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index

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CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2016 AND 2015

THOUSANDS OF EUROS

	NOTES	2016	2015
Revenues	6	785,362	688,452
Income from institutional partnerships in U.S. wind farms	7	103,494	84,442
		888,856	772,894
Other income	8	21,269	15,909
Supplies and services	9	-142,176	-132,703
Personnel costs and employee benefits	10	-45,317	-39,075
Other expenses	11	-74,452	-69,516
		-261,945	-241,294
		648,180	547,509
Provisions		-646	99
Amortisation and impairment	12	-293,792	-255,341
		353,742	292,267
Financial income	13	36,040	76,421
Financial expenses	13	-214,749	-225,275
Share of net profit in joint ventures and associates	18	-3,099	5,966
Profit before tax		171,934	149,379
Income tax expense	14	-43,158	-36,591
Net profit for the period		128,776	112,788
Attributable to:			
Equity holders of EDP Renováveis	28	58,841	69,435
Non-controlling interests	29	69,935	43,353
Net profit for the period		128,776	112,788
Earnings per share basic and diluted - Euros	28	0.07	0.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2016 AND 2015

THOUSANDS OF EUROS

	2016		2015	
	EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS
Net profit for the period	58,841	69,935	69,435	43,353
Items that will never be reclassified to profit or loss	-	-	-	-
Actuarial gains/(losses)	4	-	-	-
Tax effect of actuarial gains/(losses)	-	-	-	-
Items that are or may be reclassified to profit or loss	-	-	-	-
Fair value reserve (available for sale financial assets)	-	-	-	-
Tax effect of fair value reserve (available for sale financial assets)	-	-	-	-
Fair value reserve (cash flow hedge)	-10,841	207	2,827	1,278
Tax effect from the fair value reserve (cash flow hedge)	5,278	181	30	-372
Fair value reserve (cash flow hedge) net of taxes of non-current assets held for sale	-	-	-	-
Share of other comprehensive income of joint ventures and associates, net of taxes	101	-	-7,314	-
Reclassification to profit or loss due to ENEOP transaction	-	-	-	-
Exchange differences arising on consolidation	-12,312	-684	34,643	11,354
	-17,774	-296	30,186	12,260
Other comprehensive income for the period, net of income tax	-17,770	-296	30,186	12,260
Total comprehensive income for the period	41,071	69,639	99,621	55,613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 AND 31 DECEMBER 2015

THOUSANDS OF EUROS

	NOTES	2016	2015
Assets			
Property, plant and equipment	15	12,563,148	12,612,452
Intangible assets	16	184,285	172,128
Goodwill	17	1,348,261	1,362,017
Investments in joint ventures and associates	18	325,251	333,800
Available for sale financial assets		6,257	6,257
Deferred tax assets	19	51,702	47,088
Trade receivables	21	18,257	4,407
Debtors and other assets from commercial activities	22	38,162	35,166
Other debtors and other assets	23	92,590	75,655
Collateral deposits associated to financial debt	30	33,722	65,299
Total Non-Current Assets		14,661,635	14,714,269
Inventories	20	22,462	22,762
Trade receivables	21	201,464	217,135
Debtors and other assets from commercial activities	22	46,949	42,823
Other debtors and other assets	23	79,311	66,033
Current tax assets	24	122,610	118,658
Collateral deposits associated to financial debt	30	21,289	8,054
Cash and cash equivalents	25	466,838	436,732
Assets held for sale	26	-	109,691
Total Current Assets		960,923	1,021,888
Total Assets		15,622,558	15,736,157
Equity			
Share capital	27	4,361,541	4,361,541
Share premium	27	552,035	552,035
Reserves	28	-44,927	-36,938
Other reserves and Retained earnings	28	1,161,905	927,748
Consolidated net profit attributable to equity holders of the parent		58,841	166,614
Total Equity attributable to equity holders of the parent		6,089,395	5,971,000
Non-controlling interests	29	1,266,596	863,109
Total Equity		7,355,991	6,834,109
Liabilities			
Medium / Long term financial debt	30	3,712,493	3,832,413
Provisions	31	125,894	120,514
Deferred tax liabilities	19	353,756	316,497
Institutional partnerships in U.S. wind farms	32	1,932,872	1,956,217
Trade and other payables from commercial activities	33	444,605	466,296
Other liabilities and other payables	34	931,682	712,505
Total Non-Current Liabilities		7,501,302	7,404,442
Short term financial debt	30	113,970	387,857
Provisions	31	901	919
Trade and other payables from commercial activities	33	360,554	787,357
Other liabilities and other payables	34	192,307	201,782
Current tax liabilities	35	97,533	64,285
Liabilities held for sale	26	-	55,406
Total Current Liabilities		765,265	1,497,606
Total Liabilities		8,266,567	8,902,048
Total Equity and Liabilities		15,622,558	15,736,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED AT 30 JUNE 2016 AND 31 DECEMBER 2015

THOUSANDS OF EUROS

	TOTAL EQUITY	SHARE CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	EXCHANGE DIFFERENCES	HEDGING RESERVE	FAIR VALUE RESERVE	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF EDP RENOVÁVEIS	NON-CONTROLLING INTERESTS
Balance as at 31 December 2014	6,330,759	4,361,541	552,035	932,326	-25,793	-41,066	2,603	5,781,646	549,113
Comprehensive income:									
Fair value reserve (cash flow hedge) net of taxes	3,763	-	-	-	-	2,857	-	2,857	906
Share of other comprehensive income of joint ventures and associates, net of taxes	-7,314	-	-	-	-9,161	1,847	-	-7,314	-
Exchange differences arising on consolidation	45,997	-	-	-	34,643	-	-	34,643	11,354
Net profit for the period	112,788	-	-	69,435	-	-	-	69,435	43,353
Total comprehensive income for the period	155,234	-	-	69,435	25,482	4,704	-	99,621	55,613
Dividends paid	-34,892	-	-	-34,892	-	-	-	-34,892	-
Dividends attributable to non-controlling interests	-40,138	-	-	-	-	-	-	-	-40,138
Acquisitions without changes of control of EDPR Spain subsidiaries	-2,481	-	-	36,095	-	-4,632	-	31,463	-33,944
Sale without loss of control of EDPR North America subsidiaries	328,078	-	-	29,446	-47,539	-1,472	-	-19,565	347,643
Sale without loss of control of EDPR Brasil subsidiaries	70,223	-	-	8,264	4,704	-	-	12,968	57,255
Other changes resulting from acquisitions /sales and equity increases	-27,716	-	-	-1,088	-	-	-	-1,088	-26,628
Balance as at 30 June 2015	6,779,067	4,361,541	552,035	1,039,586	-43,146	-42,466	2,603	5,870,153	908,914
Comprehensive income:									
Fair value reserve (available for sale financial assets) net of taxes	431	-	-	-	-	-	399	399	32
Fair value reserve (cash flow hedge) net of taxes	7,737	-	-	-	-	7,882	-	7,882	-145
Fair value reserve (cash flow hedge) net of taxes of non-current assets	201	-	-	-	-	201	-	201	-
Share of other comprehensive and associates, net of taxes	-2,090	-	-	-	-3,337	1,247	-	-2,090	-
Reclassification to profit and loss due to ENEOP transaction	11,954	-	-	-	-	11,954	-	11,954	-
Exchange differences arising on consolidation	-8,528	-	-	-	-13,589	-	-	-13,589	5,061
Net profit for the period	132,703	-	-	97,179	-	-	-	97,179	35,524
Total comprehensive income for the period	142,408	-	-	97,179	-16,926	21,284	399	101,936	40,472
Dividends paid	-	-	-		-	-	-	-	-
Dividends attributable to non-controlling interests	-3,046	-	-	-	-	-	-	-	-3,046
Acquisitions without changes of control of EDPR Spain subsidiaries	-23,241	-	-	10,389	-	-1,174	1,344	10,559	-33,800
Sale without loss of control of EDPR North America subsidiaries	2,105	-	-	-40,004	40,046	-	-	42	2,063
Sale without loss of control of EDPR Brazil subsidiaries	-8,943	-	-	1,832	-	-	-	1,832	-10,775
Other changes resulting from acquisitions /sales and equity increases	-54,241	-	-	-14,620	1,098	-	-	-13,522	-40,719
Balance as at 31 December 2015	6,834,109	4,361,541	552,035	1,094,362	-18,928	-22,356	4,346	5,971,000	863,109

THOUSANDS OF EUROS

	TOTAL EQUITY	SHARE CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	EXCHANGE DIFFER-ENCES	HEDGING RESERVE	FAIR VALUE RESERVE	EQUITY ATTRIBUT-ABLE TO EQUITY HOLDERS OF EDP RENO-VÁVEIS	NON-CON-TROLLING INTER-ESTS
Balance as at 31 December 2015	6,834,109	4,361,541	552,035	1,094,362	-18,928	-22,356	4,346	5,971,000	863,109
Comprehensive income:									
Fair value reserve (cash flow hedge) net of taxes	-5,175	-	-	-	-	-5,563	-	-5,563	388
Share of other comprehensive income of associates, net of taxes	101	-	-	-	-	101	-	101	-
Actuarial gain/(losses) net of taxes	4		-	4	-	-	-	4	-
Exchange differences arising on consolidation	-12,996	-	-	-	-12,312	-	-	-12,312	-684
Net profit for the period	128,776	-	-	58,841	-	-	-	58,841	69,935
Total comprehensive income for the period	110,710	-	-	58,845	-12,312	-5,462	-	41,071	69,639
Dividends paid	-43,615	-	-	-43,615	-	-	-	-43,615	-
Dividends attributable to non-controlling interests	-26,904	-	-	-	-	-	-	-	-26,904
Acquisitions without changes of control of EDPR Spain subsidiaries	-1,368	-	-	1,327	-	-	-	1,327	-2,695
Sale without loss of control of EDPR Europe subsidiaries	273,001	-	-	106,986	-	244	-	107,230	165,771
Sale without loss of control of EDPR North America subsidiaries	259,590	-	-	18,906	6,108	-1,338	-	23,676	235,914
Other changes resulting from acquisitions /sales and equity increases	-75,411	-	-	-23,267	-	-174	-	-23,441	-51.970
Other	25,879	-	-	7,202	4,945	-	-	12,147	13,732
Balance as at 30 June 2016	7,355,991	4,361,541	552,035	1,220,746	-20,187	-29,086	4,346	6,089,395	1,266,596

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2016 AND 2015

THOUSANDS OF EUROS

	2016	2015
Operating activities		
Cash receipts from customers	791,368	673,583
Payments to suppliers	-205,447	-163,898
Payments to personnel	-52,828	-46,293
Other receipts / (payments) relating to operating activities	-41,500	-54,340
Net cash from operations	491,593	409,052
Income tax received / (paid)	-17,874	-5,266
Net cash flows from operating activities	473,719	403,786
Investing activities		
Cash receipts relating to:		
Changes in cash resulting from perimeter variations (*)	-	-
Property, plant and equipment and intangible assets	1,822	7,063
Interest and similar income	3,424	2,724
Dividends	1,660	11,385
Loans to related parties	30,901	674,928
Other receipts from investing activities	25,403	2,497
	63,210	698,597
Cash payments relating to:		
Acquisition of assets / subsidiaries	-38,042	-30,135
Property, plant and equipment and intangible assets	-765,329	-666,405
Loans to related parties	-29,363	-29,312
Other payments in investing activities	-358	-296
	-833,092	-726,148
Net cash flows from investing activities	-769,882	-27,551
Financing activities		
Sale of assets / subsidiaries without loss of control (**)	556,080	394,950
Receipts/ (payments) relating to loans	-96,092	-88,372
Interest and similar costs	-114,307	-113,041
Governmental grants received	-	-
Dividends paid	-70,520	-75,030
Receipts / (payments) from wind activity institutional partnerships - USA	113,431	36,657
Other cash flows from financing activities	-53,728	-6,745
Net cash flows from financing activities	334,864	148,419
Changes in cash and cash equivalents	38,701	524,654
Effect of exchange rate fluctuations on cash held	-8,595	10,899
Cash and cash equivalents at the beginning of the period	436,732	368,623
Cash and cash equivalents at the end of the period (***)	466,838	904,176

(*) See Note 25 of the consolidated financial statements for a detailed breakdown of Cash and cash equivalents.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2016

01. THE BUSINESS OPERATIONS OF THE EDP RENOVÁVEIS GROUP

EDP Renováveis, Sociedad Anónima (hereinafter referred to as "EDP Renováveis" or "EDPR") was incorporated on 4 December 2007. Its main corporate objective is to engage in activities related to the electricity sector, namely the planning, construction, operation and maintenance of electricity generating power stations, using renewable energy sources, mainly wind. The registered offices of the company are located in Oviedo, Spain. On 18 March 2008 EDP Renováveis was converted into a company incorporated by shares (Sociedad Anónima).

