EDP Renováveis, S.A.

# Management Report

## December 2009

# MANAGEMENT REPORT
# for
# EDP Renováveis SA

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## 0. INTRODUCTION

EDP Renováveis S.A. individual accounts refer to the Holding of EDP Renováveis Group (EDPR), which includes (apart from EDPR Holding) its subsidiaries EDPR Europe (Nuevas Energias do Ocidente S.L.), EDPR North America (Horizon Wind Energy, LLC) and EDPR South America (EDP Renováveis Brasil). This management report will focus on financials and 2009 activity of "EDPR Holding" as well as its subsidiaries in each of the supra-mentioned platforms. Therefore, the report describes both the Holding and EDPR Group' business and activity during the year of 2009. Financial accounts for EDPR Holding are presented according to Spanish local GAAP ("Plan General de Contabilidad", in all material aspects similar to IFRS), while EDPR Group consolidated financial info were prepared according to IFRS. The current management report addresses both EDPR Holding and EDPR Group.

## 1. MAIN EVENTS OF THE PERIOD

### JANUARY

**Jan 8th – 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 Pionner Prairie Wind Farm, located in Iowa.

**Jan 20th – 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 US 34%.

## FEBRUARY

**Feb 2nd – EDPR signs a Power Purchase Agreement (PPA) with the Public Service Company of Oklahoma in the United States:**

EDPR entered into a 20-year Power Purchase Agreement with the Public Service Company of Oklahoma, for the renewable wind energy produced by the 99 MW wind farm of the Blue Canyon V.

**Feb 17th – Approval of key energy-related tax incentives in the US:**

The President of the US 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 Production Tax Credit (PTC); Option to elect a 30% Investment Tax Credit (ITC) in lieu of the PTC; and, a cash grant provided by the Secretary of Treasury in lieu of the ITC.

**Feb 28th – EDP Renováveis announces YE2008 results:**

Gross Profit reached €581 million (+82% YoY) and EBITDA €438 million (+91% YoY), with an EBITDA margin of 75.3%. Net income increased more than 25 times to €104 million.

## MARCH

**Mar 18th – EDP Renováveis increases its presence in the Brazilian wind market:**

EDP Renováveis Brasil has signed an agreement with innoVent, for the acquisition of the total share capital of its subsidiary Elebrás Projects.

**Mar 21st – EDP Renováveis contracts Vestas for 76 wind generators for two Romanian wind farms:**

EDP Renováveis has contracted for a total of 76 wind generators for wind energy projects in Romania. The wind generators will be installed from late 2009 and throughout 2010.

## APRIL

**Apr 22nd – EDP Renováveis announces 1Q2009 provisional operating data:**

Capacity increased by 113 MW and electricity output reached 2,837 GWh, more 40% than in 1st quarter of 2008. Load factor in Europe was 28% and in the US 40%.

## MAY

**May 6th – EDP Renováveis announces 1Q2009 results:**

Gross Profit amounted to €198.1 million in the quarter (+27% YoY), EBITDA totalled €154.4 million (+23% YoY), reaching an EBITDA margin of 77.9%. Net income was €49.8 million (+87% YoY).

## JUNE

**June 18th – Horizon Wind Energy signs Power Purchase Agreement with AmerenUE:**

Horizon Wind Energy has entered into a 15-year Power Purchase Agreement with AmerenUE to sell renewable wind energy from the 102.3 MW second phase of its Pioneer Prairie Wind Farm,which has a total installed capacity of 300 MW already in operation.

## JULY

**Jul 16th – EDP Renováveis announces 1H2009 provisional operating data:**

Capacity increased 249 MW (35 MW in Europe, 200 MW in US, being the remaining 14 MW installed in Brazil) and electricity output totalled 5,253 GWh, meaning a 33% increase comparing with the 1st half of 2008. Load factor in Europe was 23% and in the US 32%.

**Jul 29th – EDP Renováveis announces 1H2009 results:**

Gross Profit was €355.9 million (+24% YoY) and EBITDA €270.8 million (+19% YoY), with an EBITDA margin of 76.1%. Net income reached €65.6 million, having increased 32% YoY.

## SEPTEMBER

**Sep 1st – EDP Renováveis establishes a new type of institutional partnership structure for 101 MW in the US:**

Horizon Wind Energy has closed $101.9 million of institutional equity financing from JPM Capital Corporation in exchange for an economic interest in its 100.5 MW Rail Splitter project in Illinois.

**Sep 1st – US Treasury approves EDP Renováveis' first cash grant in an amount of $48 million:**

The US Department of Treasury approved the cash grant in the amount of $48 million, applicable to the Wheat Field wind farm with an installed capacity of 97MW.

## OCTOBER

**Oct 14th – EDP Renováveis announces 3Q2009 provisional operating data:**

Capacity increased by 525 MW (139 MW in Europe and 372 MW in the US) and electricity output reached 7,295 MW, more 36% than in 9M2008. Load factor was 21% both in Europe and in the US.

**Oct 20th – EDP Renováveis begins operating one of Poland's largest wind farms:**

EDP Renováveis put into operation one of the largest wind farms in Poland, with an installed capacity of 120 MW. Investment figures amount to €166 million.

**Oct 20th – Government of Asturias provisionally awards 246 MW to EDP Renováveis:**

The Government of Asturias provisionally awarded 246 MW to EDP Renováveis, corresponding to circa 36% of the total capacity to be attributed in this tender.

**Oct 28th – EDP Renováveis announces 3Q2009 results:**

Gross Profit reached €495.5 million (+23% YoY) and EBITDA €368.5 million (+20% YoY) with an EBITDA margin of 70.1%. Net income grew 19% YoY to €70.1 million.

**DECEMBER**

**Dec 02nd – EDP Renováveis closes two institutional partnership structures in the US amounting to $228 million:**

Horizon Energy has signed two institutional partnership structures with GE Energy Financial Services in the amount of $228 million. This deal refers to a sale in a stake at Vento III portfolio and to a partnership structure at the Blue Canyon V wind farm.

**Dec 16th – EDP Renováveis obtains 840 MW on the Spanish pre-registry for renewable capacity:**

Out of the total 6,389 MW of wind power capacity assigned by the Spanish Government, EDP Renováveis obtained 840 gross MW, corresponding to 31 wind farms and to 13% of the total allocated capacity.

**Dec 28th - EDP Renováveis monetized $525 million of tax credits in 2009 related to the 700 MW installed in the period:**

EDPR by choosing, for each wind farm, the best tax credit monetization instrument available, for its 2009 projects, raised $525 million of which: i) $216 million through cash grants in lieu of PTC, related to 398 MW; ii) $192 million through institutional partnership structures incorporating the MACRS and the cash grant in lieu of PTC, related to 202 MW; and iii) $117 million through institutional partnership structures incorporating the MACRS and the PTC, related to 99 MW.

# 2. PERFORMANCE OF 2009

## 2.1 Financial Results – EDPR Holding

EDPR Holding closed the year of 2009 with €7.9 billion in assets, mainly due to investments in its associates of €3.7 billion and loans to affiliated and group companies of €3.7 billion.

Total equity reached €5.7 billion providing evidence of the robust EDPR Holding capital structure with Equity over Total Assets surpassing 72%.

Total Liabilities amounted, by year-end, to €2.2 billion (for the great part a result of €2.1 billion in group companies (EDP Finance BV).

The Operating Results totalled €175 millions driven by €197 millions in interest income from financial assets resulting from loans to group companies.

Financial Expenses totalled (€79) million, leading to a EBT (Earnings before Taxes) of € 97 millions. Effective tax rate was 30%, resulting in (€29) million in Taxes and a 2009 full year Net Income of €68 million.

## 2.2 Financial[1] and Operational Performance

During 2009, EDPR added 1.175 MW of gross installed capacity, of which 700 MW in North America, 461 MW in Europe and 14 MW in Brazil. In terms of total output, EDPR recorded a significant growth in electricity generation, with 10,9 TWh generated in 2009 (40% or 1.4 times increase vs. 2008), mainly a result of increased installed capacity.
On top of the 1.175 MW of new installed capacity, EDPR ended 2009 with 739 MW under construction (of which 640 MW in Europe and 99 MW in North America), providing confidence and credibility on the organization's ability to achieve the 1,2 GW added capacity target for 2009.

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

By the end of December 2009, EDPR had 6.2 GW of gross installed capacity whereas, 3.4 GW are located in Europe, (Spain, Portugal, France, Belgium and Poland) and 2.9 GW in the United States of America.

| Installed Capacity (Gross MW) | 2009 | 2008 | Δ MW |
|---|---|---|---|
| Spain | 2,278 | 2,109 | +169 |
| Portugal | 680 | 553 | +127 |
| **Rest of Europe** | **397** | **232** | **+165** |
| *France* | *220* | *185* | *+35* |
| *Belgium* | *57* | *47* | *+10* |
| *Poland* | *120* | *0* | *+120* |
| **Europe** | **3,355** | **2,894** | **+461** |
| **US** | **2,859** | **2,158** | **+700** |
| **Brazil** | **14** | | **+14** |
| **Total** | **6,227** | **5,052** | **+1,175** |

Total Balance Sheet assets reached by the end of the year €11,294 million with c. 20% increase (or €1,897 million) when compared to prior year (2008). Of this, €8,635 million relate to net Fixed Assets (PPE) which year-on-year increased by €1,582 million.

Total equity amounted to €5,328 million by 2009, driven by the €103 million increase in Reserves and leading to a solid Equity / Total Assets ratio in excess of 47%. Total Liabilities summed by the end of 2009 to €5,967 million, with an increase of c. 42% (or €1,760 million) used to fuel growth of fixed assets.

