							
Land and natural resources	4,589	-	-2,886	6	-781	10,811	11,739
Buildings and other constructions	241,920	2,898	-	-233,333	-630	-	10,855
Plant and machinery:							
Hydroelectric generation	2,619	-	-	-	-	-	2,619
Thermoelectric cogeneration	6,008	-	-	-	-	-	6,008
Wind generation	2,640,479	13,427	-8,524	2,353,325	152,953	76,061	5,227,721
Other plant and machinery	247	-	-	-	-	-	247
Transport equipment	332	308	-	-	33	13	686
Office equipment and tools	5,091	1,971	-3	1,470	222	627	9,378
Other	27,754	47,236	-109	629	38	-68,214	7,334
Assets under construction	2,303,822	2,067,408	-4,600	-2,122,097	47,461	1,885	2,293,879
	5,232,861	2,133,248	-16,122	-	199,296	21,183	7,570,466

	Balance 1 January Euro'000	Charge for the period Euro'000	Impairment Losses / Reverses Euro'000	Disposals Euro'000	Exchange Differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance 31 December Euro'000
Accumulated depreciation and impairment losses							
Buildings and other constructions	3,780	489	-	-	5	-2,538	1,736
Plant and machinery:							
Hydroelectric generation	1,360	83	-	-	-	-	1,443
Thermoelectric cogeneration	5,357	460	-	-	-	-	5,817
Wind generation	286,419	201,500	-278	-27	6,817	5,494	499,925
Other plant and machinery	191	23	-	-	-	-	214
Transport equipment	114	140			10	2	266
Office equipment and tools	2,822	1,600	-1		59	-224	4,256
Other	6,518	344	-41	-21	18	-2,792	4,026
	306,561	204,639	-320	-48	6,909	-58	517,683

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

The movement for the period from 4 to 31 December 2007 corresponds mainly to the contribution of NEO and Horizon made on 18 December 2007.

Assets under construction as at 31 December 2008 and 31 December 2007 are analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Electricity business:		
NEO Group	891,131	1,065,835
Horizon Wind Energy Group	1,402,388	1,237,987
EDP Renováveis	296	-
EDP Renováveis Brasil	64	-
	2,293,879	2,303,822

Assets under construction as at 31 December 2008 and 31 December 2007 for NEO and Horizon Group are essentially related to wind farms under construction and development.

Financial interests capitalised amount to 39,176 thousands of Euros in 31 December 2008 and 699 thousands of Euros in 31 December 2007.

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

15. Intangible assets

This balance is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Cost:		
Industrial property, other rights and other intangible assets	33,521	29,677
Intangible assets under development	2,840	3,781
	36,361	33,458
Accumulated amortisation:		
Depreciation and amortisation expense for the period	-3,125	-408
Accumulated depreciation	-10,828	-10,092
	-13,953	-10,500
Carrying amount	22,408	22,958

Industrial property, other rights and other intangible assets include 18,022 thousands of Euros and 14,408 thousands of Euros related to wind generation licenses of Portuguese companies and Horizon Group, respectively.

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

The movement in Intangible assets during 2008, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangible assets	29,677	295	-	2,744	795	10	33,521
Intangible assets under development	3,781	-	-941	-	-	-	2,840
	33,458	295	-941	2,744	795	10	36,361

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Business Combinations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:							
Industrial property, other rights and other intangible assets	-10,500	-3,125	-	-205	-110	-13	-13,953
	-10,500	-3,125	-	-205	-110	-13	-13,953

16. 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 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Electricity business:		
Goodwill booked in NEO Group	802,611	661,817
Goodwill booked in Horizon Wind Energy Group	569,777	539,353
	1,372,388	1,201,170

EDP Renováveis Group goodwill as at 31 December 2008 and 31 December 2007 is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Horizon group	569,777	539,353
Genesa group	441,356	459,812
Ceasa group	146,469	141,949
Relax Winds group (Poland)	25,424	14,010
Enernova group	43,011	42,971
NEO Galia SAS group	45,104	-
Hollywell group	8,007	-
Ridgeside group	4,317	-
Romania group	64,461	-
NEO Catalunia	21,199	-
Other	3,263	3,075
	1,372,388	1,201,170

The goodwill balance for Relax Winds group (Poland) included in NEO Group's as at 31 December 2007, in accordance with IFRS, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 43,908 thousands of Euros (see information disclosed below in this note).

During the year 2008, the movements in Goodwill, by subgroup, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Other Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Electricity Business							
Horizon group	539,353	-	-	-	30,424	-	569,777
Genesa group	459,812	1,674	(19,116)	-	-	(1,014)	441,356
Ceasa group	141,949	8,484	(3,964)	-	-	-	146,469
Relax Winds group (Poland)	14,010	35,920	(24,506)	-	-	-	25,424
Enernova group	42,971	40	-	-	-	-	43,011
NEO Galia SAS group	-	52,472	(7,368)	-	-	-	45,104
Hollywell group	-	8,118	(111)	-	-	-	8,007
Ridgeside group	-	4,368	(51)	-	-	-	4,317
Romania group	-	64,461	-	-	-	-	64,461
Neo Catalunia	-	21,199	-	-	-	-	21,199
Other	3,075	188	-	-	-	-	3,263
	1,201,170	196,924	(55,116)	-	30,424	(1,014)	1,372,388

Goodwill arising from the acquisition of the Horizon Wind Energy Group was determined in USD as at 31 December 2008 and amounts to 775,251 thousands of USD, corresponding to 569,777 thousands of Euros (31 December 2007: 539,353 thousands of Euros), including the related transaction costs in the amount of 12,723 thousands of Euros. The increase in Horizon group goodwill is essentially related with the effect from exchange differences of EUR/USD of 30,424 thousands of Euros.

The decrease in Genesa group goodwill is essentially related with the revaluation of put options of Caja Madrid over Genesa and Desa amounting to approximately 18,000 thousands of Euros.

On 8 April, 2008, NEO acquired in France the NEO Galia SAS subgroup from EOLE 76 and Eurocape, consisting of 3 wind farms in operation in the Normandy region, with a gross installed capacity of 35 MW and an average load factor of 27% and several wind farm projects under development, mostly located in the Normandy and Rhônes-Alpes regions, with an expected average load factor of 28%, representing a total capacity of 560 MW.

The cost of acquisition of the NEO Galia subgroup amounts to 43,088 thousands of Euros, which considering the subgroup's negative net assets of 480 thousands of Euros, originates a goodwill of 43,568 thousands of Euros. This amount includes 8,525 thousands of Euros corresponding to the best estimate of the additional success fees that will be paid for the wind farms that obtain construction licenses until 31 December, 2013. Additionally, during 2008 the interests held by Ridgeside and Hollywell in companies Bataille, Calengeville, Hetroye, Varimpre and Vatines have been transferred to Neo Galia through a share capital increase in kind, originating an increase of goodwill of 8,904 thousands of Euros, totalling 52,472 thousands of Euros of increase in goodwill during 2008.

The cost of acquisition of Hollywell amounts to 7,678 thousands of Euros, which, considering the company's negative assets of 440 thousands of Euros, originates goodwill of 8,118 thousands of Euros.

The cost of acquisition of Ridgeside amounts to 4,129 thousands of Euros, which considering the company's negative assets of 239 thousands of Euros, originates goodwill of 4,368 thousands of Euros.

In the purchase agreement signed by NEO for the acquisition of Relax Winds group included a call option for the purchase of 51% of other two companies of the same group (Relax Wind Park II e IV). In October 2008 the call option was exercised with an acquisition cost of 2,000 thousands of Euros, including a success fee of 1,900 thousands of Euros and has originated a goodwill of 2,000 thousands of Euros. Additionally, during December 2008 NEO has increased its interests in Relax Wind Park III and Relax Wind Park I to 93,3% and 100%, respectively, which originated a goodwill of 14,292 thousands of Euros.

During December 2008 NEO has made an analysis of the MW licensed for construction with the purpose of calculating the payable success fee. As a consequence NEO has paid an additional amount reflected in goodwill of 19,628 thousands of Euros.

Therefore the total increase in goodwill in Relax Winds group has been 35,920 thousands of Euros, during 2008.

On August 2008 Neo Catalunya, a 100% subsidiary of NEO, acquired from Copcisa Eléctrica, S.L.U. two companies, Bom Vent Corbera, S.L. and Bom Vent Vilalba, S.L., that own several wind farms in development stage, with an expected installed capacity of 99 MW. The acquisition cost was 21,370 thousands of Euros which resulted in a goodwill of 21,199 thousands of Euros.

Included in the purchase agreement of these companies, Copcisa Eléctrica, S.L.U. has a call option of a maximum of 49% of share capital from both companies, under the following terms:

i) The option can be exercised until 36 months after the agreement signature;
i) The price of exercising this option corresponds to the companies equity, marked up with the initial acquisition price paid by NEO Catalunya, with an interest rate of 7.5% in the first 18 months and 8% in the following months.

On October 2008, EDP Renováveis group acquired 85% of share capital of Renovatio Power and Cernavoda Power, two romanian companies that own projects for wind power generation with a total capacity of 736 MW.

The acquisition cost was 64,435 thousands of Euros, including a sucess fee of 63,217 thousands of Euros. Considering the companies negative net asset of 26 thousands of Euros, the goodwill originated, amounted to 64,461 thousands of Euros. The purchase price allocation for this acquisition will be finalised during 2009.

EDP Renováveis, through its subsidiary NEO, holds a call option over Renovatio Group Limited for 10% of interest held by Renovatio Group Limited on companies Renovatio and Cernadova. The price of exercising these options is 5.39 Euros per share. The option can be exercised until 31 May 2009.

During 2008, the accounting value of assets, liabilities and contingent liabilities recognised at the date of acquisition for the above mentioned business combinations, are as follows:

	NEO Galia Group	Hollywell Group	Ridgeside Group	Romania Group	Neo Catalunia Group
Intangible assets	-	1	1	-	-
Property, plant and equipment	196	26,684	14,631	11,221	2,851
Financial investments	41,578	-	-	-	21,795
Goodwill	-	-	-	-	-
Non-current assets	41,774	26,685	14,632	11,221	24,646
Current assets	804	5,328	7,275	296	5,038
Total assets	42,578	32,013	21,907	11,517	29,684
Medium and long term financial debt	33,072	33,042	18,362	11,454	16,627
Other non-current term liabilities	8,525	-	-	-	8,548
Current liabilities	1,461	5,297	7,091	96	4,349
Total liabilities	43,058	38,339	25,453	11,550	29,524
Net assets acquired	(480)	(6,326)	(3,546)	(33)	160

Details of the combination cost, the net assets acquired and goodwill, for 2008 acquisitions are as follows:

	Relax Winds Group	NEO Galia Group	Hollywell Group	Ridgeside Group	Romania Group	Neo Catalunia Group	2008 Total
Combination cost							
Amount paid (or attributed value)	14,371	31,092	7,678	4,129	-	21,370	78,640
Directly attributable costs	-	3,471	-	-	1,218	-	4,689
Contingent purchase price	21,549	8,525	-	-	63,217	-	93,291
Total combination cost	35,920	43,088	7,678	4,129	64,435	21,370	176,620
Book value of net assets acquired	-	(480)	(6,326)	(3,546)	(26)	171	(10,207)
Goodwill (difference between the value of net assets acquired and cost of acquisition)	35,920	43,568	14,004	7,675	64,461	21,199	186,827

Details of the combination cost, the net assets acquired and goodwill, for 2007 acquisitions are as follows:

	2007 Relax Winds Group
Combination cost	
Amount paid (or attributed value)	
Directly attributable costs	53,609
Contingent purchase price	2,521
Total combination cost	2,124
	58,254
Book value of net assets acquired	
Goodwill (difference between the value of net	336
assets acquired and cost of acquisition)	
	57,918

As at 31 December 2008 the amounts pending to be paid related to these acquisitions are 46,279 thousands of Euros for the Relax Winds Group and 63,000 thousands of Euros for the Romanian companies.

During 2008 a purchase price allocation has been carried out for the Relax Winds Group. In accordance to IFRS 3, if the fair value of identifiable assets, liabilities or contingent liabilities are adjusted, then goodwill is adjusted with effect from the date of acquisition. Therefore, the Group has made the following restatements/reclassifications of 31 December 2007 balances:

	Relax Winds Group Euro'000
Initial goodwill	57,918
Purchase price allocations changes:	
Property, plant and equipment (see note 14)	86,818
Deferred taxes (see note 20)	(14,924)
Minority interests (see note 29)	(27,986)
Goodwill	14,010

Goodwill assigned to the acquisition of the Relax Winds Group has changed due to a purchase price allocation which has been carried out during 2008.

	Book value Relax Winds Group	2007 Assets and Fair value adjustments Relax Winds Group	2008 Assets and Fair value adjustments Relax Winds Group	Assets and Liabilities at fair value Relax Winds Group
Property, plant and equipment	2,615	86,818	-	89,433
Other assets (including licenses)	1,082	-	-	1,082
Total assets	3,697	86,818	-	90,515
Minority interests	-	27,986	(24,502)	3,484
Deferred tax liabilities	-	14,924	-	14,924
Other liabilities	3,108	-	-	3,108
Total minority interests and liabilities	3,108	42,910	(24,502)	21,516
Net assets at fair value				65,515
Acquisition cost				94,423
Goodwill				28,908

Goodwill assigned to the acquisition of the Neo Galia Group, including Ridgeside and Hollywell, has changed due to a purchase price allocation which has been carried out during 2008.

	Book value Neo Galia Group	Assets and Fair value adjustments Neo Galia Group	Assets and Liabilities at fair value Neo Galia Group
Property, plant and equipment	41,783	9,458	51,241
Other assets (including licenses)	55,175	-	55,175
Total assets	96,958	9,458	106,416
Deferred tax liabilities	-	2,090	2,090
Other liabilities	106,859	-	106,859
Total liabilities	106,859	2,090	108,949
Net assets at fair value			(2,533)
Acquisition cost			54,895
Goodwill			57,428

The amount of 96,276 thousands of Euros, resulting from recognition of the fair value of the projects operating and in development as of the acquisition date, was recognised under Property, plant and equipment. No value was attributed to projects in the research phase.

Goodwill impairment tests - NEO Group

The goodwill of each of the subgroups of the Neo Group are tested for impairment, in the case of operational wind farms, by determining the recoverable value through the value in use of the different cash generating units (CGUs) comprising each of the subgroups of the Neo Group. In the case of wind farms at different stages of development, the recoverable value is determined using the fair value, less cost of sales.

The recoverable value of a CGU is determined based on calculations of the value in use. These calculations use cash flow projections based on financial budgets covering a period of five years approved by management. Cash flows after the five-year period are extrapolated using estimated growth rates. The growth rate does not exceed the average long-term growth rate of renewable energy generating businesses.

The method for determining the fair value of projects under development applied by the Neo Group is similar to that for determining the value in use of a CGU, adjusted for the probability of projects in development being completed and obtaining all the operating permits and licences.

The valuation analysis method used to evaluate the goodwill of NEO was based on a discounted cash flow model utilizing unlevered after-tax cash flows.

Goodwill impairment tests - Horizon Group

The valuation analysis method used to evaluate the goodwill of Horizon was based on a discounted cash flow model utilizing unlevered after-tax cash flows (i) generated from existing projects and (ii) those associated with the annual addition of 700 MW through 2020.

The assumptions used in goodwill impairment tests as at 31 December 2008 are as follows:

Group / Company	Growth rate	Discount rate net of tax effect	Terminal Value	Cash flows period
HWE	10.00%	8.00%	15% of total capital expenditures	20
Genesa subgroup	a)	6.96%	b)	20
Ceasa subgroup	a)	6.96%	b)	20
Relax Winds subgroup (Poland)	a)	8.53%	b)	20
Enernova subgroup	a)	7.66%	b)	20
NEO Galia SAS subgroup	a)	6.66%	b)	20
Hollywell subgroup	a)	6.66%	b)	20
Ridgeside subgroup	a)	6.66%	b)	20

a) Growth rate

Spain

The tariff amounts used in valuation models have been supported on projections, based on the best expectations at acquisition date, of the future evolution of electricity sales price generated by wind power in Spain.