As at 31 December 2014 the share capital was held 62.02% by EDP S.A. - Sucursal en España ("EDP Branch"), 15.51% by Hidroeléctrica del Cantábrico, S.A. ("HC") and 22.47% of the share capital was free-floated in the NYSE Euronext Lisbon. On December 18th 2015, EDP S.A. - Sucursal en España acquired to Hidroeléctrica del Cantábrico, S.A., its block of shares, so that, as at December 2015 EDP Energias de Portugal, S.A holds directly, through its Spanish branch, a qualified shareholding of 77.5% of the share capital and voting rights of EDPR. As a result of this acquisition, HC no longer holds any shareholding in EDPR (see note 27).

As at 30 June 2016, EDP Renováveis holds a 100% stake in the share capital of the following companies: EDP Renewables Europe, S.L. (EDPR EU), EDP Renewables North America, L.L.C. (EDPR NA), EDP Renewables Canada, Ltd. (EDPR Canada), South África Wind & Solar Power, S.L.U., EDP Renováveis Servicios Financieros, S.L. and EDP Renováveis Brasil, S.A. (EDPR BR).

The Company belongs to the EDP Group, of which the parent company is EDP Energias de Portugal, S.A., with registered offices at Avenida 24 de Julho, 12, Lisbon.

In December 2011, China Three Gorges Corporation (CTG) sign an agreement to acquire 780,633,782 ordinary shares in EDP from Parpública - Participações Públicas SGPS, S.A., representing 21.35% of the share capital and voting rights of EDP Energias de Portugal S.A., a majority shareholder of the Company. This operation was concluded in May 2012.

The terms of the agreements through which CTG became a shareholder of the EDP Group stipulate that CTG would make minority investments totalling 2,000 million of Euros in operating and ready-to-build renewable energy generation projects (including co-funding capex).

Within the agreement mentioned above, in June 2013, EDPR completed the sale of 49% equity shareholding in EDPR Portugal to CTG through CITIC CWEI Renewables S.C.A. and, on May 2015, EDPR closed the sale of 49% of the following EDPR Brasil subsidiaries to CTG through CWEI Brasil participaçoes LTDA.: Elebrás Projetos S.A, Central Nacional de Energia Eólica S.A, Central Eólica Baixa do Feijão I S.A, Central Eólica Baixa do Feijão II S.A, Central Eólica Baixa do Feijão III S.A, Central Eólica Baixa do Feijão IV S.A, Central Eólica Jau S.A. and Central Eólica Aventura S.A.

In this context, EDPR Group entered into new agreements with CTG during 2015, which are still subject to regulatory and third party approvals and other precedent conditions, so that no accounting impacts are booked in 2016 in this respect.

EDPR EU operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, S.A. (wind farms in Portugal), EDP Renovables España, S.L. (wind farms in Spain), EDP Renewables France (wind farms in France), EDP Renewables Belgium (wind farms in Belgium), EDP Renewables Polska, SP.ZO.O (wind farms inPoland), EDP Renewables Romania, S.R.L. (wind farms in Romania), EDP Renewables Italy, SRL (wind farms in Italy), EDPR UK Limited (offshore development projects) and EDPR RO PV, S.L.R. (photovoltaic solar farms in Romania).

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

EDPR Canada's main activities consist in the development, management and operation of wind farms in Canada.

The purpose of EDP Renováveis Brasil is to aggregate all the investments in the renewable energy market of Brazil.

During the six-month period ended at 30 June 2016, we emphasize the following changes, with potential impact in the economic activity of the EDPR Group:

Regulatory framework for the activities in France

On April 15th, 2016 France's Conseil d´État published a decision ordering the government to start recovering the interests that the feed-in tariff received from 2008 to 2014 would have generated.

This decision is based on the fact that the French Government failed to notify the European Commission the Ministerial Order approving the Feed-in tariff back in 2008. Following a claim filled by an anti-wind non-governmental organization, the European Court of Justice confirmed on 19 December 2013 that the feed-in tariff scheme constituted State Aid, and therefore, that the French Government had failed to follow the notification process. For this reason, the Order was annulled by the Conseil d´État on May 2014 and a new one, (containing the same parameters than the former one), duly notified, was approved on June 2014.

Nevertheless, despite the new decree came into force with retroactive effects and without affecting the existing PPAs, the Conseil d´État decided, in line with European jurisprudence, that generators would need to reimburse the interest that the amount of the aid (allegedly "illegally" received) would have generated. This recovery should be undertaken within 6 months from April decision, subject to a penalty for non-compliance of 10 thousands of Euros/day.

However, many uncertainties remain, most notably concerning the interests‛ amount calculation and the reimbursement implementation (payment terms).

Additionally, on April 24th, 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (framework law aimed to define France's long-term energy and climate policy, formally approved in August 2015).The PPI provides short-term (2018) and medium term (2023) renewables' capacity targets and also includes a provisional timetable of the next renewable tenders to be launched between 2016 and 2019.

Regulatory framework for the activities in Poland

On February 19th, 2016 the PiS MPs party proposed a draft law on wind investments covering localization, realizations and operation of wind farms, the so-called Wind Turbine Investment Act. After a long approval process in which the renewable sector succeeded in introducing some amendments to the original draft the law was finally approved and published in Polish Official Gazette in June 2016. The main measures of this new law include: minimum distance restrictions for new wind farms and increased real estate tax burden.

On the other hand, and following the delay of the implementation of RES Act Chapter 4 introduced in late December 2015. PiS government introduced to Polish parliament a more comprehensive amendment proposal to the RES Act in early May 2016. After having gone through Poland's parliamentary approval process the amendments were finally approved and published in late June, in line with the intentions to have the Chapter 4 in force since July 1st 2016. While keeping the core of the new auction system introduced by the new 2015 RES Act this new amendments introduce some modifications to them (namely introducing technology baskets for future tenders and improving the treatment of biomass, biogas and cofiring technologies).

Regulatory framework for the activities in the United States of America

On 5 May 2016, the US Internal Revenue Service issued guidance that wind farms have four years from their start of construction to be placed in service and qualify for the Production Tax Credits (PTC). As a result, projects that start construction prior to year-end 2019 and are placed in service prior to year-end 2023 will be eligible for the PTC.

02. ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The condensed consolidated financial statements presented reflect EDP Renováveis S.A. and its subsidiaries financial position as at 30 June 2016 and the results from operations and Group's interest in joint ventures and associated companies, consolidated cash flows and changes in consolidated equity for the six-month period ended at 30 June 2016.

The Board of Directors approved these condensed consolidated financial statements on 25 July 2016.
The condensed financial statements are presented in thousands of Euros, rounded to the nearest thousand.

These condensed financial statements have been prepared in accordance with the International Financial

Reporting Standard IAS 34 - Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at 31 December 2015.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

B) BASIS OF CONSOLIDATION

Controlled entities

Investments in subsidiaries where the Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

Joint arrangements

The Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment shall be included in the consolidated financial statements under the equity method.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, included in the consolidated financial statements under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of that entity.

Entities over which the Group has significant influence

Investments in associates are included in the consolidated financial statements under the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

The existence of significant influence by the Group is usually evidenced by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;

- Participation in policy-making processes, including participation in decisions about dividends and other distributions;

- Existence of material transactions between the Group and the investee;

- Interchange of managerial personnel;

- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, included in the consolidated financial statements under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Business combination

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations.

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

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

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

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

Acquisitions between 1 January 2004 and 1 January 2010

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

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

Accounting for acquisitions of non-controlling interests

From 1 January 2010, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

Investments in foreign operations

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

Foreign currency differences are recognised in other comprehensive income in the translation reserve.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement. as part of the profit or loss on disposal.

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

Balances and transactions eliminated on consolidation

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

Common control transactions

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

Put options related to non-controlling interests

EDP Renováveis Group records written put options at the date of acquisition of a business combination or at a subsequent date as an advance acquisition of these interests, recording a financial liability for the present value of the best estimate of the amount payable, irrespective of the estimated probability that the options will be exercised. The difference between this amount and the amount corresponding to the percentage of the interests held in the identifiable net assets acquired is recorded as goodwill.

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

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

Business combinations achieved in stages

In a business combination achieved in stages, the excess of the aggregate of (i) the consideration transferred, (ii) the amount of any non-controlling interest recognized in the acquiree (iii) the fair value of the previously held equity interest in the acquired business; over the net of amounts of the identifiable assets acquired and liabilities assumed, is recognized as goodwill.

If applicable, the defect, after evaluating the consideration transferred, the amount of any non-controlling interest recognized in the acquiree, the fair value of the previously held equity interest in the acquired business; and the valuation of the net assets acquired, is recognized in the income statement. The Group recognizes the difference between the fair value of the previously held equity interest in the acquired business and the carrying value in consolidated results according to its classification. Additionally, the Group reclassifies the deferred amounts in other comprehensive income relating to the previously held equity interest to the income statement or consolidated reserves, according to their nature.

C) FOREIGN CURRENCY TRANSACTIONS

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

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

D) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The fair value of derivatives correspond to their quoted market prices as provided by an exchange, or is determined by through the use of net present value techniques, including discounted cash flows models and option pricing models, as appropriate.

HEDGE ACCOUNTING

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

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

(i) At the inception of the hedge, the hedge relationship is identified and documented;

(ii) The hedge is expected to be highly effective;

(iii) The effectiveness of the hedge can be reliably measured;

(iv) The hedge is revalued on an on-going basis and is considered to be highly effective over the reporting period; and

(v) The forecast transactions hedged are highly probable and represent a risk to changes in cash flows that could affect the income statement.

