EDP RENOVÁVEIS, S.A.

Consolidated Annual Accounts and Directors' Report

31 December 2010

(With Auditors' Report Thereon)

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. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As mentioned in note 2 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of financial reporting legislation applicable to the Group, preparation of the Group's annual accounts is the responsibility of the Company's 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 prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Company and subsidiaries at 31 December 2010 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of applicable legislation governing financial reporting.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of EDP Renováveis, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and 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 2010. 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 subsidiaries.

KPMG Auditores, S.L.

Ana Fernández Poderós
Partner

24 February 2011

EDP Renováveis, S.A. and subsidiaries

Consolidated Income Statement
for the years ended 31 December 2010 and 31 December 2009

	Notes	2010	2009
		(Thousands Euros)	(Thousands Euros)
Revenue	6	845,056	648,242
Cost of consumed electricity	6	-2,917	-1,522
Changes in inventories and cost of raw materials and consumables used	6	-1,497	-4,713
		840,642	642,007
Other operating income / (expenses)			
Other operating income	7	180,030	125,231
Supplies and services	8	-196,211	-148,304
Personnel costs and employee benefits expenses	9	-54,846	-42,547
Other operating expenses	10	-56,866	-33,838
		-127,893	-99,458
		712,749	542,549
Provisions		155	183
Depreciation and amortisation expense	11	-434,403	-314,350
Amortisation of deferred income / Government grants	11	11,406	2,403
		289,907	230,785
Gains / (losses) from the sale of financial assets	12	-	268
Other financial income	13	44,305	35,717
Other financial expenses	13	-218,451	-108,151
Share of profit of associates		5,036	3,922
Profit before tax		120,797	162,541
Income tax expense	14	-37,759	-44,754
Profit after tax		83,038	117,787
Profit for the period		83,038	117,787
Attributable to:			
Equity holders of EDP Renováveis	27	80,203	114,349
Non controlling interest	29	2,835	3,438
Profit for the period		83,038	117,787
Earnings per share basic and diluted - Euros	27	**0.09**	**0.13**

EDP Renováveis, S.A. and subsidiaries

Consolidated Balance Sheet
as at 31 December 2010 and 31 December 2009

	Notes	2010	2009
		(Thousands Euros)	(Thousands Euros)
Assets			
Property, plant and equipment	15	9,981,771	8,635,011
Intangible assets	16	22,727	17,340
Goodwill	17	1,344,006	1,318,356
Investments in associates	18	45,871	47,609
Available for sale financial assets	19	18,380	12,630
Deferred tax assets	20	38,519	28,066
Debtors and other assets	23	123,311	129,447
Total Non-Current Assets		11,574,585	10,188,459
Inventories	21	24,162	11,344
Trade receivables	22	143,650	106,148
Debtors and other assets	23	552,259	337,458
Tax receivable	24	81,050	169,670
Financial assets at fair value through profit or loss	25	35,744	37,103
Cash and cash equivalents	26	423,700	443,633
Total Current Assets		1,260,565	1,105,356
Total Assets		12,835,150	11,293,815
Equity			
Share capital	27	4,361,541	4,361,541
Share premium	27	552,035	552,035
Reserves	28	-9,249	25,964
Other reserves and Retained earnings	28	283,440	166,173
Consolidated net profit attributable to equity holders of the parent		80,203	114,349
Total equity attributable to equity holders of the parent		5,267,970	5,220,062
Non controlling interest	29	125,541	107,493
Total Equity		5,393,511	5,327,555
Liabilities			
Medium / Long term financial debt	30	3,325,943	2,563,171
Employee benefits	31	95	59
Provisions	32	53,787	67,085
Deferred tax liabilities	20	371,600	342,924
Institutional partnerships in US wind farms	33	1,644,048	1,353,612
Trade and other payables	34	753,991	393,899
Total Non-Current Liabilities		6,149,464	4,720,750
Short term financial debt	30	207,647	110,268
Trade and other payables	34	1,035,782	1,098,105
Tax payable	35	48,746	37,137
Total Current Liabilities		1,292,175	1,245,510
Total Liabilities		7,441,639	5,966,260
Total Equity and Liabilities		12,835,150	11,293,815

The following notes form an integral part of these Consolidated Annual Accounts

EDP Renováveis, S.A. and subsidiaries

Consolidated statement of comprehensive income for the years ended at 31 December 2010 and 2009

(Thousand Euros)

	2010		2009	
	Equity holders of the parent	Non controlling Interests	Equity holders of the parent	Non controlling Interests
Profit for the period	80,203	2,835	114,349	3,438
Exchange differences arising on consolidation	-15,886	-506	-609	858
Fair value reserve (cash flow hedge)	-27,727	115	-2,433	-530
Tax effect from the fair value reserve (cash flow hedge)	6,079	-33	499	159
Fair value reserve (available for sale investments)	2,321	2,082	912	-
Actuarial gains / (losses)	-	-	-24	-
Other comprehensive income for the period, net of income tax	-35,213	1,658	-1,655	487
Total comprehensive income for the period	44,990	4,493	112,694	3,925

The following notes form an integral part of these Consolidated Annual Accounts

EDP Renováveis, S.A. and subsidiaries

Statement of Changes in Consolidated Equity
for the year ended at 31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share Capital	Share Premium	Reserves and retained earnings	Exchange Differences	Hedging reserve	Fair value reserve	Equity attributable to equity holders of EDP Renováveis	Minority Interests
Balance as at 31 December 2008	**5,198,873**	**4,361,541**	**552,035**	**166,188**	**1,179**	**18,669**	**7,747**	**5,107,359**	**91,514**
Recognised income and expense for the period									
Fair value reserve (available for sale financial assets) net of taxes	912	-	-	-	-	-	912	912	-
Fair value reserve (cash flow hedge) net of taxes	-2,305	-	-	-	-	-1,934	-	-1,934	-371
Actuarial gains / (losses)	-24			-24	-			-24	-
Exchange differences arising on consolidation	249	-	-		-609	-	-	-609	858
Profit for the period	117,787	-	-	114,349	-	-	-	114,349	3,438
Total recognised income and expense for the period	116,619	-	-	114,325	-609	-1,934	912	112,694	3,925
Dividends attributable to minority interests	-3,491	-	-	-	-	-	-	-	-3,491
Share capital increase in EDP Renovaveis Brazil	7,997	-	-	-	-	-	-	-	7,997
Share capital increase in EDPR Europe Group companies	9,200	-	-	-	-	-	-	-	9,200
Non controlling interests decrease resulting from acquisitions	-1,625	-	-	-	-	-	-	-	-1,625
Other	-18	-	-	9	-	-	-	9	-27
Balance as at 31 December 2009	**5,327,555**	**4,361,541**	**552,035**	**280,522**	**570**	**16,735**	**8,659**	**5,220,062**	**107,493**
Recognised income and expense for the period									
Fair value reserve (available for sale financial assets) net of taxes	4,403	-	-	-	-	-	2,321	2,321	2,082
Fair value reserve (cash flow hedge) net of taxes	-21,566	-	-	-	-	-21,648	-	-21,648	82
Exchange differences arising on consolidation	-16,392	-	-	-	-15,886	-	-	-15,886	-506
Profit for the period	83,038	-	-	80,203	-	-	-	80,203	2,835
Total recognised income and expense for the period	49,483	-	-	80,203	-15,886	-21,648	2,321	44,990	4,493
Dividends attributable to minority interests	-1,363	-	-	-	-	-	-	-	-1,363
Share capital increase in EDP Renovaveis Brazil	2,463	-	-	-	-	-	-	-	2,463
Share capital increase in EDPR EU companies	2,749	-	-	-	-	-	-	-	2,749
Non controlling interests arising from Parque Eolico Altos del Voltoya business combination	9,706	-	-	-	-	-	-	-	9,706
Other	2,918	-	-	2,918	-	-	-	2,918	-
Balance as at 31 December 2010	**5,393,511**	**4,361,541**	**552,035**	**363,643**	**-15,316**	**-4,913**	**10,980**	**5,267,970**	**125,541**

EDP Renováveis, S.A. and subsidiaries

Consolidated Cash Flow Statement
for the years ended 31 December 2010 and 2009

(Thousand Euros)

	Group	
	2010	2009
Cash flows from operating activities		
Cash receipts from customers	812,999	646,621
Cash paid to suppliers	-230,612	-154,183
Cash paid to employees	-59,203	-49,366
Concession rents paid	-979	-4,153
Other receipts / (payments) relating to operating activities	95,887	-20,812
	618,092	418,107
Income tax received / (paid)	-50,645	-25,682
Net cash flows from operating activities	567,447	392,425
Continuing activities	567,447	392,425
Cash flows from investing activities		
Cash receipts resulting from:		
Proceeds from sale of financial assets	21,671	1,795
Proceeds from sale of property, plant and equipment	1,996	2,047
Other proceeds related to fixed assets	128	-
Interest received	7,209	5,965
Dividends received	1,799	4,122
	32,803	13,929
Cash payments resulting from:		
Acquisition of subsidiaries (net of cash acquired) and other investments	-59,575	-118,822
Acquisition of property, plant and equipment	-1,421,493	-1,729,837
	-1,481,068	-1,848,659
Net cash flows from investing activities	-1,448,265	-1,834,730
Continuing activities	-1,448,265	-1,834,730
Cash flows from financing activities		
Receipts/ (payments) of loans	537,136	1,199,634
Interest and similar costs	-111,560	-49,613
Governmental cash grants received	169,304	155,946
Increases in capital and share premium	4,977	20,743
Receipts/ (payments) from derivative financial instruments	487	-6,390
Dividends paid	-1,361	-3,197
Receipts / (Payments) from institutional partnership (Horizon)	228,359	333,528
Net cash flows from financing activities	827,342	1,650,651
Continuing activities	827,342	1,650,651
Net increase / (decrease) in cash and cash equivalents	-53,476	208,346
Effect of exchange rate fluctuations on cash held	33,543	5,607
Cash and cash equivalents at the beginning of the period (*)	443,633	229,680
Cash and cash equivalents at the end of the period (*)	423,700	443,633

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

1. The business operations of the EDP Renováveis Group

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

As at 31 December 2010 the share capital is held 62.02% by EDP S.A. - Sucursal en España ("EDP Branch"), 15.51% by Hidroeléctrica del Cantábrico, S.A. and 22.47% of the share capital is free-float in the Euronext Lisbon.

As at 31 December 2010, EDP Renováveis holds a 100% stake in the share capital of EDP Renewables Europe, S.L. ("EDPR EU"), a 100% stake in the share capital of Horizon Wind Energy, LLC ("EDPR NA") and a 55% stake in the share capital of EDP Renováveis Brasil (EDPR BR).

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

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

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

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

As at 31 December 2010, EDP Renováveis and its subsidiaries ("the Group" or the "EDP Renováveis Group") had a fully consolidated installed capacity of 6,437 MW (5,491 MW as at 31 December 2009), operating in Spain 2,050 MW (1,861 MW as at 31 December 2009), in Portugal 599 MW (595 MW as at 31 December 2009), in France 284 MW (220 MW as at 31 December 2009), in Belgium 57 MW (57 MW as at 31 December 2009), in Poland 120 MW (120 MW as at 31 December 2009), in Romania 90 MW (no installed capacity at December 2009), in the United States 3,224 MW (2,624 MW as at 31 December 2009) and in Brazil 14 MW (14 MW as at 31 December 2009). Additionally, through its interest in Eólicas de Portugal consortium, is attributable to EDPR - equity consolidated - 239 MW (85 MW as at 31 December 2009)

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 set 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 included the generation of electricity using renewable sources of energy, cogeneration, biomass and waste. This Royal Decree replaced the former Royal Decree 2818/1998 and unified regulations applicable to special regime energies. The Royal Decree also defined a system whereby the owners of the electrical installation arwere entitled to sell the production or surplus electrical power to distributors. A regulated price was fixed for this sale, or production and surplus could 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 market 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 (with some exceptions) established in the aforementioned Royal Decree until 31 December 2012.

RD 6/2009 of May 7 was approved and is aimed at eliminating the tariff deficit from 2013. Among other measures, it introduces a pre-allocation register for new renewable energy capacity for renewable-energy installations to obtain the entittlements set oit in RD 661/2007. Installations will be registered in chronological order until the government 's target is met (20,155 MW) and new remuneration scheme should be approved for following projects.

The decision on 19 November 2009 allowed in the register around 6 GW in wind projects and 2.4 GW in solar thermal generation capacity in one go .The entire 8.4 GW in projects registered will receive the remuneration set in RD 661/2007. Under this decision, around 1,700 MW in wind and 500 MW in solar thermal generation will be allowed each year until 2012. The 15th of December 2009 the Spanish Government released the list of wind facilities included in the administrative register. Out of the 6,389 MW of wind capacity assigned by the Spanish Government, EDPR obtained 840 gross MW corresponding to 31 wind farms which represents 13% of the total allocalted capacity.

On July 2010, the Industry Ministry established an agreement with two key renewable energy associations (the Spanish Wind Energy Association and Protermosolar) to amend the existing regulation. This agreement means the approval of the RD 1614/2010 of 7 December, that defines (i) a cut, for the years 2011 and 2012, of 35% of the renewable premium applicable to the wind capacity ruled by RD 661/2007, (II) an amendment to the article 44.3 of RD 661/2007 clarifying that future revisions to the premium value would only be applied to the capacity that comes on line after 2012 and (iii) the definition of a limit of 2,589 hours of installed capacity operation, from which the wind farm has no right to receive any premium.

The Decree-Law 14/2010, of 23 December, established several measures to reduce the tariff deficit, among other, a generation rate of 0.5 €/MWh applicable to ordinary and special regime generators.

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.

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 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.

The federal government regulates the wholesale electric energy sale and transmission business in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978 ("PURPA 1978"), the Energy Policy Act of 1992 ("EPACT 1992") and the Energy Policy Act of 2005 ("EPACT 2005"), which, among other things, repealed and replaced the Public Utility Holding Company Act of 1935 with the Public Utility Holding Company Act of 2005 ("PUHCA 2005").

All of our project companies in the United States operate as exempt wholesale generators ("EWGs") under PUHCA 2005 or qualifying facilities under PURPA 1978. In addition, most of the project companies are regulated by FERC under Part II of the FPA 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.

The Energy Policy Act of 2005 amended the FPA to grant FERC jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation ("NERC") as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC also authorized NERC to delegate certain functions to eight regional entities. All users, owners, and operators of the bulk power system that meet certain materiality thresholds are required to register with NERC and comply with numerous FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to $1 million per day per violation. All of our project companies in the United States that meet the relevant materiality thresholds have registered with NERC and are required to comply with applicable FERC-approved reliability standards.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorizations may involve a more extensive approval process, possibly including an environmental impact evaluation and opposition by interested parties or utilities.

Both the United States federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power. The primary federal renewable energy incentive program is the Production Tax Credit (PTC), which was established by the U.S. Congress as part of EPACT 1992. As part of the American Recovery and Reinvestment of 2009, which was enacted this spring, the federal government will also encourage renewable energy development through investment tax credits and cash grants from 2009 through 2013. Many states have passed legislation, principally in the form of renewable portfolio standards ("RPS"), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

American Recovery and Reinvestment Act of 2009 was approved and 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 the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year extension of the ITC, which allow the companies to receive 30% of the cash invested in projects with beggining of construction until December 2011 as long as placed in service until December 2012.

It was also approved a 100% depreciation bonus on new equipment placed in service after 8 September 2010, through 31 December 2011, allowing businesses to depreciate the entire cost of the project (less 50% of the ITC) in the year that it is placed in service.

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 and may exceed the former 12 MW cap. 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 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 amenended 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.

New Decree approved on December 15th, 2009 set the following wind target: 11,500 MW in 2012 and 25,000 MW in 2020. These targets include also wave and tidal energy.

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, power generation from renewable sources is suppoted. The following are forms of such support introduced in Poland: (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 or origin and submit it to the ERA President for cancellation, or b) paya a substitute fee calculated in accordance with the Energy Act. ii) If the power company does not purchase certificates or orgin or doest not pay a substitute fee, the ERA President will penalize such company by the 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.

The Energy law has been amended on January 2010. The main aim was to limit speculative action in the reservation of interconnection power for wind farms in the energy system. Pursuant to the new provisions, the obligation to prepare an assessment of the impact of the installations being interconnected on the grid lies with the grid company. Within this new regulation, the entity applying for the conditions of interconnection must pay in advance towards the grid interconnection fee of 30 PLN per KW of interconnection capacity.

Another measure aimed at reinforcing the credibility of the project is the obligation to attach to the application for interconnection conditions an excerpt from the local master plan or, if there is no such plan, the planning permit for the real property to which the application relates. The new legislation also introduces new obligations for wind generators, among which, the obligation to prepare a forecast for 15 years when the installed capacity is of at least 50 MW.

Regulatory framework for the activities in Belgium

The regulatory framework for electricity in Belgium is conditioned by the 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 has been 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 production aid regime in Flanders and Wallonia).

New quotas of renewable generation are in a late stage of approval in Wallonia. New quotas proposed by the Government are: 11.25% in 2011, 13.50% in 2012 and 15.75% in 2013. New quotas to be approved are considerably higher than previous ones (11%, 12% and 13% for 2011,2012 and 2013).

Regulatory frameworks 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 RES which suppliers are obliges to buy, and, annually reviews applications form green generators in order to be awarded green certificates. Law 220/2008 of November, 3 introduced some changes in the green certificates system. Today producers of wind energy receive 1 green certificates for each but law 220 that is likely to come into force in January 2010 (once the European Commission approves it) will allow wind generators to receive 2GC/MWh until 2015 . GC can be sold separately from the physically delivered electricity. From 2016 onwards generators receive 1 green certificate for each MWh . 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 € and a cap of 55€, 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). This new regulation sets July 1st 2007 as deadline for the legal unbundling in Romania and defines the role of Implicit Supplier and of the Supplier of Last Resort.

The Romanian Parliament's proposal that regulates renewable energy was published on July 12, 2010. The proposal that has been signed into law and includes the following: (i) increases the mandatory quotas for electricity produced from renewable sources which benefit from the green certificate's promotion system. 2012 quota increases from 8,3% to 12% of the electricity production, escalating by 1%/year to reach 20% by 2020 (ii) extends until 2017 (previously until 2015 the right to collect two green certificates per MWh generated by wind farms (one certificate from 2018 onwards) and (iii) reaffirms the current green certificate's floor and cap prices at 27€/MWh and 55€/MWh and increases the penalty by non-compliance to 110€ for each missing green certificate. Current cap, floor and penalty prices are set in € and indexed to euro-inflation.

Regulatory frameworks for the activities in Brazil

The Electrical Sector in Brasil 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 accompanying consolidated annual accounts have been prepared on the basis of the accounting records of EDP Renováveis, S.A. and consolidated entities. The consolidated annual accounts for 2010 and 2009 have been prepared to present fairly the consolidated equity and consolidated financial position of EDP Renováveis, S.A. and subsidiaries at 31 December 2010 and 2009, the consolidated results of operations, consolidated cash flows and changes in consolidated equity for the years then ended.

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002, from the European Council and Parliament, the Group's consolidated financial statements 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 24 February 2011. The annual accounts are presented in thousand 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.

The preparation of the consolidated 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 considered reasonable in accordance with the circumstances. They form the basis for making judgments regarding the values of the assets and liabilities whose valuation is not apparent from other sources. Actual results may differ from these estimates. The areas involving the highest degree of judgment or complexity, or for which the assumptions and estimates are considered significant, are disclosed in Note 3 (Critical accounting estimates and judgments in applying accounting policies) .

b) Basis of consolidation

Subsidiaries

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

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

Associates

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

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

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

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

Jointly controlled entities

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

Business combination

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

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

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

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

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

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

Acquisitions between 1 January 2004 and 1 January 2010

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

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

Accounting for acquisitions of non-controlling interests

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

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

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

Investments in foreign operations

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

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

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

Balances and transactions eliminated on consolidation

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

Common control transactions

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

Put options related to non controlling interests

Until 31 December 2009 EU-IFRS did not establish specific accounting treatment for commitments related to written put options related with investments in subsidiaries held by non controlling interests at the date of acquisition of a business combination. Nevertheless, the EDP Renováveis Group records these written put options at the date of acquisition of a business combination or at a subsequent date as an advance acquisition of these interests, recording a financial liability for the present value of the best estimate of the amount payable, irrespective of the estimated probability that the options will be exercised. The difference between this amount and the amount corresponding to the percentage of the interests held in the identifiable net assets acquired is recorded as goodwill.

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

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

e) Non derivative financial assets

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

Accounts receivable and loans

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

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

Financial assets at fair value through profit or loss

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

Available for sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

f) Financial liabilities

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

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

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

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

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

g) Borrowing costs

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

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

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Industrial property and other rights

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

j) Impairment of non financial assets

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

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

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

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

k) Leases

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

Operating leases

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

l) Inventories

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

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

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

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

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

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

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

Defined contribution plans

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

Other benefits

Medical care and other plans

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

Variable remuneration to employees

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

o) Provisions

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

Dismantling and decommissioning provisions

The Group recognises dismantling and decommissioning provisions for property, plant and equipment when a legal or contractual obligation is 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.

The assumptions used are:

	EDPR EU	EDPR NA
Avercage cost per MW (Euros)	14,000	17,961
Salvage value per MW (Euros)	25,000	17,213
Discount rate	6.07%	6.73%
Inflation rate	2.00%	2.50%
Capitalization rate (number of years)	20	20

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

p) Recognition of costs and revenue

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

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

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

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

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

q) Financial results

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

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

r) Income tax

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

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

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

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

s) Earnings per share

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

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

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

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

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

u) Cash and cash equivalents

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

v) Government grants

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

w) Environmental issues

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

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

x) Institutional partnerships in US wind farms

The Group has entered in several partnerships with institutional investors in the United States, through limited liability companies operating agreements that 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), Investment Tax Credits (ITC) and accelerated depreciation, largely to the investor.

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

The control and management of these wind farms are a responsibility of EDPR Group and they are fully consolidated in these Annual Accounts.

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

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and PTC's / ITC's, is recorded as non-current deferred income and is recognized as Revenue on a pro rata basis over the 20 year useful life of the underlying projects (see note 6).Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors.

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

3. Critical accounting estimates and judgments in applying accounting policies

The 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.

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2010 and 2009, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

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

Impairment of available for sale investments

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

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

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

Fair value of derivatives

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

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

Review of the useful life of assets related to production

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

Impairment of non financial assets

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

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

Income taxes

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

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

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

Dismantling and decommissioning provisions

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

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

4. Financial-risk management policies

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

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

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

Exchange-rate risk management

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

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

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

Sensivity analysis - Foreign exchange rate

As a consequence a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 31 December 2010 and 2009, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity, as follows (amounts in thousand Euros):

	31 Dec 2010			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD / EUR	9,527	-11,644	-	-
PLN / EUR	-	-	3,584	-4,381
	9,527	-11,644	3,584	-4,381

	31 Dec 2009			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD / EUR	6,415	-7,841	-	-
PLN / EUR	-	-	7,984	-9,759
	6,415	-7,841	7,984	-9,759

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

As at 31 December 2010 and 2009, EDP Renováveis Group has no significant exposure to exchange rate risks related essentially with the EDPR NA activity. To hedge these risks, EDP Renováveis Group entered into a CIRS in USD and EUR with EDP Branch (see note 36).

Interest rate risk management

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

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

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

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

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities between 1 and 15 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

About 91% of EDP Renováveis Group financial debt bear interest at fixed rates.

Sensivity analysis - Interest rates

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

Based on the debt portfolio of the EDPR EU Group and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 100 basis points in the interest rates with reference to 31 December 2010 and 2009 would increase / (decrease) equity and results of EDP Renováveis Group in the following amounts (in thousand Euros):

	31 Dec 2010			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow hedge derivatives	-	-	28,154	-30,933
Unhedged debt (variable interest rates)	-2,168	2,168	-	-
	-2,168	2,168	28,154	-30,933

	31 Dec 2009			
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow hedge derivatives	-	-	9,822	-10,455
Unhedged debt (variable interest rates)	-985	985	-	-
	-985	985	9,822	-10,455

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

As at 31 December 2010 and 2009, EDPR NA has no significant exposure to interest rate risks.

Counter-party credit-rate risk management in financial transactions

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

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

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

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

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

Liquidity-risk

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

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

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

Market price risk

As at 31 December 2010, market price risk affecting the EDP Renovavéis Group is not significant. In the case of EDPR NA, prices are fixed and mainly determined by power purchase agreements. In the case of EDPR EU the electricity is sold in Spain directly on the daily market at spot prices plus a pre-defined premium (regulated). Nevertheless, EDPR EU has an option of selling the power through regulated tariffs, granting minimum prices. In the remaining countries, prices are mainly determined through regulated tariffs.

EDPR EU and EDPR NA have electricity sales swaps that qualify for hedge accounting (cash flow hedge) that are related to electricity sales for the year 2010 and 2009 (see note 36).The purpose of EDP Renováveis Group is to hedge a volume of energy generated to reduce its exposure to the energy price volatility.

Capital management

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

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

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

During the year ended in 31 December 2010, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:

- EDP Renewables Europe acquired 85% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l. (formerly named as Italian wind S.r.l.). The EDPR Group consolidates 100% of these subsidiaries because there is a put option over the remain 15% (see notes 17 and 37);
- EDP Renewables Europe acquired 100% of the share capital of the polish companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO and Karpacka Mala Energetyka SP ZOO, through its subsidiary EDP Renewables Polska SP ZOO (previously Neolica Polska SP ZOO) (see note 17);
- EDP Renewables Europe acquired 80% of the share capital of Re Plus - Societá a Responsabilitá Limitata (see note 17).

Companies sold and liquidated:

- Freeport Windpower I, LP;
- Murciasol-1 Solar Térmica, S.L..

Companies merged:

- Agrupación Eólica Francia S.L. was merged into EDP Renewables Europe;
- Eneraltius-Produção de Energia Electrica, S.A. into EDP Renováveis Portugal, S.A..

Companies incorporated:

- Headwaters Wind Farm L.L.C.*;
- 17th Star Wind Farm LLC*;
- Waverly Wind Farm L.L.C.*;
- EDP Renewables Canada;
- 2010 Vento VII, LLC*;
- 2010 Vento VIII, LLC*;
- 2010 Vento IX, LLC*;
- Horizon Wind Ventures VII, LLC*;
- Horizon Wind Ventures VIII, LLC*;
- Horizon Wind Ventures IX, LLC*;
- Rio Blanco Wind Farm L.L.C.*;
- Hidalgo Wind Farm L.L.C.*;
- MacColl Offshore Windfarm Limited;
- Stevenson Offshore Windfarm Limited;
- Telford Offshore Windfarm Limited;
- Stone Wind Power LLC*;
- Franklin Wind Farm LLC*.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States of America legally incorporated without share capital and that as at 31 December 2010 do not have any assets, liabilities, or any operating activity.

Other changes

- The Group EDPR increased its indirect holding from 19.6% to 35.96% in the share capital of ENEOP - Éolicas de Portugal, S.A. through the subsidiary EDP Renewables Europe, S.L. (see note 18);
- The Group EDPR increased its indirect holding from 49% to 61% in the share capital of Parque Eólico Altos del Voltoya, S.A. through the subsidiary Sinae Inversiones Eolicas, S.L. (see note 17 and 18).

During the year ended in 31 December 2009, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:
- EDPR Group, through its subsidiary EDPR Brasil, S.A. acquired 100% of the share capital of CENAEEL - Central Nacional de Energia Eólica, Lda. ("CENAEEL") (see note 17);
- EDPR Group, through its subsidiary EDP Renewables Europe, S.L. acquired 100% of the share capital of the companies Mardelle, SARL and Vallée du Moulin, SARL and 49% of the share capital of Quinze Mines, SARL. (see note 17);
- EDPR Group, through its subsidiary Neo Catalunia, S.A. acquired 100% of the share capital of the companies Parc Eólic Coll de la Garganta, SL., Parc Eólic Serra Voltorera, SL. y Bon Vent de L'Ebre, SL. (see note 17);
- EDPR Group acquired 100% of the share capital of Elektrownia Wiatrowa Kresy I, S.P. through its subsidiary Neo Polska (see note 17);
- EDPR Group acquired 100% of the share capital of Elebrás Projectos, Ltda through its subsidiary EDP Renováveis Brasil (see note 17);
- EDPR Group acquired 60.63% of the share capital of Aprofitament D'Energies Renovables de la Terra Alta, S.A. through its subsidiaries Parc Eòlic de Coll de Moro, S.L. (12.24%), Parc Eòlic de Torre Madrina, S.L. (12.24%), Bon Vent de Corbera, S.L. (10.68%), Bon Vent de Vilalba, S.L. (10.42%), Bon Vent de L'Ebre, S.L. (9.70%) and Parc Eòlic de Vilalba dels Arcs, S.L. (5.35%) (see note 17);
- EDPR Group acquired 38.96% of the share capital of Aprofitament D'Energies Renovables de L'Ebre, S.A. through its subsidiary Aprofitament D'Energies Renovables de la Terra Alta, S.A. (see note 18).

Companies sold and liquidated:
- Generaciones Especiales I, S.L, sold its 50% interest in the subsidiary Ibersol E. Solar Ibérica, S.A.;
- Generaciones Especiales I, S.L, dissolved and liquidated the subsidiary Horta Medioambiente, S.A.;
- Generaciones Especiales I, S.L., dissolved and liquidated the subsidiary Eólica Mare Nostrum S.A.;
- Horizon Wind Energy LLC, dissolved the subsidiary Chocolate Bayou Windpower I, LP;
- EDP Renewables Europe, S.L., dissolved the Hollywell Investments Limited, SARL;
- EDP Renewables Europe, S.L., dissolved and liquidated the subsidiary Ridgeside Investments Limited, SARL;

Companies merged:
- Horizon Wind Energy Company LLC was merged into Horizon Wind Energy LLC;
- Levante Energia Eólica, Lda was merged into Enernova Novas Energias, S.A.;

Companies incorporated:
- Agrupación Eólica Francia, S.L. was incorporated being 100% held by EDP Renewables Europe, S.L.;
- Desarrollos Eólicos de Teruel, S.L.. was incoporated being 51% held by Sinae, S.A.;
- Eólica Garcimuñoz, S.L.. was incoporated being 100% held by Desa, S.A.;
- Meadow Lake Windfarm III LLC;
- Meadow Lake Windfarm IV LLC;
- Meadow Lake Wind Farm V, LLC;
- Black Prairie Wind Farm II LLC;
- Black Prairie Wind Farm III LLC;
- Horizon Wind Energy Northwest IV LLC;
- Horizon Wyoming Transmission LLC;
- 2009 Vento IV, LLC;
- 2009 Vento V, LLC;
- 2009 Vento VI, LLC;
- Horizon Wind Ventures II, LLC;
- Paulding Wind Farm, LLC;
- Paulding Wind Farm II, LLC;
- Paulding Wind Farm III, LLC;
- Simpson Ridge Wind Farm II, LLC;
- Simpson Ridge Wind Farm III, LLC;
- Simpson Ridge Wind Farm IV, LLC;
- Simpson Ridge Wind Farm V, LLC;
- Horizon Wind Ventures VI, LLC;
- Lexington Chenoa Wind Farm II, LLC;
- Lexington Chenoa Wind Farm III, LLC;
- Athena-Weston Wind Power Project II, LLC;
- Blue Canyon Wind Power VII, LLC;
- EDPR UK Limited was incoporated being 100% held by EDP Renewables Europe, S.L.;
- Moray Offshore Renewables Limited was incoporated being 75% held by EDPR UK Limited.

The following companies were merged in Neogália, S.A.S.:
- C.E. Ayssenes-Le Truel, S.A.S.;
- C.E. Beaurevoir, S.A.S.;
- C.E. Bourbriac, S.A.S.;
- C.E. Calanhel Lohuec, S.A.S.;
- Eole Service, S.A.R.L.;
- Eole 76 Developpement, S.A.R.L.;
- Le Gollot, S.A.S.;
- Keranfouler, S.A.S.;
- Parc Eolien Les Bles D'Or, S.A.R.L.;
- C.E. Les Vielles, SAS;
- Eole Futur Montloue 1, SAS;
- SOCPE Pieces de Vigne, S.A.R.L.;
- CE Pont d Ýeu, SAS;
- C.E. NEO Prouville, S.A.S.;
- Recherches et Dével. Éoliennes, S.A.R.L.;

The following companies were merged in Neogália, S.A.S.(cont.):
- C.E. Saint Alban-Henansal, S.A.S.;
- SOCPE Saint Jacques, S.A.R.L..

The following companies were merged in Neolica Polska:
- Zulawy Wind Park II, Sp.z.o.o.;
- Kip Wind Park II, Sp. z.o.o.;
- Relax Wind Park V, Sp. z.o.o.;
- Relax Wind Park VI, Sp. z.o.o.;
- Chodow Wind Park, Sp. z o.o.;
- Sk Wind Park, Sp. z o.o;
- Kip Wind Park I, Sp. z.o.o.;
- Sokolowo Wind Park, Sp. z o.o..

Other changes
- Genesa I S.L. acquired the remaining 10% of the share capital of Hidroeléctrica Fuentermosa, S.L.;
- Neolica Polska acquired 3,14% of the share capital of Relax Wind Park I SP Z.O.O.;
- Sinae Inversiones Eólicas S.A. acquired 18% of the share capital of Parque Eólico del Voltoya, S.A. (see note 18);
- Desarrollos Eólicos Promoción S.A.U. acquired 3,33% of the share capital of Desarrollos Eólicos de Galicia, S.A..

6. Revenue

Revenue is analysed by sector as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Revenue by sector of activity/business:		
Electricity	838,573	632,726
Other	1,841	10,791
	840,414	643,517
Services rendered by sector of activity:		
Other	4,642	4,725
	845,056	648,242
Total Revenue:		
Electricity	838,573	632,726
Other	6,483	15,516
	845,056	648,242

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Cost of consumed electricity	2,917	1,522
Changes in inventories and cost of raw material and consumables used:		
Cost of consumables used	12,684	2,803
Changes in inventories	-11,187	1,910
	4,414	6,235

7. Other operating income

Other operating income is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Supplementary income	1,468	1,303
Gains on fixed assets	283	51
Turbine availability income	962	12,692
Income from sale of interests in institutional partnerships - EDPR NA	107,005	82,671
Amortization of deferred income related to power purchase agreements	25,776	17,654
Operating indemnities	2,515	3,319
Gain related with business combination de Parque Eólico Altos del Voltoya, S.A.	3,170	-
Contract termination indemnity	15,840	-
EDPR Polska	15,000	-
Other income	8,011	7,541
	180,030	125,231

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

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

The power purchase agreements between EDPR NA and its customers were valued, at the acquisition date, using discounted cash flow techniques. At that date, these agreements were valued based on market assumptions by approximately 120 million Euros (USD 190.4 million) and recorded as a non-current liability (note 34). This liability is amortised over the period of the agreements against other operating income. As at 31 December 2010, the amortization for the period amounts to 25,776 thousand Euros (31 December 2009: 17,654 thousand Euros).

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

During 2010, the EDP Renováveis Group acquired an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya, S.A., obtaining the control of this company. Based on the final purchase price allocation this acquisition has originated a gain of 3,170 thousand Euros (see note 5 and 17).

Contract termination indemnity in the amount of 15,840 thousand Euros, relates to an agreement between the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) and its client J Aron to an early release from the last seven years of the power purchase agreement.

The amount included in EDPR Polska caption results from the business combinations of Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO and related purchase price allocation, that led to a revaluation of the operating assets and liabilities and the recognition of other operating income amounting to 15,000 thousand Euros (see note 5 and 17). This income is related with a purchase opportunity that results from the Group financial capacity.

8. Supplies and services

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Supplies and services:		
Water, electricity and fuel	2,751	1,876
Tools and office material	2,132	1,692
Leases and rents	29,728	22,310
Communications	3,168	2,679
Insurance	11,346	8,244
Transportation, travelling and representation	7,651	7,499
Commissions and fees	1,045	813
Maintenance and repairs	101,677	70,823
Advertising	2,230	1,848
Specialised works		
- IT services	3,487	3,457
- Legal fees	4,371	3,411
- Advisory fees	7,964	8,707
- Shared services	6,495	5,931
- Other services	5,198	4,319
Royalties	1,500	1,500
Other supplies and services	5,468	3,195
	196,211	148,304

9. Personnel costs and employee benefits expense

Personnel costs is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Management remuneration	1,158	722
Remunerations	49,052	40,413
Social charges on remunerations	6,874	5,718
Employee's variable remuneration	14,241	11,563
Employee's benefits	2,292	1,773
Pension, medical care and other plans expenses	2,240	633
Indemnities	793	555
Other costs	2,314	5,025
Own work capitalised	-24,118	-23,855
	54,846	42,547

The average breakdown by management positions and professional category of the permanent staff as of 31 December 2010 and 2009 is as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Board members	16	16
Senior management / Senior officers	60	52
Middle management	442	381
Highly-skilled and skilled employees	220	180
Semi-skilled workers	100	108
	838	737

The companies of EDPR Group consolidated under the proportional consolidation method have contributed with 15 employees included in the semi-skilled line.

The number of employees includes Management and all the employees of all the subsidiaries and associates.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Direct operating taxes	15,984	11,958
Indirect taxes	7,668	6,466
Losses on fixed assets	1,845	1,970
Lease costs related to the electricity generating centres	7,770	4,995
Donations	451	285
Amortizations of deferred O&M cost	1,222	872
Turbine availability bonus	1,229	661
Other costs and losses	20,697	6,631
	56,866	33,838

Other costs and losses includes other administrative expenses of 13,766 thousand Euros . The amount recognised is the best estimate of the expenditure required to settle the present obligation at the end of 2010.

11. Depreciation and amortisation expense

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Property, plant and equipment:		
Buildings and other constructions	1,473	594
Plant and machinery:		
Hydroelectric generation	86	83
Thermoelectric generation	-	192
Wind generation	422,140	306,733
Other	15	349
Transport equipment	234	142
Office equipment	6,451	3,180
Other	1,764	860
	432,163	312,133
Other intangible assets:		
Industrial property, other rights and other intangibles	2,240	2,217
	2,240	2,217
	434,403	314,350
Amortisation of deferred income (Government grants):		
Investment grants	-11,406	-2,403
	-11,406	-2,403
	422,997	311,947

12. 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 2010		31 Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates				
Ibersol Solar Ibérica, S.A.	-	-	50%	268
		-		268

In 2009 Generaciones Especiales I, SL, sold its 50% shareholding in IBERSOL Solar Ibérica, SA to Solar Millennium AG, for 300 thousands of Euros, generating an accounting gain of 268 thousands of Euros.

13. Other financial income and financial expenses

Other financial income and financial expenses are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Other financial income:		
Interest income	7,355	7,865
Derivative financial instruments		
Interest	2,576	9,108
Fair value	8,376	5,983
Foreign exchange gains	25,984	12,747
Other financial Income	14	14
	44,305	35,717
Other financial expenses:		
Interest expense	176,792	103,745
Derivative financial instruments		
Fair value	5,356	4,579
Banking services	3,874	732
Foreign exchange losses	26,142	5,629
Own work capitalised (financial interests)	-68,401	-74,691
Unwinding	71,317	65,901
Other financial expenses	3,371	2,256
	218,451	108,151
Financial income / (expenses)	-174,146	-72,434

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

In accordance with the accounting policy described on note 2g), of the 31 December 2010 consolidated financial statements the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 31 December 2010 amounted to 68,401 thousand Euros (74,691 thousand Euros as at 31 December 2009) 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 1.725% and 13.09% (31 December 2009: 1.839% and 10.250%).

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

Unwinding expenses refers essentially to the financial update of provisions for dismantling and decommissioning of wind farms 2,872 thousand Euros (31 December 2009 : 3,134 thousand Euros) (see note 32), to the financial update of the liability related with put option of EDPR Italia 1,889 thousand Euros (31 December 2009: 8,620 thousand Euros related with put option of Genesa Group) (see note 34) and the implied return in institutional partnerships in US wind farms 64,830 thousand Euros (31 December 2009: 54,147 thousand Euros) (see note 33).

14. 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 in Brazil it is five years, being 2006 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 (4 years in Portugal since 2010, 15 years in Spain, 20 years in the USA, without an expiry date in Belgium, France and Brazil, but limited to 30% of the taxable income of each period). 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.

EDP Renewables Europe, 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. The companies of EDPR Group in spain are included in the Tax consolidation perimeter of Genesa Group and EDP, S.A. - Sucursal en España (EDP Branch).

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Current tax	-28,763	-34,112
Deferred tax	-8,996	-10,642
	-37,759	-44,754

The effective income tax rate as at 31 December 2010 and 2009 is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Profit before tax	120,797	162,541
Income tax	-37,759	-44,754
Effective Income Tax Rate	31.26%	27.53%

The reconciliation between the nominal and the effective income tax rate for the Group during the years ended 31 December 2010 and 2009 is analysed as follows:

	Group 31 Dec 2010 Euro'000	Group 31 Dec 2009 Euro'000
Profit before taxes	120,797	162,541
Nominal income tax rate	30.00%	30.00%
Expected income taxes	-36,239	-48,762
Income taxes for the period	-37,759	-44,754
Difference	-1,520	4,008
Tax effect of operations with institutional partnerships	-1,812	22,013
Depreciation, amortization and provisions	-3,727	-4,656
Unrecognised deferred tax assets related to tax losses generated in the period	3,206	-31,447
Production tax credits	-5,330	14,702
Fair value of financial instruments and financial investments	87	-2,587
Financial investments in associates	1,426	1,263
Difference between gains and accounting gains and losses	5,114	727
Tax differencial	-558	-
Tax benefits	-	2,666
Effect of tax rates in foreign jurisdictions	-	1,674
Other	74	-347
	-1,520	4,008

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

		Tax rate	
Country	Subgroup	2010 and 2009	Subsequent years
Spain	EDPR EU	30.00%	30.00%
Portugal	EDPR EU	26.50%	26.50%
France	EDPR EU	33.33%	33.33%
Poland	EDPR EU	19.00%	19.00%
Belgium	EDPR EU	33.99%	33.99%
Romania	EDPR EU	16.00%	16.00%
United States	EDPR NA	37.63%	37.63%
Brazil	EDPR BR	34.00%	34.00%

15. Property, plant and equipment

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Cost:		
Land and natural resources	18,867	13,119
Buildings and other constructions	13,896	11,041
Plant and machinery:		
Hydroelectric generation	2,619	2,619
Thermoelectric cogeneration	6,008	6,008
Wind generation	9,536,702	7,354,463
Other plant and machinery	290	255
Transport equipment	1,641	1,063
Office equipment and tools	29,186	21,492
Other tangible fixed assets	12,205	8,829
Assets under construction	1,666,957	2,038,064
	11,288,371	9,456,953
Accumulated depreciation:		
Depreciation and amortisation expense for the period	-432,163	-312,133
Accumulated depreciation	-874,437	-509,809
	-1,306,600	-821,942
Carrying amount	9,981,771	8,635,011

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

	Balance 1 January Euro'000	Acquisitions / Increases Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	13,119	5,610	-39	74	103	-	18,867
Buildings and other constructions	11,041	2,558	-	-	297	-	13,896
Plant and machinery:							
Hydroelectric generation	2,619	-	-	-	-	-	2,619
Thermoelectric cogeneration	6,008	-	-	-	-	-	6,008
Wind generation	7,354,463	21,928	-1,869	1,820,606	297,451	44,123	9,536,702
Other plant and machinery	255	21	-1	-	-	15	290
Transport equipment	1,063	468	-	34	76	-	1,641
Office equipment and tools	21,492	5,018	-98	1,621	741	412	29,186
Other	8,829	2,376	-113	994	118	1	12,205
Assets under construction	2,038,064	1,432,658	-1,703	-1,823,329	24,718	-3,451	1,666,957
	9,456,953	1,470,637	-3,823	-	323,504	41,100	11,288,371

	Balance 1 January Euro'000	Charge for the period Euro'000	Impairment Losses / Reverses Euro'000	Disposals Euro'000	Exchange Differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses							
Buildings and other constructions	2,287	1,473	-	-	27	-	3,787
Plant and machinery:							
Hydroelectric generation	1,526	86	-	-	-	-	1,612
Thermoelectric cogeneration	6,009	-	-	-	-	-	6,009
Wind generation	799,376	422,140	-	-961	20,040	33,529	1,274,124
Other plant and machinery	227	15	-	-	-	7	249
Transport equipment	367	234	-	-	20	-	621
Office equipment and tools	7,050	6,451	-	-12	-119	84	13,454
Other	5,100	1,764	-	-100	-20	-	6,744
	821,942	432,163	-	-1,073	19,948	33,620	1,306,600

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

The caption Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDPR EU, during the period ended at 31 December 2010, namely EDP Renewables Italy, S.r.l. and Repano Wind, S.r.l. and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, following the acquisition of an additional 12% interest (see note 5).

In 2009, Perimeter variations/regularisations include, among others, the effect of the acquisition of the wind power companies CENAEEL and Elebrás, Brazilian subsidiaries, and other companies of NEO Group, mainly Mardelle, Quinze Mines, Vallée du Moulin, Bon Vent de L'Ebre, Elektrownia Wiatrowa Kresy and Aprofitament D'Energies Renovables de la Terra Alta, totalling 40,032 thousands of Euros.

Aquisitions / Increases of assets under construction include 64,168 thousand Euros related to the purchase price allocation performed in 2010 for the companies acquired during the year (see note 17).

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

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	11,739	1,591	-4	128	-423	88	13,119
Buildings and other constructions	10,855	2,802	-	-	-147	-2,469	11,041
Plant and machinery:							
Hydroelectric generation	2,619	-	-	-	-	-	2,619
Thermoelectric cogeneration	6,008	-	-	-	-	-	6,008
Wind generation	5,227,721	49,155	-974	2,189,644	-130,206	19,123	7,354,463
Other plant and machinery	247	-	-	8	-	-	255
Transport equipment	686	527	-84	-	-32	-34	1,063
Office equipment and tools	9,378	9,354	-23	3,391	-356	-252	21,492
Other	7,334	478	-34	1,111	-60	-	8,829
Assets under construction	2,382,901	1,831,280	-3,580	-2,195,668	-3,618	26,749	2,038,064
	7,659,488	1,895,187	-4,699	-1,386	-134,842	43,205	9,456,953

	Balance 1 January Euro'000	Charge for the period Euro'000	Impairment Losses / Reverses Euro'000	Disposals Euro'000	Exchange Differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
	1,736	594	-	-	-16	-27	2,287
Plant and machinery:							
Hydroelectric generation	1,443	83	-	-	-	-	1,526
Thermoelectric cogeneration	5,817	192	-	-	-	-	6,009
Wind generation	499,925	306,733	-	-180	-8,893	1,791	799,376
Other plant and machinery	214	349	-	-	-	-336	227
	266	142	-	-34	-9	2	367
	4,256	3,180	-	-25	-90	-271	7,050
	4,026	860	-	-28	-28	270	5,100
	517,683	312,133	-	-267	-9,036	1,429	821,942

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

	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Electricity business:		
EDPR NA Group	288,285	438,274
EDPR EU Group	1,293,304	1,595,787
EDP Renováveis	7,909	1,861
EDPR BR	77,459	2,142
	1,666,957	2,038,064

Assets under construction as at 31 December 2010 and 2009 for EDPR EU and EDPR NA Group are essentially related to wind farms under construction and development.

Financial interests capitalised amount to 68,401 thousand Euros as at 31 December 2010 and 74,691 thousand Euros as at 31 December 2009 (see note 13).

Personnel costs capitalised amount to 24,118 thousand Euros as at 31 December 2010 (31 December 2009: 23,855 thousand Euros) (see note 9).

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

16. Intangible assets

This balance is analysed as follows:

	Group 31 Dec 2010 Euro'000	Group 31 Dec 2009 Euro'000
Cost:		
Industrial property, other rights and other intangible assets	41,069	30,378
Intangible assets under development	-	2,844
	41,069	33,222
Accumulated amortisation:		
Depreciation and amortisation expense for the period	-2,240	-2,217
Accumulated depreciation	-16,102	-13,665
	-18,342	-15,882
Carrying amount	22,727	17,340

Industrial property, other rights and other intangible assets include 14,035 thousand Euros and 24,693 thousand Euros related to wind generation licenses of Portuguese companies (31 December 2009: 14,035 thousand Euros) and EDPR NA Group (31 December 2009: 13,920 thousand Euros), respectively.

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangible assets	30,378	2,186	-	2	1,062	7,441	41,069
Intangible assets under development	2,844	314	-2	-2	-	-3,154	-
	33,222	2,500	-2	-	1,062	4,287	41,069

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment Euro'000	Disposals Euro'000	Exchange differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:							
Industrial property, other rights and other intangible assets	15,882	2,240	-	-	220	-	18,342
	15,882	2,240	-	-	220	-	18,342

The Perimeter Variations / Regularisations of the caption Industrial property, other rights and other intangible assets mainly includes 7,577 thousand Euros related with a contractual right of EDPR NA to move power through the interconnection point. In 2009, prior to the signature of this new contract, EDPR NA was supposed to be refunded for the amount of the interconnection upgrades in cash, and has classified this amount as Other debtors.