Total Revenues reached €648 million and Gross Margin[2] to €725 million driven by higher installed capacity and represented a 25% growth comparing to 2008. This growth is of particularly relevance given the current unfavourable pricing environment in the global power markets. EDPR benefited from an active risk management practice, namely by hedging c. 2.0 TWh of output and therefore reducing its exposure to the variability of the Spanish pool price. This hedging coverage had a positive impact of €19 million in 2009 revenues, or c. €5.9 / MWh of electricity hedged.

[2] Defined as Revenues of €648 million + Revenues from Tax Equity Partners of €83 million – Cost of Used Goods of €6 million = €725 million

Focus on operational efficiency, with Total Operating Costs[3] amounting to (€182) million, lead to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of €543 million and a sound EBITDA Margin (EBITDA / Gross Margin) of 75%.

Provisions and net Depreciation & Amortization in 2009 were of (€312) million and net Financial Results of (€72) million, benefiting from lower net interest expenses than in 2008, resulting in a Profit before Taxes of €163 million and a Income Tax Expense of €45 million.

Net Income totalled €118 million, of which €3 million belong to minority interest and €114 million is attributable to EDPR equity holders. This compares 1.1x favourably with the €104 million of Net Income attributable to EDPR equity holders in 2008.

EDPR 2009 production totalled 10.9 TWh, which represents a +40% growth (+51% for US operations) when compared to 2008 electricity output. This year EDPR reached once again load factors above market average, underlining the quality of its wind farms.

Nevertheless, load factors were slightly lower than in 2008, particularly given the volatility of the wind resource during the second quarter. In Europe the load factor reached 26% and in the US 32%. Excellence in operational performance is best reflected in the sustainable and high availability levels and consistent load factor premiums in Spanish market.

| Region | Electricity Generated (GWh) | | Load Factors (%) | |
|---|---|---|---|---|
| | 2009 | Δ 09/08 | 2009 | 2008 |
| Europe | 4,975 | +28% | 26% | 26% |
| US | 5,905 | +51% | 32% | 34% |
| Brazil | 26 | - | 22% | - |
| **Total Generation** | **10,907** | **+40%** | 29% | 30% |

Throughout 2009, EDPR invested about €1,846 million as capital expenditures (excluding M&A and financial investments) and mainly used EDP shareholder loans to fund growth, reaching a Net Debt of approx. €2.1 billion by the end of December 2009.

The table below summarizes 2009-200 capital investment plan:

| Capex (€ m) | 2009 | 2008 |
|---|---|---|
| Spain | 561 | 684 |
| Portugal | 102 | 85 |
| RoE & other | 351 | 123 |
| **Europe** | **1,014** | **893** |
| **USA** | **826** | **1,198** |
| **Other** | **6** | **-** |
| **Total Capex** | **1,846** | **2,091** |

By the end of December 2009 and 2008, Net Debt was as follows:

| Net Debt (€ m) | 2009 | 2008 |
|---|---|---|
| External Debt | 2,673 | 1,462 |
| Loans to Related Companies | (59) | (128) |
| Cash & Equivalents | (481) | (266) |
| **Net Debt** | **2,134** | **1,069** |

### 2.3 Competitive Landscape and Business Plan

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

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

EDPR has a solid history of executing projects and delivering targets. We consistently increased gross installed capacity through the successful development of Greenfield and pipeline acquisition. The company success results from a unique combination of factors: strong track record in execution, first class assets with above average quality wind resources, a well

balanced portfolio in terms of geography, stage of development and revenue sources, and a competitive turbine supply strategy.

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

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

For that, by the end of 2009, EDPR has crafted a robust, visible and geographically diverse pipeline of nearly 30.3 GW worldwide (varying from projects in a variety of European countries, several US states, and various regions in Brazil).

| Gross MW | Under Constr. | Pipeline | | | | Prospects | Total |
|---|---|---|---|---|---|---|---|
| | | Tier 1 | Tier 2 | Tier 3 | Total | | |
| Spain | 308 | 320 | 485 | 1.822 | 2.626 | 2.341 | 5.275 |
| Portugal | 53 | 344 | 18 | 9 | 371 | 200 | 624 |
| Rest of Europe | 280 | 106 | 526 | 792 | 1.424 | 1.855 | 3.558 |
| - France | 39 | 49 | 70 | 294 | 412 | 726 | 1.177 |
| - Belgium | 13 | - | - | 37 | 37 | 25 | 74 |
| - Poland | - | - | 456 | 406 | 862 | 604 | 1.466 |
| - Romania | 228 | 57 | - | 56 | 113 | 500 | 841 |
| **Europe** | **640** | **769** | **1.029** | **2.623** | **4.420** | **4.396** | **9.456** |
| **US** | **99** | **748** | **5.634** | **8.710** | **15.092** | **4.154** | **19.345** |
| **Brazil** | **-** | **70** | **234** | **336** | **640** | **869** | **1.509** |
| **Total** | **739** | **1.587** | **6.897** | **11.669** | **20.152** | **9.419** | **30.310** |

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

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

# 3. REGULATORY ENVIRONMENT

## 3.1 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 in December 11th, 1997 when a majority of countries that are party to the UNFCCC (United Nations' Framework Convention on Climate Change) signed the "Kyoto Protocol".

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

At the European level, in December 2008 the EU Climate Package was approved. This package focuses on three areas: emissions cuts, renewables and energy efficiency. This deal is aimed at helping Europe to become a low-carbon economy and increasing energy security. Fully in line with the Commission's proposals in January 2008, agreement has been reached on legally binding targets, by 2020, to cut greenhouse gas emissions by 20%, to establish a 20% share for renewable energy, and to improve energy efficiency by 20%.

In April 2009, the Renewables Directive, as part of the EU Climate Package, was published. The directive requires member countries to produce a pre-agreed proportion of energy consumption from renewable sources such that the EU as a whole shall obtain at least 20% of total energy from renewables by 2020.

To ensure that the goals are reached, the directive set "indicative trajectories" - intermediate targets - for each member state. Countries are obliged to draw up national renewable energy action plans by the end of June 2010, setting out measures on how they intend to keep up with their trajectories.

Also, as a part of the Climate Package, a revised EU ETS Directive for Phase III (2013-2020) was agreed in December 2008. The Directive introduces auctioning as the basic principle for the distribution of allowances to ETS operators, a major change as in Phase II, approximately 96% of allowances were distributed for free by EU governments through National Allocations Plans.

## 3.2 Government Support of Renewable Energy in Countries in which EDP Renováveis Operates

### 1- Spain

According to Royal Decree 661/2007, 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.

In May 2009, Royal Decree 6/2009 was approved, aimed at eliminating the tariff deficit gradually. Among other measures, it introduced a central pre-allocation register for new renewable energy capacity for renewable-energy installations, necessary to obtain the entitlements set it in Royal Decree 661/2007. Installations were registered in chronological and new remuneration scheme should be approved for following projects.

The decision on November 19th, 2009 allowed in the register around 6 GW in wind projects and 2,4 GW in solar thermal generation capacity in one go. The entire 8,4 GW in projects registered will receive the remuneration set in RD 661/2007. Under this decision, around 1.700 MW of wind and 500MW of solar thermal generation will be allowed each year until 2012. The 15th of December the Spanish Government released the list of wind facilities included in the administrative register, in which, 6.389 MW of wind capacity were allowed. New facilities that haven´t been allowed in the register will be ruled by a new regulation.

### 2- Portugal

During 2009 there were no significant changes in Portuguese remuneration scheme.

Wind farms already licensed by February 2006 sell their electricity at a set price dependent on production hours, as well as on the dimension of the wind farm and consumer price index. 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.

Wind farms licensed after February 2006 sell their first 33 GWh of electricity or the electricity generated in the first 15 years, whatever come first, at a price based on a formula set out in the Decree-Law no. 33-A/2005 of 16th February.

### 3- France

Act 2000 provides that 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 10th, 2006, which establishes three stages of determining the tariff. During first ten years of the EDF Agreement, EDF pays a fixed annual tariff, then, during years 11 to 15, the tariff is based on the annual average percentage of energy produced during the wind facility's first ten years of operation. Finally, after year 16 of the Agreement there is no specific support structure and the wind energy generators sell their electricity at the market price.

In July 2009 came into law "La Grenelle de l´Environnement I", a large renewable energy plan that sets out a broad policy and confirms France´s European commitment that by 2020 should account 23% of its final energy consumption from renewable resources. To achieve this target, around 25 GW of wind installed capacity are required, of which 6 GW should be offshore.

La Grenelle de l´Environnement also confirmed that each region of France must draw up a "renewable energy plan" by July 2010, identifying its potential and establishing where wind power plants can be located.

New Decree approved on December 15th set the following wind target: 11.500 MW in 2012 and 25.000 MW in 2020. These targets include also wave and tidal energy.

### 4- Belgium

The Belgian regulatory system promotes the generation of electricity from renewable sources with a system of green certificates.

Each of the three Belgian regions (Flanders, Wallonia and Brussels capital) has their quota system with obligatory regional renewable energy targets. Green Certificates are due for a

period of at least 10 years up to 15, and have a minimum guaranteed price system at a federal level (obligations imposed on the transmission system operation) and at a regional level. Minimum guaranteed price is 80€/GC in Flanders and 65€/GC in Wallonia, and, at a federal level, the minimum guaranteed price is 50€/GC.

Green certificates can be traded through bilateral contracts or at the exchange market (Belpex) launched in March 2009.