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

Cash flow hedge

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

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

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

Net investment hedge

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

E) OTHER FINANCIAL ASSETS

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

Loans and receivable

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

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

At each balance sheet date, an assessment is performed as to whether there is objective evidence of impairment, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets.

If there is objective evidence of impairment, the recoverable amount of the financial asset is determined, and the impairment loss is recognised in the income statement.

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

Evaluating the existence of objective evidence of impairment involves judgement, in which case the Group considers, among other factors, price volatility and current economic situation. Thus, when listed securities are concerned, it is considered as continuous a devaluation in the listed price of the security for a period over 24 months and as significant a devaluation of the security's value above 40%.

If there is objective evidence of impairment on available-for-sale investments, the cumulative potential loss recognised in fair values reserves, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

F) FINANCIAL LIABILITIES

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

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

G) BORROWING COSTS

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

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

H) PROPERTY, PLANT AND EQUIPMENT

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. In case of projects in a development stage, costs are only capitalized when it is probable that the project will be finally built. If due to changes in regulation or other circumstances costs capitalized are derecognized from property plant and equipment, they are recognized in the profit and loss caption of "Other expenses". Replacements or renewals of complete items are recognized as increases in the value of property, plant and equipment and the items replaced or renewed are derecognized and recognized in the "Other expenses" caption.

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

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

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

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

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

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

	NUMBER OF YEARS
Buildings and other constructions	8 to 40
Plant and machinery:	
- Wind farm generation	25
- Other plant and machinery	4 to 25
Transport equipment	3 to 5
Office equipment and tools	2 to 10
Other tangible fixed assets	3 to 10

I) INTANGIBLE ASSETS

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

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

Acquisition and development of software

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

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

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

Industrial property and other rights

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

Green Certificates

As per Romanian Regulatory Framework, there’s a category of Green Certificates (GCs) which although granted are restricted for sale until 2017 (solar) and 2018 (wind). These deferred GCs are recognised as intangible assets when generated at fair market value. These GCs will be offset as they will be collected.

Power purchase agreements

Acquired Power Purchase Agreements (PPAs) are booked as intangible assets and amortised using the straight-line method according with the duration of the contract.

J) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

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

K) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

L) LEASES

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

Operating leases

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

M) INVENTORIES

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

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

N) CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

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

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

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

O) PROVISIONS

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

Dismantling and decommissioning provisions

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

The assumptions used are:

	EDPR EU	EDPR NA
Average cost per MW (Euros)	14,000	21,618
Salvage value per MW (Euros)	41,000	29,724
Discount rate		
Euro	[1.90% - 2.50%]	-
PLN	[3.00% - 4.00%]	-
USD	-	[3.85% - 5.00%]
CAD	-	[3.35% - 4.25%]
RON	[4.50% - 5.65%]	-
Inflation rate		
Euro zone	[1.75% - 1.85%]	-
Poland	0.90%	-
USA	-	2.50%
Canada	-	2.25%
Capitalisation (number of years)	25	25

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

Tax liabilities

Liabilities for payment of taxes or levies related to an activity of the Group are recognized as the activity which triggers the payment is carried out, according to the laws regulating such taxes or levies. However, in the cases of taxes or levies with right of reimbursement of the amount already paid proportionally to the period of time in which there is no activity or the asset which triggers the payment is no longer owned, liabilities are recognized on a proportional basis.

P) RECOGNITION OF COSTS AND REVENUE

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

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

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

Deferred Green Certificates (GCs) are recognised as revenue at fair market value.

Q) FINANCIAL RESULTS

Financial results include interest payable on borrowings, interest receivable on funds invested, dividend income, unwinding of the discount of provisions and written put options to non-controlling interests, foreign exchange gains and losses, gains and losses on financial instruments and the accrual of tax equity estimated interest over outstanding liability.

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

R) INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a items recognized directly in equity, in which case is also recognized in equity.

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

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

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

S) EARNINGS PER SHARE

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

T) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with maturity of less than three months from the date of acquisition, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

The Group classifies as cash and cash equivalents the debit balance of the current accounts with the Group formalized under cash-pooling agreements.

U) GOVERNMENT GRANTS

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

V) ENVIRONMENTAL ISSUES

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

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

W) INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS

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

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

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

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

This liability is reduced by the value of tax benefits provided and cash distributions made to the institutional investors during the contracted period. The value of the tax benefits delivered, primarily accelerated depreciation and ITC are recognized as Income from institutional partnerships on a pro-rata basis over the 25 year useful life of the underlying projects (see note 7). The value of the PTC's delivered are recorded as generated. This liability is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

After the Flip Date, the institutional investor retains a non-significant interest for the duration of the structure. This non-controlling interest is entitled to distributions ranging from 2.5 % to 6 % and taxable income allocations ranging from 5% to 17%. EDPR NA has an option to purchase the institutional investor's residual interest at fair market value during a defined period following the flip date. The financial instruments held by the institutional investors issued by the partnerships represent compound financial instruments as they contain characteristics of both financial liabilities and equity. Post flip non controlling interests is the portion of equity that is ascribed to the institutional investor in the institutional equity partnership at flip date. This amount is reclassified from the total equity attributable to the Parent to non controlling interests caption in the period in which the flip date takes place.

X) STATEMENT OF CASH FLOW

The Statement of Cash Flow is presented under the direct method, by which gross cash flows from operating, financing and investing activities are disclosed.

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

03. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Although estimates are calculated by the Board of Directors based on the best information available at 30 June 2016, future events may require changes to these estimates in subsequent years. Any effect on the financial statements of adjustments to be made in subsequent years would be recognised prospectively.

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

Fair value of derivatives

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

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

Fair value measurement of contingent consideration

The contingent consideration, from a business combination or a sale of a minority interest while retaining control is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a minority interest. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have impact on the values of contingent assets and liabilities recognized in the financial statements.

Review of the useful life of assets related to production

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

Impairment of non-financial assets

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

On an annual basis, the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The net interest in associates is reviewed when circumstances indicate the existence of impairment.

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

Income taxes

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

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

Tax Authorities are entitled to review EDP Renováveis, and its subsidiaries' determination of its annual taxable earnings, for a determined period that may be extended in case there are tax losses carried forward. Therefore, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Renováveis and its subsidiaries, do not anticipate any significant changes to the income tax booked in the financial statements.

Dismantling and decommissioning provisions

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

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

Green Certificates

As a consequence of the regulatory framework in Romania related to Green Certificates (GCs), the Group has the following assumptions:

(i) For estimating the price of GCs, the model is based on current regulation including the latest developments published in the last months and estimations on renewable capacity to be added in the following years;

(ii) The GC model determines whether there will be excess or deficit of GCs to evaluate the price to apply;

In order to determine whether there will be excess or deficit of GCs, the Group compares demand with supply of GCs. Demand of GCs is calculated by multiplying gross electricity consumption and quotas of renewable electricity. Electricity demand growth is based in latest external estimates, including those from Romanian regulator ANRE. EDPR has made sensitivity analyses to the quotas and has assumed a conservative scenario that considers the latest regulatory changes.

Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, the Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to variable returns and has the ability to affect those returns through its power over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact in the consolidated financial statements.

04. FINANCIAL RISK MANAGEMENT POLICIES

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

The Board of Directors of EDP Renováveis is responsible for the definition of general risk-management principles and the establishment of exposure limits. Recommendations to manage financial risks of EDP Renováveis Group are proposed by EDPR's Finance and Global Risk Departments and discussed in the Financial Risk Committee of EDP Renováveis, which is held quarterly. The pre-agreed strategy is shared with the Finance Department of EDP - Energias de Portugal, S.A., to verify the accordance with the policies approved by the Board of Directors of EDP. The evaluation of appropriate hedging mechanisms and the execution are outsourced to the Finance Department of EDP.

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

Exchange-rate risk management

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

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

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

To hedge the risk originated with net investment in USD, EDP Renováveis entered into a CIRS in USD/EUR with EDP Branch and also uses financial debt expressed in USD. Following the same strategy adopted to hedge these investments in USA and Mexico, EDP Renováveis has also entered into CIRS in BRL/EUR, in PLN/EUR and in CAD/EUR to hedge the investments in Brazil, Poland and Canada (see note 36).

Sensitivity analysis - Foreign exchange rate

As a consequence a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 30 June 2016 and 2015, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSANDS OF EUROS

				30 JUN 2016
	PROFIT OR LOSS		EQUITY	
	+10%	-10%	+10%	-10%
USD / EUR	-10,577	12,927		
	-10,577	12,927		

				30 JUN 2015
	PROFIT OR LOSS			EQUITY
	+10%	-10%	+10%	-10%
USD / EUR	-9,812	11,993	-	-
	-9,812	11,993	-	-

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

Interest rate risk management

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

The purpose of the interest-rate risk management strategy is to reduce the exposure of debt cash flows to market fluctuations. As such, whenever considered necessary and in accordance to the Group's policy, interest-rate financial instruments are contracted to hedge interest rate risks. These financial instruments hedge cash flows associated with future interest payments, converting floating rate loans into fixed rate loans.

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

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities up to 10.5 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

About 91% of EDP Renováveis Group financial debt bear interest at fixed rates, considering operations of hedge accounting with financial instruments.

Sensitivity analysis - Interest rates

EDPR/EDP Group's Financial Department are responsible for managing the interest rate risk associated to activities developed by the Group, contracting derivative financial instruments to mitigate this risk.

Based on the debt portfolio of the EDPR EU Group and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 50 basis points in the interest rates with reference to 30 June 2016 and 2015 would increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSANDS OF EUROS

				30 JUN 2016
	PROFIT OR LOSS			EQUITY
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS
Cash flow hedge derivatives	-	-	13,310	-13,238
Unhedged debt (variable interest rates)	-1,094	1,094	-	-
	-1,094	1,094	13,310	-13,238
				30 JUN 2015
	PROFIT OR LOSS			EQUITY
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS
Cash flow hedge derivatives	-	-	7,053	7,404
Unhedged debt (variable interest rates)	-3,709	3,709	-	-
	-3,709	3,709	7,053	7,404

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

Counter-party credit-rate risk management in financial transactions

The EDP Renováveis Group counter-party risk exposure in financial and non-financial transactions is managed by an analysis of technical capacity, competitiveness and probability of default to the counter-party. EDP Renováveis has defined a counter-party risk policy inspired in Basel III, which is implemented across all departments in all EDP Renováveis geographies. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions or to the EDP Group.

Most relevant counterparties in derivatives and financial transactions are companies within EDP Group. Financial instruments contracted outside EDP Group are generally engaged under ISDA Master Agreements. The credit quality of external counterparties is analysed according to the counter-party risk policy of the Group and collaterals are required when exposure is above the pre-established limits.

In the specific case of the energy sales of EDPR EU Group, the Group's main customers are operators and distributors in the energy market of their respective countries (OMIE and MEFF in the case of the Spanish market). Credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. Additional counter-party risk comes from the countries that set renewables incentives, which it is usually treated as regulatory risk.

In the specific case of EDPR NA Group, the Group's main customers are regulated utility companies and regional market agents in the US. As it occurs in Europe, credit risk is not significant due to the limited average collection period for customer balances and the quality of the debtors. However, the exposure to customers in long term contracts also comes from the mark-to-market of those contracts. This exposure is managed by a detailed assessment of the counter-party before signing any long term agreement and by a requirement of collaterals depending on the exposure and the counterparty's rating.