The Perimeter Variations / Regularisations of the caption Intangible assets under development mainly includes 2,840 thousand Euros related with the annulment of the advanced payments from intangible assets suppliers of EDPR EU subgroup.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangible assets	33,521	39	-	-2,773	-409	-	30,378
Intangible assets under development	2,840	4	-	-	-	-	2,844
	36,361	43	-	-2,773	-409	-	33,222

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:							
Industrial property, other rights and other intangible assets	13,953	2,217	-	-	-105	-183	15,882
	13,953	2,217	-	-	-105	-183	15,882

17. Goodwill

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Electricity business:		
Goodwill booked in EDPR EU Group	749 392	765,987
Goodwill booked in EDPR NA Group	592 915	550,868
Goodwill booked in EDPR BR Group	1 699	1,501
	1,344,006	1,318,356

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

		Group	
	Functional Currency	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
EDPR NA group	US Dollar	592,915	550,868
Genesa group	Euro	408,554	477,522
Ceasa group	Euro	117,637	117,513
EDPR Polska	Zloty	23,266	26,410
EDPR Portugal group	Euro	42,588	42,588
NEO Galia SAS group	Euro	79,958	83,160
Romania group	Lei	9,421	10,931
NEO Catalunya	Euro	7,013	4,689
EDPR BR Group	Brasilian Real	1,699	1,501
EDPR Italia Group	Euro	57,781	-
Other	Euro	3,174	3,174
		1,344,006	1,318,356

During the year 2010, 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	Exhange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Electricity Business							
EDPR NA group	550,868	-	-	-	42,047	-	592,915
Genesa group	477,522	-	-68,968	-	-	-	408,554
Ceasa group	117,513	124	-	-	-	-	117,637
EDPR Polska	26,410	-	-	-	-3,144	-	23,266
EDP Renováveis Portugal group	42,588	-	-	-		-	42,588
NEO Galia SAS group	83,160	-	-3,202	-	-	-	79,958
Romania group	10,931	-	-	-	-1,510	-	9,421
Neo Catalunya	4,689	2,324	-	-	-	-	7,013
EDPR BR Group	1,501	-	-	-	198	-	1,699
EDPR Italia Group	-	57,781	-	-	-	-	57,781
Other	3,174	-	-	-	-	-	3,174
	1,318,356	60,229	-72,170	-	37,591	-	1,344,006

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

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exhange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Electricity Business							
EDPR NA Group	569,777	-	-	-	-18,909	-	550,868
Genesa Group	441,356	36,166	-	-	-	-	477,522
Ceasa Group	146,469	76	-3,502	-	-	-25,530	117,513
EDPR Polska	25,424	736	-	-	250	-	26,410
EDP Renováveis Portugal Group	43,011	-	-423	-	-	-	42,588
NEO Galia SAS Group	45,104	113		-	-	37,943	83,160
Hollywell Group	8,007	-	-	-	-	-8,007	-
Ridgeside Group	4,317	-	-	-	-	-4,317	-
Romania Group	14,803	216	-4,088	-	-	-	10,931
NEO Catalunya	4,187	502	-	-	-	-	4,689
EDPR BR Group	-	1,246	-	-	255	-	1,501
Other	3,263	-	-	-	-	-89	3,174
	1,305,718	39,055	-8,013	-	-18,404	-	1,318,356

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determined in USD as at 31 December 2010 and amounts to 775,251 thousands of USD, corresponding to 592,915 thousand Euros (31 December 2009: 550,868 thousand Euros), including the related transaction costs in the amount of 12,723 thousand Euros. The increase in EDPR NA Group goodwill is related with the effect from exchange differences of EUR/USD of 42,047 thousand Euros (decrease of 18,909 thousand Euros as at 31 December 2009).

Genesa Group

The variation in Genesa Group goodwill is related with the revaluation (in proportion of 20% of full equity valuation) of the put options of Caja Madrid over Genesa amounting aproximately negative 68,968 thousand Euros (31 December 2009: positive 36,139 thousand Euros) (see note 37).

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

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

Ceasa Group

In 2009 the increase in Ceasa Group goodwill (76 thousand Euros) is related with the acquisition of 48.7% of Aprofitament D'Energies Renovables de la Terra Alta, S.A., with an acquisition cost of 1,083 thousands of Euros.

In 2009 the decrease in Ceasa Group goodwill results from the decrease of the acquisition price of Parc eolic Coll de Moro, S.L. (1,555 thousands of Euros), Parc eolic Torre Madrina, S.L. (1,555 thousands of Euros) and Parc eolic de Vilalba des Arcs, S.L. (392 thousands of Euros) and from the restructuring process that originated the transfer of French subsidiaries from Ceasa subgroup to Neo Galia subgroup (25,530 thousands of Euros).

In 2010 the increase in Ceasa Group is related with an adjustment to the contingent price (124 thousand Euros) of Aprofitement D'Energies Renovables de la Terra Alta, S.A.

EDPR Polska Group

In 2010, the increase in EDPR Polska goodwill (329 thousand Euros) is related with the acquisition of 100% of the share capital of subsidiary Karpacka Mala Energetyka SP ZOO. Additionally the goodwill has decreased 3,144 thousand Euros related with exchange differences.

In 2010 EDPR Ploska Group acquired 100% of the share capital of the companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO and carried out the final PPA, that led to a recognition of an operating income of 15,000 thousand Euros, analysed as follows:

	Bodzanow	Starozreby	Wyszogrod	Book value	Final PPA	Assets and liabilities at fair value
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Property, plant and equipment	39	54	134	227	38,533	38,760
Non current assets	39	54	134	227	38,533	38,760
Current assets	445	442	375	1,262	-	1,262
Total assets	484	496	509	1,489	38,533	40,022
Deferred tax liabilities	421	383	332	1,136	7,348	8,484
Current liabilities	1	-1	14	14	-	14
Total liabilities	422	382	346	1,150	7,348	8,498
Net assets acquired	62	114	163	339	31,185	31,524
Consideration transferred	6,132	5,513	4,879	16,524		16,524
Goodwill	6,070	5,399	4,716	16,185		-15,000

Neo Galia SAS Group

In 2009, the increase in Neo Galia SAS Group of 113 thousand Euros results from the acquisition of 100% of the share capital of subsidiaries Mardelle, SARL and Vallée du Moulin, SARL and 49% of Quinze Mines, SARL and from the restructuring process that originated the transfer of French subsidiaries from Ceasa, Hollywell, Ridgeside and Other subgroups to Neo Galia group (37,943 thousand Euros).

In 2010 the decrease in Neo Galia Group (3,202 thousand Euros) is related with a reduction of the success fees payable for the acquisition of Eole 76.

Romania Group

In 2009, the increase in Romania Group goodwill is related with an increase in acquisition contingent price (216 thousand Euros) of the company Renovatio Power. The decrease of Romania group goodwill (4,088 thousand Euros) results from the reduction of payable success fees as pre-established contractual assumptions were not achieved.

In 2010 the decrease of 1,510 thousand Euros is related with the effect from exchange differences of EUR/LEI.

Neo Catalunya

In 2009, the increase in Neo Catalunia Group goodwill (2,826 thousand Euros) is related with the acquisition of 100% of the share capital of subsidiary Bon Vent de L'Ébre, including the effect of the final PPA carried out in 2010, analysed as follows.

	2009			2010	
	Book Value	Provisory PPA	Assets and Liabilities at fair value	Final PPA	Assets and Liabilities at fair value
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Property, plant and equipment	4,113	8,993	13,106	4,042	17,148
Other assets (including licenses)	1,012	-	1,012	-	1,012
Total assets	5,125	8,993	14,118	4,042	18,160
Deferred tax liabilities	-	1,864	1,864	2,045	3,909
Current liabilities	5,070	-	5,070	-	5,070
Total liabilities	5,070	1,864	6,934	2,045	8,979
Net assets acquired	55	7,129	7,184	1,997	9,181
Consideration transferred	7,686		7,686		12,007
Goodwill	7,631		502		2,826

During the year 2010 the final purchase price allocation for the acquisition of subsidiary Bon Vent de L'Ébre was carried out and the goodwill of Neo Catalunya subgroup has increased by 2,324 thousand Euros .

EDPR BR Group

In 2009, the increase in EDPR Brazil Group goodwill is related with the acquisition of 100% of share capital of CENAEEL in the amount of 1,246 thousands of Euros and with the effect from exchange difference of the EUR/BRL of 255 thousands of Euros. In 2009 EDPR Brazil Group also acquired 100% of share capital of Elebrás but the no goodwill was generated in the acquisition. The acquisition price of these two companies was approximately 15,000 thousands of Euros.

In 2010, the increase in EDPR BR Group goodwill is related with the effect from exchange differences of EUR/BRL of 198 thousand Euros.

Italia subgroup

In 2010, EDPR Group through its subsidiary EDPR EU acquired 85% of the share capital of EDP Renewables Italia,S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remain 15% of the company's share capital (see note 37); as a consequence, as at 31 December 2010, the EDPR Group has consolidated 100% of EDP Renewables Italia,S.r.l. , taking considering the put option as an anticipated acquisition of non controlling interests.

The Italia subgroup goodwill results from the acquisition of Italian Wind, S.r.l., Repano, S.r.l. and Re Plus, S.r.l. During 2010, the final PPA for the Italian Wind, S.r.l., Repano, S.r.l. acquisitions was carried out and the final goodwill generated is analysed as follows:

	Book value Euro'000	PPA Euro'000	Assets and at fair value Euro'000
Property, plant and equipment	4,841	3,964	8,805
Other non current assets	123		123
Goodwill	15,149		15,149
Non current assets	20,113	3,964	24,077
Current assets	-	-	-
Total assets	20,113	3,964	24,077
Non current liabilities	-	1,090	1,090
Current liabilities	405	-	405
Total liabilities	405	1,090	1,495
Net assets acquired	19,708	2,874	22,582
Consideration transferred	65,072		65,072
Goodwill	45,364		42,490

The Italia subgroup goodwill (57,781 thousand Euros) results from the acquisition of Italian Wind, S.r.l., which includes the goodwill generated from the acquisition (42,444 thousand Euros), the amount of the goodwill already included in the financial statements of Italian Wind, S.r.l. (15,149 thousand Euros) and from the goodwill generated in the acquisition of Repano, S.r.l. (46 thousand Euros with an acquisition price of 200 thousand Euros) and Re Plus, S.r.l. (142 thousand Euros with an acquisition price of 1.080 thousand Euros).

During 2010 the EDPR Group has paid an amount of 56,123 thousand Euros (31 December 2009: 74,342 thousand Euros) for business combinations and success fees,which includes an amount of 5,220 thousands of Euros of cash and cash equivalents acquired (31 December 2009: 6,250 thousand Euros).

Other information for business combinations and purchase price allocation included in 2009

During 2009, the accounting value of assets, liabilities and contingent liabilities recognised at the date of acquisition for the business combinations carried out (Elektrownia Wiatrowa Kresy I, Vallée du Moulin, Mardelle, Quinze Mines, Coll de la Garganta, Serra Voltorera, Bon Vent de L'Ébre, Bon Vent de Vilalba, Bon Vent de Corbera, Cenaeel and Elebrás) were as follows:

	Book Value
Property, plant and equipment	105,210
Other assets	9,734
Non-current assets	114,944
Total assets	114,944
Other non-current term liabilities	13,454
Current liabilities	45,896
Total liabilities	59,350
Net assets acquired	55,594

EDPR Polska Group

In 2009, EDPR Polska Group has acquired 100% of the share capital of subsdiary Elektrownia Wiatrowa Kresy I, S.P. ("Kresy") (736 thousands of Euros) and has carried out the provisory PPA analysed as follows:

	Book value Kresy	Assets and Fair value adjustments Kresy	Assets and Liabilities at fair value Kresy
Property, plant and equipment	382	9,066	9,448
Other assets (including licenses)	88	-	88
Total assets	470	9,066	9,536
Deferred tax liabilities	-	1,660	1,660
Other liabilities	452	-	452
Total non controlling interests and liabilities	452	1,660	2,112
Net assets at fair value			7,424
Acquisition cost			8,160
Goodwill			736

Romania Group

In 2009, the increase in Romania Group goodwill is related with an increase in the acquisition contingent price (216 thousands of Euros) of the company Renovatio Power.

In 2009, the decrease in Romania Group goodwill (4,088 thousands of Euros) results from the decrease of the payable success fees as pre-established contractual assumptions were not achieved.

During 2009 Romania Group has carried out the final PPA analysed as follows:

	Book value Romania Group	Assets and Fair value adjustments Romania Group	Assets and Liabilities at fair value Romania Group
Property, plant and equipment	11,222	67,823	79,045
Other assets (including licenses)	296	-	296
Total assets	11,518	67,823	79,341
Non controlling interests	-	8,763	8,763
Deferred tax liabilities	-	9,402	9,402
Other liabilities	11,551	-	11,551
Total non controlling interests and liabilities	11,551	18,165	29,716
Net assets at fair value			49,625
Acquisition cost			60,556
Goodwill			10,931

EDPR Portugal Group

The decrease in EDPR Portugal Group goodwill is related with an adjustment to the contingent price of the subsidiary Bolores - Energia eólica, S.A..

EDPR Brazil Group

The increase in EDPR Brazil Group goodwill is related with the acquisition of 100% of share capital of CENAEEL. The effects of the final PPA carried out in 2009 are analysed as follows:

	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	15,790	18,186	33,976
Other assets (including licenses)	4,362	-	4,362
Total assets	20,152	18,186	38,338
Deferred tax liabilities	-	5,742	5,742
Other liabilities	10,458		10,458
Total liabilities	10,458	5,742	16,200
Net assets at fair value			22,138
Acquisition cost			23,384
Goodwill			1,246

Goodwill impairment tests - EDPR Group

The goodwill of the EDPR Group is tested for impairment anually. In the case of operational wind farms, it is performed by determining the recoverable value through the value in use of the different cash generating units (CGUs) comprising in each of the countries where EDPR Group performs its activity. Each country coincide with subgroups disclosed above with the exception of Spain with three different subgroups (Genesa Group, Ceasa Group and Neo Catalunya Group). Goodwill of these three Spanish subgroups is tested at country level.

To perform this analysis, a Discounted Cash Flow (DCF) method was used. This method is based on the principle that the estimated value of an entity or business is defined by its capacity to generate financial resources in the future, assuming these can be removed from the business and distributed among the company's shareholders, without compromising the maintenance of the activity.

Therefore, for the businesses developed by EDPR's CGUs, the valuation was based on free cash flows generated by the business, discounted at the Weighted Average Cost of Capital (WACC) rate, that reflects the risk associated to such free cash flows, and subtracting the net debt associated with such asset's operation.

The cash flow projections reflect current portfolio of installed capacity and power purchase agreements as well as managemet perspective on business growth, market and regulatory evolutions.

The cash flows period is the useful life of the assets (20 years) with inflation growth until year 20 and discounted to present day.

The discount rates (after tax) used range between 5.25% and 9.1%, depending on specific risk factors of the different countries.

18. Investments in associates

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Investments in associates:		
Equity holdings in associates	45,871	47,609
Carrying amount	45,871	47,609

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 2010**, is analysed as follows:

	Group 31 Dec 2010	
	Investment Euro'000	Impairment Euro'000
Associated companies:		
ENEOP - Éolicas de Portugal, S.A.	12,869	-
Desarrollos Eólicos de Canárias, S.A.	11,566	-
Parque Eólico Sierra del Madero S.A.	6,788	-
Veinco Energia Limpia S.L. subgroup	4,790	-
Parque Eólico Belmonte, S.A.	3,033	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	1,756	-
Hidroastur S.A.	1,725	-
Blue Canyon Windpower, LLC	1,817	-
Other	1,527	-
	45,871	-

The breakdown of **Investments in associates as at 31 December 2009**, is analysed as follows:

	Group 31 Dec 2009	
	Investment Euro'000	Impairment Euro'000
Associated companies:		
Desarrollos Eólicos de Canárias, S.A.	11,235	-
Parque Eólico altos del Voltoya, S.A.	9,593	-
ENEOP - Éolicas de Portugal, S.A.	6,907	-
Parque Eólico Sierra del Madero S.A.	5,485	-
Veinco Energia Limpia subgroup	4,154	-
Parque Eólico Belmonte, S.A.	3,073	-
Associates of Valle del Ebro Ingeniería y Consultoría, S.L.	2,014	-
Hidroastur S.A.	1,937	-
Blue Canyon Windpower, LLC	1,686	-
Other	1,525	-
	47,609	-

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

	Group 31 Dec 2010 Euro'000	Group 31 Dec 2009 Euro'000
Balance as at 1 January	47,609	40,782
Acquisitions	3,834	7,207
Disposals	-	-137
Share of profits of associates	5,036	3,939
Dividends received	-1,784	-4,107
Exchange differences	131	-75
Changes in consolidation method	-8,955	-
Balance as at 31 December	45,871	47,609

Acquisitions of investments in associates are mainly related to increase of ENEOP - Eólicas de Portugal, S.A. additional paid in capital (see note 5).

Changes in consolidation method are related with the acquisition of an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya, S.A., obtaining the control of this company and starting to consolidate under the full consolidation method (see note 5 and 17).

19. Available for sale financial assets

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Sociedad Eólica de Andalucia, S.A.	10,832	11,766
Parque Eólico Montes de las Navas, S.L.	6,684	-
Wind Expert	500	500
Other	364	364
	18,380	12,630

During 2010 EDP Renováveis Group has started to consolidate Parque Eólico del Voltoya, S.A. under the full consolidation method. As a consequence, has recognised as an available for sale financial asset the shareholding of its subsidiary in Parque Eólico Montes de las Navas, S.L.

The assumptions used in the valuation models of available for sale financial assets are as the same used to the impairment test.

The interest in share capital, voting rights, net assets and net income of the last approved financial statements of the investments classified as available for sale financial assets are analysed as follows:

	Head office	% of share capital	Voting rights	Net assets	Net income
Sociedad Eólica de Andalucia, S.A.	Sevilla	16.67%	16.67%	11,320	1,650
Parque Eólico Montes de las Navas, S.L.	Madrid	17.00%	17.00%	9,976	2,128

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 2010 Euro'000	31 Dec 2009 Euro'000	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Tax losses brought forward	4,487	3,593	-	-	4,487	3,593
Provisions	6,591	2,136	-	-	6,591	2,136
Derivative financial instruments	8,401	5,543	52	2,743	8,349	2,800
Property, plant and equipment	18,563	16,082	13,038	8,052	5,525	8,030
Allocation of fair value to assets and liabilities	-	-	357,200	330,911	-357,200	-330,911
Accounting revaluations	-	-	146	21	-146	-21
Other	477	712	1,164	1,197	-687	-485
	38,519	28,066	371,600	342,924	-333,081	-314,858

Allocation of fair value to assets and liabilities in 2009 includes the effect of the final purchase price allocation of Bom Vent de L'Ébre (2,045 thousand Euros) and Kresy (-541 thousand Euros), perfomed during 2010.

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

	31 Dec 2010 Euro'000		31 Dec 2009 Euro'000	
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Opening balance	28,066	-342,924	21,834	-316,920
Increases charged to the profit and loss account	9,741	-31,582	7,548	-24,886
Decreases charged to the profit and loss account	-2,622	14,841	-3,489	10,106
Increases charged to reserves	3,221	-1,457	1,969	-1,692
Decreases charged to reserves	-514	4,002	-	-63
Change in the applicable tax rate	-	-	-	-
Other movements	627	-14,480	204	-9,469
	38,519	-371,600	28,066	-342,924

As referred above, the opening balance of Tax liabilities as at 1 January 2010 includes the effect of the final purchase price allocation of Bon Vent de L'Ébre (2,045 thousand Euros) and Kresy (-541 thousand Euros), perfomed during 2010.

Other movements of deferred tax liabilities relates mainly to the effect of purchase price allocations ocurring in 2010 related to Neo Catalunia, Italy, Parque Eólico Altos del Voltoya (12,404 thounsand Euros).

In 2009, other movements of deferred tax liabilities relates mainly to the effect of purchase price allocations ocurring in 2009 related to Poland, Catalunia and France (3,944 thounsands of Euros) and Elebrás and Cenaeel (6,452 thousands of Euros).

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

	Tax Assets 31 Dec 2010 Euro'000	Tax Liabilities 31 Dec 2010 Euro'000
Tax losses brought forward	3,567	-
Provisions	3,182	-
Derivative financial instruments	8,401	52
Allocation of acquired assets and liabilities fair values	-	345,001
Property, plant and equipement	17,228	254
Accounting revaluations	-	-
Others	455	232
	32,833	345,539

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Expiration date:		
2010	-	11
2011	229	232
2012	197	224
2013	164	214
2014	193	151
2015	7,633	4,509
2016	2,822	2,822
2017 to 2029	985,906	640,833
Without expiration date	155,987	149,304
	1,153,131	798,300

The Group has not recorded deferred tax assets for tax losses carried forward of 1,153,131 thousand Euros (2009: 798,300 thousand Euros) due to uncertainty regarding the future realization of the net deferred tax asset. Most of these losses relate to EDPR NA (963,360 thousand Euros and 31 December 2009: 622,113 thousand Euros)

21. Inventories

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Advances on account of purchases	3,549	2,795
Finished and intermediate products	18,669	8,163
Raw and subsidiary materials and consumables:		
Other consumables	1,944	386
	24,162	11,344

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

22. Trade receivables

Trade receivables are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Short term trade receivables - Current:		
Spain	81,619	47,914
United States of America	27,945	27,434
Portugal	13,664	17,918
France	6,262	7,072
Belgium	3,693	5,301
Brazil	349	452
Romania	1,148	57
Poland	8,967	-
United Kingdom	3	-
	143,650	106,148
Doubtful debts	2,339	2,345
Impairment losses	-2,339	-2,345
	143,650	106,148

23. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Debtors - Current:		
Loans to related parties	358,795	178,028
Derivative financial instruments	5,402	13,765
Guarantee deposits	12,496	11,962
Tied deposits	80,121	90,505
Other debtors:		
- Amounts related to staff	48	32
- Insurance	2,440	1,979
- Production tax credits (PTC)	864	213
- EDPR NA warranty claim	682	2,678
- Prepaid turbine maintenance	3,651	1,450
- Turbine Availability	1,376	6,680
- Services rendered	8,103	9,110
- Advances to suppliers	55,917	100
- Sundry debtors and other operations	22,364	20,956
	552,259	337,458
Debtors - Non-current:		
Loans to related parties	6,955	8,408
Notes receivable (EDPR NA)	908	9,397
Guarantees and tied deposits	35,957	34,961
Derivative financial instruments	4,068	5,443
Other debtors:		
- Deferred costs (EDP Renováveis Portugal Group)	46,588	46,770
- Deferred PPA costs (High Trail)	5,275	5,388
- O&M contract valuation - Mapple Ridge I (EDPR NA)	6,317	7,405
- Deferred Tax Equity Costs	11,631	6,384
- Sundry debtors and other operations	5,612	5,291
	123,311	129,447
	675,570	466,905

Loans to related parties - Current mainly includes mainly 171,081 thousand Euros of loans granted by EDP Renováveis, S.A. to EDP, S.A. - Sucursal en España (31 December 2009: 37,678 thousand Euros) related to the net investment derivative interests liquidation, 129,648 thousand Euros of loans granted by EDP Renováveis Portugal, S.A. to ENEOP Group (31 December 2009: 106,800 thousand Euros) and 55,399 thousand Euros related to loans granted by EDPR EU to EDP, S.A. - Sucursal en España (31 December 2009: 21,554 thousand Euros).

Tied deposits - Current mainly includes financing agreements required to be held in the amount sufficient to pay remaining construction related costs.

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

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

24. Tax receivable

Tax receivable is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
State and other public entities:		
- Income tax	19,131	19,132
- Value added tax (VAT)	53,109	146,464
- Other taxes	8,810	4,074
	81,050	169,670

25. Financial assets at fair value through profit or loss

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Equity securities:		
Investment funds	35,335	33,012
Debt securities:		
Bonds	409	4,091
	35,744	37,103

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

The effect in income statement of operations with financial assets at fair value through profit or loss was 674 thousand Euros (31 December 2009: 1,416 thousand Euros).

26. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Cash:		
- Cash in hand	4	57
Bank deposits:		
- Current deposits	234,231	158,411
- Other deposits	189,465	285,165
	423,696	443,576
Cash and cash equivalents	423,700	443,633

The other includes 182,633 thousand Euros (31 December 2009: 257,396 thousand Euros) of deposits made in EDP Finance BV in USD, with a maturity until one month, which earn interests from 5% to 5.5%.

27. Capital

At 31 December 2010 and 2009, the share capital of the Company is represented by 872,308,162 ordinary bearer shares of Euros 5 par value each, all fully paid. These shares have the same voting and profit-sharing rights. These shares are freely transferable.

Companies which hold a direct or indirect interest of at least 10% in the share capital of the Company at 31 December 2010 and 2009 are as follows:

Main shareholders and shares held by company officers:

EDP Renováveis, S.A..'s shareholder structure as at 31 December 2010 is analysed as follows:

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

(*) Shares quoted on the Lisbon stock exchange

In 2007 and 2008 the Company carried out various share capital increases, which were subscribed through non-monetary contributions comprising 100% of the shares in EDPR NA and EDPR EU.

The contributions are applicable to the special tax treatment for mergers, spin-offs, transfers of assets and conversion of securities foreseen in Chapter VIII of Section VII of Royal Decree 4 dated 5 March 2004 which approved the revised Spanish tax law. The disclosures required by prevailing legislation were included in the annual accounts for 2007 and 2008.

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

	Group	
	31 Dec 2010	31 Dec 2009
Profit attributable to the equity holders of the parent in thousand Euros	80,203	114,349
Profit from continuing operations attributable to the equity holders of the parent in thousand Euros	80,203	114,349
Weighted average number of ordinary shares outstanding	872,308,162	872,308,162
Weighted average number of diluted ordinary shares outstanding	872,308,162	872,308,162
Earnings per share (basic) attributable to equity holders of the parent in Euros	0.09	0.13
Earnings per share (diluted) attributable to equity holders of the parent in Euros	0.09	0.13
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros	0.09	0.13
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros	0.09	0.13

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

The company does not hold any treasury stock as at 31 December 2010.

The average number of shares was determined as follows:

	Group	
	31 Dec 2010	31 Dec 2009
Ordinary shares issued at the beginning of the period	872,308,162	872,308,162
Effect of shares issued during the six monts period	-	-
Average number of realised shares	872,308,162	872,308,162
Average number of shares during the period	872,308,162	872,308,162
Diluted average number of shares during the period	872,308,162	872,308,162

28. Reserves and retained earnings

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Reserves		
Fair value reserve (cash flow hedge)	-4,913	16,735
Fair value reserve (available for sale financial assets)	10,980	8,659
Exchange differences arising on consolidation	-15,316	570
	-9,249	25,964
Other reserves and retained earnings:		
Retained earnings	208,493	98,028
Additional paid in capital	60,666	60,666
Legal reserve	14,281	7,479
	283,440	166,173
	274,191	192,137

Additional paid in capital

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

Legal reserve

The legal reserve has been appropriated in accordance with Article 274 of the Spanish Companies Act whereby companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available or to increase the share capital.

Profit distribution (parent company)

The EDP Renováveis, S.A. proposal for 2010 profits distribution to be presented in the Annual General Meeting is as follows:

	Euros
Profit for the period	44,091,046.97
Distribution	
Legal reserve	4,409,104.70
Free reserve	39,681,942.27
	44,091,046.97

The EDP Renováveis, S.A. 2009 profits distribution approved in the Annual General Meeting on 15 April 2010 was as follows:

	Euros
Profit for the period	68,012,381.59
Distribution	
Legal reserve	6,801,238.16
Free reserve	61,211,143.43
	68,012,381.59

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.

	Group Euro'000
Balance as at 1 January 2009	7,747
Sociedad Eólica de Andalucia	912
Balance as at 31 December 2009	8,659
Sociedad Eólica de Andalucia	-934
Parque Eólico Montes de las Navas, S.L.	3,255
Balance as at 31 December 2010	10,980

Exchange differences arising on consolidation

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

		Exchange rates as at 31 December 2010		Exchange rates as at 31 December 2009	
Currency		Closing Rate	Average Rate	Closing Rate	Average Rate
Dollar	USD	1.336	1.326	1.441	1.390
Zloty	PLN	3.975	3.995	4.105	4.362
Real	BRL	2.218	2.331	2.511	2.783
Lei	RON	4.262	4.212	4.236	4.245
Pound Sterling	GBP	0.861	0.858	0.888	0.890
Canadian Dollar	CAD	1.332	1.365	-	-

29. Non controlling interest

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Non controlling interest in income statement	2,835	3,438
Non controlling interest in share capital and reserves	122,706	104,055
	125,541	107,493

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
EDPR EU Group	114,216	98,759
EDPR BR	11,325	8,734
	125,541	107,493

The movement in non-controlling interest of EDP Renováveis Group is mainly related to profits attributable to non-controlling interest of 2,835 thousand Euros, to variations resulting from share capital increases attributable to non-controlling interest (EDPR BR and EDPR EU subsidiaries) totalling 5,212 thousand Euros and the acquisition of an additional interest in the share capital of Parque Eólico Altos del Voltoya, S.A. (9,706 thousand Euros) (see note 5).

30. Financial debt

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Financial debt - Current		
Bank loans:		
- EDPR EU Group	125,408	102,500
- EDPR BR Group	72,485	539
Other loans:		
- EDPR EU Group	3,634	2,982
- EDPR NA Group	935	1,114
Interest payable	5,185	3,133
	207,647	110,268
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	491,588	394,895
- EDPR BR Group	8,052	7,704
Loans from shareholders of group entities:		
- EDP Renováveis , S.A.	2,799,548	2,131,042
Other loans:		
- EDPR EU Group	23,423	25,823
- EDPR NA Group	3,332	3,707
	3,325,943	2,563,171
	3,533,590	2,673,439

Financial debt Non - Current for EDP Renováveis, mainly refers to a set of loans granted by EDP Finance BV (2,799,548 thousand Euros). These loans have an average maturity of 8.8 years and bear interest at fixed market rates.

The Group has project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects, and the compliance with some ratios. As at 31 December 2010, these financings amount to 624,878 thousand Euros (444,212 thousand Euros as at 31 December 2009), which are already included in the total debt of the Group.

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Bank loans:		
Up to 1 year	202,184	106,172
1 to 5 years	215,135	186,423
Over 5 years	284,505	216,176
	701,824	508,771
Loans from shareholders of group entities:		
Up to 1 year	894	-
1 to 5 years	-	-
Over 5 years	2,799,548	2,131,042
	2,800,442	2,131,042
Other loans:		
Up to 1 year	4,569	4,096
1 to 5 years	16,545	17,558
Over 5 years	10,210	11,972
	31,324	33,626
	3,533,590	2,673,439

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

	31 Dec 2010		31 Dec 2009	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term financial debt - Current	207,647	207,647	110,268	110,268
Medium/Long financial debt - Non current	3,325,943	3,178,811	2,563,171	2,532,998
	3,533,590	3,386,458	2,673,439	2,643,266

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

As at 31 December 2010, the scheduled repayments of Group's debt are as follows:

	Total Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Subsequent years Euro'000
Short term debt and borrowings	207,647	207,647	-	-	-	-	-
Medium/long-term debt and borrowings	3,325,943	-	57,755	60,025	67,003	46,897	3,094,263
	3,533,590	207,647	57,755	60,025	67,003	46,897	3,094,263

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

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Loans denominated in Euros	1,844,113	1,352,252
Loans denominated in USD	1,452,120	1,312,944
Loans denominated in other currencies	237,357	8,243
	3,533,590	2,673,439

31. Employee benefits

Employee benefits balance are analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Provisions for social liabilities and benefits	36	6
Provisions for healthcare liabilities	59	53
	95	59

As at 31 December 2010 and 2009, 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 amounts.

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 2010	31 Dec 2009
Assumptions		
Expected return of plan assets	6.00%	6.34%
Discount rate	5.00%	5.20%
Salary increase rate	3.70%	3.70%
Pension increase rate	2.70%	2.70%
Social Security salary appreciation	1.90%	1.90%
Inflation rate	2.00%	2.00%
Mortality table	Age >60 - TV88/90 / Age<=60 years -TV99/01	Age >60 - TV88/90 / Age<=60 years -TV99/01
Disability table	50%EKV 80	50%EKV 80
Expected % of eligible employees accepting early retirement	40	40

II. Pension Plans - Defined Contribution Type

EDPR EU 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 2010	31 Dec 2009
Assumptions		
Discount rate	5.00%	5.20%
Annual increase rate of medical service costs	4.00%	4.00%
Estimated administrative expenses per beneficiary per year (Euros)	175	150
Mortality table	Age >60 - TV88/90 / Age<=60 years -TV99/01	Age >60 - TV88/90 / Age<=60 years -TV99/01
Disability table	50%EKV 80	50%EKV 80
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 2010 Euro'000	31 Dec 2009 Euro'000
Dismantling and decommission provisions	53,156	63,956
Provision for other liabilities and charges	631	3,129
	53,787	67,085

Dismantling and decommission provisions refer to the costs to be incurred with dismantling wind farms and restoring of sites and land to their original condition, in accordance with the accounting policy described in Note 2 o). The above amount includes essentially 28,813 thousand Euros for wind farms in the United States of America (31 December 2009: 41,609 thousand Euros), 15,904 thousand Euros for wind farms in Spain (31 December 2009: 15,053 thousand Euros), 4,610 thousand Euros for wind farms in Portugal (31 December 2009: 5,348 thousand Euros), 2,010 thousand Euros for wind farms in France (31 December 2009: 1,738 thousand Euros), 639 thousand Euros for wind farms in Brazil (31 December 2009: 183 thousand Euros), 399 thousand Euros for wind farms in Belgium (31 December 2009: 25 thousand Euros) and 781 thousand Euros for wind farms in Poland.

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

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

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Balance at the beginning of the year	63,956	47,311
Capitalised amount for the year and other	3,771	14,951
Unwinding	2,872	3,134
Other and exchange differences	-17,443	-1,440
Balance at the end of the year	53,156	63,956

Capitalised amount for the year and other includes the impact of the update of dismantling provisions assumptions.

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Balance at the beginning of the year	3,129	2,387
Charge for the year	-	1,140
Write back for the year	-155	-420
Other and exchange differences	-2,343	22
Balance at the end of the year	631	3,129

33. Institutional partnerships in US wind farms

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Deferred income related to benefits provided	635,271	433,763
Liabilities arising from institutional partnerships in US wind farms	1,008,777	919,849
	1,644,048	1,353,612

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

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Balance at the beginning of the year	1,353,612	1,096,668
Proceeds received from institutional investors	245,252	334,007
Cash paid to institutional investors	-16,893	-479
Other operating income	-107,005	-82,728
Uniwinding	64,830	54,147
Exchange differences	104,252	-48,003
Balance at the end of the year	1,644,048	1,353,612

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

During 2010 EDPR Group, through its subsidiary Horizon Wind Energy LLC, has secured 141 million of USD (approximately 106 million Euros) institutional equity financing from Wells Fargo Wind Holdings LLC ("Wells Fargo") in exchange for an interest in the Vento III portfolio, 99 million of USD (approximately 75 million Euros) for an interest in Vento VIII portfolioand 85 million USD (approximately 64 million Euros) for an interest in Vento VII portfolio.

During 2009 EDPR Group, through its subsidiary Horizon Wind Energy LLC, has secured 154 million of USD (approximately 111 million Euros) institutional equity financing from in exchange for an interest in the Vento III portfolio, 102 million of USD (approximately 73 million Euros) for an interest in Vento IV, 117 million of USD (approximately 84 million Euros) for an interest in Vento V portfolio and 91 million USD (approximately 66 million Euros) for an interest in Vento VI portfolio.

34. Trade and other payables

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Trade and other payables - Current:		
Derivative financial instruments	10,673	854
Liabilities arising from options with non controlling interests	234,754	303,722
Amounts payable for the acquisition of subsidiaries	-	10,356
Success fees payable for the acquisition of subsidiaries	3,630	7,327
Other payables		
- Suppliers	40,453	42,765
- Other operations with related parties	16,257	15,425
- Property and equipment suppliers	612,668	652,236
- Advances from customers	83	55
- Variable remuneration to employees	16,881	11,128
- Other supplies and services	52,775	22,841
- Other creditors and sundry operations	47,608	31,396
	1,035,782	1,098,105

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Trade and other payables — Non-current:		
Payables - Group companies	61,806	40,009
Derivative financial instruments	162,042	18,848
Liabilities arising from options with non controlling interests	36,584	61
Amounts payable for the acquisition of subsidiaries	-	21,230
Success fees payable for the acquisition of subsidiaries	76,621	53,034
Government grants / subsidies for investments in fixed assets	341,842	162,486
Other payables		
- Property and equipment suppliers	1,673	-
- Electricity sale contracts - EDPR NA	71,991	97,951
- Other creditors and sundry operations	1,432	280
	753,991	393,899

As at 31 December 2010 the Liabilities arising from written put options with non controlling interests - Current includes the liability for the put option contracted with Caja Madrid for a 20% interest in the Genesa Group in the amount of 234,754 thousand Euros equivalent to 20% of Genesa's full equity valuation (31 December 2009: 303,722 thousand Euros). - see note 37. The option was exercised by Caja Madrid within the exercise period.

- 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.
- The strike price will be reflected to the market value determined according to the shareholders agreement.

As at 31 December 2010 the Liabilities arising from written put options with non controlling interests - Non current includes essentially the liability for the put option contracted in 2010 with Energia in Natura for a 15% interest in the EDPR Italia group in the amount of 36,494 thousand Euros (see note 5 and 37).

According to Spanish law 15/2010 of 5 July the Group disclose that the balance of Spanish suppliers with a maturity date at 31 December 2010 over 85 days is 15,616 thousand Euros, from which 1,024 thousand Euros are related with group companies.

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

Derivative financial instruments (Hedging) - Non Current mainly includes 144,049 thousand Euros (31 December 2009: 1,268 thousand Euros) related to a hedge instrument of USD and Euros with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in EDPR NA, expressed in USD (see Note 36). In the Group accounts, EDP Renováveis Group has applied the net investment hedge model to state this transaction.

Government grants for investments in fixed assets are essentially related to grants received by Horizon subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government (see note 1). The increase is mainly related with the receipt of 169,304 thousand Euros of Government grants during 2010 (31 December 2009: 148,901 thousand Euros).

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

35. Tax payable

This balance is analysed as follows:

	Group	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
State and other public entities:		
- Income tax	10,122	15,930
- Withholding tax	22,474	15,743
- Value added tax (VAT)	14,169	4,021
- Other taxes	1,981	1,443
	48,746	37,137

36. Derivative financial instruments

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

As of 31 December 2010, the fair value and maturity of derivatives is analysed as follows:

	Fair Value		Notional			
	Assets Euro'000	Liabilities Euro'000	Until 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Net investment hedge						
Currency swaps	-	-145,123	-	59,627	1,826,174	1,885,801
	-	-145,123	-	59,627	1,826,174	1,885,801
Cash flow hedge						
Power price swaps	7,438	-7,725	74,039	3,940	-	77,979
Interest rate swaps	268	-17,994	106,101	159,221	179,075	444,397
Currency forwards	-	-1,368	38,803	-	-	38,803
	7,706	-27,087	218,943	163,161	179,075	561,179
Trading						
Power price swaps	1,764	-407	2,032	269	-	2,301
Interest rate swaps	-	-98	-	17,381	-	17,381
	1,764	-505	2,032	17,650	-	19,682
	9,470	-172,715	220,975	240,438	2,005,249	2,466,662

As of 31 December 2009, the fair value and maturity of derivatives is analysed as follows:

	Fair Value		Notional			
	Assets Euro'000	Liabilities Euro'000	Until 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Net investment hedge						
Currency swaps	-	-1,268	-	-	1,826,174	1,826,174
	-	-1,268	-	-	1,826,174	1,826,174
Cash flow hedge						
Power price swaps	17,667	-176	63,294	6,120	-	69,414
Interest rate swaps	47	-17,540	35,354	199,395	101,123	335,872
Currency forwards	-	-612	87,661	-	-	87,661
	17,714	-18,328	186,309	205,515	101,123	492,947
Trading						
Power price swaps	1,494	-106	926	426	-	1,352
	1,494	-106	926	426	-	1,352
	19,208	-19,702	187,235	205,941	1,927,297	2,320,473

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

The net investment derivatives are related to the Group CIRS in USD and EUR with EDP Branch as referred in the notes 38 and 39. The fair value is based on internal valuation models, as described in note 39.

Cash flow hedge currency forwards 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, congestion and line loss. EDPR NA 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 EDPR EU for the production of some of its wind farms. In certain US power markets, EDPR NA is exposed to congestion and line loss risks which typically have a negative impact on the price received for power generated in these markets. To hedge these risk exposures, EDPR NA entered into Financial Transmission Rights ("FTR") and a three year fixed for floating Locational Marginal Price (LMP) swap .

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

Fair value of 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.

The trading derivative financial instruments are derivatives contrated for economic hegding that are not eligible for hedge accounting.

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

			2010		2009	
			Changes in fair value		Changes in fair value	
Type of hedge	Hedging instrument	Hedged item	Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Net Investment hedge	Currency swaps	Subsidiary accounts denominated in USD and PLN	-143,855	143,855	64,211	-64,211
- Cashflow hedge	Interest rate swap	Interest rate	-233	-	-7,013	-
- Cashflow hedge	Interest rate caps and floors	Interest rate	-	-	961	-
- Cashflow hedge	Power price swaps	Power price	-17,778	-	9,684	-
- Cashflow hedge	Currency forward	Exchange rate	-756	-	-2,139	-
			-162,622	143,855	65,704	-64,211

The movements in cash flow hedge reserve have been as follows:

	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Balance at the beginning of the year	14,094	16,526
Fair value changes		
Interest rate swaps	-5,186	-7,013
Interest rate caps and floors	-	961
Power price swaps	-18,448	9,985
Currency forward	-756	-2,139
Transfers to results	-3,222	-4,562
Inefectiveness	-32	-35
Non controlling interests included in fair value changes	-82	371
Balance at the end of the year	-13,632	14,094

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

	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Cash-flow hedge		
Transfers to results	3,222	4,562
Inefectiveness	32	35
Non elegible for hedge accounting derivatives	-234	-3,193
	3,020	1,404

The effective interest rates for derivative financial instruments associated with financing operations during 2010, were as follows:

	Group		
	Currency	EDP Renováveis Pays	EDP Renováveis Receives
Interest rate contracts:			
Interest rate swaps	EUR	[2,52% - 5,01%]	[0,72% - 1,11%]
Interest rate swaps	PLN	5.41%	1.00%

The effective interest rates for derivative financial instruments associated with financing operations during 2009, were as follows:

	Group		
	Currency	EDP Renováveis Pays	EDP Renováveis Receives
Interest rate contracts:			
Interest rate swaps	EUR	[3,00% - 5,01%]	[0,71% - 3,00%]

37. Commitments

As at 31 December 2010 and 2009, 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 2010 Euro'000	31 Dec 2009 Euro'000
Guarantees of a financial nature		
- EDP Renováveis	19,453	-
- EDPR EU Group	2,178	6,341
- EDPR NA Group	3,368	3,124
	24,999	9,465
Guarantees of an operational nature		
- EDP Renováveis	538,122	330,227
- EDPR EU Group	50,998	190,322
- EDPR NA Group	1,304,742	1,093,336
	1,893,862	1,613,885
Total	1,918,861	1,623,350
Real guarantees	12,718	6,284

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

	31 Dec 2010				
	Debt capital by period				
	Total Euro'000	Up to 1 year Euro'000	1 to 3 years Euro'000	3 to 5 years Euro'000	More than 5 years Euro'000
Financial debt (including interests)	4,896,942	377,159	442,334	437,899	3,639,550
Operating lease rents not yet due	769,109	42,363	85,458	84,370	556,918
Purchase obligations	2,676,437	1,063,288	1,180,820	429,303	3,026
	8,342,488	1,482,810	1,708,612	951,572	4,199,494

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

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

The Operating lease rents not yet due are essentially related with the land where the wind farms are built. Usually the leasing period cover the useful life of the wind farms.

The Group has purchase commitments for the acquisition of property, plant and equipment and for maintenance contracts obligations amounting to 3,055,587 thousand 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:

	EDPR EU 31 Dec 2010 Euro'000	EDPR NA 31 Dec 2010 Euro'000	Group 31 Dec 2010 Euro'000	EDPR EU 31 Dec 2009 Euro'000	EDPR NA 31 Dec 2009 Euro'000	Group 31 Dec 2009 Euro'000
Up to 1 year	746,606	321,694	1,068,300	694,776	405,790	1,100,566
1 to 5 years	820,678	846,680	1,667,358	228,602	180,133	408,735
Over 5 years	3,026	316,903	319,929	-	156,732	156,732
	1,570,310	1,485,277	3,055,587	923,378	742,655	1,666,033

As at 31 December 2010 the Group has the following contingent liabilities/rights related with call and put options on investments:

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over Caja Madrid for all the shares held by Caja Madrid on companies of the EDPR EU sub-group (20% of Genesa). Caja Madrid holds an equivalent put option on these shares over EDPR EU. The strike price will be referenced to market value determined according to the shareholders agreement. The option was exercised by Caja Madrid within the exercise period (see note 34).

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

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

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

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

- EDP Renováveis holds, through its subsidiary EDPR EU, a call option of remaining 15% of the share capital of EDPR Itália, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDPR Itália, whose exercise price over 85% of market value of participation (see note 34). The exercise period of the options is 2 years after occurence of one of the following events:

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

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

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

38. Related parties

The number of shares held by company officers as at 31 December 2010 are as follows:

	31 Dec 2010 N.º of shares	31 Dec 2009 N.º of shares
Executive Board of Directors		
António Luis Guerra Nunes Mexía	4,200	4,200
Ana Maria Machado Fernandes	1,510	1,510
Nuno Maria Pestana de Almeida Alves	5,000	5,000
António Fernando Melo Martins da Costa	1,480	1,480
Francisco José Queiroz de Barros de Lacerda	620	620
João Manuel de Mello Franco	380	380
Jorge Manuel Azevedo Henriques dos Santos	200	200
José Silva Lopes	760	760
José Fernando Maia de Araújo e Silva	80	80
João José Belard da Fonseca Lopes Raimundo	840	840
	15,070	15,070

The members of Board of Directors of EDP Renováveis have not comunicated or the parent company has knowledge of any conflict of interests included in the article 229º of "Ley de Sociedades Anónimas" (Spanish Public Companies' Law).

The board members of the parent company, complying with the article 229º of the Spanish Companies Act, declared that they and related parties to them have not exercised positions of responsability in companies with the same, similar or complementary activity of EDP Renováveis Group parent company, and they do not have exercised by their own or through third entities any activity in companies with the same, similar or complementary activity of EDP Renováveis Group parent company, with the following exceptions:

Name of Board member	Company	Position
António Luis Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	Chairperson of the Executive Board of Directors
	EDP - Energias do Brasil, S.A.	Chairperson of the Board of Directors
	EDP Energías de Portugal, S.A. Sucursal en España	Permanent Representative
	EDP Finance BV	Representative
Ana Maria Machado Fernandes	EDP - Energias de Portugal, S.A.	Director
	Energias do Brasil, S.A.	Director
	EDP Renewables Europe, S.L.	Chairperson of the Board of Directors
	Horizon Wind Energy, LLC	Chairperson of the Board of Directors
	EDP Energías de Portugal, S.A. Sucursal en España	Permanent Representative
	EDP Finance BV	Representative
	Hidroeléctrica del Cantábrico, S.A.	Director
	ENEOP - Eólicas de Portugal, S.A.	Chairperson of the Board of Directors
	EDP Renováveis Brasil, S.A.	Chairperson of the Board of Directors
António Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	Director
	EDP - Soluções Comerciais, S.A.	Chairperson of the Board of Directors
	EDP Internacional, S.A.	Chairperson of the Board of Directors
	Hidroeléctrica del Cantábrico, S.A.	Director
	EDP Energías de Portugal, S.A. Sucursal en España	Permanent Representative
	EDP Finance BV	Representative
	EDP Ásia - Investimentos e Consultoria, S.A.	Chairperson of the Board of Directors
	EDP- Ásia Soluções Energéticas Limitada	Chairperson of the Board of Directors
	EDP Projectos, SGPS, S.A.	Director
João Manuel Manso Neto	Naturgás Energia, S.A.	Vive-Chairperson of the Board of
	EDP - Energias de Portugal, S.A.	Director
	EDP - Gestão da Produção de Energia, S.A.	Chairperson of the Board of
	EDP Gás, S.G.P.S., S.A.	Chairperson of the Board of
	EDP Gás II, S.G.P.S., S.A.	Chairperson of the Board of
	EDP Gás III, S.G.P.S., S.A.	Chairperson of the Board of
	EDP Investimentos S.G.P.S., S.A.	Chairperson of the Board of
	EDP Gás GPL - Comércio de Petróleo Liquefeito, S.A.	Chairman of Board of Directors
	EDP Gás.com - Comércio de Gás Natural, S.A.	Director

Name of Board member	Company	Position
	EDP Finance, B.V.	Representative
	Hidroeléctrica del Cantábrico, S.A.	Vive-Chairperson of the Board of
	Hidrocantábrico Energia , S.A.U.	Chairman of Board of Directors
	Eléctrica de la Ribera de Ebro, S.L. (Elebro)	Chairperson of the Board of
	Hidrocantábrico Gestión de Energia , S.A.U.	Sole Director
	Enagás SGPS, S.A.	Chairman of Board of Directors
	EDP Internacional, S.A.	Chairman of Board of Directors
	Empresa Hidroeléctrica do Guadiana, S.A.	Chairperson of the Board of
	EDP Energia Ibérica S.A.	Director
	EDP - Energías de Portugal, S.A. Sucursal en España	Permanent Representative
	EDP Projectos,SGPS,S.A.	Director
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.	Director
	Energias do Brasil, S.A.	Director
	EDP Imobiliária e Participações, S.A.	Chairperson of the Board of Directors
	EDP Valor - Gestão Integrada de Serviços S.A.	Chairperson of the Board of Directors
	Energia RE, S.A.	Chairperson of the Board of Directors
	EDP Finance BV	Representative
	Sãvida - Medicina Apoiada, S.A.	Chairperson of the Board of Directors
	SCS–Serviços Complementares de Saúde,S.A.	Chairperson of the Board of Directors
	Hidroeléctrica del Cantábrico, S.A.	Director

Name of Board member	Company	Position
Manuel Menéndez Menéndez	EDP Estudos e Consultoria, S.A.	Chairperson of the Board of Directors
	EDP Energías de Portugal, S.A. Sucursal en España	Permanent Representative
	Naturgás Energía, S.A.	Chairperson of the Board of Directors
	Enagas, S.A.	Permanent Representative
	EDP Renewables Europe, S.L.	Director
	Hidroeléctrica del Cantábrico, S.A.	Chairperson of the Board of Directors

Additionally the board members have comunicated that they do not own any interest in the share capital of any other company with the same, similar or complementary 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.	31,000
	EDP - Energias do Brasil, S.A.	1
Ana Maria Machado Fernandes	EDP - Energias do Brasil, S.A.	1
António Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	13,299
João Manuel Manso Neto	EDP - Energias de Portugal, S.A.	1,268
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	80,000
	EDP - Energias do Brasil, S.A.	1
António Fernando Melo Martins da Costa	EDP - Energias de Portugal, S.A.	13,299
João Manuel de Mello Franco	EDP - Energias de Portugal, S.A.	4,550
	REN - Redes Energéticas Nacionais, SGPS, S.A.	980
Jorge Manuel Azevedo Henriques dos Santos	EDP - Energias de Portugal, S.A.	2,379

Remuneration of company officers

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

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

	31 Dec 2010 Euros	31 Dec 2009 Euros
CEO*	592,939	246,857 *
Board members	565,000	508,750
	1,157,939	755,607

(*) From May to December (only fixed component)

On 4 November 2008 EDP and EDP Renováveis signed an Executive Management Services Agreement.

