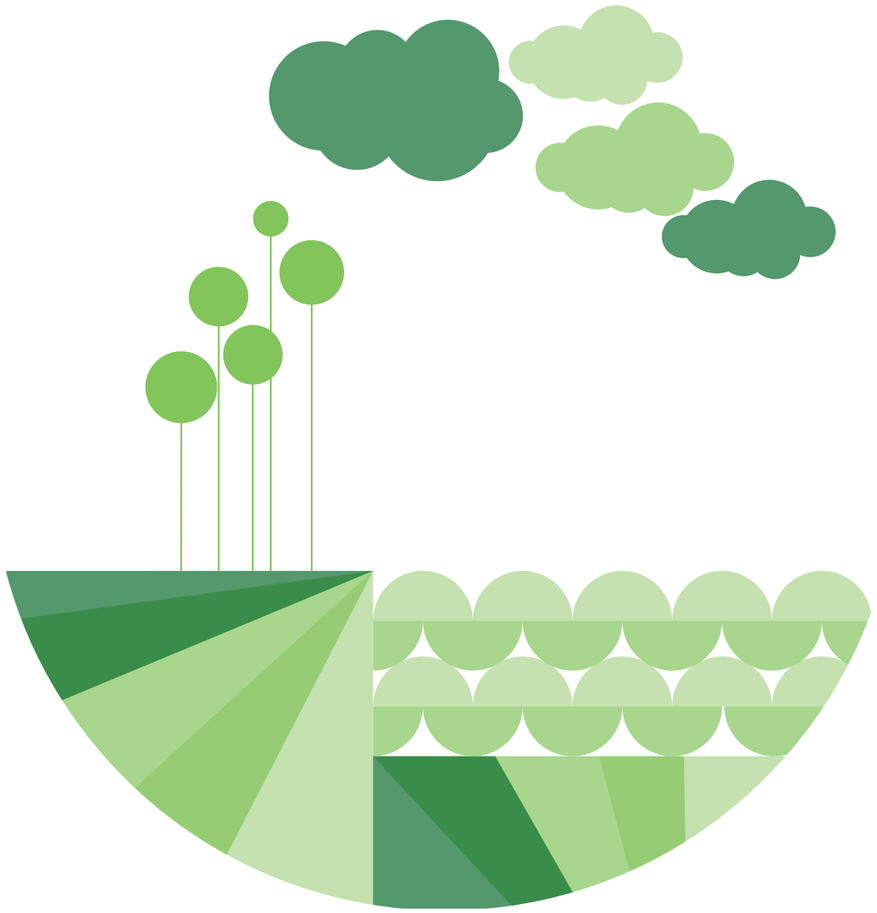
ANNUAL REPORT 2008

INSTITUTIONAL AND FINANCIAL REPORT

edp renováveis



ONE DAY, ALL WORLD ENERGY WILL COME FROM RENEWABLES

INDEX

edp renováveis

Dear Shareholders

In 2008 we became the 4th largest renewables company worldwide and the 2nd largest publicly listed company in the renewables sector, after EDP Renováveis Initial Public Offering in NYSE Euronext's Lisbon market last June, the largest in Western Europe. Undoubtedly, this was the event of the year for EDP Renováveis, for the EDP Group as well as a milestone for the financial sector in Portugal and Europe.

After its creation, in December 2007, EDP Renováveis had a leadership position, high earnings growth outlook and a significant investment program to execute. This was the setting on which EDP Renováveis IPO was launched. Maintaining a leadership position and providing better visibility to these investments were key drivers for this decision. Also, by publicly listing the Company, we were able to increase its financial capability for growth, crystallise value, enhance its ability to partner and acquire assets as well as foster its performance. All of these have been clearly demonstrated in this year's operational and financial results. Today, EDP Renováveis can be proud on delivering upon the targets that were set, which reinforces the credibility and the right to continue to grow.

None of these would have been possible without EDP Renováveis dynamic, highly qualified and international team.
Their entrepreneurial culture, ambition and commitment to excellence transformed in three years, a mid size Iberian operator into a worldwide leading renewable company, operating in 8 countries with close to 650 employees. This transformation did not come without challenges, particularly, the integration of the European and North American platforms. But here also, EDP Renováveis demonstrated that it has matured rapidly as a company. Examples of this, which I like to highlight, is the delivery on the 1,400 MW target set for 2008 and the entrance in new markets like Brazil and Romania. These examples materialize the focus on vision and execution for EDP Renováveis.

The year ahead of us is set to be a very challenging one. The world is currently under a financial and economic crisis. However, fundamentals on the industry remain intact. Energy independence and the combat against global warming remain key priorities for Governments and public opinion throughout the globe. By continuing to invest and grow, the renewable sector will undoubtedly be part of the solution for the current world economic situation. In Europe, last December, the European Parliament formally approved the new Directive that sets a binding target of 20% for renewable energy in the EU to be reached by 2020. In the US, the election of President Obama provided a fresh and strong boost for the renewables sector. In particular, the Stimulus Bill for the US economy, approved in the beginning of 2009, has provided visibility and different incentive options that ensure a positive outlook for the medium and long term.

In 2009, EDP Renováveis will continue to execute and consolidate itself. The hard work of its employees and collaboration of the various regulatory and administrative bodies that we interact with will allow EDP Renováveis to surpass these challenges and deliver on what has been promised. Also, the support and commitment of the shareholders will continue to be key. Both the successful IPO last June and the announcement by EDP Group of its 2009-2012 Strategic Plan last November, where EDP Renováveis represents roughly two thirds of the investment for the next 4 years, are clear signs of their commitment to maintain our leadership position.

For all of this I would like to thank all the stakeholders, but in particular, our employees and shareholders. With them, EDP Renováveis will continue its successful path.

António Mexia
President of the Board of Directors

Lisbon, 13 of March 2009

edp renováveis

Dear shareholders,

It is with great pleasure that I address you as CEO of EDP Renováveis in the first annual report the company publishes after it was incorporated in 2007 and went public in June 2008.

EDP Renováveis started trading on NYSE Euronext's Lisbon market in June 2008, in what turned out to be the largest Initial Public Offering launched in Western Europe during 2008.

In challenging financial markets, the success of the IPO clearly demonstrates the high regard investors have for EDP Renováveis as the fastest growing pure-play among the world's largest global renewables companies, with first class assets and strong track record in execution. I would like to highlight that today, only nine months after it was included in the PSI 20, there are already more than 20 equity analysts producing research on EDP Renováveis, which is a significant indication of the interest in the organization.

Focus on execution, efficiency and profitability

EDP Renováveis ended 2008 surpassing 5,0 GW of gross installed capacity, through the addition of 1,413 gross MW, 744 MW from the European platform and 669 MW from the United States (a growth of 39% vs 2007), strengthening our position as number four in the renewable sector.

Furthermore, and most notably, during 2008, EDP Renováveis managed the construction of approximately 2.2 GW in a sole calendar year and currently has 0.8 GW under construction as carry forward capacity into 2009. This provides clear evidence of the organization's ability to manage a large number of MWs build out and reinforces the credibility of reaching our target to build 1.4 GW on average per year until 2012.

I would also like to emphasize the quality of EDP Renováveis assets which, in Iberia, here again shown a load factor premium over the market in excess of 200 bps. Also in the US, this same metric have sharply increased from an average of 30% in 2007 to an average of 34% by 2008.

Availability in the European platform has been consistently strong at a 97% average. In the US, availability has improved in 2008 from 90% to 94% (96% achieved during last Quarter), as a result of specific O&M and other performance improvement programs that have been sucessfully carried throughout the year.

Finally, the total pipeline to fuel future growth was, at year end 2008, in excess of 28 GW, which 9.5 GW were in Europe, 18.3 GW in North America and 0.2 GW from projects and prospects in Brazil geography, where EDP Renováveis started operations recently. This pipeline is well distributed in terms of development phase, with 9% in Tier 1 and under construction, 21% in Tier 2, 37% in Tier 3 and 33% as prospects. This clearly allows us to fulfil our targets up to 2012 and onwards, while keeping in mind, the management of our portfolio, the necessary equilibrium between execution, profitability and controlled risk.

A quite busy year

EDP Renováveis first year as a listed company was a quite busy one.

We acquired 1,050 MW of early stage wind projects in the US (from Hydra Energy) in order to enlarge our footprint and diversify future options, executed the purchase of additional wind assets in France (for the most part projects in different phases of development status – the acquisition of EOLE 76), launched operations in the Brazilian market and entered the Romanian market by acquiring 85% of Renovatio Power and Cernavoda Power (which owns several prime location wind projects in different stages of maturity, totalling 736 MW).

EDP Renováveis continued to pursue a selective expansion, targeting quality assets and profitable growth that create value for its shareholders. In that line, and as usual, greenfield or quasi-greenfield projects were our main objective regarding expansion as well as securing highly skilled local teams to ensure successful development and progress in each of the geographies where we operate (8 in total).

In Spain, EDP Renováveis is actively participating in the tender processes that have been launched by local governments and was recently awarded 126 MW in the Spanish Galician tender, while following closely all movements of the various Spanish regions regarding renewables. In Catalunya, where EDP Renováveis had virtually no presence, the company started the construction of 99 MW that will be completed during 2009.

In Portugal, EDP Renováveis continues to develop, with its partners in ENEOP – Eólicas de Portugal, SA, the 1,200 MW project that was awarded to the consortium under the public tender. The industrial project is now complete and the first group of projects is already under construction, with completion expected by the end of 2012.

Finally, it is also worth to emphasize that, in December 2008, the company was able to successfully execute a tax equity deal in the US with JP Morgan Capital and New York Life Insurance, raising a total of 265 million dollars under particular difficult circumstances, demonstrating the credibility of the organization.

Strong results in a challenging environment

In 2008, Gross Margin reached 581 millions euros, 1.8x vs 2007. The contribution of EDP Renováveis NA increased significantly, accounting for around 33% of the consolidated Gross Margin, as Horizon contributed for a full year in 2008. In Europe, Iberia is still the largest contributor.

Our net profit reached 104 millions euros, 26 times the figure of 2007. The EBITDA almost double versus last year, reaching 438 millions euros (vs. 430 millions euros commitment at the IPO), as a consequence of the execution and strong growth path. This performance was not only driven by attractive selling prices in Europe (€97/MWh) but also by a stable PPA portfolio in US (total bundled price of $86/MWh) as well as a strong focus on operational efficiency and continuous improvement.

This is an area of paramount importance, particularly in a company that manages a portfolio of wind farms totalling more than 5 GW. 2008 was a year where management attention was focused on improving operational performance in various aspects. From 2009 onwards, this effort will continue since margins will be more and more determined not only by prices, but also by excellence in terms of operative performance. As a result of the efforts done, as well as of a strong discipline on costs, the overall Opex/MW was €44k/MW (€18.4/MWh), which compares favourably within the sector, serving as another example of our commitment in this area.

Throughout 2008, EDP Renováveis invested approximately 2.2 billion euros, showing a solid balance sheet with 2,44x Net Debt/EBITDA, supported by the capitalization of group debt (1.3 billion euros), cash proceeds of 1.6 billion euros from the IPO and the Tax Equity transaction of 265 million dollars, resulting in a 2008 net debt level of 1.1 billion euros.

Consolidate EDP Renováveis as a Group

As a result of the acquisition of EDP – Energias de Portugal's renewable assets, one of the major challenges for EDP Renováveis has been to consolidate itself as a Group.

During 2008, we have been working on the details of the organization model, oriented and aligned with the company's strategy and business. The most adequate processes have been developed as the backbone of the company, also aiming at harmonizing practices across business platforms, thus enabling significant efficiency improvements to support future growth.

The organizational structure, the process model and related coordination have been designed, completed and are being implemented within the organization.

A pmoffice ("Project Management Office") has been created to ensure not only the best implementation of the related processes, but also the consolidation of these areas in an effective and efficient way (keeping in mind business differences between platforms and respective local roles). Involvement of all relevant parts of the organization in order to obtain high levels of consensus around decisions, has been a major concern in order to ensure high collaboration and acceptance of major decisions within the organization.

We have also launched several projects at operational level, whenever a transversal approach made sense, with the objective of sharing best practices, improving efficiency and operational performance, taking advantage of the strong know-how accumulated. This is also a way to consolidate an "EDP R WAY" of being in the renewables business, taking people throughout the various platforms to interact more with each other and thus contributing to strengthen EDP Renováveis culture. Major areas of review have been Planning and Control, Finance, Investment Analysis, Communication, Procurement, BOP methodologies and practices, O&M, Resource Assessment and other technical areas.

The alignment of HR policies was also one of the major challenges that has been sucessfully dealt with during 2008, in the quest for harmonizing policies and practices across EDP Renováveis.

We are today close to 650 people – people highly qualified in their functions and responsibilities within the company. Their careers, and degree of satisfaction are a permanent concern of Management since people and their motivation are a key pillar of EDP Renováveis success today and a key factor for the future. In fact, as the company grows in size, value and complexity, we need to be even more vigilant to the quality and motivation of our people and get them further and further involved, engaged and identified with our mission, culture and values.

Keep the path in a challenging environment

The results that EDP Renováveis achieved in 2008 reflect the undeniable quality of our portfolio and our ability to manage and deliver on the operational targets announced to the market.

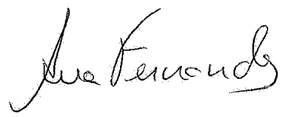
However, those results would have not been possible without the dedication and contribution of all EDP Renováveis employees, to whom I would like to express my deep gratitude along with the rest of the Management Team.

To our shareholders, I appreciate your confidence on our team, namely on the ability to implement the strategy you approved.

The world economy is facing a significant challenge to overcome the economical and financial crisis, keeping simultaneously the sense of urgency in implementing the measures to fight global warming. The new American Administration has been giving clear signs of its will to surpass the European leadership in this field. EDP Renováveis is without a doubt in a privileged position to take advantage of this trend.

We aim at consolidating EDP Renováveis as a world leader in the renewable energy, creating value to our shareholders, satisfying the needs of all our stakeholders and making EDP Renováveis a unique place to work.

I would like to express my sincere appreciation to everyone that made these excellent results possible. I am proud, we are all proud that we have been able to work together as a big family. EDP Renováveis continues to count on everyone's enthusiasm and dedication to make this company, our company, one of the most successful in 2009.



Ana Maria Fernandes
CEO of EDP Renováveis

Lisboa, March 13, 2009

BOARD OF DIRECTORS, COMMITTEES AND MANAGEMENT TEAM

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

António Mexia
Chairman

Ana Maria Fernandes
Vice-Chairman & CEO

António Martins da Costa
João Manso Neto
Nuno Alves
Directors

NON-EXECUTIVES

- António Nogueira Leite
- Daniel M. Kammen
- Francisco José Queiroz de Barros de Lacerda
- João Lopes Raimundo
- João Manuel de Mello Franco
- Jorge Santos
- José Araújo e Silva
- José Silva Lopes
- Manuel Menéndez Menéndez
- Rafael Caldeira Valverde

GENERAL SECRETARY

- Emílio García-Conde Noriega

Remuneration Committee

- Jorge Santos
- João Lopes Raimundo
- Rafael Caldeira Valverde

Related Parties Committee

- António Nogueira Leite
- João Manuel de Mello Franco
- João Manso Neto

Audit and Control Committee

- João Manuel de Mello Franco
- José Silva Lopes
- Fancisco José Queiroz de Barros de Lacerda

MANAGEMENT TEAM

Rui Teixeira
CFO

João Paulo Costeira
COO – Europe

Gabriel Alonso Imaz
COO – North America

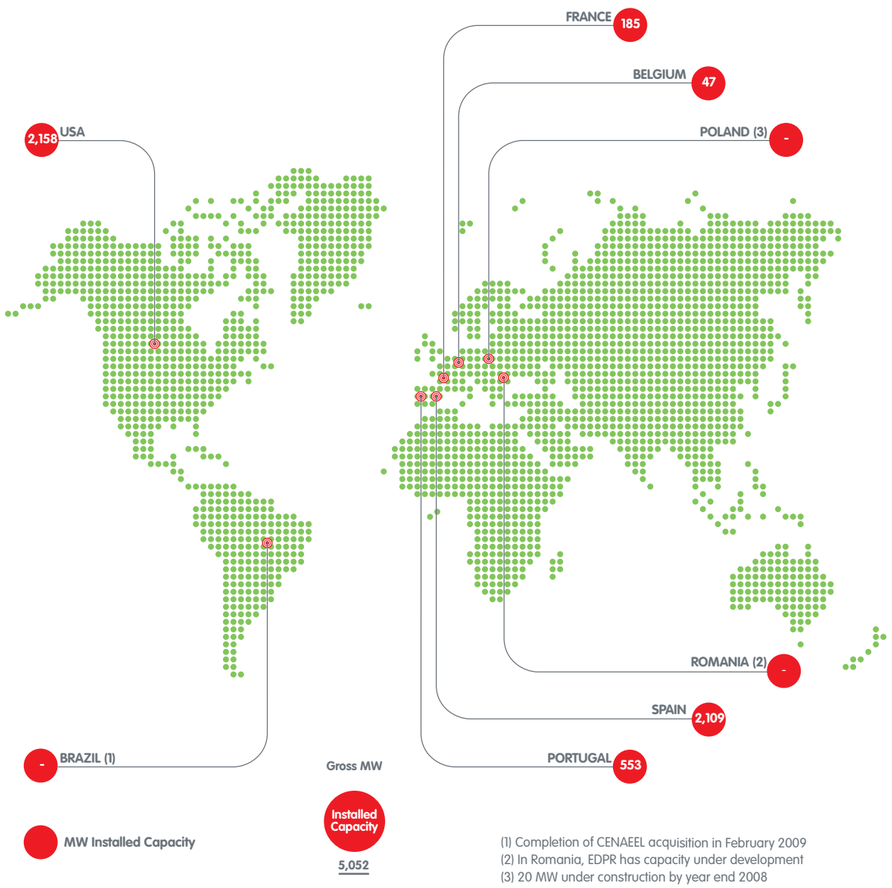
Luis Adão da Fonseca
CBDO

edp renováveis

INTERNATIONAL PRESENCE OF EDP RENOVÁVEIS

EDP Renováveis is the 4th largest wind player in the world, present in eight countries and with more than 5.0 GW installed by the end of 2008.

Gross MW Installed Capacity



(1) Completion of CENAEEL acquisition in February 2009
(2) In Romania, EDPR has capacity under development
(3) 20 MW under construction by year end 2008

EDP Renováveis is a leading company in terms of growth. In the last two years, the company multiplied by 2.4 times its installed capacity. The current pipeline of 28.2 GW provides confidence to EDP Renováveis to grow at a compound annual rate of 20% until 2012 in order to reach a target of more than 10.5 GW of installed capacity.

EDP Renováveis is the only leading pure player in renewable energy with all revenues coming from renewable energy activities, which provides the company with a unique combination of size, focus and experience in the sector.

A consistent growth story

EDP Renováveis was incorporated in December 2007 to hold and operate EDP – Energias de Portugal ("EDP") European and North American renewable energy assets and activities. The company's headquarters are in Madrid, Spain, and it has more than 44 offices spread all over the world.

EDP is the third largest energy group in the Iberian Peninsula and the largest Portuguese company listed in the NYSE Euronext Lisbon, with a market capitalization of 10 billion euros at the end of 2008.

EDP is active in the electricity and gas industries, and is the only company in the Iberian energy sector with generation, distribution and supply activities in both Portugal and Spain. In addition to its leading market position in the Iberian Peninsula, it also develops and maintains significant operations in the electricity sectors in Brazil and the United States (through EDP Renováveis North America – EDP Renováveis NA).

EDP Renováveis history goes back as early as 1993, when Genesa (one of the companies that were integrated in the Group) installed its first wind farm. Since then, the business has consistently grown essentially through the development of greenfield projects, the acquisition of pipeline, prospect projects and companies that offered a sound fit with EDP Renováveis growth strategy. The most important acquisitions were Nuon/Desa (Spain) in 2005, Agrupación Eólica (Spain/France) in 2006 and Horizon Wind Energy (U.S.) in 2007.

EDP Renováveis "debut" in the stock market

In June 2008, EDP Renováveis was listed in the NYSE Euronext Lisbon, in what turned out to be the largest Initial Public Offering in Western Europe in 2008.

EDP Renováveis is among the largest listed companies in Portugal and the second largest listed renewable player in the world by market capitalization. The company entered the major Portuguese index PSI20, in July 2008, ranking 5th at the time.

EDP Renováveis ended up 2008 as the 4th largest company of the index, with a market capitalization of 4.4 billion euros.

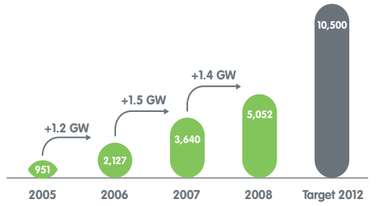
EDP Renováveis strengths

EDP Renováveis has a strong presence in very attractive markets, with good prospects for growth, favorable regulation and strong wind resource.

The company has a unique investment case, based on a 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.

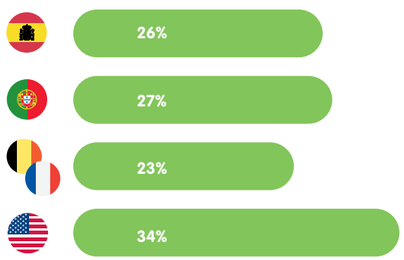
EDP Renováveis has a strong track record and proven capability to execute projects and deliver on targets. The company multiplied its installed capacity by 5.3 times in the last three years, adding an average of 1.4 GW per year. This was accomplished mainly through the successful development of greenfield and acquired projects. Additionally, EDP Renováveis has proven its ability to selectively identify new markets (such as Poland and Romania), to enter such markets and successfully integrate new platforms to foster growth and diversify portfolio.

Installed Capacity (Gross MW)



EDP Renováveis has been able to deliver load factors consistently above market average and achieved these results based on an unique set of competences, such as first mover advantage and In-house top tier wind assessment knowledge.

Portfolio Load Factors (2008)

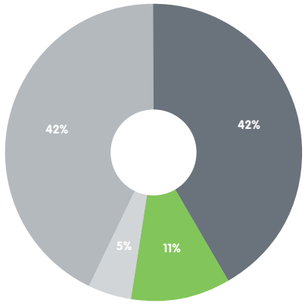


EDP RENOVÁVEIS – A LEADER IN VALUE CREATION

EDP Renováveis asset portfolio is well balanced, both in terms of geography and pipeline maturity, hence diversifying regulatory and wind resource risks, helping to achieve a more stable and secure cash flow. The company has two main growth platforms: Europe and North America.

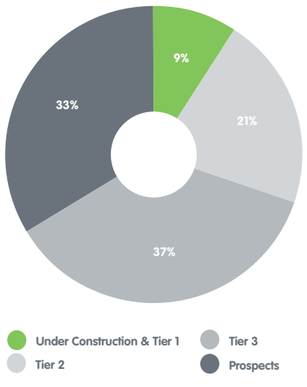
At the end of 2008, EDP Renováveis had 5,052 MW of installed wind capacity. Europe accounted for 58% of this capacity, 11% in Portugal, 42% in Spain and 5% in France and Belgium. In the US, the company's asset base is spread among 8 states, representing 43% of EDP Renováveis total capacity.

Wind Installed Capacity by Countries (%)



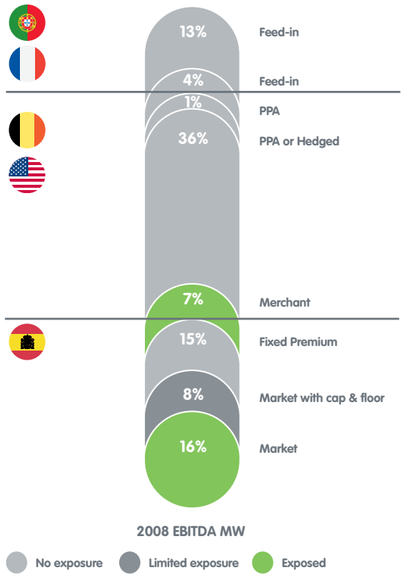
The company's portfolio of projects in pipeline totaled 28.2 GW by the end of 2008. The projects are well distributed in terms of maturity, with 9% in Tier 1 and under construction, 21% in Tier 2, 37% in Tier 3 and 33% in prospecting phase. This is crucial to support EDP Renováveis in accomplishing its growth targets.

Pipeline by Stage of Development (%)



Furthermore, all the markets where EDP Renováveis currently operates in benefit from favorable regulatory regimes, providing good visibility for future revenues.

Capacity by Revenue Risk Profile (%)



By the end of 2008, EDP Renováveis had 70% of its installed capacity with no exposure to energy price volatility (PPA, feed-in tariff, Fixed premium or hedge), 8% with limited exposure (market price with cap and floor) and 22% exposed (includes 7% with PPA expected to be closed in the short term).

The company turbine procurement strategy focuses on maintaining long-term and flexible relationships with leading turbine suppliers.

EDP Renováveis has defined a sourcing strategy based on the following main drivers:

- Select major suppliers with proven track record;
- Establish a long term relationship through framework agreements;
- Balance the contracted position with pipeline to maximize flexibility.

This strategy gives EDP Renováveis the flexibility to support a global pipeline and maximize projects' value while at the same time build and manage sound relationships with the main wind turbine suppliers.

Turbine Commitment Until 2012 (GW)

Our strategy

EDP Renováveis wants to consolidate its position as a top worldwide player in renewable energy and as a leader in value creation for all stakeholders.

The company strategy aims to develop a robust and diversified portfolio, based on three pillars: Execution, Efficiency and Profitable Growth.

Execution – EDP Renováveis is focused in converting projects into installed capacity. By the time of the IPO, the company set an objective of reaching 10.5 GW of installed capacity by 2012, three times more than the value in 2007.

In 2008, EDP Renováveis built 1.4 GW. Therefore, the company is fully on track to deliver its commitment of developing an average of 1.4 GW per year until 2012.

Efficiency – In order to maximize value, EDP Renováveis maintains a strong commitment to operational efficiency. The company employs best practices along the business value chain: from project development to construction and operation; from wind assessment to turbine procurement and O&M management. A transversal view over its platforms ensures scale effects, knowledge sharing and implementation of best practices.

Profitable growth – In line with its recent track record, EDP Renováveis expects to continue pursuing a "selective growth strategy" into new markets and new technologies, balancing attractive returns and controlled risk.
Its main growth drivers are the consolidation of position in core markets and the entrance in a selective but diversified group of new high growth potential markets. Simultaneously, EDP Renováveis will also continue to analyze other renewable technologies such as off-shore wind, solar, and wave energy, namely by partnering with EDP Inovação, the R&D arm of the EDP Group.