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

Liquidity risk

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

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

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

Market price risk

As at 30 June 2016, market price risk affecting the EDP Renováveis Group is not significant. In the case of EDPR NA, the great majority of the plants are under power purchase agreements, with fixed or escalating prices. In the case of EDPR EU, the electricity is sold in Spain, France, Italy and Portugal through regulated tariffs whether in Romania and Poland most plants sell their electricity and green certificates under power purchase agreements with fixed prices or floors.

For the small share of energy, green certificates and RECs generated with market exposure, this risk is managed through electricity sales swaps and REC swaps. EDPR EU and EDPR NA have electricity sales and REC swaps that qualify for hedge accounting (cash flow hedge) that are related to electricity sales for the years 2016 to 2019 (see note 36). The purpose of EDP Renováveis Group is to hedge a volume of energy generated to reduce its exposure to the energy price volatility.

Capital management

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

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

05. CONSOLIDATION PERIMETER

During the six-month period ended at 30 June 2016, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:

- EDP Renewables Europe, S.L. acquired 15 % of the share capital of the company EDP Renewables Romania, S.R.L.;
- EDP Renovables España, S.L. acquired 15,1% of the share capital of the company Eólica La Brújula, S.A.;

- Aprofitament D'Energies Renovables de la Terra Alta, S.A. (AERTA) acquired 23,6% of the interests that third parties had over itself as treasury shares, with a subsequent loss of 10,3% of indirect interests in the equity consolidated company Aprofitament D'Energies Renovables de L'Ebre, S.A. (AERE) after a corporate restructuring of the companies;
- EDP Renewables, SGPS, S.A., acquired 100% of the share capital of the following companies:

  - Parque Eólico da Serra do Oeste, S.A.
  - Parque Eólico de Torrinheiras, S.A.
  - Parque Eólico do Planalto, S.A.
  - Parque Eólico do Pinhal Oeste, S.A.
  - Parque Eólico do Cabeço Norte, S.A.

This transaction has been considered, for consolidation purposes, as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the nature of such transaction, the type of assets acquired and the initial stage of completion of the projects;

- EDP Renewables UK Ltd, acquired 33,36% of the share capital of the company Moray Offshore Renewables Ltd from Repsol Nuevas Energías S.A. (Repsol);
- EDPR Renewables Polska, SP ZO.O acquired 35% of the share capital of the company Molen Wind II and 100% of the share capital of the companies Miramit Investments SP.Z O.O. and Tylion Investments S.A.;
- EDP France Holding, S.A.S acquired 100% of the share capital of the company Parc Éolien Champagne Berrichonne, S.A.R.L.;
- EDP Renováveis Brasil, S.A. acquired 80% of the share capital of the following companies:

  - Central Eólica Babilônia I S.A.
  - Central Eólica Babilônia II S.A.
  - Central Eólica Babilônia III S.A.
  - Central Eólica Babilônia IV S.A.
  - Central Eólica Babilônia V S.A.

This transaction has been considered, for consolidation purposes, as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the nature of such transaction, the type of assets acquired and the initial stage of completion of the projects.

Total impact of the above acquisitions in Equity Holders of the Parent and in non-controlling interests represents a decrease amounting to 23,770 thousands euros and 10,117 thousands of euros respectively.

Disposal of non-controlling interests:

- In the first quarter of 2016, EDP Renewables North America LLC. concluded the sale to Axium Nove Acquisition Co LLC, by 275,336 thousands of Euros equivalent to 307,199 thousands of US Dollar (corresponding to a sale price of 307,500 thousands of US Dollar deducted from 301 thousands of US Dollar of transaction costs) of:

(i) 49% of its interests in the following companies:

  - Waverly Wind Farm, L.L.C.;
  - Arbuckle Mountain Wind Farm, L.L.C.;
  - Rising Tree Wind Farm III, L.L.C.;
  - 2015 Vento XIV, L.L.C.;
  - 2015 Vento XIII, L.L.C.;
  - EDPR Wind Ventures XIV, L.L.C.;
  - EDPR Wind Ventures XIII, L.L.C.

(ii) 24% of its interests in the following companies:

  - Cloud County Wind Farm, L.L.C.;
  - Pioneer Prairie Wind Farm I, L.L.C.;
  - Arlington Wind Power Project L.L.C.;
  - 2008 Vento III, L.L.C.;
  - Horizon Wind Ventures IC, L.L.C.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling a gain amounting to 23,676 thousands of Euros, was booked against reserves under the corresponding accounting policy;

- In the second quarter of 2016, EDP Renewables Europe, S.L. concluded the sale to Vortex Energy Investments II S.à r.l. by 273,001 thousands of Euros that equals to 550,000 thousands of Euros deducted of loans totalling 272,740 of thousands of Euros and 4,259 of transaction costs, of 49% of its interests in the company EDPR Participaciones S.L.U., with a subsequent loss of share interest in the following companies:

Spain

- Bon Vent de Vilalba, S.L.U.
- Bon Vent de l'Ebre, S.L.U.
- Eólica Don Quijote, S.L.U.
- Eólica Dulcinea, S.L.U.
- Eólica de Radona, S.L.U.
- Eólica del Alfoz, S.L.U.
- Eólica La Navica, S.L.U.

Belgium

- Green Wind, S.A.

France

- Parc Éolien de Dammarie, S.A.S.
- Parc Éolien d'Escardes, S.A.S.
- Parc Éolien de Francourville, S.A.S.
- Parc Éolien de Montagne Fayel, S.A.S.
- Parc Eolien de Preuseville, S.A.S.

Portugal

- Eólica do Cachopo, S.A.
- Eólica do Velão, S.A.
- Eólica do Castelo, S.A.
- Eólica da Lajeira, S.A.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling a gain amounting to 107,230 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated

- EDP Renewables UK Ltd. sold 49% of Inch Cape Offshore Ltd. for a total amount of 15,802 thousands of Euros. The impact of this sale in the Profit and Loss of the consolidated financial statements amounts to a gain of 2,324 thousands of Euros;
- EDP Renewables Polska, SP ZO.O sold 60% in the Polish company J&Z Wind Farms, SP. Z o.o. for a total amount of 12,891 thousands of Euros. The impact of this sale represents a decrease in non-controlling interests amounting to 4,344 thousands of Euros and the impact in the Profit and Loss of the consolidated financial statements amounts to a gain of 6,568 thousands of Euros (see note 8);
- EDP Renovables España, S.L. liquidated Cultivos Energéticos de Castilla S.A.;

Companies incorporated:

- EDPR Participaciones S.L.U.;
- Parc Éolien de Flavin S.A.S.;
- Parc Éolien de Citernes S.A.S.;
- Parc Éolien de Prouville S.A.S.;
- Parc Éolien de Louvières S.A.S.;
- Redbed Plains Wind Farm LLC.
- EDP Renewables Vento IV Holding LLC.
- 2016 Vento XV LLC*;
- 2016 Vento XVI LLC*;
- EDPR Wind Venture XV LLC*;
- EDPR Wind Venture XVI LLC*;

* EDPR Group holds, through EDPR NA and EDPR Canada, a set of subsidiaries in the United States and Canada legally established without share capital and that, as at 30 June 2016, do not have any assets, liabilities, or any operating activity

Other changes:

- EDPR Renewables Italia, S.R.L. increased its interests in the company Re Plus, S.R.L until 100% through a dilution of the other shareholder of the company due to a capital reduction and a subsequent capital increase fully subscribed by EDPR. The impact of this transaction represents a decrease in non-controlling interests and an increase in Equity Holders of the Parent amounting to 621 thousands of Euros respectively;
- Tarcan BV diluted its interests in the equity consolidated company Eólica de Coahuila, S. de R.L. de C.V. to 51% of the share capital of the company due to a capital increase fully subscribed by the company Energía Bal, S.A. de C.V and by other companies within the same Group. The impact of this transaction in the Consolidated Financial Statements is not significant.

06. REVENUES

Revenues are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Revenues by business and geography		
Electricity in Europe	499,907	421,370
Electricity in North America	268,078	250,194
Electricity in Brazil	15,951	14,150
	783,936	685,714
Other revenues	1,596	1,039
	785,532	686,753
Services rendered	815	2,413
Changes in inventories and cost of raw material and consumables used		
Cost of consumables used	-997	-569
Changes in inventories	12	-145
	-985	-714
Total Revenues	785,362	688,452

The breakdown of revenues by segment is presented in the segmental reporting (see note 42).

07. INCOME FROM INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS

Income from institutional partnership in U.S. Wind Farms in the amount of 103,494 thousands of Euros (30 June 2015: 84,442 thousands of Euros), includes revenue recognition related to production tax credits (PTC), investments tax credits (ITC) and other tax benefits, mostly from accelerated tax depreciation related to projects Sol I, Blue Canyon I, Vento I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII and XIV (see note 32).

08. OTHER INCOME

Other income is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Amortisation of deferred income related to power \purchase agreements	2,438	4,651
Contract and insurance compensations	4,437	4,946
Other income	14,394	6,312
	21,269	15,909

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date of the business combination, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and booked as a non-current liability (see note 33). This liability is amortised over the period of the agreements against Other income. As at 30 June 2016, the amortisation for the period amounts to 2,438 thousands of Euros (30 June 2015: 4,651 thousands of Euros).

As at 30 June 2016, Other income includes the gain on disposal of the Polish company J&Z Wind Farms, SP. Z o.o amounting to 6,568 thousands of Euros (see note 5).

09. SUPPLIES AND SERVICES

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Rents and leases	27,581	22,475
Maintenance and repairs	81,576	75,908
Specialised works:		
- IT Services, legal and advisory fees	5,813	7,349
- Shared services	3,978	3,300
- Other services	5,115	4,967
Other supplies and services	18,113	18,704
	142,176	132,703

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Personnel costs		
Board remuneration	353	348
Remunerations	35,335	31,903
Social charges on remunerations	5,763	5,371
Employee’s variable remuneration	7,179	5,371
Other costs	929	753
Own work capitalised	-9,434	-9,311
	40,125	34,435
Employee benefits		
Costs with pension plans	1,980	1,631
Costs with medical care plans and other benefits	2,439	2,202
Other	773	807
	5,192	4,640
	45,317	39,075

As at 30 June 2016, Costs with pension plans relates essentially to defined contribution plans in the amount of 1,956 thousands of Euros (30 June 2015: 1,630 thousands of Euros).

11. OTHER EXPENSES

Other expenses are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Taxes	47,304	51,802
Losses on fixed assets	5,052	1,780
Other costs and losses	22,096	15,934
	74,452	69,516

The caption Taxes, on 30 June 2016, includes the amount of 12,414 thousands of Euros (30 June 2015: 14,656 thousands of Euros) related to taxes for energy generators in Spain, affecting all the wind farms in operation, amounting to 7% of revenues for each wind farm.

In the first half of 2016, the EDPR Group proceeded to write-off assets under construction amounting to 2,215 thousands of Euros related to the abandonment of ongoing projects in Poland and France and 2,353 thousands of Euros due to the damage in the met mast of the offshore wind farm of Moray (see note 15).