Through this contract, EDP provides management services to EDP Renováveis, including matters related to the day-to-day running of the Company. Under this agreement EDP appoints four people to form EDPR's Executive Committee, for which EDP Renováveis pays EDP an amount defined by the Board of Directors. Until April 30th of 2009 the CEO remuneration was also covered by this contract.

Under this contract, EDP Renováveis is due to pay an amount of 836 thousand Euros for management services rendered by EDP through 2010 (1,453 thousand Euros in 2009).

Additionally, the remuneration of the members of the Management Team, defined as Key Management and excluding the Chief Executive Officer, was in 2010 1,252 thousand Euros (2009: 1,642 thousand Euros).

As at 31 December 2010 and 2009 there are no outstanding loans and advances with company officers and key management.

Balances and transactions with related parties

As at 31 December 2010, assets and liabilities with related parties, are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Euro'000
EDP Energias de Portugal, S.A.	4	15,079	-15,075
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	226,106	156,902	69,204
EDP Group companies	45,169	2,803,263	-2,758,094
Hidrocantábrico Group companies	48,498	2,017	46,481
Associated companies	132,535	2,266	130,269
Jointly controlled entities	7,239	840	6,399
Other	757	2,733	-1,976
	460,308	2,983,100	-2,522,792

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Finance BV in the amount of 2,799,548 thousand Euros.

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

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

Transactions with related parties for the year ended 31 December 2010 are analysed as follows:

	Operating income Euro'000	Financial income Euro'000	Operating expenses Euro'000	Financial expenses Euro'000
EDP Energias de Portugal, S.A.	11,664	2,332	-2,929	-3,053
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	3,015	-6,969	-1,438
EDP Group companies	138,124	756	-3,217	-140,074
Hidrocantábrico Group companies	249,062	-	-4,336	-
Associated companies	1,226	2,971	-	-
Jointly controlled entities	644	4,710	-	-
Other	5,702	663	-99	-
	406,422	14,447	-17,550	-144,565

Transactions with related parties for the year ended 31 December 2009 are analysed as follows:

	Operating income Euro'000	Financial income Euro'000	Operating expenses Euro'000	Financial expenses Euro'000
EDP Energias de Portugal, S.A.	23,292	-	-3,500	-700
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	11,503	-9,233	-37,558
EDP Group companies	120,449	101	-3,853	-43,592
Hidrocantábrico Group companies	158,148	-	-4,804	-51
Associated companies	1,094	2,191	-449	-
Jointly controlled entities	615	3,898	-	-
	303,598	17,693	-21,839	-81,901

With the purpose of hedging the foreign exchange risk existing in the company and Group accounts of EDP Renováveis and in the company accounts of EDP Branch, the EDP Group settled a CIRS in USD and Euros between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in EPDR NA and of the USD external financing). As at 31 December 2010, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 144,049 thousand Euros (31 December 2009: 1,268 thousand Euros) (see note 34 and 36).

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers and in connection with renewable energy contracts. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 31 December 2010, EDP, S.A. and Hidrocantábrico granted financial (57,951 thousand Euros, 31 December 2009: 31,114 thousand Euros) and operational (439,195 thousand Euros, 31 December 2009: 588,860 thousand Euros) guarantees to suppliers in favour of EDPR EU and EDPR NA. The operational guarantees are issued following the commitments assumed by EDPR EU and EDPR NA in relation to the acquisition of property, plant and equipment, supply agreements, turbines and energy contracts (Power purchase agreements) (see note 37).

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

The Company has no pension or life insurance obligations with its former or current directors in 2010 or 2009.

39. 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 2010 and 2009, 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 2010 Currencies			31 Dec 2009 Currencies		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.01%	0.30%	10.90%	0.70%	0.25%	8.74%
6 months	1.23%	0.46%	11.61%	0.99%	0.43%	9.22%
9 months	1.37%	0.61%	11.90%	1.13%	0.71%	9.87%
1 year	1.51%	0.78%	12.04%	1.25%	0.98%	10.50%
2 years	1.56%	0.79%	12.27%	1.88%	1.35%	11.86%
3 years	1.89%	1.26%	12.15%	2.28%	2.00%	12.43%
5 years	2.49%	2.17%	11.95%	2.81%	2.92%	12.79%
7 years	2.93%	2.83%	11.85%	3.22%	3.48%	13.10%
10 years	3.32%	3.41%	11.90%	3.59%	3.93%	13.31%

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 fair value (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 EDPR NA, 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 13, 23 and 27.

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

	31 December 2010			31 December 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Financial assets						
Available for sale investments	18,380	18,380	-	12,630	12,630	-
Trade receivables	143,650	143,650	-	106,148	106,148	-
Debtor and other assets	666,100	666,100	-	447,697	447,697	-
Derivative financial instruments	9,470	9,470	-	19,208	19,208	-
Financial assets at fair value through profit or loss	35,744	35,744	-	37,103	37,103	-
Cash and cash equivalents (assets)	423,700	423,700	-	443,633	443,633	-
	1,297,044	1,297,044	-	1,066,419	1,066,419	-
Financial liabilities						
Financial debt	3,533,590	3,386,458	-147,132	2,673,439	2,643,266	-30,173
Suppliers	654,794	654,794	-	695,001	695,001	-
Institutional partnerships in US wind farms	1,644,048	1,644,048	-	1,353,612	1,353,612	-
Trade and other payables	962,264	962,264	-	1,032,808	1,032,808	-
Derivative financial instruments	172,715	172,715	-	19,702	19,702	-
	6,967,411	6,820,279	-147,132	5,774,562	5,744,389	-30,173

The fair value levels used to valuate EDP Renováveis Group financial assets and liabilities are defined as follows:

- Level 1 - Quoted prices (unaudjusted) in active market for identical assets and liabilities;
- Level 2 - Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);
- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	31 December 2010			31 December 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	-	-	18,380	-	-	12,630
Trade receivables	-	143,650	-	-	106,148	-
Debtor and other assets	-	666,100	-	-	447,697	-
Derivative financial instruments	-	9,470	-	-	19,208	-
Financial assets at fair value through profit or loss	35,335	409	-	33,012	4,091	-
Cash and cash equivalents (assets)	-	423,700	-	-	443,633	-
	35,335	1,243,329	18,380	33,012	1,020,777	12,630
Financial liabilities						
Financial debt	-	3,386,458	-	-	2,643,266	-
Institutional partnerships in US wind farms	-	1,644,048	-	-	1,353,612	-
Trade and other payables	-	690,926	271,338	-	729,025	303,783
Suppliers	-	654,794	-	-	695,001	-
Derivative financial instruments	-	172,715	-	-	19,702	-
	-	6,548,941	271,338	-	5,440,606	303,783

The movement in 2010 and 2009 of the financial assets and liabilities within Level 3 are analyzed was as follows:

	Available for sale investments		Trade and other payables	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Balance at the beggining of the year	12,630	12,501	303,783	258,925
Gains / (Losses) in other comprehensive income	-934	912	-	-
Purchases	6,684	-	36,584	-
Fair value changes	-	-	-69,029	44,858
Transfers into / (out of) Level 3	-	-783	-	-
Balance at the end of the year	18,380	12,630	271,338	303,783

The trade and other payables within level 3 are related with Liabilities arising from options with non controlling interests (see note 34).

40. Relevant subsequent events

No relevant subsequent events occurred until 24 February 2011.

41. Recent accounting standards and interpretations used

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

IAS 39 (amendment) -"Recognition and Measurement: Eligible Hedged Items"

The Group did not obtain any significant impact from the adoption of this amendment.

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

The Group did not obtain any significant impact from the adoption of this amendment.

IFRS 2 (amendment) - "Share-based Payments"

The Group does not have any share based payments.

IFRS 3 (revised) - "Business combinations" and IAS 27 (amendment) - "Consolidated and Separate Financial Statements"

The International Accounting Standards Board (IASB) issued, in January 2008, the revised IFRS 3 - "Business combinations", with an effective date of mandatory application for the exercises beggining on or after 1 July 2009, being its early adoption allowed.

The main impacts of the changes to these standards correspond: (i) the partial acquisitions, in which the non controlling interests (previously denominated by minority interest) could be measured at fair value (which also implies the recognition of the goodwill attributable to the non controlling interests) or as a portion attributable to the non controlling interests at acquired equity fair value (as presently required); (ii) the step acquisitions, the new rules oblige, when the goodwill is calculated, to the revaluation, against results, of the fair value of any non controlling interest held previously to the acquisition that led to obtaining control.; (iii) book the costs directly related to the acquisition of a subsidiary in the income statement; (iv) the changes of the shareholdings in subsidiaries that do not result in loss of control, that begans to be recognised as equity movements.

Additionally, from the amendment to IAS 27 results that even if the accumulated losses on a subsidiary began to be attributable to the non controlling interests (recognition of negative non controlling interests) and in a subsidiary disposal with loss of control, any non controlling interest is measured at fair value determined in the date of the disposal.

The Group has adopted the revised IFRS 3 and the amended IAS 27 for the acquisitions made from 1 January 2010 onwards.

IFRIC 12 - "Service Concession Arrangements"

The Group did not obtain any significant impact from the adoption of this amendment.

IFRIC 15 - "Agreements for the Construction of Real Estate"

The Group did not obtain any significant impact from the adoption of this amendment.

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

The Group did not obtain any significant impact from the adoption of this amendment.

IFRIC 17 - "Distributions of Non-Cash Assets to Owners"

The Group did not obtain any significant impact from the adoption of this amendment.

IFRIC 18 - "Transfers of Assets from Customers"

The Group did not obtain any significant impact from the adoption of this amendment.

Annual Improvement Project

The IASB publicated the Annual Improvement Project that changed the following standards:

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

The Group has also decided against the early application of the following standards and interpretations:

• IAS 24 (Revised) - "Related Party Disclosures"; (For exercises beggining after 1 January 2010)
• IAS 32 (Revised) - "Financial Instruments - Presentation"; (For exercises beggining after 1 January 2011)
• IFRS 1 (Amended) - "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"; (For exercises beggining after 30 June 2010)
• IFRS 8 (Revised) - "Operating Segments"; (For exercises beggining after 1 January 2011)
• IFRIC 14 (Amended) - "Prepayments of a Minimun Funding Requirement"; (For exercises beggining after 1 January 2011)
• IFRIC 19 (Amended) - "Extinguishing Financial Liabilities With Equity Instruments". (For exercises beggining after 1 July 2010)

The following standards and interpretations has been yet endorsed by the EU. The Group is evaluating the impact of the adoption of these standards and interpretations and did not expect any significant impact.

• IFRS 9 - "Financial Instruments"; (For exercises beggining after 1 January 2013)
• IFRS 7 (Amended) - "Financial Instruments: Disclosures"; (For exercises beggining after 1 July 2011)
• Annual Improvement Project (issued in May 2010);
• IAS 12 (Amended) - "Deferred tax: Recovery of Underlying Assets"; (For exercises beggining after 1 January 2012)
• IFRS 1 (Amended) - "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters". (For exercises beggining after 1 July 2011)

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

42. 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 2010 Euro'000	Group 31 Dec 2009 Euro'000
Environmental Investment	1,802	4,500
	1,802	4,500

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

In Europe, EDP Renováveis renewed certification obtained for thirty three of its wind farms (958 MW) in operation under the ISO 14001.

As referred in accounting policy 2o), 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 53,156 thousands of Euros as at 31 December 2010 (63,956 thousands of Euros on 31 December 2009) (see note 32).

43. Segmental reporting

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

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

The accounting policies of the reportable segments are the same as described in note 3. Information regarding the results of each reportable segment is included in Annex 2. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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

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

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

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

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

Segment definition

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

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

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

44. Audit and non audit fees

KPMG has audited the consolidated annual accounts of EDP Renováveis Group for 2010 and 2009. This company and the other related entities and persons in accordance with Law 19/1988 of 12 July, have invoiced for the year ended in 31 December 2010 and 2009, fees and expenses for professional services, acording to the following detail (amounts in thousand Euros):

	31 December 2010					
	Portugal	Spain	Brasil	United States of America	Other	Total
Audit and statutory audit of accounts	193	690	69	728	221	1,901
Assurance and reliability services	210	52	-	174	13	449
	403	742	69	902	234	2,350
Tax consultancy services	-	17	-	481	-	498
Other services unrelated to statutory auditing	1	-	-	-	-	1
	1	17	-	481	-	499
Total	404	759	69	1,383	234	2,849

	31 December 2009					
	Portugal	Spain	Brasil	United States of America	Other	Total
Audit and statutory audit of accounts	74	780	36	694	218	1,802
Assurance and reliability services	-	100	-	202	14	316
	74	880	36	896	232	2,118
Tax consultancy services	12	337	-	666	6	1,021
Other services unrelated to statutory auditing	-	-	-	-	-	-
	12	337	-	666	6	1,021
Total	86	1,217	36	1,562	238	3,139

ANNEX 1

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2010, are as follows:

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Group's parent holding company:				
EDP Renováveis, S.A.	Oviedo	100.00%	100.00%	KPMG
Parent Company:				
EDP Renewables Europe, S.L.	Oviedo	100.00%	100.00%	KPMG
Electricity business Portugal				
EDP Renováveis Portugal, S.A.	Porto	100.00%	100.00%	KPMG
Eólica da Alagoa, S.A.	Arcos Valdevez	59.99%	59.99%	KPMG
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	50.10%	50.10%	KPMG
Eólica da Serra das Alturas, S.A.	Boticas	50.10%	50.10%	KPMG
Malhadizes - Energia Eólica, S.A.	Porto	100.00%	100.00%	KPMG
Electricity business Spain				
Acampo Arias,S.L.	Zaragoza	98.19%	98.19%	KPMG
Agrupación Eólica SLU	Zaragoza	100.00%	100.00%	KPMG
Parque Eólico Plana de Artajona, SLU	Zaragoza	100.00%	100.00%	Not audited
Compañía Eólica Campo de Borja, S.A.	Zaragoza	75.83%	75.83%	KPMG
Cía. Eléctrica de Energías Renovables Alternativas, SAL	Zaragoza	100.00%	100.00%	Deloitte
Ceprastur AIE *	Oviedo	56.76%	56.76%	Not audited
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	100.00%	100.00%	Not audited
Parc Eòlic de Coll de Moro, S.L.	Barcelona	60.00%	100.00%	KPMG
D.E. Almarchal, SAL *	Cádiz	100.00%	100.00%	KPMG
D.E. Buenavista, SAL *	Cádiz	100.00%	100.00%	KPMG
Desarrollos Catalanes Del Viento,S.L.	Barcelona	60.00%	60.00%	KPMG
D.E. de Corme, S.A. *	La Coruña	100.00%	100.00%	KPMG
D.E. Dumbria, SAL *	La Coruña	100.00%	100.00%	KPMG
Desarrollos Eólicos de Galicia, S.A. *	La Coruña	100.00%	100.00%	KPMG
D.E. de Lugo, SAL *	Lugo	100.00%	100.00%	KPMG
Desarrollos Eólicos Promoción S.A.U. *	Sevilla	100.00%	100.00%	KPMG
D.E. Rabosera, S.A. *	Huesca	95.00%	95.00%	KPMG
Desarrollos Eólicos, S.A. *	Sevilla	100.00%	100.00%	KPMG
D.E. de Tarifa, SAL *	Cádiz	100.00%	100.00%	KPMG
Eólica Don Quijote, S.L. *	Albacete	100.00%	100.00%	KPMG
Eólica Dulcinea, S.L. *	Albacete	100.00%	100.00%	KPMG
Eolica Alfoz, S.L. *	Madrid	84.98%	84.98%	KPMG
Eólica Arlanzón, S.A. *	Madrid	77.50%	77.50%	KPMG
Eólica Campollano, S.A. *	Madrid	75.00%	75.00%	KPMG
Eneroliva, S.A. *	Sevilla	100.00%	100.00%	Not audited
Eolica Fontesilva, S.L. *	Coruña	100.00%	100.00%	KPMG
Hidroeléctrica Fuentermosa S.L. *	Oviedo	100.00%	100.00%	Not audited
Parques de Generación Eólica, S.L.	Burgos	60.00%	60.00%	KPMG
Generaciones Especiales I, S.L.	Madrid	100.00%	80.00%	KPMG
Ceasa Promociones Eólicas, SLU	Zaragoza	100.00%	100.00%	KPMG
Subgrupo Veinco	Zaragoza	100.00%	100.00%	Not audited
Eolica Guadalteba, S.L.	Sevilla	100.00%	100.00%	KPMG
Hidroeléctrica Gormaz S.A. *	Salamanca	75.00%	75.00%	Not audited
Iberia Aprovechamientos Eólicos, SAL	Zaragoza	100.00%	100.00%	KPMG
Investigación y Desarrollo de Energías Renovables, S. L.	León	59.59%	59.59%	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	90.00%	90.00%	Not audited
Eolica La Janda, S.L. *	Madrid	100.00%	100.00%	KPMG
Eolica La Navica, S.L.	Madrid	100.00%	100.00%	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	100.00%	100.00%	KPMG
Parc Eolic Molinars S.L.	Girona	54.00%	90.00%	Not audited
Molino de Caragüeyes,S.L.	Zaragoza	80.00%	80.00%	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	100.00%	100.00%	Not audited
Muxia I e II *	Coruña	100.00%	100.00%	Not audited
NEO Energia Aragón S.L.	Madrid	100.00%	100.00%	KPMG
NEO Catalunya, S.L.	Barcelona	100.00%	100.00%	KPMG
Neomai Inversiones SICAV, S.A.	Madrid	100.00%	100.00%	PWC
Parque Eólico Santa Quiteria, S.L. *	Huesca	58.33%	58.33%	KPMG
Parque Eólico Belchite, S.L. *	Zaragoza	100.00%	100.00%	KPMG
Parques Eólicos del Cantábrico, S.A. *	Oviedo	100.00%	100.00%	KPMG
Parque Eólico La Sotonera, S.L. *	Zaragoza	64.84%	64.84%	KPMG
Parque Eólico Altos del Voltoya, S.A.	Madrid	61.00%	61.00%	KPMG

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business Spain				
Eolica de Radona S.L. *	Madrid	100.00%	100.00%	KPMG
Rasacal Cogeneración S.A. *	Madrid	60.00%	60.00%	Not audited
Siesa Renovables Canarias, S.L. *	Gran Canaria	100.00%	100.00%	Not audited
Renovables Castilla La Mancha S.A. *	Albacete	90.00%	90.00%	KPMG
Hidroeléctrica del Rumblar S.L. *	Madrid	80.00%	80.00%	Not audited
Eolica Sierra Avila, S.L. *	Madrid	89.99%	89.99%	KPMG
Sinae Inversiones Eólicas S.A. *	Madrid	100.00%	100.00%	KPMG
Sotromal, S.A. *	Soria	90.00%	90.00%	Not audited
Parc Eòlic de Torre Madrina, S.L.	Barcelona	60.00%	100.00%	KPMG
Tratamientos Medioambientales del Norte, S.A.	Madrid	80.00%	80.00%	Not audited
Santa Quiteria Energia, S.L.U. *	Zaragoza	100.00%	100.00%	Not audited
Bon Vent de Corbera, S.L.	Barcelona	100.00%	100.00%	KPMG
Bon Vent de Vilalba, S.L.	Barcelona	100.00%	100.00%	KPMG
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	60.00%	100.00%	KPMG
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	48.70%	60.63%	KPMG
Parc Eolic Coll de la Garganta, S.L.	Barcelona	100.00%	100.00%	KPMG
Eólica Curiscao Pumar, S.A.	Madrid	100.00%	100.00%	KPMG
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	51.00%	51.00%	Not audited
Eólica Garcimuñoz, S.L.	Madrid	100.00%	100.00%	Not audited
Energías Eólicas La Manchuela, S.L.U. *	Madrid	100.00%	100.00%	KPMG
Sierra de la Peña, S.A.	Madrid	84.90%	84.90%	KPMG
Bon Vent de L'Ebre, S.L.	Barcelona	100.00%	100.00%	KPMG
Parc Eolic Serra Voltorera, S.L.	Barcelona	100.00%	100.00%	KPMG
Electricity business France				
Parc Eolien D'Ardennes, SARL	Elbeuf	100.00%	100.00%	Not audited
Parc Eolien du Clos Bataille, SAS	Elbeuf	100.00%	100.00%	Not audited
Eolienne des Bocages, SARL	Elbeuf	100.00%	100.00%	Not audited
Eolienne de Callengeville, SAS	Elbeuf	100.00%	100.00%	EXCO
CE Canet-Pont de Salars, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien des Longs Champs, SARL	Elbeuf	100.00%	100.00%	Not audited
Eolienne D'Etalondes, SARL	Elbeuf	100.00%	100.00%	Not audited
CE Gueltas Noyal-Pontivy, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien de La Hetroye, SAS	Elbeuf	100.00%	100.00%	EXCO
SOCPE Le Mee, SARL	Toulouse	100.00%	49.00%	KPMG
Parc Eolien de Mancheville, SARL	Elbeuf	100.00%	100.00%	Not audited
EDP Renewables France, SAS	Paris	100.00%	100.00%	KPMG
C.E. Patay, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien des Bocages, SARL	Elbeuf	100.00%	100.00%	Not audited
SOCPE Petite Piece, SARL	Toulouse	100.00%	49.00%	KPMG
Plouvien Breiz, SAS	Carhaix	100.00%	100.00%	Deloitte
Parc Eolien de Roman, SARL	Elbeuf	100.00%	100.00%	Not audited
C.E. Saint Barnabe, SAS	Paris	100.00%	100.00%	KPMG
Eolienne de Saugueuse, SARL	Elbeuf	100.00%	100.00%	Not audited
SOCPE Sauvageons, SARL	Toulouse	100.00%	49.00%	KPMG
C.E. Segur, SAS	Paris	100.00%	100.00%	KPMG
Centrale Eolienne Neo Truc L'Homme, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien de Varimpre, SAS	Elbeuf	100.00%	100.00%	EXCO
Parc Eolien des Vatines, SAS	Elbeuf	100.00%	100.00%	EXCO
Mardelle, SARL	Toulouse	100.00%	100.00%	Not audited
Quinze Mines, SARL	Toulouse	100.00%	49.00%	Not audited
Vallée du Moulin, SARL	Toulouse	100.00%	100.00%	Not audited
Electricity business Poland				
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	100.00%	100.00%	Not audited
EDP Renewables Polska SP ZOO	Warsaw	100.00%	100.00%	KPMG
Relax Wind Park I SP ZOO	Warsaw	96.43%	96.43%	KPMG
Relax Wind Park II SP ZOO	Warsaw	51.00%	51.00%	Not audited
Relax Wind Park III SP ZOO	Warsaw	100.00%	100.00%	KPMG
Relax Wind Park IV SP ZOO	Warsaw	51.00%	51.00%	Not audited
Farma Wiatrowa Bodzanow SP ZOO	Warsaw	100.00%	100.00%	Not audited
Karpacka Mala Energetyka SP ZOO	Warsaw	100.00%	100.00%	Not audited
Farma Wiatrowa Starozreby SP ZOO	Warsaw	100.00%	100.00%	Not audited
Farma Wiatrowa Wyszogrod SP ZOO	Warsaw	100.00%	100.00%	Not audited
Electricity business Belgium				
Greenwind S.A.	Louvain-la-Neuve	70.00%	70.00%	KPMG

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business Brazil				
EDP Renováveis Brasil, S.A.	São Paulo	55.00%	55.00%	KPMG
Central Nacional de Energia Eólica, S.A. (Cenaeel)	São Paulo	55.00%	100.00%	KPMG
Elebrás Projectos, Ltda	São Paulo	55.00%	100.00%	Not audited
Electricity business Romania				
Cernavoda Power SRL	Bucharest	85.00%	85.00%	KPMG
EDP Renewables Romania, S.R.L.	Bucharest	85.00%	85.00%	KPMG
Electricity business - Holland				
Tarcan. B.V.	Amsterdam	100.00%	100.00%	KPMG
Electricity business - Great Britain				
EDPR UK Limited	Cardiff	100.00%	100.00%	KPMG
Moray Offshore Renewables Limited	Cardiff	75.00%	75.00%	KPMG
MacColl Offshore Windfarm Limited	Cardiff	75.00%	100.00%	KPMG
Stevenson Offshore Windfarm Limited	Cardiff	75.00%	100.00%	KPMG
Telford Offshore Windfarm Limited	Cardiff	75.00%	100.00%	KPMG
Electricity business - Italy				
EDP Renewables Italia, S.R.L.	Varese	100.00%	100.00%	KPMG
Repano Wind S.R.L.	Varese	100.00%	100.00%	KPMG
Re Plus - S.R.L.	Varese	80.00%	80.00%	KPMG
Electricity business - Canada				
EDP Renewables Canada, Ltd	Ontario	100.00%	100.00%	Not audited
Parent Company:				
Horizon Wind Energy LLC	Texas	100.00%	100.00%	KPMG
Electricity business USA				
Wind Turbine Prometheus, LP	California	100.00%	100.00%	Not audited
Cloud County Wind Farm, LLC	Kansas	100.00%	100.00%	KPMG
Whitestone Wind Purchasing, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower II, LLC	Oklahoma	100.00%	100.00%	KPMG
Blue Canyon Windpower V, LLC	Oklahoma	100.00%	100.00%	KPMG
Horizon Wind Energy International, LLC	Texas	100.00%	100.00%	Not audited
Pioneer Prairie Wind Farm I, LLC	Iowa	100.00%	100.00%	KPMG
Sagebrush Power Partners, LLC	Washington	100.00%	100.00%	KPMG
Telocaset Wind Power Partners, LLC	Oregon	100.00%	100.00%	KPMG
High Trail Wind Farm, LLC	Illionois	100.00%	100.00%	KPMG
Marble River, LLC	New York	100.00%	100.00%	Not audited
Rail Splitter, LLC	Illionois	100.00%	100.00%	KPMG
Blackstone Wind Farm, LLC	Illionois	100.00%	100.00%	Not audited
Aroostook Wind Energy LLC	Maine	100.00%	100.00%	Not audited
Jericho Rise Wind Farm, LLC	New York	100.00%	100.00%	Not audited
Madison Windpower, LLC	New York	100.00%	100.00%	KPMG
Mesquite Wind, LLC	Texas	100.00%	100.00%	KPMG
Martinsdale Wind Farm, LLC	Colorado	100.00%	100.00%	Not audited
Post Oak Wind, LLC	Texas	100.00%	100.00%	KPMG
BC Maple Ridge Wind, LLC	Texas	100.00%	100.00%	KPMG
High Prairie Wind Farm II, LLC	Minnesota	100.00%	100.00%	KPMG
Arlington Wind Power Project, LLC	Oregon	100.00%	100.00%	KPMG
Signal Hill Wind Power Project, LLC	Colorado	100.00%	100.00%	Not audited
Tumbleweed Wind Power Project, LLC	Colorado	100.00%	100.00%	Not audited
Old Trail Wind Farm, LLC	Illionois	100.00%	100.00%	KPMG
OPQ Property, LLC	Illionois	100.00%	100.00%	Not audited
Meadow Lake Wind Farm, LLC	Indiana	100.00%	100.00%	Not audited
Wheatfield Wind Power Project, LLC	Oregon	100.00%	100.00%	Not audited
2007 Vento I, LLC	Texas	100.00%	100.00%	KPMG
2007 Vento II, LLC	Texas	100.00%	100.00%	KPMG
2008 Vento III, LLC	Texas	100.00%	100.00%	KPMG
2009 Vento IV, LLC	Texas	100.00%	100.00%	KPMG
2009 Vento V, LLC	Texas	100.00%	100.00%	KPMG

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business USA				
2009 Vento VI, LLC	Texas	100.00%	100.00%	KPMG
2010 Vento VII, LLC	Texas	100.00%	100.00%	KPMG
2010 Vento VIII, LLC	Texas	100.00%	100.00%	KPMG
2010 Vento IX, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures II, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures III, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures VI, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures VII, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures VIII, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures IX, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures IB, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Ventures IC, LLC	Texas	100.00%	100.00%	Not audited
Clinton County Wind Farm, LLC	New York	100.00%	100.00%	Not audited
BC2 Maple Ridge Holdings, LLC	Texas	100.00%	100.00%	Not audited
Cloud West Wind Project, LLC	Texas	100.00%	100.00%	Not audited
Five-Spot, LLC	Texas	100.00%	100.00%	Not audited
Alabama Ledge Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Antelope Ridge Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Arkwright Summit Wind Farm LLC	Texas	100.00%	100.00%	Not audited
Ashford Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Athena-Weston Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Black Prairie Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm II, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm III, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm IV, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm V, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower III, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower IV, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower VI, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm II, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm III, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Chateaugay River Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Cropsey Ridge Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Crossing Trails Wind, Power Project, LLC	Texas	100.00%	100.00%	Not audited
Dairy Hills Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Diamond Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Ford Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Gulf Coast Windpower Management Company, LLC	Texas	100.00%	100.00%	Not audited
Rising Tree Wind Farm, LLC	California	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest VII, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest X, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest XI, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Panhandle I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest II, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest III, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest IV, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Valley I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind MREC Iowa Partners, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind, Freeport Windpower I, LLC	Texas	100.00%	100.00%	Not audited
Juniper Wind Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Lexington Chenoa Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Machias Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Meadow Lake Wind Farm II, LLC	Texas	100.00%	100.00%	KPMG
New Trail Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
North Slope Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Number Nine Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Pacific Southwest Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Pioneer Prairie Wind Farm II, LLC	Texas	100.00%	100.00%	Not audited
Buffalo Bluff Wind Farm, LLC	Wyoming	100.00%	100.00%	Not audited
Saddleback Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Sardinia Windpower, LLC	Texas	100.00%	100.00%	Not audited
Turtle Creek Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Western Trail Wind Project I, LLC	Texas	100.00%	100.00%	Not audited
Whistling Wind WI Energy Center, LLC	Texas	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Coos Curry Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Midwest IX, LLC	Texas	100.00%	100.00%	Not audited

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business USA				
Horizon Wind Energy Northwest I, LLC	Texas	100.00%	100.00%	Not audited
Peterson Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Pioneer Prairie Interconnection, LLC	Texas	100.00%	100.00%	Not audited
The Nook Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Tug Hill Windpower, LLC	Texas	100.00%	100.00%	Not audited
Whiskey Ridge Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Wilson Creek Power Partners, LLC	Texas	100.00%	100.00%	Not audited
WTP Management Company, LLC	Texas	100.00%	100.00%	Not audited
Meadow Lake Wind Farm, IV LLC	Indiana	100.00%	100.00%	Not audited
Meadow Lake Windfarm III, LLC	Indiana	100.00%	100.00%	Not audited
Lexington Chenoa Wind Farm II, LLC	Illinois	100.00%	100.00%	Not audited
Lexington Chenoa Wind Farm III, LLC	Illinois	100.00%	100.00%	Not audited
East Klickitat Wind Power Project, LLC	Washington	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest IV, LLC	Oregon	100.00%	100.00%	Not audited
Blue Canyon Wind Power VII, LLC	Oklahoma	100.00%	100.00%	Not audited
Horizon Wyoming Transmission, LLC	Wyoming	100.00%	100.00%	Not audited
AZ Solar, LLC	Arizona	100.00%	100.00%	Not audited
Black Prairie Wind Farm II, LLC	Illinois	100.00%	100.00%	Not audited
Black Prairie Wind Farm III, LLC	Illinois	100.00%	100.00%	Not audited
Paulding Wind Farm, LLC	Ohio	100.00%	100.00%	Not audited
Paulding Wind Farm II, LLC	Ohio	100.00%	100.00%	Not audited
Paulding Wind Farm III, LLC	Ohio	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm II, LLC	Wyoming	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm III, LLC	Wyoming	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm IV, LLC	Wyoming	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm V, LLC	Wyoming	100.00%	100.00%	Not audited
Athena-Weston Wind Power Project II, LLC	Oregon	100.00%	100.00%	Not audited
Meadow Lake Wind Farm V, LLC	Indiana	100.00%	100.00%	Not audited
Headwaters Wind Farm, LLC	Indiana	100.00%	100.00%	Not audited
17th Star Wind Farm, LLC	Ohio	100.00%	100.00%	Not audited
Rio Blanco Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Hidalgo Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Stone Wind Power, LLC	New York	100.00%	100.00%	Not audited
Franklin Wind Farm, LLC	New York	100.00%	100.00%	Not audited
Waverly Wind Farm, LLC	Kansas	100.00%	100.00%	Not audited
Lost Lakes Wind Farm, LLC	Iowa	100.00%	100.00%	KPMG
Quilt Block Wind Farm, LLC	Wisconsin	100.00%	100.00%	Not audited
Stinson Mills Wind Farm, LLC	Colorado	100.00%	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 2010, are as follows:

Jointly Controlled Companies	Head Office	Share Capital / Currency		Non Current Assets 31-Dec-10 Euro'000	Current Assets 31-Dec-10 Euro'000	Non Current Liabilities 31-Dec-10 Euro'000	Current Liabilities 31-Dec-10 Euro'000	Total Equity 31-Dec-10 Euro'000	Total Incomes 31-Dec-10 Euro'000	Total Costs 31-Dec-10 Euro'000	Net Results 31-Dec-10 Euro'000	% Contributed	% Voting rigths	Auditor
Electricity business														
Flat Rock Windpower LLC	New York	522.819	USD	162.186	3.686	1.146	43	164.682	11.813	-15.578	-3.765	50,00%	50,00%	E&Y
Flat Rock Windpower II LLC	New York	207.447	USD	64.868	1.026	437	55	65.402	2.908	-5.132	-2.224	50,00%	50,00%	E&Y
Compañía Eólica Aragonesa, S.A.	Zaragosa	6.701	EUR	49.736	8.604	26.168	6.993	25.180	16.808	-10.103	6.705	50,00%	50,00%	Deloitte
Desarrollos Energeticos Canarios S.A.	Las Palmas	15	EUR	0	0	0	0	0	0	0	0	49,90%	49,90%	KPMG
Evolución 2000, S.L.	Albacete	118	EUR	24.435	7.102	20.293	4.073	7.172	4.988	-3.490	1.498	49,15%	49,15%	KPMG
Tebar Eólica, S.A.	Cuenca	4.720	EUR	16.135	5.398	14.611	1.900	5.022	4.044	-3.433	611	50,00%	50,00%	Abante Audit Auditores, S.L.

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2010, are as follows:

Associates	Head Office	% Contributed	% Voting rigths	Auditor
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	48.70%	60.63%	Not audited
Biomasas del Pirineo S.A.	Huesca	30.00%	30.00%	PWC
Cultivos Energéticos de Castilla S.A.	Burgos	30.00%	30.00%	Not audited
D.E. DE CANARIAS, S.A.	Gran Canaria	44.75%	44.75%	Not audited
Hidroastur S.A.	Oviedo	25.00%	25.00%	KPMG
Naturneo Energía, S.L.	Bilbau	49.01%	49.01%	Mazars
Parque Eólico Belmonte, S.A.	Asturias	29.90%	29.90%	KPMG
Parque Eólico Sierra del Madero S.A.	Soria	42.00%	42.00%	Not audited
Sodecoan, S.L.	Sevilla	50.00%	50.00%	Ernst & Young
Solar Siglo XXI, S.A.	Ciudad Real	25.00%	25.00%	KPMG
ENEOP - Éolicas de Portugal, S.A.	Lisboa	35.96%	35.96%	Mazars

The Subsidiary Companies consolidated under the full consolidated method, as at 31 December 2009, are as follows:

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Group's parent holding company:				
EDP Renováveis, S.A.	Oviedo	100.00%	100.00%	KPMG
Parent Company:				
EDP Renewables Europe, S.L.	Oviedo	100.00%	100.00%	KPMG
Electricity business Portugal				
Eneraltius- Produção de Energia Eléctrica, S.A.	Lisboa	100.00%	100.00%	KPMG
EDP Renováveis Portugal, S.A.	Lisboa	100.00%	100.00%	KPMG
Eólica da Alagoa, S.A.	Arcos Valdevez	59.99%	59.99%	KPMG
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	50.10%	50.10%	KPMG
Eólica da Serra das Alturas, S.A.	Boticas	50.10%	50.10%	KPMG
Malhadizes - Energia Eólica, S.A.	Porto	100.00%	100.00%	KPMG
Electricity business Spain				
Acampo Arias,S.L.	Zaragoza	98.19%	98.19%	KPMG
Agrupación Eólica SLU	Zaragoza	100.00%	100.00%	KPMG
Parque Eólico Plana de Artajona, SLU	Zaragoza	100.00%	100.00%	Not audited
Compañía Eólica Campo de Borja, S.A.	Zaragoza	75.83%	75.83%	KPMG
Cía. Eléctrica de Energías Renovables Alternativas, SAL	Zaragoza	100.00%	100.00%	Deloitte
Ceprastur AIE *	Oviedo	56.76%	56.76%	Not audited
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	100.00%	100.00%	Not audited
Parc Eòlic de Coll de Moro, S.L.	Barcelona	60.00%	100.00%	KPMG
D.E. Almarchal, SAL *	Cádiz	100.00%	100.00%	KPMG
D.E. Buenavista, SAL *	Cádiz	100.00%	100.00%	KPMG
Desarrollos Catalanes Del Viento,S.L.	Barcelona	60.00%	60.00%	KPMG
D.E. de Corme, S.A. *	La Coruña	100.00%	100.00%	KPMG
D.E. Dumbria, SAL *	La Coruña	100.00%	100.00%	KPMG
Desarrollos Eólicos de Galicia, S.A. *	La Coruña	100.00%	100.00%	KPMG
D.E. de Lugo, SAL *	Lugo	100.00%	100.00%	KPMG
Desarrollos Eólicos Promoción S.A.U. *	Sevilla	100.00%	100.00%	KPMG
D.E. Rabosera, S.A. *	Huesca	95.00%	95.00%	KPMG
Desarrollos Eólicos, S.A. *	Sevilla	100.00%	100.00%	KPMG
D.E. de Tarifa, SAL *	Cádiz	100.00%	100.00%	KPMG
Eólica Don Quijote, S.L. *	Albacete	100.00%	100.00%	KPMG
Eólica Dulcinea, S.L. *	Albacete	100.00%	100.00%	KPMG
Eolica Alfoz, S.L. *	Madrid	84.98%	84.98%	KPMG
Eólica Arlanzón, S.A. *	Madrid	77.50%	77.50%	KPMG
Eólica Campollano, S.A. *	Madrid	75.00%	75.00%	KPMG
Eneroliva, S.A. *	Sevilla	100.00%	100.00%	Not audited
Eolica Fontesilva, S.L. *	Coruña	100.00%	100.00%	KPMG
Hidroeléctrica Fuentermosa S.L. *	Oviedo	100.00%	100.00%	Not audited
Parques de Generación Eólica, S.L.	Burgos	60.00%	60.00%	KPMG
Generaciones Especiales I, S.L.	Madrid	100.00%	80.00%	KPMG
Ceasa Promociones Eólicas, SLU	Zaragoza	100.00%	100.00%	KPMG
Subgrupo Veinco	Zaragoza	100.00%	100.00%	Not audited
Eolica Guadalteba, S.L.	Sevilla	100.00%	100.00%	KPMG
Hidroeléctrica Gormaz S.A. *	Salamanca	75.00%	75.00%	Not audited
Iberia Aprovechamientos Eólicos, SAL	Zaragoza	100.00%	100.00%	KPMG

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business Spain				
Investigación y Desarrollo de Energías Renovables, S. L.	León	59.59%	59.59%	KPMG
Industrias Medioambientales Río Carrión, S.A. *	Madrid	90.00%	90.00%	Not audited
Eolica La Janda, S.L. *	Madrid	100.00%	100.00%	KPMG
Eolica La Navica, S.L.	Madrid	100.00%	100.00%	KPMG
Parque Eólico Los Cantales, SLU	Zaragoza	100.00%	100.00%	KPMG
Parc Eolic Molinars, S.L.	Girona	54.00%	90.00%	Not audited
Molino de Caragüeyes,S.L.	Zaragoza	80.00%	80.00%	KPMG
Parque Eólico Montes de Castejón, S.L.	Zaragoza	100.00%	100.00%	Not audited
Muxia I e II *	Coruña	100.00%	100.00%	Not audited
NEO Energia Aragón S.L.	Madrid	100.00%	100.00%	KPMG
NEO Catalunya, S.L.	Barcelona	100.00%	100.00%	KPMG
Neomai Inversiones SICAV, S.A.	Madrid	100.00%	100.00%	PwC
Parque Eólico Santa Quiteria, S.L. *	Huesca	58.33%	58.33%	KPMG
Parque Eólico Belchite, S.L. *	Zaragoza	100.00%	100.00%	KPMG
Parques Eólicos del Cantábrico, S.A. *	Oviedo	100.00%	100.00%	KPMG
Parque Eólico La Sotonera, S.L. *	Zaragoza	64.84%	64.84%	KPMG
Eolica de Radona S.L. *	Madrid	100.00%	100.00%	KPMG
Rasacal Cogeneración S.A. *	Madrid	60.00%	60.00%	Not audited
Siesa Renovables Canarias, S.L. *	Gran Canaria	100.00%	100.00%	Not audited
Renovables Castilla La Mancha S.A. *	Albacete	90.00%	90.00%	KPMG
Hidroeléctrica del Rumblar S.L. *	Madrid	80.00%	80.00%	Not audited
Eolica Sierra Avila, S.L. *	Madrid	89.99%	89.99%	KPMG
Sinae Inversiones Eólicas S.A. *	Madrid	100.00%	100.00%	KPMG
Sotromal, S.A. *	Soria	90.00%	90.00%	Not audited
Parc Eòlic de Torre Madrina, S.L.	Barcelona	60.00%	100.00%	KPMG
Tratamientos Medioambientales del Norte, S.A.	Madrid	80.00%	80.00%	Not audited
Santa Quiteria Energia, S.L.U.	Zaragoza	80.00%	100.00%	Not audited
Bon Vent de Corbera, S.L.	Barcelona	100.00%	100.00%	KPMG
Bon Vent de Vilalba, S.L.	Barcelona	100.00%	100.00%	KPMG
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	60.00%	100.00%	KPMG
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	48.70%	60.63%	KPMG
Agrupación Eólica Francia, S.L.	Madrid	100.00%	100.00%	KPMG
Parc Eolic Coll de la Garganta, S.L.	Barcelona	100.00%	100.00%	KPMG
Eólica Curiscao Pumar, S.A.	Madrid	100.00%	100.00%	KPMG
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	51.00%	51.00%	Not audited
Eólica Garcimuñoz, S.L.	Madrid	100.00%	100.00%	Not audited
Energías Eólicas La Manchuela, S.L.U. *	Madrid	100.00%	100.00%	KPMG
Sierra de la Peña, S.A.	Madrid	84.90%	84.90%	KPMG
Bon Vent de L'Ebre, S.L.	Barcelona	100.00%	100.00%	KPMG
Parc Eolic Serra Voltorera, S.L.	Barcelona	100.00%	100.00%	KPMG
Electricity business France				
Parc Eolien D'Ardennes, SARL	Elbeuf	100.00%	100.00%	Not audited
Parc Eolien du Clos Bataille, SAS	Elbeuf	100.00%	100.00%	Not audited
Eolienne des Bocages, SARL	Elbeuf	100.00%	100.00%	Not audited
Eolienne de Callengeville, SAS	Elbeuf	100.00%	100.00%	Not audited
CE Canet-Pont de Salars, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien des Longs Champs, SARL	Elbeuf	100.00%	100.00%	Not audited
Eolienne D'Etalondes, SARL	Elbeuf	100.00%	100.00%	Not audited
CE Gueltas Noyal-Pontivy, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien de La Hetroye, SAS	Elbeuf	100.00%	100.00%	Not audited
SOCPE Le Mee, SARL	Toulouse	49.00%	49.00%	KPMG
Parc Eolien de Mancheville, SARL	Elbeuf	100.00%	100.00%	Not audited
EDP Renewables France, SAS	Paris	100.00%	100.00%	KPMG
C.E. Patay, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien des Bocages, SARL	Elbeuf	100.00%	100.00%	Not audited
SOCPE Petite Piece, SARL	Toulouse	49.00%	49.00%	KPMG
Plouvien Breiz, SAS	Carhaix	100.00%	100.00%	Jean-Yves Morisset
Parc Eolien de Roman, SARL	Elbeuf	100.00%	100.00%	Not audited
C.E. Saint Barnabe, SAS	Paris	100.00%	100.00%	KPMG
Eolienne de Saugueuse, SARL	Elbeuf	100.00%	100.00%	Not audited
SOCPE Sauvageons SARL	Toulouse	49.00%	49.00%	KPMG
C.E. Segur, SAS	Paris	100.00%	100.00%	KPMG
Centrale Eolienne Neo Truc L'Homme, SAS	Paris	100.00%	100.00%	KPMG
Parc Eolien de Varimpre, SAS	Elbeuf	100.00%	100.00%	Not audited
Parc Eolien des Vatines, SAS	Elbeuf	100.00%	100.00%	Not audited
Mardelle, SARL	Toulouse	100.00%	100.00%	Not audited
Quinze Mines, SARL	Toulouse	49.00%	49.00%	Not audited
Vallée du Moulin, SARL	Toulouse	100.00%	100.00%	Not audited

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business Poland				
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	100.00%	100.00%	Not audited
EDP Renewables Polska SP ZOO	Warsaw	100.00%	100.00%	KPMG
Relax Wind Park I SP ZOO	Warsaw	96.43%	96.43%	KPMG
Relax Wind Park II SP ZOO	Warsaw	51.00%	51.00%	Not audited
Relax Wind Park III SP ZOO	Warsaw	100.00%	100.00%	Not audited
Relax Wind Park IV SP ZOO	Warsaw	51.00%	51.00%	Not audited
Electricity business Belgium				
Greenwind S.A.	Louvain-la-Neuve	70.00%	70.00%	Not audited
Electricity business Brazil				
EDP Renováveis Brasil, S.A.	São Paulo	55.00%	55.00%	KPMG
Central Nacional de Energia Eólica, S.A. (Cenaeel)	São Paulo	55.00%	100.00%	KPMG
Elebrás Projectos, Ltda	São Paulo	55.00%	100.00%	Not audited
Electricity business Romania				
Cernavoda Power SRL	Bucharest	85.00%	85.00%	KPMG
EDP Renewables Romania, S.R.L.	Bucharest	85.00%	85.00%	KPMG
Electricity business - Holland:				
Tarcan. B.V.	Amsterdam	100.00%	100.00%	Not audited
Electricity business - Great Britain:				
EDPR UK Limited	Cardiff	100.00%	100.00%	Not audited
Moray Offshore Renewables Limited	Cardiff	75.00%	75.00%	Not audited
Parent Company:				
Horizon Wind Energy, LLC	Texas	100.00%	100.00%	KPMG
Electricity business USA				
Wind Turbine Prometheus, LP	California	100.00%	100.00%	KPMG
Dickinson County Wind Farm, LLC	Minnesota	100.00%	100.00%	KPMG
Darlington Wind Farm, LLC	Minnesota	100.00%	100.00%	KPMG
Cloud County Wind Farm, LLC	Kansas	100.00%	100.00%	KPMG
Whitestone Wind Purchasing, LLC	Texas	100.00%	100.00%	KPMG
Blue Canyon Windpower II, LLC	Oklahoma	100.00%	100.00%	KPMG
Blue Canyon Windpower V, LLC	Oklahoma	100.00%	100.00%	KPMG
Horizon Wind Energy International, LLC	Texas	100.00%	100.00%	KPMG
Pioneer Prairie Wind Farm I, LLC	Iowa	100.00%	100.00%	KPMG
Sagebrush Power Partners, LLC	Washington	100.00%	100.00%	KPMG
Telocaset Wind Power Partners, LLC	Oregon	100.00%	100.00%	KPMG
High Trail Wind Farm, LLC	Illionois	100.00%	100.00%	KPMG
Marble River, LLC	New York	100.00%	100.00%	KPMG
Rail Splitter, LLC	Illionois	100.00%	100.00%	KPMG
Blackstone Wind Farm, LLC	Illionois	100.00%	100.00%	KPMG
Aroostook Wind Energy LLC	Maine	100.00%	100.00%	KPMG
Jericho Rise Wind Farm, LLC	New York	100.00%	100.00%	KPMG
Madison Windpower, LLC	New York	100.00%	100.00%	KPMG
Mesquite Wind, LLC	Texas	100.00%	100.00%	KPMG
Martinsdale Wind Farm, LLC	Colorado	100.00%	100.00%	KPMG
Post Oak Wind, LLC	Texas	100.00%	100.00%	KPMG
BC Maple Ridge Wind, LLC	Texas	100.00%	100.00%	KPMG
High Prairie Wind Farm II, LLC	Minnesota	100.00%	100.00%	KPMG
Arlington Wind Power Project, LLC	Oregon	100.00%	100.00%	KPMG
Signal Hill Wind Power Project, LLC	Colorado	100.00%	100.00%	KPMG
Tumbleweed Wind Power Project, LLC	Colorado	100.00%	100.00%	KPMG
Old Trail Wind Farm, LLC	Illionois	100.00%	100.00%	KPMG
Viento Grande Wind Power Project LLC	Colorado	100.00%	100.00%	KPMG
OPQ Property LLC	Illionois	100.00%	100.00%	KPMG
Meadow Lake Wind Farm, LLC	Indiana	100.00%	100.00%	KPMG
Wheatfield Wind Power Project, LLC	Oregon	100.00%	100.00%	KPMG
2007 Vento I, LLC	Texas	100.00%	100.00%	KPMG
2007 Vento II, LLC	Texas	100.00%	100.00%	KPMG
2008 Vento III, LLC	Texas	100.00%	100.00%	KPMG
2009 Vento IV, LLC	Texas	100.00%	100.00%	KPMG