France

The tariff amounts considered in valuation models for wind farms in France are in accordance with the rules established by "Arrêté du 10 Juillet 2006". According to the projections, electricity sales market price generated by wind power after the 15 years period has been estimated considering a reduction in the tariff amount of approximately 20%.

Portugal

For the companies that operate in Portugal, according to the legislation, all operating wind farms or with an establishment license, have guaranteed the sale of electricity for a period of 15 years, for a pre-defined price, which is revised annually based on inflation rate. After this 15 years period, in such cases where a difference between the market price and regulated price exists, it is predicted a compensation with green certificates for a period of 5 years, which currently it is not supported by any legislation. In the evaluations made it has been assumed a significant reduction of electricity sales price for the last 5 years, of approximately 50%, based on the estimation for market price evolution.

Poland

The legal base of tariff regulation is the "Energy Act" of 4 March 2005. The amounts projected for the two parameters that constitute the tariff ("Black Energy Price" and for the "Green Certificates") were consistent with the most recent market amounts available. For the "Margonin" wind farm has been considered a higher tariff to reflect the price considered in the power sales contract already negotiated.

b) Terminal value

The EDP Renováveis Group has considered a terminal value, after 20 years of wind farms use, that corresponds to the valuation of (i) the possibility of increasing the generation capacity of the wind farms, (ii) the maintenace of licenses and rights of EDP Renováveis to use wind farms and (iii) the additional value related with the remai useful life of wind farms beyond the period above referred.

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

During 2008, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies sold during the period:
- Generaciones Especiales I, S.L, sold its 50% interest in the subsidiary Marquesado Solar, S.A. to Solar Millenium AG.
- Sinae Inversiones Eólicas, S.A. sold 20% of its interest in IDER, S.L.
- Sinae Inversiones Eólicas, S.A. sold an interest of 5% in Eólica Sierra de Avila, S.L. and Eólica del Alfoz, S.L. to Invesducro Eólica, S.L.
- Enernova sold its 5% interest in Bioeléctrica, S.L. to EDP Imobiliária.

Companies merged during the period:
- Horizon Wind Energy Company LLC was merged into Horizon Wind Energy LLC.
- Bolores - Energia Eólica, S.A. and Safra - Energia Eólica, S.A. were merged into Enernova - Novas Energias, S.A..

Companies incorporated during the period:
- Eólica de Radona S.L. was incorporated being 100% held by Sinae Inversiones Eólicas, S.A. .
- Neolica Polska SP Z.O.O. was incorporated and it is 100% held by NEO.
- The companies Cloud County Wind Farm, Pioneer Prairie Wind Farm I, LLC, Sagebrush Power Partners, LLC, Rail Splitter, Cloud West Wind Project, LLC, Wheatfield Wind Power Project, LLC and Whitestone Wind Purchasing, LLC were incorporated during 2008 and are 100% held by Horizon Wind Energy LLC.

Companies acquired during the period:

- DEPSA S.A. acquired an additional 5% interest in Desarollos Eólicos del Corme, S.A.
- Desarrollos Catalanes Del Viento,S.L. acquired 100% of the companies Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalbc dels Arcs, S.L.
- Nuevas Energías de Occidente,S.L. acquired 100% of the subgroups Hollywell and Ridgeside, several companies that are currently included in the Neo Galia subgroup, Bom Vent de Corbera, Bom Vent de Vilalba and Parc Eolic Molinars, S.L..
- Nuevas Energías de Occidente,S.L. acquired 85% of the companies Renovatio Power and Cernavoda Power..
- Nuevas Energías de Occidente,S.L. acquired 51% of the companies Relax Wind Park IV Sp and Relax Wind Park II Sp.
- Nuevas Energías de Occidente,S.L. increased the interest from 73.3% to 93.3% in the company Relax Wind Park I Sp and from 51% to 100% in the company Relax Wind Park III, Sp.

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2008, are as follows:

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Group's parent holding company:				
EDP RENOVAVEIS, Sociedad Anónima	Oviedo	100.00%	100.00%	KPMG
Parent Company:				
NUEVAS ENERGÍAS DE OCCIDENTE,S.L.	Oviedo	100.00%	100.00%	KPMG
Electricity business Portugal				
ENERALTIUS-PRODUÇÃO DE ENERGIA ELECTRICA, SA	Lisboa	100.00%	-	KPMG
ENERNOVA - NOVAS ENERGIAS, SA	Lisboa	100.00%	-	KPMG
EÓLICA DA ALAGOA	Arcos Valdevez	59.99%	-	KPMG
EÓLICA DE MONTENEGRELO, LDA	Vila Pouca de Aguiar	50.10%	-	KPMG
EÓLICA DA SERRA DAS ALTURAS	Porto	50.10%	-	KPMG
LEVANTE-ENERGIA EÓLICA, UNIPESSOAL, LDA	Porto Salvo	100.00%	-	KPMG
MALHADIZES	Porto Salvo	100.00%	-	KPMG
Electricity business Spain				
Acampo Arias,S.L.	Zaragoza	98.19%	-	KPMG
Agrupación Eólica SLU	Zaragoza	100.00%	-	KPMG
Parque Eólico Plana de Artajona, SLU	Zaragoza	100.00%	-	Not audited
BOURBRIAC	Paris	100.00%	-	KPMG
Compañía Eólica Campo de Borja, S.A.	Zaragoza	75.83%	-	KPMG
Cía. Eléctrica de Energías Renovables Alternativas, SAL	Zaragoza	100.00%	-	Deloitte
Ceprastur AIE *	Oviedo	45.41%	-	Not Audited
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	100.00%	-	Not Audited
Parc Eòlic de Coll de Moro, S.L.	BARCELONA	60.00%	-	Not audited
D.E. ALMARCHAL, SAL *	Cádiz	80.00%	-	KPMG
D.E. BUENAVISTA, SAL *	Cádiz	80.00%	-	KPMG
Desarrollos Catalanes Del Viento,S.L.	Barcelona	60.00%	-	KPMG
D.E. DE CORME, S.A. *	La Coruña	80.00%	-	KPMG
D.E. DUMBRIA, SAL *	La Coruña	80.00%	-	KPMG
DESARROLLOS EOLICOS DE GALICIA, S.A. *	La Coruña	77.33%	-	KPMG
D.E. DE LUGO, SAL *	Lugo	80.00%	-	KPMG
Desarrollos Eólicos Promoción S.A.U. *	Sevilla	80.00%	-	KPMG
D.E. RABOSERA, S.A. *	Huesca	76.00%	-	KPMG
Desarrollos Eólicos, S.A. *	Sevilla	80.00%	-	KPMG
D.E. DE TARIFA, SAL *	Cádiz	80.00%	-	KPMG
EÓLICA DON QUIJOTE, S.L. *	Albacete	80.00%	-	KPMG
EÓLICA DULCINEA, S.L. *	Albacete	80.00%	-	KPMG
Eolica Alfoz, S.L. *	Madrid	67.98%	-	KPMG
EÓLICA ARLANZÓN, S.A. *	Madrid	62.00%	-	KPMG
EOLICA CAMPOLLANO, S.A. *	Madrid	60.00%	-	KPMG
Eólica Mare Nostrum S.A. *	Valencia	48.00%	-	Not Audited
EÓLICA LA BRÚJULA, S.A. *	Madrid	67.92%	-	KPMG
Energías Eólicas La Manchuela, S.L.U. *	Albacete	80.00%	-	KPMG
ENEROLIVA, S.A. *	Sevilla	80.00%	-	Not Audited
Fontesilva *	Coruña	80.00%	-	Not audited
Hidroeléctrica Fuentermosa S.L. *	Oviedo	71.96%	-	Not Audited
Parques de Generación Eólica, S.L	Burgos	60.00%	-	KPMG
GENERACIONES ESPECIALES I, S.L.	Madrid	80.00%	-	KPMG
Ceasa Promociones Eólicas SLU	Zaragoza	100.00%	-	Ernst & Young
SUBGRUPO VEINCO *	Zaragoza	80.00%	-	Not Audited
GUADALTEBA *	Sevilla	80.00%	-	Not Audited
Hidroeléctrica Gormaz S.A. *	Salamanca	60.00%	-	Not Audited
Iberia Aprovechamientos Eólicos, SAL	Zaragoza	100.00%	-	KPMG
INVESTIGACIÓN Y DESARROLLO DE ENERGÍAS RENOVABLES, S. L.	León	47.67%	-	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	72.00%	-	Not Audited
LA JANDA *	Madrid	80.00%	-	Not Audited
LANAVICA	Madrid	80.00%	-	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	100.00%	-	KPMG
Parc Eolic Molinars SL	GIRONA	54.00%	-	Not audited
Molino de Caragüeyes,S.L.	Zaragoza	80.00%	-	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	100.00%	-	Not audited
Muxia I e II *	Coruña	80.00%	-	Not audited
NEO Energia Aragón SL	Madrid	100.00%	-	KPMG
NEO Catalunya SL	Barcelona	100.00%	-	KPMG
Neomai Inversiones SICAV, SA	Madrid	100.00%	-	PriceWaterhouseCoopers
PARQUE EOLICO SANTA QUITERIA, S.L. *	Huesca	46.66%	-	KPMG
PARQUE EÓLICO BELCHITE, SL *	Zaragoza	80.00%	-	KPMG
Parques Eólicos del Cantábrico, S.A. *	Oviedo	80.00%	-	KPMG
PARQUE EÓLICO LA SOTONERA, SL *	Zaragoza	51.88%	-	KPMG
Eolica de Radona SL *	Madrid	80.00%	-	Not audited
Rasacal Cogeneración S.A. *	Madrid	48.00%	-	Not Audited
SIESA RENOVABLES CANARIAS SL *	Gran Canaria	80.00%	-	Not Audited
Renovables Castilla La Mancha S.A. *	Albacete	72.00%	-	KPMG
Hidroeléctrica del Rumblar S.L. *	Madrid	64.00%	-	Not Audited
SIERRA AVILA *	Madrid	71.99%	-	KPMG
Sinae Inversiones Eólicas S.A. *	Madrid	80.00%	-	KPMG
SOTROMAL, S.A. *	Soria	72.00%	-	Not Audited
Parc Eòlic de Torre Madrina, S.L.	Barcelona	60.00%	-	Not audited
TRATAMIENTOS MEDIOAMBIENTALES DEL NORTE, S.A. *	Madrid	64.00%	-	Not Audited
TRATAMIENTOS MEDIOAMBIENTALES RÍO SOTÓN, S.A.	Madrid	80.00%	-	KPMG
Veinco Energia Limpia SL *	Zaragoza	80.00%	-	Not Audited
Bon Vent de Corbera, SL	Barcelona	100.00%	-	Not audited
Bon Vent de Vilalba, SL	Barcelona	100.00%	-	Not audited
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	60.00%	-	Not audited
Electricity business France				
Parc Eolien D'Ardennes	Elbeuf	100.00%	-	Not audited
C.E. Ayssenes-Le Truel	Paris	100.00%	-	KPMG
Parc Eolien du Clos Bataille, SAS	Elbeuf	100.00%	-	Cabinet Exco
C.E. Beaurevoir, SAS	Paris	100.00%	-	KPMG
Eolienne des Bocages, SARL	Elbeuf	100.00%	-	Not audited
C.E. Calanhel Lohuec, SAS	Paris	100.00%	-	Not audited
Eolienne de Callengeville, SAS	Elbeuf	100.00%	-	Cabinet Exco
CE Canet-Pont de Salars	Paris	100.00%	-	KPMG
Parc Eolien des Longs Champs, SARL	Elbeuf	100.00%	-	Not audited
Eole Service, SARL	Elbeuf	100.00%	-	Not audited
Eole 76 Developpement, SARL	Elbeuf	100.00%	-	Not audited
Eolienne D'Etalondes, SARL	Elbeuf	100.00%	-	Not audited
Le Gollot SAS	Carhaix	100.00%	-	Jean-Yves Morisset
CE Gueltas Noyal-Pontivy	Paris	100.00%	-	KPMG
Parc Eolien de La Hetroye, SAS	Elbeuf	100.00%	-	Cabinet Exco
Hollywell Investments Limited, SARL	Luxembourg	100.00%	-	Not audited
Keranfouler SAS	Carhaix	100.00%	-	Jean-Yves Morisset
SOCPE Le Mee SARL	Toulouse	49.00%	-	KPMG
Parc Eolien Les Bles D'Or SARL	Toulouse	100.00%	-	Not Audited
C.E. Les Vielles, SAS	Paris	100.00%	-	KPMG
Parc Eolien de Mancheville, SARL	Elbeuf	100.00%	-	Not audited
Eole Futur Montloue 1, SAS	Elbeuf	100.00%	-	Cabinet Exco
Neo Galia , SAS	Paris	100.00%	-	KPMG
C.E. Patay, SAS	Paris	100.00%	-	KPMG
Parc Eolien des Bocages, SARL	Elbeuf	100.00%	-	Not audited
SOCPE Petite Piece SARL	Toulouse	49.00%	-	KPMG
SOCPE Pieces de Vigne SARL	Toulouse	100.00%	-	Not Audited
Plouvien Breiz SAS	Carhaix	100.00%	-	Jean-Yves Morisset
CE Pont d Ýeu, SAS	Paris	100.00%	-	KPMG
PROUVILLE	Paris	100.00%	-	KPMG
Rech. et Dével. Éoliennes	Paris	100.00%	-	Not Audited
Ridgeside Investments Limited, SARL	Luxembourg	100.00%	-	Not audited

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Parc Eolien de Roman, SARL	Elbeuf	100.00%	-	Not audited
CE Saint Alban-Henansal	Paris	100.00%	-	KPMG
C.E. Saint Barnabe, SAS	Paris	100.00%	-	KPMG
SOCPE Saint Jacques SARL	Toulouse	100.00%	-	Not Audited
Eolienne de Saugueuse, SARL	Elbeuf	100.00%	-	Not audited
SOCPE Sauvageons SARL	Toulouse	49.00%	-	KPMG
C.E. Segur, SAS	Paris	100.00%	-	KPMG
Truc L'homme	Paris	100.00%	-	KPMG
Parc Eolien de Varimpre, SAS	Elbeuf	100.00%	-	Cabinet Exco
Parc Eolien des Vatines, SAS	Elbeuf	100.00%	-	Cabinet Exco
Electricity business Poland				
Chodow Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
KIP Wind Park I SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
KIP Wind Park II SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
Neolica Polska SP Z.O.O.	Warsaw	100.00%	-	Not audited
Relax Wind Park I SP.ZO.O.	Varsóvia	93.29%	-	Not Audited
Relax Wind Park II Sp. zoo	Warsaw	51.00%	-	Not audited
Relax Wind Park III SP.ZO.O.	Varsóvia	100.00%	-	Not Audited
Relax Wind Park IV Sp. zoo	Warsaw	51.00%	-	Not audited
Relax Wind Park V SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Relax Wind Park VI SP.ZO.O.	Varsóvia	100.00%	-	Not audited
SK Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Sokolowo Wind Park SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Zulawy Wind Park I SP.ZO.O.	Varsóvia	100.00%	-	Not audited
Electricity business Belgium				
Greenwind S.A.	Louvain-la-Neuve	70.00%	-	Not Audited
Electricity business Brazil				
EDP RENOVAVEIS BRASIL, S.A.	São Paulo	55.00%	55.00%	Not Audited
Electricity business Romania				
Cernavoda Power SRL	Bucharest	85.00%	-	Not audited
Renovatio Power SRL	Bucharest	85.00%	-	Not audited
Electricity business - Holland:				
Tarcan BV	Amsterdam	100.00%	-	KPMG
Parent Company:				
Horizon Wind Energy LLC	Texas	100.00%	100.00%	KPMG
Electricity business USA				
Wind Turbine Prometheus, LP	California	100.00%	-	KPMG
Dickinson County Wind Farm LLC	Minnesota	100.00%	-	KPMG
Darlington Wind Farm, LLC	Minnesota	100.00%	-	KPMG
Cloud County Wind Farm	Kansas	100.00%	-	KPMG
Whitestone Wind Purchasing, LLC	Texas	100.00%	-	KPMG
Blue Canyon Windpower II LLC	Oklahoma	100.00%	-	KPMG
Blue Canyon Windpower V, LLC	Oklahoma	100.00%	-	KPMG
Horizon Wind Energy International	Texas	100.00%	-	KPMG
Pioneer Prairie Wind Farm I, LLC	Iowa	100.00%	-	KPMG
Sagebrush Power Partners, LLC	Washington	100.00%	-	KPMG
Telocaset Wind Power Partners, LLC	Oregon	100.00%	-	KPMG
High Trail Wind Farm, LLC	Illionois	100.00%	-	KPMG
Chocolate Bayou Windpower I, LP	Texas	100.00%	-	KPMG
Marble River, LLC	New York	100.00%	-	KPMG
Rail Splitter	Illionois	100.00%	-	KPMG
Blackstone Wind Farm, LLC	Illionois	100.00%	-	KPMG
Aroostook Wind Energy LLC	Maine	100.00%	-	KPMG
Jericho Rise Wind Farm LLC	New York	100.00%	-	KPMG