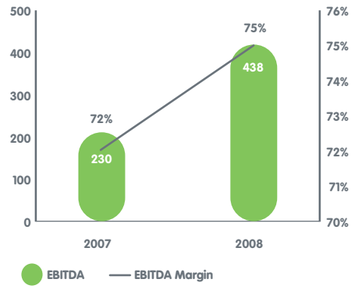
SUMMARY OF INDICATORS

KEY INDICATORS OPERATIONAL AND FINANCIAL

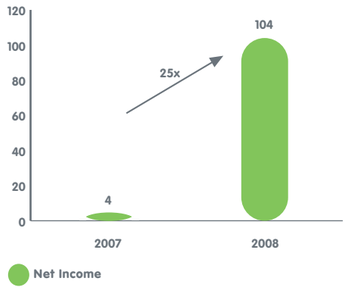
Financial Indicators € M	2008	2007*	△ €	△ %
EDP Renováveis				
Gross Margin (incl. Tax Equity Revenue)	581	319	262	82%
Opex & Other Operating Results	144	89	54	61%
EBITDA	**438**	**230**	**208**	**91%**
EBITDA Margin %	**75.3%**	**72.0%**		
EBIT	232	104	127	122%
Financial Results	(77)	(104)	27	(26%)
Net Income (EDPR Equity Holders)	**104**	**4**	**100**	**n.m.**
Capex	2,091	1,721	370	21%
Total Assets	9,397	7,040	2,357	33%
Equity (market value)	4,364			
Net Debt	1,069	2,414	(1,345)	(56%)
Enterprise Value	**6,674**			
Debt / EV %	**16.0%**			
Net Debt / EBITDA	2.4	10.5		
Europe				
Turnover	401	263	138	53%
Gross Margin	389	243	146	60%
Opex & Other Operating Results	82	53	29	56%
EBITDA	**307**	**190**	**117**	**61%**
EBITDA Margin %	**78.9%**	**78.3%**		
EBIT	188	99	89	90%
Capex	893	656	237	36%
North America				
Turnover	132	52	80	154%
Gross Margin (incl. Tax Equity Revenue)	193	65	128	198%
Opex & Other Operating Results	54	34	20	59%
EBITDA	**138**	**31**	**108**	**351%**
EBITDA Margin %	**71.9%**	**47.5%**		
EBIT	51	3	48	1,628%
Capex	1,198	1,065	133	12%

* 2007 financial Proforma information was prepared with the purpose of illustrating a full year of consolidated financial statements

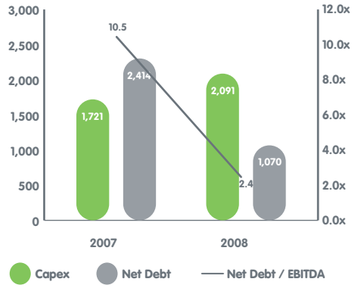
EBITDA (€ M) & EBITDA Margin (%)



Net Income (€ M)



Capex, Net Debt (€ B) & Net Debt/EBITDA



Installed Capacity (Gross MW)	2008	2007	△ MW
Spain	2,109	1,639	+470
Portugal	553	424	+129
Rest of Europe	232	87	+145
Europe	**2,894**	**2,150**	**+744**
U.S.	**2,158**	**1,490**	**+669**
Total	**5,052**	**3,640**	**+1,413**

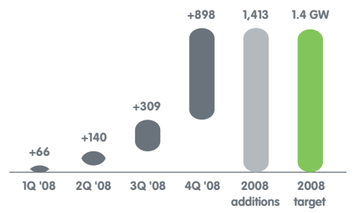
Under Construction (Gross MW)	2008
Spain	477
Portugal	42
Rest of Europe	51
Europe	**569**
U.S.	**199**
Total	**769**

• EDP Renováveis installed 1,413 MW in 2008 and accomplished its target for the year. This clearly demonstrates the company's credibility to execute its annual targets. EDP Renováveis thus begins 2009 managing a portfolio in excess of 5,000 MW.

• In 2008, EDP Renováveis capacity in Europe increased by 744 MW while in U.S. this number was 669 MW. During the 4Q08, EDP Renováveis installed 348 MW in Spain, 36 MW in Portugal and 88 MW in the Rest of Europe. It is worth highlighting that EDP Renováveis added a new geography to its operational capacity with the new 47 MW installed in Belgium. Regarding 4Q additions in the US, EDP Renováveis installed 426 MW in the following wind farms: conclusion of Meridian Way (201 MW), Pionner Prairie I (21 MW) and Rattlesnake Road (103 MW), and the partial installation of Pionner Prairie II (94 MW out of 102 MW) and Wheatfield (6 MW out of 97 MW).

• EDP Renováveis finished 2008 with 0.8GW under construction: 569 MW in Europe and 199 MW in the U.S.

2008 Additions (Gross MW)



Electricity Generated (EBITDA GWh)	2008	2007	△ %
Spain	2,634	2,056	28%
Portugal	1,028	735	40%
Rest of Europe	238	119	100%
Europe	**3,900**	**2,911**	**34%**
U.S.	**3,907**	**1,465**	**167%**
Total	**7,807**	**4,376**	**78%**

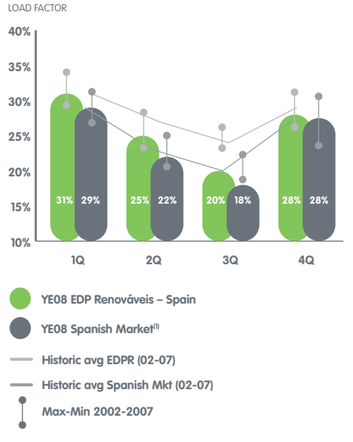
Load Factor	2008	2007
Spain	26%	27%
Portugal	27%	24%
Rest of Europe	23%	27%
Europe	**26%**	**26%**
U.S.	**34%**	**30%**

• In 2008, EDP Renováveis increased its wind output to 7,804 GWh, +78% in comparison with 2007, following the strong increase in the installed capacity year-on-year. It is important to note that 4Q08 production figures did not fully benefit from the 898 MW installed during this period, as the bulk of the capacity was installed late 2008.

• 2008 load factor was influenced by the lower than average wind resource during the 3Q08. Load factor for the full year in Europe stood at 26% while in U.S. achieved the 34%. In Spain, EDP Renováveis was able to deliver a premium spread versus the market during 2008 (26% for EDP Renováveis vs 24% for the market).

[1] Source: Based on REE data.

Wind Seasonality and Volatility: Spanish Example



SUMMARY OF INDICATORS

Wind Farms in 2008	Installed Capacity MW		
	100%	EBITDA MW	% Held
Spain	**2,109**	**1,692**	**1,639**
under RD 436/2004	1,474	1,101	1,086
under RD 661/2007	635	591	553
Portugal	**553**	**553**	**533**
under old remuneration	553	553	533
under new remuneration	-	-	-
France	**185**	**185**	**185**
under old remuneration	9	9	9
under new remuneration	176	176	176
Belgium	**47**	**47**	**33**
PPA	47	47	33
Total Europe	**2,894**	**2,477**	**2,390**
PPA	1,533	1,459	1,477
Hedged	264	138	138
Merchant	361	327	327
Total U.S.	**2,158**	**1,923**	**1,942**
Total Europe and U.S.	**5,052**	**4,400**	**4,332**

# of Headcount by Year End			
	2008	2007	△ %
European Platform	324	266	22%
North American Platform	276	197	40%
EDP Renováveis & other	30	-	n.m.
Total	**630**	**463**	**36%**

ENVIRONMENTAL AND SOCIAL INDICATORS

Social Indicators			
	2008	Europe and Corporate	EUA
Employment			
N° of workers	630	354	276
Male/Female ratio	1,9	2,7	1,3
Global satisfaction index (%)	75,5	68,4	84,5
Turnover rate [1]	34%	29%	39%
Average employee age (years)	37,5	36,0	39,5

Environmental indicators			
	2008	Europe	EUA
Environmental certification			
Environmental certification under ISO 14001 (n° facilities)	5	5	0
Certified net maximum installed capacity (MW)	155	155	0
Atmospheric emissions			
CO2 Avoided (kt)	4,251	2,077	2,174
Waste[1]			
Total waste (t)	223	137	86
Total hazardous waste (t)	71	42	29
Total recovered waste (t)	215	128	86
Recovered waste (%)	96%	94%	100%
Biodiversity			
Production centres in classified areas (%)	17%	20%	0%

[1] Sent to final destination

edp renováveis

MAIN EVENTS

02 JAN – EDP Renováveis closes a US$600 million transaction with institutional equity investors in the U.S.. The agreement with institutional equity investors composed of GE Energy Financial Services and Wachovia Investment Holdings is for 2007 and 2008 wind farm projects worth US$600 million.

28 JAN – EDP initiates preparation for potential EDP Renováveis IPO initial public offering. EDP's Executive Board of Directors decided, after General and Supervisory Board's favourable prior opinion, to initiate the preparation of a potential initial public offering of EDP Renováveis, which holds the subsidiaries Nuevas Energías de Occidente (NEO Energia) and Horizon Wind Energy.

31 JAN – EDP holds an Investor Day on Renewables.

JAN

19 FEB – EDP Renováveis acquires 1,050 MW of early stage wind projects in the U.S.: Horizon Wind Energy acquired from Hydra Energy a portfolio of six early stage projects in the States of Illinois, Indiana and Ohio.

FEB

MAR

08 APR – EDP Renováveis acquires wind assets from EOLE 76 group in France: (i) 35 MW in operation in the Normandy region, and (ii) 560 MW, under development, mostly located in the Normandy and Rhônes-Alpes regions.

APR

06 MAY – EDP Renováveis announces 1st quarter results: Gross Profit generated in the quarter amounted to €155.5 million and EBITDA was €125.5 million, reaching an EBITDA margin of 81%.

14 MAY – EDP Renováveis to purchase from Acciona up to 782 MW of wind turbines. The agreement with Acciona Windpower is for the supply, installation, commissioning and O&M of 382.5 MW to be delivered in 2009-11 with a call option of over 400 MW to be delivered in the same period.

15 MAY – EDP Renováveis announces launch of its IPO at a price range of €7.40 to €8.90 per share. EDP Renováveis announces the approval by the Portuguese Securities Exchange Commission of the prospectus for its Offering and listing of new ordinary shares on the Euronext Lisbon Stock Exchange.

MAY

02 JUN – EDP Renováveis sets subscription price for its IPO at €8.00 per share. The total gross amount of the combining offer (which namely includes a Public Subscription Offer in Portugal and sale to Institutional Investors in Portugal and abroad) is of €1,568 million. The Public Subscription Offer was 87.9 times oversubscripted and the institutional 6.1 times.

04 JUN – EDP Renováveis's announces its corporate bodies: Incorporation of the Executive Committee and delegation of powers, incorporation of the Audit and Control Committee, incorporation of the Appointment and Remuneration Committee, incorporation of the Related Transactions Committee and announcement of the Management Team of EDP Renováveis.

04 JUN – EDP Renováveis's shares start trading in the Euronext Lisbon Stock Exchange.

JUN

11 JUN – EDP Renováveis enters the Brazilian market. EDP Renováveis with Energias do Brasil agreed to acquire 100% of the share capital of CENAEEL – Central Nacional da Energia Eólica S.A. by R$51 million (Enterprise Value). Of the 84 MW of this transaction (i) 14 MW are already in operation and with PPAs in place, one of them under the PROINFA program, and (ii) 70 MW are categorized as "Prospects".

21 JUL – EDP Renováveis announces 1st semester provisional operating data: capacity increased by 206 MW (140 MW in Europe and 66 MW in the U.S.) and electricity output reach 3,961 GWh, more 99% than in 1st semester of 2007. Load Factor in Europe was 28% and in the U.S. 38%.

29 JUL – EDP Renováveis announces 1st semester results: Gross profit reached €288 million and EBITDA €227 million (almost the same value of full 2007) with an EBITDA margin of 79%. Investments were c€800 million and Net Debt decreased substantially to €70 million reflecting the €1.3bn regarding the capital contribution of shareholder loans, that was made in May-08, and the €1,567m cash proceeds from the IPO.

JUL

AUG

04 SEP – EDP Renováveis starts the construction of the first phase of Margonin wind farm in Poland: EDP Renováveis starts the construction of the first 20 MW of Margonin wind farm of a total of 120 MW.

SEP

03 OCT – Extension for one year of the PTC applicable to Horizon Wind Energy. The Congress of the U.S. has passed today a one-year extension of the renewable energy Production Tax Credit ("PTC").

17 OCT – EDP Renováveis enters the Romanian market. EDP Renováveis acquired 85% of Renovatio Power SRL and Cernavoda Power SRL, which own several wind projects in Romania totalling 736 MW in different stages of maturity and in prime locations: i) 225 MW classified as Tier 1; ii) 60 MW of projects classified as Tier 2; iii) 12 MW classified as Tier 3; and iv) 440 MW classified as prospects. The amount paid for the shares and shareholders loans in the above mentioned companies is €8.4 million and additional success fees will be paid for the wind projects as they reach certain pre-defined milestones.

23 OCT – EDP Renováveis announces 3rd quarter provisional operating data: capacity increased by 515 MW (272 MW in Europe and 243 MW in the U.S.) and electricity output reach 5,353 GWh, more 76% than in 2007. Load Factor in Europe was 25% and in the U.S. 31%.

OCT

5 NOV – EDP Renováveis announces 3rd quarter results: Gross profit reached €402 million and EBITDA €307 million with an EBITDA margin of 76%. Investments were c€1,250 million and Net Debt decreased substantially to €513 million reflecting the €1.3bn regarding the capital contribution of shareholder loans, that was made in May-08, and the €1,567m cash proceeds from the IPO.

6 NOV – EDP Renováveis holds a presentation in EDP's investor day.

NOV

29 DEC – EDP Renováveis establishes new Institutional Partnership for the investment in 2008 wind projects in U.S.. The agreement with institutional equity investors composed by JPM Capital Corporation, New York Life Insurance Company and New York Life Insurance and Annuity Corporation for 2008 wind farm worth US$265 million.

31 DEC – EDP Renováveis was awarded with 126 MW in a tender promoted by the Spanish Galician Region.

DEC

8 JAN – EDP Renováveis announces the commercial operation of 3 wind farms with 500 MW in December 2008: EDP Renováveis, fully commissioned in December of 2008 the 201 MW Meridian Way Wind Farm, located in Kansas, the 102.9 MW Rattlesnake Road Wind Farm located in Oregon, and the first phase (201.3 MW) of the Pioneer Prairie Wind Farm, located in Iowa.

20 JAN – EDP Renováveis announces YE2008 provisional operating data: EDP Renováveis installed 1,413 MW in 2008 and accomplished its target for the year. Electricity output reached 7,807 GWh, more 78% than in 2007. Load Factor in Europe was 26% and in the U.S. 34%.

2009

17 FEB – Approval of key energy-related tax incentives in the US: "The President of the U.S. has signed today the American Recovery and Reinvestment Act of 2009, which includes a number of energy-related tax and policy provisions to benefit the development of wind energy generation in the country: Three year extension of the PTC; Option to elect a 30% ITC in lieu of the PTC; and, a cash grant provided by the Secretary of Treasury in lieu of the ITC."

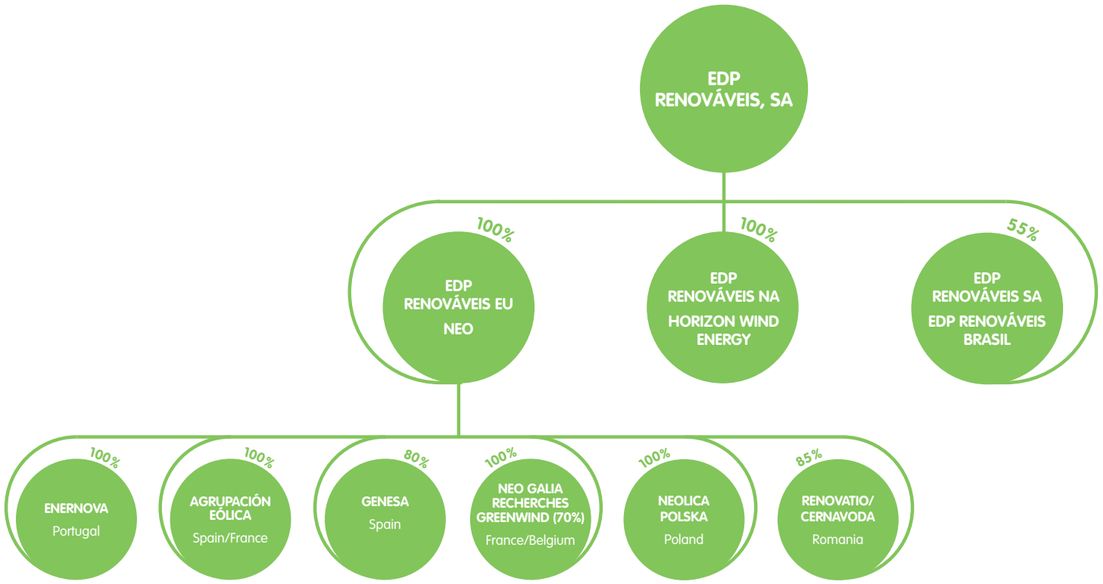
26 FEB – EDP Renováveis announces YE2008 results: Gross profit reached€581 million and EBITDA€438 million with an EBITDA margin of 75.3%. Net Income increase more than 25 times to€104 million.

GROUP BUSINESSES

INDEX

GROUP BUSINESSES

1. ORGANIZATIONAL STRUCTURE



NOTE: Non-exhaustive Organization Chart, illustrating key business companies rather than a comprehensive list of legal entities.
For simplifications purposes, country holdings are shown representing individual wind farms entities.

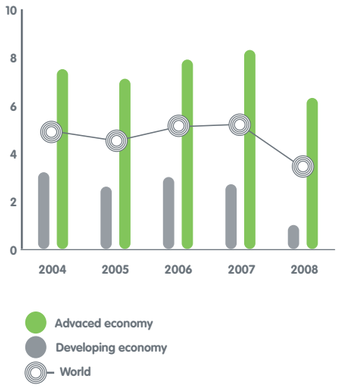
edp renováveis

2. BUSINESS CLIMATE

2.1. Financial Context

The **world economy** was affected in 2008, especially in the second half, by the interaction of a series of shocks that arose from the drastic worsening of financial conditions, the rise and fall of raw materials' prices and an adjustment of world macroeconomic imbalances. Activity in the developed economies fell substantially and, contrary to the expectations prevailing at the end of 2007, this had an impact on the performance of developing economies. This influence was particularly noticeable in the last quarter of the year, thanks to the instability that affected the financial markets, which led to the virtual stagnation of world trade and financial flows. Some of the European and south-east Asian countries most vulnerable to a reversal of short term investment flows had to resort to outside help and, in extreme cases, they were forced to suspend the convertibility of their currencies and restrict the movement of capital.

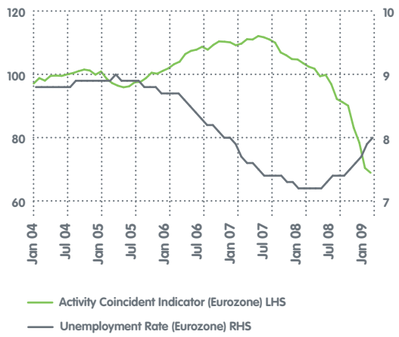
Worldwide Performance (Real GDP)



The eurozone entered into technical recession in the second half of 2008 for the first time in its ten years of existence. The downturn was fairly evenly spread in terms of both countries and demand elements, showing common factors that restrained growth and limited capacity for Member States to support one another. The easing of internal demand, together with the cooling of the housing market and more restrictive financial conditions, was aggravated by a sharp drop in foreign trade at the beginning of the fourth quarter. This had an adverse effect on the economies based strongly on exports, forcing a revision of production plans, with an effect on the labour market. Unemployment in the eurozone had risen by nearly 0.5 percent at the end of the year compared with the lowest figures for 2008, with countries which had benefited from the surge in house building being the worst affected.

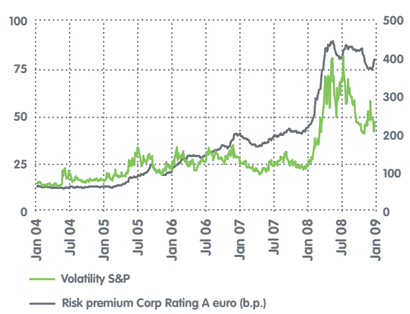
As in the U.S., inflationary pressures will fall significantly and some areas may even be affected by deflation.

Activity Indicator Eurozone & Unemployment Rate



The financial crisis in the **financial markets** worsened during the course of the year. What in the first half of the year appeared to be a problem confined to a highly specialised, complex financial market spread both geographically and into other classes of assets so that at the end of the year it became a global financial crisis, affecting the world as a whole, and one that is particularly complicated to resolve. Volatility reached levels scarcely seen before and the risk-averse climate has persisted, paralysing markets and forcing the authorities to re-write trading rules and intervene directly to try to restore normality in their operations.

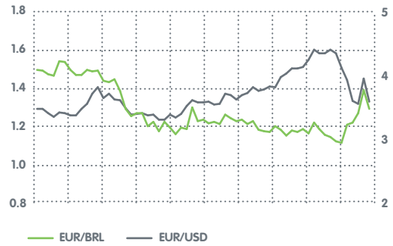
Stock Market Volatility & Corporate Debt Risk Premiums



Interest rates have been falling worldwide in the effort to promote more accommodating monetary policies. The U.S. Federal Reserve cut interest rates to 0% and took an unusual step in terms of monetary policy strategy by intervening directly in certain segments, in addition to making generous amounts of funds available to the interbank market. Interest rates in the eurozone fell from 4.25% in July to 2.0% in January, and the markets have incorporated a scenario of further interest rate reductions in the first half of the year. However risk premiums remain high, albeit lower than those in October and November, when instability was at its peak.

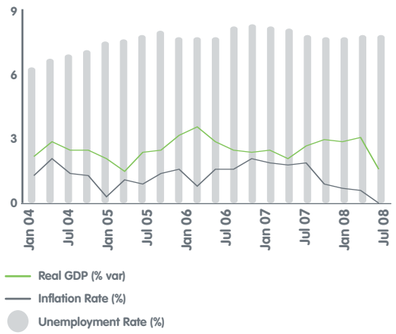
The most striking trend in the foreign exchange markets was the rapid liquidation of investments in currencies with high interest rates, and higher risk indices. This reallocation of investments underlay a tendency for emerging market currencies to depreciate in favour of safer ones, like the euro, yen, Swiss franc and later on, at the height of the turmoil, a clear preference for the U.S. dollar and gold. As it became clear that the crisis would become a global phenomenon, the dollar recovered significantly. The euro, which was worth over USD1.60 in the middle of the summer ended the year at about USD1.30.

Exchange Rate Relative to Euro



Taking their cue from the financial turmoil in the international markets and the drop in activity of leading foreign markets, many families and companies exercised greater caution in their normal consumption and investment decisions. The perception of tighter refinancing conditions for existing debt or for obtaining new loans overrode the positive effect that would normally arise from the implementation of a more expansionary monetary policy. Reckoning on a marked decline in activity in the fourth quarter, real average growth for 2008 is unlikely to be significantly different from zero.

Portuguese Economy



The employment market in 2008 turned out to be better than the low levels of activity would have led one to suppose, but the latest figures are showing signs that the position is worsening. The weak activity at the end of a long period of highly favourable financial conditions could help lead to the closure of firms struggling to remain economically viable.

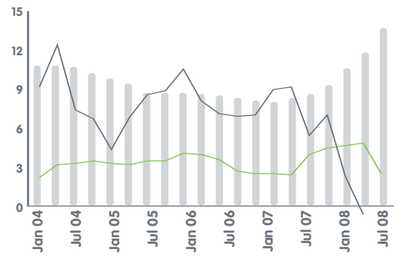
Poor economic growth in the past few years, the persistence of relevant external imbalances and the resulting accumulation of debt by both the public and private sectors are some of the factors that have led Standard & Poors credit rating agency to downgrade Portugal from AA- to A+, and this has implications for Portuguese companies. This downgrading indicates a perception that Portugal presents a higher credit risk, and will therefore make the cost of borrowing relatively more expensive.

The **Spanish economy** is experiencing a marked downturn, due to a slowdown in the construction sector in association with the international financial instability. This decline in activity is being felt in a sharp rise in unemployment, weakening family budgets.

The international financial upheaval underscored the drive for adjustment in the construction and housing sector that had begun in 2007. The fall in external activity strengthened the easing of domestic demand, especially investment in housing. This was seen in a substantial reduction in GDP growth, to 1.1% in 2008 – a fall of 2.6 percent compared with the previous year. On the other hand, net external demand amounted to a positive contribution to growth, the first for ten years, which resulted from the sharp reining in of imports. The external deficit thus narrowed slightly to fall below 10% of GDP, which is still a high figure. The industrial and construction sectors have suffered most in the present economic climate, with particular emphasis on the more labour intensive areas, and the repercussion is being seen in employment levels in these sectors. Unemployment

practically doubled in the space of a year, and currently stands at nearly 14%. Despite this marked deterioration in the labour market, wage costs increased because of the system linking pay to inflation. As in the eurozone, disinflationary pressures were very pronounced in the last quarter of 2008. The year on year inflation rate was 1.4% in December, the lowest level since the introduction of the single currency.

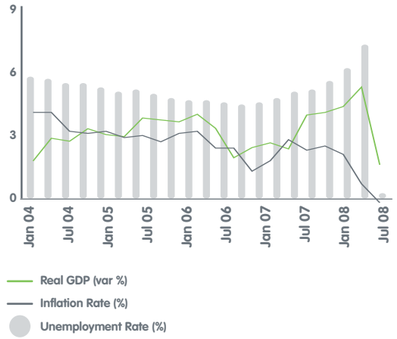
Spanish Economy



The swift and sudden worsening of the economic situation, both domestic and abroad, the increased needs for external financing of the economy and the huge pressure on the public accounts justified the downgrading of Spain's credit rating from AAA to AA+ by Standard & Poors.

In the U.S., economic activity cooled significantly during 2008, as a result of the sub-prime real estate market and its contaminant effects, principally on the North American financial system, and subsequently on real economy. These impacts were especially felt from the summer, in the wake of the failure of financial institutions of world ranking. Domestic demand collapsed and the unemployment rate rose from 5% of the active population to over 7% during the second half of the year. The unusually high level of uncertainty, poor access to financing and rising unemployment seriously hampered corporate and household spending. Even though GDP actually grew at an annual average rate of around 1% in 2008, the rate of decline sharpened during the course of the year, and the annualised rate in the last quarter showed a contraction of 3.8%, the worst performance for 30 years. The U.S. has officially been in recession since the end of 2007.

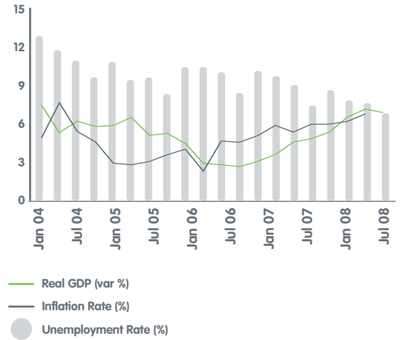
US Economy



In light of the fragility of the economic situation, high risk of the scenario getting worse and the cancellation and reversal of inflationary pressures, the Federal Reserve has adopted an innovative monetary policy that is strongly accommodating. It cut key interest rates to zero and implemented, in conjunction with the U.S. Treasury Department, a package of measures to support the financial system and reignite the credit multiplier mechanism. The delayed effects on corporate balance sheets and the financial stability of households will continue to be reflected in a steep decline in spending by the private sector, while pressure on public resources remains high in the next few years, either through increased public investment or due to an adverse cyclic effect.

The **Brazilian economy** was robust in 2008, as yet little affected by the international economic and financial crisis, thanks to strong impetus of domestic demand. GDP grew 6.4% in the first nine months of the year, compared with the same period in the previous year, with domestic demand contributing 8.1 percentage points to this growth. Investment and household consumption were strong as credit conditions remained favourable, and real disposable family income, employment and social transfers all improved. Imports rose considerably (22.6%), largely for the purposes of investment expenditure, while exports saw more moderate growth of 1.6% in the period. The construction, information services and financial intermediation sectors were the most dynamic, reflecting the impact of the government's public works programme (growth acceleration programme). The electricity generation and distribution segment, as well as water and utilities, increased around 5% in the same period. Employment figures are still good, with unemployment reaching its lowest level since 2002 (7.6% of the active population) in the fourth quarter.