New quotas of renewable generation are in a late stage of approval in Wallonia. New quotas proposed by the Government are: 11,25% in 2011, 13,50% in 2012 and 15,75% in 2013. New quotas to be approved are considerably higher than previous ones (11%, 12% and 13% for 2011, 2012 and 2013).


### 5- Poland

The legislation applicable to renewable energy in Poland is primarily contained in an Energy Act passed on April 10th, 1997, which has been amended by Act April 2th, 2004.

The Energy Act sets up a regulatory scheme to promote renewable energies. To this purpose, the law introduces a system of green certificates.

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

### 6- 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.

In 2009, a 6,2% of total electricity supplied was required to come from renewables , an the obligation rises to 8,3% in 2010-2012 and gradually heads toward 16,8% in 2020.

Law 220/2008 doubles the volume of green certificates to be issued to wind producers. Wind producers will receive two green certificates per MWh until 2015 and one onwards. It also increases the trading value of green certificates, increasing the floor of 27 €/MWh and a cap of 55 €/MWh, both indexed to Romanian inflation (from previous levels of 24-42 €/MWh).

### 7- United Kingdom

The main policy instrument to promote electricity generated from renewable energy sources is the Renewables Obligation (RO). The RO, and the associated ROS for Scotland an NIRO for Northern Ireland, requires that UK electricity suppliers ensure that a specified percentage of the electricity they supply to customers comes from eligible renewable sources.
The level of the obligation in England, Wales and Scotland is currently set to increase in yearly increments from 7,9% in 2007/08 to 15,4% in 2015/2016, being 9,1% in 2009-2010. In April 2009 the government introduced a headroom approach to allow the obligation size to be set before the beginning of each financial year at a percentage above (currently 8% above) the expected number of ROCs to be issued that year.

Electricity suppliers are given Renewables Obligation Certificates (ROCs) for every MWh generated from eligible renewable sources. When suppliers do not meet the obligation, they must pay a penalty sum into a buyout fund, which was of 35,76 GBP per ROC in shortfall in

2009. This buyout price is linked to the retail price index. At the end of each financial year, the buyout fund is shared proportionally between the suppliers that have presented ROCs.

In April 2009 the RO was banded to offer different levels of support to different renewable technologies. Onshore wind farms still receive 1 ROC per MWh. Offshore wind is entitled to receive 2 ROCs for projects commissioned in 2009-2010, 1,75 for projects in 2010-2011 and 1,5 ROCs onwards. However, the Government has announced that the new Renewables Order to be approved in early 2010 will allow offshore projects to qualify for 2 ROCs until March 2014.

In a consultation document published in July 2009, the UK government proposed, among others, the following changes to the RO:

- Extend its lifetime to 2037
- Include a 20 year limit on support under the RO scheme
- Increase the level of headroom to 10% and use headroom only to determine the total obligation after 2016.

These amendments are likely to be finally approved in early 2010 in order to come into effect on April 2010.

Additionally, wind energy generators receive Levy Exemption Certificates (LECs) that can be sold to industrial and commercial users subject to the Climate Change Levy. LECs can be traded separately from the underlying energy and represent an additional source of remuneration for wind energy generators. Therefore revenues come from the sales of energy, ROCs and LECs.

### 8- US

Despite continued market turmoil due to the recession and decreased attention to energy legislation, the U.S. regulatory environment nevertheless continued to improve for wind development. The inauguration of the Obama Administration in early 2009 put a wind advocate in the White House.

While climate change legislation continues to be debated in the United States Congress, states continued to lead the way in the US. California took a step toward joining the Northeast's Regional Greenhouse Gas Initiative (RGGI) in regulating carbon emissions by drafting Cap and Trade draft regulations designed to allow emissions to be cut to 1990 levels by 2020. While federal level climate change policy seems to be difficult to design and pass,

state and regional initiatives, such as these, continue to put pressure on emitters to assist in designing a cap and trade program.

Following the formal appointment of the New Administration in January 20th of 2009, the "American Recovery and Reinvestment Act of 2009 (ARRA)" was signed into law on February 17th. This plan included 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 31th, 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.

## 9- Brazil

On December 14th, the first ever wind-only auction took place in Brazil. As a result, 71 new wind farms, totalling 1.806 MW of installed capacity are scheduled to deliver energy from July 1st, 2012, providing an energy volume of 6,6 TWh per year, at an average price of BRL 148,39 MWh (approximately 57 €/MWh).

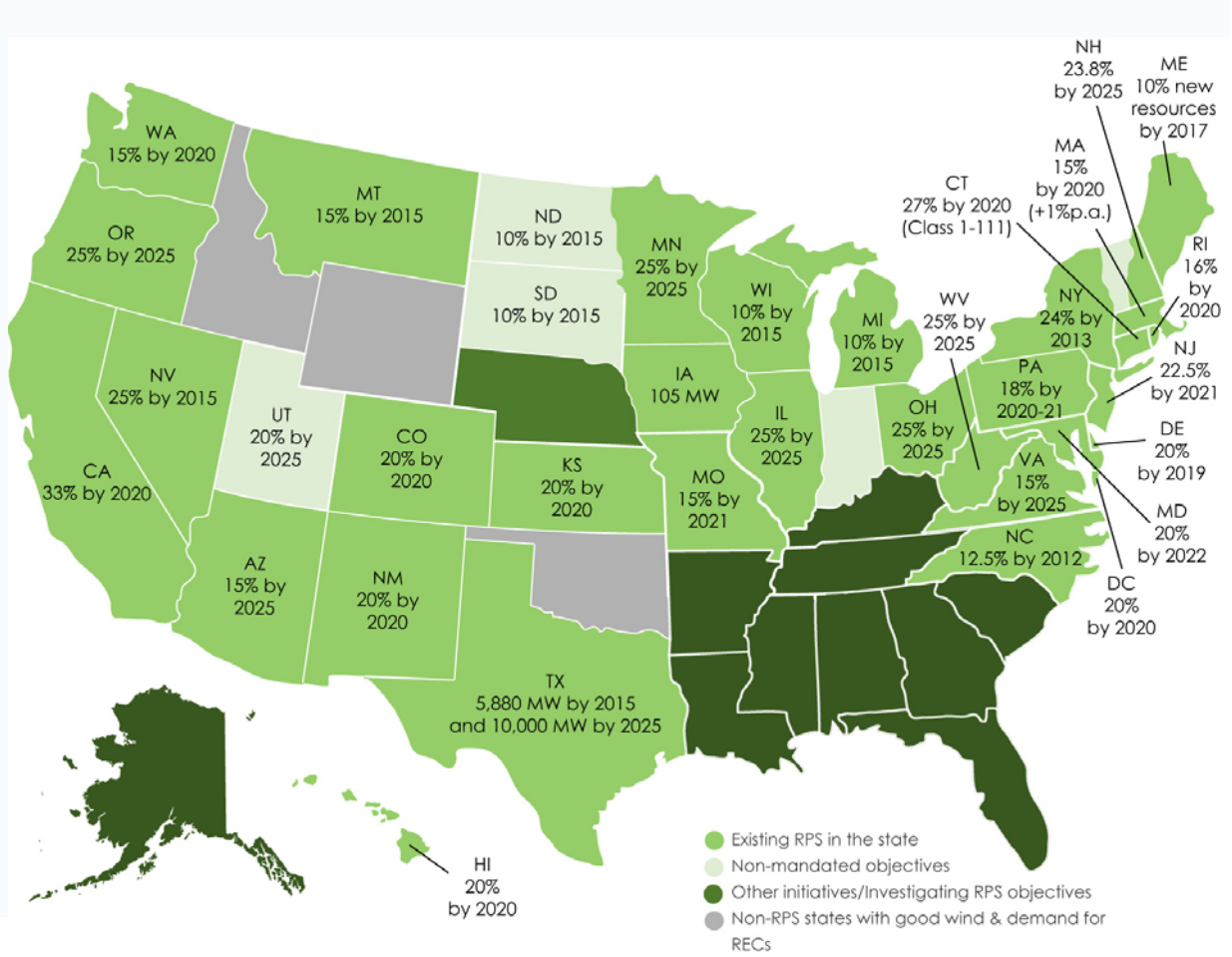
The results of the wind-only auction, summed up with the first biomass-only energy auction that was held in 2008 (2,379 MW and 31 thermal plants using sugarcane and napier grass), have headed the government to study a new renewable-only energy auction in 2010. At this time, the energy demand will be supplied by a mix of the traditional renewable sources: wind, biomass and small hydro power plants.

### 3.3 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.

Various State Governments have taken an active role in the development of renewable infrastructure through the implementation of an RPS program. Generally, RPS programs are developed to implement State laws requiring that a certain percentage of obligated load serving entities' energy supplied to consumers within the state come from renewable sources, and, in certain cases, provide for various penalties for non-compliance.

Amid a global financial crisis, historic and pervasive state budget crises, and federal bailouts and stimuli, state-level policy developments continued to be an important force for advancing renewables markets. In 2009, three new RPS policies (and one new renewables goal) were adopted; six existing RPS policies were increased or modified in a significant way; and five others underwent more minor changes; bringing the total number of states with RPS policies to thirty-two.




### 3.4 Production Tax Credits

In 2009, the PTC rate applicable to wind generation was 21 $/MWh; however, it is reduced for any project 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.

In February 2009, through the American Recover and Reinvestment Act, the U.S. Congress acted to provide a three-year extension of the PTC applicable to wind capacity added through December 31th, 2012.

# 4. KEY RISKS AND UNCERTAINTIES

### Internal business risk detection system

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

## 4.1 Risks relating to received prices

Remuneration for electricity sold by EDP Renováveis wind farms depends, 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.