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Madison Windpower LLC	New York	100.00%	-	KPMG
Mesquite Wind, LLC	Texas	100.00%	-	KPMG
Martinsdale Wind Farm LLC	Colorado	100.00%	-	KPMG
Post Oak Wind, LLC	Texas	100.00%	-	KPMG
BC Maple Ridge Wind LLC	Texas	100.00%	-	KPMG
High Prairie Wind Farm II, LLC	Minnesota	100.00%	-	KPMG
Arlington Wind Power Project LLC	Oregon	100.00%	-	KPMG
Signal Hill Wind Power Project LLC	Colorado	100.00%	-	KPMG
Tumbleweed Wind Power Project LLC	Colorado	100.00%	-	KPMG
Old Trail Wind Farm, LLC	Illionois	100.00%	-	KPMG
Viento Grande Wind Power Project LLC	Colorado	100.00%	-	KPMG
OPQ Property LLC	Illionois	100.00%	-	KPMG
Meadow Lake Wind Farm, LLC	Indiana	100.00%	-	KPMG
Wheatfield Wind Power Project, LLC	Oregon	100.00%	-	KPMG
007 Vento I LLC	Texas	100.00%	-	KPMG
007 Vento II	Texas	100.00%	-	KPMG
008 Vento III	Texas	100.00%	-	KPMG
Horizon Wind Ventures I LLC	Texas	100.00%	-	KPMG
Horizon Wind Ventures II, LLC	Texas	100.00%	-	KPMG
Horizon Wind Ventures III, LLC	Texas	100.00%	-	KPMG
Clinton County Wind Farm, LLC	New York	100.00%	-	KPMG
Electricity business USA (a)				
BC2 Maple Ridge Holdings LLC	Texas	100.00%	-	Not audited
Cloud West Wind Project, LLC	Texas	100.00%	-	Not audited
Five-Spot, LLC	Texas	100.00%	-	Not audited
Horizon Wind Chocolate Bayou I LLC	Texas	100.00%	-	Not audited
Alabama Ledge Wind Farm LLC	Texas	100.00%	-	Not audited
Antelope Ridge Wind Power Project LLC	Texas	100.00%	-	Not audited
Arkwright Summit Wind Farm LLC	Texas	100.00%	-	Not audited
Ashford Wind Farm LLC	Texas	100.00%	-	Not audited
Athena-Weston Wind Power Project LLC	Texas	100.00%	-	Not audited
Black Prairie Wind Farm LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm II LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm III LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm IV LLC	Texas	100.00%	-	Not audited
Blackstone Wind Farm V LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower III LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower IV LLC	Texas	100.00%	-	Not audited
Blue Canyon Windpower VI LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm II LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm III LLC	Texas	100.00%	-	Not audited
Broadlands Wind Farm LLC	Texas	100.00%	-	Not audited
Chateaugay River Wind Farm LLC	Texas	100.00%	-	Not audited
Cropsey Ridge Wind Farm LLC	Texas	100.00%	-	Not audited
Crossing Trails Wind, Power Project LLC	Texas	100.00%	-	Not audited
Dairy Hills Wind Farm LLC	Texas	100.00%	-	Not audited
Diamond Power Partners LLC	Texas	100.00%	-	Not audited
East Clickitat Wind Power Project LLC	Texas	100.00%	-	Not audited
Ford Wind Farm LLC	Texas	100.00%	-	Not audited
Freeport Windpower I, LP	Texas	100.00%	-	Not audited
Gulf Coast Windpower Management Company, LLC	Texas	100.00%	-	Not audited
Homestead Wind Farm LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest VII LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest X LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest XI LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Panhandle I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest II LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest III LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Southwest IV LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Valley I LLC	Texas	100.00%	-	Not audited
Horizon Wind MREC Iowa Partners LLC	Texas	100.00%	-	Not audited
Horizon Wind, Freeport Windpower I LLC	Texas	100.00%	-	Not audited
Juniper Wind Power Partners, LLC	Texas	100.00%	-	Not audited
Lexington Chenoa Wind Farm LLC	Texas	100.00%	-	Not audited
Machias Wind Farm LLC	Texas	100.00%	-	Not audited
Meadow Lake Wind Farm II LLC	Texas	100.00%	-	Not audited

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
New Trail Wind Farm LLC	Texas	100.00%	-	Not audited
North Slope Wind Farm LLC	Texas	100.00%	-	Not audited
Number Nine Wind Farm LLC	Texas	100.00%	-	Not audited
Pacific Southwest Wind Farm LLC	Texas	100.00%	-	Not audited
Pioneer Prairie Wind Farm II LLC	Texas	100.00%	-	Not audited
Rim Rock Power Partners LLC	Texas	100.00%	-	Not audited
Saddleback Wind Power Project LLC	Texas	100.00%	-	Not audited
Sardinia Windpower LLC	Texas	100.00%	-	Not audited
Turtle Creek Wind Farm LLC	Texas	100.00%	-	Not audited
Western Trail Wind Project I LLC	Texas	100.00%	-	Not audited
Whistling Wind WI Energy Center, LLC	Texas	100.00%	-	Not audited
Simpson Ridge Wind Farm LLC	Texas	100.00%	-	Not audited
Coos Curry Wind Power Project LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Midwest IX LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest I LLC	Texas	100.00%	-	Not audited
Horizon Wind Energy Northwest XV LLC	Texas	100.00%	-	Not audited
Peterson Power Partners LLC	Texas	100.00%	-	Not audited
Pioneer Prairie Interconnection LLC	Texas	100.00%	-	Not audited
The Nook Wind Power Project LLC	Texas	100.00%	-	Not audited
Tug Hill Windpower LLC	Texas	100.00%	-	Not audited
Whiskey Ridge Power Partners LLC	Texas	100.00%	-	Not audited
Wilson Creek Power Partners LLC	Texas	100.00%	-	Not audited
WTP Management Company LLC	Texas	100.00%	-	Not audited

The main financial indicators of the jointly controlled companies included in the consolidation under the **proportionate consolidation method** as at 31 December 2008, are as follows:

Jointly Controlled Companies	Head Office	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Total Revenues 31-Dec-08 Euro'000	% Indirect	% Direct	Auditor
Electricity business							
Flat Rock Windpower LLC	New York	353,953	2,430	31,284	50.00%	50.00%	E&Y
Flat Rock Windpower II LLC	New York	139,789	916	10,814	50.00%	50.00%	E&Y
Compañía Eólica Aragonesa, S.A.	Zaragosa	144,578	95,442	41,157	50.00%	50.00%	Deloitte
Desarrollos Energeticos Canarios S.A.	Las Palmas	8	18	-	39.92%	49.90%	KPMG
EVOLUCIÓN 2000, S.L.	Albacete	66,244	53,779	13,468	39.32%	49.15%	KPMG
Horta Medioambiente S.A.	Madrid	-	113	-	40.00%	50.00%	Not Audited
Ibersol E. Solar Ibérica, S.A.	Almería	2,190	2,125	22	40.00%	50.00%	KPMG
Murciasol-1 Solar Térmica, S.L.	Almería	202	198	14	40.00%	50.00%	KPMG
TEBAR EÓLICA, S.A.	Cuenca	48,522	38,450	12,163	40.00%	50.00%	Audit, S.L.

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2008, are as follows:

Associates	Head Office	% Indirect	% Direct	Auditor
Biomasas del Pirineo S.A.	Huesca	24.00%	-	Not Audited
Cultivos Energéticos de Castilla S.A.	Burgos	24.00%	-	Not Audited
D.E. DE CANARIAS, S.A.	Gran Canaria	35.80%	-	KPMG
Hidroastur S.A.	Oviedo	20.00%	-	Centium
Naturneo Energía, S.L.	Bilbau	49.01%	-	Not audited
PARQUE EÓLICO BELMONTE, S.A.	Asturias	23.92%	-	KPMG
Parque Eólico Sierra del Madero S.A.	Soria	33.60%	-	Ernst & Young
PARQUE EÓLICO ALTOS DEL VOLTOYA, S.A.	Madrid	24.80%	-	KPMG
SODECOAN, S.L.	Sevilla	40.00%	-	Not audited
SOLAR SIGLO XXI, S.A.	Ciudad Real	20.00%	-	Not Audited
ENEOP - ÉOLICAS DE PORTUGAL, S.A.	Lisboa	19.60%	-	Mazars

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2007, are as follows:

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Group's parent holding company:				
EDP Renováveis S.L.	Oviedo	-	-	KPMG
Parent Company:				
Nuevas Energías de Occidente, S.L.	Oviedo	60.00%	-	KPMG
Electricity business - Portugal:				
Bolores-Energia Eólica, S.A.	Lisbon	60.00%	-	KPMG
Eneraltius-Produção de Energia Electrica, S.A.	Lisbon	60.00%	-	KPMG
Enernova - Novas Energias, S.A.	Lisbon	60.00%	-	KPMG
Eólica da Alagoa, S.A.	Arcos Valdevez	35.99%	-	KPMG
Eólica da Serra das Alturas, S.A.	Oporto	30.06%	-	KPMG
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	30.06%	-	KPMG
Levante - Energia Eólica, Unipessoal, Lda	Porto Salvo	60.00%	-	KPMG
Malhadizes - Energia Eólica SA	Porto Salvo	60.00%	-	KPMG
Safra - Energia Eólica, S.A.	Leiria	60.00%	-	KPMG
Electricity business - Spain:				
Acampo Arias,S.L.	Zaragoza	58.91%	-	KPMG
Agrupación Eólica, SLU	Zaragoza	60.00%	-	KPMG
Ceasa Promociones Eólicas, SLU	Zaragoza	60.00%	-	Ernst&Young
Ceprastur AIE *	Oviedo	27.25%	-	Not Audited
Cía. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	60.00%	-	Deloitte
Compañía Eólica Campo de Borja, S.A.	Zaragoza	45.50%	-	KPMG
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	60.00%	-	Not Audited
Desarrollos Eólicos Promocion, S.A. *	Seville	48.00%	-	KPMG
Desarrollo Eólico Almarchal, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico Buenavista, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico de Corme, S.A. *	La Coruña	45.60%	-	KPMG
Desarrollo Eólico de Lugo, SAU *	Lugo	48.00%	-	KPMG
Desarrollo Eólico de Tarifa, SAU *	Cádiz	48.00%	-	KPMG
Desarrollo Eólico Dumbria, SAU *	La Coruña	48.00%	-	KPMG
Desarrollo Eólico RABOSERA, S.A. *	Huesca	45.60%	-	KPMG
Desarrollo Eólico Santa Quiteria, S.L.*	Huesca	28.00%	-	KPMG
Desarrollos Catalanes Del Viento, S.L	Barcelona	36.00%	-	KPMG
Desarrollos Eolicos de Galicia, S.A. *	La Coruña	46.40%	-	KPMG
Desarrollos Eolicos, S.A. *	Seville	48.00%	-	KPMG
Eólica Dulcinea, S.L. *	Albacete	48.00%	-	KPMG
Eólica Alfoz, S.L. *	Madrid	43.19%	-	KPMG
Eneroliva S.A. *	Seville	48.00%	-	Not Audited
Eólica Arlanzón, S.A. *	Madrid	37.20%	-	KPMG
Eolica Campollano S.A. *	Madrid	36.00%	-	KPMG
Eólica Don Quijote, S.L. *	Albacete	48.00%	-	KPMG
Eólica Mare Nostrum, S.A. *	Valencia	28.80%	-	Not Audited
Energia Eólica La Manchuela, SLU (formerly Sierra de la Peña S.A.) *	Madrid	40.75%	-	KPMG
Eólica La Brújula S.A. (formerly Sierra de la Peña S.L.) *	Albacete	48.00%	-	KPMG
Genesa I S.L.	Madrid	48.00%	-	KPMG
Eólica Guadalteba, S.L. *	Seville	48.00%	-	Not Audited
Hidroeléctrica del Rumblar, S.L. *	Madrid	38.40%	-	Not Audited
Hidroeléctrica Fuentermosa, S.L. *	Oviedo	43.17%	-	Not Audited
Hidroeléctrica Gormaz S.A. *	Salamanca	36.00%	-	Not Audited
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	60.00%	-	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	43.20%	-	Not Audited
Investigación y Desarrollo de Energías Renovables, S.L.	León	38.20%	-	KPMG
Eólica La Janda, S.L. *	Madrid	48.00%	-	Not Audited
Eólica La Navica, S.L. *	Madrid	48.00%	-	KPMG
Molino de Caragüeyes,S.L	Zaragoza	48.00%	-	KPMG
NEO Catalunya SL	Barcelona	60.00%	-	KPMG
NEO Energia Aragon SL	Madrid	60.00%	-	KPMG
Neomai Inversiones SICAV, SA	Madrid	60.00%	-	PriceWaterhouseCoopers