Brazilian Economy



The latest economic indicators, i.e. qualitative surveys, are starting to show the effects of the changing international climate, especially in a slackening of industrial output and a slowdown in investment expenditure. The global drop in liquidity is affecting access to credit by domestic institutions, and is thus a drag on the economy as the conditions for granting loans are becoming more restrictive. There are no signs of difficulties at the financial accounts level, and private entities can still easily refinance their debts; but this situation will tend to worsen, as it has in other countries.

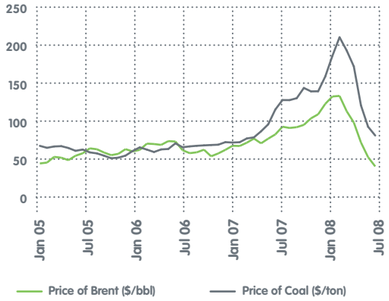
Inflation rose in 2008 to just over 6%. This is mostly explained by the impact of fuel costs and the reduction in productive slack.

2.2. Energy Framework

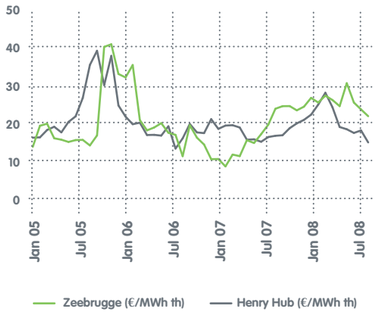
The unprecedented rise in prices of energy raw materials (oil, gas and coal) is certainly one of the main reasons why 2008 will be remembered. Prices soared throughout the first half of the year to reach all-time highs in the summer and then fell sharply in the last quarter until they were lower than at the beginning of the year.

In fact, the price of oil rose to over 145$/bbl, when it had started the year at 90$/bbl and then fell to close to 35$/bbl at year end, the lowest in the last four years. Coal went up to more than 210$/ton, which was three times the average figure in 2006, though it fell back down to 80$/ton in December. The price of natural gas at the Zeebrugge hub in Belgium, the benchmark for Europe, rose 67% against the average for 2007 for 25.10€/MWh, while the Henry Hub Natural Gas Index in the U.S. peaked at 27.80€/MWh June after starting at 18.50€/MWh in January.

Price of Brent and Coal



Price of Natural Gas



The specific causes vary for each raw material, though a common phenomenon can explain these developments. Energy demand had been rising at consistently faster rates than supply in recent years, particularly in the emerging countries, resulting in strangulation of the value chain. Then the sudden drop in consumption due to the general economic crisis reversed the situation. Market prices continue to point to a future rise in commodities, however, as energy demand goes back to its previous levels, since the need to invest in new generation capacity continues on a global scale and requires large amounts of capital.

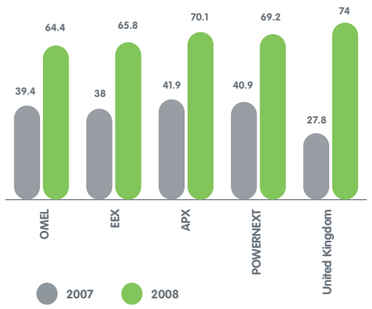
Surplus oil production capacity has been falling steadily since the late 1980s while demand increased by 24 million barrels a day (mbpd) between 1987 and 2007, though production capacity only rose 15 mbpd, essentially in non-OPEC countries. Moreover, new investments have to offset high levels of depletion of existing oilfields and meet increasingly strict environmental criteria. On the other hand, the use of oil product refining capacity has also gradually increased, indicating a need to invest more in the whole value chain. The resulting rise in prices did not, however, lead to negative growth in demand until mid-2008, supported greatly by the emerging countries. This only occurred with the economic slowdown.

Where coal was concerned, the rise in prices was due not only to an increase in demand, particularly from India and China, the latter having become a net importer of coal, but also to constraints on supply. Severe weather resulted in the temporary closure of mines in Australia and China, and the railways to the ports and the ports themselves reached levels of saturation that limited the expansion of exports. Finally, there was a shortage of cargo ships, which were taken up by other commodities with a higher price per unit of volume.

Gas prices in Europe were conditioned by its indexation to oil, exacerbated in the spot market by pressure of demand from Asia, especially Japan, which resorted to gas production to make up for a temporary stoppage of nuclear power plants for a substantial part of the year. In the United States, gas prices followed the same trend, with lower average figures as a result of less dependence on liquefied natural gas imports.

The effects of this highly volatile scenario were felt in the electricity sector all over the world due to the resulting increase in generation costs. In addition, with the entry into the Kyoto Protocol period, the price of CO_2 allowances in the European Emission Trading Scheme (EU-ETS) rose from 0.70€/ton in 2007 to 22.20€/ton in 2008. As a result, prices in the main electricity wholesale markets rose 73% to 65.80€/MWh in Germany and 63% to 64.40€/MWh in Spain and 70€/MWh in Portugal.

Electricity Prices on the European Wholesale Markets (€/MWh)



On the other hand, the rise in price of CO_2 allowances brought up the cost of coal generation in relation to combined-cycle natural gas, resulting in a reversal of the competitiveness of these two technologies, particularly in the Iberian market. Coal production went down from 11.7 TWh in 2007 to 10.4 TWh in 2008 in Portugal (-11%) and from 72 TWh to 46 TWh in Spain (-36%), thereby favouring agents with more efficient and flexible power stations. In the other European markets, the same reversal of merit, which results in a reduction in emissions, occurred throughout the summer, when a reduction in domestic natural gas consumption brought gas prices down.

The scenario of rising fossil fuel prices, together with increased environmental awareness, constituted the backdrop for investments in new sustainable generation capacity, with a view to a cleaner energy mix in the future.

Therefore, in Europe, support for renewable energies and their structural gain in competitiveness compared to fossil fuels enabled them to grow considerably, particularly in wind power and biomass. In Portugal, the launch of the National Dam Plan gave new impetus to the hydroelectric component of the national system and complemented current increases in power. On the other hand, the debate on nuclear energy is back on the agenda and the United Kingdom has formally issued a call for tenders for the construction of new nuclear capacity, while Italy has officially announced its intention to build 10 new groups, starting in 2013. Where thermal energy is concerned, combined-cycle natural gas technology, with its better environmental performance, continued to dominate new investments, while negotiations are under way to obtain EU support for demonstration projects for clean coal power stations with carbon capture.

In the United States, the renewal of tax mechanisms in support of renewable energies boosted the construction of new solar and wind capacity, making the U.S. the world's largest wind-power market. Prospects for the development of this market also benefited at the end of the year from plans announced by the new American administration.

2.3. Market Framework

Total wind installations reached 120 GW at the end of 2008, mainly due to U.S. and China additions (8.3 GW and 6.3 GW respectively). Annual new installations grew by 28.8% reaching 27 GW in 2008 and U.S. has now officially overtaken Germany, becoming the leader in wind installed capacity with a total of 25,201 MW.

The growth in Asia's markets has also been remarkable: close to a third of all new capacity in 2008 was installed in Asia. In particular, the wind energy boom has not slowed down in China, adding 6.3 GW in 2008. China has doubled its installed capacity for the fourth year in a row and, at this rate, it could be on its way to surpass Germany and Spain to reach second place in terms of total wind installed capacity in the coming years. In response to the financial crisis, the Chinese government has identified the development of wind energy as one its key economic growth areas.

In Europe, new installations have reached 8.4 GW, slightly lower than the 2007 figure (8.6 GW). 2008 additions have lead Europe up to nearly 66 GW of wind capacity installed, which makes wind power the leading power source for new generation capacity, according to the European Wind energy Association (EWEA). The rest of the world has shown different trends with Australia (482 MW), Japan (356 MW) and Brazil (93 MW) leading the way.

Offshore wind added 357 MW, accounting for only 1.5% of total annual installations. Cumulative offshore capacity reached nearly 1.5 GW and UK has become the world's leader in the offshore market with its 590 MW of installed capacity.

EUROPE

In 2008 wind new installations have amounted to 8.4 GW, slightly lower than the 2007 figure (8.6 GW). European total share has dropped from 42% to 31% in 2008 mainly due to US and China additions (8.3 GW and 6.3 GW).

Italy, UK and Portugal are the countries which have displayed higher growth rates. Italy has added 1 GW of wind capacity, mainly due to the attractive remuneration scheme. UK and Portugal have added 836 MW and 712 MW respectively.

France has added 950 MW in 2008 despite the temporary suspension of its feed-in tariff, which was confirmed without any amendment in November 2008.

Spain and Germany, leaders of the European wind market, have been the countries that have added more installed capacity in Europe (1,609 MW and 1,665 MW respectively). However, both countries have shown a downward trend with lower growth rates than in 2007.

Netherlands and Turkey have showed significant growth rates adding 500 MW and 286 MW respectively.

In Eastern Europe Poland, Bulgaria and Hungary have been the leading markets adding 196 MW, 101 MW and 62 MW respectively.

NORTH AMERICA

The U.S. wind energy industry set a new record commissioning 8,358 MW in 2008, according to the American Wind Energy Association ("AWEA"). In all wind energy generating capacity in the U.S. now stands at 25,170 MW, producing enough electricity to power the equivalent of close to 7 million households. This makes the U.S. number one in the world in terms of wind power installed capacity, ahead of Germany, Spain and China.

"The massive growth in the year swelled the nation's total wind power generating capacity by 50% and channelled an investment of some 17 billion dollars into the economy, positioning wind power as one of the leading sources of new power generation in the country today along with natural gas", AWEA added.

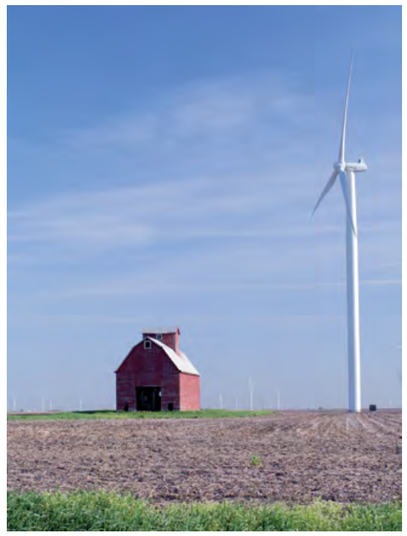
About 85,000 people are employed in the wind industry today, up from 50,000 a year ago, and hold jobs in areas as varied as turbine component manufacturing, construction and installation of wind turbines, wind turbine operations and maintenance, legal and marketing services, and more.

Recently, the President of the United States of America has signed the American Recovery and Reinvestment Act of 2009, which includes a number of energy-related tax and policy provisions to benefit the development of wind energy generation in the country.

The key tax incentives to be introduced as a result of this Act are:

- The three year extension of the Production Tax Credits ("PTC") through 2012;
- The option to elect a 30% Investment Tax Credit ("ITC") in lieu of the PTC through the duration of the extension;
- The option of a cash grant provided by the Secretary of Treasury in lieu of the ITC for projects placed in service during 2009 and 2010, or if construction starts during 2009 and 2010.

The approved provisions will increase the optionalities on the monetization of the federal tax subsidies, providing a greater liquidity vis-à-vis the traditional monetization through Institutional Partnership transactions.



The law signed, besides providing a wider regulatory stability until 2012, constitutes a major positive development in the U.S. wind market in terms of improved project's economics and risks.

2.4. Regulatory Framework

General Overview

In recent years, global attention has been increasingly focused on climate change and its effect on world populations, economies and, consequently, strategies for generating energy from renewable sources. At a global level, an important milestone was reached on May 9, 1992, when 154 countries signed the United Nations' Framework Convention on Climate Change (the "UNFCCC"), which came into effect on March 21, 1994. The objective of the UNFCCC is to "achieve stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system". As a result, on December 11, 1997, a majority of the countries that are party to the UNFCCC also signed the Kyoto Protocol, which came into effect on February 16, 2005 for those signatories that subsequently ratified it. The Kyoto Protocol sets mandatory limits on emissions of carbon dioxide and five other greenhouse gasses for individual nations in an effort to reduce emissions by a collective average of at least 5% against 1990 levels in the period between 2008 and 2012. The Kyoto Protocol establishes enforcement provisions and penalties for nations that exceed their designated emissions limits.

At the European level, The European Commission published a white paper on renewable energy in 1997, setting forth the renewable energy strategy of the Member States of the European Union (the "EU").

The Directive of the European Parliament and the Council of September 27, 2001 on the Promotion of Electricity from Renewable Sources in the Internal Electricity Market (2001/77/EC) (the "Renewable Energy Directive") encourages the development of electricity produced from renewable energy. In addition, the Renewable Energy Directive allows for each Member State to implement national mechanisms in support of renewable energy sources.

The EU reaffirmed its commitment to the promotion of energy from renewable sources on January 10, 2007 with the European Commission's presentation of a long-term "Renewable Energy Roadmap" which proposes a mandatory target of generating 20% of energy from renewable sources by 2020. Furthermore, in January 2008, the EU proposed specific binding targets for each country. The European Commission further developed the "Emissions Trading Scheme" ("ETS") allowances (which allows for companies to trade "permits" to pollution at the lowest cost) and rising prices for oil and gas, and reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

Goverment support of renewable energy in countries in which EDP Renováveis operates

The renewable energy industry benefits from government subsidies or incentives in the markets in which EDP Renováveis operates (Spain, Portugal, France, Belgium, Poland, Romania, the United States, and Brazil). These incentives and subsidies benefit the producers of electricity from renewable energy sources and can broadly be classified into three groups: (i) price-related incentives: feed-in tariffs, (ii) quantity-related incentives: renewable portfolio requirements and public auction systems, and (iii) tax-related and other types of incentives: production tax credits, Modified Accelerated Cost Recovery System, direct subsidies and transmission and dispatch benefits.

SPAIN

General regulatory framework

The enactment of the Electricity Sector Act (Act 54/1997 of November 27, 1997) gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalization. Recently, Law 17/2007 of July 4, 2007 amended the Electricity Sector Act, bringing it into conformity with Directive 2003/54 EC of the European Parliament and Council, with the intention of reconciling the liberalization of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimizing environmental damage.

The Electricity Sector Act includes two different systems for the sale of electricity in Spain: an ordinary regime (the "Spanish Ordinary Regime") and a special regime (the "Spanish Special Regime"). The majority of the electricity produced by EDP Renováveis in Spain is governed by the Spanish Special Regime.

The Spanish Ordinary Regime

Traditionally, most of the demand for electricity in Spain is provided for under the Spanish Ordinary Regime. According to information provided by the Spanish System Operator, Red Eléctrica de España in 2008[1], this percentage however decreased to 76% in 2008 from its 2007 level (81%)

The Spanish Special Regime

According to Red Eléctrica de España, 24% of the electricity demand in Spain in 2008 was provided by facilities that were governed by the Spanish Special Regime. Of this amount, 46% was produced by wind energy in 2008.

Eligible facilities are facilities with an installed capacity of 50 MW or less and that use any of the renewable energy sources, among other categories. Today, Spanish Special Regime generators may choose among (i) selling the electricity they produce to the system at a regulated tariff, (ii) selling the electricity they produce on the "pool," or (iii) entering into bilateral contracts under the same conditions as generator market agents under the Spanish Ordinary Regime. Under the Spanish Special Regime regulations, Spanish Special Regime generators enjoy certain benefits, including the following: (i) the sale price of the electricity they produce may be set in accordance with a regulated tariff and may also include premiums, (ii) the electricity they produce at eligible facilities has priority access to transmission and distribution networks, and, (iii) the eligible facility has access to a parallel connection to the network of the corresponding distribution or transmission company.

Renewable energy regulation

Royal Decree 661/2007

Royal Decree 661/2007 of May 25, 2007 superseded Royal Decree 436/2004 and established a new economic regime. However, the basic regulatory principles and the option for generators to choose between the Fixed Tariff and Market Price plus Premium were not substantially amended, except that the additional incentives for Market Price access were discontinued. Royal Decree 661/2007 allows for a transition period during which certain generators are entitled to continue to receive the economic rights set out under Royal Decree 436/2004 or to elect to switch to the new regime under Royal Decree 661/2007. Owners of facilities operating with final registration before January 1, 2008 can choose either (i) to remain under a transitional system (the "Transitional System") and make a permanent election on or before January 1, 2009 to either remain under the transitional system until December 31,2012 or fully accept Royal Decree 661/2007 (ii) to fully accept Royal Decree 661/2007 before January 1, 2009. Facilities which remain under the Transitional System and whose operators elect to sell at the Fixed Tariff described below will be subject to the tariffs under Royal Decree 436/2004 for the operating life of the facility, and facilities whose operators elect to sell at the Market plus Premium will receive the premiums and incentives established by Royal Decree 436/2004 until December 31, 2012 and will then be transferred to the new regime.

Further amendments introduced by Royal Decree 661/2007 relating to the Spanish Special Regime include the introduction of capacity limits of each technology, caps and floor on the pool/bilateral contract prices plus premiums under the market price plus premium option, and new annual indexing tied to the national consumer price index (the "CPI"), among others.

Purchase tariffs for energy from wind

Fixed Tariff

The Fixed Tariff compensation scheme for renewable energy production from wind Royal Decree 661/2007 and its transitory disposition referring to Royal Decree 436/2004 is as follows:

- Transitory disposition of Royal Decree 661/2007 referring to Royal Decree 436/2004. The price was set at between 80% to 90% of the average electricity tariff ("AET") plus "complements." Complements are additional forms of compensation, such as efficiency allowance or a reactive energy allowance. The AET was set annually, or as otherwise necessary, by the Spanish government at the proposal of the Ministry for Industry, Tourism and Trade. The tariff price for wind farms as at January 2008 under the Special Regime was 68.9€/MWh and will not be updated (Second transitory disposition of Royal Decree 7/2006);

- Royal Decree 661/2007. The fixed tariff is no longer calculated on the basis of AET. The price is set at 75.6€/MWh for wind during the first 20 years, and 63.2€/MWh for the years thereafter, plus "complements," if applicable. Both values are annually updated by the CPI less 0.25% until 2012 and by the CPI less 0.50% thereafter.

[1] Source. Avance del informe anual 2008

Market Price plus Premium

Under this price scheme, Spanish Special Regime generators may choose to sell energy at the price determined by the pool or at the price established by bilateral contracts, in both cases with an additional premium, if applicable.

- Transitional disposition of Royal Decree 661/2007 referring to Royal Decree 436/2004. The price is set at the pool/bilateral contract price, plus a premium (40% of AET for wind energy), plus an incentive (10% of AET for wind energy), plus complements, with no explicit caps or floors;

- Royal Decree 661/2007. The price is also set at the pool/bilateral contract price, plus a premium, plus complements. The premium that a generator receives is based on a reference premium defined in Royal Decree 661/2007 that is fixed by the government and is limited by a cap and floor that are also fixed by the government and which vary by technology.

The premium received by a generator varies depending upon the pool/bilateral price, the floor and the cap.

Tariffs, premiums and complements are updated annually, in accordance with Royal Decree 661/2007. In general these economic rights are to be adjusted by reference to the CPI less 0.25%.

PORTUGAL

General regulatory framework

The Portuguese energy sector underwent a significant restructuring during 2006 as a result of the implementation of the EU Electricity Directive 2003/54 of 26 June.

The Electricity Directive was implemented by the Council of Ministers' Resolution nº. 169/2005 of 24 October 2005, which created a national strategy for the energy sector. This was further developed by Decree-Law nº. 29/2006 of 15 February, which established the new legal framework for the electricity sector and by Decree-Law 172/2006 of 23 August, as amended, which further developed this legal framework and defined the rules for the electricity sector activities.

Electricity sector activities

The national electricity system (Sistema Eléctrico Nacional, "SEN") has five major functions: generation, transmission, distribution, supply and operation of the electricity market. Each of these functions must be operated independently from the others, from a legal, organizational and decision-making standpoint, subject to certain exceptions.

Electricity generation

Electricity generation is fully open to competition, subject to each generator obtaining the requisite licenses and approvals. Electricity generation is divided in two regimes: ordinary regime generation, which refers to the generation of electricity through traditional non-renewable sources and large hydroelectric plants, and special regime generation, which refers to the use of alternative indigenous and renewable sources for electricity generation and for cogeneration and which benefits from incentives to invest in production capacity (the "Portuguese Special Regime").

Renewable energy (Portuguese Special Regime generation)

Regulatory framework

The basis and principles applicable to the activities of generation of electricity in Portugal by means of renewable energy sources and/or industrial, agricultural and urban waste are governed by Decree-Law nº. 189/88 of 18 May, and its several appendices, as amended from time to time (in particular, in respect of tariffs, by Decree-Law nº. 168/99, of 18 May, by Decree-Law nº. 339-C/2001, of 29 December, by Decree-Law nº. 33A/2005, of 16 February, and by Decree-Law nº. 225/2207 of 31 May) ("Decree-Law 189/88").

Tariffs

Decree-Law nº. 189/88 of 27 May, as amended, sets out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy.

Wind farms already in operation or licensed by February 2006 sell their electricity at a set price dependent on production hours as well as of the dimension of the wind farm and the IPC. The tariff is indexed to inflation for 15 years and, thereafter, electricity from those wind farms will be sold at the then-existing market price plus the price received from the sale of green certificates. If no green certificates market or regulatory framework exists at such date, electricity generated by those wind farms will be sold, for an additional period of five years, at the price applicable to new wind farms coming into operation on that date. Wind farms licensed after February 2006 sell their first 33 GWh of electricity at a price based on a formula set out in the Decree-Law nº. 33-A/2005 of 16 February, for a period of 15 years. After the 33 GWh limit is exceeded, electricity in excess of 33 GWh, and, after the 15 years have elapsed, all electricity generated on those wind farms, is sold at the then-existing market price, plus the price received from the sale of green certificates.

Electricity sale

The Special Regime provides that qualified Special Regime generators may sell electricity to last recourse suppliers, with an obligation of the last recourse supplier to acquire the electricity under the special regime.

FRANCE

General regulatory framework

The electricity industry in France is governed primarily by Act 2000, passed on February 10, 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. Article 10 of Act 2000 requires non-nationalized electric power distributors to enter into purchase obligation contracts to buy electricity produced by, among others, installations that use renewable energy sources. Current regulation sets up that only wind farms operating within a ZDE ("Wind energy development areas") can benefit from the power purchase obligation.

EDF Agreements and tariffs

Act 2000 provides that, under certain circumstances, operators of wind facilities may enter into long-term agreements for the purchase and sale of energy with Electricité de France ("EDF"), which requires obtaining a certificate from the local government. The tariffs for the long-term agreements with EDF are set by Order of July 10, 2006, which establishes three stages of determining the tariff, depending on the number of contractual years that have elapsed. For onshore wind, the tariffs are as follows:

- First stage. During the first ten years of the EDF Agreement, EDF pays a fixed annual tariff, which is 82.0€/MWh for applications made during 2006. The tariff is amended annually based, in part, on an inflation- related index;

- Second stage. 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; however, wind facilities located at sites yielding less than 2,400 hours per year will receive the same level of compensation as in the first stage. For wind facilities located at sites with 2,800 and 3,600 or more hours per annum, the compensation decreases to 68€/MWh and 28€/MWh, respectively, for applications made during 2006. For wind facilities with between 2,800 and 3,600 hours per annum, the compensation is calculated by linear interpolation between 68€/MWh and 28€/MWh. These tariffs are also amended annually based, in part, on an inflation-related index;

- Third stage. Beginning in year 16 of the EDF Agreement, there is no specific support structure and the wind energy generators sell their electricity at the market price.

When the long-term agreement was submitted after December 31, 2006, the above base rate is indexed by the "K factor," which is a weighted average of two published Institut National de la Statistique et des Etudes Economiques ("INSEE") indices (and effectively a measure of inflation) recalculated each year. This rate is then indexed in November of each year by the "L factor," an annual coefficient calculated similarly to the K factor, and being an inflation-related index

Le Conseil d' Étatl temporarily suspended the tariff in August 2008. It was later confirmed by "Le Grenelle" document in November 2008, which also included several positive measures for wind development, mainly in terms of permitting issues, that are expected to boost growth in 2009.

BELGIUM

General regulatory framework

The regulatory framework for electricity in Belgium is conditioned by 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 April 29, 1999. 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 July 17, 2000; (b) for Wallonia, the Regional Electricity Market Decree of April 12, 2001; and (c) for Brussels-Capital, the Order of July 19, 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").

Renewable electricity

The Belgian regulatory system promotes the generation of electricity from renewable sources by a system of green certificates (each a "GC"), as described below. The various GC systems are very similar across the three regions. There

are currently differences in terms of quotas, fines and thresholds for granting GCs.

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

The federal Electricity Act is implemented by the Royal Decree of July 16, 2002, recently amended by Royal Decree October 31, 2008 on the establishment of provisions aimed at promoting electricity generated from renewable sources. This Royal Decree sets out provisions relating specifically to electricity generated from offshore power plants and systems of minimum prices for the purchase of GCs by transmission system operators. For onshore power plants, the transmission system operator is obliged to buy GCs delivered by any regional authority or by the CREG in respect of wind farms at a price fixed by the federal government. The minimum price is 50€/MWh for onshore wind (arête October 31, 2008). This minimum price purchase obligation has a duration of ten years from the date of the power plant's entry into service.

Wallonia

The relevant renewable energy legislation in Wallonia is the Decree of April 12, 2001 on the Regional Electricity, amended by the Decree of October 4, 2007. The implementing legislation is contained in the Order of November 30, 2006 on the Promotion of Renewable Energy and Cogeneration, repealing the Order of July 4, 2002 on the Promotion of Green Electricity, as modified by the Order of December 20, 2007, in force since January 1, 2008.

Brussels-Capital

The legislation for the Brussels-Capital region is contained in the Order of July 19, 2001 on the Electricity Market, implemented by an administrative order of May 6, 2004, as modified in September 2007. The GC system in the Brussels-Capital is similar to the system in place in Wallonia, although there are some differences.

Flanders

The legislation for the Flanders region is contained in the Electricity Decree of July 17, 2000, which was implemented by the Order of March 5, 2004 on the Promotion of Electricity from Renewable Sources. A producer of renewable energy who can prove that the electricity was generated in Flanders can request that the VREG issue them with a GC. A GC in Flanders is issued on a monthly basis per 1000 kWh generated by the producer and is valid for five years.

POLAND

General regulatory framework

The legislation applicable to renewable energy in Poland is primarily contained in an Energy Act passed on April 10, 1997, which has since been amended by the Act of July 24, 2002 and the Energy Act of April 2, 2004, which came into effect in January 2005 (together, 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.

All licensed power companies are under the obligation to obtain the approval from the President of the ERA for their tariffs although the ERA President has the right to exempt a power company from the obligation to submit tariffs for approval under conditions specified in the Energy Act

Renewables special regime

The generation of electricity from the renewable sources requires a license issued by the ERA. The generation of electricity from the renewable sources is exempted from the obligation to submit tariffs for approval; however, the ERA President may withdraw such exemption. Pursuant to the Energy Act, power generation from renewable sources is supported creating:

- A system of obligatory purchase of certificates of origin by the generation companies and trading companies selling electricity to the end users interconnected to a grid in Poland;
- If the power company does not purchase certificates of origin in the amount required by the Energy Act or does not pay a substitute fee, the ERA President will penalize such company by the financial penalty.

The certificates of origin are issued by the ERA President at a request of the power company generating from the renewable sources submitted through a grid operator. The minimum limit of electricity generated from the renewable sources (proved by the certificates of origin) 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 of electricity generated from renewable sources 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. Rights arising from the certificates of origin may be traded through the Polish Power Exchange or under bilateral agreements between power companies.

Electricity generated from renewable sources is subject to trading on the energy market at the same price conditions as electricity generated from conventional energy sources, and the value of certificates of origin is determined by a "substitute fee" in accordance with the Energy Act. Power transmission and distribution companies are obliged to interconnect renewable generation sources to the national power grid in order to supply electricity to the power system, on a request of a power generation company.