### Management of Electricity Prices Exposure

As of December 31st, 2009, EDP Renováveis faced limited market price risk. In the case of EDPR NA, most of its installed capacity has fixed prices determined by long-term purchase agreements.

In the remaining countries, prices are mainly determined through regulated tariffs (France and Portugal) or managed through long-term power purchase agreements (Brazil, Poland, and Belgium).

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 2009 the company closed a hedge in order to mitigate the effect of pool price fluctuations.

### 4.2 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.

In Europe, this support has been steady and has to be strengthened as EU countries have renewable and mandatory targets. The new EU directive on renewable energies, agreed in December 2008, requires each member state to increase its share of renewable energy in the bloc's energy mix to raise the overall share from 5.5% level in 2005 to 20% in 2020. Additionally EU countries have interim targets in order to ensure a steady progress towards it 2020 target. For these reason they must present national action plans (NAPs) based on the indicative trajectories to the European Commission by June 30th, 2010, followed by progress reports submitted every two years. Therefore, EU countries must have short and long term renewables strategies which will be monitored and tracked by the EU authorities.

US, on the contrary, has not mandatory energy targets at a federal level. However, under the Obama Administration, renewables have found strong political support. The Stimulus package (American Recovery &Reinvestment Act) approved in February 2009 included a wide range of measures addressed to boost renewable energies.

Nevertheless, 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.

#### Management of Regulatory Risks

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), BWEA (UK) and PIGEO (Poland). In the US, EDP Renováveis participates in the following wind associations: AWEA (American Wind Energy Association), Wind on the Wires (Mid West) and

CEERT (California). At an international level, EDP Renováveis belongs to the EWEA (European Wind Energy Association), which is today the biggest wind energy network.

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.

### 4.3 Risks related to energy production

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.

#### Management of Risks Related to Volatility of Energy Production

Variations in wind conditions are due to seasonal fluctuations, and these fluctuations have an impact in the amount of the electricity generated. EDP Renováveis mitigates this risk by the geographical diversification of its wind farm in each country. This "portfolio effect" enables to offset wind variations in each area and to keep the total energy generation relatively steady.

### 4.4 Risks related wind turbine performance

Wind turbine performance risk is the risk that the performance of the turbine is not optimum, and therefore, the energy output declines.

#### Management of Wind Turbine Performance Risk

EDP Renováveis is not highly exposed to this risk as its large volume limits the availability risk as economies of scale protect the company against unforeseen events. Nevertheless, EDP

Renováveis mitigates the wind turbine performance risk by implementing the following measures.

Firstly, EDP Renováveis mitigates wind turbine performance risk by using a mix of turbine suppliers which minimizes technological risk.

Secondly, wind turbine performance risk is reduced by signing strict and thorough O&M contracts with suppliers, usually for a 5-year period (full-scope maintenance agreement), being the 2 first year-period of full guarantee.

Additionally, technical warranties are signed with the turbine suppliers, in order to guarantee that the performance of the turbine will be optimum. The availability and the power curve of each turbine is adequately guarantee with "liquidated damages" clauses that set up penalties to be paid by the supplier when the availability is not met (usually 96 or 97%) or the power curve is not reached. Wind turbine performance risk is also mitigated with an adequate preventive and scheduled maintenance and predictive maintenance is being also brought in. After the first 5-year period, O&M is usually contracted with an external company, but a technical assistance agreement is signed with the turbine supplier.

Finally, EDP Renováveis has in place a LEAN Project. LEAN is a continuous improvement program that aims to achieve the following:

1. Maximize Availability of Turbines
2. Improve Efficiency
3. Manage Reactive Energy

In order to achieve the objectives listed above, the LEAN team effectively collaborates with all technical areas such as O&M, Wind Assessment, Technology and Dispatch Center.

### 4.5 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. Development process of wind farms is subject to the possibility of obtaining such permits. If authorities do not grant these permits or they do so with delays or with restrictions, such actions could have a material adverse effect on the business.

**Management of Permitting Risk**

Permitting risk is mitigated by the fact that EDP Renováveis in present in different countries: Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US and Brazil. Additionally, the company has a large pipeline of projects that provide a "buffer" to overcome potential problems in the development of other projects, ensuring the growth targets.

Finally, EDP Renováveis mitigates development risk creating partnerships with local partners.

### 4.6 Wind turbine supply risks:

Wind turbine is a significant part of a wind farm's investment cost (70% to 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 Wind Turbine Supply Risk**

Last years were marked by the difficulties of the wind turbine industry to catch up with the booming demand. In this high growth environment, wind generators endured difficulties to secure the supply of wind turbines. This trend, however, was reversed in 2008 and 2009 as turbine demand slowed down creating a more favourable scenario for EDP Renováveis. The company is exploring the possibility to contract part of its expected turbine supply needs in this favourable situation.

EDP Renováveis uses a large 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.

EDP Renováveis has traditionally been securing its wind turbines by establishing long-term flexible agreements with several major turbine vendors. Frame agreements enabled EDP Renováveis to have available turbine when needed, but in the current context, they could

prevent the company to capture the drop in turbine prices. For this reason EDP Renováveis is renegotiating frame agreements as well as negotiating more flexible agreements for the next years. By monitoring market trends, EDP Renováveis can reach these agreements with suppliers when market conditions are favourable. Additionally, when contracting large volumes, EDP Renováveis can obtain better prices and conditions that mitigate the effect of general increases in assets prices.

### 4.7 Exposure to financial markets

EDP Renováveis is exposed to fluctuations in interest rates as result of financing, operations in particular, financing by means shareholder loans from the EDP Group and financing from institutional investors in connection with its Partnerships Structures in the case of the US operations, as well as, project financing and third party loan financing 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.

#### Management of Financial Risks

The evolution 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 execution of financial risks management of EDP Renováveis Group is undertaken by the Financial Department of EDP, in accordance with the policies approved by the Board of Directors of EDP Renováveis. 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.

1. **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.

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.

**2. Exchange rate risk**

The Group operates internationally and is exposed to the exchange-rate risk resulting from investments in subsidiaries. As a general policy, EDP Renováveis matches costs and revenues of its wind farms in the same currency, reducing the effect of currency fluctuations while preserving value. Currently, main currency exposure is the U.S. Dollar/Euro currency fluctuation risk that results principally from the shareholding in EDPR NA.

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.

### 4.8 Counterparty credit risk

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

**Management of 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 EDPR 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.

In the case of EDPR NA, counterparty risk analysis is more relevant given typical price structure and terms of PPA contracts. In the light of this, counterparty risk is carefully evaluated taking into account offtakers credit rating. In many cases additional credit support is required in line with the exposure of the contract.

### 4.9 Liquidity risk

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

**Management of Liquidity Risk**

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.

## 5. FINANCE HEDGING DERIVATIVE INSTRUMENTS

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

These derivative instruments are explained in detail as part of the notes to the Corporate Governance Report.

### 5.1 Cross Currency Interest Rate Swaps

Due to the net investment in EDPR NA, the company and Group accounts of EDP Renováveis and the accounts of EDP Sucursal, were exposed to the foreign exchange risk with the purpose of hedging this foreign exchange risk, EDP Group settled a cross currency interest rate swap (CIRS) in USD and Euros, between EDP Sucursal and EDP Renováveis for a total amount of USD 2,632,613.00.

### 5.2 Hedge Agreements – exchange rate

EDP Energias de Portugal Sociedade Anónima, sucursal en España and EDP Renovaveis entered into several hedge agreements with the purpose of managing the transaction exposure related with the investment payments to be done in Poland, fixing the exchange rate for EUR/PLN in accordance to the prices in the forward market in each contract date. At 31st December 2009, a total amount of EUR 87,660,918.51 remained outstanding.

### 5.3 Hedge Agreements – commodities

EDP and EDPR EU entered into several hedge agreements related with the expected sales of energy in the Spanish market and due between March 2009 and December 2010 for a total volume of 3,357 MWh (1,991 MWh regard 2009 hedged generation and for 1,366 MWh regard 2010 hedged generation) at market forward prices in each contract.

## 6. TREASURY STOCK (OWN SHARES)

During the 2009 exercise, EDP Holding and EDPR do not hold (or have bought) any treasury stocks (own shares).

## 7. ENVIRONMENT

### Environmental Commitment

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

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

For this reason, all its activities are based on a Corporate Environmental Policy that seeks to protect and enhance the environment with the aim of achieving sustainable development.


EDP Renováveis believes that protecting our environment and community is fundamental to achieving its business objectives. In 2009, the Company spent a total of €8,5 millions on environmental protection measures and allocated internal resources dedicated to managing environmental protection activities, throughout the full project life cycle, including development, construction and operations.

| Total Environmental Investment | 2008 | 2009 |
|---|---|---|
| **Total** | **4,500** | **9,548** |

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

In Europe, EDP Renováveis renewed certification obtained for five of its wind farms in operation under the ISO 14001, and five new wind farms were certified, reaching a total of 289.5 MW certified. It is the intent for 2010 that 20 new wind farms, 650 MW, will be certified.

| Wind farm | Location | Power (MW) | Certification date |
|---|---|---|---|
| Valsagueiro | A Coruña (Spain) | 32,5 | 2008 |
| Ponte Rebordelo | A Coruña (Spain) | 40,3 | 2008 |
| Los Cantales | Zaragoza (Spain) | 24 | 2008 |
| La Navica | Albacete (Spain) | 30 | 2008 |
| La Dehesica | Albacete (Spain) | 28,5 | 2008 |
| Virgen de la Peña | Zaragoza (Spain) | 30 | 2009 |
| Munera I | Albacete (Spain) | 39,6 | 2009 |
| Munera II | Albacete (Spain) | 30,6 | 2009 |
| Villamiel | Burgos (Spain) | 17,85 | 2009 |
| Villoruebo | Burgos (Spain) | 16,15 | 2009 |
| **TOTAL** | | **289,5** | |

THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and AENOR hereby certify that the organization

NUEVAS ENERGIAS DE OCCIDENTE, S.L.