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Parque Eólico Belchite S.L. *	Zaragoza	48.00%	-	KPMG
Parque Eólico la Sotonera, S.L. *	Zaragoza	31.13%	-	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	60.00%	-	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	60.00%	-	Not audited
Parque Eólico Plana de Artajona, SLU	Zaragoza	60.00%	-	Not audited
Parques de Generación Eólica, S.L	Burgos	36.00%	-	KPMG
Parques Eólicos del Cantábrico S.A. *	Oviedo	48.00%	-	KPMG
Rasacal Cogeneración S.A. *	Madrid	28.80%	-	Not Audited
Renovables Castilla la Mancha, S.A. *	Albacete	43.20%	-	KPMG
Eólica Sierra de Avila, S.L. *	Madrid	45.60%	-	KPMG
Siesa Renovables Canarias, S.L. *	Gran Canaria	48.00%	-	Not Audited
Sinae Inversiones Eólicas S.A. *	Madrid	48.00%	-	KPMG
Sotromal, S.A. *	Soria	43.20%	-	Not Audited
Tratamientos Medioambientales del Norte, S.A. *	Madrid	38.40%	-	Not Audited
Eólica Curiscao Pumar, S.A.U. (formerly Río Sotón) *	Madrid	48.00%	-	KPMG
Valle del Ebro Ingenieria y Consultoria, S.L. *	Zaragoza	48.00%	-	Not Audited
Veinco Energia Limpia SLU *	Zaragoza	60.00%	-	Not Audited
Electricity business - France:				
C.E. Bourbriac, SAS	Paris	60.00%	-	KPMG
CE Ayssenes-Le Truel, SAS	Paris	60.00%	-	KPMG
C.E. Beaurevoir, SAS	Paris	60.00%	-	KPMG
C.E. Calanhel Lohuec, SAS	Paris	60.00%	-	KPMG
CE Canet-Pont de Salars, SAS	Paris	60.00%	-	KPMG
CE Gueltas Noyal-Pontivy, SAS	Paris	60.00%	-	KPMG
C.E. Les Vielles, SAS	Paris	60.00%	-	KPMG
C.E. Patay, SAS	Paris	60.00%	-	KPMG
C.E. Pont d Ýeu, SAS	Paris	60.00%	-	KPMG
CE Saint Alban-Henansal, SAS	Paris	60.00%	-	KPMG
C.E. Saint Barnabe, SAS	Paris	60.00%	-	KPMG
C.E. Segur, SAS	Paris	60.00%	-	KPMG
Keranfouler, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
Le Gollot, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
Le Mee, S.A.R.L.	Toulouse	29.40%	-	KPMG
Parc Eolien Les Bles D'Or S.A.R.L.	Toulouse	60.00%	-	Not Audited
Petite Piece, S.A.R.L.	Toulouse	29.40%	-	KPMG
Pieces de Vigne S.A.R.L.	Toulouse	60.00%	-	Not Audited
Plouvien Breiz, S.A.S.	Carhaix	60.00%	-	Jean-Yves Morisset
C.E. Neo Prouville, SAS	Paris	60.00%	-	KPMG
Recherches et Développements Éoliennes, SARL	Paris	60.00%	-	KPMG
Sauvageons, S.A.R.L.	Toulouse	29.40%	-	KPMG
Saint Jacques, S.A.R.L	Toulouse	60.00%	-	Not Audited
C.E. Neo Truc de l'homme, SAS	Paris	60.00%	-	KPMG
Electricity business - Holland:				
Tarcan, BV	Amsterdam	60.00%	-	KPMG
Electricity business - Belgium:				
Greenwind, S.A.	Louvain-la-Neuve	42.00%	-	Not Audited
Electricity business - Poland:				
Chodow Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not Audited
KIP Wind Park I SP.ZO.O.	Warsaw	60.00%	-	Not Audited
KIP Wind Park II SP.ZO.O.	Warsaw	60.00%	-	Not Audited
Relax Wind Park I SP.ZO.O.	Warsaw	43.98%	-	Not Audited
Relax Wind Park III SP.ZO.O.	Warsaw	30.60%	-	Not Audited
Relax Wind Park V SP.ZO.O.	Warsaw	60.00%	-	Not audited
Relax Wind Park VI SP.ZO.O.	Warsaw	60.00%	-	Not audited
SK Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not audited
Sokolowo Wind Park SP.ZO.O.	Warsaw	60.00%	-	Not audited
Zulawy Wind Park I SP.ZO.O.	Warsaw	60.00%	-	Not audited

Subsidiaries Companies	Head Office	% Indirect	% Direct	Auditor
Parent Company:				
Horizon Wind Energy LLC	Houston, Texas	100.00%	-	KPMG
Electricity business - United States:				
2007 Vento I LLC	Houston, Texas	100.00%	-	KPMG
Arlington Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Aroostook Wind Energy LLC	Houston, Texas	100.00%	-	KPMG
BC2 Maple Ridge Wind LLC	Houston, Texas	100.00%	-	KPMG
Blue Canyon Windpower II LLC	Houston, Texas	100.00%	-	KPMG
Chocolate Bayou Windpower I, LP	Houston, Texas	100.00%	-	KPMG
Clinton County Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
High Prairie Wind Farm II, LLC	Houston, Texas	100.00%	-	KPMG
High Trail Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
Horizon Wind Energy International	Houston, Texas	100.00%	-	KPMG
Horizon Wind Ventures I LLC	Houston, Texas	100.00%	-	KPMG
Jericho Rise Wind Farm LLC	Houston, Texas	100.00%	-	KPMG
Madison Windpower LLC	Houston, Texas	100.00%	-	KPMG
Marble River, LLC	Houston, Texas	100.00%	-	KPMG
Martinsdale Wind Farm LLC	Houston, Texas	100.00%	-	KPMG
Mesquite Wind, LLC	Houston, Texas	100.00%	-	KPMG
Old Trail Wind Farm, LLC	Houston, Texas	100.00%	-	KPMG
OPQ Property LLC	Houston, Texas	100.00%	-	KPMG
Post Oak Wind, LLC	Houston, Texas	100.00%	-	KPMG
Signal Hill Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Telocaset Wind Power Partners, LLC	Houston, Texas	100.00%	-	KPMG
Tumbleweed Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Viento Grande Wind Power Project LLC	Houston, Texas	100.00%	-	KPMG
Wind Turbine Prometheus, LP	Houston, Texas	100.00%	-	KPMG

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2007, are as follows:

Associates	Head Office	% Indirect	% Direct	Auditor
Electricity business - Spain:				
Biomasas del Pirineo, S.A.	Huesca	14.40%	-	Not Audited
Cultivos Energéticos de Castilla, S.A.	Burgos	14.40%	-	Not Audited
D.E. de Canárias, S.A.	Gran Canaria	21.48%	-	KPMG
Hidroeléctrica Rio Lena S.A.	Oviedo	4.15%	-	KPMG
Hidroastur, S.A.	Oviedo	12.00%	-	Centium
Parque Eólico Altos del Voltoya, S.A.	Madrid	14.88%	-	KPMG
Parque Eólico de Belmonte, S.A.	Asturias	14.35%	-	KPMG
Parque Eólico Sierra del Madero, S.A.	Soria	20.16%	-	Ernst&Young
Sociedad Eólica de Andalucia, S.L.	Seville	24.00%	-	Not audited
Siglo XXI Solar S.A.	Ciudad Real	12.00%	-	Not Audited
Yedesa Cogeneración, S.A.	Seville	4.80%	-	KPMG

The main financial indicators of the jointly controlled companies included in the consolidation under the **proportionate consolidation method** as at 31 December 2007, are as follows:

Jointly controlled companies	Head Office	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Total Revenues 31-Dec-07 Euro'000	% Indirect	% Direct	% Direct
Electricity business - Spain:							
Compañía Eólica Aragonesa, S.A.	Zaragosa	66,740	48,719	-	30.00%	-	Deloitte
Desarrollos Energeticos Canarios, S.A.	Las Palmas	8	18	-	23.95%	-	KPMG
Evolución 2000, S.L.	Albacete	64,838	55,414	5,644	23.59%	-	KPMG
Horta Medioambiental S.A.	Madrid	22	135	-	24.00%	-	Not Audited
Ibersol E. Solar Ibérica, S.A	Almería	1,937	1,872	-	24.00%	-	KPMG
Marquesado Solar S.A.	Almería	17,634	17,597	-	24.00%	-	Not audited
Murciasol 1 Solar Térmica, S.L.	Almería	182	179	-	24.00%	-	KPMG
Tébar Eólica, S.A.	Cuenca	50,181	41,377	8,340	24.00%	-	Audit, S.L.

(a) During 2008 EDP Renováveis Group has incorporated these companies in United States of America that do not have activity and have been incorporated without share capital.

* These companies have been consolidated considering that EDP Renováveis, through its subsidiary NEO, hold 100% of Genesa share capital, taking in consideration the put option over Caja Madrid (as described in note 36).

18. Investments in associates

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Investments in associates:		
Equity holdings in associates	40,782	32,514
Adjustments on investments in associates	-	-154
Carrying amount	40,782	32,360

For the purpose of annual accounts presentation, goodwill arising from the acquisition of associated companies is presented in this caption, included in the total amount of Equity holdings in associates.

The breakdown of **Investments in associates as at 31 December 2008** , is analysed as follows:

	Group	
	31 Dec 2008	
	Investment Euro'000	Impairment Euro'000
Associated companies:		
Desarrollos Eólicos de Canárias, S.A.	10,735	-
ENEOP - Éolicas de Portugal, S.A.	6,486	-
Parque Eólico Sierra del Madero S.A.	5,454	-
Veinco Energia Limpia S.L.	4,154	-
Parque Eólico altos del Voltoya, S.A.	3,481	-
Parque Eólico Belmonte, S.A.	3,243	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	2,241	-
Hidroastur S.A.	2,112	-
Horizon Wind Energy	2,031	
Other	845	-
	40,782	-

The breakdown of **Investments in associates as at 31 December 2007** , is analysed as follows:

	Group	
	31 Dec 2007	
	Investment Euro'000	Impairment Euro'000
Associated companies:		
Desarrollos Eólicos de Canárias, S.A.	10,875	-
Parque Eólico Sierra del Madero, S.A.	4,542	-
Associates of Veinco Energia Limpia, S.L.	4,913	-
Parque Eólico Altos del Voltoya, S.A.	2,967	-
Blue Canyon Windpower, LLC	2,635	-154
Parque Eólico de Belmonte, S.A.	2,610	-
Hidroastur, S.A.	2,121	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	1,647	-
Other	204	-
	32,514	-154

The movement in **Investments in associates** , is analysed as follows:

	Group
	31 Dec 2008 Euro'000
Balance as at 1 January	32,514
Acquisitions	3,569
Disposals	-210
Share of profits of associates	4,369
Dividends received	-2,693
Exchange differences	151
Changes in consolidation method	3,436
Changes in perimeter consolidation	-201
Transfers/Regularizations	-153
Balance as at 31 December	40,782

19. Available for sale investments

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Sociedad Eólica de Andalucia, S.A.	10,854	3,107
ENEOP - Eólicas de Portugal, S.A.	-	3,460
Hueneja, C.B.	-	1,246
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	783	-
Wind Expert	500	-
Other	364	138
	12,501	7,951

During 2008, ENEOP - Eólicas de Portugal, a partnership with other companies that develop several projects related to electricity wind generation, started to consolidate under the equity method.

Genesa sold its shareholding in Marquesado del Solar, S.A., which held an interest in Hueneja, C.B. classified under available for sale investments.

The EDP Renováveis Group acquired an interest in Aprofitament D'Energies Renovables de la Terra Alta, S.A., a company that develops several projects related with electricty transport lines and high voltage substations in the region of Terra Alta (Spain) and an interest of 5% in romanian company Wind Expert, included in the acquisition of Renovatio and Cervanoda.

The increase in Sociedad Eólica de Andalucia, S.A. is related to the increase on the fair vale of the company (see note 28).

The assumptions used in the valuation models of available for sale investments are as follows:

Company	Growth rate	Discount rate net of tax effect	Cash flows period	Terminal Value
Sociedad Eólica de Andalucia, S.A.	a)	6.96%	20	b)

a) The tariff amounts used in valuation models have been supported on projections, based on the best expectations at acquisition date, of the future evolution of electricity sales price generated by wind power in Spain.

b) The Group EDP Renováveis has considered a terminal value, after 20 years of wind farms use, that corresponds to the valuation of (i) the possibility of increasing the generation capacity of the wind farms, (ii) the maintenance of licenses and rights to use the wind farms and (iii) the additional value related with the remain useful life of wind farms beyond the period mentioned above.

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, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Tax losses brought forward	3,008	4,309	-	-	3,008	4,309
Provisions	2,173	556	-	-	2,173	556
Derivative financial instruments	3,581	176	1,374	1,679	2,207	-1,503
Available for sale Investments	-	-	-	-	-	-
Intangible Assets	-	-	13,123	-	-13,123	-
Property, plant and equipment	12,142	11,335	10,542	8,386	1,600	2,949
Reinvested gains	-	-	-	-	-	-
Other	930	343	12	8,398	918	-8,055
Reversal of regulatory assets and liabilities	-	-	-	-	-	-
Allocation of fair value to assets and liabilities	-	-	278,153	274,579	-278,153	-274,579
Accounting revaluations	-	-	127	352	-127	-352
Exchange differences and others	-	-	-	-	-	-
Assets/liabilities compensation of deferred taxes	-	-	-	-	-	-
	21,834	16,719	303,331	293,394	-281,497	-276,675

The Deferred tax liabilities of NEO Group for 31 December 2007, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 14,924 thousands of Euros (see note 16).

The movements in deferred tax assets and liabilities during the year are analysed as follows

	31 Dec 2008 Euro'000	
	Tax Assets	**Tax Liabilities**
Opening balance	16,719	-293,393
Increases charged to the profit and loss account	4,456	-3,500
Decreases charged to the profit and loss account	-3,352	8,464
Increases charged to reserves	3,572	-13,413
Decreases charged to reserves	-	1,473
Change in the applicable tax rate	-14	178
Other movements	453	-3,140
	21,834	-303,331

Details of deferred tax assets and liabilities that will be realised or reversed in over 12 months are as follows:

	Tax Assets 31 Dec 2008 Euro'000	Tax Liabilities 31 Dec 2008 Euro'000
Tax losses brought forward	-	-
Provisions	116	-
Derivative financial instruments	4,031	1,374
Reversal of regulatory assets and liabilities	-	-
Allocation of acquired assets and liabilities fair values	-	278,153
Intangible Assets	-	13,123
Property, plant and equipement	-	10,542
Accounting revaluations	-	3
Others	11,252	19
	15,399	303,214

The Group tax losses and tax credits carried forward are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Expiration date:		
2009	-	-
2010	11	11
2011	21	21
2012	27	27
2013	105	105
2014	3	3
2015	7,462	7,462
2016 to 2027	221,099	67,265
	228,728	74,894

The Group has not calculated deferred tax assets for tax losses carried forward of 228,178 thousands of Euros due to uncertainty regarding the future realization of the net deferred tax asset.

21. Inventories

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Advances on account of purchases	1,915	35,127
Finished and intermediate products	10,313	3,740
Raw and subsidiary materials and consumables:		
Other consumables	149	157
	12,377	39,024

22. Trade receivables

Trade receivables are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Short term trade receivables - Current:		
Spain	46,221	35,219
United States of America	21,130	11,567
Portugal	11,050	11,178
France	4,168	2,881
Poland	29	40
	82,598	60,885
Doubtful debts	2,347	2,309
Impairment losses	-2,347	-2,309
	82,598	60,885

The movement in impairment losses in 2008 is due to an increase of 38 thousands of Euros for customers in Spain.

23. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Short-term debtors - Current:		
Loans to related parties	106,625	23,674
Advances to suppliers	18	36
Other debtors:		
- Amounts related to staff	25	9
- Derivative financial instruments (Hedging)	3,355	51,061
- Insurance	1,059	309
- Management fees	512	2,022
- Cernavoda land acquisitions	2,189	-
- Financial assets advanced payments	1,075	1,399
- Deferred costs for infrastructure construction	1,821	-
- Wind relax (Receivable VAT related with turbines acquisitions)	991	-
- Amounts receivabe from Eolic Partners	1,925	-
- Production tax credits (PTC)	934	1,104
- Horizon warranty claim	5,179	-
- Prepaid turbine maintenance	2,687	-
- Guarantee deposits	6,853	1,044
- Tied deposits	43,016	9,089
- Sundry debtors and other operations	17,549	9,504
	195,813	99,251

Medium and long-term debtors - Non-current:		
Loans to related parties	21,769	10,576
Notes receivable (Horizon)	10,678	6,824
Guarantees and tied deposits	33,666	34,431
Derivative financial instruments (Hedging)	6,081	-
Deferred costs (Enernova Group)	42,617	26,666
Deferred PPA costs (High Trail)	5,748	-
O&M contract valuation - Mapple Ridge I (Horizon)	7,941	8,084
Deferred Tax Equity Costs	5,002	-
Sundry debtors and other operations	8,038	13,881
	141,540	100,462
	337,353	199,713

Loans to related parties - Current includes an amount of 83,025 thousands of Euros related to a set of loans granted to EDP Finance, that have maturities from 1 week to 1 month and bear interest at market conditions and an amount of 22,825 thousands of Euros with EDP Branch.

Tied deposits - Current includes 39,736 thousands of Euros related to the Vento III financing agreement. Funds are required to be held in the amount sufficient to pay remaining Vento III construction related costs.

Guarantees and tied deposits - Non Current are related with NEO Group companies with projects finance, that are obliged to maintain these amounts in bank accounts to assure the capacity of comply with responsabilities.