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business USA				
2009 Vento V, LLC	Texas	100.00%	100.00%	KPMG
2009 Vento VI, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures I, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures II, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures III, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures VI, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures IB, LLC	Texas	100.00%	100.00%	KPMG
Horizon Wind Ventures IC, LLC	Texas	100.00%	100.00%	KPMG
Clinton County Wind Farm, LLC	New York	100.00%	100.00%	KPMG
BC2 Maple Ridge Holdings LLC	Texas	100.00%	100.00%	Not audited
Cloud West Wind Project, LLC	Texas	100.00%	100.00%	Not audited
Five-Spot, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Chocolate Bayou I, LLC	Texas	100.00%	100.00%	Not audited
Alabama Ledge Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Antelope Ridge Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Arkwright Summit Wind Farm LLC	Texas	100.00%	100.00%	Not audited
Ashford Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Athena-Weston Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Black Prairie Wind Farm, LLC	Texas	100.00%	100.00%	KPMG
Blackstone Wind Farm II, LLC	Texas	100.00%	100.00%	KPMG
Blackstone Wind Farm III, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm IV, LLC	Texas	100.00%	100.00%	Not audited
Blackstone Wind Farm V, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower III, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower IV, LLC	Texas	100.00%	100.00%	Not audited
Blue Canyon Windpower VI, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm II, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm III, LLC	Texas	100.00%	100.00%	Not audited
Broadlands Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Chateaugay River Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Cropsey Ridge Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Crossing Trails Wind, Power Project, LLC	Texas	100.00%	100.00%	Not audited
Dairy Hills Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Diamond Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Ford Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Freeport Windpower I, LP	Texas	100.00%	100.00%	Not audited
Gulf Coast Windpower Management Company, LLC	Texas	100.00%	100.00%	Not audited
Homestead Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest VII, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest X, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest XI, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Panhandle I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest II, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest III, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Southwest IV, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Valley I, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind MREC Iowa Partners, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind, Freeport Windpower I, LLC	Texas	100.00%	100.00%	Not audited
Juniper Wind Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Lexington Chenoa Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Machias Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Meadow Lake Wind Farm II, LLC	Texas	100.00%	100.00%	KPMG
New Trail Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
North Slope Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Number Nine Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Pacific Southwest Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Pioneer Prairie Wind Farm II, LLC	Texas	100.00%	100.00%	Not audited
Buffalo Bluff Wind Farm, LLC	Wyoming	100.00%	100.00%	Not audited
Saddleback Wind Power Project, LLC	Texas	100.00%	100.00%	KPMG
Sardinia Windpower, LLC	Texas	100.00%	100.00%	Not audited
Turtle Creek Wind Farm, LLC	Texas	100.00%	100.00%	Not audited
Western Trail Wind Project I, LLC	Texas	100.00%	100.00%	Not audited
Whistling Wind WI Energy Center, LLC	Texas	100.00%	100.00%	Not audited
Simpson Ridge Wind Farm,LLC	Texas	100.00%	100.00%	Not audited
Coos Curry Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Midwest IX, LLC	Texas	100.00%	100.00%	Not audited
Horizon Wind Energy Northwest I, LLC	Texas	100.00%	100.00%	Not audited
Peterson Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Pioneer Prairie Interconnection, LLC	Texas	100.00%	100.00%	Not audited

Subsidiaries Companies	Head Office	% Contributed	% Voting rigths	Auditor
Electricity business USA				
The Nook Wind Power Project, LLC	Texas	100.00%	100.00%	Not audited
Tug Hill Windpower, LLC	Texas	100.00%	100.00%	Not audited
Whiskey Ridge Power Partners, LLC	Texas	100.00%	100.00%	Not audited
Wilson Creek Power Partners, LLC	Texas	100.00%	100.00%	Not audited
WTP Management Company, LLC	Texas	100.00%	100.00%	Not audited
Meadow Lake Wind Farm, IV LLC	Indiana	100.00%	100.00%	KPMG
Meadow Lake Windfarm III, LLC	Indiana	100.00%	100.00%	KPMG
Lexington Chenoa Wind Farm II, LLC	Illinois	100.00%	100.00%	KPMG
Lexington Chenoa Wind Farm III, LLC	Illinois	100.00%	100.00%	KPMG
East Klickitat Wind Power Project, LLC	Washington	100.00%	100.00%	KPMG
Horizon Wind Energy Northwest IV, LLC	Oregon	100.00%	100.00%	KPMG
Blue Canyon Wind Power VII, LLC	Oklahoma	100.00%	100.00%	KPMG
Horizon Wyoming Transmission, LLC	Wyoming	100.00%	100.00%	KPMG
AZ Solar, LLC	Arizona	100.00%	100.00%	KPMG
Black Prairie Wind Farm II, LLC	Illinois	100.00%	100.00%	KPMG
Black Prairie Wind Farm III, LLC	Illinois	100.00%	100.00%	KPMG
Paulding Wind Farm, LLC	Ohio	100.00%	100.00%	KPMG
Paulding Wind Farm II, LLC	Ohio	100.00%	100.00%	KPMG
Paulding Wind Farm III, LLC	Ohio	100.00%	100.00%	KPMG
Simpson Ridge Wind Farm II, LLC	Wyoming	100.00%	100.00%	KPMG
Simpson Ridge Wind Farm III, LLC	Wyoming	100.00%	100.00%	KPMG
Simpson Ridge Wind Farm IV, LLC	Wyoming	100.00%	100.00%	KPMG
Simpson Ridge Wind Farm V, LLC	Wyoming	100.00%	100.00%	KPMG
Athena-Weston Wind Power Project II, LLC	Oregon	100.00%	100.00%	KPMG
Meadow Lake Wind Farm V, LLC	Indiana	100.00%	100.00%	KPMG
Lost Lakes Wind Farm, LLC	Iowa	100.00%	100.00%	KPMG
Quilt Block Wind Farm, LLC	Wisconsin	100.00%	100.00%	Not audited
Stinson Mills Wind Farm, LLC	Colorado	100.00%	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 2009, are as follows:

Jointly Controlled Companies	Head Office	Share Capital / Currency		Non Current Assets 31-Dec-09 Euro'000	Current Assets 31-Dec-09 Euro'000	Non Current Liabilities 31-Dec-09 Euro'000	Current Liabilities 31-Dec-09 Euro'000	Total Equity 31-Dec-09 Euro'000	Total Incomes 31-Dec-09 Euro'000	Total Costs 31-Dec-09 Euro'000	Net Results 31-Dec-09 Euro'000	% Contributed	% Voting rigths	Auditor
Electricity business														
Flat Rock Windpower LLC	New York	525.480	USD	158.964	3.694	1.049	66	161.542	11.353	-13.386	-2.033	50,00%	50,00%	E&Y
Flat Rock Windpower II LLC	New York	207.447	USD	63.394	849	387	43	63.814	2.743	-4.387	-1.644	50,00%	50,00%	E&Y
Compañía Eólica Aragonesa, S.A.	Zaragosa	6.701	EUR	50.492	9.088	31.094	7.787	50.492	14.805	-10.340	4.465	50,00%	50,00%	Deloitte
Desarrollos Energeticos Canarios S.A.	Las Palmas	15	EUR	0	0	0	0	0	0	0	0	49,90%	49,90%	KPMG
Evolución 2000, S.L.	Albacete	118	EUR	25.840	5.694	21.921	3.895	5.718	5.273	-3.765	1.508	49,15%	49,15%	KPMG
Murciasol-1 Solar Térmica, S.L.	Madrid	3	EUR	85	16	41	58	2	0	0	0	50,00%	50,00%	Not audited
Tebar Eólica, S.A.	Cuenca	4.720	EUR	17.796	4.992	16.082	1.744	4.961	4.054	-3.449	606	50,00%	50,00%	Abante Audit Auditores, S.L.

The **Associated Companies** included in the consolidation under the equity method as at 31 December 2009, are as follows:

Associates	Head Office	% Contributed	% Voting rigths	Auditor
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	48.70%	60.63%	Not audited
Biomasas del Pirineo S.A.	Huesca	30.00%	30.00%	PwC
Cultivos Energéticos de Castilla S.A.	Burgos	30.00%	30.00%	Not audited
D.E. DE CANARIAS, S.A.	Gran Canaria	44.75%	44.75%	Not audited
Hidroastur S.A.	Oviedo	25.00%	25.00%	KPMG
Naturneo Energía, S.L.	Bilbau	49.01%	49.01%	Mazars
Parque Eólico Belmonte, S.A.	Asturias	29.90%	29.90%	KPMG
Parque Eólico Sierra del Madero S.A.	Soria	42.00%	42.00%	Not audited
Parque Eólico Altos del Voltoya, S.A.	Madrid	42.00%	42.00%	KPMG
Sodecoan, S.L.	Sevilla	50.00%	50.00%	Ernst & Young
Solar Siglo XXI, S.A.	Ciudad Real	25.00%	25.00%	KPMG
ENEOP - Éolicas de Portugal, S.A.	Lisboa	19.60%	19.60%	Mazars

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

EDP Renováveis, S.A. and subsidiaries

Group Activity by Operating Segment

Operating Segment Information for the year ended 31 December 2010

(Thousand Euros)

	WIND ENERGY OPERATIONS								
	EUROPE								
	Portugal	Spain	Rest of Europe	Others	Adjustments	Total	U. S. A.	Other and Adjustments	EDP Renováveis Group
Revenue	140,482	337,444	75,447	19,910	-8,080	565,203	276,494	3,359	845,056
External customers	140,482	330,672	75,260	12,175	-	558,589	276,494	3,359	838,442
Other operating segments	-	6,772	187	7,735	-8,080	6,614	-	-	6,614
Cost of consumed electricity	-245	-653	-478	-1	115	-1,262	-1,525	-130	-2,917
Changes in inventories and cost of raw materials and consumables used	14	-5,589	3,489	-173	550	-1,709	-	212	-1,497
	140,251	331,202	78,458	19,736	-7,415	562,232	274,969	3,441	840,642
Other operating income / (expenses)									
Other operating income	1,657	7,185	16,376	2,655	-991	26,882	153,027	121	180,030
Supplies and services	-18,234	-60,686	-17,851	-10,732	20,094	-87,409	-93,026	-15,776	-196,211
Personnel costs	-2,702	-5,568	-3,120	-8,736	-	-20,126	-24,333	-10,387	-54,846
Other operating expenses	-5,296	-9,889	-2,492	-2,213	-23	-19,913	-22,303	-14,650	-56,866
	-24,575	-68,958	-7,087	-19,026	19,080	-100,566	13,365	-40,692	-127,893
	115,676	262,244	71,371	710	11,665	461,666	288,334	-37,251	712,749
Provisions	8	147	-	-	-	155	-	-	155
Depreciation and amortisation expense	-34,964	-138,271	-30,708	-5,242	-	-209,185	-222,263	-2,955	-434,403
Amortisation of deferred income / Government grants	1,100	214	222	-	-	1,536	9,869	1	11,406
	81,820	124,334	40,885	-4,532	11,665	254,172	75,940	-40,205	289,907
Gains / (losses) from the sale of financial assets	-	-	-	-	-	-	-	-	-
Other financial income	290	688	17,144	46,865	-46,865	18,122	6,131	10,121	34,374
Interest income	3,160	1,949	468	170,012	-167,321	8,268	308	1,355	9,931
Other financial expenses	-306	-1,680	-21,546	-19,960	14,969	-28,523	-73,355	-8,182	-110,060
Interest expense	-32,711	-98,159	-30,190	-233,849	167,474	-227,435	3,400	115,644	-108,391
Share of profit of associates	2,128	2,908	-	-	-	5,036	-	-	5,036
Profit before tax	54,381	30,040	6,761	-41,464	-20,078	29,640	12,424	78,733	120,797
Income tax expense	-15,118	-8,306	429	10,210	-	-12,785	-	-24,974	-37,759
Profit (loss) for the period	**39,263**	**21,734**	**7,190**	**-31,254**	**-20,078**	**16,855**	**12,424**	**53,759**	**83,038**
Attributable to:									
Equity holders of EDP Renováveis	37,766	14,015	7,092	-25,875	-20,078	12,920	12,424	54,859	80,203
Minority interest	1,497	7,719	98	-5,379	-	3,935	-	-1,100	2,835
Profit (loss) for the period	**39,263**	**21,734**	**7,190**	**-31,254**	**-20,078**	**16,855**	**12,424**	**53,759**	**83,038**
Assets									
Property, plant and equipment	544,126	3,105,798	1,300,198	50,158	-	5,000,280	4,814,548	166,943	9,981,771
Intangible assets and Goodwill	43,167	106,656	93,194	72	508,886	751,975	600,317	14,441	1,366,733
Investments in associates	-	15,915	-	12	28,127	44,054	1,817	-	45,871
Current assets	161,590	410,772	148,131	1,223,267	-1,184,134	759,626	199,503	301,436	1,260,565
Equity and Liabilities									
Equity and Minority Interest	74,258	860,192	253,527	48,858	-794,532	442,303	3,146,741	1,804,467	5,393,511
Current Liabilities	151,655	930,649	409,258	393,605	-813,227	1,071,940	428,332	-208,097	1,292,175
Other information:									
Increase of the period									
Property, plant and equipment	7,859	128,435	467,018	4,370	-	607,682	783,436	79,519	1,470,637
Intangible assets and Goodwill	-	124	60,106	-	-	60,230	2,185	314	62,729

EDP Renováveis, S.A. and subsidiaries

Group Activity by Operating Segment

Operating Segment Information for the year ended 31 December 2009

(Thousand Euros)

	WIND ENERGY OPERATIONS								
	EUROPE						U. S. A.	Other and Adjustments	EDP Renováveis Group
	Portugal	Spain	Rest of Europe	Others	Adjustments	Total			
Revenue	**123,336**	**260,534**	**38,355**	**6,645**	**12,567**	**441,437**	**204,649**	**2,156**	**648,242**
External customers	123,336	258,590	38,355	287	19,270	439,838	204,649	2,286	646,773
Other operating segments	-	1,944	-	6,358	-6,703	1,599	-	-130	1,469
Income from sale of interests in institutional partnerships - EDPR NA									-
Cost of consumed electricity	-236	-10	-	-	-	-246	-1,198	-78	-1,522
Changes in inventories and cost of raw materials and consumables used	19	-6,493	745	-18	943	-4,804	-	91	-4,713
	123,119	254,031	39,100	6,627	13,510	436,387	203,451	2,169	642,007
Other operating income / (expenses)									
Other operating income	2,632	6,385	756	1,026	-946	9,853	115,318	60	125,231
Supplies and services	-17,633	-41,295	-7,573	-8,846	6,648	-68,699	-65,418	-14,187	-148,304
Personnel costs	-1,264	-7,050	-1,550	-3,988	-	-13,852	-20,987	-7,708	-42,547
Other operating expenses	-5,204	-6,334	-3,761	-84	61	-15,322	-17,926	-590	-33,838
	-21,469	-48,294	-12,128	-11,892	5,763	-88,020	10,987	-22,425	-99,458
	101,650	205,737	26,972	-5,265	19,273	348,367	214,438	-20,256	542,549
Provisions	170	12	-	-	-	182	-	1	183
Depreciation and amortisation expense	-31,151	-106,745	-14,809	-1,387	-	-154,092	-158,982	-1,276	-314,350
Amortisation of deferred income / Government grants	658	154	-	1	-	813	1,589	1	2,403
	71,327	99,158	12,163	-6,651	19,273	195,270	57,045	-21,530	230,785
Gains / (losses) from the sale of financial assets	-	268	-	-	-	268	-	-	268
Other financial income	-	-44	10,370	10,256	-10,200	10,382	6,218	2,144	18,744
Interest income	2,846	4,923	54	130,161	-130,145	7,839	692	8,442	16,973
Other financial expenses	-32	-5,631	-4,524	-273	-8,655	-19,115	-59,590	-392	-79,097
Interest expense	-25,711	-68,351	-17,370	-185,737	130,180	-166,989	2,477	135,458	-29,054
Share of profit of associates	421	3,788	-	-	-	4,209	-287	-	3,922
Profit before tax	48,851	34,111	693	-52,244	453	31,864	6,555	124,122	162,541
Income tax expense	-9,985	-7,804	-833	11,298	-	-7,324	-	-37,430	-44,754
Profit (loss) for the period	**38,866**	**26,307**	**-140**	**-40,946**	**453**	**24,540**	**6,555**	**86,692**	**117,787**
Attributable to:									
Equity holders of EDP Renováveis	37,499	19,931	-319	-36,545	453	21,019	6,555	86,775	114,349
Minority interest	1,367	6,376	179	-4,401	-	3,521	-	-83	3,438
Profit (loss) for the period	**38,866**	**26,307**	**-140**	**-40,946**	**453**	**24,540**	**6,555**	**86,692**	**117,787**
Assets									
Property, plant and equipment	574,592	3,081,900	877,979	55,810	-	4,590,281	3,978,845	65,885	8,635,011
Intangible assets and Goodwill	43,920	107,048	49,550	75	571,751	772,344	549,122	14,230	1,335,696
Investments in associates	-	20,238	-	12	25,674	45,924	1,686	-1	47,609
Current assets	159,152	442,570	57,273	792,842	-839,570	612,267	208,581	284,508	1,105,356
Equity and Liabilities									
Equity and Minority Interest	81,582	864,882	190,378	6,079	-697,366	445,555	2,858,681	2,023,319	5,327,555
Current Liabilities	99,865	953,159	259,080	379,776	-545,615	1,146,265	274,160	-174,915	1,245,510
Other information:									
Increase of the period									
Property, plant and equipment	105,400	535,294	381,463	19,973	-	1,042,130	828,519	24,538	1,895,187
Intangible assets and Goodwill	-	36,717	1,106	24	-	37,847	-	1,251	39,098

 

Management Report

December 2010

MANAGEMENT REPORT
for
EDP Renováveis Group (EDPR)

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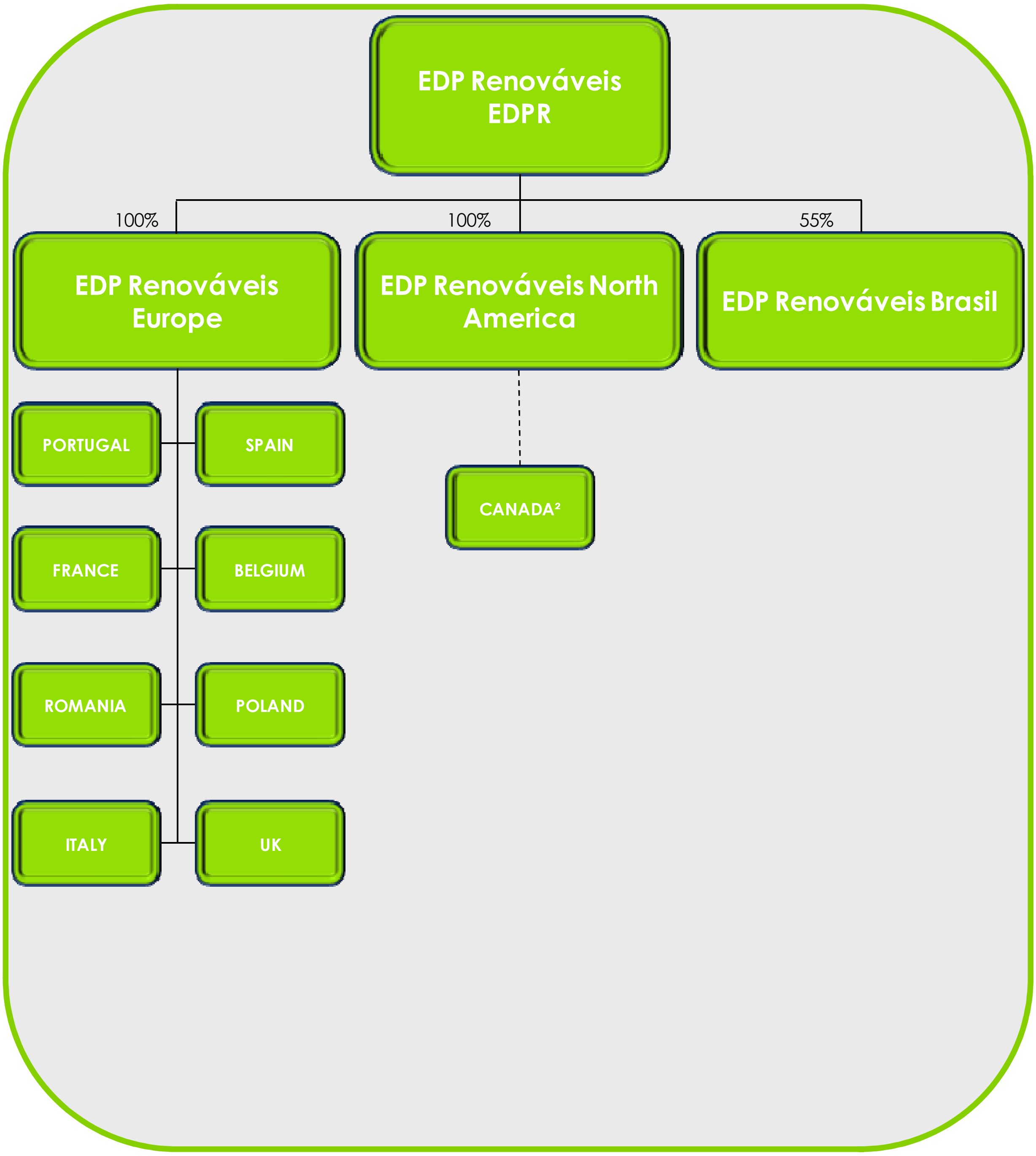
EDP Renováveis Organization[1]



[1] Non-exhaustive Organization Chart, illustrating disaggregated by geography of presence rather than comprehensive list of legal entities. For simplification purposes, country holdings are shown (full list shown in annex 1 in the notes to the consolidated financial statements representing individual wind farm entities).
[2] 100% owned by EDPR, operationally integrated in EDPR NA

MANAGEMENT REPORT
for
EDP Renováveis Group (EDPR)

1. MAIN EVENTS OF THE PERIOD

1ST QUARTER

JANUARY

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

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

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

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

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

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

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

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

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

FEBRUARY

Feb 3rd – EDP Renováveis discloses YE2009 provisional operating data

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

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

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

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

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

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

Feb 25th – EDP Renováveis announces YE2009 results

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

2ND QUARTER

APRIL

Apr 12th – EDP Renováveis is awarded a contract by NYSERDA

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

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

Apr 13th – EDP Renováveis holds its Annual General Shareholder Meeting

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

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

- Reappointment, as Auditors of EDP Renováveis S.A., of KPMG Auditores, S.L.;
- Option for the Consolidated Tax Regime regulated in Articles 64 et seq of Real Decreto-Legislativo 4/2004 of 5 March.

Apr 22th – EDP Renováveis discloses 1Q2010 provisional operating data

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

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

Apr 26th – EDP Renováveis awarded Vestas a procurement contract to deliver 1.5 GW of wind capacity to be installed until the end of 2012

EDP Renováveis S.A. and Vestas Wind Systems A/S signed a global master supply agreement for the delivery 1,500 MW of wind turbines.

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

MAY

May 5th – EDP Renováveis announces 1Q2010 results

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

3RD QUARTER

JUNE

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

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

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

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

JULY

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

The Spanish regional Government of Cantabria has announced the granting of a total of 1,336 MW in its tender to award electricity production licenses through wind energy.

EDP Renováveis was awarded with 220 MW in the region of Cantabria, corresponding to 16% of the total assigned capacity.

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

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

Jul 12th – Romania approves new wind regulation

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

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

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

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

Jul 14th – EDP Renováveis announces 1H2010 provisional operating data:

Capacity increased 155 MW (63 MW in Europe and 92 MW in US) and electricity output totalled 6,940 GWh, meaning a 32% increase comparing with the 1st half of 2009. Load factor in Europe was 23% and in the US 33%.

Jul 29th – EDP Renováveis announces 1H2010 results

Gross Profit was €462.4 million (+30% YoY) and EBITDA €342.9 million (+27% YoY), with an EBITDA margin of 74.2%. Net income reached €42.9 million, having decreased 35% YoY.

SEPTEMBER

Sep 27th – EDP Renováveis establishes new institutional partnership structure incorporating the cash grant in lieu on PTC for 99 MW in the US

EDPR has signed an agreement to secure $84 million of institutional equity financing from JPM Capital Corporation in exchange for a partial interest in its 99 MW Meadow Lake II wind farm.

Sep 30th – EDP Renováveis executes project finance for 120 MW in Poland

EDPR has executed a project finance structure agreement with a consortium of banks for its fully operating 120 MW Margonin wind farm in Poland. The contracted debt facility amounts to €135 million.

4TH QUARTER

NOVEMBER

Nov 3rd – EDP Renováveis announces 9M2010 results

Gross Profit was €662.3 million (+34% YoY) and EBITDA €473.1 million (+28% YoY), with an EBITDA margin of 71.4%. Net income reached €22.2 million, having decreased 68% YoY.

Nov 15th – EDP Renováveis signs a new Power Purchase Agreement (PPA) for 99 MW in the US

EDPR has signed a 20-year PPA for a 99 MW wind farm in the PJM interconnection area, expected to be fully commissioned in 2011.

Nov 30th – EDP Renováveis signs a new Power Purchase Agreement (PPA) for 83 MW in the US

EDPR signed a 20-year PPA with Tennessee Valley Authority to sell renewable energy from 83 MW of the Pioneer Prairie wind farm (Iowa), at full operation.

DECEMBER

Dec 8th – Spanish Government publishes new Royal Decree providing regulatory stability to the wind energy sector

The Spanish Government published the Royal Decree 1614/2010, which increases the visibility of the existing assets' returns for its full useful life and provides stability to the investments in the country.

Dec 9th – EDP Renováveis establishes new institutional partnership structure incorporating the cash grant in lieu of PTC for 101 MW in the US

EDPR has signed an agreement to secure $99 million of financing through Bank of America Public Capital Corp in exchange for a partial interest in its 101 MW Kittitas Valley wind farm.

Dec 13th – EDP Renováveis signs new Power Purchase Agreement (PPA) for 198 MW in the US

EDPR signed a 5-year PPA with Constellation Energy Commodities Group, Inc. to sell the renewable energy from its 198 MW Top Crop II, already in operation in the PJM market.

Dec 16th – EDP Renováveis secures new Power Purchase Agreement (PPA) for 175 MW in the US

EDPR has secured a 20-year PPA to sell to Ameren Illinois Utilities and Commonwealth Edison Company the equivalent renewable energy produced by 175 MW of wind installed capacity in the US.

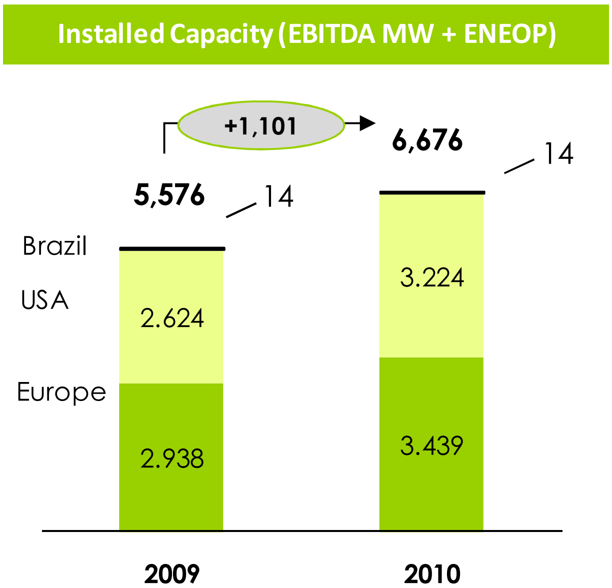
Dec 20th – Extension of the US Investment Tax Credit (ITC) cash reimbursement

The President of the United States of America signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which includes an one-year extension of the ITC cash reimbursement under the Department of Treasury's Section 1603 program, applicable to EDPR's wind projects in the US.

2. PERFORMANCE OF 2010

2.1 Operational and Financial[1] Performance

During 2010, EDPR added 1,101 EBITDA MW (incl. ENEOP[2]) of installed capacity, of which 600 MW in North America and 501 MW in Europe.



On top of the 1,101 EBITDA MW (including ENEOP) of new installed capacity, EDPR ended 2010 with 649 MW under construction (of which 480 MW in Europe, 99 MW in North America and 70 MW in Brazil), providing confidence and credibility on the organization's ability to execute 2011 growth targets.

By the end of 2010, EDPR had 6.7 GW of (EBITDA + ENEOP) installed capacity in Spain, Portugal, France, Belgium, Poland, Romania, a variety of US states and Brazil.

[1] Prepared according to IFRS accounting standards. EDPR consolidated accounts are considered for the purpose of this Management Report.

[2] ENEOP – Eólicas de Portugal, S.A.

Installed Capacity (EBITDA MW + ENEOP)	2010	2009	∆ MW
Spain	2.050	1.861	+189
Portugal	838	680	+158
of which ENEOP	*239*	*85*	*+154*
France	*284*	*220*	*+64*
Belgium	*57*	*57*	*+0*
Poland	*120*	*120*	*+0*
Romania	*90*	*0*	*+90*
Europe	**3.439**	**2.938**	**+501**
US	**3.224**	**2.624**	**+600**
Brazil	**14**	**14**	**-**
Total	**6.676**	**5.576**	**+1.101**

In terms of total output, EDPR recorded a significant growth in electricity generation, with 14.4 TWh generated in 2010 (32% increase vs. 10.9 TWh in 2009). This year EDPR reached once again load factors above market average, underlining the quality of its wind farms.

Overall EDPR load factor was in line with 2009. In Europe the load factor reached 27% and in the US 32%. Excellence in operational performance is best reflected in the sustainable and high availability levels and consistent load factor premiums in major markets.

Region	Electricity Generated (GWh)		Load Factor (%)	
	2010	∆ 10/09	2010	∆ 10/09
Europe	6.632	+33%	27%	+1 pp
EE.UU	7.689	+30%	32%	(0 pp)
Brazil	31	+17%	26%	+4 pp
Total Generation	**14.352**	**+32%**	**29%**	**+0 pp**

Total balance sheet assets reached by the end of the 2010 were €12,835 million with c. 14% increase (or €1,541 million) when compared to prior year. Of this, €9,982 million relate to net Tangible Fixed Assets (PPE) which year-on-year increased by €1,347 million.

Total Equity amounted to €5,394 million by year end, driven by the €82 million increase in Reserves and Retained Earnings leading to a solid Equity / Total Assets ratio of 42.0%. Total Equity and Liabilities summed by the end of 2010 to €7,442 million, with an increase of c. 24.7% (or €1,475 million) used to fuel growth business.

Total revenues reached €845 million driven by higher installed capacity and represented a 30.4% growth comparing to 2009. This growth is of particularly relevance given the current unfavourable pricing environment in the global power markets. EDPR benefited from an active risk management practice, namely by hedging c. 1.8 TWh of output in Spain and therefore reducing its exposure to the variability of the Spanish pool price. This hedging coverage had a positive impact of €12 million in 2010 revenues.

During 2010 EDP Renováveis signed a 15-year agreement with Energa to sell the green certificates generated from its 120 MW Margonin wind farm in Poland, reached Power Purchase Agreements for the sale of electricity of the two wind farms projects in Romania and successfully executed 841MW of PPA (Power Purchase Agreement) contracts in NA:

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

- In April, signed a PPA for a volume equivalent to 171 MW of capacity for ten years from its Marble River Wind Farm, currently under development and located in Clinton County, New York.

- In November, the company signed a 20-year PPA for a 99 MW wind farm in the PJM interconnection area, expected to be fully commissioned in 2011. Also, signed a 20-year PPA with Tennessee Valley Authority to sell renewable energy from 83 MW of the Pioneer Prairie wind farm (Iowa), at full operation. In December, EDPR signed a 5-year PPA with Constellation Energy Commodities Group, Inc. to sell the renewable energy from its 198 MW Top Crop II, already in operation in the PJM market.

- Additionally, EDPR has secured a 20-year PPA to sell to Ameren Illinois Utilities and Commonwealth Edison Company the equivalent renewable energy produced by 175 MW of wind installed capacity in the US by the end of the year.

All in all, 841 MW of PPA's were successfully secured in North America, which summed with the 120 MW of long-term agreement for green certificates in Poland and the signing of Power

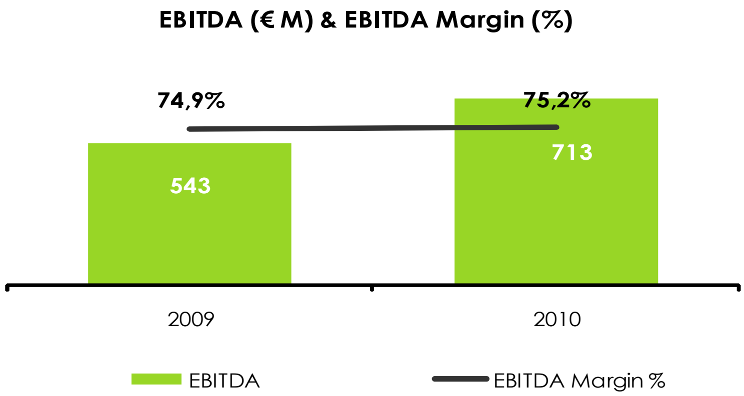
Purchase Agreements for the sale of electricity of the two wind farms projects in Romania (228 MW) provide a significant source of secure cash flow stream going forward.

Financial Indicators (€ m)	2010	2009	Δ %
Gross Margin (incl. Tax Equity Revenue)	948	725	31%
Opex & Other Operating Income	235	182	29%
EBITDA	**713**	**543**	**31%**
EBITDA Margin %	75,2%	74,9%	
EBIT	290	231	26%
Financial Results	(174)	(72)	140%
Net Income (EDPR Equity holders)	**80**	**114**	**-30%**
Capex	1.401	1.846	-24%
Total Assets (book value)	12.835	11.294	14%
Equity (market value)	3.783	5.784	-35%
Net Debt (book value)	2.848	2.134	34%
Enterprise Value	**7.706**	**9.126**	
Debt / EV %	37,0%	23,4%	
Net Debt / EBITDA	4,0	3,9	

Focus on operational efficiency, with Opex[3] amounting to €235 million, lead to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) YoY growth of 31.3% of €713 million and an EBITDA Margin (EBITDA / Gross Margin[4]) of 75.2%.

Gross Margin at 2010YE grew 30.8% YoY to €948 million as a result of the electricity output increase (+32% YoY) and the reduced exposure of EDPR's portfolio to market price volatility, which along with the diversification effect enabled a stable YoY average selling price.

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



Provisions and net Depreciation & Amortization in 2010 were of (€423) million and net Financial Results of (€169) million (including €5 million in gains from associates) resulting in a Earnings before Taxes of €121 million and a Income Tax Expense of €38 million, corresponding to an effective income tax rate of 31.3%.

Net Income totalled €83.0 million, of which €2.8 million belong to minority interest and €80.2 million is attributable to EDPR equity holders. This represents a reduction vs. the €114 million of Net Income attributable to EDPR equity holders in 2009.

EDP Renováveis decided to propose to the general meeting of Shareholders the allocation of the Net Income for the period of 2010 into reserves as follows:

Net Income Application Proposal	
Distribution basis:	**Values in Euros:**
Net Income of the Period	44,091,046.97
Total to be allocated	**44,091,046.97**
Allocation:	
Legal Reserve (10%)	4,409,104.70
Free Reserve	39,681,942.27
Total Distributed	**44,091,046.97**

Capex in 2010 was €1,401 million, reflecting the MW added in the period and the under construction capacity. 2010 capex decreased by 24% mainly explained by the capacity growth deceleration seen in 2010. Out of the €1,401 million capex for 2010, €895 million were related to the building of new installed MW, while €406 million assigned to under construction capacity.

Capex (€ m)	2010	2009
Spain	111	561
Portugal	8	102
RoE	420	351
Europe	**539**	**1.014**
USA	**768**	**826**
Brazil	**72**	**2**
Other	**22**	**4**
Total Capex	**1.401**	**1.846**

In 2010, EDPR's operations generated a cash-flow of €567 million, delivering a solid 45% growth YoY, clearly demonstrating the increased cash generation capabilities of the existing assets. Given the growth cycle of the company, capex levels remained above the cash-flow generation, leading to a Net Debt increase of €715 million in the period. But it's important to highlight that the operating cash-flow already covers more than 40% of the growth capex vs. 20% in 2009.

EDP Renováveis' gross financial debt was €3.5 billion in 2010, of which 79% corresponds to loans with EDP Group, while debt with financial institutions is mostly related to project finance with a long-term profile. In 2010, debt with financial institutions increased €191 million related to the Polish and Brazilian projects.

Net debt as of December 2010 amounted to €2.8 billion, increasing from the €2.1 billion at the end of 2009, mainly reflecting the capital expenditures in the period. Net debt related to assets in operation amounted to €2,450 million based on 2010 capacity.

Net Debt (€ m)	2010	2009
Financial Debt	3.534	2.674
Financial Receivables	-226	-59
Cash & Equivalents	-459	-481
Net Debt	**2.848**	**2.134**

2.2 Competitive Landscape and Business Plan

Currently, we are a world leader energy company. Our growth has been the result of an extraordinary capacity to implement projects and to smoothly integrate new companies, people and cultures during the period from 2005 to 2010. Our markets provide attractive growth potential, mainly due to their growth prospects and the fact that they possess a stable regulatory structure that allows profitable returns.

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

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

[5] Excludes Institutional Partnership Liability (TEI)

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

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

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

For that, by the end of 2010, EDPR has crafted a robust, visible and geographically diverse pipeline of nearly 32 GW worldwide (varying from projects in eight European countries, several US states, Canada and Brazil).

MW	Under Construction	Pipeline				Prospects	Total
		Tier 1	Tier 2	Tier 3	Total		
Spain	201	300	436	2.089	2.825	2.121	5.146
Portugal	58	199	23	74	297	200	555
France	-	71	60	149	280	351	631
Belgium	13	-	-	-	-	-	13
Poland	70	-	442	738	1.180	660	1.910
Romania	138	57	-	556	613	-	751
Italy	-	20	186	-	206	785	991
UK	-	-	-	1.300	1.300	-	1.300
Europe	**480**	**647**	**1.147**	**4.906**	**6.700**	**4.116**	**11.296**
NA (incl. Canada)	**99**	**1.075**	**6.508**	**7.245**	**14.828**	**4.237**	**19.164**
Brazil	**70**	**81**	**153**	**456**	**690**	**491**	**1.251**
Total	**649**	**1.802**	**7.808**	**12.607**	**22.218**	**8.844**	**31.711**

This pipeline reinforces EDPR's position as a leading player in the renewable energy industry and underlines management's commitment to create shareholder value through selecting the best projects to fuel future growth.

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

3. REGULATORY ENVIRONMENT

WIND MARKET REGULATION

The following tables show a brief summary of the main regulatory events at a worldwide and European level. The information below will be developed in following sections.

	Event	Main implications
Global	United Nations Climate Change Conference, in Cancun (Mexico) Nov-Dec 2010	• Recognition, in a formal UN decision, of the emission-reduction targets that Developed countries listed under the Copenhagen Accord • Agreement for the monitoring, reporting and verification of the emissions processes • Establishment of a Green Climate Fund to support policies and activities in developing countries • Support to the Clean Development Mechanisms ("CDM") scheme after the expiration of the Kyoto Protocol • A post-Kyoto binding treaty is still to be agreed
Europe	Presentation by States Member of its National Renewable Energy Action Plans (NREAP) Summer 2010	• Renewable Energy Directive 2009/28/EC requires State Members to submit it National Renewable Energy Action Plan by June 30th, 2010 • States have presented their strategies to reach their 2020 target • NREAP reflect targets by sector (share of energy from renewable sources consumed in transport, electricity, heating and cooling), as well as the chosen trajectory to achieve them
North America	Tax relief bill December 2010	• One-year extension of the cash grant • An increase of the bonus depreciation
Brazil	2 tenders held in 2010	• Both tenders allocated 2,05 GW of wind capacity

GLOBAL REGULATION EVENTS

The 2010 United Nations Climate Change Conference was held in Cancun, Mexico, from November 29th to December 10th. Last year's talks in Copenhagen only delivered a weak array of voluntary mitigation and financing pledges that were not endorsed as a COP (Conference of the Parties) decisions. However, in Cancun, the Parties adopted formal decisions in key fields as climate finance, technological transfer and adaptation.

A major achievement was the establishment of a new climate fund under the UN Convention. This new Green Fund will be managed by the World Bank with an aim to allocate funds to developing countries for climate aid.

Another important step forward was the recognition, in a formal UN decision, of the mitigation pledges agreed in Copenhagen (this is, the confirmation of the target of limiting temperature rises to less than 2ºC compared to pre-industrial levels). The parties have also agreed to the "Monitoring, Reporting and Verification", which is necessary step to verify the progression of the emission reductions under a transparent process. This is very significant as a global emissions deal has always been stalled by the lack of understanding regarding this topic between US and China. With this agreement, there is groundwork for future negotiations.

The parties also supported the continuation of the Clean Development Mechanism (CDM) after the expiration of the Kyoto Protocol (December 31st 2012) and included for the first time Carbon Capture Storage (CCS) under its reach. Additionally, the agreement includes the framework for REDD+, a mechanism for forestry protection. However, a post-Kyoto agreement has still to be reached, as Japan, Russia and Canada firmly opposed to a second commitment period. Negotiations however will continue in Durban, South Africa, in 2011.

REGULATION EVENTS IN EUROPE

At the European level, following the approval of the Renewable Energy Directive 2009/28/EC, all the Member States were requested to present a "National Renewable Energy Action Plan" (NREAP) by June 30th, 2010. The NREAP are documents in which European Member States present how they intend to reach their binding renewable targets for the year 2020 and the paths towards them. Member States have also been required to provide their sectoral targets (electricity, transport and heating and cooling), the technology mix they expect to use, the transfers between Member States and the specific measures they intend to implement in order to reach the forecasted trajectory. As the Directive indicates, NREAP must conform to the National Action Plan template adopted by the European Commission in June 2009.

GOVERNMENT SUPPORT OF RENEWABLE ENERGY FOR EDPR RELEVANT COUNTRIES

SPAIN

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

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

Following the agreement reached in July 2010 by the Industry Ministry with two key renewable energy associations (the Spanish Wind Energy Association and Protermosolar), the Royal Decree 1614/2010 of 7 December was approved.

The recently approved regulatory scheme on wind is summarized as follows:

- A temporary 35% cut of the reference premium applicable to the wind capacity ruled by RD 661/2007, only during 2011 and 2012. Cap and floor have not been revised and still remain indexed to CPI-"X";

- An amendment to the article 44.3 of the RD 661/2007 clarifying that eventual future revision to the value of the reference premium would only be applied to the capacity that comes on line after 2012;

- A cap to the annual equivalent working hours entitled to receive the premium value set at 2,589 hours (would only be active if the average of the Spanish wind sector equivalent working hours surpasses the 2,350 in each year). The reference hours are not revisable for the full useful life of the existing and pre-registered wind farms);

Wind capacity pre 2008 (ruled by the RD 436/2004) remains untouched, and will transit to the Royal Decree 661/2007 regime in 2013. The bulk of the Spanish wind assets (those ruled by RD 436/2004) is unaffected by the new regulation.

Apart from Royal Decree 1614/2010, wind energy regime was amended by two other decrees. The first one is Royal Decree 1565/2010 of November 19th that modifies the reactive power regime. With this new decree, reactive premiums are lowered but the requirements to receive the bonus are less restrictive, thus more easily achievable. The second decree is Royal Decree-law 14/2010 of December 23th that brings in several measures to reduce the tariff deficit. Among the measures, the decree includes a generation levy of €0.5/MWh applicable to ordinary and special regime generators.

PORTUGAL

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

On May 20th, Decree Law 51/2010 was approved. This new regulation simplifies the procedure for installing additional equipment in wind farms (overpowering). The decree also obliges wind generators to have equipment installed in each turbine to attenuate voltage drops (fault ride through) and supply reactive energy. Concerning the latter obligation, there is no longer a premium for supplying reactive power, and there will be a penalty if the wind farm does not operate within certain parameters in terms of reactive power.

FRANCE

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

After months of debate, the “Grenelle 2” was finally approved on June 29th, 2010. The origins of this bill date back to 2007, when the “Grenelle de l’Environnement”, a national summit to formulate environmental policy was launched. Three years later, the “Grenelle 2” is a toolbox of the “Grenelle de l’Environnement” and establishes a new framework for wind energy.

In order to qualify for the guaranteed purchase price, the “Grenelle 2” introduces a minimum threshold of five turbines for wind energy plants. This measure aims at avoiding wind scattered development. The law also requires wind farms to be erected at least 500 meters from habitation.

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

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

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

BELGIUM

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

New quotas of renewable generation have been approved in Wallonia. New quotas are considerably higher than previous ones and are: 13.50% in 2011 and 15.75% in 2012. Quotas from 2013 onwards are yet to be decided, although the CWAPE (The Energy Regulator in

Wallonia) has recommended the Government to increase them by 2.25 pp a year, up to 33.75% in 2020.

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

POLAND

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

The Energy law was amended in January 2010. The main aim was to limit speculative action in the reservation of interconnection rights for wind farms. Pursuant to the new provisions, the obligation to prepare an assessment of the impact of the installations being interconnected on the grid lies with the grid company. Within this new regulation, the entity applying for the conditions of interconnection must pay in advance the grid interconnection fee of PLN 30 per kW of interconnection capacity. This fee is considered as an advanced payment for the connection costs and can be returned if there are no technical possibilities for connection. Moreover, the grid company has an obligation to issue grid connection conditions (or to reject such conditions due to technical constraints) within 150 days from the day of submission of the complete grid connection application.

Another measure aimed at reinforcing the credibility of the project is the obligation to attach to the application for interconnection conditions an excerpt from the local master plan or, if there is no such plan, the planning permit for the real property to which the application relates.

ROMANIA

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

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

The amendment also confirmed the minimum trading value per green certificate at €27/MWh and the maximum at €55/MWh and increases the penalty for suppliers who do not comply with their obligation to fulfill the quota from €70 to €110 per missing green certificate.

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

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

UNITED KINGDOM

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

Following the general election of May, 6th 2010, the new government expressed its willingness to establish a system of feed-in tariffs for electricity produced from renewable sources, while maintaining the renewable obligation certificates (ROCs) at least until 2017. The Government has included this issue in its energy market reform package that was presented in December 2010 and is currently under a consultation process. Under the proposal, the Renewable Obligation (RO) system could be phased out in 2017. The RO scheme will be then replaced by a contract for difference, where the support would be calculated on the difference between the wholesale market price and a "strike price" set under the contract. This system is designed to lower a generator's price risk allowing a steady flow of incomes. Other measures presented in this package are the introduction of capacity payments aimed at fostering the construction of reserve plants and the pledge to approve emission performance standards for new coal-fired power plants. To achieve the climate change targets, the Government also announced a floor price for carbon emissions.

The Government has also allocated £ 1 billion for the creation of the Green Investment Bank and appointed an independent commission that is working to launch the new institution in the next months. The Green Investment bank was set to form the cornerstone of the energy policy of the Conservative party, outlined in its Manifesto in the run-up to the general election. The aim of this new institution is to foster renewable projects investment by granting funds to low-carbon initiatives.

ITALY

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

The Bersani Decree of 1999 ushered in a Green Certificate scheme aimed at promoting the production of electricity from renewable energy sources. The scheme is based on the issue of green certificates to producers, who also receive a revenue stream selling the underlying electricity. Since its introduction, the scheme has been modified several times, the last major amendment being the one introduced by the 2008 Budget Law.