CL SERRANO GALVACHE, 56 PARQUE EMPRESARIAL NORTE, EDIFICIO ENCINA 28033 - MADRID ESPAÑA

SEE ADDRESSES SPECIFIED IN ANNEX

for the following field of activities

Electric power generation in wind farms.

has implemented and maintains a

Environmental Management System

which fulfills the requirements of the following standard

ISO 14001

Issued on: 2009-01-15 Modified on: 2009-11-02 Validity date: 2012-01-15

Registration Number: ES-2009/0017

AENOR

René Wasmer, President of IQNet — Ramón Nó, General Manager of AENOR

THE INTERNATIONAL CERTIFICATION NETWORK

Annex to IQNet Certificate Number ES-2009/0017

NUEVAS ENERGIAS DE OCCIDENTE, S.L.

DESARROLLOS EOLICOS DE DUMBRIA, S.A.U.
PARQUE EÓLICO VALSAGUEIRO
LA CORUÑA
ESPAÑA

PARQUE EÓLICO PONTE REBORDELO
LA CORUÑA
ESPAÑA

PARQUE EOLICO LOS CANTALES, S.L.
PARQUE EÓLICO LOS CANTALES
ZARAGOZA
ESPAÑA

EOLICA LA NAVICA, S.L.
PARQUE EÓLICO LA NAVICA
ALBACETE
ESPAÑA

EOLICA DULCINEA, S.L.
PARQUE EÓLICO LA DEHESICA
ALBACETE
ESPAÑA

EOLICA ARLANZON, S.A.
PARQUE EOLICO VILLAMIEL
BURGOS
ESPAÑA

PARQUE EÓLICO VILLORUEBO
BURGOS
ESPAÑA

EOLICA DON QUIJOTE, S.L.
PARQUE EÓLICO MUNERA I
ALBACETE
ESPAÑA

Issued on: 2009-01-15 Modified on: 2009-11-02 Validity date: 2012-01-15

This annex is only valid in connection with the above mentioned certificate.

AENOR

René Wasmer, President of IQNet — Ramón Nó, General Manager of AENOR

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In the U.S., the EMS is under development. Currently, it includes EDPR NA's Corporate Environmental Policy, adopted in 2009, and Environmental Standards for Development. The Development Standards that have been developed include:

- Site Characterization Studies;
- Airspace Constraint Studies;
- Phase I Environmental Site Assessments;

- Baseline Wildlife Studies;
- Wetland Assessments; and
- Cultural and Historic Resource Assessments.

Environmental standards for operations were drafted in 2009. The Environmental Operations Standards have been sent for internal review with the intent of finalizing them in 2010.

**Climate Change**

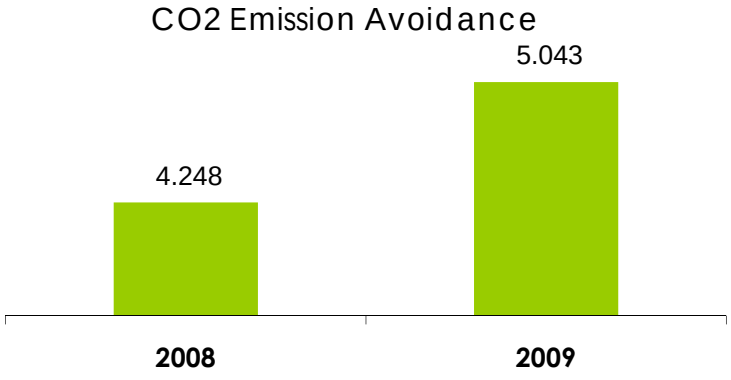
EDP Renováveis is dedicated to the development of renewable energy. Therefore, the Company plays a significant role in the transition towards a more sustainable energy model that is less dependent on fossil fuels.

Renewable energy has significant advantages over traditional energy sources:

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

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

In 2009, EDP Renováveis produced almost 11 GWh of wind energy, enough to meet the average demand of more than 2 million households and displace the emission of approximately 5.0 kilotons of $CO_2$.



**Emissions, Effluents and Waste**

The generation of wind energy does not produce greenhouse gas emissions, water pollution, nor does it consume significant amounts of water or produce significant level of waste, compare to other energy sources.

Employee and contractor travel as well as offices' electricity use are the only primary sources of indirect emissions, which can be considered not material in the context of the company main activity.

During the construction phase, it is the wind farm contractor who carries out the management of hazardous and not hazardous wastes, supervised by the environmental surveillance in each site.

During operation phase, the production of hazardous waste is very low. All wind farm substations stores the wastes generated up to the retreat by authorized manager.

In 2010, several initiatives will be launched to support the management and reduction of wastes generated and its reporting, including the proper handling, accumulation, storage, manifesting, transportation and disposal and recycling activities.

**Efficient Use of Resources**

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

Therefore, with the exception of the construction phase, the consumption of resources and materials is mainly attributed to the company offices and on-site facilities that directly support the operation and maintenance of EDP Renováveis wind farms.

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

As a way to promote good practices among its employees, EDP Renováveis has published in Europe a Guide of Good Environmental Practices with guidelines to reduce the consumption of water, electric power, paper and toner, as well as to correctly manage and dispose of both hazardous and non-hazardous waste.


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

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

In some wind farms, the Company promotes the reutilization of rain water gathered in the substations for use in the bathrooms of local facilities.

In the U.S., EDP Renováveis started pursuing a design for its facilities which would meet guidelines to earn Certification in Leadership in Energy and Environmental Design (LEED) for the Rail Splitter Operation and Maintenance building. It is anticipated that Rail Splitter will receive its certification in 2010.

EDP Renováveis' corporate office in Houston also has Silver LEED certification. As a component of this certification, low-flowing faucets and toilets were installed in the office bathrooms.

As a way to reduce its carbon footprint, EDP Renováveis implemented policies to promote the use of video conference and the use of "cleaner" transportation. In the U.S., ongoing initiatives include providing employees with bike storage and showers to encourage employees to ride bikes to work, and providing employees with bus and rail cards to encourage the use of mass transportation.

**Environmental Protection**

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

In the U.S., EDP Renováveis does not operate on land owned, leased, managed, or adjacent to protected areas or areas of high biodiversity value outside protected areas. 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.

In Spain, there are only 10 wind farms in protected areas, 9 in Portugal and 3 in France.

Only a small percent of land utilized by wind farms is taken out of permanent use. Once construction is complete, the actual land taken out of permanent use is typically less than two percent of the total project area. The majority of the land is still used for its original purpose. The main use of the permanently affected land is for access roads to the wind turbine locations, a small area for the wind turbine and electrical transformer, and a gravel pad area for a crane for construction and maintenance activities.

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

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

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

**Biodiversity**

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

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

In 2009, the following major projects were developed:

- Funding of rescue campaign and improvement of the goosefoot eaglet in Albacete (Spain);
- Arrangement of electrical laying in which high mortality of avifauna has been registered;
- Installation of fire-prevention rafts in Catalonia (Spain); and
- Three year commitment to support Operation Migration and participation in the Habitat Conversation Plan for Whooping Cranes (U.S.).
- Support to start a Sage Grouse Collaborative to conduct research on potential wind impact to Sage Grouse (US)
- Wetland mitigation – First year of monitoring of one wetland created during construction of Elkhorn Valley wind farm and fifth year of monitoring of two wetland in Maple Ridge wind farm.

EDP Renováveis conducts post-construction wildlife studies, including mortality monitoring. In 2009, mortality studies were conducted at Rattlesnake Road, Wheatfield and Twin Groves I&II wind farms (U.S.). In addition, a post-construction big game study was conducted at Elkhorn Valley Wind Farm.

EDP Renováveis is a member of the Wind Turbine Guidelines Advisory Committee. The scope and objective of this Federal Advisory Committee is to provide advice and recommendations to the Secretary of the Interior on developing effective measures to avoid or minimize impacts to the wildlife and their habitats related to land-based wind energy facilities.

The Company is a founding member of American Wind & Wildlife Institute (AWWI), whose mission is to facilitate timely and responsible development of wind energy while protecting wildlife and wildlife habitat.

**Environmental Education**

EDP Renováveis develops internal programs for environmental awareness training to ensure that its employees recognize:

- The importance of the Corporate Environmental Policy;
- Their role in the fulfilment of the requirements and procedures of the Environmental Management System, including the requirements for emergency preparation and response;
- The potential impact of business activities on the environment;
- The benefits to the environment that come from responsible behaviours; and
- The potential consequences of non-compliance.