12. AMORTISATION AND IMPAIRMENT

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Property, plant and equipment		
Buildings and other constructions	338	388
Plant and machinery	298,919	264,213
Other	4,203	5,853
Impairment loss	-	-4,620
	303,460	265,834
Intangible assets		
Industrial property, other rights and other intangibles	1,450	876
	1,450	876
	304,910	266,710
Amortisation of deferred income (Government grants)	-11,118	-11,369
	293,792	255,341

13. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Financial income		
Interest income	4,208	14,838
Derivative financial instruments:		
Interest	110	222
Fair value	22,107	53,710
Foreign exchange gains	9,499	7,627
Other financial income	116	24
	36,040	76,421
Financial expenses		
Interest expense	96,209	99,834
Derivative financial instruments:		
Interest	26,365	19,179
Fair value	7,937	37,599
Foreign exchange losses	17,984	26,749
Own work capitalised	-11,799	-9,832
Unwinding	48,967	40,233
Other financial expenses	29,086	11,513
	214,749	225,275
Financial income / (expenses)	-178,709	-148,854

Derivative financial instruments includes interest liquidations on the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 36 and 38).

In accordance with the accounting policy described on note 2 g), the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2016 amounted to 11,799 thousands of Euros (at 30 June 2015 amounted to 9,832 thousands of Euros) (see note 15), and are included under Own work capitalised (financial interest). The interest rates used for this capitalisation vary in accordance with the related loans.

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

Unwinding expenses refers essentially to the financial update of provisions for dismantling and decommissioning of wind farms of 2,323 thousands of Euros (30 June 2015: 1,916 thousands of Euros) (see note 31) and the implied return in institutional partnerships in U.S. wind farms of 46,366 thousands of Euros (30 June 2015: 38,089 thousands of Euros) (see note 32).

14. INCOME TAX EXPENSE

Main features of the tax systems of the countries in which the EDP Renewables Group operates

The statutory corporate income tax rates applicable in the countries in which EDP Renewables Group operates are as follows:

COUNTRY	30 JUN 2016	30 JUN 2015
Europe:		
Belgium	33,99%	33,99%
France	33,33% - 34,43%	33,33% - 34,43%
Italy	27,5% - 31,4%	27,5% - 31,4%
Poland	19%	19%
Portugal	21% - 29,5%	21% - 29,5%
Romania	16%	16%
Spain	25%	28%
United Kingdom	20%	20% - 21%
America:		
Brazil	34%	34%
Canada	26,50%	26,50%
Mexico	30%	30%
United States of America	38,2%	38,2%

EDP Renováveis S.A. and its subsidiaries file individual tax returns in accordance with the applicable tax legislation. Nevertheless, the company and the majority of its Spanish subsidiaries in Spain are taxed under the tax consolidation group regime applicable according to the Spanish law. EDP - Energias de Portugal, S.A. - Sucursal en España (Branch) is the dominant company of this Group which includes other subsidiaries that are not within the renewables energy industry.

As per the currently applicable tax legislation, tax periods may be subject to examination by the various Tax Administrations during a limited number of years. Statutes of limitation differ from country to country, as follows: USA, Belgium and France: 3 years; Spain, United Kingdom, Italy and Portugal: 4 years or, in the case of Portugal, if tax losses/credits have been used, the number of years that such tax losses/credits may be carry forward; Brazil, Romania, Poland, Italy and Mexico: 5 years; and Canada: 10 years.

Tax losses generated in each year are also subject to Tax Administrations' review and reassessment. Losses may be used to offset yearly taxable income assessed in the subsequent periods, as follows: 5 years in Poland; 7 in Romania; 10 in Mexico; 12 in Portugal; 20 in the USA and Canada; and indefinitely in Spain, France, Italy, Belgium, Brazil and the United Kingdom. Moreover, in the United Kingdom tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage of the taxable income of each period.

EDP Renewables Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the US which are the dominant form of wind remuneration in that country, and represent an extra source of revenue per unit of electricity ($23/MWh in 2016 and 2015), over the first 10 years of the asset's life.

EDP Renewables Group transfer pricing policy is in line with the rules, guidelines and best international practices applicable across all geographies where the Group operates, in due compliance with the spirit and letter of the Law.

Changes in the tax law with relevance to the EDP Renewables Group in 2016

The statutory corporate income tax rates applicable in Spain and Italy were reduced in 2016, as follows:

- In Spain, from 28% to 25%, according to Law 27/2014, of 27 November 2014, with effect from 1 January 2016 onwards;

- In Italy, from 27.5% to 24%, effective from 1 January 2017 onwards, as per 2016 Budget Law.

Corporate income tax provision

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Current tax	-36,308	-33,477
Deferred tax	-6,850	-3,114
	-43,158	-36,591

The effective income tax rate as at 30 June 2016 and 2015 is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Profit before tax	171,934	149,379
Income tax expense	-43,158	-36,591
Effective Income Tax Rate	25,10%	24.50%

The reconciliation between the nominal and the effective income tax rate for the Group during the period ended at 30 June 2016 and 2015 is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Profit before taxes	171,934	
Nominal income tax rate (*)	25,00%	28.00%
Expected income taxes	-42,984	-41,826
Income taxes for the year	-43,158	-36,591
Difference	-174	5,235
Accounting revaluations, amortizations, depreciations and provisions	10	988
Tax losses and tax credits	3,974	1,977
Financial investments in associates	-536	2,264
Effect of tax rates in foreign jurisdictions	-12,827	-8,303
Tax benefits	2,494	2,711
Other	6,711	5,598
	-174	5,235

(*) Statutory corporate income tax rate applicable in Spain

15. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Cost		
Land and natural resources	30,988	31,135
Buildings and other constructions	19,138	18,650
Plant and machinery:		
- Renewables generation	15,701,644	15,235,392
- Other plant and machinery	6,714	6,695
Other	103,277	100,754
Assets under construction	993,006	1,243,106
	16,854,767	16,635,732
Accumulated depreciation and impairment losses		
Depreciation charge	-303,460	-563,491
Accumulated depreciation in previous years	-3,897,364	-3,368,734
Impairment losses	-	-21,542
Impairment losses in previous years	-90,795	-69,513
	-4,291,619	-4,023,280
Carrying amount	12,563,148	12,612,452

The movement in Property, plant and equipment for the six-month period ended at 30 June 2016, is analysed as follows:

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFFS	TRANSFERS	EXCHANGE DIFFER-ENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Cost							
Land and natural resources	31,135	71	-	-	-218	-	30,988
Buildings and other constructions	18,650	444	-	25	19	-	19,138
Plant and machinery	15,242,087	12,860	-456	583,431	-129,566	2	15,708,358
Other	100,754	2,908	-115	746	-1,016	-	103,277
Assets under construction	1,243,106	355,208	-6,204	-584,202	-19,794	4,892	993,006
	16,635,732	371,491	-6,775	-	-150,575	4,894	16,854,767

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	CHARGE FOR THE PERIOD	DISPOSALS/ WRITE-OFFS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Accumulated depreciation and impairment losses						
Buildings and other constructions	11,156	338	-	-96	-	11,398
Plant and machinery	3,938,575	298,919	-71	-34,071	-	4,203,352
Other	73,549	4,203	-91	-792	-	76,869
	4,023,280	303,460	-162	-34,959	-	4,291,619

Plant and machinery includes the cost of the wind farms and solar plants under operation.

Additions include the allocation of the difference between the net assets acquired and the consideration paid for the shareholding of the Portuguese companies Serra do Oeste, Torrinheiras, Planalto, Pinhal Oeste and Cabeço Norte and the Brazilian companies Babilônia I, Babilônia II, Babilônia III, Babilônia IV and Babilônia V amounting to 8,963 thousands of Euros and 8,292 thousands of Euros respectively (See note 5). Additionally, it also includes 9,837 thousands of Euros of advances for wind turbines acquisitions for the mentioned Babilônia wind farms.

Transfer from assets under construction into operation, refer mainly to wind farms of EDP Renováveis that became operational in United States of America, Poland, Brazil, France and Portugal.

Disposals/Write-offs includes 2,215 thousands of Euros related to the abandonment of ongoing projects in Poland and France and 2,353 thousands of Euros due to the damage in the met mast of the offshore wind farm of Moray (see note 11).

The caption Changes in perimeter/Other includes the incorporation in the consolidation scope of the acquired French wind farm "Champagne Berrichone", in the amount of 1,012 thousands of Euros (See note 5).

The Company has taken out an insurance global program to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

Loans with credit institutions formalized as 'Project Finances' are secured by the shares of the corresponding wind farms and, ultimately, by the fixed assets of the wind farm to which the financing is related (see note 30). Additionally, the construction of certain assets have been partly financed by grants received from different Government Institutions.

The movement in Property, plant and equipment for the six-month period ended at 30 June 2015, is analysed as follows:

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFFS	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Cost							
Land and natural resources	32,977	370	-573	91	940	-	33,805
Buildings and other constructions	17,257	63	-	-	635	-	17,955
Plant and machinery	12,760,510	149,650	-265	513,311	539,654	-15	13,962,845
Other	88,046	4,716	-38	210	3,497	-	96,431
Assets under construction	1,259,732	166,463	-7,185	-513,612	52,746	-2,488	955,656
	14,158,522	321,262	-8,061	-	597,472	-2,503	15,066,692

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	CHARGE FOR THE PERIOD	IMPAIRMENT LOSSES / REVERSES	DISPOSALS/ WRITE-OFFS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Accumulated depreciation and impairment losses							
Buildings and other constructions	9,755	388	-	-	515	-	10,658
Plant and machinery	3,076,925	264,213	-4,620	-111	119,175	-	3,455,582
Other	58,866	5,853	-	-35	2,598	-	67,282
	3,145,546	270,454	-4,620	-146	122,288	-	3,533,522

Plant and machinery includes the cost of the wind farms and solar plants under operation.

Transfers from assets under construction into operation, refer mainly to wind and solar farms of the EDP Renováveis Group that become operational in Poland, Italy, France, Romania and United States of America.

Assets under construction as at 30 June 2016 and 31 December 2015 are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
EDPR EU Group	302,200	439,333
EDPR NA Group	652,669	698,693
Other	38,137	105,080
	993,006	1,243,106

Assets under construction as at 30 June 2016 and 31 December 2015 are essentially related to wind farms under construction and development in EDPR North America and in EDPR Europe.

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

16. INTANGIBLE ASSETS

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Cost		
Industrial property, other rights and other intangible assets	196,909	190,068
Intangible assets under development	31,326	24,785
	228,235	214,853
Accumulated amortisation		
Amortisation charge	-1,450	-2,263
Accumulated amortisation in previous years	-42,500	-40,462
Impairment losses	-	-
	-43,950	-42,725
Carrying amount	184,285	172,128

Industrial property, other rights and other intangible assets include 98,671 thousands of Euros and 14,106 thousands of Euros related to wind generation licenses of EDPR NA Group (31 December 2015: 100,987 thousands of Euros) and EDPR Portugal (31 December 2015: 14,106 thousands of Euros), respectively, and 64,985 thousands of Euros related with deferred green certificates in Romania (31 December 2015: 55,990 thousands of Euros) (see note 2 i)).