Deferred costs (Enernova 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 date and are recognised in a straight line basis over the estimated useful life of the assets.

24. Tax receivable

Tax receivable is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
State and other public entities:		
- Income tax	7,755	3,993
- Value added tax (VAT)	150,569	89,342
- Other taxes	16,769	3,500
	175,093	96,835

25. Financial assets at fair value through profit or loss

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

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Equity securities:		
Investment funds	32,369	42,841
Debt securities:		
Unlisted bonds	3,405	1,998
	35,774	44,839

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	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Cash:		
- Cash in hand	2	2
Bank deposits:		
- Current deposits	189,895	388,295
- Term deposits	-	195
- Other deposits	39,783	-
	229,678	388,490
Cash and cash equivalents	229,680	388,492

The main operation occurred during 2008 without cash in or out, was the share capital increases in the EDP Renováveis through non monetary contributions (see note 27), and the acquisition of the Romanian companies Renovatio and Cervanoda.

27. Capital and Share premium

EDP Renováveis was incorporated on 4 December 2007 with a share capital of 15 thousands of Euros, represented by 1,500 shares with a par value of 10 Euros each. These shares were subscribed entirely by EDP Energias de Portugal, S.A. Sucursal en España, (EDP Branch). On 18 and 21 December 2007, EDP Sucursal increased the share capital of EDP Renováveis through the incorporation of the shares held in its subsidiaries NEO - Nuevas Energias de Occidente, S.L. (corresponding to 60% of this company's share capital) and Horizon Wind Energy LLC, (corresponding to 100% of this company's share capital).

On 25 February 2008, the sole Shareholder of EDP Renováveis, approved a share capital increase of 4,718 thousands of Euros with a share premium of 175,490 thousands of Euros, through the issuance of 471,824 new shares with a par value of 10 Euros each and a share premium of 371.94 Euros per share (175,490 thousands of Euros). This capital increase was fully subscribed by Hidroelectrica del Cantábrico, S.A. through a non-monetary contribution of its 40% interest held in Nuevas Energías de Occidente, S.L., the parent company of the NEO Group, obtaining in exchange an interest of 20% in EDP Renováveis. This agreement was executed on a public deed on 29 February 2008. Since that date, EDP Renováveis holds a 100% interest in Nuevas Energías de Occidente, S.L.

The above referred contributions were made under the Special Regime governing mergers, spin offs, asset contributions and share exchanges established in Chapter VIII, Title deed VII of Royal Decree 4 of 5 March 2004, approving the revised corporate income tax law. In compliance with article 93 of Royal Legislative Decree 4 of 5 March 2004, whereby the revised corporate income tax law was approved.

At the annual general meeting held on 12 March 2008 the shareholders agreed to:

- Increase the share capital of EDP Renováveis, S.L. with a charge to share premium through the issuance of 205,782,806 shares with a par value of 10 Euros each. This capital increase was subscribed by the shareholders in proportion of the respective shareholdings in EDP Renováveis, S.A.

- Reduce the par value of the shares from Euros 10 to 2 Euros per share by splitting the shares representing the total share capital in a proportion of five new shares for each former share. Share capital remained unchanged.

This operation was raised to public deed on 18 March 2008.

At their annual general meeting held on 18 March 2008 the shareholders agreed to convert EDP Renováveis, S.L. into a corporation under the name EDP Renováveis, S.A. The agreement, which was raised to a public deed on 18 March 2008, considers the Company balance sheet as at 17 March 2008 as the conversion balance sheet, replacing the former stakes by shares with the same number and unit value.

On 7 May 2008, EDP, S.A. and Hidrocantabrico approved (i) a share capital increase of EDP Renováveis to 3,381,419,280 Euros. This increase was fully subscribed by EDP, S.A. and Hidrocantabrico through a non monetary contribution of loans granted amounting to 1,040,000 thousands of Euros and 260,000 thousands of Euros, respectively, and (ii) increase of share nominal value from 2 to 5 Euros. After this share capital increase, EDP, S.A. maintained a hold of 80% and Hidrocantabrico a hold of 20% of EDP Renováveis' share capital.

On 13 May 2008, to allow the Initial Public Offering ("IPO"), the General Assembly of EDP Renováveis decided to increase share capital of the Company in a maximum nominal amount of 1,127,139,760 Euros, by issuing of 225,427,952 new shares.

On 2 June 2008, the IPO occurred through the dilution of the interests held by EDP Renováveis shareholders. The number of new shares admitted to negotiation was 196,024,306 shares, and as a consequence, the interest held by EDP, S.A. through its branch in Spain decreased to 62.02% and the interest held by Hidrocantabrico decreased to 15.51% of the EDP Renováveis share capital.

As at 31 December 2008 the share capital of EDP Renováveis is composed of 872,308,162 shares with a nominal value of Euros 5 per share.

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

	Group	
	31 Dec 2008	31 Dec 2007
Profit attributable to the equity holders of the parent in thousands of Euros	104,364	1,093
Profit from continuing operations attributable to the equity holders of the parent in thousands of Euros	104,364	1,093
Weighted average number of ordinary shares outstanding	662,217,700	1,792,667
Weighted average number of diluted ordinary shares outstanding	662,217,700	1,792,667
Earnings per share (basic) attributable to equity holders of the parent in Euros	0.16	0.61
Earnings per share (diluted) attributable to equity holders of the parent in Euros	0.16	0.61
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros	0.16	0.61
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros	0.16	0.61

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

The earning per share for 31 December 2007 has been recalculated based on the nominal value per share for 31 December 2008 (5 Euros).

During 2008 the nominal value per share has been 10 Euros until March and 2 Euros from March until June. From June until year end the nominal value per share was 5 Euros and therefore as at 31 December 2008 the earning per share has been calculated based on a nominal value per share of 5 Euros.

The company does not hold any treasury stock as at 31 December 2008.

The average number of shares was determined as follows:

	Group	
	31 Dec 2008	31 Dec 2007
Ordinary shares issued at the beginning of the year	1,887,298	-
Effect of shares issued during the year	660 330 402	1,792,667
Average number of realised shares	662,217,700	1,792,667
Average number of shares during the year	662,217,700	1,792,667
Diluted average number of shares during the year	662,217,700	1,792,667

28. Reserves and retained earnings

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Fair value reserve (cash flow hedge)	18,669	11,566
Fair value reserve (available for sale financial assets)	7,747	
Exchange differences arising on consolidation	1,179	-819
Additional paid in capital	60,666	119,097
Other reserves and retained earnings:		
Retained earnings	1,158	-
	89,419	129,844

Additional paid in capital

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

The variation of 58,431 thousands of Euros in Additional paid in capital relates to the increase in EDP Renováveis shareholding in the NEO Group from 60% to 100%, following a share capital contribution made by Hidrocantábrico. This contribution was recorded in EDP Renováveis annual accounts in accordance with the book values of this shareholding in EDP's consolidated annual accounts, namely financial investments of 180 million Euros. Considering NEO's shareholding equity as at 28 February 2008 of 304 million, of which 122 are attributable to EDP Renováveis shareholding, a negative consolidation reserve of 58 million Euros was accounted for as at 31 December 2008.

Legal reserve

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

Profit distribution (parent company)

The proposal for EDP Renováveis, S.A. 2008 profits distribution to be presented in the Annual General Meeting is as follows:

	Company
Profit for the period	74,794
Distribution	
Legal reserve	7,479
Free reserve	67,315
	74,794

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. The changes in this consolidated caption are as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 1 January 2008	-	-
Changes in fair value for Sociedad Eólica de Andalucia	7,747	-
Balance as at 31 December 2008	7,747	-

Exchange differences arising on consolidation

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

		Exchange rates as at 31 Dec 2008		Exchange rates as at 31 Dec 2007	
Currency		Closing Rate	Average Rate	Closing Rate	Average Rate
Dollar	USD	1.392	1.477	1.472	1.372
Zloty	PLN	4.154	3.486	3.594	N/A
Real	BRL	3.244	2.652	N/A	N/A
Lei	RON	4.023	3.762	N/A	N/A

29. Minority interest

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Minority interest in income statement	7,854	277
Minority interest in share capital and reserves	74,897	213,296
	82,751	213,573

Minority interests , by subgroup, are analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
NEO Group	82,751	213,547
Horizon Wind Energy Group	27	26
EDP Renováveis Brasil	-27	-
	82,751	213,573

The Minority interests of NEO Group for 31 December 2007, has been reclassified due to purchase price allocation carried out in 2008, in the amount of 27,986 thousands of Euros (see note 16).

As at 31 December 2008, the EDP Renováveis Group profit attributable to minority interests amounted to 7,854 thousands of Euros (31 December 2007: 277 thousands of Euros).

In 2008, the amount of minority interests accounted for under the terms of the granted put options of Genesa was 10,058 thousand Euros. These put options were revalued and therefore the liability and Goodwill decreased in the amount of 15,910 thousand Euros (note 16).

30. Financial debt

This balance is analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Short-term financial debt - Current		
Bank loans:		
- NEO Group	75,950	80,016
Loans from shareholders of group entities:		
- NEO Group	3,956	116,502
- Horizon Wind Energy Group	-	320,926
Other loans:		
- NEO Group	3,277	-
Interest payable	2,982	-
	86,165	517,444
Medium/long-term financial debt - Non-current		
Bank loans:		
- NEO Group	451,062	398,233
Loans from shareholders of group entities:		
- NEO Group	34,394	1,931,896
- EDP Renováveis, S.A.	862,817	
Other loans:		
- NEO Group	27,835	34,500
	1,376,108	2,364,629
	1,462,273	2,882,073

Financial debt - Current for EDP Renováveis, amounting to 862,817 thousands of Euros, refers to a set of loans granted by EDP Branch. These loans have an average maturity of 9.75 years and bear interest at a fixed rate of 4.413%.

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. As at 31 December 2008, these financings show a total amount of 478,904 thousands of Euros (476,334 thousands of Euros as at 31 December 2007), which are already included in the total debt of the Group.

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

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Bank loans:		
Up to 1 year	75 950	77,724
1 to 5 years	193 750	188,454
Over 5 years	257 312	244,279
	527,012	510,457
Loans from shareholders of group entities::		
Up to 1 year	3,956	439,720
1 to 5 years	34,394	1,003,041
Over 5 years	862,817	928,855
	901,167	2,371,616
Other loans:		
Up to 1 year	6 259	-
1 to 5 years	7 851	-
Over 5 years	19 984	-
	34,094	-
	1,462,273	2,882,073

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

	31 Dec 2008		31 Dec 2007	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term financial debt - Current	86,165	86,165	517,444	517,444
Medium/Long financial debt - Non current	1,376,108	1,414,824	2,364,629	2,424,153
	1,462,273	1,500,989	2,882,073	2,941,597

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 31 December 2008, the scheduled repayments of Group's debt are as follows:

	Total Euro'000	2009 Euro'000	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	Subsequent years Euro'000
Medium/long-term debt and borrowings	1,376,108	-	93,837	47,348	46,813	47,997	1,140,113
Short term debt and borrowings	86,165	86,165	-	-	-	-	-
	1,462,273	86,165	93,837	47,348	46,813	47,997	1,140,113

The breakdown of guarantees is presented in Note 36 to the annual accounts.

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

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Loans denominated in Euros	599,456	2,561,147
Loans denominated in USD	862,817	320,926
	1,462,273	2,882,073

31. Employee benefits

Employee benefits balance are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Provisions for social liabilities and benefits	780	834
Provisions for healthcare liabilities	382	377
	1,162	1,211

As at 31 December 2008 and 31 December 2007, the caption "Provisions for liabilities and social 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 amount.

Employee benefit plans

Some EDP Renováveis Group companies grant post-retirement benefits to employees, under defined benefit plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare care is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The existing plans are presented hereunder, with a brief description of each and of the companies covered by them, as well as of the economic and financial data:

I. Defined benefit pension plans

The EDP Renováveis Group companies in Portugal have a social benefits plan funded by a restricted Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement.

The following financial and actuarial assumptions were used to calculate the liability of the EDP Renováveis Group pension plans:

	Group	
	31 Dec 2008	31 Dec 2007
Assumptions		
Expected return of plan assets	6.00%	6.00%
Discount rate	5.75%	5.30%
Salary increase rate	3.70%	3.70%
Pension increase rate	2.90%	2.90%
Social Security salary appreciation	2.10%	2.10%
Inflation rate	2.20%	2.20%
Mortality table	TV 88/90	TV 88/90
Disability table	50.00%	50.00%
Expected % of eligible employees accepting early retirement	40.00%	40.00%

II. Pension Plans - Defined Contribution Type

NEO in Spain, has 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 case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Group	
	31 Dec 2008	31 Dec 2007
Assumptions		
Discount rate	5.75%	5.30%
Annual increase rate of medical service costs	4.00%	4.00%
Estimated administrative expenses per beneficiary per year (Euros)	150	150
Mortality table	TV 88/90	TV 88/90
Disability table	50.00%	50.00%
Expected % of subscription of early retirement by employees eligible	40	40

The Medical Plan liability is recognised in the Group's accounts through provisions that totally cover the liability.

32. Provisions

Provisions are analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Provision for legal, labour and other contingencies	278	12
Provision for customers guarantees	270	301
Dismantling and decommission provisions	47,311	20,280
Provision for other liabilities and charges	1,839	2,004
	49,698	22,597

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 n). The above amount includes 39,240 thousands of Euros for wind farms in the United States of America, 6,086 thousands of Euros for wind farms in Spain, 1,577 thousands of Euros for wind farms in Portugal and the remaining 408 thousands of Euros for wind farms in France.

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

As at 31 December 2008, the EDP Renováveis Group does not have any significant tax-related contingent liabilities or contingent assets related to unresolved disputes with the tax authorities.

The changes in the provisions for legal and labour matters and other contingencies were as follows:

	Group
	31 Dec 2008 Euro'000
Balance at the beginning of the year	12
Charge for the year	266
Balance at the end of the year	278

The movements in Provisions for customer guarantees under current operations are analysed as follows:

	Group
	31 Dec 2008 Euro'000
Balance at the beginning of the year	301
Charge for the year	250
Write back for the year	-281
Balance at the end of the year	270

The movements in Provisions for dismantling and decommission provisions are analysed as follows:

	Group
	31 Dec 2008 Euro'000
Balance at the beginning of the year	20,280
Capitalised amount for the year	26,490
Charge off for the year	-3,830
Unwinding	2,157
Other and exchange differences	2,214
Balance at the end of the year	47,311

The movements in Provision for other liabilities and charges are analysed as follows:

	Group
	31 Dec 2008 Euro'000
Balance at the beginning of the year	2,004
Write back for the year	-165
Balance at the end of the year	1,839

33. Trade and other payables

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Short-term trade and other payables - Current:		
Suppliers	78,141	20,168
Other operations with related parties	8,837	-
Property and equipment suppliers	424,920	287,066
Advances from customers	22	7,155
Derivative financial instruments (Hedging)	-	1,400
Deferred income	857	708
Amounts payable for the acquisition of the "RELAX" project	-	2,267
Variable remuneration to employees	19,662	5,730
Other supplies and services	68,821	38,224
Deposits received from customers and other debtors	-	7,215
Management fees	5,181	-
Other creditors and sundry operations	41,893	28,260
	648,334	398,193

	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Medium/long-term trade and other payables — Non-current:		
Property and equipment suppliers	131	-
Amounts payable for the acquisition of the "RELAX" project	46,279	46,735
Amounts payable for the acquisition of Greenwind	7,114	-
Government grants for investments in fixed assets	15,034	10,528
Electricity sale contracts - Horizon	119,655	125,735
Derivative financial instruments (Hedging)	77,022	-
Sucess fees payable for the acquisition of Romania companies	63,000	-
Liabilities arising from options with minority interests	258,925	264,893
Liabilities arising from institutional partnerships in US wind farms	1,096,668	733,273
Other creditors and sundry operations	11,559	1,889
	1,695,387	1,183,053

Derivative financial instruments (Hedging) - Non Current includes 65,478 thousands of Euros (on 31 December 2007 a debtor balance of 37,993 thousands of Euros) related to an hedge instrument of USD and Euros with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in Horizon, expressed in USD (see Note 35). In the Group accounts, EDP Renováveis Group has applied the net investment hedge model to state this transaction.