The key features of the new green certificate scheme set by the Budget Law were the following:

- Renewable energy generators are eligible for the green certificate system for the first 15 years of operation (extending on the former 12-year period)

- Increases the mandatory quota from 0.35% to 0.75% per year until 2012

- Strengthens the stabilizing role of the GSE ("Gestore dei Servizi Elettrici"), a state energy agency that operates in the Green Certificate market absorbing any imbalances in the market. If there is a deficit, the GSE can sell the Green Certificates in its possession at a price equal to €180 minus the average price of electricity sold in the previous year. Alternatively, the GSE can also act as a last resort buyer and acquire green certificates when there is a surplus in the market. When this occurs, the GSE can buy green certificates at a price equal to the average price registered the previous year by the GME ("Gestore dei Mercati Energetici") in its trade platform.

- Introduces differentiation by renewable energy source with the use of coefficients applied to net production.

Currently a new renewable energy decree is in a latter phase of approval (it has preliminarily been approved by the Italian Government). If this new regulation is passed, it would represent a massive overhaul of the renewable energy promotion system as the green certificate system would be phased out. The draft of the regulation envisages a feed-in tariff system for facilities up to 10 MW, and commissioned from the January 1st, 2013 onwards. Larger plants would participate in binding process, in which the incentive would be given to winning projects through a competitive process, though with a floor tariff.

US

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

At the Federal level, climate legislation stalled in 2010. Three prominent proposals for a Federal Renewable Electricity Standard (RES) emerged over the past year but did not garner enough bipartisan support to be submitted for a vote. Additionally, two new proposals to establish climate change legislation through CO2 cap and trade emerged in July but also failed to come to a vote.

The main agent of climate and environmental regulation was the Environmental Protection Agency. The EPA issued a plan for establishing greenhouse gas pollution standards under the Clean Air Act. Additionally, existing coal fired generators are increasingly likely to leave the market due to new and tightened air quality standards through the Clean Air Act. The EPA's tightening of existing clean air pollutant caps (SOx, NOx) is expected to drive retirement of up to 60GW of coal capacity. The agency also announced new strategies to curb mercury emissions from power plants and to curb the use of water for cooling in power plants. EPA also proposed the first-ever national rules to ensure the safe disposal and management of coal ash from coal-fired power plants.

In December 2010 President Obama signed off the "Tax Relief Bill" that includes the extension of many clean energy policies. This regulation is part of a broader tax bill that zeroes in on the extension of expiring tax cuts put in place by the President George W. Bush Administration.

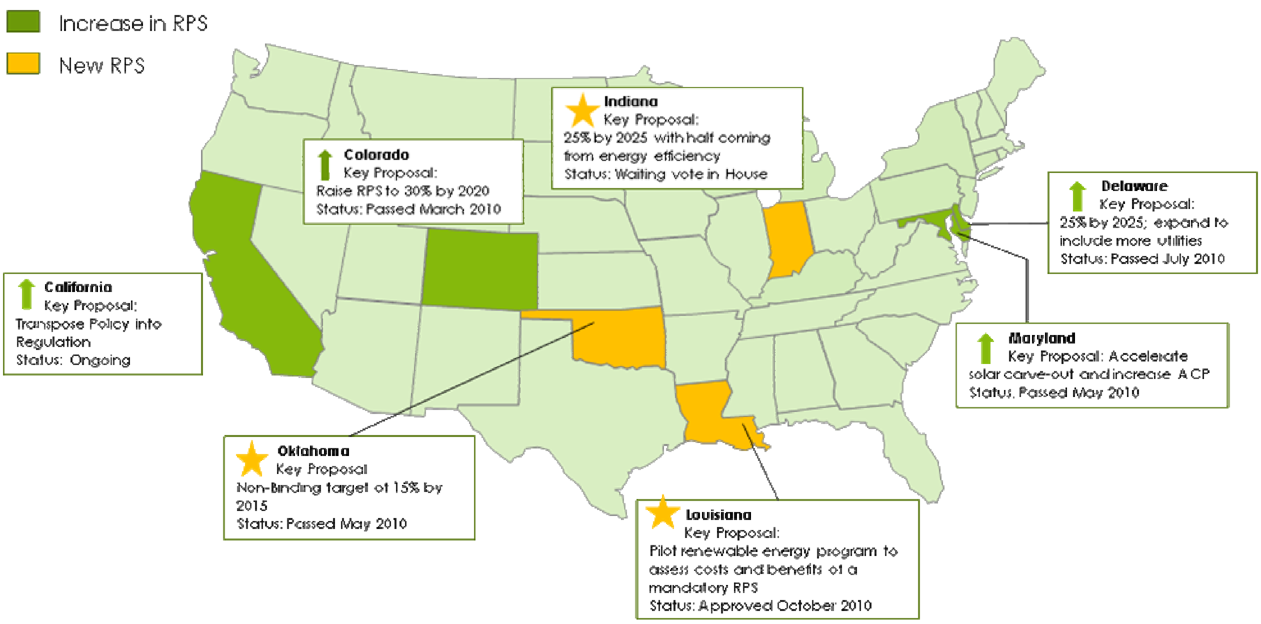
In order to spur renewable energies development the law includes:

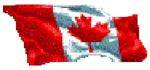
- A one-year extension of the 1603 Treasury grant program, thus entitling projects to receive cash grant equivalent to 30% of the eligible project costs. This regulation had been approved in 2009 as part of the economic stimulus bill. In order to benefit from this extension, projects will need to prove that they started construction in 2011 and will come on line prior to December, 31st 2012.

- An increase in the bonus depreciation allowing projects to deduct 100% of the project value in one year (if operations start in 2011). For projects that start operations in 2012, the deduction will be at 50%.

States' governments continue to be the primary driver of implementing legislation to support renewable energy. In 2010, twelve states proposed either creating a new Renewable Portfolio Standard (RPS) or increasing their RPS; these proposals passed successfully in five states. Only one state proposed a reduction in the RPS, a proposal which was ultimately unsuccessful.

The California PUC (Public Utilities Commission) ruled that the state's investor-owned utilities can use tradable renewable energy credits to comply with California's RPS. However, there are short term delays in implementation to legislation and regulatory uncertainty around the enforcement of the ruling.





CANADA

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

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

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

Ontario is far and away Canada's wind power leader, being the first to cross the 1 GW of installed capacity mark. The Green Energy Act (GEA) passed by Ontario's Liberal Government in May 2009 put the province at the forefront of wind development.

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

The GEA, apart from being the first feed-in tariff in North America, streamlines the approval process for renewable energy facilities.

In November 2010, the Ontario Ministry of Energy presented its long-term energy plan for the period 2010-2030. Among other measures, the Plan rises Ontario's renewable target from 5,3 GW in 2025 to 10,7 GW by 2018.

BRAZIL

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

Brazil since 2009 has had a tendering system to regulate the allocation of wind capacity, leaving behind a feed-in tariff system (PROINFA program) that fostered wind energy in its early days. Tenders allow the government to secure the energy supply at the least cost for consumers, which is paramount for economic development.

In recent years there has been a strong tendency towards developing wind energy in Brazil, mainly because of the complementary seasonal behavior of wind and hydro energies: on average, during the dry season the highest wind speeds are measured. Fostering renewable energy can also strengthen energy supply, mainly avoiding fuel generation. At an industrial level, the development of wind industry is seen as an opportunity to attract international turbine manufacturers. Although the local content requirement is not explicitly included in tenders, it is yet a requirement for developers to be eligible to subsidized financing from development banks as BNDES (Banco Nacional do Desenvolvimento) or BNB "(Banco do Nordeste do Brasil").

The tender system has some particularities in Brazil. First of all, the amount to be tendered is decided by the Government, which removes the risk of over capacity. Once the auction is held, the contracts offer 20-year power purchase agreements. There are two types of tenders:

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

II- Alternative energy tender: in this type of tender, the buyers are national distribution companies. Contracts refer to baseload capacity and winning bidders are granted a

20-year power purchase agreement. The contracts refer to a generation level and any annual unbalance below 90% must be settled at selling price in favor of buyers. Through a real-time generation escrow account, the excess of generation of one year can compensate any lack of generation, since not lower than 90%, within the 4 year-period. Any excess of generation leading to a 4-year period balance over 100% is settled in the wholesale market.

In 2010, Brazil conducted two tender processes in August, a reserve and an alternative energy tender, totaling 2.05 GW. The reserve tender allocated 528 MW of wind capacity at an average price of R$122,7/MWh ($70.4) and the alternative energy tender 1,519 MW at R$134,1/MWh ($76.6). The fierce competition lowered the average prices, which has caused concern among developers and suppliers.

In December 2010 Brazil's Ministry of Mines and Energy approved a new Decennial Plan for Energy Expansion to 2019. The plan calls for a big boost in renewables as no new fossil fuel power plants are expected to be build after 2014. Under this strategy, more than 6 GW of wind installed capacity are expected by 2019 (from its current level of approximately 1.5 GW), although the industry expects a larger figure.

Wind sources will have the opportunity to secure PPAs in 2011 as new tenders will be conducted in the second quarter of 2011 according to Ordinance nº 113 of February 1st. One tender will be an "A-3" (baseload capacity to be delivered in three years time) and the other one a "reserve tender" (reserve capacity). The energy to be auctioned and the ceiling price have still not being revealed.

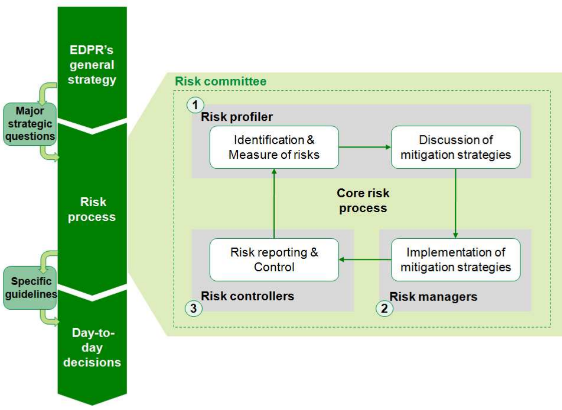
4. RISK MANAGEMENT

This chapter is also included in Corporate Governance Report (attached)

We believe that risk management should not only protect value but also create value.

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

1. RISK FRAMEWORK AND PROCESS



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

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

Each strategic question is subject to a core risk process which is composed of four major steps:

- **Make sense** - the aim of this step is to generate an understanding of all the dynamics behind the issue under analysis in order to assess the severity of the risk and also to anticipate all possible mitigating actions in the case its exposure is above acceptable limits.

- **Make choices** – after an understanding of the risk, the next step is to discuss whether the risk needs to be treated or not. If it does there is a need to discuss on the most appropriate risk treatment strategies and methods, and the outcome of this discussion is a proposed action plan that is later subject to approval by the Executive Committee.

- **Make happen** – following the Executive Committee decision, guidelines are written and then sent to the risk manager.

- **Make revision** – after the implementation of the mitigation strategies there is a follow-up of their impact to assess any adjustments are needed. This risk reporting and control step has two major functions: (1) to follow EDPR's risk position and comparing its alignment with both the company's risk profile and the risk policy approved by the Executive Committee for each risk, and (2) to control as possible the mitigation actions by defining and implementing all the mechanisms necessary to check if these actions are being implemented according to plan.

2. RISK FUNCTIONS AND RISK COMMITTEE

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

Risk functions		Description
1 Strategy / Profile	General risk policy & strategy	• Responsible for setting guidelines and limits for risk management within the company • Attempts to clarify and support proposals related to general strategic issues
2 Management	Risk manag. & risk business decisions	• Responsible for day to day operational decisions and for related risk – taking, risk – mitigating positions
3 Control	Risk control	• Responsible for follow up of the results of risk taking decisions and for contrasting alignment of operations with general risk policy approved by the executive committee

During 2010, EDPR created a Risk Committee to integrate and coordinate all the risk functions and to assure the link between risk strategy and the company's operations.

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

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

3 RISK AREAS AND RISK RELATED STRATEGIC QUESTIONS

The following table summarizes the main risk areas of EDPR's business and also shows the risk related strategic question. The full description of each risk and how they are managed can be found in the Corporate Governance chapter.

Risk areas	Risks descriptions	Risk related strategic questions (not exhaustive)
1. Countries & regulations	- Changes in regulations may impact EDPR's business in a given country ;	• What is EDPR's current regulatory risk? • How much should EDPR grow in current markets? • Where should EDPR focus entering new markets?
2. Revenues	- Revenues received by EDPR's projects may diverge from what is expected;	• What is the exposure of our revenue stream both in prices and wind variations? • What is the impact on EDPR's EBITDA? • What should the market strategy be to cover market volatility?
3. Financing	- EDPR may not be able to raise enough cash to finance all its planned capex; - EDPR may not be able to fulfil its financial	• What should be the risk profile from an investor's point of view? • What is the synthetic rating of the

	obligations; - Projects' leverage may be lower than planned impacting their profitability;	company and what measures could be done to improve it? • What is the probability of a cash flow stress due to market conditions?
4. Wind turbine contracts	- Changes in turbine prices may impact projects' profitability; - Contracts should take into account the pipeline development risk;	• What should be the hedging strategy for turbine prices in terms of price structure and quantities? • What is the trade-off between supplier diversification and rappel discount?
5. Pipeline development	- EDPR may deliver an installed capacity different from its targets or suffers delays and/or anticipations in its installation	• How many MW can EDPR expect to put in operation with its current pipeline? • How many projects may die or be delayed over permitting issues? • What is the actual risk of not achieving the installed capacity targets? • What is the appropriate buffer to ensure that EDPR delivers the target capacity? • How should EDPR's pipeline look like in 2012?
6. Operations	- Projects may deliver a volume different from expected.	• Is there any operating risk with significant impact in EDPR?

4 IDENTIFIED RISK AND EDPR'S RESPONSE

4.1.1 Regulatory risks

The development and profitability of renewable energy projects are dependent on policies and regulatory frameworks. The jurisdictions in which EDP Renováveis operates provide numerous types of incentives that support the sale of energy generated from renewable sources.

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

In Europe, this support has been steady and has to be strengthened as EU countries have renewable and mandatory targets. The new EU directive on renewable energies, published in December 2008, requires each member state to increase its share of renewable energy in the group's energy mix in order to raise the overall share from 5.5% level in 2005 to 20% in 2020. To ensure this goal EU countries have interim periodic targets to ensure a steady progress towards its 2020 target. For this reason they have presented in 2010 their Renewable National Energy Action Plans (RNEAPs). These plans provide detailed information about how each Member State expects to comply with its 2020 binding target, including the technology mix and the forecasted trajectory to reach it.

Regarding US, they do not have mandatory energy targets at a federal level. However, under the Obama Administration, renewable energies have found strong political support. The Stimulus package (American Recovery & Reinvestment Act) approved in February 2009 included a wide range of measures addressed to boost renewable energies. However, in 2010 the Congress failed to pass a national renewable electricity standard, which would have established a mandatory proportion of electricity to be delivered from renewable resources. The result of the mid-term elections on November 2nd threatens to undermine efforts to pass the law, as Democrats, whom traditionally have been supporting wind promotion, have now lost the majority of the House of Representatives, and by that its control in passing laws.

Additionally, it cannot be guaranteed that the current support will be maintained or that the electricity produced by future renewable energy projects will benefit from state purchase obligations, tax incentives, or other support measures for the electricity generation from renewable energy sources. This is particularly true in an economic downturn context, as Governments struggle to achieve their budgets and cannot always guarantee a steady support for renewable energies.

Management of regulatory risks

EDPR is managing its exposure to regulatory risks in two different ways. The first one is trough diversification (being present in several countries) and the second one is by being an active member in several wind associations. EDP Renováveis belongs to the most prestigious wind energy associations, both at national and international level. EDP Renováveis is an active member of the following renewable (specially wind energy) associations.

EUROPE	EWEA (EUROPEAN WIND ENERGY ASSOCIATION)
SPAIN	AEE (ASOCIACIÓN EMPRESARIAL EÓLICA)
PORTUGAL	APREN (ASSOCIAÇÃO PORTUGUESA DE PRODUTORES DE ENERGIA ELÉCTRICA DE FONTES RENOVÁVEIS)
FRANCE	SER (SYNDICAT DES ÉNERGIES RENOUVELABLES)
BELGIUM	APERE (ASSOCIATION POUR LA PROMOTION DES ENERGIES RENOUVELABLES) EDORA (FÉDÉRATION DE L'ENERGIE D'ORIGINE RENOUVELABLE ET ALTERNATIVE)
POLAND	PIGEO (POLSKA IZBA GOSPODARCZA ENERGII ODNAWIALNEJ) PSEW (POLSKIE STOWARZYSZENIE ENERGETYKI WIATROWEJ) PTEW (POLSKIE TOWARZYSTWO ENERGETYKI WIATROWEJ)
ROMANIA	RWEA (ROMANIAN WIND ENERGY ASSOCIATION)
UNITED KINGDOM	BWEA (BRITISH WIND ENERGY ASSOCIATION) RENEWABLE UK SCOTTISH RENEWABLES
ITALY	ANEV (ASSOCIAZIONE NAZIONALE ENERGIA DEL VENTO) APER (ASSOCIAZIONE PROMOTORI ENERGIE RINNOVABILI)
UNITED STATES	AMERICAN WIND ENERGY ASSOCIATION (AWEA) IOWA WIND ENERGY ASSOCIATION RENEW WISCONSIN RENEW, INC. THE WIND COALITION AMERICAN WIND WILDLIFE CEERT COLORADO INDEPENDENT ENERGY ASSOCIATION INTERWEST ENERGY ALLIANCE WESTERN POWER TRADING FORUM SMART GRID OREGON TEXAS RENEWABLE ENERGY WEST TEXAS WIND ENERGY RENEWABLE NORTHWEST PROJECT
CANADA	CANWEA (CANADIAN WIND ENERGY ASSOCIATION)
BRAZIL	ABEEOLICA (ASSOCIAÇÃO BRASILEIRA DE ENERGIA EOLICA) CERNE (CENTRO DE ESTRATÉGIAS EM RECURSOS NATURAIS E ENERGIAS)

Being an active member in all these associations allows EDP Renováveis to be aware of any regulatory change, and represent wind energy sector's interests when required by the governments.

4.2 Revenues

4.2.1 Exposure to market electricity prices

Remuneration for electricity sold by EDP Renováveis wind farms depends, on the regulatory system. In some of the markets this creates an exposure to market prices for electricity. Market prices may be volatile as they are affected by various factors, including the cost of fuels, average rainfall levels, the cost of power plant construction, technological mix of installed generation capacity and demand. Therefore, a decline in market prices to unexpected levels could have a material adverse effect on EDP Renováveis' business, financial condition or operating income. EDP Renováveis currently uses various financial and commodity hedging instruments in order to reduce the exposure to fluctuating electricity prices. However, it may not be possible to successfully hedge the exposures or it may face other difficulties in executing the hedging strategy.

Management of electricity prices exposure

As of December 31st 2010, EDP Renováveis faced limited market price risk. In the case of EDPR NA, most of its installed capacity has fixed prices determined by long-term purchase agreements.

In most countries where EDPR is present, prices are mainly determined through regulated tariffs (France and Portugal) or managed through long-term power purchase agreements (Brazil, Poland -although only for Green Certificates - and Belgium). In Romania EDPR has full market exposure.

In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDP Renováveis also has an option for selling this electricity through regulated tariffs at fixed prices. In 2010 the company closed a hedge in order to mitigate the effect of pool price fluctuations and as a result, only 38% of the production was market exposed. Considering all of EDPR's production in 2010, 79% of the EBITDA had no market exposure.

4.2.2 Risk related to volatility of energy production

EDP Renováveis business is focused on the production of electricity from renewable energy sources. The amount of generated electricity and therefore the profitability of wind farms are dependent on climatic conditions, which vary across the locations of the wind farms, and from season to season and year to year. Because turbines will only operate when wind speeds are within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside of these ranges, energy output at wind farms may decline.

Variations and fluctuations in wind conditions at wind farms may result in seasonal and other fluctuations in the amount of electricity that is generated and consequently the operating results and efficiency.

Management of risks related to volatility of energy production

Variations in wind conditions are due to seasonal fluctuations, and these fluctuations have an impact in the amount of the electricity generated. EDP Renováveis mitigates this risk by the geographical diversification of its wind farms in each country and in different countries. This "portfolio effect" enables to offset wind variations in each area and to keep the total energy generation relatively steady. Currently EDP Renováveis is present in 11 countries: Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil.

4.3 Financing

4.3.1 Risks related to the exposure to financial markets

EDP Renováveis is exposed to fluctuations in interest rates through financing, particularly by shareholder loans from the EDP Group and from institutional investors in connection with its Partnership Structures in the case of the US operations, as well as, project financing and third party loans from entities outside the EDP Group. This risk can be mitigated using hedging instruments, including interest rate swaps, but there is no full guarantee that the hedging efforts will turn out successfully.

Finally, because of its presence in several countries, currency fluctuations may also have a material adverse effect on the financial condition and results of operations. EDP Renováveis may attempt to hedge against currency fluctuations risks by matching revenue and costs in the same currency, as well as by using various hedging instruments, including forward foreign exchange contracts. However, there can be no assurance that the company efforts to mitigate the effects of currency exchange rate fluctuations will be successful.

Management of financial risks

The evolution of the financial markets is analyzed on an on-going basis in accordance to EDP Group's risk management policy. Financial instruments are used to minimize potential adverse effects resulting from the interest rate and foreign exchange rate risks on its financial performance.

The execution of financial risks management of EDP Group is undertaken by the Financial Department of EDP, in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits for approval by the Board the hedging mechanisms appropriate to each exposure. The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits following the recommendation of the risk committee.

4.3.1.1 Interest rate risk

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

The purpose of the interest rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context which represents approx. 5% of EDPR's gross debt, EDPR may contract 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.

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

4.3.1.2 Exchange rate risk

EDPR operates internationally and is exposed to the exchange-rate risk resulting from investments in subsidiaries. As a general policy, EDP Renováveis matches costs and revenues of its wind farms in the same currency, reducing the effect of currency fluctuations while preserving value. Currently, main currency exposure is the U.S. dollar/euro currency fluctuation risk that results principally from the shareholding in EDPR NA but, with the increasing capacity in others non-euro regions, EDPR will become also exposed to other local currencies (Brazil, Poland and Romania).

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

4.3.2 Counterparty credit risk

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

Management of counterparty credit risk

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

In the specific case of EDPR EU, credit risk is not significant due to the reduced average payment period for customer balances and the quality of its debtors. In Europe, main customers are operators and distributors in the energy market of their respective countries.

In the case of EDPR NA, counterparty risk analysis is more relevant given typical price structure and the contracting terms of PPA contracts. In the light of this, counterparty risk is carefully evaluated taking into account the offtakers' credit rating. In many cases, additional credit support is required in line with the exposure of the contract.

4.3.3 Liquidity risk

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

Management of liquidity risk

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

Given the current condition of the debt market, it can be harder to cover the financial requirements needed to carry out EDPR'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.

4.4 Wind turbine contracts

4.4.1 Wind turbine supply risk

Wind turbine is a significant part of a wind farm's CAPEX (around 80%). The main risks associated to wind turbines are:

- Price risk: this occurs when the supply of wind turbines cannot meet the growing demand, and prices rise sharply, impacting profitability of new wind farms;
- Quantity risk: this occurs when no wind turbines are available for the construction of new wind farms.

Management of wind turbine supply risk

The last couple of years were marked by the difficulties of the wind turbine industry to catch up with the booming demand. In this high growth environment, wind generators endured difficulties to secure the supply of wind turbines. This trend, however, was reversed in 2008 and 2009 as turbine demand slowed down and new players appeared creating a more favorable scenario for EDP Renováveis. This new scenario is driven by the economic crisis, the reduced power demand, the regulatory uncertainties and the increasing competition, particularly fierce regarding Chinese manufacturers. The company has taken advantage of the possibility of contracting part of its expected turbine supply needs in this favorable situation, by signing a wind turbine procurement contract for the supply of up to 2.100 MW with Vestas. The contract is a Master Supply Agreement that consists of a firm order for supply, installation and commissioning of wind turbines with a total capacity of 1.500 MW to be delivered to North America, South America and Europe in 2011 and 2012 and with the possibility to be extended by an additional 600 MW. Contracting large volumes enables EDP Renováveis to obtain better prices and conditions that mitigate the effect of general increases in asset prices.

Nevertheless, EDP Renováveis uses a large mix of turbines suppliers in order to reduce its dependency on any one supplier. Currently, EDP Renováveis is one of the generators with a more diversified portfolio. The large range of EDP Renováveis suppliers allows the company to avoid technological risk of each turbine supplier. Additionally, EDP Renováveis has the required size to contract with a large range of suppliers.

4.5 Pipeline development

4.5.1 Permitting risks

Wind farms are subject to strict international, national, state, regional and local regulations relating to the development, construction, licensing and operation of power plants. Among other things, these laws regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions. Development process of wind farms is subject to the probability of obtaining such permits. If authorities do not grant these permits or they do so with delays or with other restrictions, such actions could have a material adverse effect on the business.

Management of permitting risk

Permitting risk is mitigated by the fact that EDP Renováveis in present is 11 different countries: Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil. Additionally, the company has a large pipeline of projects that provide a "buffer" to overcome potential problems in the development of new projects, ensuring growth targets.

Finally, EDP Renováveis mitigates development risk by creating partnerships with local developers.

4.6 Operations

4.6.1 Wind turbine performance risk

Wind turbine performance risk is the risk that the performance of the turbine does not reach its optimum, and therefore, the energy output is not as expected.

Management of wind turbine performance risk

EDP Renováveis mitigates the wind turbine performance risk by implementing the following measures. Firstly, EDP Renováveis mitigates this risk by using a mix of turbine suppliers which minimizes technological risk. Secondly, wind turbine performance risk is reduced by signing strict and thorough O&M contracts with suppliers, usually for a 5-year period (full-scope maintenance agreement), being the 2 first year-period of full warranty. Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimum. The availability and the power curve of each turbine is adequately guaranteed with "liquidated damages" clauses that set up penalties to be paid by the supplier when the availability is not met (usually 96 or 97%) or the power curve is not reached. Wind turbine performance risk is also mitigated with an adequate preventive and scheduled maintenance and predictive maintenance is being also brought in.

After the first 5-year period, O&M is usually contracted with an external company, but a technical assistance agreement is also signed with the turbine supplier.

Most recently, and following the general trend in the wind sector, EDPR is externalizing the O&M activities in some of its wind farms. This procedure may increase the wind turbine performance risk but reduces turbine manufacturer dependence and enables to decrease O&M costs.

Finally, EDP Renováveis has in place a LEAN Project. LEAN is a continuous improvement program that aims to:

- Maximize Availability of Turbines
- Improve Efficiency
- Manage Reactive Energy

In order to achieve the objectives listed above, the LEAN team effectively collaborates with all technical areas such as O&M, Wind Assessment, Technology and Dispatch Center.

5. FINANCIAL HEDGING DERIVATIVE INSTRUMENTS

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

These derivative instruments are explained in detail as part of the note 36 to the financial statements.

6. TREASURY STOCK (OWN SHARES)

On the General Shareholder's meeting of the April 13th, it was approved to authorize the Board of Directors for the acquisition and transmission of own shares by the Company and/or the affiliate companies through their management bodies for a term of five years from the date of the General Shareholders Meeting. Up to date of this report the Company has not executed any acquisition and consequently transmission of own shares.

Terms and requirements are detailed in the Corporate Governance (attached)

7. ENVIRONMENTAL PERFORMANCE

Energy is important for life, but the way it is produced is also relevant. EDPR is a leading company in the renewable energy sector – the energy of today.

We produce clean energy, green energy. Energy without limits, without emissions.

At EDPR we strongly believe that sustainable development is possible. Environmental compliance and continual improvement are major concerns of EDPR, believing that prevention is the key to avoid impacts.

Wind farms are environmentally respectful sites. Only a small percentage of the land leased is taken out of permanent use when the wind farms are in operation and the activity is compatible with existing land use.

Although the location of wind farms in protected areas is not a common issue, potential impacts on biodiversity, such as fauna disturbance, vegetation loss, visual intrusion, waste generation... may occur. Even so, the vast majority of the impacts which might take place during the operation of wind farms are temporary and reversible.

Monitoring plans are carried out in order to make sure no significant impacts happen. In this sense, EDPR actively protects all the areas with operating wind farms.

Identifying potential impacts as soon as possible is imperative in order to obtain satisfactory results, as it is committed in the EDPR Biodiversity and Environmental Policies.

It is clear that, in comparison with other energy generation sources, wind farms' impacts on the environment are much less significant. Renewable energy doesn't cause greenhouse gases emissions and any other emissions. Moreover, it plays a central role in reducing CO2 emissions, and that's a global positive impact itself, because of its influence on all kinds of life.

ECO-EFFICIENCY

The main impact of EDPR activity is clean energy, green energy, renewable energy.

EDPR indirect emissions are much reduced and they're limited to the administrative buildings consumption and wind farms' auxiliary consumptions (when self-consumption is not possible).

However, as we acknowledge that this information is requested by some of our stakeholders, we are implementing some initiatives that will allow us to better inform on our performance in this field and its report.

Usually, the energy needed for wind farms' auxiliary consumptions (lights, wind turbine orientation, etc) comes from the energy produced by itself, but if there isn't any operative wind turbine, this energy must be purchased.

EDPR also takes efforts to reduce and eliminate unnecessary indirect emissions very seriously. A number of initiatives regarding reduction of energy consumption and emissions have been developed during 2010.

ENVIRONMENTAL MANAGEMENT SYSTEM

Wind farms in operation also contribute to the internal commitment of respect for environment implementing measures with the objective of a wise use of resources and waste reduction.

One of the best examples of the environmental performance of the company is the EDPR Environmental Management System (EMS).

The EMS which is being implemented in EDPR according to ISO 14001 standard, turned out to be an excellent tool for several reasons:

- Exhaustive control of applicable legal requirements and their compliance.
- Environmental performance monitoring.
- Definition of environmental objectives.
- Reduction of environmental risks.
- Promotion of new initiatives looking for continual improvement.
- Staff involvement and commitment of the organization.
- Resources management improvement and optimization of investments and costs.
- Operational control established which allows detailed monitoring of environmental features such as waste generation.

WASTE & SPILLS

Waste generation is one of the main environmental aspects to control at wind farms in operation. In EDPR we pay special attention to enhance monitoring of hazardous and non-hazardous waste. As part of our training plan, EDPR employees as those working on their behalf, are aware of its importance. The training helped increase awareness on waste management requirements, challenges and solutions, and addressed issues such as material storage, labeling, transport and recycling.

EDPR has defined a systematic of environmental emergency response as part of EMS implementation process. This procedure sets out the guidelines regarding environment for action in case of fire, flood or spill at wind farms. These guidelines are annually checked through questionnaires, simulacrum, etc. Also, under the EMS, employees at wind farms attend training sessions in which, apart from other things, is explained how to deal with an environmental emergency and what to do once overcome. Any environmental incident is recorded in the Emergency Register which collects information about the event date, location, emergency situation occurred, causes, impacts and corrective measures taken.

BIODIVERSITY

The United Nations General Assembly declared 2010 as the International Year of Biodiversity to increase the awareness about the importance of biodiversity conservation throughout the world by highlighting the importance that biodiversity has on our quality of life, to reflect the efforts already undertaken to safeguard biodiversity and to promote and foster initiatives to reduce the loss of biodiversity.

2010 saw the hosting of two significant meetings – the Convention on Biological Diversity in Nagoya, Japan, and the United Nations Climate Change Conference in Cancun, Mexico, which have both lead to historic decisions on addressing biodiversity loss, deforestation avoidance and climate change.

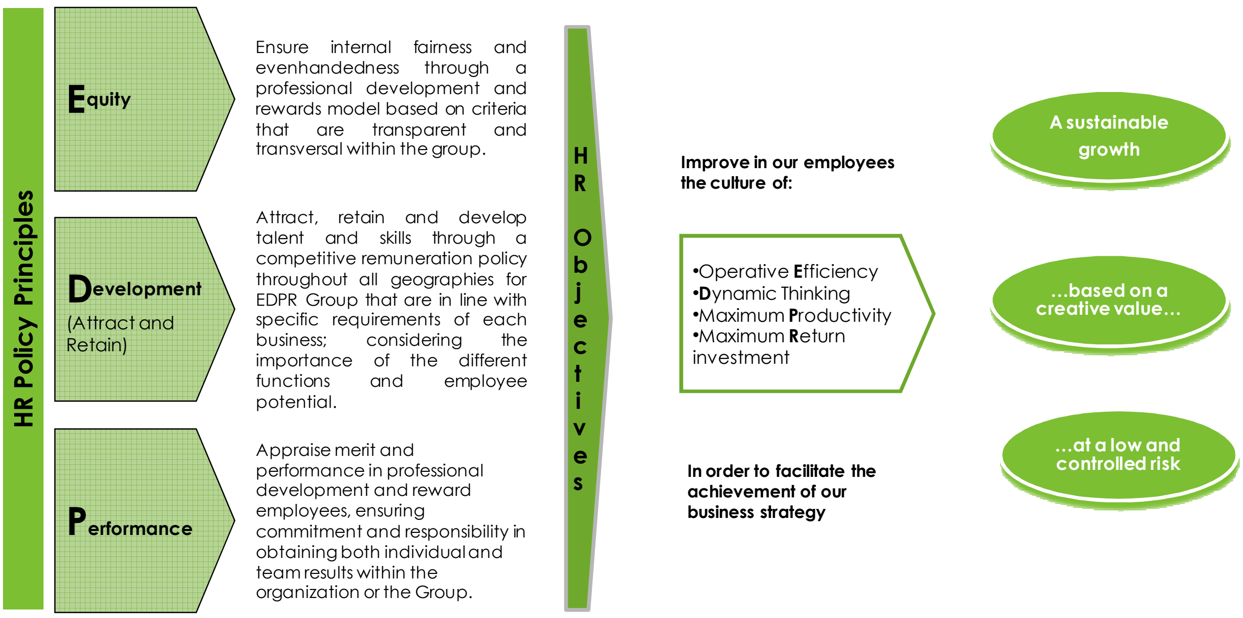
EDPR wants to contribute their bit in biodiversity conservation and respect for environment, because preserving biological diversity requires action at all levels: government, business and the individual.

EDPR is committed to assess the impact of its activities on biodiversity in all phases of its business. Although we have pledged to apply EDP's Group Environment and Biodiversity Policy, to reinforce this commitment EDPR Executive Committee approved the Environment and Biodiversity Policies in the beginning of 2011. Both are available on EDPR website.
EDPR considers these commitments a cornerstone of its business, integrating them into the decision making process of the company.

8. HUMAN CAPITAL

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

To create the most adequate environment for our employees, the company has developed a Human Resources Policy, approved in 2009, based on the following principles



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

COMPANY PROFILE

EDPR workforce has grown at a high pace, to guarantee the staff availability to support the growth of the organization. At the end of 2010 EDPR had a total headcount of 833, corresponding to a 14% increase compared to that of 2009. EDPR EU accounts for 49% of the total workforce, EDPR NA 40%, EDPR BR 2% and Holding the remaining 9%.

Headcount at year-end	2010	2009	Var (%)
EDPR EU	398	365	9%
EDPR NA (1)	332	303	10%
EDPR BR	17	8	113%
Holding (2)	75	45	40%
Total	**822**	**721**	**14%**

Note: figures don´t include the Board of Directors

(1) EDPR NA headcount includes Executive Committee

(2) In 2010, 8 holding employees were based in North America; 67 in Europe, whereas in 2009, every holding employee was based in Europe. The high increase of holding's headcount resulted from internal transfers.

Throughout the year, 171 new employees joined the company while 70 left, resulting a turnover ratio of 15%, in line with the previous year.

Employees' Turnover	2010	2009
Chart Variation		
Number of hires	171	156
Number of dismissals	70	65
Total Turnover	15%	15%
Turnover by Gender		
Male	16%	16%
Female	12%	14%
Turnover by Age Range		
Less than 30 years old	14%	20%
Between 30 and 39 years old	14%	14%
Over 40 years old	17%	13%
Turnover by Platform		
EDPR EU	11%	12%
EDPR NA	18%	18%
EDPR BR	41%	50%
Holding	13%	17%

EVALUATION & PERFORMANCE

As announced in 2009 Annual Report, the company was committed to progress in 2010 towards a 360 degree evaluation model and during the last quarter of the year, a global evaluation model of this type has been implemented.
All our employees are covered by our performance evaluation system. This system collects information from seven data sources to evaluate employee performance: oneself, 2 peers, 3 subordinates and the manager.

To guarantee the success of the implementation of the new evaluation tool, in 2010 the Human Resources department created "The Guide to the Potential and Performance Appraisal" to help our employees to have easy access to all the information they needed as they worked through the appraisal process, and could master the tools, timeframes and procedures that go along with the appraisal of their activity. In order to communicate this guide to all employees, videos were designed and put on our intranet. EDPR launched a contest for all employees in the company, and the winners were the employees who answered correctly to the questions and did his/her evaluation on time.

Performance and potential evaluations are based on the company strategic competencies, key performance indicators and a Global Assessment. By defining and evaluating gaps, continuous feedback interviews are encouraged and employees are also asked to build up an Individual Development Plan. In EDPR we encourage all the employees to create its own Individual Development Plan as one of the most relevant support tools in all EDPR employees' development.

In 2010, EDPR decided to separate the performance evaluation from the potential evaluation processes. The processes take place at different times, but the period they appraise is the same.

TRAINING AND CARRER DEVELOPMENT

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

Moreover, the development of our employees is a strategic objective for EDPR in order to align current and future demands of the organization with employees' capabilities, while fulfilling their professional development expectations and support their continued employability.

In 2010, EDPR almost doubled the number of training hours from 2009 to 26.697. The total investment was increased by 122%, reaching €669,074.

9. RESEARCH AND DEVELOPMENT (R&D)

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

10. RELEVANT EVENTS AFTER CLOSING OF THE PERIOD

No relevant subsequent events occurred until 24th February 2011

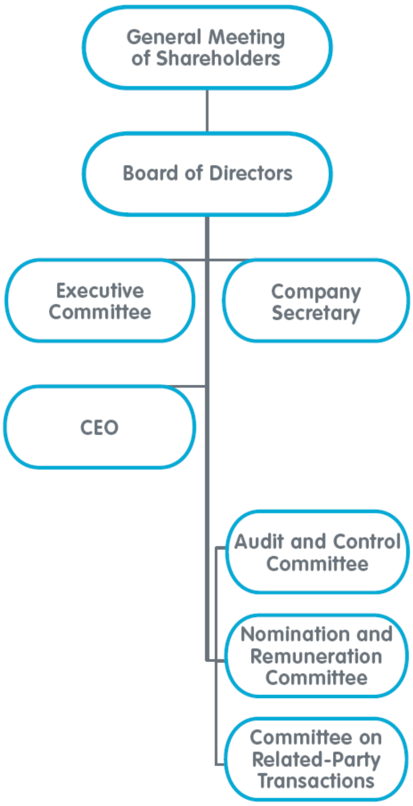
11. CORPORATE GOVERNANCE OVERVIEW

11.1 Model of Management and Supervision

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

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

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



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

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

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

The experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDP Renováveis activity, especially because it affords a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialised Board of Directors committees.

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

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

11.2 Corporate Bodies

General Meeting of Shareholders

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

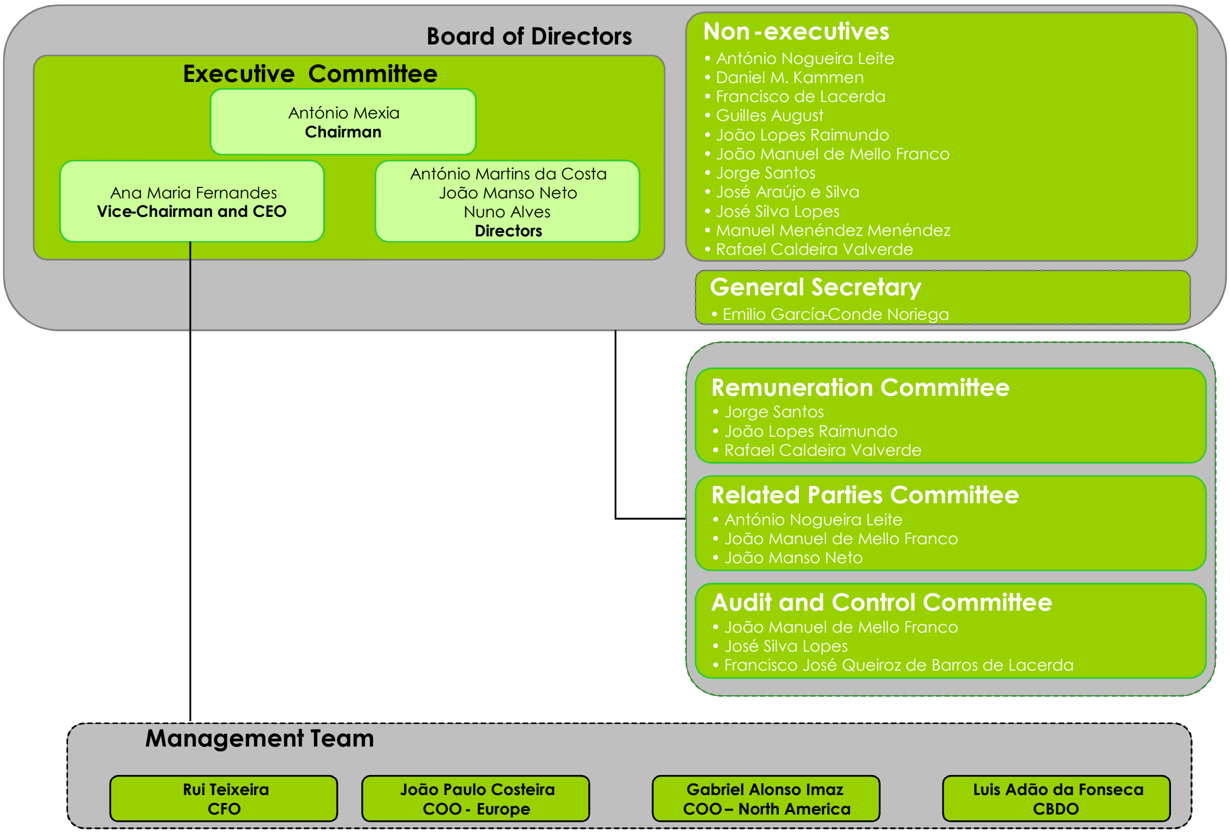
The Board of the General Meeting is responsible for organising its proceedings. It is made up of the Chairperson of the Meeting, the Chairperson of the Board of Directors, or his/her substitute, the other Board members and the Secretary of the Board of Directors.

Board of Directors

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

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

11.3 Summarized Organization Chart



11.4 Capital Structure

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

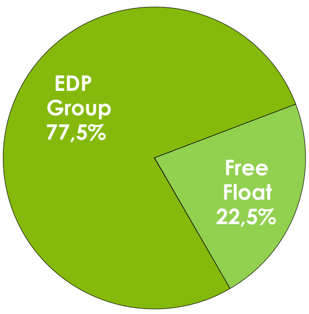
Pursuant to Article 8 of the Company's Articles of Association, there are no restrictions on the transfer of EDPR shares.

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

11.5 Shareholder Structure

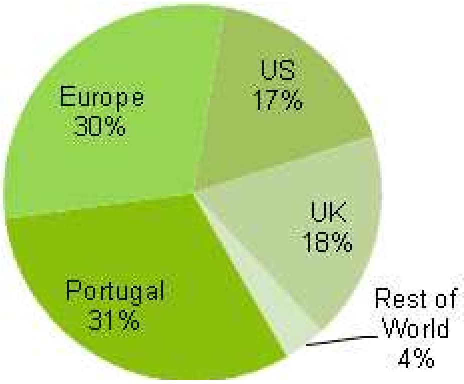
The breakdown of the EDPR structure by region and investor type at 31 December 2010 was as follows:

EDPR Shareholder Structure (%)

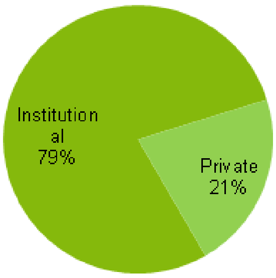


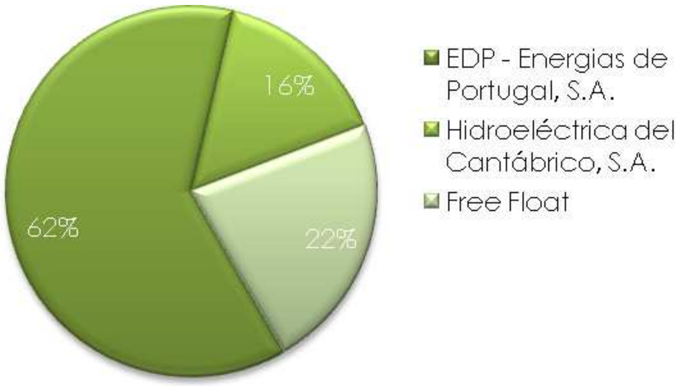
At the end of 2010, EDPR's free float comprises more than 120,000 institutional and private investors in over 50 countries with special focus on Portugal, United Kingdom, United States and Rest of Europe. Institutional investors represented 79% of the free float, with private investors standing for the remaining with 21%.

Geographic Breakdown of Free Float



Investor Type of Free Float





11.6 Qualifying shareholding

Qualifying shareholdings in EDPR are subject to the Spanish Law, which regulates the criteria and thresholds of the shareholders' holdings. As of December 31, 2010, no qualifying Shareholdings in EDPR with the exception of EDP – Energias de Portugal, S.A were identified.

Shareholder	No Shares	% Capital	% Vote
EDP – Energias de Portugal, S.A.			
EDP—Energias de Portugal Sucursal en España, S.A.	541.027.156	62,0%	62,0%
Hidroeléctrica del Cantábrico, S. A.	135.256.700	15,5%	15,5%
Total	**676.283.856**	**77,5%**	**77,5%**

11.7 Holder of special rights

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

11.8 Restrictions on the transfer of shares

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

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

On the General Shareholder's meeting of April 13th, it was approved to authorize the Board of Directors for the acquisition and transmission of own shares by the Company and/or the affiliate companies through their management bodies for a term of five years from the date of the General Shareholders Meeting, in accordance with the terms approved in the meetting that are available on the companies website. Up to date of this report the Company has not executed any acquisition and consequently transmission of own shares.

11.10 Shareholders' agreements

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

11.11 EDP Renováveis in the Capital Markets

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

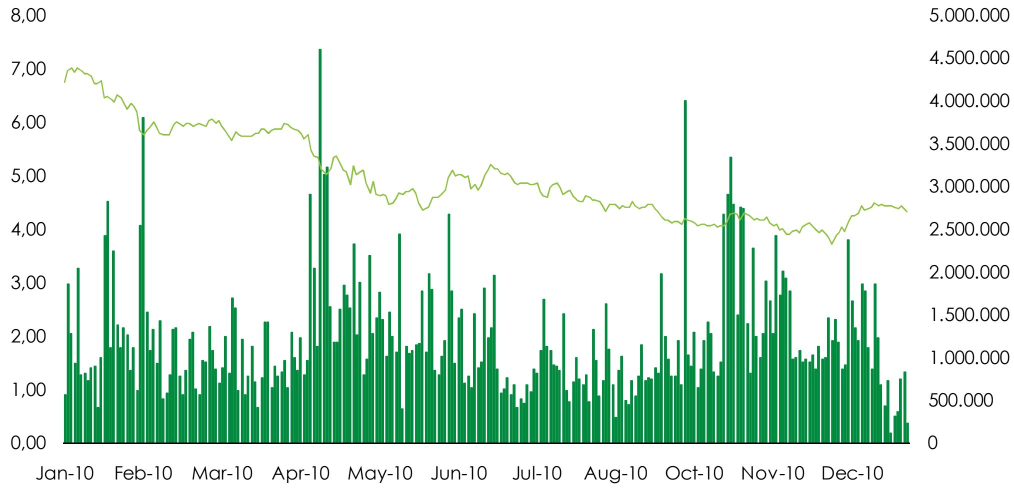
EDP Renóvaveis, S.A.	
Shares	
Share Capital	€4,361,540,810
Nominal Share Value	€5.00
N.º of Shares	872,308,162
Date of IPO	June 4th, 2008
NYSE Euronext Lisbon	
Reuters RIC	EDPR.LS
Bloomberg	EDPR PL
ISIN	ES0127797019

11.12 EDP Renováveis share price

EDPR's equity market value at December 31st 2010 was EUR 3.8 billion. In 2010 the share price depreciated by 35% to EUR 4.34 per share, underperforming the PSI-20 (the NYSE Euronext Lisbon reference index), the Euronext 100 and the Dow Jones Eurostoxx Utilities ("SX6E"). The year's low was recorded on November 30th (EUR 3.72) and the year's high was reached on January 8th (EUR 7.01).

In 2010 were traded more than 311 million EDPR shares, representing a 21% year-on-year increase in its liquidity, and corresponding to a turnover of approximately EUR 1.5 billion. On average, 1.2 million shares were traded per day. The total number of shares traded represented 36% of the total shares admitted to trading and to 159% of the company's free float, translating in the higher liquidity level since the IPO.

2010 EDP Renováveis share price and transactions



12. DISCLAIMER

This report has been prepared by EDP Renováveis, S.A. (the "Company") to support the presentation 2010 financial and operational performances. Therefore, the disclosure or publish of this document for any other purpose without the express and prior written consent of the Company is not allowed. EDP Renováveis does not assume any responsibility for this report if it is used for different purposes.

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

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

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

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

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

Corporate Governance Report

December 2010

Table of Contents

0. STATEMENT OF COMPLIANCE

EDP Renováveis, S.A. (hereinafter referred to as EDP Renováveis, EDPR or the Company) is a Spanish company listed on a regulated market in Portugal. EDP Renováveis' corporate organization is subject to the recommendations contained in the Portuguese Corporate Governance Code ("Código de Governo das Sociedades") approved by the CMVM (Portuguese Securities Market Commission) in January 2010. This governance code is available to the public at the CMVM website (www.cmvm.pt).