The movement in Intangible assets for the six-month period ended at 30 June 2016, is analysed as follows:

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFFS	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Cost							
Industrial property, other rights and other intangible assets	190,068	9,077	-359		-1,877	-	196,909
Intangible assets under development	24,785	10,226	0		195	3,880	31,326
	214,853	19,303	-359		-1,682	-3,880	228,235

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	CHARGE FOR THE YEAR	IMPAIRMENT	DISPOSALS/ WRITE-OFFS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Accumulated amortisation							
Industrial property, other rights and other intangible assets	42,725	1,450			-225		43,950
	42,725	1,450			-225		43,950

Additions as at June 30, 2016 include the recognition of deferred green certificates rights in Romania in the amount of 9,043 thousands of Euros and the impact of the consolidation of new wind farms in the EDPR Group related to the acquisition of the Portuguese companies Serra do Oeste, Torrinheiras, Planalto, Pinhal Oeste and Cabeço Norte in the amount of 6,781 thousands of Euros (Refer to note 5).

The movement in Intangible assets for the six-month period ended at 30 June 2015, is analysed as follows:

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFFS	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Cost							
Industrial property, other rights and other intangible assets	145,482	10,815	-872	509	7,757	-	163,691
Intangible assets under development	8,622	2,824	-	-509	-265	2,468	13,140
	154,104	13,639	-872	-	7,492	2,468	176,831

THOUSANDS OF EUROS

	BALANCE AT 01 JAN	CHARGE FOR THE YEAR	IMPAIRMENT	DISPOSALS / WRITE-OFFS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Accumulated amortisation							
Industrial property, other rights and other intangible assets	36,400	876	-	-	882	-	38,158
	36,400	876	-	-	882	-	38,158

Additions as at June 30, 2015 include the recognition of deferred green certificates rights in Romania in the amount of 13,531 thousands of Euros

17. GOODWILL

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

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Goodwill booked in EDPR EU Group:	636,137	636,288
- EDPR Spain Group	490,385	490,385
- EDPR France Group	61,489	61,460
- EDPR Portugal Group	43,712	43,712
- Other	40,551	40,731
Goodwill booked in EDPR NA Group	711,023	724,813
Other	1,101	916
	1,348,261	1,362,017

The movements in Goodwill, by subgroup, for the six-month period ended at 30 June 2016 are analysed as follows:

	BALANCE AT 01 JAN	INCREASES	DECREASES	IMPAIRMENT	EXCHANGE DIFFERENCES	BALANCE AT 30 JUN
EDPR EU Group:						
- EDPR Spain Group	490,385	-	-	-		490,385
- EDPR France Group	61,460	29	-	-		61,489
- EDPR Portugal Group	43,712	-	-	-		43,712
- Other	40,731	95	-	-	-275	40,551
EDPR NA Group	724,813	-	-	-	-13,790	711,023
Other	916	-	-	-	185	1,101
	1,362,017	124	-	-	-13,880	1,348,261

The movements in Goodwill, by subgroup, for the six-month period ended at 30 June 2015 are analysed as follows:

	BALANCE AT 01 JAN	INCREASES	DECREASES	IMPAIRMENT	EXCHANGE DIFFERENCES	BALANCE AT 30 JUNC
EDPR EU Group:						
- EDPR Spain Group	492,385	-	-2,000	-	-	490,385
- EDPR France Group	61,460	-	-	-	-	61,460
- EDPR Portugal Group	42,915	-	-	-	-	42,915
- Other	38,351	2,525	-	-	81	40,957
EDPR NA Group	651,264	-	-	-	54,329	705,593
Other	1,341	-	-	-	-78	1,263
	1,287,716	2,525	-2,000	-	54,322	1,342,573

EDPR EU Group

There are no significant movements during the first semester of 2016 except those related to exchange differences. During the first semester of 2015, EDPR EU Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,525 thousands of Euros that related to the contingent price revision related to the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

No success fees were paid during the first semester of 2016. During the first semester of 2015, the EDPR Group paid an amount of 1,482 thousands of Euros of success fees related to companies of the EDPR Poland Group (1,353 thousands of Euros) and the EDPR France Group (129 thousands of Euros).

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Investments in associates		
Interests in joint ventures	290,382	298,017
Interests in associates	34,869	35,783
Carrying amount	325,251	333,800

19. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. During the six-month period ended at 30 June 2016, no significant changes occurred in relation to the nature, amounts and maturity of deferred taxes assets and liabilities referring to those reported in 31 December 2015 consolidated financial statements.

The main variations in net deferred tax assets and liabilities for the Group during the six-months ended at 30 June 2016 and 2015 are analyzed as follows:

THOUSANDS OF EUROS

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	30 JUN 2016	30 JUN 2015	30 JUN 2016	30 JUN 2015
Balance at the beginning of the period	47,088	46,488	316,497	270,392
Variation on tax losses carried forward	-23,174	-8,571	-	-
Variation on fair value of financial instruments	2,490	-922	-2,244	-1,022
Variation in allocation of acquired assets and liabilities fair value	-	-	5,443	4,546
Variation on property, plant and equipment	-1,004	-1,394	-2,205	10,083
Variation on income from institutional partnership in US	-	-	11,377	-27,175
Variation on netting of deferred tax assets and liabilities	25,690	2,243	25,690	2,243
Other	612	7,390	-802	6,250
Balance at the end of the period	51,702	45,243	353,756	265,317

20. INVENTORIES

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Advances on account of purchases	1,661	2,832
Finished and intermediate products	5,308	4,611
Raw and subsidiary materials and consumables	15,493	15,319
	22,462	22,762

21. TRADE RECEIVABLES

Trade receivables are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Trade receivables - Non-current		
Europe	18,257	4,407
	18,257	4,407
Trade receivables - Current		
Europe	133,759	150,253
North America	61,326	65,905
Brazil	6,379	2,319
	201,464	218,477
Impairment losses	-	-1,342
	201,464	217,135
	219,721	221,542

Trade receivables - Non- Current, is related to the establishment of the pool boundaries adjustment in EDPR EU in Spain, as a result of the publication of Royal Decree-Law 413/2014 and Order IET/1045/2014.

22. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Debtors and other assets		
from commercial activities - Non-current		
Deferred costs	10,927	10.632
Sundry debtors and other operations	27,865	24,534
	38,162	35,166
Debtors and other assets		
from commercial activities - Current		
Prepaid turbine maintenance	11,077	4,988
Services rendered	3,215	8,158
Advances to suppliers	5,892	2,893
Sundry debtors and other operations	26,765	26,784
	46,949	42,823
	85,111	77,989

23. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Other debtors and other assets - Non-current		
Loans to related parties	5,573	1,036
Derivative financial instruments	42,705	29,480
Sundry debtors and other operations	44,312	45,139
	92,590	75,655
Other debtors and other assets - Current		
Loans to related parties	30,526	28,609
Derivative financial instruments	23,463	25,792
Sundry debtors and other operations	25,322	11,632
	79,311	66,033
	171,901	141,688

Sundry debtors and other operations- Non Current includes 33,780 thousands of Euros of financial assets advance payments regarding to Banzi Project by EDP Renewables Italia SRL (31 December 2015: 33,717 thousands of Euros).

Sundry debtors and other operations- Current includes 6,242 thousands of Euros related with the estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España (see note 34 for the amount due to EDP Energías de Portugal, S.A. Sucursal en España under this concept as at 31 December 2015).

Loans to related parties - Current mainly includes 12,744 thousands of Euros of loans to Parque Eólico Sierra del Madero, S.A. (31 December 2015: 12,744 thousands of Euros) and 7,955 thousands of Euros of loans to Eoliennes en Mer Dieppe Le Tréport, SAS and Les Eoliennes en Mer lles d'Yeu et Noirmoutier (with no balance as at 31 December 2015).

24. CURRENT TAX ASSETS

Current tax assets is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Income tax	24,785	20,631
Value added tax (VAT)	94,970	95,796
Other taxes	2,855	2,231
	122,610	118,658

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Cash	3	
Bank deposits		
Current deposits	243,242	189,665
Term deposits	34,899	70,815
Specific demand deposits in relation to institutional partnerships	27,143	38,048
	305,284	298,528
Other short term investments	161,551	138,201
	466,838	436,732

Term deposits include temporary financial investments to place treasury surpluses.

Specific demand deposits in relation to institutional partnerships are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 32), under the accounting policy 2 w). The governing agreements of these partnerships and specific escrow agreements define the appropriate expenditure of these funds.

The caption "Other short term investments" includes the balance of the current account with EDP Servicios Financieros España S.A. amounting to 161,400 thousands of Euros (31 December 2015: 138,201 thousands of Euros) in accordance with the terms and conditions of the contract signed between the parties on June 1, 2015.

26. ASSETS AND LIABILITIES HELD FOR SALE

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDPR Group's consolidated financial statements, are presented under accounting policies - note 2 j).

In October 2015, management committed to a plan to do a cross sale of two wind farms in Poland. EDPR would be acquiring remaining 35% in the Company Molen Wind II, S.P. ZO.O and would sell 60% of company J&Z Wind Farms SP. ZO.O. Accordingly, assets and liabilities related to J&Z Wind Farms SP. ZO.O were presented as assets and liabilities held for sale as at 31 December 2015. The closing of this transaction took place in March 2016. Total impact of the transaction of selling the company J&Z Wind Farms SP. ZO.O in the consolidated Profit and Loss of the consolidated financial statements amounts to 6,568 thousands of Euros, according to the following figures:

THOUSANDS OF EUROS

J&Z's Assets held for sale	61,975
J&Z's Liabilities held for sale	(55,406)
Previously recognized Non-Controlling interests in J&Z	(4,344)
Consideration received	12,891
Other adjustments	4,098
Gain registered in the Profit and Loss of the Consolidated FS	6,568

Additionally, total impact of the acquisitions of 35% in the company Molen Wind II, S.P. ZO.O represents a decrease in Equity Holders of the Parent and in non-controlling interests amounting to 6,437 thousands Euros and 5,640 thousands of Euros respectively (see note 5).

On the other hand, during 2015 EDPR reached an agreement with Repsol Nuevas Energías S.A. by which, under the terms of the contracts, EDPR agreed to buy from Repsol 33% equity interest in the Moray offshore project, and to sell to Repsol 49% equity interest in Inch Cape Offshore Limited offshore project. The closing of this transaction took place in January 2016.

Total impact of the transaction of selling the company Inch Cape Offshore Limited in the consolidated Profit and Loss of the consolidated financial statements amounts to a gain of 2,324 thousands of Euros, according to the following figures, taking into account that this company was consolidated under the equity method:

THOUSANDS OF EUROS

Inch Cape's Assets held for sale	14,433
Consideration received	16,757
Gain registered in the Profit and Loss of the Consolidated FS	2,324

Additionally, total impact of the acquisitions of 33% in the company Moray offshore represents a decrease in Equity Holders of the Parent and in non-controlling interests amounting to 20,384 thousands Euros and 2,424 thousands of Euros respectively (see note 5).

27. SHARE CAPITAL AND SHARE PREMIUM

At 30 June 2016 and 2015, the share capital of the Company is represented by 872,308,162 shares of Euros 5 par value each, all fully paid. The shares are in book-entry bearer form, the company is entitled to request the listing of its shares and all the shareholders are registered in the relevant book-entry records. These shares have the same voting and profit-sharing rights and are freely transferable.