The Energy Act provides for priority access to the distribution and transmission grid for electricity generated from renewable sources over other electricity generated to the power system. According to the Energy Act the last resort supplier (a trading company providing complex services to households without a choice of electricity supplier) is under an obligation to purchase electricity generated from the renewable sources interconnected to the grid.

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 obliged to buy, and, annually reviews applications from green generators in order to be awarded green certificates.

Law 220/2008 of November, 3rd introduced some changes in the green certificates system. Today wind energy producers receive 2 green certificates for each 1 MWh produced (until 2015), which can be sold separately from the physically delivered electricity. From 2016 onwards generators receive 1 green certificate for each MWh produced. The price of electricity is determined in the electricity market and the price of green certificates is determined on a parallel market. The trading value of green certificates has a floor of 27€ 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 legal support for renewable energies sources is based on the following laws and administrative measures:

- Electricity Law (318/2003) which provides general provisions regarding the promotion of electricity produced from renewable sources;
- Governmental decisions, and in particular GD 113/2004 and GD 1892/2004 referring to the promotion of renewable energy sources and GD 1892/2004 and GD 1535/2003 referring to the strategy for using renewable energy sources;
- Regulatory authority, ANRE, control of the certifying priority of electricity generated from renewable sources and the issue of the guaranties of origin and label of green electricity;
- The last group consists of the procedures of the Market Operator and the Transmission System Operator regarding the issuing of green certificates and the organization of the green certificates market.

U.S.

Despite market turmoil, legislative uncertainty and the attention given to the presidential race in 2008, the U.S. regulatory environment nevertheless continued to improve for wind development.

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

On climate change legislation, the states continued to lead the way in the US. The Regional Greenhouse Gas Initiative (RGGI) held its first CO_2 allowance auction in September 2008. The RGGI provides the mechanism to manage the CO_2 Budget Trading Programs for 10 participating states in the northeastern U.S. representing 12% of total U.S. CO_2 emissions. At the federal level, members of the 110th Congress (2007-2008) introduced legislation related to global climate change at a faster pace than any previous Congress. In fact, lawmakers introduced more than three times as many bills, resolutions, and amendments specifically addressing global climate change and greenhouse gas emissions than the 109th Congress (2005-2006). While climate change legislation has not succeeded to date, expectations are building that the new

administration and the Democratic controlled Congress will make progress.

Following the formal appointment of the New Administration in January 20th of 2009, the "American Recovery and Reinvestment Act of 2009" was signed into law on February 17th. This plan includes several provisions to stimulate investment in renewable energy, with the following ones more applicable to the wind business:

- Long-term Extension and Modification of Renewable Energy Production Tax Credit: extends the placed-in-service date for wind facilities for three years (through December 31, 2012);
- Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit: allows wind facilities to elect a 30% investment tax credit in the year that the facility is placed in service, in lieu of the production tax credit;
- Treasury Department Energy Grants in Lieu of Tax Credits: allows taxpayers to receive a grant from the Treasury Department in lieu of tax credits. This grant will operate like the current-law investment tax credit. The Treasury Department will issue a grant in an amount equal to thirty percent (30%) of the cost of the renewable energy facility within sixty days of the facility being placed in service or, if later, within sixty days of receiving an application for such grant. This provision aims to guarantee the effectiveness of the tax credits, considering the current market conditions and the difficulty in financing projects.

Wind Energy Remuneration

Both the U.S. federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power.

As a result of these policies, the remuneration of wind farms in the U.S. is the result of several components:

- Energy Price, which is the price at which the "brown energy" is sold in the market or to counterparts;
- Renewable Energy Certificates ("RECs"), resulting from the renewable demand, mainly generated by the existence of State Renewable Standards ("RPS") that require a certain percentage of the electricity generation to come from renewable sources;
- Production Tax Credits ("PTC"), which provide federal income tax credits to the owners of qualifying wind facilities based on the quantity of wind energy produced and sold during a ten-year period;
- Modified Accelerated Cost Recovery System ("MACRS"), which permits the accelerated tax depreciation of certain wind farm property.

Energy Price

In the United States, electricity from wind generation is sold mainly through the following three methods:

- Power Purchasing Agreements ("PPA");
- Merchant sales with hedges;
- Merchant sales without hedges.

Renewable Energy Credits

Operational revenue sources come from the sale of the energy as well as Renewable Energy Certificates (RECs) which act as "green tags". Renewable Energy Certificates ("RECs") are typically used in RPS programs as tradable certificates demonstrating that a certain number of kilowatt-hours have been generated by a renewable resource. RECs are separate commodities from the underlying power that is generated by the resource. Under many RPS programs, a utility may generally demonstrate, through its ownership of RECs, that it has supported an amount of renewable energy generation equal to the state-mandated RPS percentage. Utilities purchase RECs to meet legal obligations under RPS programs.

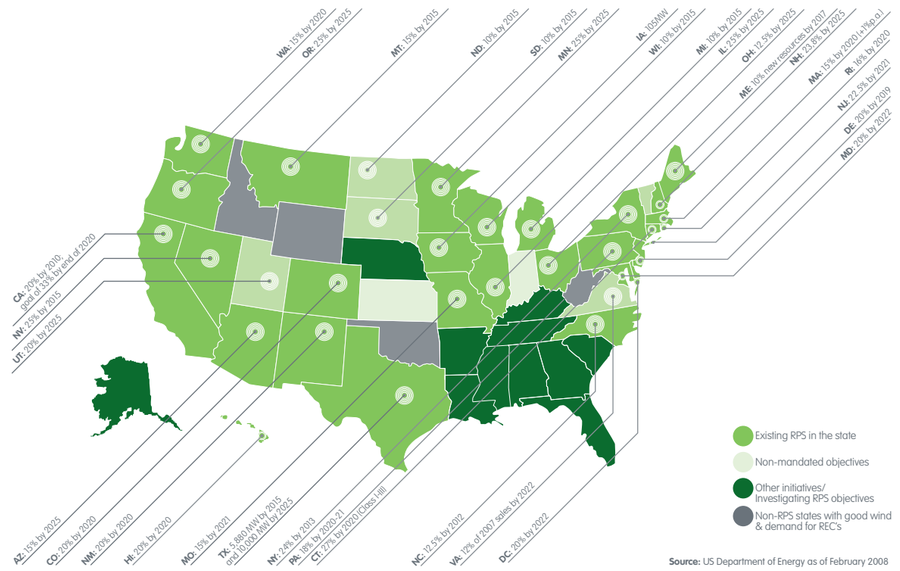
Various State Governments have taken an active role in the development of renewable infrastructures through the implementation of a RPS program. Generally, an RPS program is a State policy that mandates that a certain percentage of a utility's energy supplied to consumers within the state come from renewable sources, typically 10%-20% by 2015, and, in certain cases, provide for various penalties for non-compliance.

2008 did see continued growth in RPS demand at the state level. Seven states strengthened or passed new Renewable Portfolio Standards representing new demand for approximately 40TWh, or 14 GW of new wind capacity by 2020.

Production Tax Credits

The PTC is a tax credit provided to the owners of certain renewable energy facilities located in the United States, including wind among others. The PTC, first established in 1992, is based on a measured unit of output from the renewable energy source and provides a dollar-for-dollar offset of the wind facility owner's tax liability, effectively increasing the plant's revenue per unit of generation. In 2008, the PTC rate applicable to wind generation was U.S. 21.0$/MWh; however, it is reduced for any project

US Renewable Portfolio Standards



Source: US Department of Energy as of February 2008

that receives government-assisted financing related to capital costs or other federal income tax credits. The PTC is applicable for a ten-year period from the time a power production facility is placed into service. The PTC benefits only the owners of the facility, but if the owner of the facility is taxed as a partnership, the PTC is allocated to its partners.

In October 2008, the U.S. Congress acted to provide a one-year extension of the PTC applicable to wind capacity added through December 31, 2009.

MACRS

Renewable energy projects also benefit from accelerated depreciation of certain major equipment components over a five-year period. Most of the renewable energy producers' assets qualify for the MACRS, which provides additional tax benefits that are independent of electrical power output. The MACRS has been continuously available since 1987, and there is no concern at present that the MACRS will be discontinued.

Regional Differences in Power Markets

The U.S. power market is extremely large, and comprised of a diverse number of regional markets, each with its own unique characteristics.

Power prices vary across the US, driven primarily by the regional fuel mix. In each region, the cost of power is based on the marginal fuel being used at any given time. Typically, coal-dominated regions such as MISO and PJM have lower average prices than gas-dominated regions such as New England, California and ERCOT.

Below is a table with the main features of the different energy markets in the United States:

Market Type	Market	Regions Covered	Peak Demand, MW	Marginal Fuel Type	Wholesale Market Design
ISO/RTO	CAISO	California	50,198	Natural Gas	Zonal
ISO/RTO	Midwest ISO	Upper Midwest	116,030	Coal	LMP
ISO/RTO	ISO-NE	Northeastern US	28,130	Natural Gas	LMP
ISO/RTO	NYISO	New York	33,939	Natural Gas	LMP
ISO/RTO	PJM	Mid-Atlantic & Midwest	144,644	Coal & Natural Gas	LMP
ISO/RTO	SPP	Central Midwest	43,703	Coal & Natural Gas	LMP
ISO/RTO	ERCOT	Texas	62,339	Natural Gas	Zonal
Regulated	Southeast	Southeast	237,100	Coal & Natural Gas	Utility Dispatched
Regulated	Southwest	Desert Southwest	36,519	Natural Gas	Utility Dispatched
Regulated	Northwest	Mountain States & Pacific NW	40,298	Hydro & Natural Gas	Utility Dispatched

In regulated markets, incumbent utilities are frequently the predominant power buyer making marketing efforts largely opportunistic ventures. In these markets, a Power Purchase Agreement (PPA) is generally the only way to sell bundled RECs (REC + power), with the exception of the Pacific Northwest where a bilateral market allows movement and selling of power to different entities in the region.

Conversely, Independent System Operators (ISOs) and Regional Transmission Operators (RTOs) typically offer more options for selling power and green attributes from wind farms. Many states participating in ISO/RTO markets allow unbundling of RECs and power giving wind producers to more options in sales methods.

BRAZIL

The Ministry of Energy and Mines (MME) has the overall responsibility for policy setting in the electricity sector while ANEEL, which is connected to the Ministry of Mines and Energy, is the Brazilian Electricity Regulatory Agency created in 1996 by Law 9427. ANEEL regulates and controls the generation, transmission and distribution of power in compliance with the existing regulation.

The new electricity legislative framework was defined by Law 10.848/2004, which established clear, stable and transparent rules aimed at ensuring supply and the expansion of sector activities (generation, transmission and distribution). Law 10.848/2004 creates a pool matching electricity demand and supply capacity through long-term contracts. Decree 5.163/2004 approved the regulatory framework for the power sector, specifying specific provisions to achieve the objectives of the reform. One of the defining elements of the model adopted by the new administration is the establishment of energy auctions as the main procurement mechanism for distribution companies to acquire energy to serve their captive consumers. This initiative assisted in the introduction of competition in the power sector.

The new electricity market structure is based on a predominance of Purchase Power Agreements contracts (PPAs) between producers and distributors, existing auctions A-5, A-3 and A-1, to supply, respectively, the long-term demand and short-and medium-term adjustments, and a market of settlements where differences between estimates and actual consumption are adjusted. PPAs's term is 30 years for hydro generation plants and 15 years for the rest of generation plants. The description of the auction procedure is set in Porteria[2] 59 of April 2007, 10.

The objective of this system is to ensure that the totality of future expansion needs is met and that plants are only built once they have won bids in energy auctions and are guaranteed long-term contracts.

Wind energy regulation in Brazil

In 2002, the government of Brazil created a Program to foster alternative sources of electric power (PROINFA). The program aims to increase the participation of wind power sources, biomass sources and small hydropower systems in the supply of the Brazilian grid system through Autonomous Independent Producers (PIA). The medium to long-term objective (i.e. 20 years) of the program is that the defined sources supply 15% of the annual market growth until they reach 10% of the nation's annual electric power demand/total consumption.

The projects approved have signed 20- year power sale contracts with federal power holding company Eletrobrás and tariffs were fixed by auctions. These auctions took place from 3 to 5 years before the commissioning of the generation plant and fix the amount of electricity to sell and its price. The tariff remunerates the fixed costs and the cost of capital. Variable costs are paid according to real use.

PROINFA program will finish in 2009 and the Ministry of Energy and Mines announced its intention to establish wind energy auctions for guaranteed long-term contracts, to be held regularly, in line with the general system.

2.5. Main Business risks

The main risks and uncertainties that can affect the operation performance are the following:

Risks relating to the renewable energy industry

EDP Renováveis business is focused on the production of electricity from renewable energy sources. The amount of energy generated by, and the profitability of wind farms is dependent on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at wind farms would decline.

Variation 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 results of operations. Furthermore, a sustained decline in wind conditions could lead to reductions in operational efficiency, energy production and profitability.

Exposure to market electricity prices risk and to financial markets

Remuneration for electricity sold by EDP Renováveis wind farms depends, at least in part, on 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, the technological mix of installed generation capacity and user demand. Therefore, a decline in market prices below anticipated levels could have a material adverse effect on EDP Renováveis business, financial condition or results of operations. 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 the company may face other difficulties in executing the hedging strategy.

EDP Renováveis is also exposed to fluctuations in interest rates through the financing, in particular, shareholder loans from the EDP Group and financing from institutional investors in connection with its Partnerships Structures in the case of the U.S. 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 it cannot be guaranteed that the hedging efforts will operate successfully. Finally, 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.

Risks related to increased in capital costs

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

Regulatory risks

The development and profitability of renewable energy projects is dependent on policies and regulatory frameworks that support such development. The jurisdictions in which EDP Renováveis operates provide various 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 U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, it cannot be guaranteed that support will be maintained or than the electricity produced by future renewable energy projects will benefit from statutory purchase obligations, tax incentives, or other support measures for the generation of electricity from renewable energy sources

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 regulate: land acquisitions, leasing and use; building, transportation and distribution permits; landscape and environmental permits; and regulations on energy transmission and distribution network congestions. If the relevant authorities in the jurisdictions in which EDP Renováveis operates fail to continue to support, or reduce their support for the development of wind farms, such actions could have a material adverse effect on the business.

Wind turbine supply risk

Wind turbine is a significant part of a wind farm's CAPEX (around 70-80%). 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 rises sharply, impacting profitability of new wind farms;
- Quantity risk: when no wind turbines are available for the construction of new wind farms.

Management of EDP Renováveis risks

Risks related to the Renewable Energy Industry

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 farm in each country. This "portfolio effect" enables to offset wind variations in each area and to keep the total energy generation relatively steady.

[2] Rougly equivalent of Ministerial Order

Electricity prices and financial risks

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

The financial risks are assessed and managed by EDP Renováveis, being its execution undertaken by the Financial Department of EDP (following strictly the policies and guidelines mandated by EDP Renováveis, under the terms of the outsourcing of management services agreement "Contrato de Prestaçao Serviços Consultoria" between EDP Renováveis and EDP), in accordance with the policies approved by the Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure.

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

Exchange rate risk

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

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

Interest rate risk

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

The purpose of the interest-rate risk management policies is to reduce the financial charges and the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments to fix the debt interest rates. In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. All these operations are undertaken on liabilities in the Group's debt portfolio and are mainly perfect hedges through a high correlation between changes in fair value of the hedging instrument and changes in fair value of the interest-rate risk or upcoming cash flows.

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

Market price risk

As of December 31, 2008, EDP Renováveis faced limited market price risk. In the case of EDP Renováveis NA, most prices are fixed and principally determined by long-term power purchase agreements. In the case of Spain, electricity is sold directly on the daily market at spot prices plus a pre-defined regulated premium. EDP Renováveis also has an option of selling this electricity through regulated tariffs, guaranteeing minimum prices. In 2008 the company closed a hedge in order to mitigate pool price fluctuations in Q4 in Spain, which mitigates the risk related to fluctuations in pool prices. In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or managed through long-term power purchase agreement (Brazil, Poland, Romenia and Belgium).

Regulatory risk

EDP Renováveis belongs to the most prestigious wind energy associations, both at national and international level. EDP Renováveis is member of "La Asociación Empresarial Eólica" (Spain), "APREN" – Associação Portuguesa de Produtores de Energia Eléctrica de Fontes Renováveis – (Portugal), Le Syndicat des Energies Renouvelables (France), ANEV (Italy) and PIGEO (Poland). At an international level, EDP Renováveis belongs to the EWEA (European Wind Energy Association), as well as AWEA "American Wind Association".

Being an active member in all these associations allows EDP Renováveis to keep abreast of any regulatory change, and represent wind energy sector's interests when required by the governments.

Counterparty credit risk

The EDP Renováveis Group 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, it cannot be considered that there is any significant risk of counterparty non-compliance and no collateral is demanded for these transactions.

In the specific case of EDP Renováveis EU, credit risk is not significant due to the limited average collection 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

Liquidity risk

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

Given the current condition of the debt market, it could be difficult to cover the financial requirements needed to carry out the Group's activities.

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

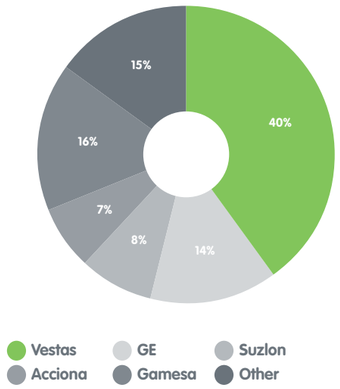
Wind turbine supply risk

Last years have been marked by the difficulties of the wind turbine industry to catch up with the booming demand. In this high growth environment, wind generators have endured difficulties to secure the supply of wind turbines. In response, EDP Renováveis has shifted from national and project-driven agreements, to multi-year frame agreements covering several regions with built in flexibilities. This trend, however, seems to be reversing as turbine demand slows down.

EDP Renováveis uses a mix of turbine supplier in order to reduce its dependency on any one supplier. At present EDP Renováveis is one of the generators with a more diversify portfolio, being Vestas and Gamesa the most important suppliers. 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.

The next chart represents the share of EDP Renováveis current installed turbines plus contracted ones until 2010.

Distribution of Wind Turbines Suppliers



EDP Renováveis has been securing its wind turbines by stablishing long-term flexible agreements with several major turbine vendors. Framework agreements enabled EDP Renováveis to have available turbine when needed, but in the current context, they could prevent the company to capture a drop in turbine prices, if this occurs. For this reason, EDP Renováveis is renegotiating frame agreements as well as negotiating more flexible agreements for the next years.

Wind turbine performance risk

EDP Renováveis mitigates wind turbine performance risk by using a mix of top tier turbine suppliers which minimizes technological risk. Additionally, wind turbine performance risk is reduced by signing strict and thorough O&M contracts with suppliers, usually for a 5-year period. Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimal. The availability and the power curve of each turbine is adequately guaranteed with "liquidated damages" clauses that establish penalties to be paid by the supplier when the minimum availability is not met (usually 95-97%) or the power curve is not reached. Finally, wind turbine performance risk is lso mitigated with an adequate preventive and scheduled maintenance.

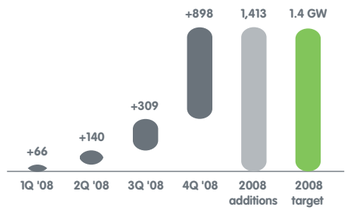
3. SUMMARY OF ACTIVITY

Introduction

EDP Renováveis company incorporated on December 4, 2007 holds, operates and develops activities related with renewable energy assets in a variety of geographies in Europe (Portugal, Spain, France, Belgium, Poland and Romania), North America (United States) and South America (Brazil). European operations are managed by Nuevas Energías del Occidente (hereby refered as EDP Renováveis EU), while Horizon Wind Energy (hereby EDP Renováveis NA) and EDP Renováveis Brasil (hereby EDP Renováveis SA) are respectively its platforms in North and South America.

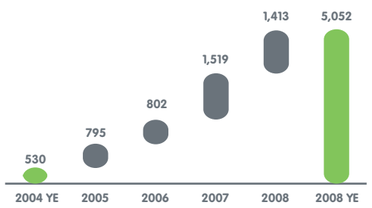
During 2008, EDP Renováveis **installed an additional capacity of 1,413 gross MW, in line with the target defined upon the IPO** (through 744 MW from its European platform and 669 MW from its North American platform). This provides full evidence of the organization's competence to deliver on annual targets.

2008 Additions (Gross MW)



As a consequence, by the end of 2008, EDP Renováveis **had a total gross installed capacity in excess of 5.0 GW**, which represents a noteworthy increase of 9.5 times versus the 530 gross MW installed by 2004.

Annual Increase in Capacity (Gross MW)



The table below summarizes the evolution of EDP Renováveis portfolio:

Installed Capacity (Gross MW)					
	2008	2007	2006	2005	2004
EDPR EU	2,894	2,150	1,568	953	530
EDPR NA	2,158	1,490	559	372	–
EDPR	5,052	3,640	2,127	1,325	530

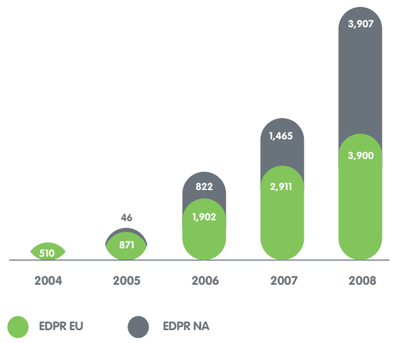
Furthermore, and most notably, during 2008, EDP Renováveis managed the construction of approximately 2.2 GW[3] in a sole calendar year and currently has 0.8 GW as carry forward capacity to be commissioned in 2009. European platform, with 569 MW, carries 74% of this capacity, while the North American operations represent the remaining 26% with 199 MW.

During the year of 2008, EDP Renováveis executed the purchase of wind assets in France (for the most part in pipeline status – from EOLE 76 group), entered the Romanian market by acquiring 85% of Renovatio Power and Cernavoda Power, which own several prime location wind projects totalling 736 MW in different stages of maturity and was awarded 126 MW in the Spanish Galician tender in Spain. In the Americas, EDR Renováveis launched operations in Brazil and acquired 1,050 MW of early stage wind projects in the U.S. (from Hydra Energy).

On a different front, EDP Renováveis successfully executed an institutional investor partnership transaction (Tax Equity Deal) with JP Morgan Capital, and New York Life Insurance Company, raising a total 265 million dollars.

In terms of electricity generation, EDP Renováveis output reached in 2008 7,807 GWh EBITDA, representing an increase of 78% (or 3.4TWh) versus 2007. As an easy reference, this level of electricity output is equivalent to approximately the average consumption of 3.65 million households in one calendar year.

Annual Generation (EBITDA GWh)



[3] Considering total additional gross capacity of 2008 plus capacity under construction at end of the year

Generation (EBITDA GWh)					
	2008	2007	2006	2005	2004
EDPR EU	3,900	2,911	1,902	871	510
EDPR NA	3,907	1,465	822	46	–
EDPR	7,807	4,376	2,724	917	510

Note: Only wind production

This level of output is based on strong load factors which are a consequence of the prime tier quality of EDP Renováveis assets. In Europe, average yearly load factor reached 26% and in North America 34%, reflecting as well the superior operational efficiency (with top tier or improving availability marks) of EDP Renováveis wind farms.

Finally, the total pipeline and prospects to fuel future growth was, at year end 2008, about 28 GW, including projects in various stage of development.

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
5,052	769	1,891	5,950	10,201	18,041	9,208

Gross MW

3.1. Europe

Introduction

Europe is an important market to EDP Renováveis. Strong policy support, at both EU level and national levels in Europe, has fostered a robust increase in power generation from renewable energy sources.

All European renewable energy activities are currently conducted through EDP Renováveis EU, with 16 offices in 5 different countries.

EDP Renováveis EU has a history of consolidation of assets that goes back to as early as 1993.

The business subsequently grew through the development of wind energy projects in Spain and Portugal and active expansion into other European countries such as France, Belgium, Poland and recently Romania.

2008 proved to be an exciting and successful year for EDP Renováveis operations in Europe:

- EDP Renováveis EU continued the success of integrating companies acquired in recent years and strengthened its competitive position in the market by increasing gross installed capacity from 2,150 MW in 2007 to 2,894 MW in year end 2008 representing a 35% growth;
- EDP Renováveis EU made a move into Romania, a fast-growing early stage wind market within the European Union, by acquiring Renovatio Power and Cernavoda Power which own 736 MW of wind projects in different stages of maturity and in prime locations;
- EDP Renováveis EU started the construction of its first project in Poland, Margonin wind farm with a gross installed capacity of 120 MW;
- In late December, EDP Renováveis EU was awarded 126 MW related with a bidding processes promoted by Galicia authorities, to award to produce electricity through wind energy;
- EDP Renováveis EU acquired from the EOLE 76 group in France wind farms with an installed wind capacity of 35 MW and several projects under development in the Normandy and Rhônes-Alpes region.

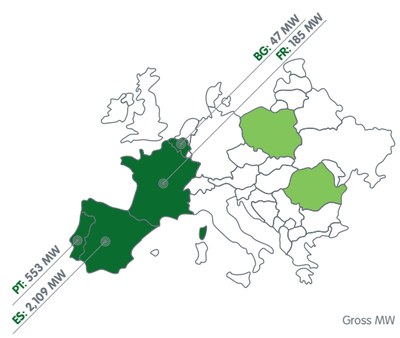
In addition to the wind energy operations, EDP Renováveis EU also operate a number of mini-hydro power plants in Spain with an aggregate installed capacity of 11 gross MW and 2 GWh production as of, 2008.

Capacity

By 2008 year-end, the European platform had an installed gross capacity of 2,894 MW representing 57% of total gross capacity of EDP Renováveis.

Installed Capacity (Gross MW)

At year end 2008 installed gross capacity was divided by four countries:



Gross MW

GROUP BUSINESSES

Since 2004, EDP Renováveis EU increased its gross installed capacity by 2,364 MW which represents a CAGR of 53%.

Annual Increase in Capacity (Gross MW)

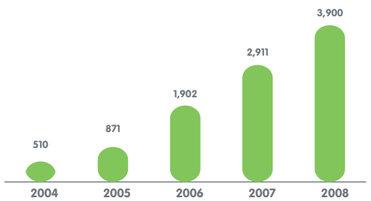
At year end 2008 EDP Renováveis EU current portfolio in Europe includes 2,894 MW of gross installed capacity, 569 MW under construction and 8,930 MW of pipeline (including prospects) in various stages of development:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
2,894	569	1,242	1,137	2,413	4,791	4,139

Gross MW

With respect to production, EDP Renováveis EU reached 3,900 GWh EBITDA wind in 2008 representing a CAGR of 66% since 2004 and a 34% growth over 2007 output level.

Annual Generation (GWh EBITDA)



The average annual availability average for 2008 was 97%, which corresponds to a top tier performance level and is in line with 2007 mark.

PORTUGAL

EDP Renováveis EU in Portugal (ENERNOVA – Novas Energias) was able to fulfil the main objectives established in 2008.

The total installed capacity at year end was 553 Gross MW representing a 30% increase from the 424 MW figure reached by the end of 2007.

In regard to production, EDP Renováveis in Portugal generated 1,028 GWh EBITDA in 2008 representing a 40% increase from the 735 GWh EBITDA figure reached in the end of 2007.

The year of 2008 was characterized by another governmental step towards achieving its commitment to renewable energy, with the enactment of the third phase of public tenders.