EDPR states that it has adopted in full the CMVM recommendations on the governance of listed companies provided in the Portuguese Corporate Governance Code, with the exception of Recommendation II.2.2 of the code, which has not been adopted for the reasons indicated below.

The following table shows the CMVM recommendations set forth in the code and indicates whether or not they have been fully adopted by EDPR and the place in this report in which they are described in more detail.

Recommendation	Adoption information	Description in Report
I. GENERAL MEETING OF SHAREHOLDERS		
I.1 GENERAL MEETING BOARD		
I.1.1 The Presiding Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Adopted	4.6
I.1.2 The remuneration of the Presiding Board of the General Meeting shall be disclosed in the Annual Report on Corporate Governance.	Adopted	4.6
I.2 PARTICIPATION AT THE MEETING		
I.2.1 The requirement for the Board to receive statements for share deposit or blocking for participation at the general meeting shall not exceed 5 working days.	Adopted	4.2
I.2.2 Should the General Meeting be suspended, the company shall not compel share blocking during that period until the meeting is resumed and shall then prepare itself in advance as required for the first session.	Adopted	4.2

Recommendation	Adoption information	Description in Report
I.3 Voting and Exercising Voting rights		
I.3.1 Companies shall not impose any statutory restriction on postal voting and whenever adopted or admissible, on electronic voting.	Adopted	4.4
I.3.2 The statutory deadline for receiving early voting ballots by mail, may not exceed three working days.	Adopted	4.4
I.3.3 Companies shall ensure the level of voting rights and the shareholder's participation is proportional, ideally through the statutory provision that obliges the one share-one vote principal. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	Adopted	4.3
I.4 Resolution Fixing-Quorum		
I.4.1 Companies shall not set a resolution-fixing quorum that outnumbers what is prescribed by law.	Adopted	4.5
I.5 Minutes and Information on Resolutions Passed		
I.5.1 Extracts from the minutes of the general meetings or documents with corresponding content must be made available to shareholders on the company's website within five days period after the General Meeting has been held, irrespective of the fact that such information may not be classified as material information. The information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on file on the company's website for no less than 3 year period.	Adopted	4.7
I.6 Measures on Corporate Control		
I.6.1 Measures aimed at preventing successful takeover bids, shall respect both company's and the shareholders' interests. The company's articles of association that by complying with said principal provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly	Adopted	4.8

Recommendation	Adoption information	Description in Report
(5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.		
I.6.2 In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary performance assessment by the shareholders of the members of the Board of Directors.	Not applicable	-
II. BOARD OF DIRECTORS AND SUPERVISORY BOARD		
II.1 General Points		
II.1.1 Structure and Duties		
II.1.1.1 The Board of Directors shall assess the adopted model in its Annual Report on Corporate Governance and pin-point possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	Adopted	1.1/1.5
II.1.1.2 Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regards risk assumption; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyze and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual incurred risks with the company's strategic options for risk assumption; v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several	Adopted	3.7

Recommendation	Adoption information	Description in Report
components of the system and of risk warning; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary.		
II.1.1.3 The Board of Directors shall ensure the establishment and functioning of the internal control and risk management systems. The Supervisory Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment to the company's needs.	Adopted	3.3.2/3.7
II.1.1.4 The companies shall: i) identify the main economic, financial and legal risk that the company is exposed to during the exercise of its activity; ii) describe the performance and efficiency of the risk management system, in its Annual Report on Corporate Governance.	Adopted	3.7.2
II.1.1.5 The Board of Directors and the Supervisory Board shall establish internal regulations and shall have these disclosed on the company's website.	Adopted	3.1
II.1.2 Governance Incompatibility and Independence		
II.1.2.1 The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.	Adopted	1.2.2 /3.1.3/0.1
II.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account when devising this number and may never be less than a fourth of the total number of Board of Directors.	Adopted	1.2.2/0.1
II.1.2.3 The independency assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independency requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independency criteria to all the company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable	Adopted	0.1

Recommendation	Adoption information	Description in Report
rules, may not be an independent executive member.		
II.1.3 Eligibility and Appointment Criteria		
II.1.3.1 Depending on the applicable model, the Chair of the Supervisory Board and of the Auditing and Financial Matters Committees shall be independent and adequately competent to carry out his/her duties.	Adopted	3.3.1
II.1.3.2 The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Adopted	3.5
II.1.4 Policy on the Reporting of Irregularities		
II.1.4.1 The company shall adopt a policy whereby irregularities occurring within the company are reported. Such reports shall contain the following information: i) the means by which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Adopted	3.9
II.1.4.2 The general guidelines on this policy shall be disclosed in the Annual Report of Corporate Governance.	Adopted	3.9
II.1.5 Remuneration		
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. Furthermore, the remuneration shall be base on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows: i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity. ii) The variable component of the remuneration	Adopted	5.1/5.2/5.3

Recommendation	Adoption information	Description in Report
shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components. iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's steady positive performance during said period; iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company; v) The Executive Directors shall hold, up to twice the value of the total annual remuneration, the company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares; vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years; vii) The appropriate legal instruments shall be established so that in the event of a Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director's inadequate performance; viii) The remuneration of Non-Executive Directors shall not include any component the value of which is subject to the performance or the value of the company.		
II.1.5.2 A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of June 19th, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration; ii) the payments for the dismissal or termination by agreement of the Director's duties.	Adopted	5.4/5.2
II.1.5.3 The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the Director's remunerations which contain an important variable component,	Adopted	5.4

Recommendation	Adoption information	Description in Report
within the meaning of Article 248-B/3 of the Securities Code. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.		
II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share process, to members of the Board of Directors and Supervisory Board and other managers within the context of Article 248/3/B of the Securities Code. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the Board of Directors and Supervisory Board and other managers within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Not applicable	5.1/5.7
II.1.5.5 Doesn't exist	-	-
II.1.5.6 At least one of the Remuneration Committee's representatives shall be present at the Annual General Meeting for Shareholders.	Adopted	5.6
II.1.5.7 The amount of remuneration received, as a whole and individually, in other companies of the group and the pension rights acquired during the financial year in question shall be disclosed in the Annual Report on Corporate Governance.	Adopted	5.3
II.2 Board of Directors		
II.2.1 Within the limits established by law for each management and supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties shall be identified in the Annual Corporate Governance Report.	Adopted	3.2.1.2
II.2.2 The Board of Directors must ensure that the company acts in accordance with its goals and shall not delegate its duties, namely in what concerns: i) the definition of the company's general strategy and policies; ii) the definition of the group's corporate	Not Adopted ("Under Spanish Law, the matters referred to in this recommendation can be delegated by the Board of Directors to the Executive Committee. It is common practice in Spanish listed companies for the delegation of powers to be far-reaching,	-

Recommendation	Adoption information	Description in Report
structure; iii)decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	with the exception of matters related to the preparation of accounts").	
II.2.3 Should the Chair of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the Corporate Governance Report.	Adopted	3.1.3
II.2.4 The annual management report shall include a description of the activity carried out by the Non-Executive Directors and shall mention any restraints encountered.	Adopted	3.1.3
II.2.5 The company shall expound its policy of portfolio rotation on the Board of Directors, including the person responsible for the financial portfolio, and report on same in the Annual Corporate Governance Report.	Adopted	3.5
II.3 CEO, Executive Committee and Executive Board of Directors		
II.3.1 When managing Directors that carry out executive duties are requested by other Directors to supply information, the former must do so in a timely manner and the information supplied must adequately suffice the request made.	Adopted	3.2.1.3/3.1.3
II.3.2 The Chair of the Executive Committee shall send the convening notice and minutes of the meetings to the Chair of the Board of Directors and, as applicable, to the Chair of the Supervisory Board or the Auditing Committee, respectively.	Adopted	3.2.1.3
II.3.3 The Chair of the Board of Directors shall send the convening notices and minutes of the meetings to the Chair of the General and Supervisory Board and the Chair of the Financial Matters Committee.	Not applicable	-
II.4 General and Supervisory Board, Financial Matters Committee, Audit Committee and Supervisory Board		
II.4.1 Besides carrying out its supervisory duties,	Not applicable	-

Recommendation	Adoption information	Description in Report
the General and Supervisory Board shall advise, follow-up and carry out an on-going assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) the definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.		
II.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Auditing and Supervisory Committee must be disclosed on the company's website.	Adopted	3.3.4/6.2.5
II.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Supervisory Board must include a description on the supervisory activity and shall mention any restraints that they may have come up against.	Adopted	3.3.4
II.4.4 The General and Supervisory Board, the Auditing Committee and the Supervisory Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being liaison offer between the company and the first recipient of the reports.	Adopted	3.3.2
II.4.5 According to the applicable model, the General and Supervisory Board, Audit Committee and Supervisory Board shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.	Adopted	3.3.2/3.8
II.4.6 The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or in the case of	Adopted	3.3.2

Recommendation	Adoption information	Description in Report
companies adopting the Latin model, an independent Director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.		
II.5 Special Committees		
II.5.1 Unless the company is of reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the Executive Director's performance is carried out, as well as its own overall performance and further yet, the performance of all existing committees; ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvements; iii) in due time identify potential candidates with the high profile required for the performance of Director's duties.	Adopted	1.1/1.5/3.3.2/3.2.2.2
II.5.2 Members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Not applicable ("The members of the Nominations and Remunerations Committee are members of the Board of Directors. However, its members are considered independent members and do not therefore belong to the Executive Committee. In accordance with Articles 23 and 217 of the Spanish Companies Law, the remuneration scheme for Directors should be fixed in the articles of association. It is normal practice in Spanish companies for this remuneration to be decided upon by the General Meeting of Shareholders and for its allocation to the different members of the Board of Directors to be decided on by the Board itself.").	1.2.6.2/3.2.2.1
II.5.3 Any natural or legal person which provides or has provided, over the past three years, services to any structure subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration Committee. This recommendation also applies to any natural or	Adopted	3.2.2

Recommendation	Adoption information	Description in Report
legal person who has an employment contract or provides services.		
II.5.4 All the Committees shall draw up minutes of the meetings held.	Adopted	3.2.1.3/3.2.2.3/ 3.2.3.3/3.3.3
III. INFORMATION AND AUDITING		
III.1 General Disclosure Obligations		
III.1.1 Companies shall maintain permanent contact with the market thus upholding the principle of equality for shareholders and ensure that investors are able to access information in a uniform fashion. To this end, the company shall create an Investor Assistance Unit.	Adopted	6.2.1 / 6.2.2
III.1.2 The following information that is made available on the company's Internet website shall be disclosed in the English language: a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Portuguese Commercial Companies Code; b) Articles of Association; c) Credentials of the Members of the Board of Directors and the Market Liaison Officer; d) Investor Relations Office, its functions and contact information; e) Financial statements; f) Half-yearly calendar of company events; g) Proposals submitted for discussion and voting at general meetings; h) Invitation to general meetings.	Adopted	6.2.5
III.1.3. Companies shall advocate the rotation of auditors after two or three terms in accordance with four or three years respectively. Their continuance beyond this period must be based on a specific opinion for the Supervisory Board to formally consider the conditions of auditor independence and the benefits and costs of replacement.	Adopted	3.8
III.1.4. The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Supervisory Board.	Adopted	3.8
III.1.5. The company shall not recruit the external	Adopted	5.8

Recommendation	Adoption information	Description in Report
auditor for services other than audit services, nor any entity with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the value of services rendered to the company. The hiring of these services must be approved by the Supervisory Board and must be expounded in the Annual Corporate Governance Report.		
IV. CONFLICTS OF INTEREST		
IV.1 Shareholder Relationship		
IV.1.1 Where deals are concluded between the company and shareholders with qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.	Adopted	3.6
IV.1.2 Where deals of significant importance are undertaken with holders of qualifying holdings, or entities, with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Supervisory Board. The procedures and criteria required to define the relevant level of significance of these deals and other conditions shall be established by the Supervisory Board.	Adopted (According to the Spanish law and the governance structure, these functions were delegated by the Board of Directors to the Related-Party Transactions Committee and the Audit and Control Committee)	3.2.3.2 / 3.3.2

0.1. STATEMENT ON COMPLIANCE WITH INDEPENDENCE CRITERIA

Article 20.2 of the EDPR's Articles of Association defines as independent members of the Board of Directors those that are able to perform their offices without being limited by relations with the company, its shareholders with significant holdings or its Directors and meet the other legal requirements.

For the purpose of this statement of compliance with independence criteria and for the sake of comparison between EDPR and the other companies listed on Eurolist by Euronext Lisbon in matters of compliance with corporate governance recommendations, we have also considered the criteria for appraising independence and incompatibilities set forth in Articles 414-A (1), (save for paragraph b)), 414 (5) and 423-B nº 4 both of the Portuguese Commercial Companies Code ("Código das Sociedades Comerciais"), and so the Board of Directors of EDPR considers that the following Directors meet cumulatively (i) these criteria of independence required by law and the Articles of Association and (ii) if they were to apply those criteria of incompatibilities as legally defined:

Name	Position	Date of Appointment	End of Term
António Nogueira Leite	Director (Independent) Chairperson of the Related-Party Transactions Committee	04-06-2008	04-06-2011
Daniel M. Kammen	Director (Independent)	04-06-2008	04-06-2011
Francisco José Queiroz de Barros de Lacerda	Director (Independent) Member of Audit and Control Committee	04-06-2008	04-06-2011
Gilles August	Director (Independent)	14-04-2009	14-04-2012
João Lopes Raimundo	Director (Independent) Member of the Nominations and Remunerations Committee	04-06-2008	04-06-2011
João Mello Franco	Director (Independent) Chairperson of Audit and Control Committee And Member of the Related-Party Transactions Committee	04-06-2008	04-06-2011
Jorge Santos	Director (Independent) Chairperson of the Nominations and Remunerations Committee	04-06-2008	04-06-2011
José Araújo e Silva	Director (Independent)	04-06-2008	04-06-2011
José Silva Lopes	Director (Independent) Member of the Audit and Control Committee	04-06-2008	04-06-2011
Rafael Caldeira Valverde	Director (Independent) Member of the Nominations and Remunerations Committee	04-06-2008	04-06-2011

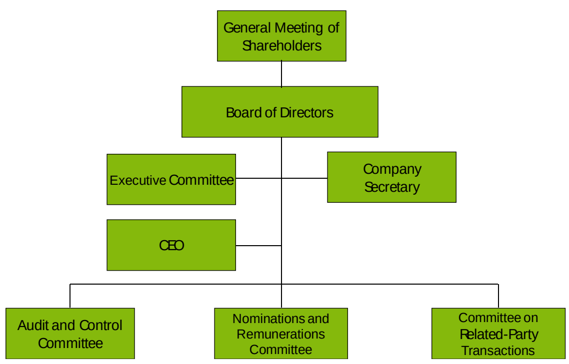
1. CORPORATE GOVERNANCE STRUCTURE

1.1. MODEL OF MANAGEMENT AND SUPERVISION

EDPR has adopted the governance structure in effect in Spain. It comprises a General Meeting of Shareholders, which expresses corporate wishes, and a Board of Directors that represents and manages the company.

As required by law and the Articles of Association, the Company's Board of Directors has set up four committees. These are the Executive Committee, the Audit and Control Committee, the Nominations and Remunerations Committee and the Committee on Related-Party Transactions.

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



The governance model of EDPR is designed to ensure the transparent, meticulous separation of duties and the specialization of supervision. The most important bodies in the management and supervision model at EDPR are the following:

- General Meeting of Shareholders
- Board of Directors;
- Executive Committee;
- Audit and Control Committee;
- External auditor.

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

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

The experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organization of EDPR activity, especially because it affords transparency and an healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and oversight by different specialized Board of Directors committees.

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

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

1.2. CORPORATE BODIES

1.2.1. GENERAL MEETING OF SHAREHOLDERS

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

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

The Ordinary General Meeting shall meet annually within the first six (6) months of the year and shall include the following matters:

- Evaluation of the Company's management and approval of the annual accounts from the previous financial year, management report and decision on the application of the previous fiscal year's income or loss;

- Appointment and renewal of the Board of Directors in accordance with these Articles and the legal provisions in force, covering or eliminating vacancies that may occur or, as appropriate, ratifying the appointments of Directors made on a provisional basis by the Board of Directors;
- Appointment of auditors;
- Decision on the matters proposed by the Board of Directors;
- All other matters provided in the law in force.

The Chairperson of the General Meeting shall:

- Verify whether the meeting was properly constituted, as well as the sufficiency of the proxies granted by the Shareholders;
- Chair the meeting in order to decide the subjects contained in the Agenda;
- Give the floor to the Shareholders who request it but it may take back the floor should he consider that the matter has been sufficiently discussed;
- Organize the votes and announce the results; and
- Have, in general, all the powers required to duly conduct the meeting or recognized in the law in force.

The Chairperson of the General Meeting was appointed on June 4th 2008.

Chairperson of the General Meeting
Rui Chancerelle de Machete

1.2.2. BOARD OF DIRECTORS

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

The structure, competences and functioning of the Board of Directors are described in more detail in point 3.1. The Board of Directors currently consists of the following sixteen (16) members:

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

The positions held by the members of the Board in the last five (5) years, those that they currently hold and positions in Group and non-Group companies are listed in Annexes I, II and III, respectively. Annex IV also gives a brief description of the Directors' professional and academic careers.

Finally, the shares of EDPR owned by each Director are described in the table in Annex V.

1.2.3. CHAIRPERSON AND VICE-CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson of the Board is the Chairperson of the Company and fully represents it, using the company name, implementing decisions of the General Meeting, Board of Directors and the Executive Committee.

Without prejudice to the powers of the Chairperson under the law and Articles of Association, he also has the following powers:

- Convening and presiding over the meetings of the Board of Directors, establishing their agenda and directing discussions and decisions;
- Acting as the Company's highest representative dealing with public bodies and any sectorial or employers bodies.

The Chairperson of the Board is appointed by the members of the Board of Directors, unless this is done by the General Meeting. The current Chairperson was appointed on March 18th 2008.

Chairperson of the Board
António Mexia

It is the Vice-Chairperson who replaces the Chairperson when he is unable to attend the meetings. The Board may also delegate executive powers to the Vice-Chairperson.

The Vice-Chairperson is appointed by the Board of Directors on the proposal of the Chairperson. The Vice-Chairperson was appointed on March 18th 2008.

Vice-Chairperson of the Board
Ana Maria Fernandes

1.2.4. CHIEF EXECUTIVE OFFICER

The Board of Directors may appoint one or more Chief Executive Officers. Chief Executive Officers are appointed by a proposal of the Chairperson or two-thirds of the Directors. Chief Executive Officers are appointed with a vote in favor of two-thirds of the Directors and must be chosen from among the Directors.

The competences of each Chief Executive Officer are those deemed appropriate in each case by the Board, with the only requirement being that they are delegable under the law and Articles of Association.

The Chief Executive Officer was appointed on June 4th 2008 with competences including coordination of the implementation of Board and Executive Committee decisions, monitoring, leading and coordinating the management team appointed by the Executive Committee, representing the company in dealings with third parties and other related duties.

CEO
Ana Maria Fernandes

1.2.5. COMPANY SECRETARY

The duties of the Company Secretary are those set forth in current laws, the Articles of Association and Board Regulations. In particular, in accordance with the Board Regulations and in addition to those set forth in the Articles of Association, his competences are:

- Assisting the Chairperson in her duties;
- Ensuring the smooth operation of the Board, assisting and informing it and its members;
- Safeguarding company documents;
- Describing in the minutes books the proceedings of Board meetings and bearing witness to its decisions;
- Ensuring at all times the formal and material legality of the Board's actions so that they comply with the Articles of Association and Board Regulations;
- Monitoring and guaranteeing compliance with provisions imposed by regulatory bodies and consideration of their recommendations;
- Acting as secretary to the committees.

The Company Secretary, who is also the General Secretary and Director of the Legal Department at EDPR, was appointed on December 4th 2007.

Company Secretary
Emilio García-Conde Noriega

1.2.6. COMMITTEES

The structure, competences and operation of the Executive Committee, Nominations and Remunerations Committee and the Committee on Related-Party Transactions are described in point 3.2. Nonetheless, the nature of the committees and the names of their members are detailed below.

1.2.6.1. EXECUTIVE COMMITTEE

The Executive Committee is a permanent body to which all competences of the Board of Directors that are delegable under the law and the Articles of Association can be delegated, with the exception of:

- election of the Chairperson of the Board of Directors,
- appointment of Directors by cooption,
- requests to convene or convening of General Meetings,
- preparation and drafting of the Annual Report and Accounts and submission to the General Meeting,
- change of registered office and
- drafting and approval of mergers, spin off or transformation of the company.

The committee currently consists of five (5) members, who were appointed on June 4th 2008, plus the Secretary.

Executive Committee	
Chairperson	António Mexia
CEO	Ana Maria Fernandes
	António Martins da Costa João Manso Neto Nuno Alves
Secretary	Emilio García-Conde Noriega

The members of the Executive Committee shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the Executive Committee at any time and the members may resign said positions while still remaining Company Directors.

The structure, competences and functioning of the Executive Committee are described in point 3.2.1.

1.2.6.2. NOMINATIONS AND REMUNERATIONS COMMITTEE

The Nominations and Remunerations Committee is a permanent body with consultive and advisory nature and its recommendations and reports are not binding.

The Nominations and Remunerations Committee currently consists of three (3) independent members, who were appointed on June 4th 2008, plus the Secretary.

Nominations and Remunerations Committee	
Chairperson	Jorge Santos
	João Lopes Raimundo Rafael Caldeira Valverde
Secretary	Emilio García-Conde Noriega

None of the committee members are spouses or up to third-degree relatives in direct line of the other members of the Board of Directors.

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company Directors.

The structure, competences and functioning of the Nominations and Remunerations Committee are described in point 3.2.2.

1.2.6.3. COMMITTEE ON RELATED-PARTY TRANSACTIONS

The Committee on Related-Party Transactions is a body of the Board of Directors.

The committee currently consists of three (3) members, who were appointed on June 4th 2008, plus the Secretary.

Committee on Related-Party Transactions	
Chairperson	António Nogueira Leite
	João Manso Neto João Manuel de Mello Franco
Secretary	Emilio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company Directors.

The structure, competences and functioning of the Committee on Related-Party Transactions are described in point 3.2.3.

1.3. AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee is a permanent body and performs supervisory tasks independently from the Board of Directors.

The committee currently consists of three (3) members who are independent Directors and were appointed on June 4th 2008, plus the Secretary.

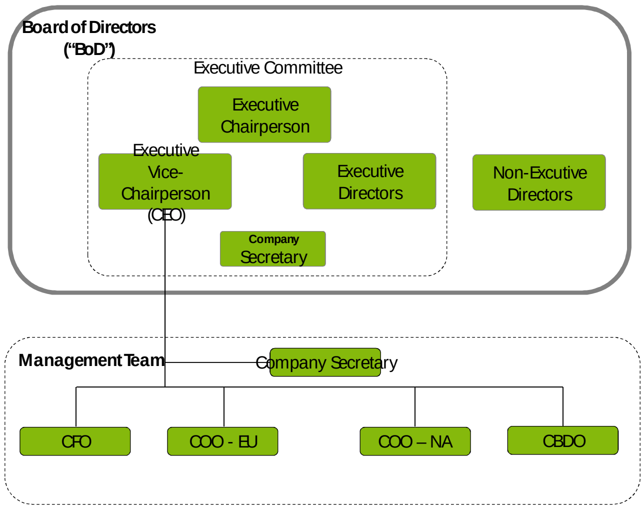
Audit and Control Committee	
Chairperson	João Manuel de Mello Franco
	Francisco José Queiroz de Barros de Lacerda João Silva Lopes
Secretary	Emilio García-Conde Noriega

The committee members shall maintain their positions for as long as they are Company Directors. Nonetheless, the Board may decide to discharge members of the committee at any time and the members may resign said positions while still remaining Company Directors.

The structure, competences and functioning of the Audit and Control Committee are described in point 3.3.

1.4. ORGANIZATION CHART

EDPR has adopted the following organization chart for its management:



The EDPR' Management Team was appointed by the Executive Committee on October 14th 2008 to manage the day-to-day running of the company. The Management Team is coordinated by the Chief Executive Officer, comprising four main areas of responsibility assigned to four officers (the Chief Financial Officer, the Chief Business Development Officer, the Chief Operating Officer for Europe and the Chief Operating Officer for North America) and a Company Secretary and Legal Counsel. The functions and competences of the management team are as follows:

1.4.1. CHIEF FINANCIAL OFFICER

The job of the Chief Financial Officer is to propose and ensure the implementation of the Group's financial policy and management, including (i) negotiating, managing and controlling financing, (ii) optimizing cash management and (iii) proposing financial risk management policy; to coordinate and prepare budget and business plan of the Group, with the Group's business platforms; to manage the Group's monthly closing of accounts and financial statements, and to analyze the financial and operational performance of the Group; to manage relations with the Group's shareholders, potential investors and market analysts to promote the value of its shares on the capital market; and to coordinate the Group's procurement and its relations with main suppliers and ensuring the implementation of the Group's procurement strategy and policy.

CFO
Rui Teixeira

1.4.2. CHIEF BUSINESS DEVELOPMENT OFFICER

The job of the Chief Business Development Officer is to assess investments, promote the development of EDPR business and set out the strategic risk guidelines for the company. In line with the strategic plan and in coordination with the other members of the management team, he must optimize the value and risk profile of the group's business portfolio, while watching the evolution of markets and new technologies. His teams coordinate and implement new business development initiatives in new countries and are responsible for monitoring and assessing investments in the consolidated business platforms. Additionally he is now responsible within the Management Team for the renewable business in Brazil, a recent upstart within the EDPR portfolio.

CBDO
Luis Adão da Fonseca

1.4.3. CHIEF OPERATING OFFICER FOR EUROPE

It is the job of the Chief Operating Officer for Europe to coordinate the EDPR European platform in establishing, developing and implementing the EDPR Group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for Europe in accordance with the guidelines set by the Board of Directors of EDPR, planning, organizing and managing resources, controlling, measuring and improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDPR a leader in the renewable energy sector in Europe.

COO - Europe
João Paulo Costeira

1.4.4. CHIEF OPERATING OFFICER FOR NORTH AMERICA

The Chief Operating Officer for North America is responsible for coordinating the North American platform of EDPR in establishing, developing and implementing the EDPR Group's strategic plan for the renewable energies business, drafting and implementing the strategic plan for North America, in accordance with the guidelines set by the Board of Directors of EDPR, planning, organizing and managing resources, controlling, measuring and improving the management of projects and subsidiary companies and achieving the results expected by the Group to make EDPR a leader in the renewable energy sector in North America.

COO - NA
Gabriel Alonso Imaz

1.4.5. COMPANY SECRETARY AND LEGAL COUNSEL

He assists the Management Team in its legal, administrative and logistics activities to ensure that it functions effectively, provides legal advice to the group in order to guarantee compliance with applicable legislation, and provides legal support at Management meetings, including the circulation of its decisions.

Company Secretary and Legal Counsel
Emilio García-Conde Noriega

1.5. STATEMENT ON THE GOVERNANCE STRUCTURE

In order to comply with the Recommendation II.1.1.1 of the Portuguese Corporate Governance Code and according to the results of the reflection made by the Audit and Control Committee (point 3.3.2) regarding the terms of the Recommendation II.5.1 part ii), the governance model adopted has been ensuring an effective performance and articulation of EDPR Social Bodies, and proved to be adequate to the company's governance structure without any constraints to the performance of its checks and balances system adopted to justify the changes made in the Governance practices of EDPR.

2. SHAREHOLDER STRUCTURE

2.1 CAPITAL STRUCTURE

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

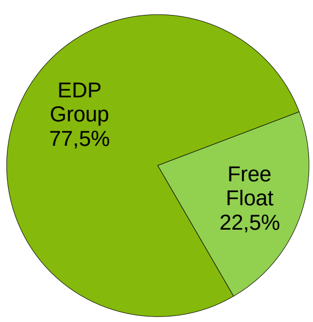
Pursuant to Article 8 of the Company's Articles of Association, there are no restrictions on the transfer of EDPR shares.

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

2.2 SHAREHOLDER STRUCTURE

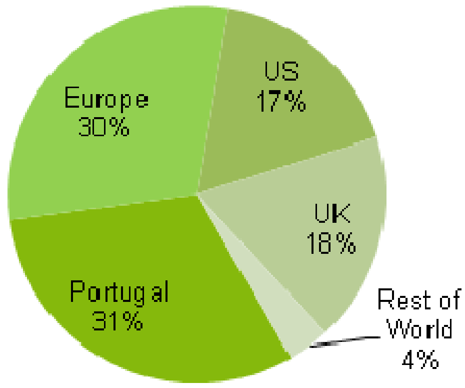
The breakdown of the EDPR structure by region and investor type at 31 December 2010 was as follows:

EDPR Shareholder Structure (%)

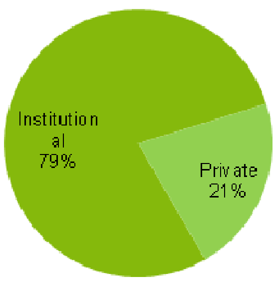


At the end of 2010, EDPR's free float comprises more than 120,000 institutional and private investors in over 50 countries with special focus on Portugal, United Kingdom, United States and Rest of Europe. Institutional investors represented 79% of the free float, with private investors standing for the remaining with 21%.

Geographic Breakdown of Free Float



Investor Type of Free Float



2.3. QUALIFYING SHAREHOLDING

Qualifying shareholdings in EDPR are subject to the Spanish Law, which regulates the criteria and thresholds of the shareholders' holdings. As of December 31, 2010, no qualifying Shareholdings in EDPR with the exception of EDP – Energias de Portugal, S.A were identified.

Shareholder	Number of shares	% Capital	% Vote
EDP – Energias de Portugal, SA			
EDP – Energias de Portugal, S.A. Sucursal en España	541,027,156	62.0%	62.0%
Hidroeléctrica del Cantábrico, S.A.	135,256,700	15.5%	15.5%
Total	**676,283,856**	**77.5%**	**77.5%**

3. MANAGEMENT AND CONTROL SYSTEM

Pursuant to Articles 10 and 19 *et seq* of the Articles of Association of EDPR, the Company's managing body is the Board of Directors, and there are four committees stemming from it. They are the Executive Committee, the Audit and Control Committee, the Nominations and Remunerations Committee and the Committee on Related-Party Transactions.

3.1. STRUCTURE, COMPETENCES AND FUNCTIONING OF THE BOARD OF DIRECTORS

3.1.1. STRUCTURE

Pursuant to Articles 20 and 21 of the Company's Articles of Association, the Board of Directors shall consist of no less than five (5) and no more than seventeen (17) Directors. Their term of office shall be three (3) years, and they may be re-elected once or more times for equal periods. The Board of Directors currently consists of sixteen (16) members, whose particulars were indicated in point 1.2.2 above.

3.1.2. COMPETENCES

Pursuant to Article 19 of the Company's Articles of Association, the Board of Directors has the broadest powers for the administration, management and governance of the Company, with no limitations other than the responsibilities expressly and exclusively invested in General Meeting of Shareholders in the Company's Articles of Association or in the applicable law. The Board is therefore expressly empowered to:

- Acquire on a lucrative or onerous title basis personal and real property, rights, shares and interests that may suit the Company;
- Sell and mortgage or charge personal and real property, rights, shares and interests of the Company and cancel mortgages and other rights *in rem*;
- Negotiate and conclude as many loans and credit operations that it may deem appropriate;
- Enter and formalize all sorts of acts or contracts with public entities or private persons;
- Exercise civil and criminal actions and all further actions to be undertaken by the Company, representing it before governmental officers, authorities, corporations, governing, administrative, administrative-economic, administrative-litigation and judicial courts, labor courts and the labor sections ("*Juzgados de lo Social e Salas de lo Social*") of the Supreme Court and of the High Courts of the Autonomous Communities, with no limitations whatsoever, including before the European Court of Justice, and in general before the Government, in all its levels and hierarchies; to intervene or promote, follow and terminate, through all procedures and instances, the processes, court sections or proceedings; to accept decisions, to file any kind of appeal, including the cassation one and other

extraordinary appeals, to discontinue or confess, to agree an early termination of a proceeding, to submit litigious questions to arbitration judges, and to carry out all sorts of notices and requirements and to grant a power of attorney to Court Representatives and other representatives, with the case-related powers and the powers which are usually granted to litigation cases and all the special powers applicable, and to revoke such powers;

- Agree the allotment of dividends;
- Call and convene General Meetings and submit to them the proposals that it deem appropriate;
- Direct the Company and organize its operations and exploitations by acknowledging the course of the company businesses and operations, managing the investment of funds, making extraordinary depreciations of bonds in circulation and realizing anything that it is considered appropriate to obtain maximum gains towards the object of the Company;
- Freely appoint and dismiss Directors and all the Company's technical and administrative personnel, defining their office and their retribution;
- Agree any changes of the registered office's address within the same borough;
- Incorporate under the law all sorts of legal persons; contribute and assign all sorts of assets and rights, as well as entering merger and cooperation agreements, association, grouping and temporary union agreements between companies or businesses and joint property agreements and agreeing their alteration, transformation and termination;
- All further powers expressly granted to the Board in these Articles or in the applicable law. This list is without limitations and has a mere indicative nature.

Regarding the decisions to increase the share capital, the Board of Directors, by delegation from the General Meeting, may decide to increase the share capital once or several times. This delegation, which may be the subject of replacement, can include the power to demand a pre-emptive right in the issue of shares that are the subject of delegation and with the requirements established by law.

On the other hand, the General Meeting may also delegate to the Board of Directors the power to implement an adopted decision to increase the share capital, indicating the date or dates of its implementation and establishing any other conditions that have not been specified by the General Meeting. This delegation may be the subject of replacement. The Board of Directors may use this delegation wholly or in part and may also decide not to perform it in consideration of the conditions of the Company, the market or any particularly relevant events or circumstances that justify said decision, of which the General Meeting must be informed at the end of the time limit or limits for performing it.

3.1.3. FUNCTIONING

In addition to the Articles of Association and the law, the Board of Directors is governed by the regulations approved on May 3th 2008. The regulations on the functioning of the Board are available to Company shareholders at the website www.edprenovaveis.com.

The Board of Directors must meet at least four (4) times a year, preferably once a quarter. Nonetheless, the Chairperson, on his own initiative or that of three (3) Directors, shall convene a Board meeting whenever he deems it necessary for the Company's interest. The Board of Directors held five (5) meetings during the year ended at December 31st 2010.

Meetings are convened by the Chairperson, who may order the Secretary to send the invitations. Invitations shall be sent at least five (5) days prior to the date of the meeting. Exceptionally, when the circumstances so require, the Chairperson may call a meeting of the Board without respecting the required advance notice.

The meetings of the Board are valid if half of the Directors plus one are present or represented. Directors shall attend Board meetings personally and, on exception, if they are unable to do so, they shall delegate their representation in writing to another Director. Without prejudice to the above, the Board of Directors shall be deemed to have been validly convened, with no need for an invitation, if all the Directors present or represented agree unanimously to hold the meeting as universal and accept the agenda to be dealt with at it.

Decisions are adopted by absolute majority among those present. Each Director present or represented has one vote and the Chairperson has the casting vote in the event of a tie.

In order for the non-executive Directors to be able to decide independently and be informed, Articles 22, 24 and 25 of the Board regulations established the following mechanisms:

- Invitations to meetings shall include the agenda, although provisional, of the meeting and be accompanied by relevant available information or documentation;
- The Directors have the broadest powers to obtain information on any aspect of the Company, to examine its books, records, documents and other registers of the Company's operations. In order to prevent distortions in the Company management, the exercise of the powers to obtain information shall be channeled through the Chairperson or Secretary of the Board of Directors;
- Any Director may request the hiring, on the Company's account, of legal advisers, accountants, financial or commercial specialists or other experts. The performance of the job must necessarily related to concrete problems of a certain importance and complexity. Requests to hire experts shall be channeled through the Chairperson or Secretary of the Board of Directors, who shall be subject to the approval of the Board of Directors.

With the mechanisms set forth in the regulations, non-executive Directors have encountered no difficulties in performing their duties.

In 2010, the non-executive Directors were involved in the governance of EDPR not only by participating in meetings of the Board of Directors, where they gave their opinions on different company matters, made any suggestions they saw fit and took decisions on matters submitted to them, but also by working on the Nominations and Remunerations Committee, Committee on Related-Party Transactions and Audit and Control Committee, where all the members are non-executive, with the exception of the Committee on Related-Party Transactions, which has one executive Director, João Manuel Manso Neto.

3.2. STRUCTURE, COMPETENCES AND FUNCTIONING OF COMMITTEES

3.2.1. EXECUTIVE COMMITTEE

3.2.1.1. STRUCTURE

Pursuant to Article 27 of the Company's Articles of Association, the Executive Committee shall consist of no less than three (3) and no more than six (6) Directors. The committee currently consists of the members indicated in point 1.2.6.1.

Its constitution, the appointment of its members and the extension of the powers delegated must be approved by two-thirds (2/3) of the members of the Board of Directors.

3.2.1.2. COMPETENCES

The Executive Committee is a permanent body that has received all of the Board of Directors' delegable powers under the law and the articles of association, with the exception of: i) election of the Chairperson of the Board of Directors, ii) appointment of Directors by cooption, iii) request to convene or convening of General Meetings, iv) preparation and drafting of the Annual Report and Accounts and submission to the General Meeting, v) change of registered office and vi) drafting and approval of mergers, spin off or transformation of the company.

The Executive Committee members have been delegated all the powers of representation of the Company so that any of its members can act jointly in the name and on behalf of the Company.

3.2.1.3. FUNCTIONING

In addition to the Articles of Association, this committee is also governed by the regulations approved on June 4th 2008 and also by the Board Regulations. The committee's regulations are available to the shareholders at www.edprenovaveis.com.

The Executive Committee shall meet at least once a month and whenever is deemed appropriate by its Chairperson, who may also suspend or postpone meetings when he sees fit. The Executive Committee shall also meet when requested by at least two (2) of its members. The Executive Committee held thirty-three (33) meetings during the year ended on December 31st 2010.

The Executive Committee shall draft minutes for each of the meetings held and shall inform the Board of Directors of its decisions at the first Board meeting held after each committee meeting.

The Chairperson of the Executive Committee, who is currently also the Chairperson of the Board of Directors, shall send the Chairperson of the Audit and Control Committee invitations to the Executive Committee meetings and the minutes of those meetings.

Meetings of the Executive Committee are valid if half of its members plus one are present or represented. Decisions shall be adopted by simple majority. In the event of a tie, the Chairperson shall have the casting vote.

Executive Directors shall provide any clarifications needed by the other corporate bodies whenever requested to do so.

3.2.2. NOMINATIONS AND REMUNERATIONS COMMITTEE

3.2.2.1. STRUCTURE

Pursuant to Article 29 of the Company's Articles of Association, the Nominations and Remunerations Committee shall consist of no less than three (3) and no more than six (6) Directors. At least one of its members must be independent and shall be the Chairperson of the committee.

The members of the committee should also not be members of the Executive Committee. The committee currently consists of the members indicated in point 1.2.6.2 which are all independent Directors.

The Nominations and Remunerations Committee is made up of independent members of the Board of Directors, in compliance with Recommendation 44 of the Unified Code of Good Governance approved by decision of the Board of the Spanish Securities Committee (hereinafter the CNMV), as amended by CNMV Circular 4/2007 of December 27th, which lays down that the Nominations and Remunerations Committee must be entirely made up of external Directors numbering no fewer than three (3). As it is made up of independent Directors (in Spain the committee may only be comprised of Directors) it complies as completely as possible with the recommendation indicated in point II.5.2 of the Portuguese Code of Corporate Governance.

3.2.2.2. COMPETENCES

The Nominations and Remunerations Committee is a permanent body with an informative and advisory nature and its recommendations and reports are not binding.

As such, the Nominations and Remunerations Committee has no executive functions. The main functions of the Nominations and Remunerations Committee are to assist and report to the Board of Directors about appointments (including by cooption), re-elections, dismissals and remunerations of the Board and its positions, about the composition of the Board and the appointment, remuneration and dismissal of senior management personnel. The Nominations and Remunerations Committee shall also inform the Board of Directors on general remuneration policy and incentives to them and senior management. These functions include the following:

- Defining the standards and principles governing the composition of the Board of Directors and the selection and appointment of its members.
- Proposing the appointment and re-election of Directors in cases of appointment of co-option and in other cases for submission to the General Meeting by the Board.
- Proposing to the Board of Directors who the members of the different committees should be.
- Proposing to the Board, within the limits established in the Articles of Association, the remuneration system, distribution method and amounts payable to Directors. Making proposals to the Board on the conditions of the contracts signed with Directors.
- Informing and making proposals to the Board of Directors regarding the appointment and/or removal of executives, and the conditions of their contracts and generally defining the hiring and remuneration policies of executive staff.

Reviewing and reporting on incentive plans, pension plans and compensation packages.

Any other functions assigned to it in the Articles of Association or by the Board of Directors.

3.2.2.3. FUNCTIONING

In addition to the articles of association, the Nominations and Remunerations Committee is governed by the Regulations approved on June 4th 2008 and also by the Board regulations. The committee's regulations are available at www.edprenovaveis.com.

This committee shall meet at least once every quarter and also whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the Directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the deciding vote in the event of a tie.

3.2.2.4. ACTIVITY IN 2010

In 2010 the main proposals made by the Nominations and Remunerations Committee were:

- Propose an annual fixed remuneration for the Chairperson of the General Meeting;
- The Annual Report on the Fixed remuneration and annual and multi-annual variable remuneration for the year 2009 and 2010;
- Performance evaluation of the Board of Directors and the Executive Committee.

A report on the activities of the Nominations and Remunerations Committee in the year ended on December 31st 2010 is available to shareholders at www.edprenovaveis.com.

3.2.3. RELATED PARTY TRANSACTIONS COMMITTEE

3.2.3.1. STRUCTURE

Pursuant to Article 30 of the Articles of Association, the Board may set up other committees, such as the Related Party Transactions Committee. This committee shall consist of no fewer than three (3) members. The majority of the members of the Related Party Transactions Committee shall be independent, although in the case of this committee it has one non-independent Member, João Manuel Manso Neto.

Members of the Related Party Transactions Committee shall be considered independent if they can perform their duties without being conditioned by relations with EDPR, its majority shareholders or its Directors and, if this is the case, meet the other requirements of applicable legislation.

The committee currently consists of the members indicated in point 1.2.6.3.

3.2.3.2. COMPETENCES

The Related Party Transactions Committee is a body belonging to the Board of Directors and performs the following duties, without prejudice to others that the Board may assign to it:

- Periodically reporting to the Board of Directors on the commercial and legal relations between EDP or related entities and EDPR or related entities.

- In connection with the approval of the Company's annual results, reporting on the commercial and legal relations between the EDP Group and the EDPR Group, and the transactions between related entities during the fiscal year in question.
- Ratifying transactions between EDP and/or related entities with EDPR and/or related entities by the stipulated deadline in each case, provided that the value of the transaction exceeds EUR 5,000,000 or represents 0.3% of the consolidated annual income of the EDPR Group for the fiscal year before.
- Ratifying any modification of the Framework Agreement signed by EDP and EDPR on May 7th 2008.
- Making recommendations to the Board of Directors of the Company or its Executive Committee regarding the transactions between EDPR and related entities with EDP and related entities.
- Asking EDP for access to the information needed to perform its duties.

Should the Related Party Transactions Committee not ratify business or legal relations between EDP or its related parties and EDPR and its related parties, said relations shall require the approval of two-thirds (2/3) of the members of the Board of Directors, whenever at least half of the members proposed by entities other than EDP, including independent Directors, vote in favor, unless, before submission for ratification by the Related Party Transactions Committee, this majority of members has voiced it approval.

The previous paragraphs shall not apply to operations between EDP or its related parties and EDPR or its related parties that have standard conditions and these conditions are applied in the same way in transactions with parties not related to EDP and EDPR or their respective related parties.

3.2.3.3. FUNCTIONING

In addition to the Articles of Association, the Related Party Transactions Committee is governed by the regulations approved on June 4th 2008 and by the Board Regulations. The committee's regulations are available at www.edprenovaveis.com.

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit.

This committee shall draft minutes of every meeting held and inform the Board of Directors of decisions that it makes at the first Board meeting held after each committee meeting.

The meetings of this committee shall be valid if at least half of the Directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

3.2.3.4. ACTIVITY IN 2010

In 2010, the Related Party Transactions Committee revised, approved and proposed to the Board of Directors the approval of all agreements and contracts between related parties submitted to its consideration.

Point 3.6 of this report includes a description of the fundamental aspects of the agreements and contracts between related parties, the object of which does not pertain to the ordinary course of EDPR business.

The Related-Party Transactions Committee was informed that in 2010, the average value and the maximum value regarding the transactions analyzed by the Committee was EUR 1.617.274,26 and EUR 3.106.692M, respectively.

The total value of the transactions with the EDP Group in 2010 was EUR14.2M which corresponds to a 5.3% of the total value of S&S, and EUR270M for total operational costs.

A report on the activities of the Related Party Transactions Committee in the year ended on December 31st 2010 is available to shareholders at www.edprenovaveis.com.

3.3. AUDIT AND CONTROL COMMITTEE

3.3.1. STRUCTURE

Pursuant to Article 28 of the Articles of Association, the Audit and Control Committee consists of no fewer than three (3) and no more than five (5) Directors. The majority of the members shall be independent Directors. The committee currently consists of the members indicated in point 1.3, the majority of which, as well as the Chairperson, are independent.

3.3.2. COMPETENCES

The Audit and Control Committee is a permanent body and performs independent supervision of the work of the Board of Directors. The competences of the Audit and Control Committee are mentioned below.

Concerning the new recommendations introduced in 2010 by the Portuguese Code of

Corporate Governance the referred competences were reinforced as mentioned below, with the following changes introduced on the Audit and Control Committee Regulations, to guarantee the compliance of the referred code:

- Reporting, through the Chairperson, at General Meeting son questions falling under its jurisdiction.
- Proposing the appointment of the Company's auditors to the Board of Directors for subsequent approval by the General Meeting, as well as the contractual conditions, scope of the work – specially concerning audit services, "audit related" and "non audit" – annual activity evaluation and revocation or renovation of auditor appointments. (to comply with Recommendation III.1.5 of the Portuguese Corporate Governance Code of 2010)
- Supervising the financing reporting and the functioning of the internal risk management and control systems, as well as, evaluate those systems and propose the adequate adjustments according to the Company necessities. (to comply with Recommendation II.1.1.3 of the Portuguese Corporate Governance Code of 2010)
- Supervising internal audits and compliance. (to comply with Recommendation II.4.6 of the Portuguese Corporate Governance Code of 2010)
- Establish a permanent contact with the external auditors, to assure the conditions, including the independence, adequate to the services provided by them, acting as a the Company speaker for these subjects related to the auditing process and receiving and maintaining information on any other questions regarding accounting subjects. (to comply with Recommendation II.4.4 of the Portuguese Corporate Governance Code of 2010)
- Preparing an annual report on its supervisory activities, including eventual constraints, and expressing an opinion on the Management Report, the accounts and the proposals presented by the Board of Directors. (to comply with Recommendation II.4.3 of the Portuguese Corporate Governance Code of 2010)
- Receiving notices of financial and accounting irregularities presented by the Company's employees, shareholders or entity that has a direct interest and judicially protected, related with the Company social activity. (to comply with Recommendation II.1.4.1 of the Portuguese Corporate Governance Code of 2010)
- Engaging the services of experts to collaborate with Committee members in the performance of their functions. When engaging the services of such experts and determining their remuneration, the importance of the matters entrusted to them and the economic situation of the company must be taken into account.
- Drafting reports at the request of the Board and its committees.
- Reflecting on the governance system adopted by EDPR in order to identify areas for improvement;
- Any other powers entrusted to it by the Board of Directors or the Articles of Association.

3.3.3. FUNCTIONING

In addition to the Articles of Association and the law, this committee is governed by the regulations approved on June 4th 2008 and also by the Board regulations. The committee's regulations are at the shareholders' disposal at www.edprenovaveis.com.

The committee shall meet at least once a quarter and additionally whenever its Chairperson sees fit. In 2010, the Audit and Control Committee met eleven (11) times not only to monitor the closure of quarterly accounts in the first half-year but also to familiarize itself with the preparation and disclosure of financial information, internal audit, internal control and risk management activities.

This committee shall draft minutes of every meeting held and inform the Board of Directors of its decisions at the first Board meeting held after each committee meeting.

The meetings of the Audit and Control Committee shall be valid if at least half of the Directors on it plus one are present or represented. Decisions shall be adopted by simple majority. The Chairperson shall have the casting vote in the event of a tie.

3.3.4. ACTIVITY IN 2010

In 2010, the Audit and Control Committee's activities included the following: (i) analysis of relevant rules to which the committee is subject in Portugal and Spain, (ii) assessment of the external auditor's work, especially concerning with the scope of work in 2010, and approval of all "audit related" and "non audit" services, (iii) supervision of the quality and integrity of the financial information in the financial statements and participation in the Executive Committee meeting at which these documents were analyzed and discussed, (iv) drafting of an opinion in the individual and consolidated annual reports and accounts, in a quarterly and yearly basis (v) pre-approval of the 2010 Internal Audit Action Plan, (VI) supervision of the quality, integrity and efficiency of the internal control system, risk management and internal auditing, (vii) reflection on the corporate governance system adopted by EDPR, (viii) analysis of the evolution of the SCIRF project, (ix) information about the whistle-blowing.