EDP Renováveis, S.A. shareholder's structure as at 30 June 2016 is analysed as follows:

	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	676,283,856	77.53%	77.53%
Other (*)	196,024,306	22.47%	22.47%
	872,308,162	100.00%	100.00%

(*) Shares quoted on the Lisbon stock exchange

On December 18th 2015, EDP S.A. - Sucursal en España ("EDP Branch") acquired to Hidroeléctrica del Cantábrico, S.A., its block of shares, so that, as at December 2015 EDP holds directly, through its Spanish branch, a qualified shareholding of 77.5% of the share capital and voting rights of EDPR. As a result of this acquisition, Hidroeléctrica del Cantábrico, S.A. no longer holds any shareholding in EDPR.

EDP Renováveis, S.A. shareholder's structure as at 30 June 2015 is analysed as follows:

	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	541,027,156	62.02%	62.02%
Hidroeléctrica del Cantábrico, S.A.	135,256,700	15.51%	15.51%
Other (*)	196,024,306	22.47%	22.47%
	872,308,162	100.00%	100.00%

(*) Shares quoted on the Lisbon stock exchange

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

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

Share capital and Share premium are analysed as follows:

THOUSANDS OF EUROS

	SHARE CAPITAL	SHARE PREMIUM
Balance as at 1 January 2016	4,361,540,810	552,034,743
Movements during the period	-	-
Balance as at 30 June 2016	4,361,540,810	552,034,743

The share premium is freely distributable.

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

	30 JUN 2016	30 JUN 2015
Profit attributable to the equity holders of the parent (in thousands of Euros)	58,841	
Profit from continuing operations attributable to the equity holders of the parent (in thousands of Euros)	58,841	69,435
Weighted average number of ordinary shares outstanding	872,308,162	872,308,162
Weighted average number of diluted ordinary shares outstanding	872,308,162	872,308,162
Earnings per share (basic) attributable to equity holders of the parent (in Euros)	0.07	0.08
Earnings per share (diluted) attributable to equity holders of the parent (in Euros)	0.07	0.08
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent (in Euros)	0.07	0.08
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent (in Euros)	0.07	0.08

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

The company does not hold any treasury stock as at 30 June 2016 and 2015.

The average number of shares was determined as follows:

	30 JUN 2016	30 JUN 2015
Ordinary shares issued at the beginning of the period	872,308,162	872,308,162
Effect of shares issued during the period	-	-
Average number of realised shares	872,308,162	872,308,162
Average number of shares during the period	872,308,162	872,308,162
Diluted average number of shares during the period	872,308,162	872,308,162

28. OTHER COMPREHENSIVE INCOME, RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Other comprehensive income:		
Fair value reserve (cash flow hedge)	-29,086	-22,356
Fair value reserve (available-for-sale financial assets)	4,346	4,346
Exchange differences arising on consolidation	-20,187	-18,928
	-44,927	-36,938
Other reserves and retained earnings:		
Retained earnings and other reserves	1,041,434	810,436
Additional paid in capital	60,666	60,666
Legal reserve	59,805	56,646
	1,161,905	927,748
	1,116,978	890,810

Additional paid in capital

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

Legal reserve

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

Fair value reserve (cash flow hedge)

The Fair value reserve (cash flow hedge) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

Fair value reserve (available-for-sale financial assets)

This reserve includes the cumulative net change in the fair value of available-for-sale financial assets as at the balance sheet date.

Exchange differences arising on consolidation

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

CURRENCY		EXCHANGE RATES AS AT 30 JUNE 2016		EXCHANGE RATES AS AT 31 DECEMBER 2015		EXCHANGE RATES AS AT 30 JUNE 2015	
		RATE	AVERAGE RATE	RATE	AVERAGE RATE	RATE	AVERAGE RATE
US Dollar	USD	1,110	1,116	1.089	1.110	1.119	1.117
Zloty	PLN	4,436	4,368	4.264	4.184	4.191	4.142
Brazilian Real	BRL	3,590	4,131	4.312	3.699	3.470	3.309
New Leu	RON	4,523	4,496	4.524	4.446	4.473	4.448
Pound Sterling	GBP	0,827	0,778	0.734	0.726	0,711	0,733
Canadian Dollar	CAD	1,438	1,485	1.512	1.419	1.384	1.378

29. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Non-controlling interests in income statement	69,935	78,877
Non-controlling interests in share capital and reserves	1,196,661	784,232
	1,266,596	863,109

Non-controlling interests, by subgroup, are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
EDPR NA Group	856,159	614,350
EDPR EU Group	357,793	208,211
EDPR BR Group	52,644	40,548
	1,266.596	863,109

The movement in non-controlling interests of EDP Renováveis Group is mainly related to:

	30 JUN 2016	31 DEC 2015
Beginning balance	863,109	549,113
Dividends distribution	-26,904	-43,184
Net profit for the year	69,935	78,877
Exchange differences arising on consolidation	-684	16,415
Acquisitions and sales without change of control	381,207	306,529
Increases/(Decreases) of share capital	-33,799	-45,439
Other changes	13,732	798
Final balance	1,266,596	863,109

30. FINANCIAL DEBT

Financial debt - Non-current is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	704,907	812,231
- EDPR BR Group	118,765	97,533
- EDPR NA Group	24,829	25,453
Loans received from EDP group entities:		
- EDP Renováveis, S.A.	402,993	410,952
- EDP Renováveis Servicios Financieros, S.L.	2,460,393	2,485,106
Other loans:		
- EDPR EU Group	606	1,138
Total Debt and borrowings - Non-current	3,712,493	3,832,413
Collateral Deposits - Non-current (*)		
Collateral Deposit - Project Finance and others	-33,722	-65.299
Total Collateral Deposits - Non-current	-33,722	-65.299

Financial debt - current is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Financial debt - Current		
Bank loans:		
- EDPR EU Group	85,969	123,238
- EDPR BR Group	12,085	7,511
- EDPR NA Group	4,115	3,978
Loans received from EDP group entities:		
- EDP Renováveis Servicios Financieros, S.L.	-	241,000
Other loans:		
- EDPR EU Group	8,932	8,905
Interest payable	2,869	3,225
Total Debt and borrowings - Current	113,970	387,857
Collateral Deposits - Current (*)		
Collateral Deposit - Project Finance and others	-21,289	-8,054
Total Collateral Deposits - Current	-21,289	-8,054

(*) Collateral deposits mainly refer to amounts held in bank accounts to comply with obligations under project finance agreements entered into by certain EDP Renewable subsidiaries.

Financial debt Non-current from EDP Group entities, mainly refers to a set of loans granted by EDP Finance BV (1,654,386 thousands of Euros) and by EDP Servicios Financieros España S.A. (1,209,000 thousands of Euros). These loans have an average maturity of 2 and half years and bear interest at fixed market rates.

Main events of the period:

i) Financing and refinancing transactions

During the first half of 2016, the Group cancelled bank loans totalling 21,380 thousands of Euros in three Spanish subsidiaries that have been replaced by Corporate financing. Also, in The Polish subsidiary Relax I, it was cancelled the bank loan for 76,944 thousands of Euros which have been replaced by a Corporate bridge loan while a new external debt facility is negotiated.

Taking into account the EDPR Group external debt profile as well as the favourable interest rate market conditions, EDPR Group has entered into several negotiation processes with different counterparties aiming to improve the average cost of debt, adjusting the debt service profile to the company updated cash flow forecast.

As at 30 June 2016, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

THOUSANDS OF EUROS

	2016	2017	2018	2019	2020	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	31,792	70,092	71,231	67,781	67,749	348,505	657,150
Brazilian Real	4,990	10,795	10,828	10,706	10,143	83,389	130,851
Others	5,614	13,595	15,741	15,783	16,587	98,218	165,538
	42,396	94,482	97,800	94,270	94,479	530,112	953,539
Loans received from EDP group companies							
Euro	-	-	362,900	362,900	483,200	-	1,209,000
American Dollar	-	-	1,327,564	326,822	-	-	1,654,386
	-	-	1,690,464	689,722	483,200	-	2,863,386
Other loans							
Euro	8,364	1,137	29	8	-	-	9,538
	8,364	1,137	29	8	-	-	9,538
	50,760	95,619	1,788,293	784,000	577,679	530,113	3,826,463

As at 31 December 2015, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

THOUSANDS OF EUROS

	2016	2017	2018	2019	2020	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	109,760	65,153	65,968	65,055	66,506	333,022	705,464
Brazilian Real	3,902	3,902	3,902	3,902	3,902	916	20,426
Others	23,804	26,914	29,081	30,790	30,473	205,731	346,793
	137,466	95,969	98,951	99,747	100,881	539,669	1,072,683
Loans received from EDP group companies							
Euro	241,000	121,300	241,600	362,900	483,200	-	1,450,000
American Dollar	486	-	1,352,791	334,267	-	-	1,687,544
	241,486	121,300	1,594,391	697,167	483,200	-	3,137,544
Other loans							
Euro	8,905	1,138	-	-	-	-	10,043
	8,905	1,138	-	-	-	-	10,043
	387,857	218,407	1,693,342	796,914	584,081	539,669	4,220,270

The Group has project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects. As at 30 June 2016, these financings amount to 947,615 thousands of Euros (31 December 2015: 1,030,764 thousands of Euros), which are included in the total debt of the Group.

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

THOUSANDS OF EUROS

				31 DEC 2015
	CARRYING VALUE	MARKET VALUE	CARRYING VALUE	MARKET VALUE
Financial debt - Non-current	3,712,493	3,827,187	3,832,413	3,885,968
Financial debt - Current	113,970	113,970	387,857	387,857
	3,826,463	3,941,157	4,220,270	4,273,825

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

31. PROVISIONS

Provisions are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Dismantling and decommission provisions	121,889	117,228
Provision for other liabilities and charges	2,173	1,542
Long-term provision for other liabilities and charges	1,272	623
Short-term provision for other liabilities and charges	901	919
Employee benefits	2,733	2,663
	126,795	121,433

Dismantling and decommission provisions refer to the costs to be incurred with dismantling wind farms and restoring sites and land to their original condition, in accordance with the accounting policy described in note 2 o). The above amount respects to 63,044 thousands of Euros for wind farms in North America (31 December 2015: 60,393 thousands of Euros), 57,922 thousands of Euros for wind farms in Europe (31 December 2015: 56,351 thousands of Euros) and 923 thousands of Euros for wind farms in Brazil (31 December 2015: 484 thousands of Euros)

EDP Renováveis believes that the provisions booked on the consolidated statement of financial position adequately cover the foreseeable obligations described in this note. Therefore, it is not expected that they will give rise to liabilities in addition to those recorded.