Installed capacity and generation

EDP Renováveis installed 129 MW in Portugal during 2008 reaching an overall portfolio of 553 Gross MW.

Installed Capacity (Gross MW)

EBITDA=Gross

At the end of 2008, EDP Renováveis had in Portugal a total windfarm portfolio of 1,324 MW, 42% of which were already installed, 58% under construction and in promotion.

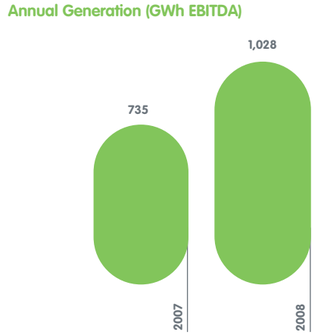
By the end of 2008, pipeline (including prospects) reached 729 MW:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
553	42	480	0	17	497	232

Gross MW

In 2008 EDP Renováveis EU in Portugal increased its wind output to 1,028 GWh EBITDA, +40% in comparison to 2007, following the strong increase in installed capacity year-on-year.

Annual Generation (GWh EBITDA)



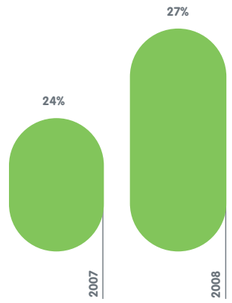
Operational performance

High load factors of renewable energy sources such as wind energy are paramount for the establishment of a high level of revenue.

EDP Renováveis boosts a superior quality asset base in regard to both load factors and availability due to the fact that it was one of the first-movers in the Portuguese wind energy market providing the company not only with some advantage in securing some of the best locations but also through the development of an unmatched expertise in the Portuguese utility context, due to highly experienced maintenance teams.

In 2008, EDP Renováveis EU in Portugal achieved a load factor of 27%, clearly above 2007 figure of 24%.

Load Factor



Regarding availability, EDP Renováveis EU maintained its high level, achieving an average of 97% in 2008

Average Price / Tariff

EDP Renováveis EU windfarms currently in operation in Portugal (as well as those in construction) fall under the more attractive remuneration regime.

In 2008, EDP Renováveis EU sold 1,028 GWh EBITDA at an average price of 94€/MWh. This represented a 37% rise in total revenues. This resulted from the combined effect of a slight decrease of average energy price (tariff scheme in Portugal is in part inversely proportional to output – see regulations section prints, in this chapter) from 96€/MWh to 94€/MWh in 2008 and from the contribution of the additional installed capacity in 2008 and higher year over-year load factors.

Production and Average Price			
	2007	2008	Var (%)
Production (GWh)	735	1,028	40%
Avg Price €/MWh	96	94	-2%

Relevant facts / topics

A consortium, ENEOP2, in which EDP Renováveis EU has a 40% stake was created to fulfill the obligation of the Portuguese tender to develop windfarm projects representing a total installed capacity of around 1,200 MW, of which 480 MW are related to EDP Renováveis EU stake.

All key contractual dates, established with Direcção Geral de Energia e Geologia (DGEG) for ENEOP2, during the course of 2008 were met.

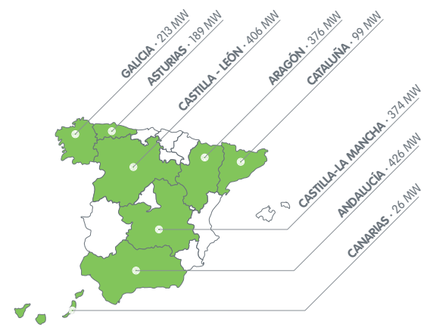
SPAIN

Spain is one of the most mature wind energy markets in the world where, during 2008, the relative weight of wind energy generation as a percentage of all energy generation reached 11%. Eventhought Spanish market still presents further attractive growth potential on the short term, namelly by leveraging regional tenders.

Installed capacity and generation

At year end 2008 EDP Renováveis total installed capacity reached 2,109 gross MW distributed by the main regional communities in Spain and with a noticeably above average net capacity factor.

Gross Installed Capacity by Region

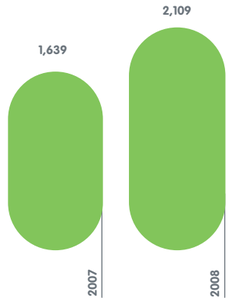


In 2008 EDP Renováveis EU installed 470 gross MW representing a 29% increase over 2007. This significant increase in gross installed capacity was achieved in large part due to a successful development of greenfield and other early stage projects (including pipeline and prospects that were acquired).

EDP Renováveis EU current wind farm portfolio in Spain includes 2,109 gross MW of installed gross capacity and over 5,300 MW in construction and promotion.

GROUP BUSINESSES

Installed Capacity (Gross MW)



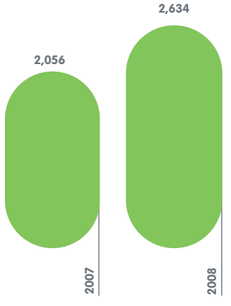
As of 31 December 2008, EDP Renováveis had in Spain 4,866 MW of projects in various stages of development.

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
2,109	477	373.4	541	1,702	2,616	2,250

Gross MW

Sales of electricity from wind farms in Spain reached 2,634 GWh EBITDA, a 28% increase over 2007.

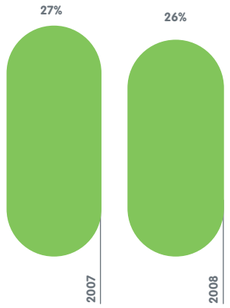
Annual Generation (GWh EBITDA)



Operational performance

EDP Renováveis EU continually strives to improve its operational efficiency, in particular through further improving availability levels and load factors, increasing the insourcing of key capabilities and enhancing the process quality control. EDP Renováveis EU accumulated load factor in Spain for 2008 was 26% which is above the Spanish average market(1) for 2008 and slightly lower than the 2007 figure.

Load Factor



In respect to availability, EDP Renováveis assets in Spain continued to maintained its high level/ top notch performance, reaching an average availability of 97%

Average Price / Tariff

The electric market prices in Spain during 2008 have been favourable to initial estimates. There are many drivers explaining the final price but both gas and hydro markets are the most relevant. The hydro generation in Spain in 2008 was lower than the historic average and the price of gas higher during most of the year.

The next table shows EDP Renováveis EU annual average price.

Production and Average Price			
	2008	2007	Var (%)
Production (GWh)	2,056	2,634	28%
Avg Price €/MWh	78	101	29%

Other relevant facts / topics

In late December, EDP Renováveis EU was awarded 126 MW related through a bidding processes promoted by Galicia authorities.

At the same time, EDP Renováveis is waiting for Canaria's and Andalucía's Government awarding MW for these regions, respective tenders. In addition, EDP Renováveis EU is preparing its application to the tender of Asturias's Government and is expecting the official announcement of tenders in Aragon and Cantabria.

FRANCE

Electricity production in France is dominated by nuclear energy which amounts approximately to 77% of total generation assets.

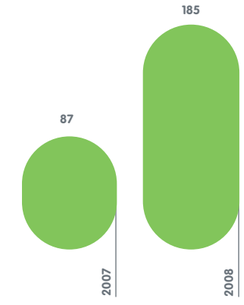
In order to have a diversified energetic mix France is developing policies aimed at promoting and increasing the share of renewable energy, namely wind. In terms of wind energy France has the second biggest potential in the EU and recently, a new energetic plan called "Grenelle de l'Environnement" have been granted and fixed 25,000 MW of renewables target for 2020.

EDP Renováveis aims to be one of the top players of the French wind energy market.

Installed capacity and generation

During the year 2008, EDP Renováveis EU added 98 Gross MW to the 87 MW already in operation in France totalling 185 MW.

Installed Capacity (Gross MW)



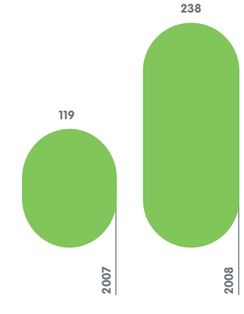
At the end of 2008, EDP Renováveis French pipeline was composed by projects in the following development stage:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
185	8	64	80	384	526	742

Gross MW

Sales of electricity from wind farms in France reached 238 GWh EBITDA, a 100% increase over 2007.

Annual Generation (GWh EBITDA)



Average Price / Tariff

The average tariff for EDP Renováveis wind farms was 71€/Wh in 2008. The decrease of 18% regarding 79€/MWh can be explained by the trial period of installed MW that received a reduced tariff

Other relevant facts / topics

On April 7th, 2008 EDP Renováveis acquired EOLE76 that had 35 Gross MW in operation, 8 MW under construction, 256 MW in pipeline and 595 MW in prospective projects.

All the original EOLE76 promotion team (4 people) remained with the company, with direct responsibility for the projects and were integrated as part of EDP Renováveis EU team. Additionally, 8 top-quality employees were recruited to reinforce the company in key areas.

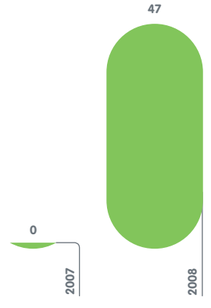
BELGIUM

EDP Renováveis EU holds 70% of shares of Greenwind, a Belgium entity for the sole purpose of developing, financing, constructing, and operating the wind projects in the country.

Installed capacity and generation

During the year 2008, EDP Renováveis EU installed 47 Gross MW:

Installed Capacity (Gross MW)



There was no installed capacity in 2007 and there is no production in 2008 since the wind farms started the tests phase test during December 2008.

At the end of 2008, EDP Renováveis pipeline and prospects in Belgium were structured as follows:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
47	23	0	0	37	37	25

Gross MW

POLAND

EDP Renováveis entered the Polish market in December 2007 with the acquisition of RELAX Wind Parks portfolio, which included 1,022 MW of wind projects under development. With this acquisition, EDP Renováveis EU made its entrance into the market and became one of the largest players in the renewable energy sector in Poland. By the end of 2008, EDP Renováveis EU increased its portfolio in Poland to 1,288 Gross MW, including 20 MW under construction and 1,268 MW under different stages of development.

2008 proved to be an exciting and successful year with the integration of the Polish platform within EDP Renováveis EU structure. Most notably, EDP Renováveis EU began the construction of 20 MW out of total 120 MW wind farm in Margonin. This is a prestigious project in the country, which will be the largest wind farm in Poland and one of the largest in Europe. By the end of the year, majority of the balance of plant works relating to the first stage (20 MW) were completed, with the second stage (100 MW) works to be initiated in early 2009. The Margonin Wind Farm is estimated to be fully operational at the end of 2009.

In addition to advancing Margonin Wind Farm to a construction stage, several other projects were significantly advanced and are to be fully permitted in 2009. Successful development efforts in 2008 will play a significant factor reaching EDP Renováveis EU's goal for the upcoming years and solidifying EDP Renováveis EU's position in Poland as a top player and the future market leader.

Pipeline

At the end of 2008, EDP Renováveis pipeline and prospects in Poland reached 1768 MW structured as follows:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
0	20	100	456	262	818	450

Gross MW

ROMANIA

On October 17, 2008 EDP Renováveis EU acquired 85% of Renovatio Power SRL and Cernavoda Power SRL, which own several wind projects in Romania totalling 736 MW in different stages of maturity and in prime locations.

Pipeline

At the end of 2008, EDP Renováveis pipeline in Romania was structured as follows:

Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
0	0	225	60	12	297	440

Gross MW

Two tier 1 projects for 225 MW total are fully permitted and are expected to start construction during 2009 .

3.2. North America

EDP Renováveis's North American activities are conducted through its U.S. operating subsidiary, Horizon Wind Energy ("EDP Renováveis NA").

Throughout its history, EDP Renováveis NA has undergone significant growth and evolution through various stages and business models. The company began in 1998 as a small, privately-owned wind farm owner and operator which in 2001 underwent ownership consolidation and restructuring to a greenfield wind power project development focused enterprise known as Zilkha Renewables Energy. In 2005, The Goldman Sachs Group acquired the company, changing the name to Horizon Wind Energy and extending its strategy and scope beyond pure development to also becoming an owner and operator of wind farms. Following the purchase of Horizon in July 2007 by Energias de Portugal, the company was subsequently integrated into EDP Renováveis as its North American platform in December 2007 and is now a vital part of an internationally integrated, strategic renewable energy player.

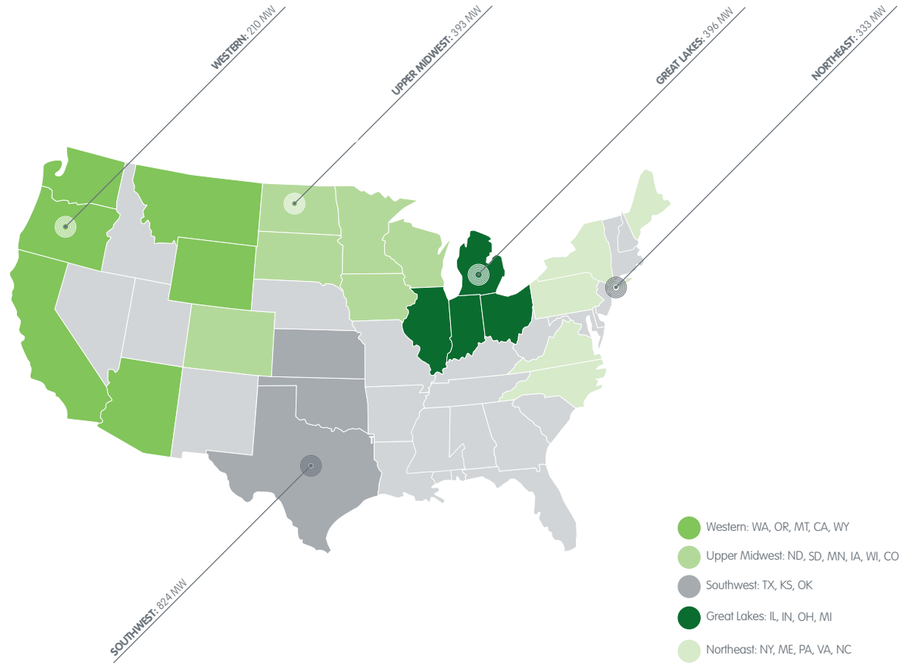
To date, the NA business has established its strength through the development of greenfield and early stage pipeline projects. This has meant the expansion in the U.S. has been largely "organic" rather than driven through acquisitions.

Based in Houston, Texas, EDP Renováveis NA, by the end of 2008, owned and operated 16 wind farms in 8 states with an aggregate capacity of 2,158 gross MW as of 31 December 2008. In addition, it had 199 MW under construction and 18,319 MW of wind projects in various stages of development across the country. At the end of 2008, EDP Renováveis NA had 276 employees, 24 offices, and a presence in more than 19 states.

Key achievements of EDP Renováveis NA during 2008:

- EDP Renováveis NA installed 669 MW of Gross capacity in 2008, with an additional 199 MW of capacity under construction;
- 2008 also saw growth in the EDP Renováveis NA pipeline of projects, increasing 19.8% over 2007, reaching a total 13,250 MW of pipeline and 5,069 MW of wind prospects by year end;

Gross Installed Capacity by State



- EDP Renováveis NA has made significant improvements in the operational availability of its wind farms, increasing the average annual performance to 94%, which represents a 200bps increase from 2007, ending 2008 within the targeted levels of 97% availability;
- In 2008, EDP Renováveis NA received the final contribution for Vento II, the tax equity partnership closed in December 2007. Additionally, EDP Renováveis NA entered into another tax equity partnership, Vento III, in December 2008, which represents a commitment of 265 million dollars in four wind farms with capacity totalling 502 gross MW.

Installed Capacity & Pipeline

As of year end, 2008, EDP Renováveis NA had 16 wind farms in operation with an aggregate capacity of 2,158 gross MW. In addition, it had 199 MW under construction and 18,319 MW of wind projects in various stages of development;

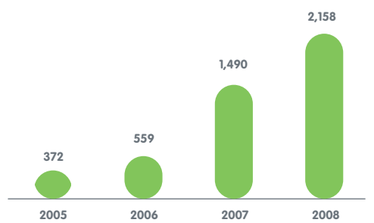
Inst. Cap.	Under Const.	Pipeline				Prospects
		Tier 1	Tier 2	Tier 3	Total	
2,158	199	650	4,813	7,787	13,250	5,069

Gross MW

Installed Capacity

From 2005, EDP Renováveis NA has presented a CAGR of 80%, increasing its installed capacity 5.8 times, from 372 gross MW at the end of 2005 to 2,158 gross MW at the end of 2008.

Installed Capacity (Gross MW)



In 2008, EDP Renováveis NA continued to implement its ambitious construction program, ending the year with a total installed capacity of 2,158 gross MW, of which 2,089 gross MW were fully commissioned; above is the map with the installed capacity throughout the US.

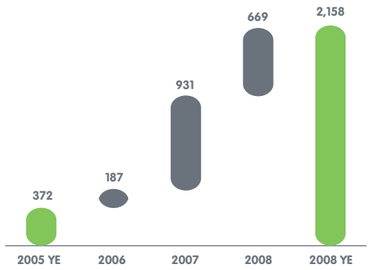
The current operational projects are spread over eight states, namely Oregon, Minnesota, Iowa, Kansas, Oklahoma, Texas, Illinois, and New York.

The distribution of EDP Renováveis NA's capacity across the country is a result of its commitment to have a more geographically diversified portfolio of operating projects, taking advantage of the different wind regimes and energy markets across the US.

Increase in Capacity

Since 2005, EDP Renováveis NA has constructed 1,787 gross MW of additional capacity, with a total of 1,600 MW installed in the last year 2 years.

Annual increase in Capacity (Gross MW)



In 2008, EDP Renováveis NA completed the construction and achieved commercial operational of 900 MW (568 MW of which were installed in 2008). These projects were located in Illinois, Texas, Kansas, Oregon and Iowa.

Additionally, construction of 3 projects with capacity totaling 299 MW began in 2008, with 100 MW already installed by year end; these projects currently under construction are located in Oregon, Iowa and Illinois.

Pipeline

As of 31 December, 2008, EDP Renováveis NA had a development pipeline of wind farm projects totalling 13.3 GW in 19 states, organized into 5 regions (table below).

Capacity under Construction, Pipeline and Prospects (Gross MW)

	Capacity u/ Construction	Pipeline	Prospects
Western	90	4,579	1,059
Upper Midwest	8	1,900	400
Southwest	0	2,148	1,880
Great Lakes	101	3,200	950
Northeast	0	1,424	780
Total	199	13,250	5,069

In 2008, the geographic footprint of EDP Renováveis NA's pipeline increased from 17 to 19 states, with more than 41% in tiers 1 and 2 at the end of the year, which provides a vital portfolio to support growth in the next coming years.

Additionally, EDP Renováveis NA had 5,069 MW of prospects which demonstrate its strong development efforts and commitment to growing its pipeline of projects.

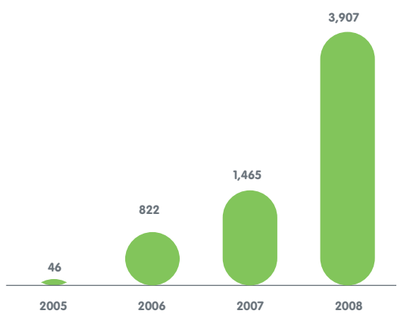
To date, EDP Renováveis NA business has built its strength through the development of greenfield and early stage projects. This has meant our expansion in the U.S. has been largely "organic" rather than driven by acquisitions of developed sites. Such development activities account for the development of 81% of our total gross installed capacity as of December 31, 2008, and have underpinned EDP Renováveis NA ability to launch construction of 801 MW of capacity in 2008.

As an event of relevant note, in February 2008, EDP Renováveis NA acquired Hydra Wind, LLC, a portfolio of greenfield development projects located in Illinois, Indiana and Ohio with an aggregate of 1,050 gross MW of wind capacity in pipeline.

Operational Performance

EDP Renováveis NA's expansion of installed capacity has driven the increase in annual wind energy production 85 times in the last 3 years, growing from only 46 GWh EBITDA in 2008.

Annual Generation (EBITDA GWh)



In 2008, EDP Renováveis NA generated a total of 3,907 GWh EBITDA, representing a 167% growth in generation versus 2007. This is mainly the result of a full year of operations from projects completed in 2007 and improved levels of operational efficiency leading to higher load factors.

Below is the generation for each region in 2008 and 2007:

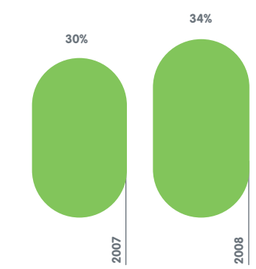
Generation (EBITDA GWh)

	2008	2007
Western	277	17
Upper Midwest	453	16
Southwest	1,568	669
Great Lakes	1,214	377
Northeast	395	386
Total	3,907	1,465

The Southwest region is the largest contributor in terms of generation with 1,568 GWh, representing 40% of the total in 2008. The Great Lakes region was the second largest contributor, with a total 1,214 GWh, representing 31% of EDP Renováveis NA's total generation on the whole, 2008 showed the typical seasonality of wind, with the summer months of the third quarter dropping to very low levels for almost all projects. EDP Renováveis NA's projects are spread across the various regions of the United States, decreasing the seasonality effect of any individual region; for example, the projects in the Western region generally experience higher winds in the summer months, decreasing the fluctuation from low summer winds common to the other regions.

Net Capacity Factor (load factor) of the U.S. wind farms reached 34% in 2008 vs. 30% in prior year. The increase in the average NCF results mainly from a more diversified generation portfolio with a large percentage of the generation coming from the Southwest and Great Lakes regions, both with strong wind resources. In addition to a generation portfolio operating in high wind resource areas, significant improvements in operational availability performance also contributed significantly to higher NCF levels achieved in 2008.

Net Capacity Factor



EDP Renováveis NA has begun implementation of an O&M program to control key operational activities, generating a competitive advantage in terms of wind farm management. By developing analytical tools and internal processes, assembling skilled teams that actively manage field service providers and by ensuring rapid response to remedy poorly performing and offline turbines

EDP Renováveis NA has increased its overall availability, reaching an average availability for 2008 of 94%. In the final months of the year, EDP Renováveis NA reached the target levels of 97%; it is expect that this high performance will continue through 2009 for projects that have been in operation over one year.

Tariff

Energy Sales Type

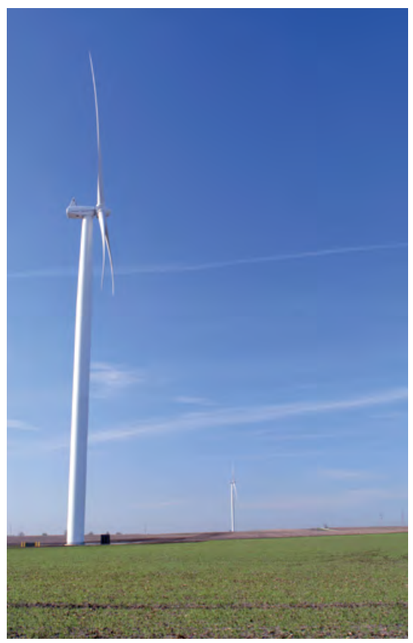
EDP Renováveis NA sells the electricity generated by its wind farms both through Power Purchase Agreements (PPA) and into the spot electricity market ("merchant sales").

Typically, merchant sales do not require the execution of power sales agreements; however, for a portion of the merchant sales, hedges were executed with the goal of fixing the sale price and therefore providing stability to the future cash flows.

The following table summarizes EDP Renováveis NA capacity mix by type of energy sales structure:

Installed Capacity (MW EBITDA)

	Installed Capacity	% Held	Under Construction	% EBITDA MW
PPA	1,459	95%	90	73%
Hedged	138	52%	0	7%
Merchant	327	90%	109	21%



GROUP BUSINESSES

Of the total operational project capacity, a total of 73% is contracted under PPA, which provides the fleet with stable pricing conditions over the long term. Additionally, there were 6.5%[4] under hedge contracts which protect us against pool price volatility. Only 20.5% of the capacity is not contracted, representing low exposure to price risk.

As of December 31, 2008, the average power purchase agreements (PPAs) of EDP Renováveis-NA was 15 years.

As of December 31, 2008, 39% of the capacity was contracted for terms of more than 15 years as summarized in the table below. For the existing contracts , the average terms is 15 years.

Contract Duration	% Capacity
<10	35%
10-15y	26%
>15y	39%

The commercial team was reinforced during 2008, resulting in a large number of negotiations currently under way to close energy sales contracts for the 2008 and beyond projects.

Average Price / Tariff

During 2008, EDP Renováveis NA recorded an average price for the sale of energy and RECs of 49.0$/MWh, which reflects the new geographical mix of the portfolio of projects.

Additionally, EDP Renováveis NA records revenues related to the existing Institutional Partnerships, which are composed of PTCs and other related revenues. Adding up the Institutional Partnership revenues, results in a bundled price of 86.0$/MWh.

Price ($/MWh)		
	2008	2007[5]
Electricity Price[6]	49.0	49.9
Institutional Partnership[7]	37.0	n.a.
Total Average Price	86.0	n.a.

3.3. South America

BRAZIL

Concerning renewable energy, especially wind, the Brazilian market has an installed capacity potential of 143 GW with an estimate of 272 GWh of energy produced (c. 70% of energy consumed). In 2008 the installed capacity is 338 MW, with more 413 MW under construction, to be completed during 2009.

To address a market with such a growth potential in wind, EDP Renováveis created in June 2008 a join venture with EDP – Energias do Brasil / Enernova, called EDP Renováveis Brasil (EDP Renováveis SA).

EDP Renováveis SA main activities are prospecting and establishment of partnerships for the construction of wind farms as well as running of operative assets. Prospecting is focused in northeast, southeast and south of the country, regions that show the highest production load factor. In the state of Espírito Santo prospecting range is more than 200 MW, in addition to 70 MW of CENAEEL in the state of Santa Catarina. A partnership with Petrobrás is being established to seize wind studies developed by this company and the financial potential and political will to invest in renewable energy, while providing business know-how in wind generation.

Wind production activity is to be initiated by the acquisition of CENAEEL (closed in February 2009) which has an installed capacity of 14 gross MW and the possibility of further expansion for more 70 MW. This project is characterized for being one of the first wind farms with private equity and one of the first PROINFA projects in Brazil.