# 8. HUMAN CAPITAL

## 8.1 Our Employees

As a major player in a very dynamic sector, the management of the human capital is a major concern of EDP Renováveis

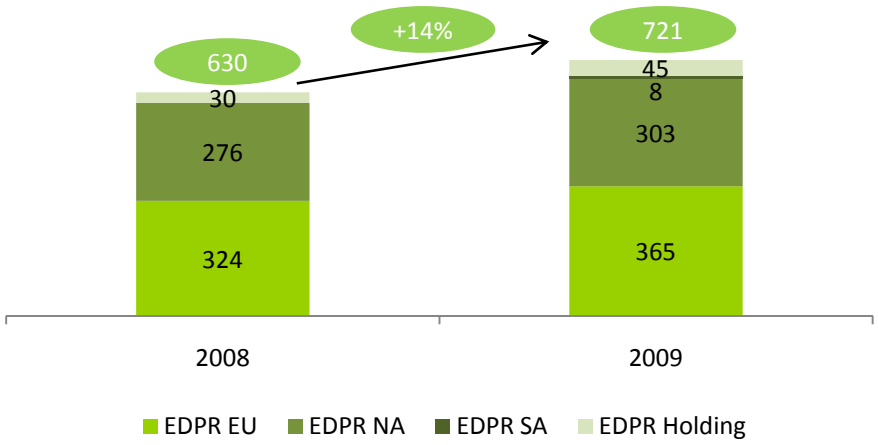
The company policy is based on the following principals:

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

In 2009, EDP Renováveis established a global compensation strategy policy, while respecting the local markets for each platform. The new policy promotes a system in which all positions are evaluated and graded according to a defined methodology of job evaluation and ensure internal fairness.

## 8.2 Profile

At the end of 2009, EDP Renováveis had a total headcount of 721, a 14% increase vs. 2008. EDPR EU accounts for 50% of the total workforce, EDPR NA 42%, EDPR BR 1% and the Holding the remaining 6%.




During the year, 156 people were admitted while 65 left the company, standing for a turnover ratio of 15%. Of the total workforce, 68% are male.

EDP Renováveis has a very young team, with 70% of its workforce with less than 40 years old, and a high level of qualification, with 75% of the employees with university degrees.

The EDP Renováveis compensation model defines the approved salary band for each position within the organization's matrix. The salaries paid are based on market benchmarks and are contingent on defined position and are therefore paid accordingly to the appropriate salary band, regardless of gender.

### 8.3 Training and Education

EDP Renováveis understands the value of developing its employees through continuous education and training activities.

Training has a particular strategic importance for EDP Renováveis. It is crucial to achieve comprehensive development of employees by improving their skills, knowledge and abilities in order to bring them into line with the current and future demands of the organization and with their own individual professional development expectations.

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

In 2009, EDP Renováveis almost duplicated the number of hours of training, to 14,500 hours. Total investment reached €302 thousands, a 28% increase vs. 2008.

### 8.4 Evaluation & Performance

The performance and potential evaluation process is used to better understand where development programs are needed and to what degree.

In 2009, EDP Renováveis has implemented a talent management model. Although currently a 270 degree, the goal is to progress towards a 360 degree evaluation model.

The global model collects information from four data points to evaluate employee performance: self, two peers, and the manager. Extensive training is provided to employees and managers to fully understand the competencies, how to approach performance appraisal generally, and how to utilize newly developed talent management software called Cezanne.

Performance and potential evaluations are based on strategic competencies, key performance indicators and a Global Assessment. By defining and evaluating gaps that become apparent, continuous feedback interviews are encouraged and employees are also asked to develop an Individual Development Plan.

### 8.5 International Mobility

As EDP Renováveis grows its business in new geographies, mobility is more and more a crucial factor in the success of the Company strategy and employee's career development.

In 2009, along with EDP, EDP Renováveis performed a review of the International Work Regulations. New categories of assignment were created in order to improve and promote international mobility.
International mobility will be important factor for professional development of the Company's employees.

### 8.6 Satisfaction

In 2009, EDP Renováveis performed it first global employee satisfaction Survey. All Company employees were asked to participate through a web based survey and the total response rate was 78%.

The macro indicators average resulting from the study is high, showing a global satisfaction of 78%.

The results of this study will be very important for the Management of EDP Renováveis to develop an action plan in 2010 in order to improve the areas that impacted the most the employee's motivation, abilities and performance.

### 8.7 Benefits

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

The Company does not differentiate benefits between full time and part time employees.

In addition to legal requirements per country, competitive benefits are offered in the various regions (adjusted in accordance to local specificities) and entail important benefits such as:

- Medical insurance,
- Life insurance
- Accident insurance
- Business travel insurance
- work/life balance
- Pension plans or retirement plans.

The Company offers participation opportunities in either a pension plan or defined contribution plan, depending on home country. The guaranteed contributions are supplemental to and independent of those established under the Social Security System.

In North America, EDPR NA sponsors the Horizon Wind Energy Defined Contribution Retirement Plan (the "Retirement Plan"), a plan qualified under Section 401(k) of the Internal Revenue Code, for the benefit of eligible employees. Contributions are made to accounts held by Fidelity Investments. Matching contributions are made on behalf of eligible employees who elect employee deferrals from any given date and an employee may enter the plan at any time. Employees are vested in the retirement plan on both the employee and EDPR NA contributions immediately. EDPR NA contributes to each individual account up to 6% as a matching contribution so long as the employee has elected a salary deferral.

### 8.8 Labour Relations

Of EDP Renováveis 721 employees at the end of 2009, 28% were covered by collective bargaining agreements.

Among the countries where EDP Renováveis has operations, the ones which are not covered by collective bargaining agreements are Poland, Romania, and North America.

Generally, collective bargaining agreements apply to all employees working under an employment relationship with and for the account of the respective companies, regardless of the type of contract, the professional group into which they are classified, their occupation or job. However, matters relating to the corporate organization itself, the laws of each country or even usage and custom in each country result in certain groups being expressly excluded from the scope of collective bargaining agreements.

Per country case law, EDP Renováveis may have a minimum period that the Company must comply with for giving formal notice of organizational changes at the companies in the Group with impact on employees.

However, it is customary to communicate significant events to the affected groups in advance.

As an employer in the United States, EDPR NA complies with the Worker Adjustment and Retraining Notification (WARN) Act Guide to Advance Notice of Closings and Layoffs. Employees who have worked more than six months for more than 20 hours a week are required to receive 60 days notice in the event of closings and layoffs.

### 8.9 Human Rights

All employees of the Group have been informed of the Code of Ethics Policy, as well as other Policies approved by the Board of Directors that contain specific clauses on respect for human rights. Employees are required to manually or electronically acknowledge that the policy(ies) has been read and understood.

The business culture in the countries in which the EDP Renováveis operates is entirely respectful of human rights.

In compliance with the Code of Ethics, EDP Renováveis expresses its total opposition to forced or compulsory labour. Its general contracting conditions include a clause to eliminate any form or kind of forced or compulsory labour.

In 2009, EDP Renováveis had one complaint filed for discrimination with the US Equal Employment Opportunity Commission for gender discrimination. The Company has formally responded to the complaint and expects the charge to be dismissed.

EDP Renováveis has no knowledge of any activity carried out that could jeopardize the right of freedom of association or the right to adhere to collective bargaining agreements.

| | 2008 | 2009 | Growth |
|---|---|---|---|
| EDPR EU | 324 | 365 | 13% |
| EDPR NA | 276 | 303 | 10% |
| EDPR SA | 0 | 8 | - |
| EDPR Holding | 30 | 45 | 50% |
| **Total** | **630** | **721** | **14%** |

## 9. RESEARCH AND DEVELOPMENT (R&D)

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

## 10. RELEVANT EVENTS AFTER CLOSING OF THE PERIOD

### 10.1 EDP Renováveis awarded 1.3 GW of wind offshore capacity in the UK:

On January 8th EDP Renováveis and SeaEnergy, through a joint-venture designated Moray Renewables, have been awarded exclusive rights to develop offshore wind farm sites in the North East of Scotland, with an approximated target capacity of 1.3 GW.

### 10.2 EDP Renováveis signs long-term agreement to sell green certificates in Poland:

On January 25th EDP Renováveis, has just entered into a 15-year agreement with Energa to sell the green certificates generated from its 120 MW Margonin wind farm in Poland.

### 10.3 EDP Renováveis enters the Italian wind market through the acquisition of 520 MW to be developed:

On January 27th EDP Renováveis acquires 85% of Italian Wind, adding to its portfolio several wind projects in Italy totalling 520 MW in different stages of maturity and in prime locations. The amount paid for the above mentioned stake is €12 million and additional success fees will be paid as the wind projects reach certain predefined milestones.

### 10.4 EDP Renováveis announces YE2009 provisional operating data:

On February 3rd EDP Renováveis installed 1,175 MW and achieved an electricity output 10,907 GWh, +40% than in 2008. Load factor in Europe was 26% and in the US 32%.

### 10.5 EDP Renováveis signs PPA with Tennessee Valley Authority in the US

On February 17th EDP Renováveis entered into a 20- year Power Purchase Agreement with Tennessee Valley Authority (TVA) to sell 115 MW of renewable wind energy from the first phase of its Pioneer Prairie Wind Farm located in Mitchell and Howard Counties in Iowa.

# 11. CORPORATE GOVERNANCE OVERVIEW

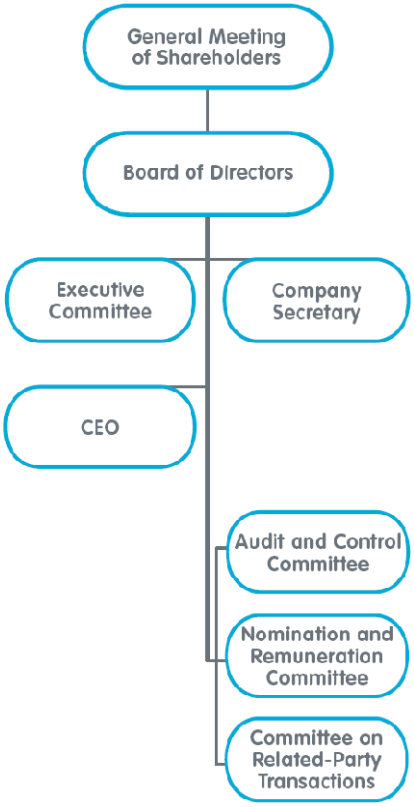
This Topic provides a Corporate Governance Overview faced by EDPR. You can find the complete Corporate Governance in a separate section at the end of this chapter.