Apart from its regular activity in 2010, the Audit and Control Committee were also involved in the following activities:

- Analysis of the acquisition process of turbines for the 2010/2012 period;

- Analysis of the competences delegation process of the EDPR Group;

- Analysis to the new regulations of the Internal Audit Department of the EDPR Group.

The Audit and Control Committee found no constraints during its control and supervision activities.

A report on the activities of the Audit and Control Committee in the year ended on December 31st 2010 is available to shareholders at www.edprenovaveis.com.

3.4. INCOMPATIBILITY AND INDEPENDENCE

Following the recommendations of the CMVM, Article 12 of the Board regulations requires at least twenty-five percent (25%) of the Directors to be independent Directors, who are considered to be those who can perform their duties without being conditioned by relations with the Company, its significant shareholders or Directors and, if applicable, meet the requirements of applicable laws.

In addition, pursuant to Article 23 of the Articles of Association, the following may not be Directors:

- People who are Directors of or are associated with any competitor of EDPR and those who are related to the above. A company shall be considered to be a competitor of EDPR if it is directly or indirectly involved in the generation, storage, transmission, distribution, sale or supply of electricity or combustible gases and also those that have interests opposed to those of EDPR, a competitor or any of the companies in its Group, and Directors, employees, lawyers, consultants or representatives of any of them. Under no circumstances shall companies belonging to the same group as EDPR, including abroad, be considered competitors;
- People who are in any other situation of incompatibility or prohibition under the law or Articles of Association. Under Spanish law, people, among others, who are i) aged under eighteen (18) years, (ii) disqualified, iii) competitors; (iv) convicted of certain offences or (v) hold certain management positions are not allowed to be Directors.

3.5. RULES OF APPOINTMENT AND DISCHARGE OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE AUDIT AND CONTROL COMMITTEE

The policy of portfolio rotation in the company comprehends that each Member of the Board of Directors is appointed by majority of the General Meeting for an initial period of three (3) years and may be re-elected once or more times for further periods of three (3) years. Nonetheless, pursuant to Article 23 of the Articles of Association and 243 of the Spanish Companies Law, shareholders so wishing may group their shares until they constitute an amount of capital equal to or higher than the result of dividing it by the number of Directors and appoint those that, using only whole fractions, are deducted from the corresponding proportion. Those making use of this power cannot intervene in the appointment of the other members of the Board of Directors.

Given that the Directors do not have to be elected on the same date, if there is a vacancy, pursuant to Article 23 of the Articles of Association and 243 of the Spanish Companies Law, the Board of Directors may co-opt people from the shareholders, who will occupy the position until the next General Meeting, which shall ratify the co-opted Director. Pursuant to Article 247 of the Spanish Companies Law, the co-option of Directors, as for other Board decisions, must be approved by absolute majority of the Directors at the meeting.

Pursuant to Article 28 of the Articles of Association, the members of the Audit and Control Committee are appointed by the Board of Directors. The term of office of the members of the Audit and Control Committee is the same as their term as Directors. The committee members, the majority of whom must be independent, can be reelected and discharged by the Board of Directors at any time. The term of office of the Chairperson of the Audit and Control Committee is three (3) years, after which he may only be re-elected for a new term of three (3) years. Nonetheless, chairpersons leaving the committee may continue as members of the Audit and Control Committee.

3.6. BUSINESS BETWEEN THE COMPANY AND MEMBERS OF THE COMPANY'S GOVERNING BODIES OR GROUP COMPANIES

EDPR has not signed any contracts with the members of the corporate bodies during the year 2010.

Regarding related party transactions, EDPR and/or its subsidiaries have signed the contracts detailed below with EDP – Energias de Portugal, S.A. (hereinafter, EDP) or other members of its group not belonging to the EDPR subgroup.

3.6.1. FRAMEWORK AGREEMENT

The framework agreement was signed by EDP and EDPR on May 7th 2008 and came into effect when the latter was admitted to trading. The purpose of the framework agreement is to set out the principles and rules governing the legal and business relations existing when it came into effect and those entered into subsequently.

The framework agreement establishes that neither EDP, nor the EDP Group companies other than EDPR and its subsidiaries can engage in activities in the field of renewable energies without the consent of EDPR. EDPR shall have worldwide exclusivity, with the exception of Brazil, where it shall engage its activities through a joint venture with EDP – Energias do Brasil, S.A., for the development, construction, operation and maintenance of facilities or activities related to wind, solar, wave and/or tidal power and other renewable energy generation technologies that may be developed in the future. Nonetheless, the agreement excludes technologies being developed in hydroelectric power, biomass, cogeneration and waste in Portugal and Spain.

Finally, it lays down the obligation to provide EDP with any information that it may request from EDPR to fulfill its legal obligations and prepare the EDP Group's consolidated accounts.

The framework agreement shall remain in effect for as long as EDP directly or indirectly owns more than 50% of the share capital of EDPR or appoints more than 50% of its Directors.

3.6.2. EXECUTIVE MANAGEMENT SERVICES AGREEMENT

On November 4th 2008 EDP and EDPR signed an Executive Management Services Agreement.

Through this contract, EDP provides management services to EDPR, including matters related to the Company. Under this agreement EDP appoints four people to form EDPR's Executive Committee, for which EDPR pays EDP an amount for the services rendered.

Under this contract, EDPR is due to pay an amount of EUR 836,400 for management services rendered by EDP in 2010.

The initial term of the contract is March 18th 2011.

3.6.3. FINANCE AGREEMENTS AND GUARANTEES

The finance agreements between EDP Group companies and EDPR Group companies were established under the above described Framework Agreement and currently include the following:

3.6.3.1. LOAN AGREEMENTS

EDPR (as the borrower) has loan agreements with EDP Finance BV (as the lender), a company 100% owned by EDP – Energias de Portugal, S.A.. Such loan agreements can be established both in EUR and USD, usually have a 10-year tenor and are remunerated at rates set on arm's length basis. As at December 31st 2010, such loan agreements totaled EUR 1,351,695,248 and USD 1,934,621,254.

3.6.3.2. COUNTER-GUARANTEE AGREEMENT

A counter-guarantee agreement was signed, under which EDP or EDP Energias de Portugal Sociedade Anónima, sucursal en España (hereinafter guarantor or EDP Sucursal) undertakes on behalf of EDPR, EDP Renewables Europe SL (hereinafter EDPR EU) and Horizon Wind Energy LLC (hereinafter EDPR NA) to provide corporate guarantees or request the issue of any guarantees, on the terms and conditions requested by the subsidiaries, which have been approved on a case by case basis by the EDP executive board.

EDPR will be jointly liable for compliance by EDPR EU and EDPR NA. The subsidiaries of EDPR undertake to indemnify the guarantor for any losses or liabilities resulting from the guarantees provided under the agreement and to pay a fee established in arm's length basis. Nonetheless, certain guarantees issued prior to the date of approval of these agreements may have different conditions.

The agreement may be terminated (i) by any party at any time, whenever there are no guarantees in effect, or if (ii) any of the subsidiaries ceases to be controlled by the guarantor with regard to the guarantees provided to said subsidiary.

3.6.3.3. CURRENT ACCOUNT AGREEMENT

EDP Sucursal and EDPR signed an agreement through which EDP Sucursal manages EDPR' cash accounts. The agreement also regulates a current account between both companies, remunerated on arm's length basis. As at December 31st 2010, the current account had a balance of EUR 170,111,807 in favor of EDPR.

The agreement is valid for one year as of date of signing and is automatically renewable for equal periods.

3.6.3.4. FINANCING AGREEMENTS

In order to manage its USD cash surplus, at December 31st 2010 EDPR had two short term deposits placed with EDP Finance BV in the total amount of USD 244,033,835.

The two short term deposits mature on January 2010.

3.6.3.5 CROSS CURRENCY INTEREST RATE SWAPS

Due to the net investment in EDPR NA, the company and Group accounts of EDPR and the accounts of EDP Sucursal España, were exposed to the foreign exchange risk. With the purpose of hedging this foreign exchange risk, EDP Group settled a cross currency interest rate swap

(CIRS) in USD and EUR, between EDP Sucursal and EDPR for a total amount of USD 2,632,613. Also a CIRS in PLN and EUR, between EDP Energias de Portugal Sociedade Anónima, sucursal en España and EDPR, S.A. was settled for a total amount of PLN 309,307,188, related with the net investment in polish companies.

3.6.3.6. HEDGE AGREEMENTS – EXCHANGE RATE

EDP Sucursal and EDPR entered into several hedge agreements with the purpose of managing the transaction exposure related with the investment payments to be done in Poland, fixing the exchange rate for EUR/PLN in accordance to the prices in the forward market in each contract date. At December 31st 2010, a total amount of EUR 38,803,000 remained outstanding.

3.6.4. HEDGE AGREEMENTS – COMMODITIES

EDP and EDP Renewables Europe SL entered into hedge agreements for a total volume of 1,826 MWh for 2010 at the forward market price at the time of execution related with the expected sales of energy in the Spanish market.

3.6.5. TRADEMARK LICENSING AGREEMENT

On May 14th 2008, EDP and EDPR signed an agreement under which the former granted to the latter a non-exclusive license for the trademark "EDP Renováveis" for use in the renewable energy market and related activities.

In return for the granting of the trademark license, EDPR will pay to EDP fees calculated on the basis of the proportion of the costs pertaining to the former in the Group's annual budget for image and trademark services, which are subject to annual review. The fee established for 2010 was EUR 1,500,000.

The license is granted indefinitely and shall remain in effect until the expiry of EDP's legal ownership of the trademark or until EDP ceases to hold the majority of the capital or does not appoint the majority of Directors of EDPR. EDP may also terminate the agreement in case of non-payment or breach of contract.

The licensing agreement is restricted by the terms of the framework agreement.

3.6.6. CONSULTANCY SERVICE AGREEMENT

On June 4th 2008, EDP and EDPR signed a consultancy service agreement. Through this agreement, and upon request by EDPR, EDP (or through EDP Sucursal) shall provide consultancy services in the areas of legal services, internal control systems, financial reporting, taxation, sustainability, regulation and competition, risk management, human resources, information technology, brand and communication, energy planning, accounting and consolidation, corporate marketing and organizational development.

The price of the agreement is calculated as the cost incurred by EDP plus a margin. For the first year, it was fixed at 8% based on an independent expert on the basis of market research. For 2010 the estimated cost of these services is EUR 3,106,692**.**

The duration of the agreement is one (1) year tacitly renewable for equal periods.

3.6.7. RESEARCH AND DEVELOPMENT AGREEMENT

On May 13th 2008, EDP Inovação, S.A. (hereinafter EDP Inovação), an EDP Group company, and EDPR signed an agreement regulating relations between the two companies regarding projects in the field of renewable energies (hereinafter the R&D Agreement).

The object of the R&D Agreement is to prevent conflicts of interest and foster the exchange of knowledge between companies and the establishment of legal and business relationships. The agreement forbids EDP Group companies other than EDP Inovação to undertake or invest in companies that undertake the renewable energy projects described in the agreement.

The R&D Agreement establishes an exclusive right on the part of EDP Inovação to project and develop new renewable energy technologies that are already in the pilot or economic and/or commercial feasibility study phase, whenever EDPR exercises its option to undertake them.

The agreement shall remain in effect for as long as EDP directly or indirectly maintains control of more than 50% of both companies or appoints the majority of the members of the Board and Executive Committee of the parties to the agreement.

3.6.8. MANAGEMENT SUPPORT SERVICE AGREEMENT BETWEEN EDP RENOVÁVEIS PORTUGAL S.A., AND EDP VALOR – GESTÃO INTEGRADA DE RECURSOS, S.A.

On January 1st 2003, EDP Renováveis Portugal, S.A., holding company of the EDPR subgroup in Portugal, and EDP Valor – Gestão Integrada de Recursos, S.A. (hereinafter EDP Valor), an EDP Group company, signed a management support service agreement.

The object of the agreement is the provision to EDP Renováveis Portugal by EDP Valor of services in the areas of procurement, economic and financial management, fleet management, property management and maintenance, insurance, occupational health and safety and human resource management and training.

The remuneration paid to EDP Valor by EDP Renováveis Portugal S.A. and its subsidiaries for the services provided in 2010 totaled EUR 691,445**.**

The initial duration of the agreement was five (5) years from date of signing and it was tacitly renewed for a new period of five (5) years on January 1st 2008.

Either party may renounce the contract with one (1) year's notice.

3.6.9. INFORMATION TECHONOLOGY MANAGEMENT SERVICES AGREEMENT BETWEEN EDP RENOVÁVEIS S.A. AND EDP – ENERGIAS DE PORTUGAL, S.A.

On January 1st 2010, EDP Renováveis Portugal, S.A., and EDP – Energias de Portugal S.A. (hereinafter EDP), signed an IT management services agreement.

The object of the agreement is to provide to EDPR the information technology services described on the contract and its attachments by EDP – Energias de Portugal S.A.

The amount to be paid to EDP – Energias de Portugal S.A. for the services provided in 2010 totaled EUR 1,146,251.

The initial duration of the agreement is one (1) year from date of signing and it is tacitly renewed for a new period of one (1) year.

Either party may renounce the contract with one (1) month notice.

3.7. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

3.7.1. INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

EDP Renováveis (EDPR) has an Internal Control System over Financial Reporting (SCIRF) structured using as a reference in terms of control objectives fulfillment, and controls implementation the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission) with regard to business processes and entity level controls, and the COBIT framework (Control Objectives for Information and related Technologies) with regard to controls of information technology systems.

In accordance with EDPR's strategic orientation, SCIRF activities are aimed at strengthening the quality of financial information provided to shareholders and to the markets and at promoting the effectiveness and efficiency of operations, in compliance with applicable regulations at all times.

The COSO framework emphasizes the aspects related with the risk assessment activities, since there is a growing interest in organizations of all sizes to enhance Enterprise Risk Management. This approach is present throughout SCIRF's methodology and documentation (SCIRF Manual, Responsibilities Model, processes and controls), by means of a set of control and risk objectives, that cover concepts like financial information risk, fraud or unauthorized use.

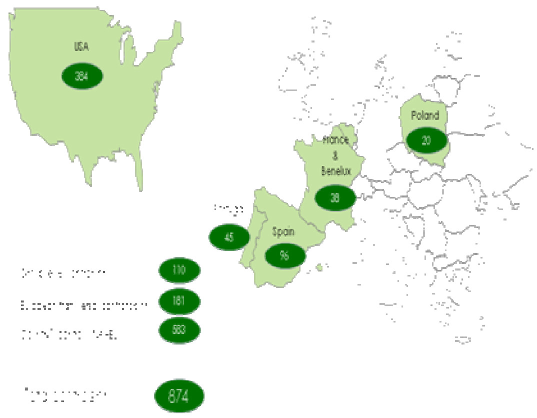
During the year 2010, SCIRF has been performed through (i) the maintenance and monitoring of the Internal Control Cycle and (ii) the independent review of SCIRF by KPMG.

Under the model adopted at EDPR, the following activities for the maintenance and monitoring of the Internal Control Cycle have been performed:

- Update of the scope: review and identification of relevant risks, accounts and processes, based on materiality and risk criteria, with a top-down and bottom-up methodology, and a coverage level analysis.

- The necessary actions for the consolidation and/or incorporation of new geographies in the scope.
- Maintenance, adaptation and management of the system in line with (i) the implementation of identified improvement opportunities, (ii) the changing structure and (iii) business requirements.

SCIRF presence in different geographies, according to the scope applied in 2010, includes 380 controls in the European platform (including country-specific and transversal controls in some geographies) in Spain, Portugal, France, Belgium and Poland, 384 controls in the North American platform, and 110 controls at group level, as illustrated in the figure below. These controls include entity level controls, process controls and information technology controls).



In order to assess the reliability and strength of the SCIRF (already implemented in the European and American platforms), and in line with the strategic objectives of EDPR, it was decided to undertake an independent review, to be conducted by a prestigious international institution (KPMG). The goal was materialized in 2010, following the International Standard on Assurance Engagements (ISAE) 3000 methodology. In this review no material weakness were identified. The work of the review consisted of:

(i) obtaining an understanding of SCIRF in terms of the consolidated financial reporting;

(ii) evaluation of the risk of material weaknesses;

(iii) test and evaluation of the operational effectiveness of controls based on the evaluation of risk;

(iv) execution of other procedures which were considered as necessary.

It is also important to highlight the following developments that took place in 2010:

- the creation of SCIRF logo;
- the launch of the implementation of a new internet based tool to support SCIRF;
- the significant participation of EDPR for the consecution of the Quality Assessment certification of EDP's group Internal Audit department by the Institute of Internal Auditors.

The SCIRF activities and their progress have been quarterly reported to the Audit and Control Committee, complying with its supervision and follow-up missions regarding the company's internal control systems and risk management.

At the year-end in accordance with CMVM Recommendation III.1.4 the external auditors, within the scope of their powers, verified the efficiency and functioning of the Internal Control Systems and reported their conclusions to the Audit and Control Committee. Additionally, KPMG reported the result of their review of SCIRF to the Audit and Control Committee.

With this report and the teamwork of the Internal Auditors the Audit and Control Committee in accordance with CMVM Recommendation II.1.1.3 made its final assessment report and presented to the Board.

3.7.2 RISK MANAGEMENT

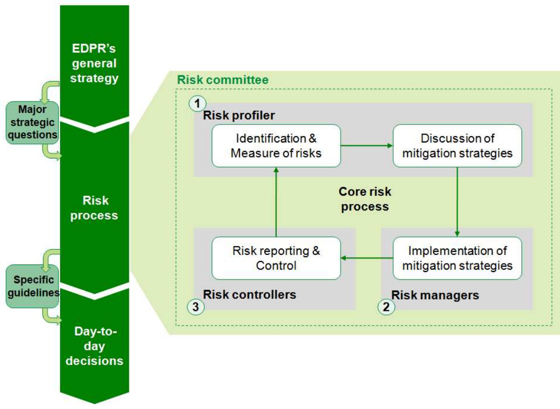
The basic principle behind EDPR's risk management approach is that risk management should not only protect value but also create value. This value creation is obtained by optimizing company's risk-return taking into consideration shareholders risk appetite.

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

3.7.2.1. RISK FRAMEWORK AND PROCESS

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

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



Each strategic question is subject to a core risk process which is composed of four major steps:

- **Make sense** – starts with the identification of the risks that may affect the accomplishment of the strategic goals and is followed by the respective measurement both in terms of likelihood of occurrence and potential impact; the aim of this step is to generate an understanding of all the dynamics behind the issue under analysis in order to assess the severity of the risk as well as to anticipate all possible mitigating actions in the case the exposure to the risk is above acceptable limits.

- **Make choices** – after an understanding of the risk, the next step is to discuss whether the risk needs to be treated or not. If it does there is a need to discuss on the most appropriate risk treatment strategies and methods, and the outcome of this discussion is a proposed action plan that is later subject to approval by the Executive Committee.

- **Make happen** – following the approval of the action plan, guidelines are written and then sent to the risk manager that will take them into consideration in its day-to-day decisions.

- **Make revision** – after the implementation of the mitigation strategies there is a follow-up of their effectiveness to assess if any adjustments are needed; this risk reporting and control step has two major functions: (1) to track EDPR's risk position comparing its alignment with both the company's risk profile and risk policy approved by the Executive Committee for each risk, and (2) to control the mitigation actions by defining and implementing all the mechanisms necessary to check if these actions are being implemented according to plan.

3.7.2.2. RISK FUNCTIONS AND RISK COMMITTEE

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

During 2010, EDPR created a Risk Committee to integrate and coordinate all the risk functions and to assure the link between risk strategy and the company's operations.

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

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

This committee meets on a quarterly basis and is composed by all Management Team members, representative directors from corporate functions and from the operational platforms and, depending on the issues under discussion, the respective risk managers.

In 2010 this committee, created in July, met twice to discuss and propose EDPR's general risk management framework and to discuss and recommend energy management risk policies.

In order to assure the alignment of EDPR's risk management decisions with EDP's risk-return profile, representatives from EDP will be part of EDPR's risk committee in 2011.

3.7.2.3 RISK AREAS AND RISK RELATED STRATEGIC QUESTIONS

The following table summarizes the main risk areas of EDPR's business and also describes the risk related strategic questions. The full description of each risk and how they are managed by EDPR can be found in next chapter.

Risk areas	Risks descriptions	Risk related strategic questions (not exhaustive)
1. Countries & regulations	- Changes in regulations may impact EDPR's business in a given country ;	• What is EDPR's current regulatory risk? • How much should EDPR grow in current markets? • Where should EDPR focus entering new markets?
2. Revenues	- Revenues received by EDPR's projects may diverge from what is expected;	• What is the exposure of our revenue stream both in prices and wind variations? • What is the impact on EDPR's EBITDA? • What should the market strategy be to cover market volatility?
3. Financing	- EDPR may not be able to raise enough cash to finance all its planned capex; - EDPR may not be able to fulfil its financial obligations;	• What should be the risk profile from an investor's point of view? • What is the synthetic rating of the company and what measures could be done to improve it? • What is the probability of a cash flow stress due to market conditions?
4. Wind turbine contracts	- Changes in turbine prices may impact projects' profitability; - Contracts should take into account the pipeline development risk;	• What should be the hedging strategy for turbine prices in terms of price structure and quantities? • What is the trade-off between supplier diversification and rappel discount?
5. Pipeline development	- EDPR may deliver an installed capacity different from its targets or suffers delays and/or anticipations in its installation	• How many MW can EDPR expect to put in operation with its current pipeline? • How many projects may be canceled or be delayed over permitting issues? • What is the actual risk of not achieving the installed capacity targets? • What is the appropriate buffer to ensure that EDPR delivers the target capacity? • How should EDPR's pipeline look like in 2012?
6. Operations	- Projects may deliver a volume different from expected.	• Is there any operating risk with significant impact in EDPR?

3.7.2.4.1 Countries and regulation

3.7.2.4.1.1 Regulatory risks

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

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

In Europe, each country presented in 2010 their Renewable National Energy Action Plans (RNEAPs). These plans provide detailed information about how each Member State expects to comply with its 2020 binding target, including the technology mix and the forecasted trajectory to reach it.

Regarding US, various State Governments have taken an active role in the development of energy generated from renewable sources through the implementation of RPS (Renewable Portfolio Standard) program.

It cannot be guaranteed that the current support will be maintained or that the electricity produced by future renewable energy projects will benefit from state purchase obligations, tax incentives, or other support measures for the electricity generation from renewable energy sources. This is particularly true in an economic downturn context.

Management of regulatory risks

EDPR is managing its exposure to regulatory risks in two different ways. The first one is trough a geographic diversification strategy based on a methodology comprising a positive correlation between country defined targets and gap from current level, technological mix of installed generation, energy demand and supply, regulatory track record stability and incentives mechanism. EDPR also analyses the country wind resource, land and site availability, permitting complexity and interconnection availability.

The second one is by being an active member in several wind associations. EDPR belongs to the most prestigious wind energy associations, both at national and international level. EDPR is an active member of the following renewable (specially wind energy) associations. Being an active member in all these associations allows EDPR to be aware of any regulatory change, and represent wind energy sector's interests when required by the governments.

EUROPE	EWEA (EUROPEAN WIND ENERGY ASSOCIATION)
SPAIN	AEE (ASOCIACIÓN EMPRESARIAL EÓLICA)
PORTUGAL	APREN (ASSOCIAÇÃO PORTUGUESA DE PRODUTORES DE ENERGIA ELÉCTRICA DE FONTES RENOVÁVEIS)
FRANCE	SER (SYNDICAT DES ÉNERGIES RENOUVELABLES)
BELGIUM	APERE (ASSOCIATION POUR LA PROMOTION DES ENERGIES RENOUVELABLES) EDORA (FÉDÉRATION DE L'ENERGIE D'ORIGINE RENOUVELABLE ET ALTERNATIVE)
POLAND	PIGEO (POLSKA IZBA GOSPODARCZA ENERGII ODNAWIALNEJ) PSEW (POLSKIE STOWARZYSZENIE ENERGETYKI WIATROWEJ) PTEW (POLSKIE TOWARZYSTWO ENERGETYKI WIATROWEJ)
ROMANIA	RWEA (ROMANIAN WIND ENERGY ASSOCIATION)
UNITED KINGDOM	BWEA (BRITISH WIND ENERGY ASSOCIATION) RENEWABLE UK SCOTTISH RENEWABLES
ITALY	ANEV (ASSOCIAZIONE NAZIONALE ENERGIA DEL VENTO) APER (ASSOCIAZIONE PROMOTORI ENERGIE RINNOVABILI)
UNITED STATES	AMERICAN WIND ENERGY ASSOCIATION (AWEA) IOWA WIND ENERGY ASSOCIATION RENEW WISCONSIN RENEW, INC. THE WIND COALITION AMERICAN WIND WILDLIFE CEERT COLORADO INDEPENDENT ENERGY ASSOCIATION INTERWEST ENERGY ALLIANCE WESTERN POWER TRADING FORUM SMART GRID OREGON TEXAS RENEWABLE ENERGY WEST TEXAS WIND ENERGY RENEWABLE NORTHWEST PROJECT
CANADA	CANWEA (CANADIAN WIND ENERGY ASSOCIATION)
BRAZIL	ABEEOLICA (ASSOCIAÇÃO BRASILEIRA DE ENERGIA EOLICA) CERNE (CENTRO DE ESTRATÉGIAS EM RECURSOS NATURAIS E ENERGIAS)

3.7.2.4.2 Revenues

3.7.2.4.2.1 Exposure to market electricity prices

The electricity sold by EDPR depends in some extent on the incentives schemes for renewable energy in place in each of the countries where EDPR operates. In some of the markets this creates an exposure to market prices for electricity. Market prices may be volatile as they are affected by various factors, including the cost of fuels, average rainfall levels, the cost of power plant construction, technological mix of installed generation capacity and demand. Therefore, a decline in market prices to unexpected levels could have a material adverse effect on EDPR's business, financial condition or operating income.

Management of electricity prices exposure

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

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

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

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

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

3.7.2.4.2.2 Risk related to volatility of energy production

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

Variations and fluctuations in wind conditions at wind farms may result in seasonal and other fluctuations in the amount of electricity that is generated and consequently the operating results and efficiency.

Management of risks related to volatility of energy production

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

3.7.2.4.3 Financing

3.7.2.4.3.1 Risks related to the exposure to financial markets

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

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

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

Management of financial risks

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

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

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

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

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

3.7.2.4.3.1.1 Interest rate risk

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

The main potential exposure comes from shareholder loans from the EDP Group and from institutional investors in connection with its Partnership Structures in the case of the US operations, as well as, project financing and third party loans from entities outside the EDP Group.

In the floating-rate financing context which represents approx. 5% of EDPR's gross debt, EDPR may contract interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of exchange floating interest to fixed interest rate.

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

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

3.7.2.4.3.1.2 Exchange rate risk

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

EDPR general policy is the Natural Hedging in order to match currency cash flows, minimizing the impact of exchange rates changes while value is preserved. The essence of this approach is to create financial foreign currency outflows to match equivalent foreign currency inflows. Often the debt is raised in the same foreign currency in which operating cash flows are received. The Financial Department is responsible for monitoring the evolution of the exchange rates changes, seeking to mitigate the impact of currency fluctuations on the net assets and net profit of the group, using natural hedging strategies, as well as, exchange-rate derivatives and/or other hedging structures with symmetrical characteristics to those of the hedged item. The effectiveness of these hedges is reassessed and monitored throughout their lives.

3.7.2.4.3.2 Counterparty credit risk

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

Management of counterparty credit risk

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

In the specific case of EDPR EU, credit risk is not significant due to the reduced average payment period for customer balances and the quality of its debtors. In Europe, main customers are operators and distributors in the energy market of their respective countries.

In the case of EDPR NA, counterparty risk analysis is more relevant given typical price structure and the contracting terms of PPA contracts. In the light of this, counterparty risk is carefully evaluated taking into account the offtakers' credit rating. In many cases, additional credit support is required in line with the exposure of the contract.

3.7.2.4.3.3 Liquidity risk

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

Management of liquidity risk

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

The liquidity policy followed by EDPR ensures compliance with the planned payment commitments/obligations, through maintaining sufficient credit facilities and having access to the EDP Group liquidity facilities.

3.7.2.4.4 Wind turbine contracts

3.7.2.4.4.1 Wind turbine supply risk

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

Management of wind turbine supply risk

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

When signing framework agreements with one or more WTG suppliers, EDPR balances the cost, best fit with Company's pipeline and flexibility on time, geography and model/technology.

Pursuing this medium-term framework agreements strategy, EDPR reduces the risk of contracting large amounts of new WTG exposed to the spot market while having long term visibility on the total cost of ownership due to the fix cost structure of the frameworks signed. On the other way, by not contracting all the WTG needed for its growth plan, EDPR increases its short term flexibility pipeline development. Finally, EDPR in these framework agreements ensure additional geographic flexibility to best fit its pipeline development with changes in future conditions in a given market.

3.7.2.4.5 Pipeline development

3.7.2.4.5.1 Permitting risks

Wind farms are subject to strict international, national, state, regional and local regulations relating to the development, construction, licensing, grid interconnection and operation of power plants. Among other things, these laws regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions. Development process of wind farms is subject to the obtaining such permits. If authorities do not grant these permits or they do so with delays or with other restrictions, such actions could have a material adverse effect on the development of further business.

Management of permitting risk

EDPR mitigates this risk by having development activities in 11 different countries (Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil) with a portfolio of projects in several maturity stages. EDPR has a large pipeline located in the most attractive regions providing a "buffer" to overcome potential delays in the development of new projects, ensuring growth targets. For this high quality pipeline is worth to highlight EDPR's early mover status in the majority of its markets and the partnerships created with teams with strong local expertise in the development and construction of wind farms.

3.7.2.4.6 Operations

3.7.2.4.6.1 Wind turbine performance risk

Wind farms output depend upon the availability and operating performance of the equipment necessary to operate it, mainly the components of wind turbines and transformers. Therefore the risk is that the performance of the turbine does not reach its optimum implies that the energy output is not the expected. The best indicator to measure the WTG performance is the availability level – the period of time it was actually available to operate within that period and delivering the agreed power curve.

Management of wind turbine performance risk

EDPR mitigates this risk by using a mix of turbine suppliers which minimizes technological risk, by signing a medium-term full-scope maintenance agreement with the turbine supplier and by an adequate preventive and scheduled maintenance. Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimum. After this period, O&M is usually contracted with an external company, but a technical assistance agreement is also signed with the turbine supplier.

Most recently, and following the general trend in the wind sector, EDPR is externalizing some pure technical O&M activities of its wind farms. Through EDPR Dispatch Center, the Company remotely controls all its wind farms reacting on real time to grid requirements and by gathering all the 24-day operating data it is increasing its know-how in managing core O&M activities.

3.8. EXTERNAL AUDITOR

The Audit and Control Committee is responsible for proposing to the Board of Directors for submission to the General Meeting the appointment of the Company auditors and the terms of their contracts, scope of their duties and revocation and renewal of their contracts.

In order to protect the External Auditor independence, the following competences of the Audit and Control Committee were exercised during 2010:

- Direct and exclusive supervision from the Audit and Control Committee;
- Evaluation of the qualifications, independence and performance of the External Auditor and the annual report from the External Auditor regarding the information of all existing relations between the Company and the Auditors or people related to them, including all the services rendered and all the services in course. The Audit and Control Committee, in order to evaluate its independence, obtained from the External Auditor information regarding their independence according to Decree-Law n.º 224/2008, November 20th, that changes the bylaws of the External Auditors Association;
- Revision of the transparency report signed by the External Auditor and published on their website. This report is about a group of subjects regulated on article 62º-A from the Decree-Law n.º 224/2008, mainly related to the Internal Control System and to the process of quality control realized by the competent entities;
- Analysis with the External Auditor of the scope, planning and resources to use on the services provided.

EDPR's External Auditor is, since the year 2007, KPMG Auditores S.L.., therefore there is still no need to rotate the auditor according to Recommendation III.1.3 of the Portuguese Corporate Governance Code.

In 2010, according to the Audit and Control Committee's competences and in line with Recommendations II.4.4 and II.4.5, it was the corporate body in charge of the permanent contact with the external auditor on matters that may pose a risk to their independence and any other matters related to the auditing of accounts. It also receives and stores information on any other matters provided for in legislation on audits and in auditing standards in effect at any time.

The Audit and Control Committee assessed the performance of the external auditor in providing the services hired by the Company and made a positive evaluation of their quality, considering that they meet applicable standards and that it is advisable to maintain the same auditor.

The work of the external auditor, including reports and audits of its accounts, was supervised and evaluated in accordance with applicable rules and standards, in particular international auditing standards. The external auditor in coordination with the Audit and Control Committee verifies the implementation of remuneration policies and the efficiency and functioning of internal control mechanisms. The external auditor reports to the Audit and Control Committee all the shortcomings.

3.9. WHISTLE-BLOWING POLICY

Since the beginning of trading on the Eurolist by Euronext Lisbon, it has sought to introduce measures to ensure its good governance and that of its companies, including the prevention of improper practices, especially in the fields of accounting and finance.

The Board of Directors of EDPR therefore decided to provide its employees with a direct, confidential communication channel for them to report any presumed unlawful practices or alleged accounting or financial irregularities occurring in their company. These communications go directly to the Audit and Control Committee.

EDPR creation of this channel for whistle-blowing on irregularities in financial and accounting practices is essentially intended:

- To enable any employee to freely report his/her concerns in these areas to the Audit and Control Committee;
- To facilitate early detection of irregularities that, if they occurred, might cause serious losses to the EDPR Group and its employees, customers and shareholders.

Contact with the Company's Audit and Control Committee is only possible by email and post, and access to information received is restricted.

Any complaint addressed to the Audit and Control Committee will be kept strictly confidential and the whistle-blower will remain anonymous, provided that this does not prevent the investigation of the complaint. S/he will be assured that the Company will not take any retaliatory or disciplinary action as a result of exercising his/her right to blow the whistle on irregularities, provide information or assist in an investigation.

The Secretary of the Audit and Control Committee receives all the communications and presents a quarterly report to the members of the Committee.

In 2010 there were no communications regarding any irregularity at EDPR.

3.10 ETHICS

EDPR is governed by a strong sense of ethics, whose principles are embodied in the day-to-day activities of its employees, according to ethical practices generally considered to be consensual but which, for reasons of appropriate disclosure, transparency and impartiality, the company decided to provide details on.

For that purpose, EDPR developed and approved a global Code of Ethics, to be adopted by all company's employees, without prejudice to other legal or regulating provisions. EDPR Employees' must comply with the Code of Ethics and with the approved corporate policies, which provide those practices and should follow main principles such as:

- Transparency, honesty and integrity
- Working environment
- Development of human capital
- Human rights
- Non-discrimination and equal opportunities
- Integrity
- Environment and sustainability
- Disciplinary action

The Code of Ethics has been disseminated to all employees.

A "whistle-blowing" e-mail channel is available at the Company's Intranet. It allows a direct and confidential communication of any presumably illegal practice and/or of any alleged accounting or financial irregularity occurring within the company. A "Code of Ethics" e-mail channel is also available for the communication of any breach to the Code articles.

4. EXERCISE OF SHAREHOLDER'S RIGHTS

4.1. DESCRIPTION AND COMPETENCES OF THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is a meeting of shareholders that, that when properly convened, has the power to deliberate and adopt, by majority, decisions on matters that the law and Articles of Association reserve for its decision and are submitted for its approval. In particular, it is responsible for:

- Evaluation of the Company's management and approval of the annual accounts from the previous financial year, management report and decision on the application of the previous fiscal year's income or loss;
- Appointment and renewal of the Board of Directors in accordance with these Articles and the legal provisions in force, covering or eliminating vacancies that may occur or, as appropriate, ratifying the appointments of Directors made on a provisional basis by the Board of Directors;
- Appointment of auditors;
- Decision on the matters proposed by the Board of Directors;
- All other matters provided in the law in force.
- Increasing and reducing the share capital and delegating to the Board of Directors, if applicable, within the legal time limits, the power to set the date or dates, who may use said delegation wholly or in part, or refraining from increasing or reducing the capital in view of the conditions of the market or the Company or any particularly relevant fact or event justifying such a decision in their opinion, reporting it at the first General Meeting of Shareholders held after the end of the time limit for its execution;
- Delegating to the Board of Directors the power to increase the share capital pursuant to Article 297 of Royal Legislative Decree 1/2010 of July 2nd 2010, which approves the Revised Text of the Law on Public Limited Companies (Spanish Companies Law);
- Issuing bonds;
- Amending the Articles of Association;
- Dissolving, merging, spin off and transformation the Company;
- Deciding on any matter submitted to it for decision by the Board of Directors, which shall be obliged to call a General Meeting of Shareholders as soon as possible to deliberate and decide on concrete decisions included in this article submitted to it, in the event of relevant facts or circumstances that affect the Company, shareholders or corporate bodies.

The decisions of the General Meeting are binding on all shareholders, including those voting against and those who did not participate in the meeting.

A General Meeting may be ordinary or extraordinary. In either case, it is governed by the law and Articles of Association.

An Ordinary General Meeting must be held in the first six (6) months of each year to review of the performance the company management, approve the annual report and accounts for the previous year and the proposal for appropriation of profits and approve the consolidated accounts, if appropriate. The General Meeting also decides on any other matters falling within its powers and included on the agenda;

An Extraordinary General Meeting is any meeting other than that mentioned above.

4.2. RIGHT TO ATTEND

All shareholders, irrespective of the number of shares that they own, may attend a General Meeting and take part in its deliberations with right to speak and vote.

In order to exercise their right to attend, shareholders must have their shares registered in their name in the Book Entry Account at least five (5) days in advance of the date of the General Meeting.

Moreover, although there is no express provision on the matter in the Articles of Association, in the event of the suspension of a General Meeting, EDPR plans to adopt Recommendation I.2.2 of the Portuguese Corporate Governance Code and not require the blocking of shares more than five days in advance.

Any shareholder with the right to attend may send a representative to a General Meeting, even if this person is not a shareholder. Power of attorney is revocable. The Board of Directors may require shareholders' power of attorney to be in the Company's possession at least two (2) days in advance, indicating the name of the representative.

Power of attorney shall be specific to each General Meeting, in writing or by remote means of communication, such as post.

4.3. VOTING AND VOTING RIGHTS

Each share entitles its holder to one vote.

Shares issued without this right do not have voting rights, with the exception of cases set forth by current legislation.

There is no employee share-owning system at EDPR and so no relevant control mechanisms on the exercise of voting rights by employees or their representatives have been set up.

4.4. MAIL AND ELECTRONIC COMMUNICATION VOTES

Shareholders may vote on points on the agenda, relating to any matters of the Shareholder's competence, by mail or electronic communication. It is essential for their validity that they be received by the company by midnight of the day before the date scheduled for the first calling to order of the General Meeting.

Votes by mail shall be sent in writing to the place indicated on the invitation to the meeting accompanied by the documentation indicated in the Shareholder's Guide.

In order to vote by electronic communication, shareholders must express this intention to the Chairperson of the General Meeting of the in the form indicated in the invitation to the meeting, sufficient time in advance to permit the vote within the established time limit. They will then receive a letter containing a password for voting by electronic communication within the time limit and in the form established in the call of the General Meeting.

Remote votes can be revoked subsequently by the same means used to cast them within the time limit established for the purpose or by personal attendance at the General Meeting by the shareholder who cast the vote or his/her representative.

The Board of Directors has approved a Shareholder's Guide for the first General Meeting, detailing mail and electronic communication voting forms among other matters. It is at shareholders' disposal at www.edprenovaveis.com.

4.5. QUORUM FOR CONSTITUTING AND ADAPTING DECISIONS OF THE GENERAL MEETING

Both ordinary and extraordinary General Meetings are validly constituted when first called if the Shareholders, either present or represented by proxy, represent at least twenty five percent (25%) of the subscribed voting capital. On the second call the General Meeting will be validly constituted regardless of the amount of the capital present in order to comply with the minimum established under the Spanish Companies Law.

Nonetheless, to validly approve the issuance of bonds, the increase or reduction of capital, the transformation, merger or spin-off of the Company, and in general any necessary amendment to the Articles of Association, the Ordinary or Extraordinary Shareholders' Meeting will need: on the first call, that the Shareholders, either present or represented by proxy, represent at least fifty percent (50%) subscribed voting capital and on the second call, that the Shareholders, either present or represented by proxy, represent at least twenty five percent (25%) of the subscribed voting capital.

In the event the shareholders attending represent less than fifty percent (50%) of the subscribed voting capital, the resolutions referred to in the previous paragraph will only be validly adopted with the favourable vote of two-thirds(2/3) of the present or represented capital in the General Meeting.

4.6. BOARD OF THE GENERAL MEETING

The Chairperson of the General Meeting is appointed by the meeting itself and must be a person who meets the same requirements of independence as for independent Directors. The appointment is for three years and may be re-elected once only.

Since June 4th 2008, the position of Chairperson of the General Meeting has been held by Rui Chancerelle de Machete, whose work address is PLMJ, A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados, RL, Av. da Liberdade, 224, Edifício Eurolex, 1250-148 Lisboa, Portugal.

In addition to the Chairperson, the Board of the General Meeting is made up of the Chairperson of the Board of Directors, or his replacement, the other Directors and the Secretary of the Board of Directors.

The position of Secretary of the General Meeting is occupied by the non-member Secretary of the Board of Directors, Emilio García-Conde Noriega, whose work address is that of the Company.

The Chairperson of the General Meeting of EDPR has the appropriate human and logistical resources for his needs, considering the economic situation of EDPR, in that, in addition to the resources from the Company Secretary and the legal support provided for the purpose, the Company hires a specialized entity to collect, process and count votes.

In 2010, the remuneration of the Chairperson of the General Meeting of EDPR was EUR 15,000.

4.7. MINUTES AND INFORMATION ON DECISIONS

Given that EDPR is a listed company on Eurolist by Euronext Lisbon, shareholders have access to corporate governance information at www.edprenovaveis.com. Extracts of General Meeting minutes and the invitation, agenda, motions submitted to the General Meeting and forms of participation shall be placed at shareholders' disposal five (5) days after they are held.

Given the personal nature of the information involved, the history does not include attendance lists at general meetings, although, in accordance with CMVM Circular nr. 156/EMIT/DMEI/2009/515, when General Meetings are held, EDPR plans to replace them by statistical information indicating the number of shareholders present and distinguishing between the number of physical presences by mail.

EDPR therefore publishes on its website an extract of the minutes of General Meetings with all information on the constitution of the General Meeting and decisions made by it, including motions submitted and any explanations of votes.

The website also provides EDPR shareholders with information on: i) requirements for participating in the General Meeting, ii) mail and electronic communication votes iii) information available at the registered office.

4.8. MEASURES REGARDING CONTROL AND CHANGES OF CONTROL OF THE COMPANY

The Company has taken no defensive measures that might seriously affect its assets in any of the cases of a change in control in its shareholder structure or the Board of Directors.

The Articles of Association contain no limitations on the transferability of shares or voting rights in any type of decision and no limitations on membership of the governing bodies of EDPR. Neither are there any decisions that come into effect as a result of a takeover bid.

The fact that the Company has not adopted any measures designed to prevent successful takeover bids is therefore in line with Recommendation I.6.1 of the CMVM Code of Corporate Governance.

On the other hand, EDPR has not entered into any agreements (current or future) subject to the condition of a change in control of the Company, other than in accordance with normal practice in case of financing of certain wind farm projects by some of its group companies.

Finally, there are no agreements between the Company and members of its Board of Directors or managers providing for compensation in the event of resignation of discharge of Directors or in the event of resignation, dismissal without just cause or cessation of the working relationship following a change in control of the Company.

4.9. GENERAL MEETING OF SHAREHOLDERS IN 2010

On April 13th 2010, took place in Oviedo the Ordinary General Meeting of Shareholders of the company "EDP Renováveis, S.A.".

The Meeting's validity was ascertained by the meetings' President, and the definitive quorum of members was:

- 56 shareholders were present, holding 4,116,370 shares making up for 0.472% of the share capital, and

- 62 shareholders were represented, holding 695,343,366 shares making up for 79.713% of the share capital.

A total of 118 shareholders attended the General Meeting, including those present and those represented, holding a total of 699,459,736 shares which constitutes a nominal amount of EUR 3,497,298,680 of the share capital, that is, 80.185% of the mentioned share capital.

The ten proposals submitted to approval at the General Meeting were all approved. Extracts of the 2010 General Meeting minutes and the invitation, agenda, motions submitted to the General Meeting and forms of participation are available at the company's website www.edprenovaveis.com.

5. REMUNERATION

5.1. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND ITS AUDIT AND CONTROL COMMITTEE

Pursuant to Article 26 of the Company's Articles of Association, the remuneration of the members of the Board of Directors shall consist of a fixed amount to be determined by the General Meeting for the whole Directors and expenses for attending Board meetings.

The above article also establishes the possibility of the Directors being remunerated with Company shares, share options or other securities granting the right to obtain shares, or by means of share-indexed remuneration systems. In any case, the system chosen must be approved by the General Meeting and comply with current legal provisions.

The Nominations and Remunerations Committee is responsible for proposing to the Board of Directors, although not bindingly, the system, distribution and amount of remuneration of the Directors on the basis of the overall amount of remuneration authorized by the General Meeting. It can also propose to the Board the terms of contracts with the Directors. The distribution and exact amount paid to each Director and the frequency and other details of the remuneration shall be determined by the Board on the basis of a proposal from the Nominations and Remunerations Committee.

The maximum remuneration approved by the General Meeting of Shareholders for 2010 for all the members of the Board of Directors is EUR 2,500,000.

5.2. PERFORMANCE-BASED COMPONENTS, VARIABLE COMPONENT AND FIXED AMOUNT

The remuneration of the Executive Committee is built in three blocks: fixed remuneration, annual and multi-annual bonus.

The annual bonus is defined as a maximum of 80% of the annual salary and is calculated based on the following indicators in each year of their term: (i) relative performance of total shareholder return of EDPR vs. capital market indexes and peer performance; (ii) return on invested capital; (iii) additional installed capacity (MW); (iv) net profits and EBITDA growth in 2010.

The multi-annual bonus is defined as a maximum of 120% of the annual salary and is calculated based on the same drivers as for annual bonus but measured on a multi-year timeframe to be paid at the end of the period and with additional environmental and social perspectives including, (i) the performance of the Sustainability Index applied to EDPR (DJSI method), (ii) EDPR Group's image in the national and international markets (through brand audit and surveys), (iii) its capacity to change and adapt to new market requirements (through surveys), (iv) fulfillment of strategic national and international targets.

The remuneration to the CEO was paid directly by EDPR while for the other members of the Executive Committee there was no direct payment to its members.

Although the remuneration for all the members of the Board of Directors is provided for, the members of the Executive Committee, with the exception of the CEO (who devotes most of his/her work to the activity of EDPR) are not remunerated.

This corporate governance practice of remuneration is in line with the model adopted by the EDP Group, in which the executive Directors of EDP do not receive any remuneration directly from the group companies on whose governing bodies they serve, but rather through EDP.

Nonetheless, in line with the above corporate governance practice, EDPR has signed an Executive Management Services Agreement with EDP, under which the Company bears the cost for the render of those services corresponding to the remuneration defined for the executive members of the Board of Directors.

The non-executive Directors only receive a fixed remuneration, which is calculated on the basis of their work exclusively as Directors or cumulatively with their membership on the Nominations and Remunerations Committee, Related Party Transactions Committee and the Audit and Control Committee.

EDPR has not incorporated any share remuneration or share purchase options plans as components of the remuneration of its Directors. No Director has entered into any contract with the company or third parties that have the effect of mitigating the risk inherent in the variability of the remuneration established by the company

5.3. ANNUAL REMUNERATION OF THE BOARD OF DIRECTORS INCLUDING THE AUDIT AND CONTROL COMMITTEE

The remuneration of the members of the Board of Directors for the year ended on December 31st 2010 was as follows:

Remuneration	Euros			
	Fixed	Variable		Total
		Annual	Multi-annual	
Executive Directors				
António Mexia*	-	-	-	-
Ana Maria Fernandes (CEO)*	384.000	208.939	-	592.939
Antonio Martins da Costa*	-	-	-	-
João Manso Neto*	-	-	-	-
Nuno Alves*	-	-	-	-
Non-Executive Directors				
António Nogueira Leite	60.000	-	-	60.000
Daniel M. Kammen	45.000	-	-	45.000
Francisco José Queiroz de Barros de Lacerda	60.000	-	-	60.000
Gilles August	45.000		-	45.000
João Lopes Raimundo	55.000	-	-	55.000
João Manuel de Mello Franco	80.000	-	-	80.000
Jorge Santos	60.000	-	-	60.000
José Araújo e Silva	0	-	-	0
José Silva Lopes	60.000	-	-	60.000
Manuel Menéndez Menéndez	45.000	-	-	45.000
Rafael Caldeira Valverde	55.000	-	-	55.000
Total	**949.000**	**208.939**		**1.157.939**

* With exception of the CEO, the members of the Executive Committee have not received any remuneration from EDPR. EDPR has entered in an Executive Management Services Agreement with EDP pursuant to which EDPR is due to pay to EDP an amount of EUR 836,400 for the management services rendered by EDP in 2010.

The retirement savings plan for the members of the Executive Committee acts as an effective retirement supplement and corresponds to 5% of their annual salary.

The Directors do not receive any relevant non-monetary benefits as remuneration.