Electricity sales contracts - Horizon relates to the fair value of the contracts entered into by Horizon with its customers, determined under the Purchase Price Allocation (see note 6).

As referred in note 2b) the EDP Renováveis Group records written put options related with investments in subsidiaries held by minority interest 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. As at 31 December 2008 the liabilities arising from written put options with minority interests include the liability for the put option contracted in 2005 with Caja Madrid for a 20% interest in the Desa Group and the written put option contracted in 2007 with Caja Madrid for 20% of the Genesa Group and amount to 258,925 thousands of Euros. Also, as referred in note 16, the option conditions (both for Desa and Genesa) are as follows:

- The timeframe is from 1 January 2010 to 2011, inclusive.
- The contract is for the total shares in Neo Group companies held by Caja Madrid, 20% in Genesa Group and 20% in Desa Group.
- The strike price will be the market value determined by valuations from prestigious banks.

Liabilities arising from institutional partnerships in US wind farms, in the amount of 1,096,668 thousands of Euros, are analysed as follows:

	31 Dec 2008 Euro'000
Balance as of 1 January	733,273
Exchange rate differences	60,813
Proceeds from sale of partnership interests	319,986
Value of benefits provided	-226,380
Cash distributions	-219
Interest implied return	43,631
Subtotal subject to interest	931,104
Liability for residual interest	3,840
Non-current deferred revenue	161,724
Balance as of 31 December	1,096,668

The amount of Proceeds from sale of partnership interests is related with the projects Vento II (165,000 thousands of Euros) and Vento III (154,000 thousands of Euros).

Horizon's relationship with the institutional investors is established through a limited liability company operating agreement that apportions 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) and accelerated depreciation, largely to the investor.

The institutional investors purchase their partnership interests for an upfront cash payment. This payment is sized so that the investors, as of the date that they purchase their interest, anticipate earning an agreed targeted internal rate of return by the end of the ten year period over which PTC's 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, allocated taxable income or loss and cash distributions received.

Under these structures, all operating cash flow is allocated to Horizon until the earlier of a fixed date, or when the investors recover the amount of invested capital that remains after deducting the amount of the payment received from the institutional investors from the total amount previously invested. This "cash flip" is expected to occur approximately seven to eight years from the initial closing date. Thereafter, all operating cash flow is allocated to the institutional investors until they receive the targeted internal rate of return (the "Flip Date").

Prior to the Flip Date, a significant part of the tax income and benefits generated by the partnerships are allocated to the institutional investor, with any remaining benefits allocated to Horizon.

After the Flip Date, the institutional investor retains a small minority interest for the duration of its membership in the structure. Horizon also has an option to purchase the institutional investor's residual interests at fair market value on the Flip Date.

As of 31 December 2008, Horizon had the following institutional equity partnerships:

Structure	Wind Farm	Date Created	Cash Interest Ownership
Blue Canyon I	Blue Canyon I	Dec. 2003	25%
2007 Vento I	Maple Ridge I[1] Maple Ridge II[1] Madison Blue Canyon II Mesquite High Trail	July 2007	100%
2007 Vento II	Twin Groves II Elkhorn Valley Prairie Star Lone Star II	December 2007	100%
2008 Vento III[3]	Pioneer Prairie I Rattlesnake Meridian Way	December 2008	100%

[1] Horizon's 50% interest

[2] Post Oak contributed in 2008 upon completion of construction

[3] Pioneer Prairie II is anticipated to be contributed in the first quarter of 2009 in exchange for additional investment. At December 31, 2008, Horizon had retained 50% of the Vento III shares available for institutional investors.

Horizon records the proceeds received from the sale of the investment interests in the partnerships as a non-current liability. This liability is reduced by the value of tax attributes provided and cash distributions made to the institutional investors during the period. The value of the tax attributes delivered is recorded as non-current deferred income and is reclassified to income and is recognized pro rata over the 20 year useful life of the underlying projects.

The liability to the institutional investors is increased by an interest accrual that is a function of the outstanding liability balance and the targeted internal rate of return.

At the Flip Date, the institutional investors will be granted a 5% ownership interest in the partnerships. Horizon has the right to purchase the institutional investors' interests in the project for the then fair value of those interests.

34. Tax payable

This balance is analysed as follows:

	Group	
	31 Dec 2008 Euro'000	**31 Dec 2007 Euro'000**
State and other public entities:		
- Income tax	18,153	6,940
- Withholding tax	19,832	3,650
- Value added tax (VAT)	6,380	2,564
- Other taxes	1,896	491
	46,261	13,645

35. Derivative financial instruments

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

The fair value of the derivatives portfolio as at 31 December 2008 and 31 December 2007 is as follows:

	Group	
	31 Dec 2008 Euro'000	**31 Dec 2007 Euro'000**
Net investment hedge		
Currency swaps	-65,478	37,994
Cash flow hedge		
Currency swaps	-	7,189
Power price swaps	7,807	-
Interest rate swaps	-10,481	4,445
Currency forwards	1,527	-
Options purchase and sold	-961	33
	-67,586	49,661

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

The fair value hedge derivatives are related to the Group CIRS in USD and EUR with EDP Branch as referred in the notes 37 and 38. The fair value is based on internal valuation models, as describes in note 38.

Cash flow hedge currency swaps are related to exchange rate risk in Neólica Polska, derived from the supplying contracts defined in Euros, for which will be necessary financings in Polish Zlotis.

Cash flow hedge power price swaps are related to the hedging of the sales price. Horizon has entered into a power price swap to hedge the variability in the spot market prices received for a portion of the production of Maple Ridge I project and NEO for the production of some of its wind farms.

Interest rate swaps are related to the project finances and intend to convert variable to fixed interest rates .

Fair value of cash flow hedge derivatives is based on quotes indicated by external entities (investment banks). These entities use discount cash flows techniques usually accepted and data from public markets.

During 2008, the changes in the fair value of hedging instruments and risks being hedged are as follows:

			31 Dec 2008 Changes in fair value	
Type of hedge	**Hedging instrument**	**Hedged item**	**Instrument Euro'000**	**Risk Euro'000**
- Net Investment hedge	Interest and exchange rate swap	Subsidiary accounts denominated in USD	-103,472	103,314
- Cashflow hedge	Interest rate swap	Interest rate	-14,926	-
- Cashflow hedge	Interest rate caps and floors	Interest rate	-994	-
- Cashflow hedge	Power price swap	Power price	7,807	-
- Cashflow hedge	Exchange rate forward	Exchange rate	1,527	-
- Cashflow hedge	Exchange rate swap	Exchange rate	-7,189	-
			-117,247	103,314

During 2008, the movements in cash flow hedge reserve have been as follows:

	2008 Euro'000
Balance at the beginning of the year	12,598
Fair value changes	
Interest rate swaps	-14,926
Interest rate caps and floors	-994
Power price swaps	7,807
Exchange rate forward	1,527
Exchange rate swaps	-7,189
Fair value changes reflected in income statement before the hedge designation of the Power price swap in Horizon	5,266
Settlements of exchange rate swaps waiting for the hedge item to hit P&L	12,020
Transfers to results	-935
Minority interests included in fair value changes	1,351
Balance at the end of the year	16,526

The gains and losses on the financial instruments portfolio booked in the income statement in 2008 are as follows:

	Dez 2008 Euro'000
Net investment hedge - inefectiveness	-158
Cash-flow hedge	
Fair value changes reflected in income statement before the hedge designation of the Power price swap in Horizon	-5,266
Transfers to results	935
Settlements of interest rate derivatives directly reflected in P&L	518
	-3,971

As of 31 December 2008, the maturity of derivatives associated to financing operations, is analysed as follows:

	Group			
	Up to 1 year Euro'000	**1 year to 5 years Euro'000**	**More than 5 years Euro'000**	**Total Euro'000**
Net investment hedge				
Currency swaps	-	-	1,826,174	1,826,174
	-	-	1,826,174	1,826,174
Cash Flow Hedge:				
Interest rate swaps	4,815	36,359	303,573	344,747
Currency forwards	99,463	-	-	99,463
Options purchase and sold	464	59,383	6,199	66,046
	104,742	95,742	2,135,946	2,336,430

As of 31 December 2007, the maturity of derivatives associated to financing operations, is analysed as follows:

	Group			
	Up to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Net investment hedge				
Currency swaps	-	-	1,826,174	1,826,174
	-	-	1,826,174	1,826,174
Exchange rate contracts:				
Currency swaps	93,039	-	-	93,039
Interest rate swaps	58,744	130,029	146,530	335,303
Options purchase and sold	16,450	65,711	2,627	84,788
	168,233	195,740	1,975,331	2,339,304

The effective interest rates for derivative financial instruments associated with financing operations during 2008, were as follows:

	Group		
	Currency	EDP Renováveis Pays	EDP Renováveis Receives
Interest rate contracts:			
Interest rate swaps	EUR	[3.00% - 5.10%]	[3.00% - 5.14%]
	Notional value Euro'000	Group	
Interest rate contracts:			
Options purchased on interest rates (CAP purchases)	37,425	[5.75% - 3.89%]	
Options sold on interest rates (Floor sale)	28,611	[4.27% - 3.06%]	

The effective interest rates for derivative financial instruments associated with financing operations during 2007, were as follows:

	Group			
	Currency	EDP Renováveis Pays	EDP Renováveis Receives	
Interest rate contracts:				
Interest rate swaps	EUR	[3.00% - 5.15%]	[3.85% - 4.95%]	
	Notional value Euro'000	Group	Company Dec 2008	
Interest rate contracts:				
Options purchased on interest rates (CAP purchases)	48,921	[5.75% - 4.00%]	-	-
Options sold on interest rates (Floor sale)	35,867	[4.27% - 3.12%]	-	-

36. Commitments

As at 31 December 2008 and 31 December 2007, the financial commitments not included in the balance sheet in respect of financial and real guarantees provided, are analysed as follows:

Type	Group	
	31 Dec 2008 Euro'000	31 Dec 2007 Euro'000
Guarantees of a financial nature		
- NEO Energia Group	6,341	26,306
- Horizon Wind Energy Group	3,233	3,057
	9,574	29,363
Guarantees of an operational nature		
- NEO Energia Group	401,647	40,034
- Horizon Wind Energy Group	907,363	542,564
	1,309,010	582,598
Total	1,318,584	611,961
Real guarantees	719	3,458

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

	31 Dec 2008				
	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)	1,966,109	153,302	219,729	208,100	1,384,978
Operating lease rents not yet due	485,485	28,774	59,248	54,858	342,606
Purchase obligations	1,856,876	1,311,393	347,409	172,068	26,005
	4,308,470	1,493,469	626,386	435,026	1,753,589

	31 Dec 2007				
	Debt capital by period				
	Total Euro'000	Up to 1 year Euro'000	1 to 3 years Euro'000	3 to 5 years Euro'000	More than 5 years Euro'000
Financial debt (including interests)	3,013,510	528,071	455,871	443,342	1,586,226
Operating lease rents not yet due	325,731	16,975	42,208	26,835	239,713
Purchase obligations	2,487,874	1,204,679	1,277,789	518	4,888
	5,827,115	1,749,725	1,775,868	470,695	1,830,827

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.

The Group has purchase commitments for the acquisition of property, plant and equipment and for maintenance contracts obligations amounting to 1.996.621 thousands of Euros related to the acquisition of wind turbines for projects currently in the construction and development stages, which have been contracted with different suppliers of this type of installations. The breakdown per years is as follows:

	NEO 31 Dec 2008 Euro'000	Horizon 31 Dec 2008 Euro'000	Group 31 Dec 2008 Euro'000	NEO 31 Dec 2007 Euro'000	Horizon 31 Dec 2007 Euro'000	Group 31 Dec 2007 Euro'000
Up to 1 year	900,112	407,723	1,307,835	744,147	422,515	1,166,662
1 to 5 years	333,366	213,252	546,619	311,404	957,671	1,269,075
Over 5 years	26,005	116,162	142,167	4,888	-	4,888
	1,259,483	737,138	1,996,621	1,060,439	1,380,186	2,440,625

As at 31 December 2008 the Group has the following contingent liabilities/rights related with call and put options on investments:

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

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

- EDP Renováveis, through its subsidiary Veinco Energía Limpia, S.L., holds a call option over Jorge, S.L. for 8.5% of interest held by Jorge, S.L. on company "Apineli Aplicaciones industriales de energías limpias, SL". The price of exercising these options is 900 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 NEO, holds a call option over Copcisa for all the shares held by Copcisa on company "Neo Cataluña" (49% of share capital) (see note 16).

- EDP Renováveis, through its subsidiary NEO, holds a call option over Renovatio Group Limited for the interests held by Renovatio Group Limites on companies "Renovatio" and "Cernadova" (see note 16).

37. Related parties

Main shareholders and shares held by company officers:

EDP Renováveis, S.A..'s shareholder structure as at 31 December 2008 is analysed as follows:

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

The number of shares held by company officers as at 31 December 2008 are as follows:

	2008 N.º of shares
Executive Board of Directors	
Antonio Luis Guerra Nunes Mexía	4,200
Ana Mª Machado Fernandes	1,510
Joao Manuel Manso Neto	-
Nuno María Pestana de Almeida Alves	5,000
Antonio Fernando Melo Martins da Costa	1,480
Francisco José Queiroz de Barros de Lacerda	620
Joao Manuel de Mello Franco	380
Jorge Manuel Azevedo Henriques dos Santos	200
José Silva Lopes	760
José Fernando Maia de Araujo e Silva	80
Rafael Caldeira de Castel-Branco Valverde	-
Antonio do Pranto Nogueira Leite	-
Joao José Belard da Fonseca Lopes Raimundo	840
Daniel M. Kammen	-
Manuel Menéndez Menéndez	-
	15,070

The members of Board of Directors of EDP Renováveis has not comunicated and the parent company do not have knowledge of any conflict of interests included in the article 127.º, 4.º of "Ley de Sociedades Anónimas".