## 11.1 Model of Management and Supervision

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

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

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



The governance model of EDPR is designed to ensure the transparent, meticulous separation of duties and the specialisation of supervision. The following are the most important bodies in the management and supervision model at EDP Renováveis:

- Board of Directors;
- Executive Committee;
- Audit and Control Committee;
- External auditor.

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

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

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

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

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

## 11.2 Corporate Bodies

### General Meeting of Shareholders

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

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

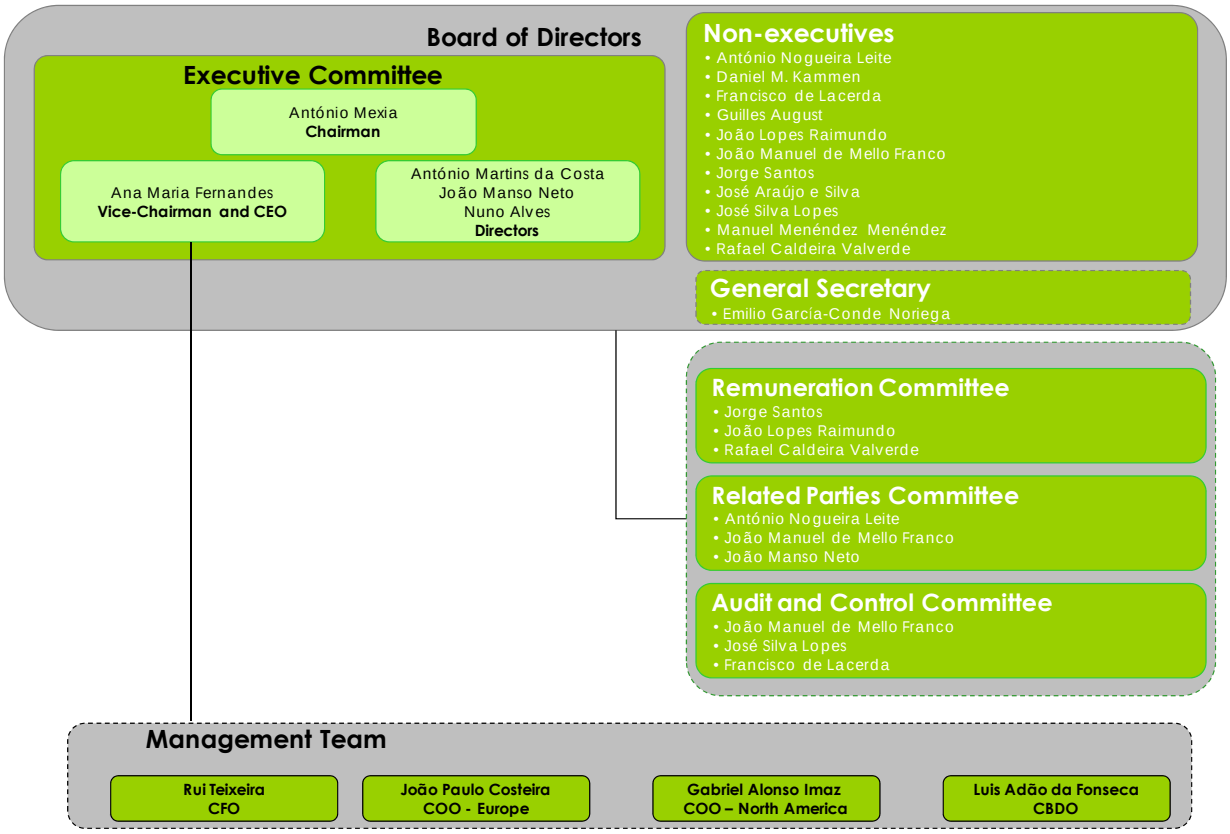
### Board of Directors

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

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

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

## 11.3 Summarized Organization Chart




## 11.4 Capital Structure

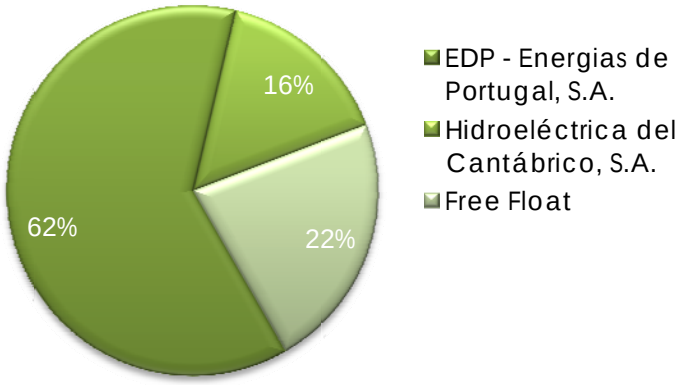
The EDP Renováveis share capital of EUR 4,361,540,810 is fully subscribed by 872.308.162 shares with a face value of EUR 5 each.

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

### 11.5 Shareholder Structure

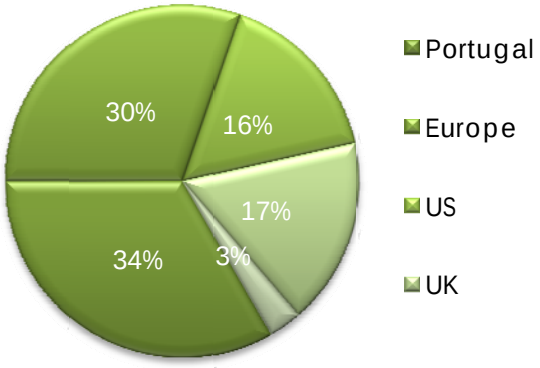
Shareholder Structure – 31 December 2009

| 31 Dec 2009 | # Shares |
|---|---|
| EDP - Energias de Portugal, S.A. | 541.027.156 |
| Hidroeléctrica del Cantábrico, S.A. | 135.256.700 |
| Free Float | 196.024.306 |
| **Total** | **872.308.162** |




**Free Float**

In December 2009, EDP Renováveis had more than 70,000 institutional and private shareholders in over 50 countries, with special focus on Portugal, United Kingdom, United States and Rest of Europe.




| Free Float by geography | |
|---|---|
| Portugal | 34% |
| Europe | 30% |
| US | 16% |
| UK | 17% |
| Rest of World | 3% |
| **Total** | **196.024.306** |

### 11.6 Qualifying shareholding

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

### 11.7 Holder of special rights

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

### 11.8 Restrictions on the transfer of shares

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

### 11.9 Shareholders' agreements

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

### 11.10 EDP Renováveis in the Capital Markets

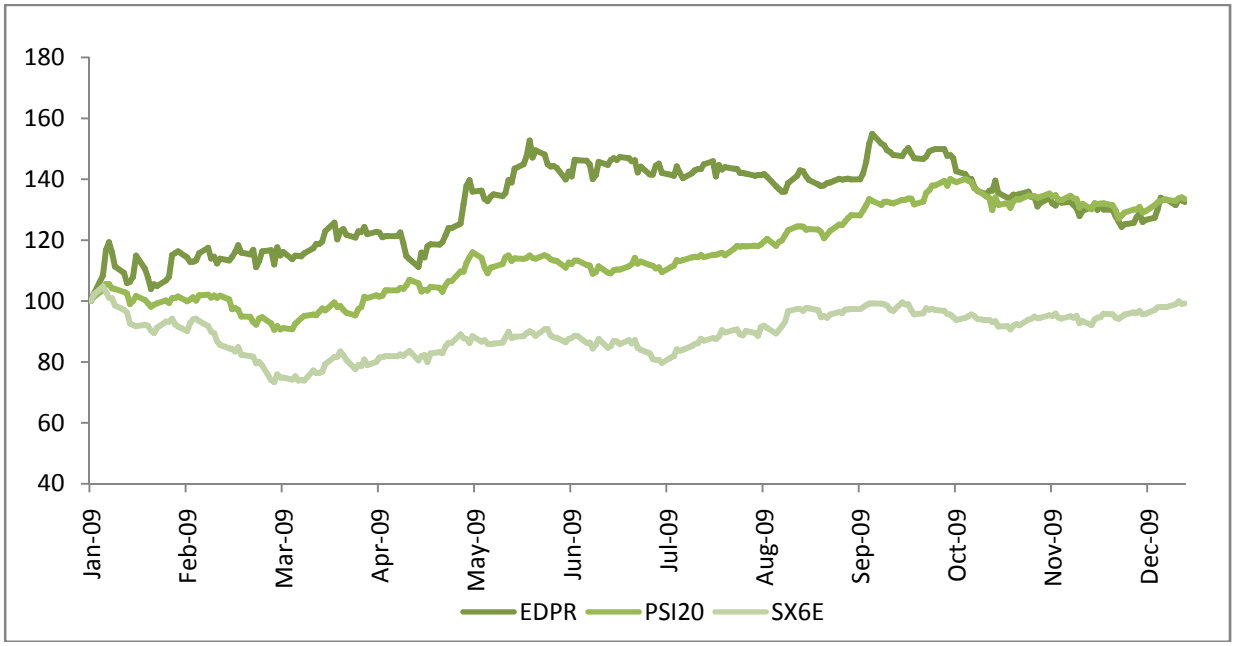
The shares representing the EDP Renováveis share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on the 4 June 2008, in the largest Initial Public Offering launched in Western Europe of the year 2008.