Additionally the remuneration of the members of the Management Team, excluding the Chief Executive Officer, was as follows:

Remuneration	Euros			
	Fixed	Variable		Total
		Annual	Multi-annual	
Management Team	954.662	297.000	0	1.251.662

5.4. STATEMENT ON REMUNERATION POLICY

The Nomination and Remunerations Committee assists and reports to the Board of Directors about the remunerations of the Board and the Management Team, proposing to the Board, within the limits established in the Articles of Association, the remuneration system, distribution method and amounts payable to the Directors that must be submitted to the approval of the General Meeting of Shareholders. This committee defines the remuneration and is sought to ensure that it reflects the performance of all members in each year (variable annual remuneration) and their performance throughout the term of their office by means of a variable component consistent with the maximization of the Company's long-term performance (multi-annual variable remuneration). This is intended to ensure the alignment of the Board of Directors' performance with the shareholders' interests. A statement on remuneration policy will be submitted to the next General Meeting of Shareholders, for approval.

5.5. GENERAL MEETING'S ASSESSMENT OF COMPANY REMUNERATION POLICY AND PERFORMANCE EVALUATION OF ITS GOVERNING BODIES

The General Meeting is responsible for appointing the Board of Directors, which appoints the Nominations and Remunerations Committee, who is part of the Board and responsible for submitting the statement on remuneration policy for the Company's corporate bodies.

One of the General Meeting's duties includes appraising the above mentioned statement.

Pursuant to Article 164 of the Spanish Companies Law, the General Meeting evaluates the performance of the company's management and makes an annual decision on whether to maintain confidence, or not, in their members.

5.6. ATTENDANCE AT THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF A REPRESENTATIVE OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE

At least one of the members of the Nominations and Remunerations Committee will be present or represented at the General Meeting of Shareholders of EDPR.

5.7. PROPOSAL ON THE APPROVAL OF PLANS ON SHARE REMUNERATION AND/OR SHARE PURCHASE OPTIONS OR ON THE BASIS OF SHARE PRICE FLUCTUATIONS

The Company has not approved any plans for share remuneration or share purchase options or plans based on share price fluctuations.

5.8. AUDITOR'S REMUNERATION

For the year ended on December 31st 2010, the fees paid to KPMG Auditores, S.L. for the audit and statutory audit of accounts and financial statements, other assurance and reliability services, tax consultancy services and other services unrelated to statutory auditing are as follows:

Values in €	Portugal	Spain	Brazil	USA	Other	Total
Audit and statutory audit of accounts and financial statements	193,000	689,856	69,479	727,908	221,211	1,901,454
Other assurance and reliability services (*)	209,500	51,790	-	174,196	12,950	448,436
Sub-total audit related services	402,500	741,646	69,479	902,104	234,161	2,349,890
Tax consultancy services	-	17,000	-	481,402	-	498,402
Other services unrelated to statutory auditing	800	-	-	-	-	800
Sub-total non-audit related services	800	17,000	-	481,402	-	499,202
Total	403,300	758,646	69,479	1,383,506	234,161	2,849,092

(*) the fees regarding the inspection of the Internal Control System (SCIRF) of EDPR EU (EUR 100.000) and of EDPR NA (EUR 100.000) are allocated to Portugal, as their invoices were issued in this country.

In EDPR there is a policy of pre-approval by the Audit and Control Committee for the selection of the External Auditor and any related entity for non-audit services, according to Recommendation III.1.5 of the Portuguese Corporate Governance Code. This policy was strictly followed during 2010.

6. CAPITAL MARKETS

6.1. SHARE PERFORMANCE AND DIVIDEND POLICY

6.1.1. SHARE DESCRIPTION

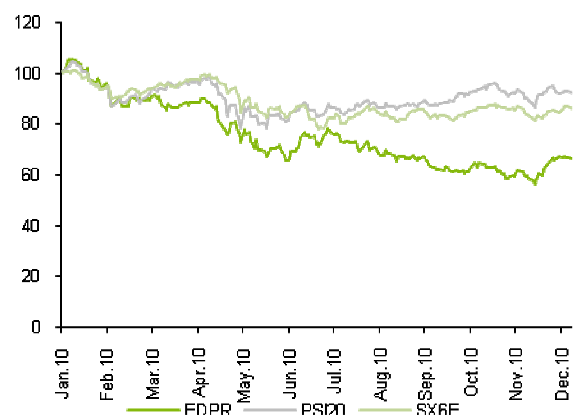
The shares representing 100% of the EDPR share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on June 4th 2008. The then the free float level is unchanged at 22.5%.

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

6.1.2 SHARE PRICE PERFORMANCE

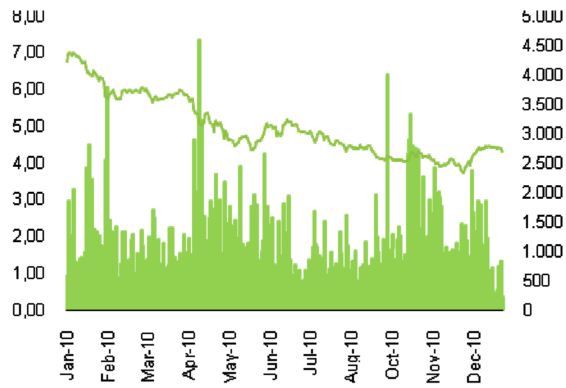
EDPR's equity market value at December 31st 2010 was EUR 3.8 billion. In 2010 the share price depreciated by 35% to EUR 4.34 per share, underperforming the PSI-20 (the NYSE Euronext Lisbon reference index), the Euronext 100 and the Dow Jones Eurostoxx Utilities ("SX6E"). The year's low was recorded on November 30th (EUR 3.72) and the year's high was reached on January 8th (EUR 7.01).

EDPR vs PSI20 vs DJ Eurostoxx Utilities



In 2010 were traded more than 311 million EDPR shares, representing a 21% year-on-year increase in its liquidity, and corresponding to a turnover of approximately EUR 1.5 billion. On average, 1.2 million shares were traded per day. The total number of shares traded represented 36% of the total shares admitted to trading and to 159% of the company's free float, translating in the higher liquidity level since the IPO.

2010: EDPR Share Price and Transactions



Capital Market Indicators	2010	2009	2008
EDPR shares in NYSE Euronext Lisbon			
Opening price* (€)	6.63	5.00	8.00
Closing price (€)	4.34	6.63	5.00
Peak price (€)	7.01	7.75	8.00
Minimum price (€)	3.72	5.00	3.45
Variation in share price and reference indices			
EDP Renováveis (%)	-35%	33%	-37%
PSI20 (%)	-10%	33%	-51%
Dow Jones Eurostoxx Utilities (%)	-15%	-1%	-38%
Euronext 100 (%)	1%	25%	-45%
Liquidity of EDPR shares on the market			
Volume in NYSE Euronext (€ million)	1,539	1,676	1,646
Daily average volume (€ million)	6.0	6.4	11.0
Number of shares traded (million)	311	257	216
Average number of shares traded (thousand)	1,211	985	1,459
Total shares issued (million)	872	872	872
Number of own shares	0	0	0
Free float	196	196	196
Annual rotation of capital (% of total shares)	36%	29%	25%
Annual rotation of capital (% of free-float)	159%	131%	110%
EDPR market value			
Market capitalization at end of period (€ million)	3,783	5,783	4,364

(*) January 1st, 2009 and June 4th, 2008, respectively.

The graph below shows the evolution in EDPR prices over the year and all announcements and relevant events that may had impact on them.

Main events affecting EDPR's share price in 2010

#	Date	Description	Share Price
1	8/Jan	EDPR awarded 1.3 GW of wind offshore capacity in the UK	7,01
2	25/Jan	EDPR signed a long-term agreement to sell green certificates in Poland	6,38
3	27/Jan	EDPR entered the Italian market through the acquisition of 520 MW to be developed	6,44
4	3/Feb	EDPR disclosed 2009 provisional data	6,18
5	17/Feb	EDPR signs a Power Purchase Agreement (PPA) with Tennessee Valley Authority in the United States	5,76
6	25/Feb	EDPR announced 2009 results	5,97
7	12/Apr	EDPR was awarded a REC contract by NYSERDA	5,96
8	13/Apr	EDPR Annual Shareholder Meeting	5,90
9	22/Apr	EDPR disclosed 1Q2010 provisional data	5,37
10	26/Apr	EDPR awarded Vestas a procurement contract to deliver up to 2.1 GW of wind capacity	5,12
11	5/May	EDPR announced 1Q2010 results	5,10
12	19/May	EDPR holds its first Investor Day in Lisbon	4,65
13	28/Jun	EDPR fully closed Vento III institutional partnership structure through the sale of the remaining stake amounting to $141 million	4,98
14	2/Jul	Spanish Government and Spanish wind association reach a long term agreement	4,80
15	6/Jul	Government of Cantabria awards 220 MW To EDPR	5,09
16	8/Jul	Romania approves new wind regulation	5,13
17	13/Jul	EDPR discloses relevant short position	5,02
18	14/Jul	EDPR disclosed its 1H2010 provisional data	5,05
19	28/Jul	EDPR disclosed its 1H2010 financial results	4,70
20	27/Sep	EDPR establishes new institutional partnership structure incorporating the cash grant in lieu of PTC for 99 mw in the US	4,10
21	30/Sep	EDPR executes 535 million Zlotys project finance for 120 MW in Poland	4,15
22	14/Oct	EDPR disclosed its 9M2010 provisional data	4,06
23	3/Nov	EDPR disclosed its 9M2010 financial results	4,12
24	15/Nov	EDPR signs new PPA for 99 MW in the US	3,97
25	30/Nov	EDPR signs new PPA for 83 MW in the Us	3,72
26	8/Dec	Spanish Government publishes new Royal Decree providing regulatory stability to the wind energy sector	4,24
27	9/Dec	EDPR establishes new institutional partnership structure incorporating the cash grant in lieu of PTC for 101 MW in the US	4,25
28	13/Dec	EDPR signs new PPA for 198 MW in the US	4,44
29	16-dic	EDPR secures new PPA for 175 MW in the US	4,39
30	20-dic	US approves the extension of the ITC cash reimbursement	4,43

6.1.3. DIVIDEND POLICY

The distribution of dividends must be proposed by EDPR's Board of Directors and authorized by a resolution approved in the Company's Shareholders Meeting.

In keeping with the legal provisions in force, namely the Spanish Companies Law, the EDPR Articles of Association require that profits for a business year consider:

- The amount required to serve legal reserves;
- The amount agreed by the same General Meeting to allocate to dividends of the outstanding shares;
- The amount agreed by the General Meeting to constitute or increase reserve funds or free reserves;
- The remaining amount shall be booked as surplus.

The expected dividend policy of EDPR, as announced in the IPO, is to propose dividends' distribution each year representing at least 20% of EDPR's distributable profit. Also as announced in the IPO, EDPR Board of Directors can adjust this dividend policy as required to reflect, among other things, changes to our business plan and our capital requirements, and there can be no assurance that in any given year a dividend will be proposed or declared.

In view of the current economic and regulatory environment in the countries in which EDPR holds investments, of the net results obtained in fiscal year 2010 and of the revised business plan and capital requirements associated to it in a harder financial environment, the Board of Directors will propose at the Shareholder's Meeting, to be held in 2011, to retain the 2010 results as voluntary reserves.

6.2. COMMUNICATION WITH CAPITAL MARKETS

6.2.1. COMMUNICATION POLICY

The Communication Policy of EDPR seeks to provide to shareholders, potential investors and stakeholders all the relevant information about the Company and its business environment. The promotion of transparent, consistent, rigorous, easily accessible and high-quality information is of fundamental importance to an accurate perception of the company's strategy, financial situation, accounts, assets, prospects, risks and significant events.

EDPR therefore look for to provide investors with information that can support them make informed, clear, concrete investment decisions.

An Investor Relations Office was created to ensure a direct and permanent contact with all market related agents and stakeholders, to guarantee the equality between shareholders and to prevent imbalances in the information access.

EDPR make use of its corporate website as a major channel to publish all the material information and ensures that all the relevant information on its activities and results is always up-to-date and available.

6.2.2. INVESTOR RELATIONS DEPARTMENT

The EDPR Investor Relations Department (IRD) acts as an intermediary between the EDPR management team and a vast universe of shareholders, financial analysts, investors and the market in general. Its main purposes are to guarantee the principle of equality among shareholders, prevent asymmetries in access to information by investors and reduce the gap in the perception of the company's strategy and intrinsic value. This department is responsible for developing and implementing the company's communication strategy and maintaining an appropriate institutional and informative relationship with the financial market, the stock exchange at which EDPR shares are traded and their regulatory and supervisory bodies (CMVM – Comissão do Mercado de Valores Mobiliários in Portugal and CNMV – Comisión Nacional del Mercado de Valores in Spain).

The Investor Relations Department is coordinated by Mr. Rui Antunes and is located at the company's Madrid office. Its contact details are as follows:

Calle Serrano Galvache, 56
Centro Empresarial Parque Norte
Edificio Olmo – 7th Floor
28033 Madrid, Spain
Telephone: +34 902 830 700
Fax: +34 914 238 429
E-mail: ir@edprenovaveis.com

6.2.3. ACTIVITY IN 2010

In 2010, EDPR has promoted and participated in several events, namely roadshows, presentations, conferences, meetings and conference calls, where apart from reinforcing its relationship with investors had the opportunity to introduce the Company and to answer queries about its strategy, performance and business environment. More than 400 meetings were held with institutional investors in the main financial cities of Europe and of the US as well as in the Company's Offices, being it a strong evidence of investor's high interest in the company and its business environment.

It is also worth highlight the completion of the company's first Investor Day, which was held on May 21st 2010 in Cascais, Portugal, where the company Management Team took the opportunity to update investors and analysts about its strategy, outlook and follow-up of its business areas.

EDPR usually publishes its price sensitive information before the opening of the NYSE Euronext Lisbon stock exchange through CMVM's information system, makes it available on the website investors' section and sends it by e-mail for the department mailing list.

On each earnings announcement, a conference call with webcast access was promoted, at which the Company's management updated on EDPR's activities. On each of these events, shareholders, investors and analysts had the opportunity to directly submit their questions and to discuss EDPR's results as well the company's outlook.

The Department remained in permanent contact with the financial analysts who evaluate the company and with all shareholders and investors by e-mail, phone or face-to-face meetings. In 2010, as far as the company is aware of, were issued by sell-side analysts more than 200 reports evaluating its performance.

6.2.4. ANALYSTS

As a world leader in renewable energy and being one of the biggest listed companies in the sector, EDPR is permanently under analysis and valuation.

At the end of the 2010, as far as the company is aware of, there were 29 institutions elaborating research reports and following actively the Company's activity. As of December 31st 2010, the average price target of those analysts was of € 6.03 per share with most of them reporting positive recommendations on EDPR's share: 21 Buys, 7 Neutrals and only 1 Sell.

Analysts' recommendation on EDPR's share at 31-Dec-2010

Company	Analyst	Price Target	Recommendation	Date
Goldman Sachs	Mariano Alarco	5.80	Buy	16/Dec/10
Morgan Stanley	Allen Wells	6.10	Overweight	15/Dec/10
Caixa BI	Helena Barbosa	6.65	Buy	14/Dec/10
Société Générale	Didier Laurens	5.80	Buy	13/Dec/10
Fidentiis	Daniel Rodríguez	6.00	Buy	10/Dec/10
UBS	Alberto Gandolfi	5.00	Buy	7/Dec/10
Deutsche Bank	Virginia Sanz de Madrid	6.50	Hold	26/Nov/10
BPI	Bruno Almeida da Silva	6.35	Buy	19/Nov/10
Citigroup	Manuel Palomo	5.40	Buy	18/Nov/10
BCP	Vanda Mesquita	6.75	Buy	16/Nov/10
RBS	Chris Rogers	5.90	Buy	11/Nov/10
Redburn Partners	Archie Fraser	7.46	Buy	10/Nov/10
Arkeon Finance	Alexandre Koller	4.20	Sell	9/Nov/10
JP Morgan	Sarah Laitung	5.90	Overweight	5/Nov/10
BES	Fernando Garcia	6.30	Buy	5/Nov/10
BNP Paribas	José Fernandez	4.90	Neutral	4/Nov/10
Berenberg	Benita Barretto	5.50	Buy	4/Nov/10
Barclays Capital	Rupesh Madlani	6.50	Equalweight	4/Nov/10
BoAML	Matthew Yates	6.40	Buy	3/Nov/10
Natixis	Céline Chérubin	4.00	Neutral	29/Oct/10
Credit Suisse	Maria Eulália Izquierdo	5.30	Outperform	29/Oct/10
HSBC	James Magness	7.25	Overweight	18/Oct/10
Santander	Joaquin Ferrer	7.00	Buy	24/Sep/10
Nomura	Raimundo Fernandez-Cuesta	5.75	Neutral	6/Sep/10
Sabadell	Jorge Gonzalez	6.77	Buy	30/Jul/10
Unicredit	Javier Suárez	5.50	Hold	28/Jul/10
Banesto	José Brito Correia	6.61	Overweight	22/Jun/10
BBVA	Daniel Ortea	7.90	Outperform	10/Jun/10
Macquarie	Shai Hill	5.40	Neutral	7/May/10

6.2.5. ONLINE INFORMATION: WEBSITE AND E-MAIL

EDPR considers online information a powerful tool in the dissemination of material information updating its website with all the relevant documents. Apart from all the required information by CMVM regulations, the Company website also carries financial and operational updates of EDPR's activities ensuring all an easy access to information.

	Portuguese	English	Spanish
Identification of the company	√	√	√
Financial statements	√	√	√
Regulations of the management and supervisory bodies	√	√	√
Audit and Control Committee Annual report	√	√	√
Investor Relations Department - functions and contact details	√	√	√
Articles of association	√	√	√
Calendar of company events	√	√	√
Invitation to General Meeting	√	√	√
Proposal submitted for discussion and voting at General Meetings	√	√	√
Minutes of the General Meeting of Shareholders	√	√	√

ANNEX I

MAIN POSITIONS HELD BY MEMBERS OF BOARD OF DIRECTORS IN LAST FIVE YEARS

Name	Position
ANTÓNIO MEXIA	
	CEO of EDP - Energias de Portugal, S.A.
ANA MARIA FERNANDES	
	Director of EDP - Energias de Portugal, SA
ANTÓNIO MARTINS DA COSTA	
	CEO and Vice-Chairperson of EDP Energias do Brasil, SA CEO and Chairperson of Horizon Wind Energy LLC Director of EDP - Energias de Portugal, SA
JOÃO MANSO NETO	
	Chairperson of the Executive Committee of EDP Produção CEO and Vice-Chairperson of Hidroeléctrica del Cantábrico, SA Member of the Executive Board of Directors of EDP - Energias de Portugal, SA
NUNO ALVES	
	Executive Director of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets Member of the Executive Board of Directors of EDP - Energias de Portugal, SA (CFO)
ANTÓNIO NOGUEIRA LEITE	
	Director of the Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, SA Managing Director José de Mello, SGPS, SA Director of Companhia União Fabril CUF, SGPS, SA Director of Quimigal, SA Director of CUF - Químicos Industriais,SA Director of ADP, SA-CUF Adubos Director of Sociedades de Explosivos Civic, SEC, SA Director of Brisa, SA Director of Efacec Capital, SGPS, SA Director of Comitur, SGPS, SA Director of Comitur Imobiliária, SA Director of Expocomitur - Promoções e Gestão Imobiliária, SA Director of Herdade do Vale da Fonte - Sociedade Agrícola, Turística e Imobiliária, SA Director of Sociedade Imobiliária e Turística do Cojo, SA Director of Sociedade Imobiliária da Rua das Flores, nº 59, SA Director of José de Mello Saúde, SGPS, SA Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, SA Member of the Advisory Board of IGCP Vice-Chairperson of Fórum para a Competitividade

Name	Position
	Director of José de Mello Investimentos, SGPS, SA Director of Fundação de Aljubarrota Chairperson of Associação Oceano XXI (cluster do Mar)
DANIEL M. KAMMEN	
	Founding Director of Renewable and Appropriate Energy Laboratory (RAEL) at University of California, Berkeley Lecturer in Nuclear Energy at the University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at Goldman School of Public Policy at University of California, Berkeley Co-Director of the Berkeley Institute of the Environment Member of the Executive Committee of Energy Biosciences Institute
FRANCISCO JOSÉ QUEIROZ DE BARROS DE LACERDA	
	Director of Banco Comercial Português, SA and several subsidiaries Director of Mague - SPGS, SA
GILLES AUGUST	
	Co-founder of August & Debouzy. He now manages the firm's corporate department.
JOÃO LOPES RAIMUNDO	
	Chairperson of the Board of Banque BCP Luxembourg Chairperson of the Board of Directors of Banque BCP France Director of Banque Orive BCP Switzerland Managing Director of Banco Comercial Português Vice-Chairperson of the Board of Millenniun Angola Director of Banco Millennium BCP de Investimento Vice-Chairperson of the Board of Millennium Bank, NA (USA)
JOÃO MANUEL DE MELLO FRANCO	
	Director of Portugal Telecom SGPS, SA Chairperson of the Audit Committee of Portugal Telecom SGPS, SA Member of the Remunerations Committee of Portugal Telecom SGPS, SA Member of the Evaluation Committee of Portugal Telecom SGPS, S.A. Member of the Corporate Governance Committee of Portugal Telecom SGPS, SA
JORGE SANTOS	
	Full Professor of Economics at Instituto Superior de Economia e Gestão, da Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG
JOSÉ ARAÚJO E SILVA	
	Director of Corticeira Amorim, SGPS, SA Member of the Executive Committee of Corticeira, SGPS, SA Director of Caixa Geral de Depósitos
JOSÉ SILVA LOPES	

Name	Position
	Chairperson of the Board of Directors Montepio Geral
MANUEL MENÉNDEZ MENÉNDEZ	
	Director of EDP - Energias de Portugal, SA Chairperson of Cajastur Chairperson of Hidroeléctrica del Cantábrico, SA Chairperson of Naturgas Energía, SA Director of EDP Renewables Europe, SL Representative of Peña Rueda, SL in the Board of Directors of Enagas, SA Member of the Board of Confederación Española de Cajas de Ahorro Member of the Board of UNESA
RAFAEL CALDEIRA VALVERDE	
	Vice-Chairperson of the Board of Directors Banco Espirito Santo de Investimento, SA Member of the Executive Committee of Banco Espirito Santo de Investimento, SA

ANNEX II

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

IN COMPANIES NOT BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

Name	Position
ANTÓNIO MEXIA	
	N/A
ANA MARIA FERNANDES	
	N/A
ANTÓNIO MARTINS DA COSTA	
	N/A
JOÃO MANSO NETO	
	N/A
NUNO ALVES	
	N/A
ANTÓNIO NOGUEIRA LEITE	
	Director of the Instituto Português de Relações Internacionais, UNL Director of Reditus, SGPS, SA Managing Director José de Mello, SGPS, SA Director of Companhia União Fabril CUF, SGPS, SA Director of Quimigal, SA Director of CUF-Químicos Industriais,SA Director of ADP, SA-CUF Adubos Director of Sociedades de Explosivos Civic, SEC, SA Director of Brisa, SA Director of Efacec Capital, SGPS, SA Director of Comitur, SGPS, SA Director of Comitur Imoboiliária, SA Director of Expocomitur - Promoções e Gestão Imobiliária, SA Director of Herdade do Vale da Fonte-Sociedade Agrícola, Turística e Imobiliária, SA Director of Sociedade Imobiliária e Turística do Cojo, SA Director of Sociedade Imobiliária da Rua das Flores, nº 59, SA Director of José de Mello Saúde, SGPS, SA Vice-Chairperson of the Advisory Board of Banif Banco de Investimentos Chairperson of the General Supervisory Board of Opex, SA Member of the Advisory Board of IGCP Vice-Chairperson of Fórum para a Competitividade Director of José de Mello Investimentos, SGPS, SA Director of Fundação de Aljubarrota Chairperson of Associação Oceano XXI (cluster do Mar)
DANIEL M. KAMMEN	

Name	Position
	Founding Director of Renewable and Appropriate Energy Laboratory (RAEL) at University of California, Berkeley Lecturer in Nuclear Energy at the University of California, Berkeley Lecturer in the Energy and Resources Group at University of California, Berkeley Lecturer in public policy at Goldman School of Public Policy at University of California, Berkeley Co-Director of the Berkeley Institute of the Environment Member of the Executive Committee of Energy Biosciences Institute Chief Technical Specialist, Renewable Energy and Energy Efficiency, The World Bank
FRANCISCO JOSÉ QUEIROZ DE BARROS DE LACERDA	
	CEO of Cimpor - Cimentos de Portugal, SGPS, SA Chairperson of Cimpor Inversiones, SA Chairperson of Sociedade de Investimento Cimpor Macau, SA Manager of Deal Winds - Sociedade Unipessoal, Lda
GILLES AUGUST	
	Co-founder of August & Debouzy. He now manages the firm's corporate department.
JOÃO LOPES RAIMUNDO	
	Director of CIMPOR - Cimentos de Portugal SGPS, S.A. Chairperson of the Board of BCP Holdings USA, Inc Managing Director of Banco Comercial Português
JOÃO MANUEL DE MELLO FRANCO	
	Director of Portugal Telecom SGPS, SA Chairperson of the Audit Committee of Portugal Telecom SGPS, SA Member of the Remunerations Committee of Portugal Telecom SGPS, SA Member of the Evaluation Committee of Portugal Telecom SGPS, S.A. Member of the Corporate Governance Committee of Portugal Telecom SGPS, SA
JORGE SANTOS	
	Full Professor of Economics at Instituto Superior de Economia e Gestão, da Universidade Técnica de Lisboa Member of the Assembly of Representatives of Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa Coordinator of the PhD course in Economics at ISEG
JOSÉ ARAÚJO E SILVA	
	Director of Corticeira Amorim, SGPS, SA Member of the Executive Committee of Corticeira, SGPS, SA Director of Caixa Geral de Depósitos
JOSÉ SILVA LOPES	
	Chairperson of the Board of Directors of Montepio Geral
MANUEL MENÉNDEZ MENÉNDEZ	
	Chairperson of Cajastur Representative of Peña Rueda, SL in the Board of Directors of Enagas, SA

Name	Position
	Member of the Board of Confederación Española de Cajas de Ahorro Member of the Board of UNESA
RAFAEL CALDEIRA VALVERDE	
	Vice-Chairperson of the Board of Directors Banco Espirito Santo de Investimento, SA Member of the Executive Committee of Banco Espirito Santo de Investimento, SA

ANNEX III

CURRENT POSITIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

IN COMPANIES BELONGING TO THE SAME GROUP AS EDP RENOVÁVEIS, S.A.

	António Mexia	Ana Maria Fernandes	António Martins da Costa	João Manso Neto	Nuno Alves	Manuel Menéndez Menéndez
EDP - Energias de Portugal, S.A.	Chairperson of the Executive Board of Directors	Director	Director	Director	Director	
EDP - Gestão da Produção de Energia, S.A.				Chairperson of the Board of Directors		
EDP - Energias do Brasil, S.A.	Chairperson of the Board of Directors	Director			Director	
EDP - Estudos e Consultoria, S.A.					Chairperson of the Board of Directors	
EDP - Soluções Comerciais, S.A.			Chairperson of the Board of Directors			
EDP - Imobiliária e Participações, S.A.					Chairperson of the Board of Directors	
EDP Valor - Gestão Integrada de Serviços, S.A.					Chairperson of the Board of Directors	
Sãvida - Medicina Apoiada, S.A.					Chairperson of the Board of Directors	
SCS - Serviços Complementares de Saúde, S.A.					Chairperson of the Board of Directors	
Energia RE, S.A.					Chairperson of the Board of Directors	
Hidroeléctrica del Cantábrico, S.A.		Director	Director	Vice-Chairperson of the Board of Directors	Director	Chairperson of the Board of Directors
Naturgás Energia, S.A.				Vice-Chairperson of the Board of Directors		Chairperson of the Board of Directors
EDP Investimentos, SGPS, S.A.				Chairperson of the Board of Directors		
EDP Gás III, SGPS, S.A.				Chairperson of the Board of Directors		
EDP Gás II, SGPS, S.A. (ex-NQF Gás, SGPS, S.A.)				Chairperson of the Board of Directors		
EDP Gás - SGPS, S.A.				Chairperson of the Board of Directors		
EDP Internacional, S.A.			Chairperson of the Board of Directors			
Horizon Wind		Chairperson of				

	António Mexia	Ana Maria Fernandes	António Martins da Costa	João Manso Neto	Nuno Alves	Manuel Menéndez Menéndez
Energy, LLC		the Board of Directors				
EDP Renewables Europe, SL		Chairperson of the Board of Directors				Director
Balwerk – Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.					Manager	
EDP Ásia - Investimentos e Consultoria Lda.			Chairperson of the Board of Directors			
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	Permanent Representative	Permanent Representative	Permanent Representative	Permanent Representative	Permanent Representative	
EDP Gás.com - Comércio de Gás Natural, S.A.				Director		
EDP Finance BV	Representative	Representative	Representative	Representative	Representative	
Electricidade de Portugal Finance Company Ireland Lt.					Director	
ENEOP - Eólicas de Portugal, S.A.		Chairperson of the Board of Directors				
EDP Renováveis Brasil, S.A.		Chairperson of the Board of Directors				
EDP - Ásia Soluções Energéticas Limitada			Chairperson of the Board of Directors			
Empresa Hidroeléctrica do Guadiana, S.A.				Chairperson of the Board of Directors		
EDP Projectos, SGPS, S.A.			Director	Director		
EDP Energia Ibérica S.A.				Director		
Enagás, S.A.						Permanent Representative

ANNEX IV

BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Chairperson)

Received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was also a member of the governing boards of Universidade Nova de Lisboa and of Universidade Católica, where he was Director from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairperson of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and in 1998 he was appointed Chairperson of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairperson of the Board of Directors. From 2001 to 2004, he was the Executive Chairperson of Galp Energia and Chairperson of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairperson of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairperson of the Portuguese Industrial Association (AIP) and Chairperson of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. Since March 31st, 2006 Mr. Mexia is the Chief Executive Officer of EDP - Energias de Portugal, S.A.

Ana Maria Machado Fernandes (Vice-Chairperson and Chief Executive Officer)

Graduated in Economics from the Faculty of Economics at Oporto (1986). She received a postgraduate degree in Finance from the Faculty of Economics of Universidade do Porto and an MBA from the Escola de Gestão do Porto (1989). She lectured at the Faculty of Economics of Universidade do Porto from 1989 until 1991. She began her professional career in 1986 at Conselho – Gestão e Investimentos, a company of the Banco Português do Atlântico Group, in the capital markets, investments and business restructuring field. In 1989 she began working at Efisa, Sociedade de Investimentos, in the area of corporate finance, and was later made a Director of Banco Efisa. In 1992 she joined the Grupo Banco de Fomento e Exterior as Director in the area of investment banking and was Head "Corporate Finance" at BPI between 1996 and 1998. In 1998 she joined Gás de Portugal as Director of Strategic Planning and M&A and in 2000 became Director of Strategy and Portfolio Management of Galp Business. She later became president of Galp Power and Director of Transgás. In 2004 she was appointed a Director of the

Board of Galp Energia. Since March 31st, 2006 Mrs. Fernandes is a Director of EDP - Energias de Portugal, S.A.

António Fernando Melo Martins da Costa

Holds a degree in Civil Engineering and an MBA from the University of Oporto, and has completed executive education studies at INSEAD (Fontainebleau), AESE (Lisbon) and the AMP of the Wharton School (University of Pennsylvania). Mr. António Martins da Costa was the Chairperson and CEO of Horizon Wind Energy and is a Director of EDP Renováveis. From 2003 to 2007, António Martins da Costa was the CEO and Vice-Chairperson of the Board of Directors of Energias do Brasil and Chairperson of the Board of Directors of the Company's subsidiaries in Brazil. He started his professional career in 1976 as a lecturer at the Superior Engineering Institute of Porto, joined EDP in 1981 and In 1989 he moved to the financial sector, assuming the positions of General Manager of banking and Executive Director on the insurance companies, pension funds and asset management operations of Millenium BCP and Director of Eureko BV (Netherlands). Since 1999 he was also Deputy CEO and Vice-President of the Executive Board of PZU (Poland), the biggest insurance company and asset manager in Central and Eastern Europe. Since March 31st, 2006 Mr. Martins da Costa is a Director of EDP - Energias de Portugal, S.A.

João Manuel Manso Neto

Graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the master's degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1988 to 1995 he worked at Banco Português do Atlântico, occupying the positions of Supervisor for the International Credit Division, Head of the International Credit Division, Department Director, Deputy Central Director for International Management and Central Director of Financial Management and Retail Commerce South. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Director of Financial Management, General Manager of Large Institutional Businesses, General Manager of the Treasury, Director of BCP Banco de Investimento and Vice-Chairperson of BIG Bank Gdansk. From 2002 to 2003, in Banco Português de Negócios, he was the Chairperson of BPN Serviços ACE, Director of BPN SGPS, Director of Sociedade Lusa de Negócios and Director of Banco Efisa. He is still a voting Member of the OMEL Board of Directors. From 2003 to 2005 he worked at EDP as Director-General and Administrator of EDP

Produção. In 2005 he was named Appointed Adviser at HC Energía, Chairperson of Genesa and Director of Naturgas Energia and OMEL. Since March 31st, 2006 Mr. Manso Neto is a Director of EDP - Energias de Portugal, S.A.

Nuno Maria Pestana de Almeida Alves

Mr. Nuno Alves holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium BCP and in 1990 becomes an associate Director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the group and in 1994 he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium BCP Investimento, and, in 1997, Co Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairperson and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Director of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets

António Nogueira Leite

Born in 1962. Between 1988 and 1996, he held the position of consultant to several national and international institutions, including the Bank of Portugal, the OECD and the EC. Between 1995 and 1998, was general secretary of APRITEL, and between 2000 and 2002 was a Director of APRITEL. From 1997 to 1999, was a Director of Soporcel, S.A., between 1998 and 1999, was a Director of Papercel, S.A., and in 1999, was a Director of MC Corretagem, S.A. Also in 1999, he was appointed chairperson of the board of directors of Bolsa de Valores de Lisboa and became a member of the executive committee of Associação de Bolsas Ibero Americanas. Since 2000, Mr. Nogueira Leite has been a member of the consultative council of Associação Portuguesa para o Desenvolvimento das Comunicações. Between 2000 and 2002, was a consultant for Vodafone— Telecomunicações Pessoais,S.A., between 2001 and 2002, he was a consultant of GE Capital, and in 2002 was a member of the consultative council of IGCP. Since 2002, he has held various positions within the José de Mello group and has held Directorships with numerous other entities including Reditus, SGPS, S.A., Quimigal, S.A, Brisa, S.A., ADP, S.A., Comitur, SGPS, S.A., Comitur Imobiliária, S.A., Expocomitur— Promoções e Gestão Imobiliária, S.A., Herdade do Vale da Fonte—Sociedade Agrícola, Turística e Imobiliária, S.A., e SGPS, S.A., Efacec Capital, SGPS, S.A., and Cuf—Químicos Industriais, S.A. He held a further Directorship with Sociedade de Explosivos Civis, SEC, S.A. from 2007 to March 2008. Between October 1999 and August 2000, was Secretary of State for Treasury and Finance and Governor Substitute of the European Bank of Investments. Additionally held positions with the European Bank for Reconstruction and

Development, the International Monetary Fund and was a member of the Financial and Economic Council of the European Union. He was vice-chairperson of the consultative council of Banif Banco de Investimento, S.A., and chairperson of the general and supervision council of OPEX, S.A. He is Chairperson of Associação Oceano XXI (cluster do Mar).

Has an undergraduate degree in economics from the Universidade Católica Portuguesa, a master of science degree in economics, and a Ph.D. in economics from the University of Illinois.

Daniel M. Kammen

Born in 1962. Between 1988 and 1991, he was a research fellow in the division of engineering and applied science and the division of biology at the California Institute of Technology and a post-doctorate researcher of Weizmann & Bantrell in the engineering and applied science and biology department at California Institute of Technology. Between 1991 and 1993, he was a research collaborator for science and international affairs at the John F. Kennedy School of Government, Harvard University. Between 1991 and 1993, he was a research associate for the northeast regional centre for global environmental change and the department of physics, Harvard University. In 1993, he was appointed a permanent fellow at the African Academy of Sciences. Between 1993 and 1999, he was a member of the research faculty at the Centre for Energy and Environmental Studies at the School of Engineering and Applied Science at Princeton University. Between 1997 and 1999, he was Class of 1934 Preceptor at the Woodrow Wilson School of Public and International Affairs at Princeton University, and between 1998 and 1999 he was chair of the science, technology and environmental policy program (STEP) of the same institution. Between 1998 and 2001, he was an associate professor of the energy and resource group and between 1999 and 2001 was an associate professor of nuclear engineering at the University of California, Berkeley. In 1999, he was a founding Director of the renewable and appropriate energy laboratory (RAEL) of the University of California, Berkeley. From 2000 to 2001, he joined the core management team of the Commission of Power of California Public Interest Environmental Research—Environmental Area. Between 2004 and 2009, he was the Director of the University of California, Berkeley, and Industrial Technology Research Institute of Taiwan. In 2005, he was appointed co-Director of the Berkeley Institute of the Environment. In 2006, he was appointed a member of the Energy and Resources Group and in 2007 held the position of coordinator of the science and impact sector in the Energy Biosciences Institute. In addition, since 2001, he has been a professor of public policy of the Goldman School of Public Policy, University of California, Berkeley. He is also an author of several studies and has received several awards in the energy sector. Since 2010 he is the Chief Technical Specialist, Renewable Energy and Energy Efficiency at The World Bank.

He has an undergraduate degree, a masters degree and a Ph.D. each in physics.

Francisco José Queiroz de Barros de Lacerda

Born in 1960. From 1984 to 1985, he was an assistant professor at Universidade Católica Portuguesa. Between 1982 and 1990, he held the position of analyst, manager and Director of Locapor (Leasing), CISF and Hispano Americano Sociedade de Investimentos. Between 1990 and 2000 he developed his main activity at Banco Mello, as managing director since 1990 and as CEO between 1993 and 2000, being after 1997 also vice-chairperson of the Board of Directors, and, over that period, Chairperson or Director of several banks and financial companies' part of the Banco Mello group. He was simultaneously member of the top management team of the José de Mello group as Director of UIF, SGPS, and a non-executive Director of Insurance Company Império. Between 2000 and 2008, he was a member of the Executive Board of Directors of Banco Comercial Português, S.A., and in this capacity was responsible for the activities of the banking group in Central, Eastern & South-eastern Europe and in investment banking. He is a Director of Mague—SPGS, S.A. and business consultant to several companies. He has an undergraduate degree in company administration and management from Universidade Católica Portuguesa.

Gilles August

Born in 1957, between 1984 and 1986, he was a Lawyer at Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey Law Office in Washington DC. Between 1986 and 1991he was an Associate and later became partner at Baudel, Salès, Vincent & Georges Law Firm in Paris. In 1995 he co-founded August & Debouzy Law firm where he is presently working as the manager of the firm's corporate department. He has been a Lecturer at École Supérieur des Sciences Economiqueset Commerciales and at Collège de Polytechnique and is currently giving lecturers at CNAM (Conservatoite National des Arts et Métiers). He is Knight of the Lègion d'Honneur.

He has a Master in Laws from Georgetown University Law Center in Washington DC (1986); a Post-graduate degree in Corporate Law from University of Paris II Phantéon, DEA (1984) and a Master in Private Law from the same University (1981). He graduated from the Ècole Supérieure des Sciences.

João José Belard da Fonseca Lopes Raimundo

Born in 1960. Between 1982 and 1985, he was senior auditor of BDO—Binder Dijker Otte Co. Between 1987 and 1990, he was director of Banco Manufactures Hanover (Portugal), S.A. and between 1990 and 1993 was a member of the board of TOTTAFactor, S.A. (Grupo Banco Totta e Açores) and Valores Ibéricos, SGPS, S.A. In 1993, he held Directorships with Nacional Factoring, da CISF—Imóveis and CISF Equipamentos. Between 1995 and 1997 he was a Director of CISF—

Banco de Investimento and a Director of Nacional Factoring. In 1998, he was appointed to the board of several companies, including Leasing Atlântico, Comercial Leasing, Factoring Atlântico, Nacional Leasing and Nacional Factoring. From 1999 to 2000, he was a Director of BCP Leasing, BCP Factoring and Leasefactor SGPS. From 2000 to 2003, He was appointed Chairperson of the Board of Directors of Banque BCP (Luxemburg) and Chairperson of the Executive Committee of Banque BCP (France). Between 2003 and 2006 he was a member of management of Banque Prive BCP (Switzerland) and was general director of private banking of BCP. Since 2006, he has been a Director of Banco Millennium BCP de Investimento, and general Director of Banco Comercial Português and Vice-Chairperson and CEO of Millenniumbcp bank, NA. Mr. Lopes Raimundo is presently Director of CIMPOR - Cimentos de Portugal SGPS, S.A., Chairperson of the Board of BCP Holdings USA, Inc.

Has an undergraduate degree in company management and administration from Universidade Católica Portuguesa de Lisboa, and a master of business administration degree from INSEAD.

João Manuel de Mello Franco

Born in 1946. Between 1986 and 1989, he was a member of the management council of Tecnologia das Comunicações, Lda. Between 1989 and 1994, he was chairperson of the board of Directors of Telefones de Lisboa e Porto, S.A., and between 1993 and 1995 he was chairperson of Associação Portuguesa para o Desenvolvimento das Comunicações. From 1994 to 1995, he was chairperson of the board of Directors of Companhia Portuguesa Rádio Marconi and additionally was chairperson of the board of Directors of Companhia Santomense de Telecomunicações e da Guiné Telecom. From 1995 to 1997, he was vice-chairperson of the board of Directors and chairperson of the executive committee of Lisnave (Estaleiros Navais) S.A. Between 1997 and 2001, he was chairperson of the board of Directors of Soponata and was a Director and member of the audit committee of International Shipowners Reinsurance, Co S.A. Between 2001 and 2004, he was vice-chairperson of José de Mello Imobiliária SGPS, S.A., and was chairperson of the boards of Directors of IMOPÓLIS, S.A., José de Mello Residenciais & Serviços, S.A. and Engimais, S.A. Since 1998, he has been a Director of Portugal Telecom SGPS, S.A., chairperson of the audit committee since 2004, and member of the corporate governance committee since 2006.

Has an undergraduate degree in mechanical engineering from Instituto Superior Técnico. He additionally holds a certificate in strategic management and company boards and is the holder of a grant of Junta de Energia Nuclear.

Jorge Santos

Born in 1951. From 1997 to 1998, he coordinated the committee for evaluation of the EC Support Framework II and was a member of the committee for the elaboration of the ex-ante EC Support Framework III. From 1998 to 2000, he was chairperson of the Unidade de Estudos sobre a Complexidade na Economia and from 1998 to 2002 was chairperson of the scientific council of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa. From 2001 to 2002, he coordinated the committee for the elaboration of the Strategic Programme of Economic and Social Development for the Peninsula of Setúbal. Since 2007, he has been co-ordinator of the masters program in economics, and since 2008, he has been a member of the representatives' assembly of Instituto Superior de Economia e Gestão of the Universidade Técnica de Lisboa (ISEG).

Has an undergraduate degree in economics from Instituto Superior de Economia e Gestão, a master degree in economics from the University of Bristol and a Ph.D. in economics from the University of Kent. He additionally has a doctorate degree in economics from the Instituto Superior de Economia e Gestão of Universidade Técnica de Lisboa, and has consequently held the positions of Professor Auxiliar and Professor Associado with Universidade Técnica de Lisboa. He has been appointed as university professor (catedrático) of Universidade Técnica de Lisboa and is the President of the Department of Economics at ISEG.

José Fernando Maia de Araújo e Silva

Born in 1951. He began his professional career as an assistant lecturer at Faculdade de Economia do Porto. From 1991 he was invited to be a lecturer at Universidade Católica do Porto and additionally held a part-time position as technician for Comissão de Coordenação da Região Norte. He has since held the position of Director of several companies, including of Banco Espírito Santo e Comercial de Lisboa and Soserfin— Sociedade Internacional de Serviços Financeiros—Oporto group. He has been involved in the finance and management coordination of Sonae Investimentos SGPS, was executive Director of Sonae Participações Financeiras, SGPS, S.A. and was vice-chairperson of Sonae Indústria, SGPS, S.A. He has additionally held Directorships with Tafisa, S.A., Spread SGPS, S.A. and Corticeira Amorim, SGPS. He presently serves on the board of Directors of Caixa Geral de Depósitos, S.A.

Has an undergraduate degree in economics from the Faculdade de Economia do Porto and has obtained certificates from Universidade de Paris IX, Dauphine and the Midland Bank International banker's course in London.

José Silva Lopes

Born in 1932. From 1969 to 1974, he was a Director of Caixa Geral de Depósitos and Director of the Cabinet of Studies and Planning of the Ministry of Finance. In 1972, he held the position of deputy chief of negotiations for the free market agreement of the EC. Between 1974 and 1978, he was Minister of Finance, additionally holding the position of External Markets Minister between 1974 and 1975. Between 1975 and 1980, he held the position of Governor of the Bank of Portugal. From January 2004 till 2010, he was chairperson of the board of Directors of Montepio Geral.

In 2003, he was awarded the Order of Grã Cruz by the President of Portugal for his 48 years of service as an economist predominantly for the Portuguese state. In 2004, he was awarded a degree of doutor honoris causa by Instituto Superior de Economia e Gestão. Also has a degree in finance from the Instituto Superior de Ciências Económicas e Financeiras.

Manuel Menéndez Menéndez

Born in 1960. He has been a Director and a member of the executive committee of each of Cajastur and Hidrocantábrico. He has been a member of the board of directors, executive committee and audit and control committee of AIRTEL. He has also been a Director of LICO Corporación and ENCE, vice-chairperson of the board of SEDES, S.A. and executive chairperson of Sociedad de Garantía Recíproca de Asturias. Currently, he is chairperson of Cajastur, Hidrocantábrico and Naturgas Energia, a Director of EDP Renewables Europe, S.L. and Confederación Española de Cajas de Ahorros, a member of the Junta Directiva de UNESA and a member of Registro Oficial de Auditores de Cuentas. He also represents Peña Rueda, S.L. (a subsidiary of Cajastur) on the board of Directors of Enagas.

Has an undergraduate degree in economics and company management and a Ph.D. in economic sciences, each from the University of Oviedo. He has been appointed university professor (catedrático) of company management and accounts at the University of Oviedo.

Rafael Caldeira Valverde

Born in 1953. In 1987, he joined Banco Espírito Santo de Investimento, S.A. and was the Director responsible for financial services management, client management, structured financing management, capital markets management, and for the department for origination and information; between 1991 and 2005 he was also Director and Member of the Executive Committee. In March 2005, he was appointed as vice-chairperson of the board of Directors of Banco Espírito Santo de Investimento, S.A. and formed part of the executive committee of the company. He is Vice-Chairperson of the Board of Directors and Member of the Executive Committee of Banco Espírito Santo de Investimento, S.A. Director of BES Investimento do Brasil, S.A.; ESSI, SGPS, S.A.; ESSI COMUNICAÇÕES, SGPS, S.A.; ESSI INVESTIMENTOS, S.A. and Espírito Santo Investment Holdings Limited.

Has an undergraduate degree in economics from the Instituto de Economia da Faculdade Técnica de Lisboa.

SECRETARY OF THE BOARD

Emilio García-Conde Noriega

Born in 1955. In 1981, he joined Soto de Ribera Power Plant, which was owned by a consortium comprising Electra de Viesgo, Iberdrola and Hidrocantábrico, as legal counsel. In 1995, he was appointed general counsel of Soto de Ribera Power Plant, and also chief of administration and human resources of the consortium. In 1999, he was appointed as legal counsel at Hidrocantábrico, and in 2003 was appointed general counsel of Hidrocantábrico and also a member of its management committee. Presently serves as general counsel of the Company, as secretary of the Board, and is also Director and/or secretary on Boards of Directors of a number the Company's subsidiaries in Europe.

Holds a master's degree in law from the University of Oviedo.

ANNEX V

SHARES OF EDP RENOVÁVEIS OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AS AT 31.12.2010

Name	Direct	Indirect	Total
António Luis Guerra Nunes Mexia	3,880	320	4,200
Ana Maria Machado Fernandes	1,510	0	1,510
João Manuel Manso Neto	0	0	0
Nuno Maria Pestana de Almeida Alves	5,000	0	5,000
António Fernando Melo Martins da Costa	1,330	150	1,480
Francisco José Queiroz de Barros de Lacerda	310	310	620
João Manuel de Mello Franco	380	0	380
Jorge Manuel Azevedo Henriques dos Santos	200	0	200
José Silva Lopes	760	0	760
José Fernando Maia de Araújo e Silva	80	0	80
Rafael Caldeira de Castel-Branco Valverde	0	0	0
António do Pranto Nogueira Leite	0	0	0
João José Belard da Fonseca Lopes Raimundo	170	670	840
Daniel M. Kammen	0	0	0
Manuel Menéndez Menéndez	0	0	0
Gilles August	0	0	0

edp renováveis

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

DECLARE

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

Lisbon, February 23, 2010.

Mr. António Luís Guerra Nunes Mexía	Mrs. Ana Maria Fernandes Machado
Ausente Mr. António Fernando Melo Martins da Costa	Mr. Nuno Maria Pestana de Almeida Alves
Mr. João Manuel Manso Neto	Mr. José Silva Lopes
Mr. António do Pranto Nogueira Leite	Mr. Rafael Caldeira de Castel-Branco Valverde
Mr. José Fernando Maia de Araújo e Silva	Mr. Manuel Menéndez Menéndez
Mr. João Manuel de Mello Franco	Mr. Jorge Manuel Azevedo Henriques dos Santos
Ausente Mr. Daniel M. Kammen	Mr. Francisco José Queiroz de Barros de Lacerda
Ausente Mr. Gilles August	Mr. João José Belard da Fonseca Lopes Raimundo