The board members of parent company, complying with the article 127.º, 4.º of the "Ley de Sociedades Anónimas", declared that do not have exercised positions of responsability in companies with the same, similar or complementar activity of EDP Renováveis Group parent company, and they do not have realized by their own or to third entities any activity in companies with the same, similar or complementar activity of EDP Renováveis Group parent company, with the following exceptions (includes information about external and Group EDP entities):

Name of Board member	Company	Position
Antônio Luis Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Chairman of Board of Directors
	Energias do Brasil, S.A.	Chairman of Board of Directors
	EDP Energias de Portugal, S.A. Sucursal en España	Representative
	EDP Finance BV	Representative
Ana Maria Machado Fernandes	EDP - Energias de Portugal, S.A.	Board of Directors member
	Energias do Brasil, S.A.	Board of Directors member
	Nuevas Energías de Occidente, S.L.	Chairman of Board of Directors
	Horizon Wind Energy, LLC	Board of Directors member
	EDP Energias de Portugal, S.A. Sucursal en España	Representative
	EDP Finance BV	Representative
	Hidroeléctrica del Cantábrico, S.A.	Board of Directors member
	ENEOP - Eólicas de Portugal, S.A.	Chairman of Board of Directors
Antônio Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	Board of Directors member

Name of Board member	Company	Position
Nuno Maria Pestana de Almeida Alves	Balwerk - Consultadoria Económica e Participações, S.U., Lda.	Manager
	Electricidade de Portugal Finance Company Ireland, Lt.	Director
	EDP - Energias de Portugal, S.A.	Board of Directors member and CFO
	EDP - Investimentos, Gestão de Participações e Assistência Técnica, Lda.	Board of Directors member
	Energias do Brasil, S.A.	Board of Directors member
	EDP Imobiliária e Participações, S.A.	Chairman of Board of Directors
	EDP Valor - Gestão Integrada de Serviços S.A.	Chairman of Board of Directors
	Energia RE, S.A.	Chairman of Board of Directors
	EDP Finance BV	Representative
	EDP Renováveis, S.A.	Board of Directors member
	Horizon Wind Energy, LLC	Board of Directors member
	MRH Mudança e Recursos Humanos, S.A.	Chairman of Board of Directors
	EDP Estudos e Consultoria, S.A.	Chairman of Board of Directors
	EDP Gás III, SGPS., S.A.	Board of Directors member
	EDP Investimentos, S.G.P.S., S.A.	Board of Directors member
Manuel Menéndez Menéndez	Naturgás Energía Grupo, S.A.	Chairman of Board of Directors
	Nuevas Energías de Eccidente, S.L.	Board of Directors member
	Hidroeléctrica del Cantábrico, S.A.	Chairman of Board of Directors
	Enagás, S.A.	Representative of an entity in the Board of Directors
João Manuel Manso Neto	Naturgás Energía Grupo, S.A.	Vice-Chairman of Board of Directors
	Eléctrica de la Ribera del Ebro, S.A.	Chairman of Board of Directors
	Hidrocantábrico Energía, S.A.U.	Chairman of Board of Directors
	Hidrocantábrico Gestión de Energía, S.A.U.	Board of Directos sole member
	EDP - Energias de Portugal, S.A.	Board of Directors member
	EDP - Gestão da Produção de Energia, S.A.	Chairman of Board of Directors
	EDP Gás, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás II, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás III, S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Investimentos S.G.P.S., S.A.	Chairman of Board of Directors
	EDP Gás GPL - Comércio de Petróleo Liquefeito, S.A.	Chairman of Board of Directors
	EDP Finance, B.V.	Representative
	Hidroeléctrica del Cantábrico, S.A.	Vice-Chairman of Board of Directors and General Manager

Name of Board member	Company	Position
João Manuel Manso Neto	EDP Energías de Portugal, S.A. Sucursal en España	Representative
	Operador del Mercado Ibérico de Energia - Pólo Español, S.A.	Chairman of Board of Directors
António do Pranto Nogueira Leite	EFACEC Capital, SGPS, S.A.	Board of Directors member
João José Belard da Fonseca Lopes Raimundo	Fomentivest, SGPS, S.A.	Board of Directors member

Additionally the board members have comunicated that do not own any interest in the share capital of other company with the same, similar or complementar activity of EDP Renováveis Group, with the following exceptions:

Name of Board member	Company	Number of shares
António Luis Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	1,000
João Manuel Manso Neto	EDP - Energias de Portugal, S.A.	1,268
João José Belard da Fonseca Lopes Raimundo	REN - Redes Energéticas Nacionais, SGPS, S.A.	150
Jorge Manuel Azevedo Henriques dos Santos	EDP - Energias de Portugal, S.A.	2,379
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	40

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration attributed to the members of the Executive Board of Directors (EBD) 2008 was as follows:

	EBD Euros
CEO	235,200
Members	277,083
	512,283

The remuneration of the CEO of Board of Directors for the year 2008 has been liquidated by EDP Energias de Portugal, S.A.. This amount will be liquidated through the management fees agreement signed by both companies.

The remuneration of the Key Management of EDP Renováveis Group for the year 2008 has been 8,307 thousands of Euros.

Balances and transactions with related parties

As at 31 December 2008, 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.	6,684	10,965	(4,281)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	24,416	931,140	(906,724)
Group EDP companies	120,943	2,000	118,943
Hidrocantábrico Group companies	21,464	6,154	15,310
Associated companies	14,018	-	14,018
Jointly controlled entities	8,344	840	7,504
Other	-	185	(185)
	195,869	951,284	(755,415)

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Branch in the amounts of 862,817 thousands of Euros.

As at 31 December 2007, 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.	60,732	2,312,098	(2,251,366)
Group EDP companies	6	1,187	(1,181)
Hidrocantábrico Group companies	8,347	2,646	5,701
Associates	7,751	2,228	5,523
Jointly controlled entities	12,441	2,740	9,701
Other	-	10,691	(10,691)
	89,277	2,331,590	(2,242,313)

Transactions with related parties for the year ended 31 December 2008, 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.	3,905	340	(3,327)	(1,257)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	26,791	(2,880)	(55,309)
Hidrocantábrico Group companies	93,118	-	(4,290)	(525)
Group EDP companies	96,968	8,755	(3,973)	-
Associated companies	1,239	198	(24)	-
Jointly controlled entities	707	471	-	-
Other	-	-	-	-
	195,937	36,555	(14,494)	(57,091)

Transactions with related parties for the period ended 31 December 2007, 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.	-	548	(3,288)	(6,787)
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	(53)	(6,180)
Group EDP companies	69,872	-	(3,774)	(69,539)
Hidrocantábrico Group companies	8,036	541	(3,723)	(145)
Associates	2,731	90	(28)	-
Jointly controlled entities	24,066	(305)	-	1,244
Other	-	-	-	-
	104,705	874	(10,866)	(81,407)

Additionally to the liabilities related to existing put options between NEO and Caja Madrid, of 270,964 thousand of Euros, which are stated in the caption Trade and other payables (see Note 33), NEO holds loans with Caja Madrid of approximately 104,667 thousand of Euros. These loans bear interest at market rates.

With the purpose of hedging the foreign exchange risk existing in the company and Group accounts of EDP Renováveis and in the company accounts of EDP Branch, the EDP Group settled a CIRS in USD and Euros between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in Horizon and of the USD external financing). As at 31 December 2008, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 65,478 thousands of Euros (see note 33).

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 31 December 2008, EDP, S.A. and Hidrocantábrico granted financial (61,654 thousands of Euros) and operational (765,510 thousands of Euros) guarantees to suppliers in favour of NEO and Horizon. The operational guarantees are issued following the commitments assumed by NEO and Horizon in relation to the acquisition of property, plant and equipment, namely turbines (see note 36).

38. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on quoted market prices. Otherwise, fair value is determined through internal models, which are based on generally accepted cash flow discounting techniques and option valuation models or through quotations supplied by third parties.

Non-standard instruments may require alternative techniques, which consider their characteristics and the generally accepted market practices applicable to such instruments. These models are developed considering the market variables that affect the underlying instrument, namely yield curves, exchange rates and volatility factors.

Market data is obtained from generally accepted suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2008 and 31 December 2007, the following table presents the interest rate curves of the major currencies to which the Group is exposed. These interest rates were used as the base for the fair value calculations made through internal models referred above:

	31 Dec 2008 Currencies		31 Dec 2007 Currencies	
	EUR	USD	EUR	USD
7 days	2.39%	0.40%	4.14%	4.49%
1 month	2.60%	0.45%	4.29%	4.60%
2 months	2.79%	1.12%	4.49%	4.65%
3 months	2.89%	1.44%	4.68%	4.70%
6 months	2.97%	1.78%	4.71%	4.60%
9 months	3.02%	1.92%	4.73%	4.38%
1 year	3.05%	2.03%	4.75%	4.22%
2 years	2.76%	1.48%	4.56%	3.81%
3 years	2.91%	1.82%	4.53%	3.91%
5 years	3.71%	2.11%	4.56%	4.18%
7 years	3.93%	2.36%	4.61%	4.42%
10 years	3.74%	2.57%	4.72%	4.67%
15 years	3.92%	2.84%	4.86%	4.89%
20 years	3.88%	2.82%	4.91%	4.98%
30 years	3.57%	4.26%	4.89%	5.03%
30 years	3.57%	4.26%	4.89%	5.03%

Non-listed equity instruments, for which a reliable and consistent fair value estimate is not available either by internal models or external providers, are recognized at their historical cost.

Available for sale financial instruments and financial assets at fair value through profit or loss

Listed financial instruments are recognized at fair value based on market prices. The financial instruments for which reliable fair value estimates are not available, are recorded in the balance sheet at their historical costs (note 19).

Cash and cash equivalents, trade receivables and suppliers

These financial instruments include mainly short term financial assets and liabilities. Given their short term nature at the reporting date, their book values are not significantly different from their fair values.

Financial debt

The fair value of the financial debt is estimated through internal models, which are based on generally accepted cash flow discounting techniques. At the reporting date, the carrying amount of floating rate loans is approximately their fair value. In case of fixed rate loans, mainly the intercompany loans granted by EDP Group, their fair value is obtained through internal models based on generally accepted discounting techniques. The discount rates and forward interest rates were based on the market interest rate curves and on the exchange rates disclosed on note 28.

Derivative financial instruments

All derivatives are accounted at their fair value. For those which are quoted in organized markets, the respective market price is used. For over-the-counter derivatives, fair value is estimated through the use of internal models based on cash flow discounting techniques and option valuation models generally accepted by the market, or by dealer price quotations.

CIRS with EDP Branch (note 37)

With the purpose of hedging the foreign exchange risk resulting from the net investment in Horizon, the Group entered into a CIRS in USD and EUR with EDP Branch. This financial derivative is presented on the balance sheet at its fair value, which is estimated by discounting the projected USD and EUR cash flows. The discount rates and forward interest rates were based on the interest rate curves referred to above and the USD/EUR exchange rate is disclosed on note 28. See also notes 12, 23 and 27.

The fair values of assets and liabilities as at 31 December 2008 is analysed as follows:

	31 Dec 2008 Group		
	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000
Financial assets			
Available for sale investments	12,501	12,501	-
Trade receivables	82,598	82,598	-
Derivative financial instruments	3,355	3,355	-
Financial assets at fair value through profit or loss	35,774	35,774	-
Cash and cash equivalents (assets)	229,680	229,680	-
	363,908	363,908	-
Financial liabilities			
Financial debt	1,462,273	1,500,989	38,716
Suppliers	503,192	503,192	-
Derivative financial instruments	-	-	-
	1,965,465	2,004,181	38,716

The fair values of assets and liabilities as at 31 December 2007 is analysed as follows:

	31 Dec 2007 Group		
	Carrying amount Euro'000	Fair value Euro'000	Difference Euro'000
Financial assets			
Available for sale investments	7,951	7,951	-
Trade receivables	60,885	60,885	-
Derivative financial instruments	51,061	51,061	-
Financial assets at fair value through profit or loss	44,839	44,839	-
Cash and cash equivalents (assets)	388,492	388,492	-
	553,228	553,228	-
Financial liabilities			
Financial debt	2,882,073	2,941,597	59,524
Suppliers	307,234	307,234	-
Derivative financial instruments	1,400	1,400	-
	3,190,707	3,250,231	59,524

39. Relevant subsequent events

American Recovery and Reinvestment Act - Tax and policies to benefit the development of wind energy generation

On 17 February 2009, EDP Renováveis has announced the signature of the American Recovery and Reinvestment Act of 2009, which includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension, this ITC allows the companies to receive 30% of the cash invested in projects placed in service or with begin of construction during 2009 and 2010.

Acquistion of CENAEEL - Central Nacional de Energia Eólica, S.A.

On February 2009, EDP Renováveis through its subsidiary EDP Renováveis Brasil has obtained the approval to close the acquisition of 100% of CENAEEL — Central Nacional da Energia Eólica S.A. share capital for approximately 15,000 thousands of Euros (enterprise value) made on 11 June 2008. This company has 14 MW already in operation and 70 MW categorized as "Prospects".

40. Recent accounting standards and interpretations used

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below:

IAS 1 (Amended) - Presentation of financial statements

The International Accounting Standards Board (IASB) issued in September 2007, the Amended IAS 1 - Presentation of Financial Statements with effective date of mandatory application in 1 January 2009, being allowed its anticipated adoption. The approval by European Commission is being analysed by European Financial Reporting Advisory Group - EFRAG.

The Amended IAS 1 establishes the following changes:

- Balance sheet presentation its required for the current and comparative period. According to Amended IAS1, a balance sheet should also be presented for the beginning of the comparative period, when an entity re-expresses the comparatives as a consequence of an accounting policy change, an error adjustment or a reclassification of an item in the financial statements. In these cases, three balance sheets would be presented, compared to the two already required.

- With the changes required by this standard financial statements users can easily distinguish changes in Group equity related to transactions with shareholders (ex. dividends, own shares) and transactions with third parties, these being summarized in the comprehensive income statement.

The Group is evaluating the impact of adopting these changes.

IAS 23 (Amended) - Borrowing costs

The International Accounting Board (IASB) issued in March 2007, the Amended IAS 23 - Borrowing Costs, with effective date of mandatory application of 1 January 2009, being allowed its anticipated adoption.

This standard defines that borrowing costs obtained, directly attributable to acquisition cost, construction or production of an asset (elegible asset) are included in its cost. Therefore, the option to recognise these costs directly in the profit or loss its eliminated.

The Group presently states borrowing costs in the accounts according to alternative criteria allowed by the present version of IAS 23, therefere no significant impact is expected.

IAS 32 (Amended) — Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation

The International Accounting Board (IASB) issued in February 2008, the reviewed IAS 32 - Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation, with effective date of mandatory application on 1 January 2009.

Under the current requirements of IAS 32, if an issuer can be required to pay cash or another financial asset in return for redeeming or repurchasing a financial instrument, the instrument is classified as a financial liability. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the last residual interest in the net assets of the entity.

IAS 1 has been also Amended to add a new deemed financial instrument presentation requirement and obligations resulting from the liquidation.

The Group is evaluating the impact of adopting these changes. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

IAS 39 (Amended) - Financial Instruments: Recognition and measurement — Eligible hedged items

The International Accounting Standards Board (IASB) has issued an amendment to IAS 39 Financial Instruments: Recognition and measurement — Eligible hedged items, which is applicable from 1 July, 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows can be designated as a hedged item.

The Group is evaluating the impact of adopting this amendment.

IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements

The changes to the IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective from 1 January 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts, to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

The Group does not expect any material impact from the adoption of this amendment.

IFRS 2 (Amended) - Share-based payment: Acquisition conditions

The International Accounting Standards Board (IASB) issued on January 2008, the Amended IFRS 2 - Share-based payment - Acquisition conditions, with effective date of mandatory application on 1 January 2009, being allowed its anticipated adoption.

This change to IFRS 2 allows to clarify that (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any cancellation of such programs, by the entity or third parties, has the same accounting treatment.

The Group does not expect any material impact from the adoption of this standard.

IFRS 3 (Amended) - Business Combinations and IAS 27 (Amended) - Consolidate and Separate Financial Statements

The International Accounting Standards Board (IASB) issued in January 2008, the reviewed IFRS 3 - Business Combinations and also the Amended IAS 27 - Consolidate and Separate Financial Statements, with effective date of mandatory application of 1 July 2009, being allowed the anticipated adoption. The endorsement by European Commission is expected to occur during the second quarter of 2009. The main impacts of these changes are:

(i) partial acquisitions, whereby non-controlling interests (previously named minority interests) can be measured either at fair value (implying full goodwill recognition against non-controlling interests) or at their proportionate interest in the fair value of the net identifiable assets acquired (which is the original IFRS 3 requirement);
(ii) under step acquisitions whereby, upon acquisition of a subsidiary and in determining the resulting goodwill, any investment in the business held before the acquisition is measured at fair value against the income statement;
(iii) acquisition-related costs, which must generally, be recognised as expenses (rather than included in goodwill);
(iv) contingent consideration which must be recognised and measured at fair value at the acquisition date, subsequent changes in fair value being recognised in profit or loss (rather than by adjusting goodwill);
(v) changes in a parent's ownership interest in a subsidiary that do not result in the loss of control which are required to be accounted for as equity transactions.

Additionally, IAS 27 was amended to require that an entity attributes a share of the accumulated loss of a subsidiary to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance, and to specify that, upon losing control of a subsidiary, an entity measures any non-controlling interest retained in the former subsidiary at its fair value, determined at the date the control is lost.