2007	Capacity MW	Location	Status	PPA
Água Doce	9.0	St. Catarina	In operation	PROINFA
Horizonte	4.8	St. Catarina	In operation	CELESC
Horizonte Expansion	70.0	St. Catarina	Project	Not defined

Gross MW

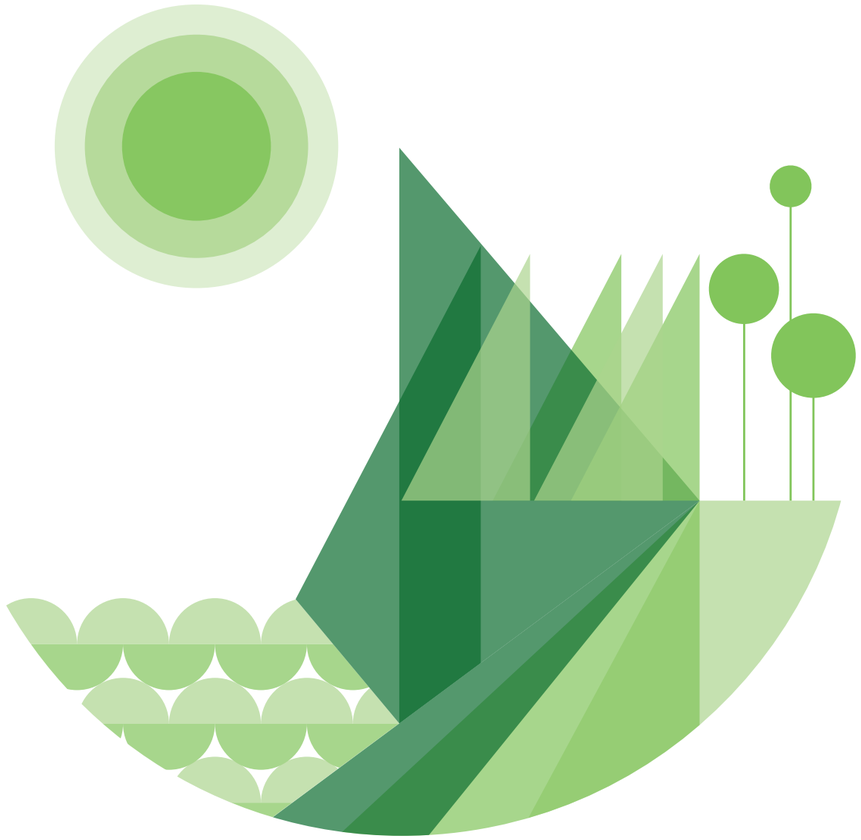
[4] Includes Madison (12 MW) as hedge which is in effect as of January 2009

[5] Includes average electricity price realized by Horizon prior to EDP's acquisition by Horizon in July 2007; Institutional Partnership revenues not included considering in 2007 Vento I was only signed in July, in the context of the EDP acquisition of Horizon

[6] Average electricity prices in the United States are calculated by dividing turnover (as adjusted for any power price hedges in place that are not accounted for as turnover) by consolidated MWh generated

[7] Institutional Partnership revenues have been grossed up for tax

CORPORATE DEVELOPMENT

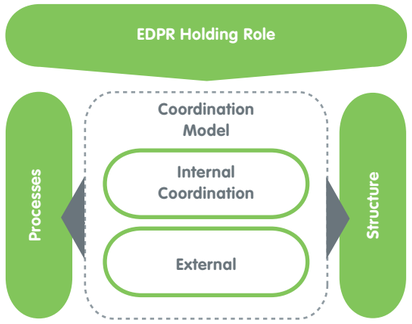


edp renováveis

INDEX

Following its IPO last year, EDP Renováveis established as one of its priorities the consolidation of its organizational structure and the development of key capabilities to make EDP Renováveis vision fully tangible and operational.

EDP Renováveis was born from the incorporation of EDP's European and North American renewable energy assets. Therefore, the unification of processes and practices models across business platforms constitutes a unique opportunity to achieve significant efficiency improvements and support the company in the execution of its strategy and future growth.



The definition of EDP Renováveis model has been grounded in four pillars:

- Establishment of organizational roles for both the holding and the platforms;
- Definition of corporate and platform structure;
- Detailed design of critical processes;
- Deployment of the proper internal and external coordination mechanisms to align internal agents and ensure effective decision making.

EDP Renováveis role has been defined to leverage key elements that will ensure that the company's strategic goals are being met while respecting local specificities and considering differing market maturities:

- Portfolio architect: defining overall growth strategy and geographical and technological portfolio footprint;
- Global arbitrator of investment opportunities, challenging assumptions, screening investment quality and supporting business case and decision taking process;
- Risk profiler: assessing and consolidating risks, as well as defining mitigation policies and risk exposure levels to match shareholders' risk appetite; and risk controller: ensuring compliance of risk mitigation management decisions and effectiveness of hedging strategies;
- Synergy enabler: coordinating and executing transversal activities to ensure scale effects or leverage knowledge. Among the major areas of focus are: Turbine procurement, O&M strategy, Turbine's technology, BoP procurement and wind resource assessment;
- Business coordinator: integrating the major functions that support and articulate the business (Planning and Control, Finance, Investor Relations, …).

As regarding Platforms, they are in charge of conducting operations, from promotion and pipeline development, site prospering, roll out of operation in new countries and project management, to the achievement of operational synergies and the deployment of optimal technical support services.

Structure

Holding and platforms' structure as defined are fully aligned with the allocation of roles and responsibilities, and result in a clearly defined perimeter for both.

Structure definition has been driven by the following principles:

- Clear accountability tracking at holding, platform and country/region level;
- Lean organization;
- Counter-balance dynamics to ensure multiple perspective challenge across functions and to reinforce collegiate decision taking;
- Scalability and homogeneity across platforms to ensure efficient integration of future growth and allow for easy horizontal coordination.

According to the Holding-defined roles and the abovementioned principles, corporate structure has been reshaped to accommodate newly created Corporate functions and to clarify hierarchical and functional dependencies between corresponding corporate, platforms and country/region areas.

The main Corporate functions at EDP Renováveis level are:

- Reporting to the CEO: Human Resources; Communication; Corporate Development; Global Risk Strategy; Information Technology and Legal;
- Reporting to the CFO: Planning and Control; Finance; Administration, Consolidation & Tax; Investor Relations and Procurement;
- Reporting to the CBDO: Regulation & Market Analysis; Business Development and Investment Analysis;
- Reporting to the President of the Executive Board of EDP Renováveis: Internal Audit.

The COOs' role is to manage day to day local operations at platform level and to facilitate Group integration.

Platforms' Structure will follow a client-service model with P&L-accountable Business Units organized by geography. All critical technical and business support areas will be functionally coordinated with the corresponding Corporate Functions to allow for proper cross-normalization and synergies crystallization

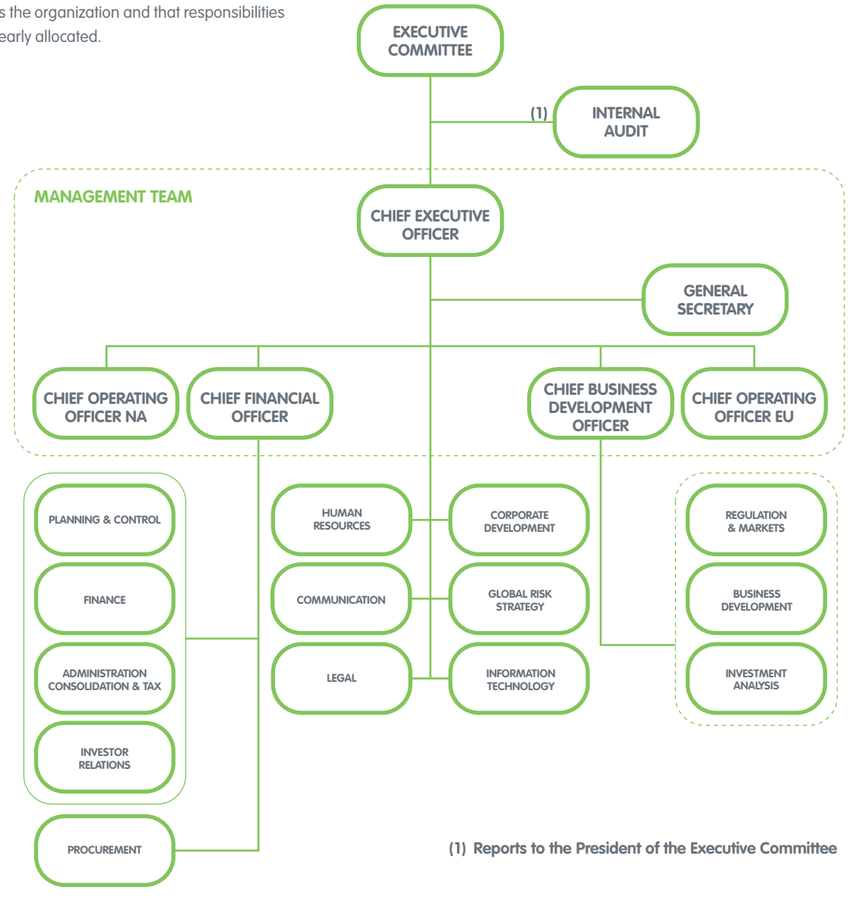
Processes and coordination mechanisms

Processes play a critical task to ensure that roles and responsibilities are consistently deployed across the organization and that responsibilities are clearly allocated.

Process design has stressed basic principles oriented towards the sharing of best practices and establishing a common understanding to enable synergies across the organization: harmonization of key inputs and practices, clear accountability allocation and mandates to deliver goals and independency.

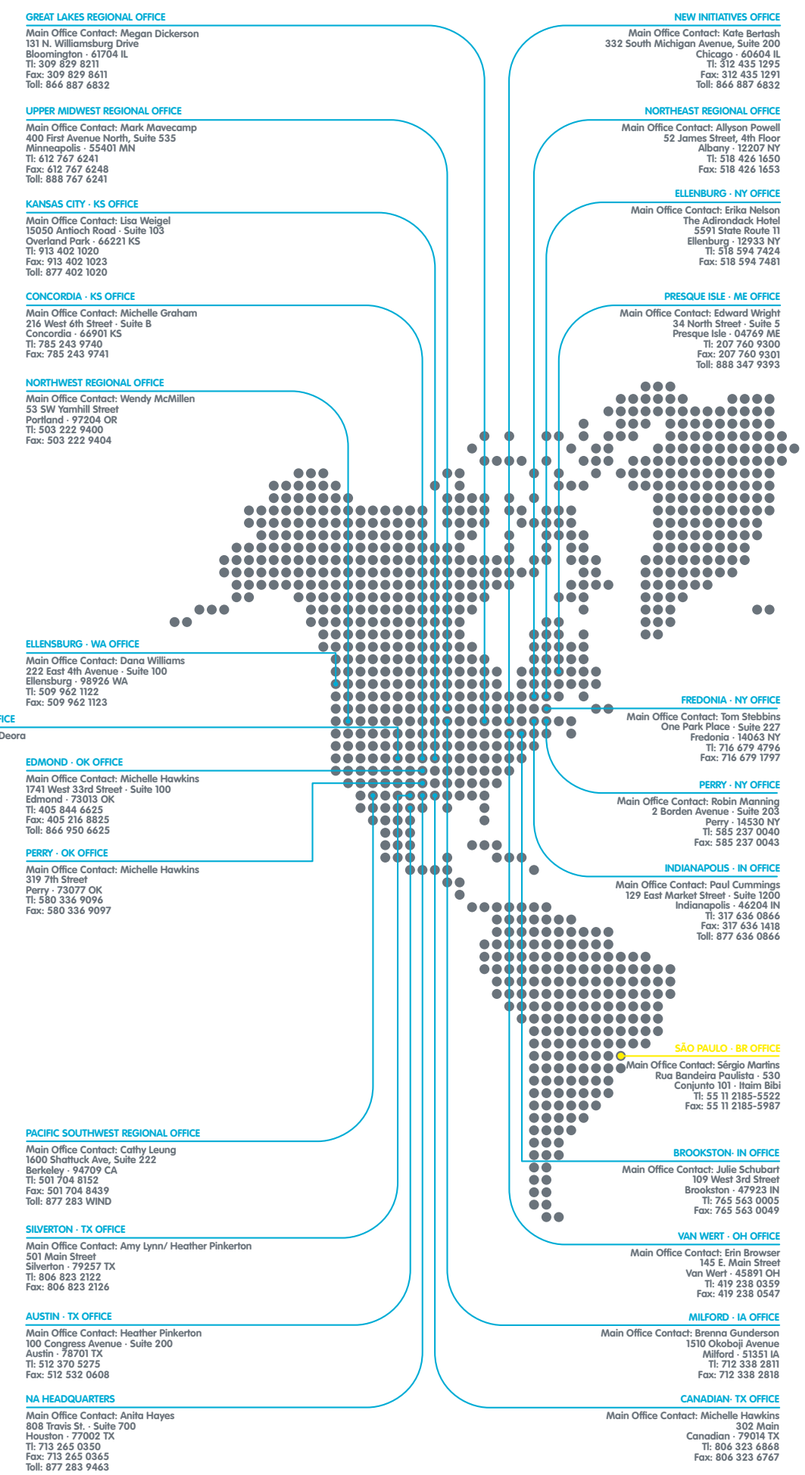
Process and structure have been aligned through coordination mechanisms. According to the nature of the coordination needs, mechanisms will support decision making (approval flows, advisory committees) and facilitate functional coordination among process stakeholders (formalized information exchange, coordination meetings, etc.).

Special attention has been taken on approval levels to ensures adequate decision ownership, legal compliance, and avoid unnecessary escalation of operational issues.



(1) Reports to the President of the Executive Committee

EDP RENOVÁVEIS WORLD OFFICES



GREAT LAKES REGIONAL OFFICE
Main Office Contact: Megan Dickerson
131 N. Williamsburg Drive
Bloomington · 61704 IL
Tl: 309 829 8211
Fax: 309 829 8611
Toll: 866 887 6832

UPPER MIDWEST REGIONAL OFFICE
Main Office Contact: Mark Mavecamp
400 First Avenue North, Suite 535
Minneapolis · 55401 MN
Tl: 612 767 6241
Fax: 612 767 6248
Toll: 888 767 6241

KANSAS CITY · KS OFFICE
Main Office Contact: Lisa Weigel
15050 Antioch Road · Suite 103
Overland Park · 66221 KS
Tl: 913 402 1020
Fax: 913 402 1023
Toll: 877 402 1020

CONCORDIA · KS OFFICE
Main Office Contact: Michelle Graham
216 West 6th Street · Suite B
Concordia · 66901 KS
Tl: 785 243 9740
Fax: 785 243 9741

NORTHWEST REGIONAL OFFICE
Main Office Contact: Wendy McMillen
53 SW Yamhill Street
Portland · 97204 OR
Tl: 503 222 9400
Fax: 503 222 9404

ELLENSBURG · WA OFFICE
Main Office Contact: Dana Williams
222 East 4th Avenue · Suite 100
Ellensburg · 98926 WA
Tl: 509 962 1122
Fax: 509 962 1123

INTERMOUNTAIN ROCKIES REGIONAL OFFICE
Main Office Contact: Melissa Rea/ Tanuj Deora
1526 Blake Street, Suite 200
Denver · 80202 CO
Tl: 303 568 1700
Fax: 303 568 1699

EDMOND · OK OFFICE
Main Office Contact: Michelle Hawkins
1741 West 33rd Street · Suite 100
Edmond · 73013 OK
Tl: 405 844 6625
Fax: 405 216 8825
Toll: 866 950 6625

PERRY · OK OFFICE
Main Office Contact: Michelle Hawkins
319 7th Street
Perry · 73077 OK
Tl: 580 336 9096
Fax: 580 336 9097

PACIFIC SOUTHWEST REGIONAL OFFICE
Main Office Contact: Cathy Leung
1600 Shattuck Ave, Suite 222
Berkeley · 94709 CA
Tl: 501 704 8152
Fax: 501 704 8439
Toll: 877 283 WIND

SILVERTON · TX OFFICE
Main Office Contact: Amy Lynn/ Heather Pinkerton
501 Main Street
Silverton · 79257 TX
Tl: 806 823 2122
Fax: 806 823 2126

AUSTIN · TX OFFICE
Main Office Contact: Heather Pinkerton
100 Congress Avenue · Suite 200
Austin · 78701 TX
Tl: 512 370 5275
Fax: 512 532 0608

NA HEADQUARTERS
Main Office Contact: Anita Hayes
808 Travis St. · Suite 700
Houston · 77002 TX
Tl: 713 265 0350
Fax: 713 265 0365
Toll: 877 283 9463

NEW INITIATIVES OFFICE
Main Office Contact: Kate Bertash
332 South Michigan Avenue, Suite 200
Chicago · 60604 IL
Tl: 312 435 1295
Fax: 312 435 1291
Toll: 866 887 6832

NORTHEAST REGIONAL OFFICE
Main Office Contact: Allyson Powell
52 James Street, 4th Floor
Albany · 12207 NY
Tl: 518 426 1650
Fax: 518 426 1653

ELLENBURG · NY OFFICE
Main Office Contact: Erika Nelson
The Adirondack Hotel
5591 State Route 11
Ellenburg · 12933 NY
Tl: 518 594 7424
Fax: 518 594 7481

PRESQUE ISLE · ME OFFICE
Main Office Contact: Edward Wright
34 North Street · Suite 5
Presque Isle · 04769 ME
Tl: 207 760 9300
Fax: 207 760 9301
Toll: 888 347 9393

FREDONIA · NY OFFICE
Main Office Contact: Tom Stebbins
One Park Place · Suite 227
Fredonia · 14063 NY
Tl: 716 679 4796
Fax: 716 679 1797

PERRY · NY OFFICE
Main Office Contact: Robin Manning
2 Borden Avenue · Suite 203
Perry · 14530 NY
Tl: 585 237 0040
Fax: 585 237 0043

INDIANAPOLIS · IN OFFICE
Main Office Contact: Paul Cummings
129 East Market Street · Suite 1200
Indianapolis · 46204 IN
Tl: 317 636 0866
Fax: 317 636 1418
Toll: 877 636 0866

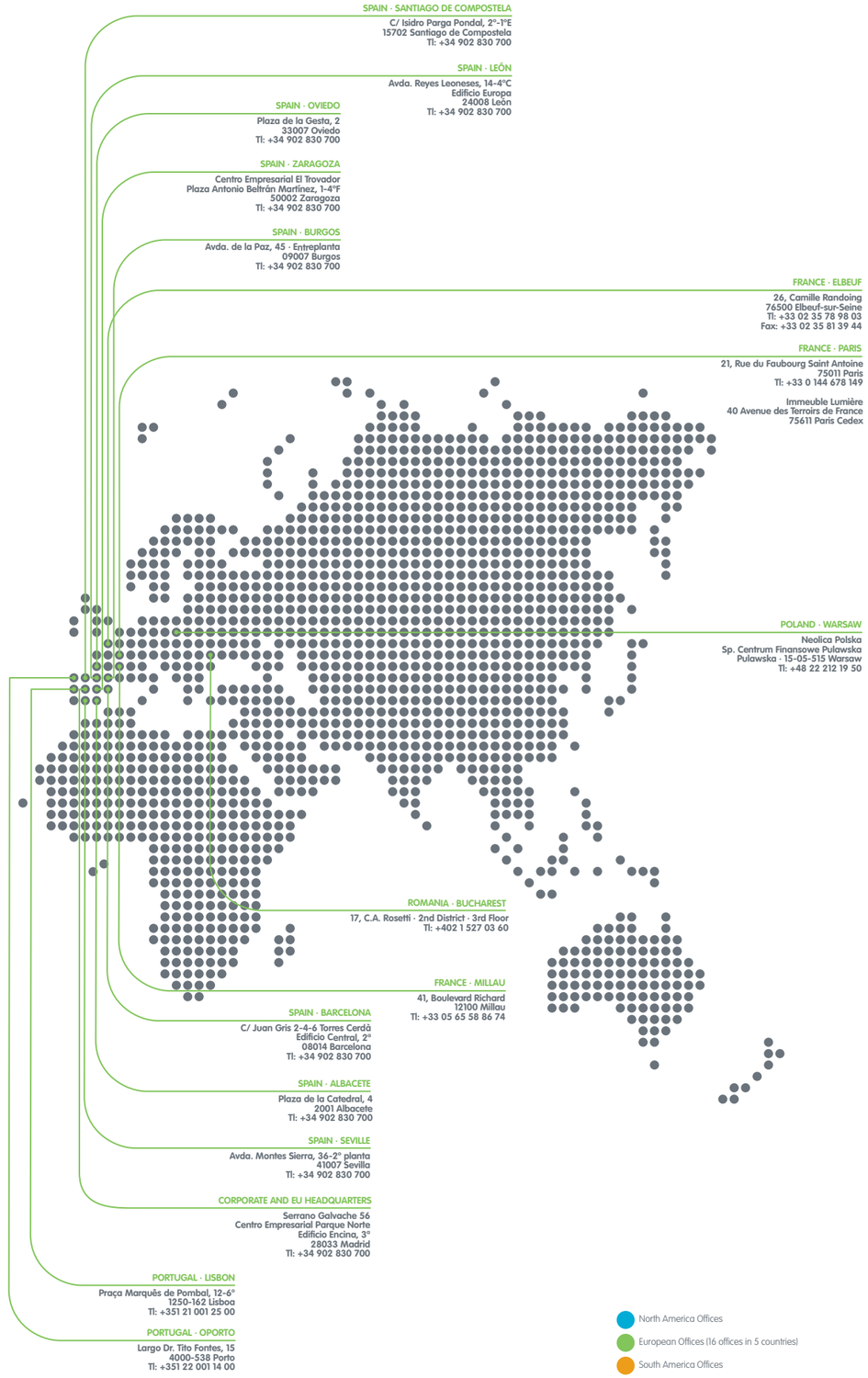
SÃO PAULO · BR OFFICE
Main Office Contact: Sérgio Martins
Rua Bandeira Paulista · 530
Conjunto 101 · Itaim Bibi
Tl: 55 11 2185-5522
Fax: 55 11 2185-5987

BROOKSTON· IN OFFICE
Main Office Contact: Julie Schubart
109 West 3rd Street
Brookston · 47923 IN
Tl: 765 563 0005
Fax: 765 563 0049

VAN WERT · OH OFFICE
Main Office Contact: Erin Browser
145 E. Main Street
Van Wert · 45891 OH
Tl: 419 238 0359
Fax: 419 238 0547

MILFORD · IA OFFICE
Main Office Contact: Brenna Gunderson
1510 Okoboji Avenue
Milford · 51351 IA
Tl: 712 338 2811
Fax: 712 338 2818

CANADIAN· TX OFFICE
Main Office Contact: Michelle Hawkins
302 Main
Canadian · 79014 TX
Tl: 806 323 6868
Fax: 806 323 6767



SPAIN · SANTIAGO DE COMPOSTELA
C/ Isidro Parga Pondal, 2º-1ºE
15702 Santiago de Compostela
Tl: +34 902 830 700

SPAIN · LEÓN
Avda. Reyes Leoneses, 14-4ºC
Edificio Europa
24008 León
Tl: +34 902 830 700

SPAIN · OVIEDO
Plaza de la Gesta, 2
33007 Oviedo
Tl: +34 902 830 700

SPAIN · ZARAGOZA
Centro Empresarial El Trovador
Plaza Antonio Beltrán Martínez, 1-4ºF
50002 Zaragoza
Tl: +34 902 830 700

SPAIN · BURGOS
Avda. de la Paz, 45 · Entreplanta
09007 Burgos
Tl: +34 902 830 700

FRANCE · ELBEUF
26, Camille Randoing
76500 Elbeuf-sur-Seine
Tl: +33 02 35 78 98 03
Fax: +33 02 35 81 39 44

FRANCE · PARIS
21, Rue du Faubourg Saint Antoine
75011 Paris
Tl: +33 0 144 678 149

Immeuble Lumière
40 Avenue des Terroirs de France
75611 Paris Cedex

POLAND · WARSAW
Neolica Polska
Sp. Centrum Finansowe Pulawska
Pulawska · 15-05-515 Warsaw
Tl: +48 22 212 19 50

ROMANIA · BUCHAREST
17, C.A. Rosetti · 2nd District · 3rd Floor
Tl: +402 1 527 03 60

FRANCE · MILLAU
41, Boulevard Richard
12100 Millau
Tl: +33 05 65 58 86 74

SPAIN · BARCELONA
C/ Juan Gris 2-4-6 Torres Cerdà
Edificio Central, 2º
08014 Barcelona
Tl: +34 902 830 700

SPAIN · ALBACETE
Plaza de la Catedral, 4
2001 Albacete
Tl: +34 902 830 700

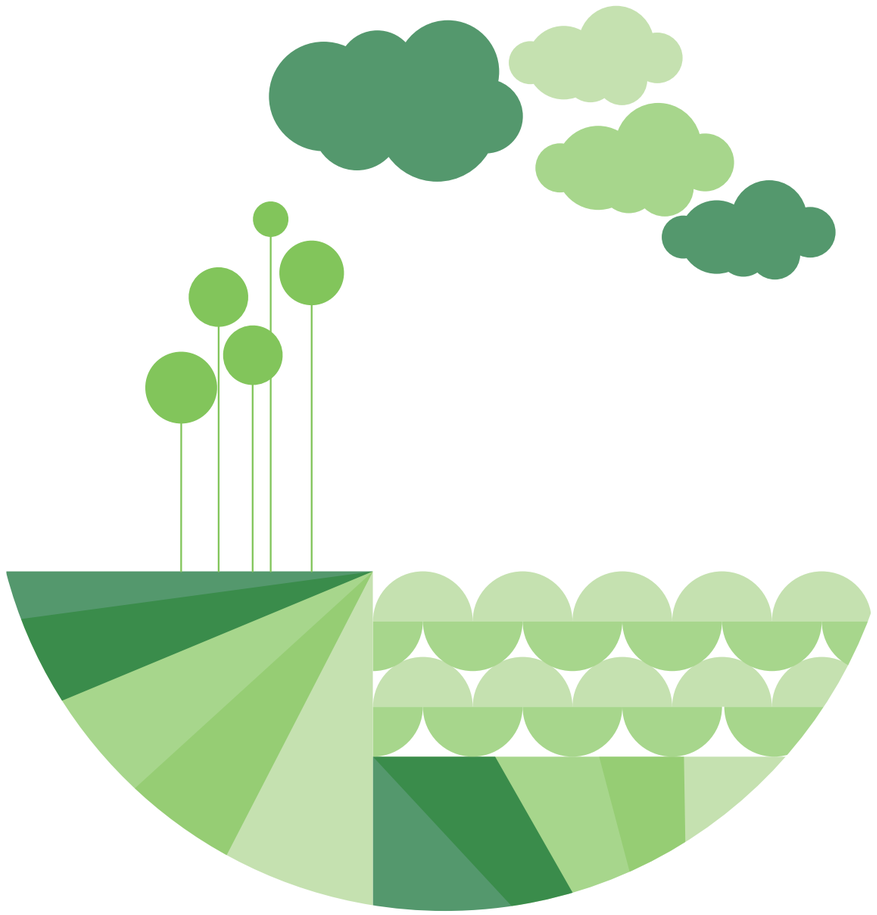
SPAIN · SEVILLE
Avda. Montes Sierra, 36-2º planta
41007 Sevilla
Tl: +34 902 830 700

CORPORATE AND EU HEADQUARTERS
Serrano Galvache 56
Centro Empresarial Parque Norte
Edificio Encina, 3º
28033 Madrid
Tl: +34 902 830 700

PORTUGAL · LISBON
Praça Marquês de Pombal, 12-6º
1250-162 Lisboa
Tl: +351 21 001 25 00

PORTUGAL · OPORTO
Largo Dr. Tito Fontes, 15
4000-538 Porto
Tl: +351 22 001 14 00

North America Offices
European Offices (16 offices in 5 countries)
South America Offices



INDEX

OUR COMMITMENT TO SUSTAINABILITY

THE CONTRIBUTION OF RENEWABLE ENERGY TO SUSTAINABILITY

Sustainability is defined as development that meets "the needs of the present without compromising the ability of future generations to meet their own needs."[1]. EDP Renováveis is dedicated to sustainable development and to implement business practices that are in line with the highest international standards. As such, the company aims to manage according to the key values of sustainability: economic growth, social development, and environmental awareness.

The importance of energy to everyday life, combined with the difficulties faced in maintaining the current consumption trend in energy generated by traditional sources (fossil fuels), is driving fundamental change in energy generation in recent years, steering it more towards renewable energies. The challenge today is to transition towards a more sustainable energy model, less dependent on fossil fuels, while ensuring continued positive social and economic development.

Technological progress in recent years has contributed to make renewable energy sources more competitive and efficient. Like most renewable energies, wind technology has numerous advantages over traditional sources, namely:

- It is inexhaustible, whereas fossil fuels are limited;
- It has less environmental impact than fossil fuel energy sources (coal, oil and gas) since it does not produce carbon dioxide or other greenhouse gases;
- It increases the energy independence of a country, allowing it to import less fossil fuels from volatile regions around the world;
- It allows a country to develop its remote and rural areas while being compatible with other economic activities (eg. agriculture, livestock).