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

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

### 11.11 EDP Renováveis share price

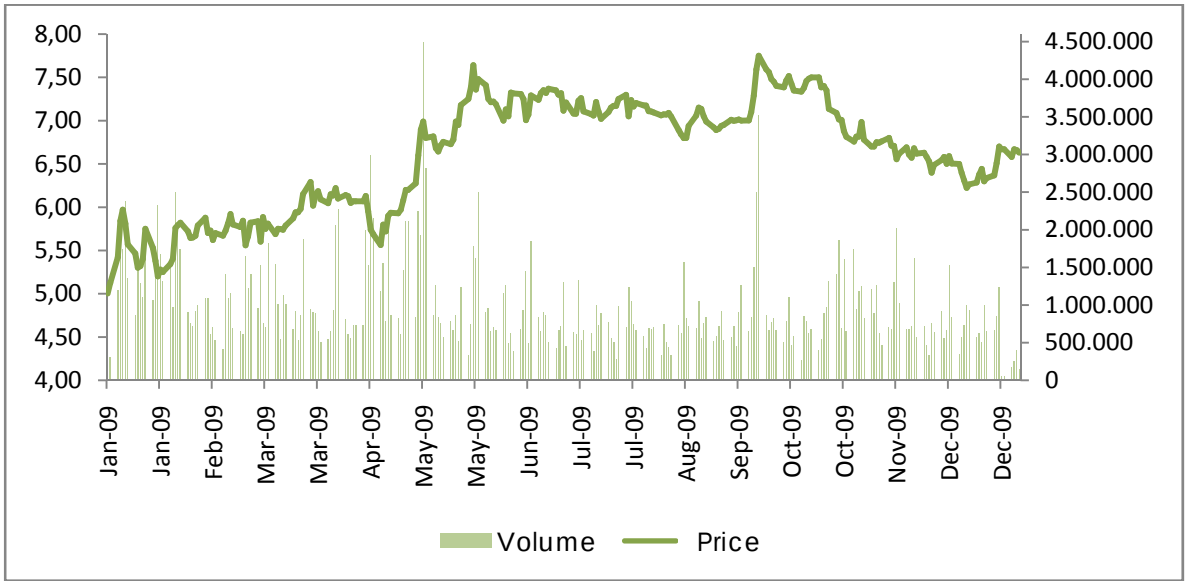
During 2009, EDP Renováveis' share price rose by 33%, closing the year at EUR6.63 each. In the same period, the PSI20 and the Euronext 100 increased by 33% and 25%, respectively, while the Dow Jones Eurostoxx Utilities felt 1%.




During the year 256,979,419 EDP Renováveis shares were traded, corresponding to a turnover of approximately EUR1,676 billion. On average, at Euronext Lisbon, EDP Renováveis daily trade volume was around 1 million shares per day.

EDP Renováveis ended the year with a market capitalization of EUR5.8 billion, making it the fourth largest listed company in Portugal.

**2009 EDP Renováveis share price and transactions**



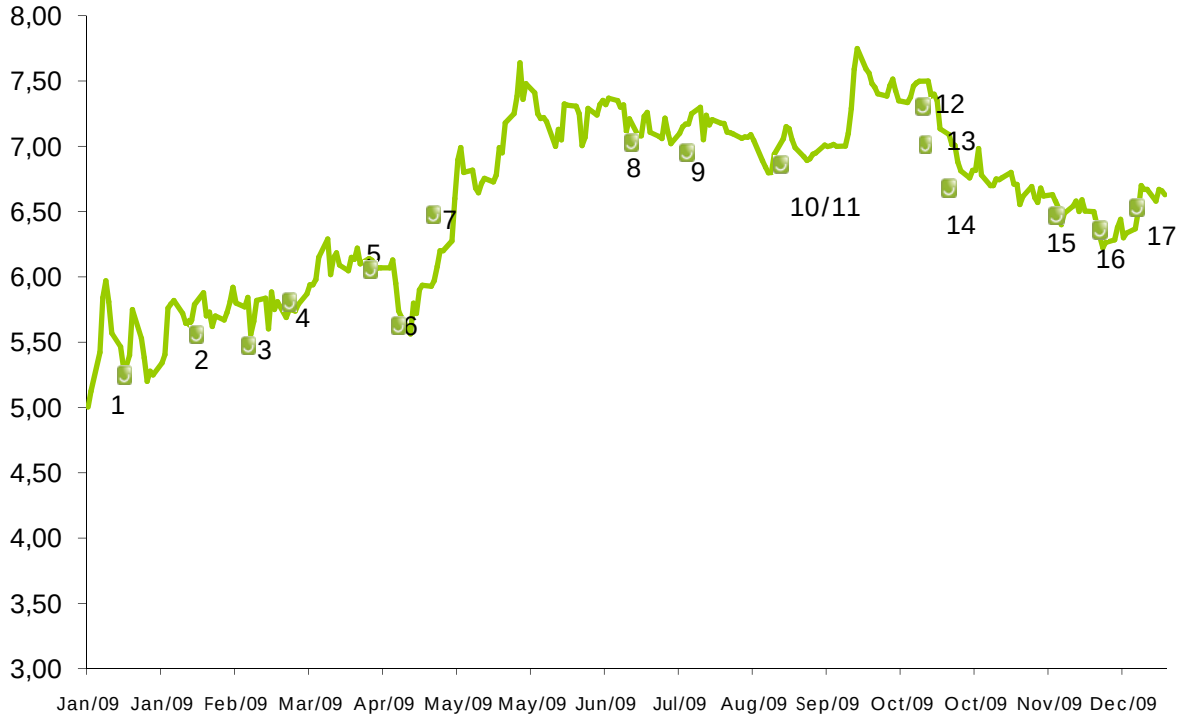
| Capital Market Indicators | | |
|---|---|---|
| **EDP Renováveis Shares in NYSE Euronext Lisbon (EUR)** | **2009** | **2008** |
| Opening price* | 5.00 | 8.00 |
| Closing price | 6.63 | 5.00 |
| Peak price | 7.75 | 8.00 |
| Minimum price | 5.00 | 3.45 |
| | | |
| **Variation in Share Price and Reference Indices** | **2009** | **2008** |
| EDP Renováveis | 33% | -37% |
| PSI20 | 33% | -51% |
| Dow Jones Eurostoxx Utilities | -1% | -38% |
| Euronext 100 | 25% | -45% |
| | | |
| **Liquidity of EDP Renováveis Shares in the Market** | **2009** | **2008** |
| Volume in NYSE Euronext (€ million) | 1,676.0 | 1,646.0 |
| Daily average volume (€ million) | 6.4 | 11.0 |
| | | |
| Number of shares traded | 256,979,419 | 215,951,049 |
| Average number of shares traded | 984,595 | 1,459,129 |
| | | |
| Total shares issued | 872,308,162 | 872,308,162 |
| Number of own shares | 0 | 0 |
| | | |
| **EDP Renováveis Marker Value (€ million)** | **2009** | **2008** |
| Market capitalization at end of period | EUR 5,783 | EUR 4,364 |

(*) January 1st, 2009 and June 4th, 2008,respectively

### 2009 Main Events on EDP Renováveis share price

| | Date | Descripton |
|---|---|---|
| 1 | 20-Jan | EDPR announces provisional 2008 operating data |
| 2 | 17-Feb | Approval of key energy-related incentives in the US applicable to EDPR NA |
| 3 | 26-Feb | EDPR announces provisional 2008 results |
| 4 | 18-Mar | EDPR increases its presence in the Brazilian market |
| 5 | 14-Apr | EDPR annual shareholder meeting |
| 6 | 22-Apr | EDPR announces provisional operating data for the 1st quarter 2009 |
| 7 | 6-May | EDPR announces the financial results for the 1st-quarter 2009 |
| 8 | 16-Jul | EDPR announces provisional operating data for the 1st half 2009 |
| 9 | 29-Jul | EDPR announces the financial results for the 1st half 2009 |
| 10 | 1-Sep | EDPR establishes a new type of institutional partnership structure for 101 MW in the US |
| 11 | 1-Sep | US treasury approves EDPR's first cash grant |
| 12 | 14-Oct | EDPR announces provisional nine-months 2009 operating data |
| 13 | 20-Oct | Government of Asturias provisionally awards 246 MW to EDPR |
| 14 | 28-Oct | EDPR announces nine-months 2009 results |
| 15 | 2-Dec | EDPR closes two institutional partnership strucutures in the US |
| 16 | 16-Dec | EDPR obtains 840 MW in the Spanish pre-registry for renewable capacity |
| 17 | 28-Dec | EDPR establishes its second institutional partnership structure incorporating the cash grant for 101 MW in the US |

The graph below shows the evolution in EDP Renováveis prices over the year and all announcements and relevant events that may had impact on them.




### 11.12 Dividend policy

The distribution of dividends is proposed by the Board of Directors or EDP Renováveis and authorized by decision of the company's General Meeting of Shareholders. As set forth in the Spanish Public Company Law, a dividend declared in each financial year may only be distributed from EDP Renováveis profits for that year or from distributable reserves and this distribution must not cause the assets of EDP Renováveis to fall below the value of the company's share capital.

As of 2011, EDP Renováveis expects to declare and pay dividends representing at least 20% of the profits for the year and to begin to do so for the financial year ending on 31 December 2010. The Board of Directors of EDP Renováveis may, if necessary, adjust this dividend policy in order to reflect changes in business strategy and capital needs, among other aspects. Any future dividends will depend on conditions at the time, including individual and consolidated net profits, earnings, the company's financial situation, availability of legally distributable funds and future prospects. As a result, no guarantee can be given that dividends will be proposed and declared in any particular year. Any dividends paid in the future may be subject to withholding of tax at source.