The Group is evaluating the impact of adopting these changes. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

IFRS 8 — Operating Segments

The International Accounting Standards Board (IASB) issued on 30 November 2008, the IFRS 8 - Operating Segments, approved by European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments and also about services and products, geographical areas where the entity operates and the most significant customers. This standard specifies how an entity should disclose its information in the annual financial statements and, as a consequential amendment to IAS 34 Interim Financial Reporting, regarding the information to be disclosed in the interim financial reporting. Each entity should also provide a description of the segmental information disclosed namely profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

The Group is evaluating the impact of adopting this standard. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

IFRIC 12 Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007, the IFRIC 12 - Service Concession Arrangements, with effective date of mandatory application on 1 January 2008, being allowed its anticipated adoption. The endorsement by European Commission is expected to occur during the first quarter of 2009.

IFRIC 12 applies to public-to-private service concession arrangementss. This interpretation will be applicable only when a) the grantor controls or regulates what services the operator must provide and b) the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The impact from the adoption of this interpretation is not material.

IFRIC 13 Customer Loyalty Programmes

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007, the IFRIC 13 - Customer Loyalty Programmes, with effective date of mandatory application on 1 July 2008, being allowed its anticipated adoption.

This interpretation addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

The Group does not expect any material impact from the adoption of this interpretation.

IFRIC 15 - Agreements for the construction of Real Estate

The International Accounting Board (IASB) issued in July 2008, the IFRIC 15 - Agreements for the construction of Real Estate, with effective date of mandatory application on 1 January 2009 and is to be applied retrospectively.

This interpretation defines the accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, before construction is complete.

The Group does not expect any material impact from the adoption of this interpretation.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The International Accounting Board (IASB) issued in July 2008, the IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, with effective date of mandatory application for annual periods commencing on or after 1 October 2008.

This interpretation applies to na entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordande with IAS 39 - Financial Instruments - Recognition and Measurement.

IFRIC 16 provides guidance to (i) identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation, (ii) where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting and (iii) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

The Group is evaluating the impact of adopting this interpretation. Therefore, at this date, it is not possible to determine the impact of the adoption in the financial statements.

IFRIC 17 - Distributions of Non-cash Assets to Owners

The International Accounting Board (IASB) issued in November 2008, the IFRIC 17 - Distributions of Non-cash Assets to Owners, with effective date of mandatory application for annual periods commencing on or after 1 July 2009, and earlier application is permitted.

This interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, (ii) na entity should measure the dividend payable at the fair value of the net assets to be distributed and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Group does not expect any material impact from the adoption of this interpretation.

IFRIC 18 - Transfers of Assets from Customers

The International Accounting Board (IASB) issued in January 2009, the IFRIC 18 - Transfers of Assets from Customers, with effective date of prospectively mandatory application to transfers of assets from customers received on or after 1 July 2009, with earlier application permitted, when valuations and other information needed to apply the interpretation is provided for past transfers.

This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing acces to supply of goods or services.

The Group does not expect any material impact from the adoption of this interpretation.

Annual Improvement Project

In May, 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority will be mandatory for the Group in 2009. The Group is evaluating the impact of these changes.

41. Environment issues

Expenses of environmental nature are the expenses that were identified and incurred to avoid, reduce or repair damages of an environmental nature that result from the Group's normal activity.

These expenses are booked in the income statement of the year, except if they qualify to be recognised as an asset, as according to IAS 16.

During the period, the environmental expenses recognised in the income statement refer to costs with the environmental management plan are analysed as follows:

	Group 31 Dec 2008 Euro'000	Group 31 Dec 2007 Euro'000
Environmental monitoring plan	783	431
	783	431

As referred in accounting policy 2n, the Group has established provisions for dismantling and decommissioning of property, plant and equipment when a legal or contractual obligation exists to dismantle and decommission those assets at the end of their useful lifes. Consequently, the Group has booked provisions for property, plant and equipment related to electricity wind generation for the responsibilities of restoring sites and land to its original condition, in the amount of 47,311 thousands of Euros as at 31 December 2008 (20,280 thousands of Euros on 31 December 2007) (see note 32).

42. Assets held for sale

Assets held for sale, in the amount of 985 thousands of Euros, relates to land, acquired with the express purpose of a future sale. This land belongs to the subsidiary Horizon and is integrated in the United States geographical segment.

43. Segmental reporting

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.

44. Audit and non audit fees

KPMG has audited the consolidated annual accounts of EDP Renováveis Group for 2008. This company and the other related entities and persons in accordance with Law 19/188 of 12 July, have invoiced for the year ended in 31 December 2008, fees and expenses for professional services, acording to the following detail:

	Spain 31 Dec 2008 Euro'000	Other 31 Dec 2008 Euro'000
Audit services	636	771
Audit related services	449	1,502
Other services	46	-
	1,131	2,273

Operating Segment Information for the years ended 31 December 2008

(Thousands of Euros)

	WIND ENERGY OPERATIONS						
	Portugal	Spain	France	Rest of Europe	U.S.A.	Other and adjustments	EDP Renováveis Group
Revenue	98,102	265,302	16,832	29	131,813	20,351	532,429
Cost of consumed electricity	-222	-265	-	-	-506	-	-993
Cost of consumed gas	-	-	-	-	-	-	-
Changes in inventories and cost of raw materials and consumables used	43	-178	225	-57	-	-11,284	-11,251
	97,923	264,859	17,057	-28	131,307	9,067	520,185
				-			
Other operation income / (expenses):				-			
Other operating income	734	1,935	1,751	28	84,601	475	89,524
Supplies and services	-12,430	-31,671	-4,257	-2,554	-45,381	-10,654	-106,947
Personnel costs	-3,796	-751	-702	2,032	-17,099	-16,695	-37,011
Employee benefits expenses	-11	-	-	-	-929	-150	-1,090
Other operating expenses	-6,082	-4,554	-1,968	-424	-14,033	277	-26,784
	-21,585	-35,041	-5,176	-918	7,159	-26,747	-82,308
	76,338	229,818	11,881	-946	138,466	-17,680	437,877
Provisions	166	-	-	-	-	640	806
Depreciation and amortisation expense	-25,940	-64,296	-6,755	-53	-87,687	-23,033	-207,764
Amortisation of deferred income on partially funded properties received under concessions	540	154	-	-	-	2	696
	51,104	165,676	5,126	-999	50,779	-40,071	231,615
Gains / (losses) from the sale of financial assets	-	549	-	-	-	1,814	2,363
Other financial income	9,139	34,859	310	1,087	3,190	222,316	270,901
Other financial expenses	-28,419	-68,058	-10,250	-2,661	-45,595	-193,137	-348,120
Share of profit of associates	-	610	-	-	-6	3,834	4,438
Profit before tax	31,824	133,636	-4,814	-2,573	8,368	-5,244	161,197
Income tax expense	-8,038	-36,005	-617	-	-	-4,319	-48,979
Profit after tax but before gains / (losses) on discontinued operations	23,786	97,631	-5,430	-2,573	8,368	-9,564	112,218
Profit (loss) for the period	**23,786**	**97,631**	**-5,430**	**-2,573**	**8,368**	**-9,564**	**112,218**
				-			
Attributable to:				**-**			
Equity holders of the parent company	23,786	97,632	-5,430	-2,573	8,370	-17,421	104,364
Minority interest	-	-	-	-	-	7,854	7,854
Profit (loss) for the period	**23,786**	**97,632**	**-5,430**	**-2,573**	**8,370**	**-9,567**	**112,218**
Other information:							
Property, plant and equipment	498,264	1,436,448	218,912	59,919	3,478,077	1,361,163	7,052,783
Intangible assets	6,760	-	-	161	12,459	3,028	22,408
Total Current Assets	67,208	358,423	36,555	17,754	126,338	126,042	732,320
Total Equity	74,848	381,175	6,434	22,409	2,786,532	1,918,712	5,190,110
Total Current Liabilities	68,281	326,955	63,474	35,226	175,002	111,822	780,760

Operating Segment Information for the period from December 4 to December 31, 2007

(Thousands of Euros)

	Renewable Production			
	Europe	E.U.A.	Other Operations	EDP Renováveis Group
Turnover	10,689	3,674	-	14,363
Cost of Consumed Electricty	-11	-147	-	-158
Changes in inventories and cost of raw materials and consumables used	-501	-	-	-501
	10,177	3,527	-	13,704
Other operating income / (expenses)				
Other operating income	805	944	-	1,749
Supplies and services	-2,027	-833	-67	-2,927
Personnel costs	-372	-627	-	-999
Employee benefits expense	-5	-18	-	-23
Other operating expenses	-635	-157	-	-792
	-2,234	-691	-67	-2,992
	7,943	2,836	-67	10,712
Depreciation and amortisation expense	-4,473	-2,412	-	-6,885
Amortisation of deferred income / Government grants	6	462	-	468
	3,476	886	-67	4,295
Gains / (losses) from the sale of financial assets	888	-	-	888
Other financial income	396	401	158	955
Other financial expenses	-4,265	-659	-	-4,924
Share of profit of associates	224	-21	-	203
Profit before tax	719	607	91	1,417
Income tax expense	-	-	-47	-47
Profits after tax	719	607	44	1,370
Profit for the period	**719**	**607**	**44**	**1,370**
Attributable to:				
Equity holders of EDP Renováveis	442	607	44	1,093
Minority interest	277	-	-	277
Profit for the period	**719**	**607**	**44**	**1,370**
Other informations:				
Property plant and equipment	2,753,098	2,173,202	-	4,926,300
Intangible assets	12,617	10,341	-	22,958
Current assets	360,311	333,636	38,020	731,967
Equity + Minority interest	333,120	11,346	1,901,255	2,245,721
Current liabilities	528,842	400,363	77	929,282

KPMG

KPMG Auditores S.L.
Ventura Rodríguez, 2
33004 Oviedo

Auditors' Report on the Consolidated Annual Accounts

To the shareholders of
EDP Renováveis, S.A.

We have audited the consolidated annual accounts of EDP Renováveis, S.A. (hereinafter the parent Company) and subsidiary companies (hereinafter the EDP Renováveis Group) which comprise the consolidated balance sheet at 31 December 2008 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2008 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows, comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2008. In the context of the Initial Public Offering described in note 1, the Directors of the Company approved the consolidated financial statements for the period between 4 and 31 December 2007. On 6 March 2008 we issued our unqualified auditor's report on these consolidated financial statements.

In our opinion, these consolidated annual accounts for 2008 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of EDP Renováveis, S.A. and subsidiary companies at 31 December 2008 and the consolidated results of their operations and the consolidated changes in equity and cash flows for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2008 contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2008. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of EDP Renováveis, S.A. and subsidiary companies.

KPMG Auditores, S.L.

Ana Fernández Poderós
Partner
2 March 2009

KPMG Auditores S.L. firma española miembro de KPMG International, sociedad suiza

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STATEMENT ON COMPLIANCE OF FINANCIAL INFORMATION

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DECLARE

To the best of our knowledge, the information referred to in 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 real assets, liabilities, financial position and results of EDP Renováveis, SA and the companies included in its scope of consolidation and the management report fairly present the evolution of business performance and position of EDP Renováveis, SA and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, February 26, 2009.

Mr. Antonio Luís Guerra Nunes Mexia

Mrs. Ana Maria Fernandes Machado

Mr. Antonio Fernando Melo Martins da Costa

Mr. Nuno Maria Pestana de Almeida Alves

Mr. João Manuel Manso Neto

Mr. José Silva Lopes

Mr. Antonio do Pranto Nogueira Leite

Mr. Rafael Caldeira de Castel-Branco Valverde

Mr. José Fernando Maia de Araujo e Silva

Mr. Manuel Menéndez Menéndez

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Mr. João Manuel de Mello Franco

Mr. Jorge Manuel Azevedo Henriques dos Santos

AUSENTE

Mr. Daniel M. Kammen

Mr. Francisco José Quieroz de Barros de Lacerda

Mr. João José Belard da Fonseca Lopes Raimundo

2007 PRO-FORMA DISCLAIMER

Objective of financial Pro-forma information

The preparation of 2007 Financial Pro-forma information presented in this Annual Report is consistent with the Financial Pro-forma prepared for the Initial Public Offering (IPO) of EDP Renováveis, prepared in accordance to the Regulation (EC) 809/2004) and with the respective CESR recommendation.

The financial Pro forma information was prepared with the objective of illustrating the effect on the EDP Renováveis consolidated financial statements at 31 December 2007 considering that EDP Renováveis would have been incorporated on 1 January 2007 and that the Pro forma consolidated financial statements include the results from 12 months activity of the NEO- Nuevas Energías de Occiedente, S.L., hereinafter EDP Renováveis EU, (including the Relax Wind sub group acquired in December 2007) and Horizon Wind Energy LLC, hereinafter EDP Renováveis NA, Groups beginning on that date.

The financial Pro forma information includes the following financial information:

a. EDP Renováveis S.L. Pro forma consolidated balance sheet as at 31 December 2007;

b. EDP Renováveis S.L. Pro forma consolidated income statement for the twelve month period ended on 31 December 2007.

The financial Pro forma information addresses a hypothetical situation and, therefore, does not represent the company's financial position or results on 31 December 2007.

Basis of presentation of financial Pro forma information

In order to achieve the above mentioned objective of the Pro forma financial information, the Board of Directors considered the following several significant assumptions, as described below.

For the purpose of the Pro forma financial statements accounts the following was assumed:

- EDP Renováveis S.L. (now EDP Renováveis, SA) would have been incorporated and begun its activities on 1 January 2007 with the same historic capital;
- EDP Renováveis EU and EDP Renováveis NA Groups were consolidated in EDP Renováveis S.L. as if they had been part of the EDP Renováveis Group since 1 January 2007;
- The acquisition of EDP Renováveis NA by the EDP Group and of the Relax Wind Parks Group by EDP Renováveis EU, occurred on 1 January 2007, and under the same historic conditions;
- No changes were considered in the historic fair value adjustments of the assets and liabilities associated with business combinations which occurred during 2007;
- The funding related to the acquisitions occurring during the 2007 was considered as having been obtained under the same conditions, with reference to 1 January 2007.

The financial statements of EDP Renováveis NA Group were prepared using their currency (USD).

For the Pro forma consolidated financial statement purpose, the assets and liabilities of EDP Renováveis NA were translated into Euros at the exchange rate prevailing at the balance sheet date (1.4721 Euros/USD) and the income and expenses at the average exchange rate (1.3724 Euros/USD). Exchange differences arising from those translations were recognized against reserves.

The following paragraphs detail information related to the impact of the above mentioned assumptions and are presented in order to provide a better understanding of the Pro forma financial information.

Sources of Pro forma consolidated financial statements

The EDP Renováveis Pro forma financial statements were prepared based on the historical figures of the following entities:

1. EDP Renováveis audited financial statements for the period of twenty seven days ended on 31 December 2007, prepared under International Financial Reporting Standards as adopted by the UE ("EU-IFRS");
2. EDP Renováveis EU Group audited consolidated financial statements for the years ended 31 December 2006 and 2007, prepared under EU-IFRS;
3. EDP Renováveis NA Group audited consolidated financial statements for the years ended 31 December 2006 and 2007, prepared under International Financial Reporting Standards (IFRS).

Considering that EDP Renováveis NA Group is a U.S. limited liability company, until the date of the acquisition by the EDP Group, 2 July 2007, the statutory consolidated financial statements were prepared under US GAAP. The consolidated financial statements for the years ended 31 December 2006 and 2007 were prepared in accordance with IFRS, in order to provide EDP Renováveis NA Group historical information under the same generally accepted accounting principles as EDP Group. For the purposes of the Pro forma financial information, the EDP Renováveis NA Group consolidated financial statements prepared under IFRS were used. As at 31 December 2007, there are no differences between IFRS and EU-IFRS that would apply to EDP Renováveis NA Group, therefore, no GAAP adjustments were considered necessary.

For the purposes of the EDP Renováveis consolidated financial statements, as at 31 December 2007, the EDP Renováveis NA Group income statement for the period from 1 January 2007 to 2 July 2007 was accounted for as pre-acquisition results.

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