PRINCIPLES OF SUSTAINABLE DEVELOPMENT

EDP Renováveis has defined the following sustainability principles which are in line with the EDP Group:

- Creation of Value;
- Efficient use of resources;
- Environmental protection;
- Integrity;
- Relations with stakeholders;
- Management of human capital;
- Foster access to electricity;
- Support social development.

1. Creation of Value

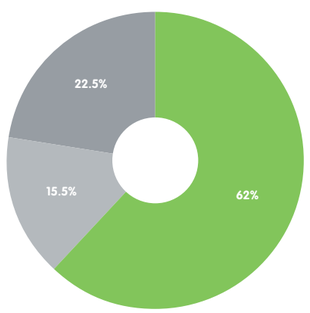
Creating value means not only generating economic benefits but also improving transparency, enhancing reputation, building trust and credibility, fostering environmental responsibility, and working in partnership with stakeholders.

EDP Renováveis is committed to increasing productivity and efficiency, reducing exposure to economic, environmental, and social risks and providing high quality of service to all stakeholders, from landowners to energy off-takers. The company seeks to do all of this, while integrating environmental and social aspects in planning and decision-making processes.

A growing number of shareholders regard companies from the point of view of sustainability. EDP Renováveis will provide its shareholders and investors general information on its behaviors and practices, and not only financial information. This way, shareholders can properly evaluate the company's performance taking not only profit but also environmental and social quality into account.

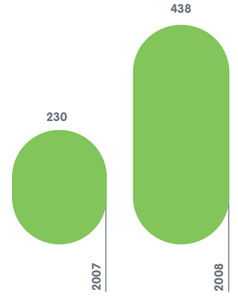
As of December 2008, EDP Group was the key shareholder, holding 77,5% of the share capital of the company. Below, find a chart of the company's shareholder structure as of December 2008.

EDP Renováveis Shareholders Structure



EDP Renováveis commitment to the creation of value is reflected in the increase of 2008 EBITDA to 438 million euros representing an increase of 91% from 2007. Also during this period, total assets grew from 7.040 million euros to 9.397 million euros.

EBITDA (€ M)



Total Assets (€ M)

EDP Renováveis takes very seriously the impact of its decisions on the environment, which is evidenced by a total expenditure of 5,1 million euros during 2008 on environmental related activities (eg. studies, impact assessments), which includes costs related to the development and construction of its projects. This has led to opportunities not only to mitigate impacts, but also to contribute further to the conservation of the ecosystems in which the company operates. EDP Renováveis also adds to the communities where it has operations, not only through monetary donations, but also through the construction or improvement of the local facilities.

2. Efficient use of Resources

EDP Renováveis strives to use its resources in an efficient manner in all stages of its business, from development, construction, and operations of wind farms to the management of its corporate offices. Additionally, EDP Renováveis participates in several R&D projects in conjunction with the EDP Group to promote new renewable and more efficient technologies.

Land Use

Wind project development typically occurs in rural areas where wind resources are abundant, and the operation of wind farms is compatible with existing land use.

Only a small percent of the land leased is taken out of permanent use. During the construction of a wind farm, approximately 0.5-1.0 hectares of land is temporarily removed from active production per megawatt of installed capacity. Once construction is complete, the actual land taken out of permanent production is about 0.10-0.50 hectares per megawatt. The primary uses of this land are for access roads to the wind turbine locations, a small area for the wind turbine and electrical transformer, and a graveled pad area for a crane used in construction and maintenance activities. The total amount of area within a wind plant boundary can vary, depending upon the wind resource characteristics and land terrain.

Operational Efficiency

EDP Renováveis is committed to high standards of efficiency at the wind farms so that it produces strong financial results and achieves reliable electricity production onto the grid. This is visible in the high efficiency rates of 2008, detailed in the table below.

Efficiency Rate (%) – 2008

EDPR EU	EDPR
99%	98%

The wind energy business is also characterized by producing very low levels of waste compared to other energy sources. The wastes produced are small and mostly limited to oil & lubricants and oil filters used in the construction and operation of the wind farms. The table below shows the waste generation figures for the company in 2008.

Waste (l) – 2008

	EDPR EU	EDPR	Total
Total Waste	137	86	223
Total Hazardous Waste	42	29	71
Recovered Waste	94%	100%	96%

(l) Sent to final destination

EDP Renováveis NA had 4 minor oil spills during 2008 that were required to be reported to State government authorities which were resolved promptly without further action. No Federal reportable spills occurred.

EDP Renováveis EU did not have any reported spills during 2008.

1 The United Nations Brundtland Commission

Office Initiatives

EDP Renováveis commitment to sustainability goes beyond its wind farm operations.

In the main offices of EDP Renováveis, both in Europe and United Sates, there are recycling processes in place for the use of the employees.

In the United States, the company pursued a design for new office space which met guidelines to earn Silver Certification in Leadership in Energy and Environmental Design (LEED); examples of components of this certification are the installation of low flowing faucets and toilets in the office bathrooms (reducing water use by 42%) and the re-utilization of materials from the original historic building. In addition, EDP Renováveis NA provides bike storage, subsidizes the use of public transportation, and utilizes office appliances (such as computers and monitors) which meet United States Environmental Protection Agency (EPA) energy use requirements.

In Europe, there is a formal policy related to the efficient use of resources in the company's offices. This is essentially related to awareness and training in environmental issues and also to the separation and management of residues, such as paper, toners, packages or batteries.

R&D Projects

With the intent to foster and support R&D within the renewables arena, EDP Renováveis signed an agreement with EDP Inovação, S.A. establishing the basis for joint project development in new technologies, technologies currently in pilot mode as well as in the enhancing of existing ones.

The purpose of this R&D agreement is to promote the exchange of knowledge between companies and to establish legal and commercials relations setting the tone for development R&D projects. This agreement is intended to be in place as long as the EDP Group controls more than 50% of boh companies.

This partnership reinforces the long term commitment of EDP Renováveis to support R&D activities in areas that relate with renewable energy.

3. Environmental Protection

Throughout all business activities, EDP Renováveis aims to minimize its impact across the entire value chain while participating in initiatives that contribute further to the conservation of the environment.

All of the company's activities are based on an environmental policy that tries to protect the environment with the goal of attaining sustainable development.

- **Europe:** Per the UNE-EN ISO 14001:2004[2] the company is implementing an effective and efficient environmental management system across all phases of the project cycle, ensuring that the project will have the least impact possible to its surroundings. The company's policies and commitments were communicated to all the company during 2008.

Below is an example of the communication made to the employees of EDP Renováveis EU, regarding its environmental policy.

política ambiental

edp renováveis

Nuevas Energías de Occidente, S.L. - en adelante, **neo energía** - como empresa del sector de las energías renovables dedicada a la promoción y explotación de parques eólicos, es consciente de la necesidad de fomentar la protección del medio ambiente como pilar fundamental de su actividad.

Por esta razón, todas nuestras actividades se basan en una **Política Ambiental** que busca proteger el entorno con el objetivo de alcanzar el desarrollo sostenible.

neo energía mantiene implantado un **Sistema de Gestión Ambiental** de acuerdo con los requisitos establecidos en la norma internacional **UNE-EN ISO 14001:2004**, como forma más eficaz y eficiente de desarrollar su actividad con el menor impacto sobre el entorno.

Por todo ello, **neo energía** se compromete a:

- Que esta Política forme parte de todas las actividades y decisiones que se lleven a cabo en la organización, siguiendo y cumpliendo el principio de prevención de la contaminación y promoviendo la mejora continua del Sistema de Gestión Ambiental.
- Crear valor a la sociedad integrando el respeto, la protección al medio ambiente y la responsabilidad social con los aspectos económicos, encaminando a la compañía hacia el desarrollo sostenible.
- Cumplir de manera eficaz y eficiente la legislación de carácter ambiental que resulte de aplicación, así como con el resto de requisitos suscritos voluntariamente por **neo energía**.
- Difundir esta Política Ambiental entre empleados, proveedores, partes interesadas y público en general.
- Desarrollar y garantizar una estrategia ambiental mediante la formación y sensibilización del personal propio, de personas que trabajen en su nombre, de proveedores y de destinatarios finales.
- Integrar dentro del Sistema de Gestión Ambiental, tanto en obligaciones como en responsabilidades, a proveedores y demás partes interesadas.

Estos compromisos se revisarán periódicamente por el Consejo de Administración, y proporcionarán el marco de referencia para establecer y revisar los objetivos y metas ambientales, de tal manera que se garantice el cumplimiento de esta Política.

Madrid, a 18 de agosto de 2008

João Paulo Nogueira de Sousa Costeira
Consejero Delegado **neo energía**

United States: In 2008, EDP Renováveis NA drafted an Environmental Policy and Standards for the Development Phase which was subsequently adopted in January 2009. The company plans to develop an Environmental Management System and Standards for Construction and Operations in 2009.

2 ISO 14001:2004 specifies requirements for an environmental management system to enable an organization to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organization subscribes, and information about significant environmental aspects.

Biodiversity

EDP Renováveis also focuses its attention on the problem of preserving biodiversity and has adopted EDP's corporate biodiversity policy which considers the following principles:

- Integrate biodiversity impact assessment in all phases of the Group's business activity: project design, construction, operation and dismantlement of energy generation and distribution infrastructures;
- Minimize any negative impact on biodiversity arising from the company's activities, and promote positive impacts. When any negative impact cannot be prevented, implement consensual compensation measures, which allow the achievement of a globally positive biodiversity balance;
- Contribute to broadening scientific knowledge on the different aspects of biodiversity, in particular by supporting institutions selected in a transparent manner and in accordance with superior technical capability criteria;
- Strengthen dialogue and partnerships on biodiversity issues with public or private entities;
- Regularly and transparently report on the Group's performance in relation to biodiversity.

To satisfy these principles, EDP Renováveis conducts various actions and studies that are reviewed and considered in the development of the wind energy project: wildlife use of the wind resource area; review of wildlife and vegetation threatened, endangered and sensitive species; habitat assessment; and wetlands or protected areas surveys. By the end of 2008, in Spain and Portugal, only 18% and 23% of the installations, respectively, were located in classified or protected areas. In the United States, there were no operational projects located in these types of areas.

Reduction of Environmental Impact

EDP Renováveis, as a pure-play renewable energy provider, is contributing to the reduction of emissions into the environment by displacing generation from fossil-fired power plants (such as, coal, oil, and natural gas plants), and thus, avoiding the resulting emissions and pollution. Carbon Dioxide (CO_2) is believed to be a main cause of global warming and climate change, thereby disrupting ecosystems and causing unstable and dangerous weather patterns. In 2008, EDP Renováveis, through the production of emissions-free electricity, avoided 4,251 kilotons of CO_2 (Below is a table with the detail by geography).

CO_2 Avoided (kton) – 2008		
EDPR EU	EDPR	Total
2.077	2.174	4.251

Environmental Conservation Projects

The progress of a project throughout all its stages (development, construction, operation, and dismantlement) needs to follow a comprehensive environmental management policy.

Throughout its history, EDP Renováveis has put in place several countervailing measures while developing and operating its projects, with major highlights as follows:

- Setting up a "feeding trough" for vultures in Riglos, Spain, in order to ensure the survival of the species;
- Carrying out a study to discover and minimize the impact of wind farms on wolf populations in Galicia, Spain;
- Improving high voltage lines design to minimize impacts on bird populations in Castilla-La Mancha, Spain;
- A reforestation project is currently underway at Belmonte wind farm Asturias, Spain; the aim is to improve the habitat of a local population of brown bears;
- Working with a broad and diverse spectrum of profit, non profit and agency partners, EDP Renováveis NA signed an agreement to invest in an offsite habitat restoration program to offset the potential impacts of the Meridian Way wind farm on the greater prairie-chicken and grassland species. Additionally, a multi-year study with Kansas State University is being conducted on this subject.
- EDP Renováveis Maple Ridge wind energy facility in New York is collaborating with the Bat Wind Energy Cooperative to help determine the effectiveness of using an experimental acoustic bat deterrent to reduce bat mortality at operating wind farms.

Environmental Certification

Having an environmental management system has several advantages. One of them is the public recognition of the company's environmental commitments. It also implies a continuous knowledge and control of the company working environment. Most important of all, it pushes the company to save energy, fuel, water and raw materials and obliges the company to implement saving plans concerning emissions or residues.

OUR COMMITMENT TO SUSTAINABILITY

For the existing facilities, EDP Renováveis initiated in 2008 the implementation of environmental management systems for its installations, having already obtained in 2008 the environmental certification by Norm ISO 14001:2004 for five wind farms in Spain, representing 155,3 MW of the total 2,109 gross MW of EDP Renováveis installed capacity in the country. The certification plan of the installations will continue in 2009, with five more wind farms participating in the certification process.

The Environmental Management System implemented in Spain is certified by AENOR, the Spanish Association of Normalization and Certification, and IQNet.Below are some examples of the certificates received regarding Environmental certification:

Asset Dismantlement

Under certain lease provisions and permits, EDP Renováveis is required to dismantle and decommission property, plant, and equipment at the end of the life of the contract. The present value of the cost required to settle the obligation is measured on an annual basis and recorded on the financial statements.

4. Integrity

As a global renewable player with significant presence in several countries, EDP Renováveis has a widely diverse employee and customer base, both with respect to nationality and ethnicity. In this context, it is of utmost importance that the company commits to the highest ethical standards with its internal and external stakeholders.

External Stakeholders

For customers, landowners, and other counterparts, EDP Renováveis provides information on its company website about how wind farms operate and the impacts of wind electricity. Consumers are provided website links to more information about how to purchase wind electricity and its associated energy savings, and how wind energy contributes to electricity production.

EDP Renováveis distributes information to consumers and landowners about its projects in development, construction, and operations through brochures, handouts, flyers, maps, and DVDs. These give interested shareholders a project summary of installed capacity, acreage, location, surrounding community culture, and the positive impacts to the local community.

Code of Ethics

As part of the EDP Group, EDP Renováveis follows the EDP Group's Code of Ethics that defines how the company sees itself and how others, including local partners, shareholders, and peers in the industry, see the company. The Code of Ethics dictates that the company approaches all business, legal, and regulatory activities with the highest degree of integrity, transparency, and honesty. EDP Renováveis also guarantees confidentiality and legal protection to any employee who reports a violation of the Code of Ethics.

In parallel with the development and implementation of the Code of Ethics, all the suppliers, will have to comply with it, namely in what respects to conduct, anti-corruption and bribery policies.

EDP Renováveis NA has modified the Code of Ethics in order to be compliant with U.S. laws and regulations, but still remains consistent with the EDP Group's. The EDP Renováveis NA code was fully implemented in early 2009.

Human Rights

EDP Renováveis respects the United Nations Declaration of the Human Rights of the International Labor Organization and Global Compact. The company is against child or forced labor and refuses to maintain relations with any partner that uses these practices. It is also against illegal detentions, torture or execution and supports peaceful associations and organizations, ideological and religious freedom, and freedom of speech and opinion. The practices, policies and company's procedures are orientated towards non discrimination and for the non differentiation of people because of race, gender, sexual orientation, faith, marital status, physical disability or political preferences. EDP Renováveis will not permit any type of behavior that may be considered an offence to human dignity.

In 2008, EDP Renováveis had zero incidents related to discrimination, exercise of freedom, and child labor.

5. Relations with Stakeholders

Developing a project is an evolution over time which brings in stakeholders from many different settings. It is key that EDP Renováveis keeps open, transparent and trustworthy relations with all of them, incorporating their concerns, and duly reporting on economic, environmental and social performance over the life of the project.

Stakeholder Engagement

EDP Renováveis key stakeholders in any project include project landowners, local authorities, transmission system operators, electricity customers, and the general community at large.

Landowners – relations begin with a general meeting to introduce the company, explain the nature of wind farms and present any project specifics for development of the region. During the development process through construction and operation, interaction continues to make sure that expectations are exceeded and the concerns of the project landowners are addressed.

Transmission Operators – EDP Renováveis follows a set of queue instructions that vary from region to region, often including interaction with the transmission operator from the initial request to connect into their system to the start of power production.

Electricity Customers – communications with the off-takers who buy electricity generated from the company's wind farms starts early with the development of initial contacts, continues through the negotiations and execution of the bilateral power purchase agreements, and lasts for the life of the contract.

General Community – EDP Renováveis aims to be a good steward of the communities with whom it works, including having a local presence where applicable and donating to local institutions including fire stations, libraries, or special public areas. As an example, in the United States, the naming and branding of projects takes into account local features and local norms. The company goes through a rigorous process to ensure that the local population will embrace the name and welcome it as a part of their community.

Public Authorities – interactions usually involve local permitting and property tax issues. These discussions vary by state and region, and deal mostly with visual impact, noise, flora and fauna, local historical, archaeological or other protected sites, topographical and other site characteristics.

Public Policy Engagement

Considering that renewable energy is in a regulated industry and in most of the countries the company operates, it receives public subsidies and support, EDP Renováveis works very closely with the relevant political institutions in the development of policies and legislation.

- **Europe:** EDP Renováveis EU has historically been a member of the industry groups in the different countries where it has operations. For example, in Spain it is a member of AEE, the Spanish Wind Association or APPA, the Spanish association of renewable energies' producers. It is also one of the leading sponsors of the European Energy Association (EWEA), where it is a Board Member and participates in the working groups;

- **United States:** EDP Renováveis NA takes proactive positions on public policy development that may affect its projects or the industry. EDP Renováveis NA has historically been a strong supporter of the American Wind Energy Association – including representation on the Board of Directors and the Leadership Council, as well as being participating on the Legislative, Transmission, Siting, and other AWEA Committees. The company also has developed close relationships with and supported financially regional advocacy groups, including Wind on the Wires, the Renewable Northwest Project, and the Wind Coalition. EDP Renováveis NA supports and contributes to state public policy groups, including the Illinois Wind Working Group, among others. For policy matters, the company retains consultants (including in Washington D.C. for federal policies) to proactively follow-up and positively influence public policy development with all laws and regulations that may affect wind energy.

6. Management of Human Capital

To manage its valuable workforce, the company focuses on guaranteeing best practices in terms of the management of its human capital:

- Stimulate diversity in the workforce and foster inclusion in all operations;

- Promote the development of personal capabilities and reward excellence and merit;

- Reinforce management systems that guarantee the health, safety and well-being of the workers.

The EDP Renováveis Workforce

At the end of 2008, EDP Renováveis had a total headcount of 630, which represents an increase of 36% vs. the 463 at the end of 2007. Out of this, 324 are in the European Platform and 276 belong to North America operations. Below is included a table with the detail by geography for 2008 and 2007.

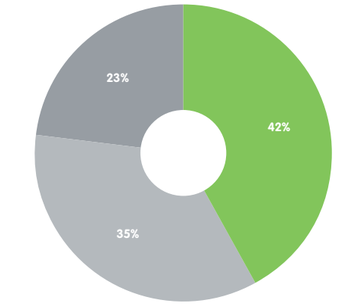
OUR COMMITMENT TO SUSTAINABILITY

# of Headcount by YearEnd	2008	2007	growth
EDPR EU	324	266	22%
EDPR	276	197	40%
EDP Renováveis & other	30	–	n.m.
Total	**630**	**463**	**36%**

At the end of 2008, EDP Renováveis had 630 employees, divided between EDP Renováveis EU (51%), EDP Renováveis NA (44%) and the Holding (5%).

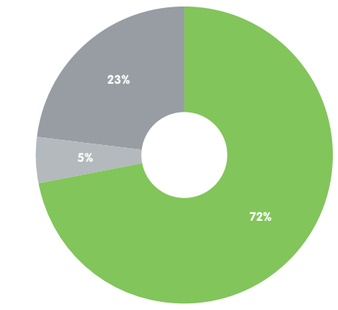
EDP Renováveis couples a young workforce, evidenced by the 65% under 40 years of age, with high levels of qualification, with 72% of the employees with university degrees.

Breakdown of Workforce by Age



Between 30 and 39 years old
Over 40 years old
Less than 30 years old

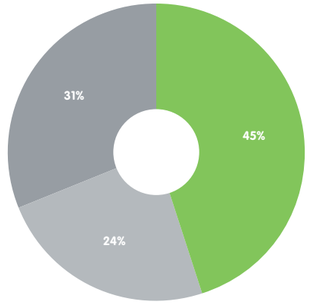
Breakdown of Workforce by Qualification



University degree
Diploma/certification
Vocational training/others

The high concentration of industry knowledge is reflected by the Technical and Business Areas constituting almost 70% of the personnel in EDP Renováveis. The remaining 31% of the workforce is employed in Corporate (Finance, Planning & Control, Administration, Consolidation & Tax, Legal, Human Resources, Investor Relations, Procurement, Risk Management, IT, Internal Audits, Communications, Corporate Services, etc.) and Business Development, Market and Regulation Analysis, Investment Analysis and M&A.

Breakdown of Workforce by Areas



Technical
Business
Corporate

Recruitment & Selection

In 2008, EDP Renováveis workforce grew 32% which represented an important effort in recruitment, both internally and externally.

During the year, EDP Renováveis recruited 179 employees in Spain, Portugal, France, Belgium, Poland, Brazil, and the US; in addition, 25 trainees were contracted on professional placement.

In order to promote the professional development of employees, internal promotion is encouraged in the recruitment and selection process. Throughout 2008, 46 vacant posts in EDP Renováveis were filled by internal selection.

The international expansion of the EDP Renováveis Group in the energy sector is a strategic priority, which increases the need for the international mobility of its employees, specifically between Brazil, Spain, U.S., Poland, France, Belgium, Romania and Portugal. In 2008, 12 employees were relocated to different geographical locations, namely Brazil, Spain, Poland, France, Belgium, Romania and Portugal.

Remuneration Policy

In 2008 the main objective of the Human Resources Department in EDP Renováveis was to adapt the Human Resources policies in all of the different companies from the European, North American and South American platforms to the Talent Management Structure of EDP Group, considering the organization and remuneration model, as well as the performance appraisal. This work was developed based on a multinational approach, while incorporating the local perspectives of each platform.

A new EDP Renováveis remuneration policy was established to link to this Talent Management Structure with the following dimensions:

- Align fixed salaries, according to the reference market;
- Application of a Meritorious Culture, based on an objectives-based evaluation, with direct impact on annual variable remuneration;
- Implementation of long-term remuneration linked with the triennial Strategic Plan;
- Conceptualization of a unique multi-annual policy for EDP Renováveis and all of the group companies.

EDP Renováveis strives to be an employer of choice in the wind energy industry. Using independent compensation services, it actively benchmarks its benefits and employee offerings to ensure market competitiveness. For example, in the US, EDP Renováveis NA participates in and sponsors a benchmarking survey of renewable energy companies.

The company has established a number of incentive schemes for its employees. These schemes have been based on the principles of the "variable compensation" model and principally comprise an annual bonus plan, a multi-annual bonus plan and a long-term incentive plan, each for a certain number of the management executives and/or key employees. The company believes these plans will continue to optimize productivity and promote execution of its business strategy.

Human Capital Management Project

In 2008, EDP Renováveis developed a project to align the organization across business units and orient it towards the business. This provides for:

- The foundation for the implementation of an integrated policy of human asset management;
- The efficient implementation of the organizational model and identification of overlapping functions;
- Transparency, fairness and equity in human asset management defining standard criteria for the basis of career, pay, and professional development policies and cross-functional assessment of responsibilities.

The result of this effort is the Human Capital Information System, eneRHgia Project, which is being implemented in 2009.

The High Potential Program

The High Potential Program was developed in conjunction with the EDP Group in 2008 and is included in the Human Capital Information System. Its objective is to identify people with high potential among the employees with the skills and competencies required to be future leaders. A specific plan of retention and development will be developed at a later stage for each of the identified high-potential employees. 16 EDP Renováveis high-flyers benefited from the Program in 2008. With this initiative, EDP Renováveis took a further step towards guaranteeing excellence in Human Resources Management.

Employee Well-being & Benefit Programs

EDP Renováveis is committed to offering a competitive benefits package to recognize the contributions and talents of its employees.

Benefits vary across regions, depending on the local regulations. Benefits include but are not limited to health insurance where not provided by government institutions, high standards of vacation time, retirement savings plans, and numerous others.

EDP Renováveis encourages its employees to participate in company-sponsored activities that promote health and wellness.

In addition, EDP Renováveis introduced a Work/Life balance project to offer employees a balance between personal, family and professional life. The project integrates four main areas: health and well-being, family support, personal life and work and citizenship. The project was implemented in Europe in 2008 and will be extended to the U.S. during 2009.

Employee Training

In 2008, EDP Renováveis carried out more than 7.569 hours of training, involving 1.705 trainees and 205 trainings actions.

Training Metrics (2008)	
Number of Training Hours (#)	7,569
Management (#)	965
Technical (#)	3,586
Behavioral (#)	135
Organizational (#)	2,883
Training Investment (€)	235,222
Number of Participants (#)	1,705

The training workshop Performance Appraisal Process Feedback was given to all EDP Renováveis employees. Its objective was to make managers aware of the importance of giving feedback and train them in conducting the Performance Appraisal Interviews.

- To provide managers with techniques and tools to appraise objectively team performance;
- To identify gaps between "what is accomplished" and "what is planned" and design the corresponding individual development plans;
- To highlight employee's potential for development;
- To manage the employee's career path.

Health & Safety

Health and safety at work is highly valued and forms an essential part of the EDP Renováveis sustainable development policy, and the degree of importance given to this issue goes far beyond mere compliance with the law. It is also clearly mandated within its safety policies: "Zero accidents, no personal injuries whatsoever".

In 2008, EDP Renováveis EU edited and circulated the Health and Safety at Work Policy related to its activities, as a key element and priority issue for the management of the Company.

- **Implementation of OHSAS 18001:2007**[3]: EDP Renováveis Spain is implementing a Health and Safety at Work Management System, following the OHSAS 18001:2007 standard. In May, Management approved the manual and the system procedures. During June and July, training was given to 103 employees in order to implement the Management System. Internal audits of the System are being carried out between December 2008 and February 2009, as a prerequisite to obtaining the certification of the System in 2009 by means of external audits.
- **Management of Health and Safety at Work for Subcontracted Companies**: EDP Renováveis is implementing an online platform to control and manage the requirements which EDP Renováveis is legally obliged to observe with respect to employment of subcontractors at the Company's installations. This platform will facilitate the issue and completion of all the relevant documentation and work permits.
- **External Collaboration**: EDP Renováveis has sponsored and participated in the organization of the first European Encounter on Health and Safety at Work in the Wind Energy Sector, which took place in Pamplona in May. EDP Renováveis also participates with AEE (Asociación Empresarial Eólica – the Association of Wind Energy Companies) in the Health and Safety at Work working group, together with the country's major wind energy companies and principal wind turbine manufacturers.

In the U.S. during 2008, the company began developing protocols regarding the management and monitoring of the health and safety performance for employees and contractors. EDP Renováveis NA's Health and Safety information follows the United States Occupational Health and Safety Administration (OSHA) Recordkeeping criteria.

7. Foster Access to Electricity

As a renewable energy generator, EDP Renováveis fosters access to clean, renewable electricity; in this context, the company seeks to provide reliable electricity at a fair price.

EDP Renováveis has put systems in place to ensure reliable integration into the grid. The company performs both long term (1 month to 1 year) and short term (1 hour to 1 week) production forecasting.

For the long term production expectations, the company forecasts the expected availability of the plant for the 12 months ahead and then combines this forecast with our long run energy assessment models to determine the expected amount of generation for the next month to one year. It completes the availability forecasts by reviewing historical performance and incorporating expected planned maintenance on a quarterly basis.

For the short term (1 hour to 1 week), EDP Renováveis utilizes Power Forecasting services to efficiently integrate wind into the national grid. This forward-looking information helps to schedule maintenance and plant outages to minimize lost production during high wind days. The company and the off- takers use the forecasting information to determine how much energy firm capacity to schedule in the hour-ahead and day-ahead market, as well as when and where transmission may become overloaded. Finally, grid operators use the forecasting information to help them determine how much reserve capacity to have on-hand in case of large systemic drop-off in wind production, thus keeping the grid stabilized, as well as when and where transmission may become overloaded.

The energy prices are determined in various ways, depending on the market structure. These can be established through regulated tariffs, bilateral contracts, competitive bidding, or pool markets pricing (for more information, see Regulatory section of this report). Additionally, being a regulated activity, power contracts are subject to close scrutiny by the relevant regulatory authorities.

8. Support Social Development

Bearing in mind the importance of the community during the various stages of a project, it is important that the company maintains close contact with the social and cultural institutions where it is present.

Wind power can play a significant role in the revitalization of rural economies, and EDP Renováveis takes great satisfaction partnering with communities to help in this endeavor. The main areas of social contribution are reflected in the areas of infrastructure development, local hiring, donations and sponsorships, and taxes.

Infrastructure Development

EDP Renováveis makes a significant financial commitment per project on infrastructure upgrades during the construction period. While required for EDP Renováveis to construct the wind farm, it also serves as a benefit to the communities. For instance, in building a wind farm, EDP Renováveis constructs or rebuilds many miles of roads, some of which are exclusively for the project, but others which involve recreating or reinforcing existing roads for the benefit of the entire community. For instance, at the Meridian Way wind farm site in Kansas, 22 miles of private access roads to turbines were built in 2008 and 16 miles of public roads were upgraded, providing an indirect service to the community. In addition, EDP Renováveis maintains the private access roads located on its wind farm sites.

As an example, in the US, for its 2008 construction projects, EDP Renováveis NA spent over 18 million euros on community infrastructure upgrades.

Local Hiring

EDP Renováveis, though being present in many different countries with varied cultures, operates at a very local level; as a result, a large portion of the workforce is hired locally. This is evidenced by 44 offices spread across 7 countries. In the US, EDP Renováveis NA has 24 offices in 14 states, and in Europe, EDP Renováveis EU has 16 offices in 5 countries. Additionally, EDP R has one office in Brazil.

EDP Renováveis builds in rural areas and looks to recruit locally both for construction and operations, contributing to the development of the community. Although there are no explicit in-house procedures for local recruitment, a high percentage of employees originate from the regions in which the projects are located. In addition, EDP Renováveis third party contractors look to hire labor from the local community as well.

In the United States, EDP Renováveis NA has also made investments in colleges and universities local to wind farms, in order to promote the increase of available local candidates; for example, in 2008, EDP Renováveis NA donated to Illinois State University, becoming a founding member of the university's Center for Renewable Energy, which supports a degree offering in renewable energy.

Investment in Community Affairs

EDP Renováveis maintains a close relationship and support of the community institutions in which it operates. This is reflected in a total of 1.9 million euros invested in donations and sponsorships related to the community in the following areas: social, cultural, sports, health, environment, education and institutional.

As examples of the direct involvement in the community, below are some of the 2008 events:

- As a supporter of local traditions, EDP Renováveis sponsors local fairs and local sports events. For example, EDP Renováveis EU sponsors the women's half-marathon in La Roda and Zas'basketball school;
- EDP Renováveis worked successfully with Native American tribes in Oregon during development and construction of the Rattlesnake Road Wind Farm to minimize any archeological impacts on the area; upon completion of the project, EDP Renováveis sponsored Traditional Cultural Property studies to aid in the preservation and documentation of the oral histories of the tribes;
- In April 2008, 45 EDP Renováveis employees participated in the annual MS-150 bike tour from Houston to Austin, Texas, raising nearly $30,000 to support the National Multiple Sclerosis Society;
- EDP Renováveis promoted sustainability and renewable energies workshops in schools.

Local Tax Contributions

Depending on the geography, several taxes may apply to the assets, contributing to the revenue of the local communities. A brief description of the local tax contributions in the geographies is as follows:

[3] OHSAS 18001:2007 Occupational health and safety management systems. Requirements specifies requirement for an occupational health and safety (OH&S) management system, to enable an organization to control its OH&S risks and improve its performance.

OUR COMMITMENT TO SUSTAINABILITY

Europe: Various jurisdictions treat property taxes differently, depending on regional and local statutes. Some regions provide sales tax exemptions for renewable energy equipment as incentive for development. Some councils will abate certain portions of local taxes as incentive to promote development. In 2008, the amount paid by EDP Renováveis EU in taxes to the municipalities totalled 1.4 million euros. Additionally, in many regions, EDP Renováveis EU pays a percentage of its revenues to the local municipalities, payments which totalled 4.3 million euros in 2008.

United States: Property taxes are a large percentage of the operating cost of a wind farm in the United States. These are paid to the states and local governments where the assets are built. In 2008, EDP Renováveis NA paid 8.6 million euros in property tax contributions. In states where abatements and exemptions are allowed by law, the company may make Payments in Lieu of Taxes (PILOTs) to the local taxing jurisdictions. In 2008, EDP Renováveis NA made a total of 5 PILOTs to local communities in areas of their operations. PILOT payments are another method of favorably impacting the local communities.

FINANCIAL ANALYSIS

INDEX

FINANCIAL ANALYSIS

"2007 financial Proforma information was prepared with the purpose of illustrating a full year of consolidated financial statements"

1. EDP RENOVÁVEIS

The EDP Renováveis Net Profit reached 104 million euros in 2008, compared with 4 million euros in 2007.

Group's net profit grew more than 25 times, consequence of the strong gross profit performance, of the economies of scale reached in the period and of the lower interest expenses.

Consolidated Income Statement (€ M)

	2008	2007	Δ%
Revenues	532.4	315.8	68.6%
Direct Activity Costs	-12.2	-19.8	38.3%
Gross Profit	**520.2**	**296.0**	**75.8%**
Other Income – sale of interests in Institutional Partnerships	61.2	23.0	166.3%
Adjusted Gross Profit	**581.4**	**319.0**	**82.3%**
Supplies and services	106.9	56,6	89.0%
Personnel costs	38.1	26,6	43.1%
Other operating costs (or revenues)	-1.5	6.1	–
Operating Costs	**143.5**	**89.3**	**60.7%**
EBITDA	**437.9**	**229.7**	**90.7%**
EBITDA/Adjusted Gross Profit	75.3%	72.0%	+3.3pp
Provisions for risks and contingencies	-0,8	0,0	–
Depreciation and amortisation	207.8	125.7	65.3%
Comp. of subsidised assets' depreciation	-0.7	-0.2	-346.3%
EBIT	**231.6**	**104.1**	122.5%
Capital gains / (losses)	2.4	6.7	-64.9%
Financial Income / (expenses)	-77.2	-104.3	26.0%
Income/(losses) from group and associated companies	4.4	2.9	54.7%
Pre-tax profit	**161.2**	**9.4**	–
Income taxes	-49.0	-3.1	–
Discontinued Activities	0.0	0.0	–
Profit of the period	112.2	6.4	–
Equity holders of EDP Renováveis	**104.4**	**4.0**	–
Minority Interests	7.9	2.4	232.2%

Assets (€ M)

	2008	2007
Property, plant and equipment, net	7,053	4,926
Intagible assets, net	1,395	1,224
Financial Investments, net	53	40
Deferred Tax asset	22	17
Inventories	12	39
Accounts receivable – trade, net	83	61
Accounts receivable – other, net	512	297
Financial assets held for trading	36	45
Assets held for sale	1	3
Cash and cash equivalents	230	388
Total assets	**9,397**	**7,040**

Equity (€ M)

	2008	2007
Share capital + share premium	4,914	1,901
Reserves and retained earnings	89	130
Consolidated net profit attrib. to equity holders of the parent	104	1
Minority Interest	83	214
Total equity	**5,190**	**2,246**

Assets (€ M)

	2008	2007
Financial Debt	1,462	2,882
Institutional Partnership	1,097	733
Provisions	51	24
Deferred Tax liability	303	293
Accounts payable – net	1,293	862
Total liabilities	**4,206**	**4,794**
Total equity and liabilities	**9,397**	**7,040**

In 2008, EBITDA reached 438 million euros, compared with 230 million euros in 2007, which represents a 91% annual increase.

Gross Profit was up 82%, reaching 581 million euros, on the back of higher electricity output to 7,807 GWh (+78% Year-on-year) from wind sources, and attractive selling prices: 98.0€/MWh in Europe and 86.0$/MWh in U.S. (including tax incentives). In the 4Q08 EDP Renováveis actively managed the risk profile of its portfolio by selling forward c400 GWh in Spain (over 50% of 4Q08 production) at 73.8€/MWh vs. the 4Q08 average pool price of 64.5€/MWh. The strong top-line performance together with economies of scales reached in the period, resulted in an EBITDA increase of 91% and an improvement of the EBITDA margin to 75.3%.

EBITDA Growth Breakdown (€ M)

In Europe, EBITDA improved 61% year-on-year to 307 million euros, in line with gross profit performance, with EBITDA margin having a solid improvement of 59bps when compared to 2007 reaching 78.9%. Gross profit increased 60% year-on-year, to 389 million euros, following i) the higher installed capacity (+701 MW), ii) the 19% increase in average selling prices in Europe, on the back of the Spanish pool price, iii) the hedge position to the Spanish pool price in the 4Q08, and iv) the maintenance of top-quality load factors. Operating costs increased 56% vis-à-vis 2007, mainly driven by the business growth, which is mainly reflected in i) higher O&M expenses related to the entry into operation of new capacity, and ii) higher personnel costs due to additional headcount to fuel the activity growth, which have influenced opex ratios.

In the U.S., EBITDA reached 139 million euros, which represents a sound increase when comparing with the 31 million euros achieved in 2007. The 4Q08 was the best quarter of the year with 48 million euros of EBITDA. Adjusted gross profit increased 222% year-on-year on the back of the increase in electricity production (+167% Year-on-year) and stable prices (+1% year-on-year).

Capital Expenditures

Capital expenditures in 2008 amounted to 2,091 million euros, of which 893 million euros in Europe and 1,198 million euros in United States, reflecting the construction of 1,413 gross MW, the 769 gross MW under construction and turbine deposits made during the period.

Capex (€ M)

	2008	2007
Spain	684	428
Portugal	85	174
RoE & other	123	54
Europe	**893**	**656**
U.S.	**1,198**	**1,065**
Total Capex	**2,091**	**1,721**

Capital expenditures along 2008 with projects already in operation amounted to 1,390 million euros (reflects in part capex from 2007 projects and the end of construction of 1,413 MW). Investments in capacity under construction and development reached 701 million euros, of which 238 million euros related to turbine deposits.

It is important to highlight that total work in progress related to capacity under construction/development amounted to 1,061 million euros, reflecting the capex already incurred with this projects.

As one can see in the Cash Flow Statement highlighted below, the strong capex program was mainly funded through the IPO proceeds and cash-flow generation, which enabled a strong decrease in the net debt.

Consolidated Cash Flow (€ M)

	2008
Net profit before minorities	112
Net depreciations, amortizations and provisions	206
Non cash and other adjustments	-47
Taxes	-37
FFO (Funds from operations)	**235**
Net financial costs (cash)	20
Change in operating working capital	39
Operating Cash Flow	**294**
Capex and financial investments	-2,181
Working capital related to property and equipment suppliers	171
Net Operating Cash Flow	**-1,716**
Net financial costs (cash)	-20
Antecipated proceeds from Institutional Partnership in U.S. wind farms	320
Capital Increases	2,839
Other	-78
Decrease / (Increase) in Net Debt	**1,345**

Following are the key cash-flow items that influenced change in net debt:

- Operating cash-flow of 294 million euros: i) cash flow after taxes and corrected by financial costs, of which the main non-cash items are related to the sale of interests in Institutional Partnerships and capitalized costs transferred to investments; ii) change in working capital of 39 million euros;
- Capital expenditures + financial investments (mainly related with the acquisition of a wind portfolio in France) adjusted by equipment suppliers working capital of 2.0 billion euros;
- Net financial costs of 20 million euros: mainly related to net interest costs and excluding Institutional Partnership financial costs (non-cash) and capitalized costs transferred to investments;
- Payments from Institutional Partnerships of 320 million euros: related to the receivable of the reminder of Vento II deal (260 million dollars) and the first instalment of Vento III deal (215 million dollars);

FINANCIAL ANALYSIS

- Proceeds from the IPO (1.6 billion euros) and capital contribution from shareholder loans (1.3 billion euros).

Financial Debt

At the end of 2008, EDP Renováveis consolidated debt amounted to 1,462 million euros, of which 62% were loans with EDP Group related companies and 38% bank loans and other. In comparison with the end of 2007, EDP Renováveis consolidated debt decreased substantially by 1,420 million euros, explained by the capital contribution in May 2008 of 1,300 million euros and by the proceeds of the IPO (June 2008) of 1,567 million euros.

EDP Renováveis main source of funding is loans from EDP Group. Within the scope of the framework agreement between EDP Renováveis and EDP, the company has entered into several financing agreements with EDP, including loans agreements and current account agreements.

Net Debt (€ M)

	2008	2007
Bank Loans and Other	560.2	510.5
Loans with EDP Group Related Companies	902.1	2,371.6
Financial Debt	**1,462.3**	**2,882.1**

Consolidated net debt amounted at the end of 2008 to 1,069 million euros, as a result of a cash and cash equivalents positions of 393 million euros. Cash and cash equivalents include 230 million euros of cash and equivalents, 128 million euros of loans to EDP Group related companies and 36 million euros of financial assets held for trading.

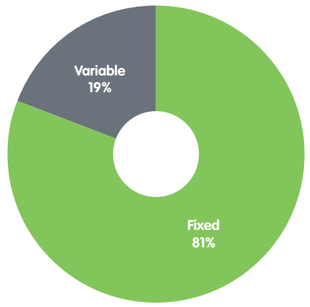
Net Debt (€ M)

	2008	2007
Bank Loans and Other	560.2	510.5
Loans with EDP Group Related Companies	902.1	2,371.6
Financial Debt	**1,462.3**	**2,882.1**
Cash and Equivalents	229.7	388.5
Loans to EDP Group Related Companies	127.8	34.3
Financial assets held for trading	35.8	44.8
Cash & Equivalents	**393.2**	**467.6**
Net Debt	**1,069.1**	**2,414.5**

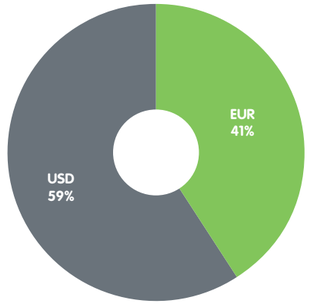
As of December 2008, 59% of EDP Renováveis financial debt was in U.S. Dollars, reflecting the investments the company has done in the U.S.. EDP Renováveis finances itself in U.S. Dollars for the North-American investments, reducing its financial exposure to foreign exchange changes. Dollar denominated debt was fully contracted with EDP.

81% of EDP Renováveis financial debt was negotiated at fixed rate, which mainly represents the financing agreements with EDP. EDP Renováveis follows a long-term fixed rate funding strategy to match the operating cash flow profile with financing costs.

Financial Debt by Type



Financial Debt by Currency



Institutional Partnerships

In order to fully utilise tax benefits available to EDP Renováveis in the U.S., the company performs Partnership Structures with institutional investors, which can include one or a portfolio of wind projects. These partnerships create two classes of shares and allocate the tax and other benefits among the two classes: shares retained by the company are typically called "Class A interests" and institutional investor's shares are typically called "Class B interests". Institutional investors make upfront investments in the structure and in exchange receive the tax benefits, a portion of the operating cash-flow and income generated by the relevant wind farms. The company retains the most of the operating cash-flow generated, as well as the day-to-day operational and management control.

Institutional Partnership (€ M)

	2008	2007
Institutional Partnership Liability	1,097	733
(-) Deferred Revenue	-202	-29
(-) Restricted cash	-43	-9
Adjusted Institutional Partnership Liability	**852**	**695**

At the end of 2008, Institutional Partnership liability amounted to 1,097 million euros. Corrected by the non-current deferred revenue, Institutional Partnership liability reached 852 million euros at December 2008. The non-current deferred revenue is related to tax benefits already attributed to the institutional investor and to be recognized in the income statement in the future. Restricted cash includes funds that are required to be held in escrow, sufficient to pay the remaining tax equity projects' construction related costs.

As of December 2008, EDP Renováveis has formed four separate Partnership Structures, with the last three being portfolios of several wind farms. The last Institutional Partnership was established in December 2008 with a consortium of institutional equity investors composed of JPM Capital Corporation, New York Life Insurance Company and New York Life Insurance and Annuity Corporation for the investment in a portfolio of wind farm projects that started operations in 2008. Total contribution of this consortium for the transaction amounted to 265 million dollars, of which 215 million dollars invested in December 2008 and 50 million dollars to be invested in early 2009.

Net Financial Expenses

Net financial expenses reflect mainly financial interests in loans with EDP Group and bank loans, and accrued costs with Institutional Partnerships Liability.

Financial Results (€ M)

	2008	2007	Δ%
Net interest costs	-49	-113	57.0%
Institutional Partnership costs (non cash)	-44	-12	-254.3%
Capitalised costs	39	24	59.9%
Other	-24	-3	-626.8%
Total	**-77,2**	**-104,3**	**26.0%**

2008 financial costs were 77 million euros, well below the 104 million euros registered in 2007 due the lower debt position and reflecting the company's good interest rates contracted with financial institutions and EDP. As a result net interest costs decreases 57% to 49 million euros. (Other includes unwinding costs related with the Caja Madrid put option over Genesa).

December 2008 average interest rate was 4.6%, below the 5.1% registered in December 2007, as a result of: i) the structural change in the financial debt after the capital contribution and the IPO proceeds to reduce shareholder loans; ii) a shareholder loan negotiated in USD for 10 years without increased spreads and in an environment of declining interest rates; and iii) a decline in interest rates in the variable component.

2. EDP RENOVÁVEIS EUROPE

EDP Renováveis EU in 2008 increase its installed by 701 MW (EBITDA), closing the year with 2,477 operating MW (EBITDA).

EDP Renováveis European Platform, which MW are spread for Spain, Portugal, France and Belgium, reached a gross profit of 389 million euros, increasing 60.1% from the 243 million euros registered in 2007.

The strong gross profit performance was driven by: (i) the strong growth in production, on the back of the higher installed capacity and on the maintenance of top-quality load factors, (ii) the favourable prices, and (iii) the hedge position to the Spanish pool price in the 4Q08. However, it is important to highlight that 2008 did not fully benefited from the 4Q capacity additions, as the bulk was installed in late 2008.

Electricity production grew 34% to 3,900 GWh benefiting from the current installed capacity 2,477 MW (+ 701 MW year-on-year) and from the average load factor of 26%. Average selling price, benefiting by the increase in Spanish pool price, increased 18.8% to 98.0€/MWh.

Operating costs increased 55.7%, less than the top line, driven by the business growth which mainly reflects: (i) higher O&M expenses related to the new operating capacity, and (ii) higher personnel costs due the additional headcount to fuel the activity growth, which have influenced opex ratios.

EBITDA reached the 307 million euros, increasing 61% from the 190 million euros achieved in 2007. An evolution in line with the strong gross profit evolution.

FINANCIAL ANALYSIS

Income Statement (€ M)			
	2008	**2007**	**Δ%**
Revenues	400.6	262.5	52.6%
Direct Activity Costs	-11.7	-19.6	40.2%
Gross Profit	**388.9**	**242.9**	**60.1%**
Supplies and services	55.8	38.8	43.6%
Personnel costs	18.7	13.0	43.6%
Other operating costs (or revenues)	7.6	0.9	774.6%
Operating Costs	**82.1**	**52.7**	**55.7%**
EBITDA	**306.8**	**190.2**	**61.3%**
EBITDA/Adjusted gross profit	78.9%	78.3%	+0.6pp
Provision for risks and contingencies	-0.8	0.0	–
Depreciation and amortisation	120.1	91.2	31.7%
Comp. of subsidised assets' depreciation	-0.7	-0.2	-346.3%
EBIT	**188.2**	**99.1**	**89.9%**

2.1. Spain

In Spain, installed capacity increased by 427 MW (EBITDA), which coupled with an above market average load factor lead to a growth of 28.1% in electricity output to 2,634 GWh.

In 2008, as in the previous years, EDP Renováveis was able to deliver a premium load factor versus the market: 26% for EDP Renováveis versus 24% for the market.

Spanish average final tariff went up 29% when compared with 2007 on the back of higher pool prices. In 2008, market pool price were influenced by the increase on fossil fuel prices, which in the 4Q already shown a negative trend. As a result, EDP Renováveis average price in the pool reached 62.1€/MWh up 66% (2008 average pool price was 64.4€/MWh but due a different power curve wind farms typically achieve an average price below market). It is worth highlight that in the 4Q08 EDP Renováveis benefited from its hedging policy due the forward selling of c400 GWh (over 50% of 4Q production) at 73.8€/MWh (4 million euros reflected at the European holding level).

So, coupling the 2008 capacity additions, the above average load factors and the increase in average final tariff, gross profit grew by 64% to 265 million.

Operating costs increased only by 31% to 35 million euros, reflecting the increase with O&M costs following the capacity additions.

All in all, EBITDA in Spain increased 70% to 230 million euros, with EBITDA margin improving 330bps to 86.8%.

P&L Highlights (€ M)			
	2008	**2007**	**Δ%**
Gross Profit	**264.9**	**161.7**	**63.8%**
Operating Costs	35.0	26.7	31.3%
EBITDA	**229.8**	**135.0**	**70.2%**
EBITDA/Gross Profit	86.8%	83.5%	+3.3pp

2.2. Portugal

In Portugal, EDP Renováveis installed 129 MW (EBITDA) in 2008, finishing the year with an operating capacity of 553 MW (EBITDA).

EDP Renováveis electricity production in Portugal increased by 40% to 1.028 GWh on the back of the new installed capacity and on the load factor increase to 27%.

All the current operating assets, as well as those under construction, are under the old regime which remunerates the production with a feed-in tariff, CPI linked and index to operating works. That said, due to EDP Renováveis higher load factor in 2008 versus 2007 (27% vs 24%) average final tariff decrease about 2% to 93.8€/MWh.

This expected tariff adjustment was more than compensated by increase in the load factor, which taking also into consideration the new MW installed along the year compute a gross profit of 98 million euros, an increase of 35% from the end of 2007.

Operating costs increased by 48% to 22 million euros impacted by rents costs which increases in line with revenues and by the strong business growth.

So, in 2008, EBITDA increased by 32% to 76 million euros in line with the strong gross profit performance.

P&L Highlights (€ M)			
	2008	**2007**	**△%**
Gross Profit	**97.9**	**72.5**	**35.1%**
Operating Costs	21.6	14.6	47.6%
EBITDA	**76.3**	**57.9**	**31.9%**
EBITDA/Gross Profit	78.0%	79.8%	(1.9pp)

2.3. Rest of Europe

EDP Renováveis countries in the Rest of Europe division comprise France, Belgium, Poland and Romania. At the end of 2008, EDP Renováveis already has assets operating in France and Belgium, while in Poland has wind farms in construction and under development and in Romania capacity is solely under development.

Installed capacity in Rest of Europe grew by 145 MW (EBITDA), with 98 MW being installed in France and the remaining 47 MW in Belgium. It is worth highlight, despite not having yet contributed to 2008 production, the new 47 MW in Belgium added a new geography to EDP Renováveis operational capacity.

Electricity output to almost double to 238 GWh, on the back of the strong increased capacity year-on-year. 2008 average load factor stood at 23%, affected by the low wind resource in the 3Q.

Rest of Europe gross profit increased 76% in 2008 on the back of a 100% increase in electricity output. EBITDA increased more than 30% year-on-year to 11 million euros, with the margin decreasing affected by the lower average final tariff and by the increasing of structure cost in Poland and Romania where capacity is still under development.

The tariff was penalized by the trial period on the wind farms installed in 2008 (by law, wind farms in the trial period receive 17€/MWh), and by the delays to sign the formal commercial contract with EDF for the new wind farms, following the wind tariff annulment in August 08 (due to legislative inconsistencies) which was only re-established in December 2008. The average final tariff corrected by these effects would have been 83€/MWh.

P&L Highlights (€ M)			
	2008	**2007**	**△%**
Gross Profit	**17.0**	**9.7**	**76.3%**
Operating Costs	6.1	1.3	355.5%
EBITDA	**10.9**	**8.3**	**31.4%**
EBITDA/Gross Profit	64.2%	86.1%	(21.9pp)

3. EDP RENOVÁVEIS NORTH AMERICA

EDP Renováveis NA ended 2008 with an installed capacity of 1.923 MW (EBITDA), 669 MW more than in December 2007. The growth of more than 50% in the installed capacity coupled with the increase in the load factor to 34% (vs 30% in 2007) led to an outstanding increase of 167% in the electricity output to 3,907 GWh. It is worth mention that availability factors have been increasing consistently, reaching the 97% in December.

Average electricity price in 2008 was of 49$/MWh, 2% lower than the 2007 figure due to the lower selling price in the wind farms without PPA agreement. Note that 87% of EDP Renováveis 2008 electricity production was under long-term PPAs. EDP Renováveis PPAs have an average contract term of 15 years.

In terms of unitary revenues from Institutional Partnership, this figure is composed by the benefits from PTCs ("Production Tax Credits") and other related revenues from Institutional Partnership (note that for illustration purposes the 37$/MWh are grossed up with taxes in the total selling price, whereas in the P&L is recorded a net benefit of 90 million dollars).

Gross profit, figure that does not includes the revenues from the sale of interest in Institutional Partnerships, increased 174% year-on-year to 194 million dollars. Adjusting this value by the net value of these revenues, gross profit increased by 222% to 284 million dollars, also benefiting from the electricity production growth (+167% year-on-year) and stable prices (+1% year-on-year).

Operating costs reached 80 million dollars mainly driven by the increase in supplies and services due the increase in the operating capacity and in personnel costs to fuel the activity growth.

All in all, EBITDA reached 205 million dollars, which represents a sound increase when comparing with the 42 million dollars achieved in 2007. The 4Q08 was the best quarter of the year with 66 million dollars of EBITDA. Adjusted gross profit increased 222% year-on-year on the back of the increase in electricity production (+167% Year-on-year) and stable prices prices (+1% year-on-year).

Income Statement ($ M)			
	2008	**2007**	**△%**
Revenues	194.6	71.1	173.7%
Direct Activity Costs	-0.7	-0.3	-184.2%
Gross Profit	**193.9**	**70.8**	**173.7%**
Other Income – sale of interests in Institutional Partnerships	90.4	17.4	418.4%
Adjusted Gross Profit	**284.3**	**88.3**	**222.0%**
			-
Supplies and services	67.0	23.0	190.8%
Personnel costs	26.6	18.6	43.3%
Other operating costs (or revenues)	-13.8	5.0	-
Operating Costs	**79.9**	**46.7**	**71.1%**
EBITDA	**204.5**	**41.6**	**391.2%**
EBITDA/Adjusted Gross Profit	71.9%	47.1%	+24.8pp
			-
Provision for risks and contigencies	0.0	0.0	-
Depreciation and amortisation	129.5	38.1	239.7%
Comp. of subsidised assets' depreciation	0.0	0.0	-
EBIT	**75.0**	**3.5**	**-**