32. INSTITUTIONAL PARTNERSHIPS IN U.S. WIND FARMS

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Deferred income related to benefits provided	768,177	791,444
Liabilities arising from institutional partnerships in U.S. wind farms	1,164,695	1,164,773
	1,932,872	1,956,217

The movements in Institutional partnerships in U.S. wind farms are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
Balance at the beginning of the period	1,956,217	1,801,963
Proceeds received from institutional investors	213,540	143,999
Cash paid for deferred transaction costs	-1,092	-4,749
Cash paid to institutional investors	-99,017	-102,592
Income (see note 7)	-103,494	-84,442
Unwinding (see note 13)	46,366	38,089
Exchange differences	-37,812	153,331
Others	-41,836	3,386
Balance at the end of the period	1,932,872	1,948,985

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

During the six-month period ended at 30 June 2016 EDPR Group, through its subsidiary EDPR NA, has received proceeds amounting to 213,540 thousands of Euros related to institutional equity financing from an affiliate of Google Inc. secured in 2015, in exchange for an interest in the Vento XIV portfolio.

33. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Trade and other payables from commercial activities - Non-current		
Government grants / subsidies for investments in fixed assets	416,293	435,753
Electricity sale contracts - EDPR NA	21,304	24,223
Other creditors and sundry operations	7,008	6,320
	444,605	466,296
Trade and other payables from commercial activities - Current		
Suppliers	60,582	79,886
Property and equipment suppliers	253,767	645,752
Other creditors and sundry operations	46,205	61,719
	360,554	787,357
	805,159	1,253,653

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

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Electricity sale contracts - EDPR NA, which is depreciated over the useful life of the contracts under Other income (see note 8).

34. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Other liabilities and other payables - Non-current		
Success fees payable for the acquisition of subsidiaries	10,329	10,764
Loans from non-controlling interests	431,333	180,679
Derivative financial instruments	489,938	521,004
Other creditors and sundry operations	82	58
	931,682	712,505
Other liabilities and other payables - Current		
Success fees payable for the acquisition of subsidiaries	1,350	1,350
Derivative financial instruments	163,339	158,157
Loans from non-controlling interests	14,147	28,277
Other creditors and sundry operations	13,471	13,998
	192,307	201,782
	1,123,989	914,287

Success fees payable for the acquisition of subsidiaries non-current includes mainly the amounts related to the contingent prices of projects mainly in Poland and Romania.

Derivative financial instruments non-current and current includes 415,432 and 128,231 thousands of Euros respectively (31 December 2015: 449,706 and 139,247 thousands of Euros respectively) related to a hedge instrument of USD and EUR with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in EDPR NA, expressed in USD (see note 36).

The captions Loans from non-controlling interests Current and Non-Current mainly include i) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries (see note 5) for a total amount, including accrued interests, of 273,346 thousands of Euros (no balances as at 31 December 2015), bearing interest at a fixed rate of a range between 3.3% and 7.55%; ii) loans granted by Vortex Energy Investments I due to the sale in 2014 of 49% of shareholding in EDPR France and subsidiaries for a total amount, including accrued interests, of 69,082 thousands of Euros (31 December 2015: 94,484 thousands of Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%; iii) loan granted by CTG to EDPR Portugal, shareholder of EDP Group for a total amount of 76,463 thousands of

Euros (31 December 2015: 81,314 thousands of Euros) being the maturity date of this loan December 2022 and bearing interest at a fixed rate of 5.5% paid half-yearly.

As at 31 December 2015 other creditors and sundry operations - current included 11,545 thousands of Euros related with the corporate income tax due to EDP Energias de Portugal, S.A. Sucursal en España (See note 23 for the estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España as at 30 June 2016).

35. CURRENT TAX LIABILITIES

This caption is analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Income tax	39,156	10,883
Withholding tax	26,378	25,454
Value added tax (VAT)	11,475	17,540
Other taxes	20,524	10,408
	97,533	64,285

36. DERIVATIVE FINANCIAL INSTRUMENTS

The net fair value of the derivatives portfolio by type of hedging as at 30 June 2016 and 31 December 2015 is as follows:

	30 JUN 2016	31 DEC 2015
Net investment hedge		
Cross currency rate swaps	-535,978	-574,542
Currency forwards	-	554
	-535,978	-573,988
Cash flow hedge		
Power price swaps	6,222	16,355
Interest rate swaps	-48,191	-64,092
Currency forwards	-9,911	-
	-51,880	-47,737
Trading		
Power price swaps	2,318	570
Interest rate swaps	-13,648	-65
Cross currency rate swaps	5,922	2,503
Currency forwards	6,157	-5,172
	749	-2,164
	-587,109	-623,889

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

The trading derivative financial instruments are derivatives contracted for economic hedging that are not eligible for hedge accounting

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use discounted cash flows techniques usually accepted and data from public markets. As such, according to IFRS13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (note 39), and the fair value of the CIRS in USD/EUR with EDP Branch and the USD/EUR forward contract with EDP Servicios Financieros is classified as of Level 3 (note 39).

During 2016 and 2015 the following market inputs were considered for the fair value calculation:

INSTRUMENT	MARKET INPUT
Cross currency interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, daily brazilian CDI, Wibor 3M; and exchange rates: EUR/BRL, EUR/PLN e EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 6M and CAD Libor 3M.
Foreign exchange forwards	Fair value indexed to the following exchange rates: USD/EUR, EUR/RON, EUR/PLN, EUR/CAD, BRL/USD and BRL/EUR.
Power price swaps	Fair value indexed to the price of electricity.

37. COMMITMENTS

As at 30 June 2016 and 31 December 2015, the financial commitments not included in the statement of financial position in respect of financial, operational and real guarantees provided, are analysed as follows:

THOUSANDS OF EUROS

	30 JUN 2016	31 DEC 2015
Guarantees of financial nature		
EDPR NA Group	57,674	12,061
EDPR NA Group	22,615	
EDPR NA Group	47,281	
	127,570	12,061
Guarantees of operational nature		
EDP Renováveis, S.A.	581,433	1,033,550
EDPR NA Group	1,172,331	1,227,058
EDPR EU Group	17,671	4,390
EDPR BR Group	24,307	11,478
	1,795,742	2,276,476
Total	1,923,312	2,288,537
Real guarantees	-	27,954

As at 30 June 2016 and 31 December 2015, EDPR has operational guarantees regarding to its commercial activity, in the amount of 230,990 thousands of Euros and 552,146 thousands of Euros respectively, already reflected in liabilities.

Regarding the information disclosed above:

i) The Group has project finance financings that include the usual guarantees on this type of financings, namely the pledge or a promise of pledge of bank accounts and assets of the related projects. As at 30 June 2016, these financings amount to 946,768 thousands of Euros (31 December 2015: 977,900 thousands of Euros), which are included in the total debt of the Group;

ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 June 2016 and 31 December 2015, EDPR's obligations under the tax equity agreements, in the amount of 1,142,703 thousands of Euros and 1,165,270 thousands of Euros, respectively are reflected in the statement of financial position under the caption Institutional Partnerships in U.S. Wind Farms.

iii) The financial guarantees contracted as at 30 June 2016 amounting to 27,060 thousands of Euros are related to the loans obtained by certain companies of the Group and already included in the consolidated financial debt.

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

THOUSANDS OF EUROS

					31 DEC 2015
					DEBT CAPITAL BY PERIOD
	TOTAL	UP TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Operating lease rents not yet due	1,091,122	42,226	86,705	85,791	876,400
Purchase obligations	2,538,035	1,218,484	600,388	125,220	593,943
	3,629,157	1,260,710	687,093	211,011	1,470,343

THOUSANDS OF EUROS

					31 DEC 2015
					DEBT CAPITAL BY PERIOD
	TOTAL	UP TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Operating lease rents not yet due	1,026,046	39,892	81,506	83,218	821,430
Purchase obligations	2,368,026	1,291,480	769,444	90,148	216,954
	3,394,072	1,331,372	850,950	173,366	1,038,384

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

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

As at 30 June 2016 the Group has the following contingent liabilities/rights related with call and put options on investments:

- EDP Renováveis, through its subsidiary EDPR España S.L., has a commitment to sell up to 9% of the share capital of the Spanish wind farm 'Acampo Arias S.L.' that can be executed if new projects are awarded to the wind farm since a third party holds a call option over the 9% of the share capital of the company.

Some of the disposal of non-controlling interests transactions retaining control carried out in previous years, namely the disposal of 49% of EDPR Portugal and disposal of 49% of certain subsidiaries of EDPR Brazil, incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

38. RELATED PARTIES

Remuneration of company officers

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

The remuneration paid to the members of the Executive Board of Directors, were as follows:

THOUSANDS OF EUROS

	30 JUN 2016	30 JUN 2015
CEO	-	-
Board members	353	348
	353	348

EDPR signed an Executive Management Services Agreement with EDP, under which EDP bears the cost for the services render by its Executive and Non-Executive Directors, which are João Manso Neto, Nuno Alves, António Mexia and João Marques da Cruz (until April 2015). This corporate governance practice of remuneration is in line with the model adopted by the EDP Group, in which the executive Directors of EDP do not receive any remuneration directly from the group companies on whose governing bodies they serve, but rather through EDP.

Under this contract, EDPR is due to pay an amount to EDP, for the services rendered by the Executive Managers and the Non-executive Managers. The amount due under said Agreement for the management services rendered by EDP in 2016 is 514,500 thousands of Euros (529 thousands of Euros in 2015), of which 492,000 thousands of Euros refers to the management services rendered by the Executive Members and 22,500 thousands of Euros to the management services rendered by the non-executive Members.

The retirement savings plan for the members of the Executive Committee not including the Chief Executive Officer range between 3% to 6% of their annual salary.

Due to the termination of the expatriation conditions of the members of the Executive Committee that are also Officers (Miguel Dias Amaro, CFO; João Paulo Costeira, COO EU, BR & South Africa; and Gabriel Alonso COO NA & Mexico), new employment contracts were signed with other group companies, as follows: Miguel Dias Amaro and João Paulo Costeira with EDP Energias de Portugal S.A. Sucursal en España and Gabriel Alonso with EDP Renewables North America LLC.

Relevant balances and transactions with subsidiaries and associates of China Three Gorges Group

With the sale of 49% of EDPR Portugal equity shareholding to CTG through CITIC CWEI Renewables S.C.A in 2013, the EDPR Group has a loan of CTG in the amount of 76,463 thousands of Euros as at 30 June 2016 (10,082 thousands of Euros as current and 66,381 thousands of Euros as non-current) and 81,314 thousands of Euros, including accrued interests, as at 31 December 2015 (9,824 thousands of Euros as current and 71,490 thousands of Euros as non-current). Related interests recognised in the Consolidated Profit and Loss as at 30 June 2016 amount to 2,223 thousands of Euros (30 June 2015: 2,491 thousands of Euros). Additionally, the Group has paid dividends to CTG during the first half of 2016 amounting to 24,790 thousands of Euros (33,246 thousands of Euros as at June 30, 2015).

Balances and transactions with EDP Group companies

As at 30 June 2016, assets and liabilities with related parties, are analysed as follows:

THOUSANDS OF EUROS

	ASSETS		
	LOANS AND INTERESTS TO RECEIVE	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	771	26,543	27,314
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	6,259	6,259
Joint Ventures and Associated companies	26,125	244	26,369
Other EDP Group companies	72	184,656	184,728
	26,968	217,702	244,670

THOUSANDS OF EUROS

	LIABILITIES		
	LOANS AND INTERESTS TO PAY	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	59	3,882	3,941
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	557,550	557,550
Hidrocantábrico Group companies (electric sector)	-	414	414
Other EDP Group companies	2,863,721	1,714	2,865,435
	2,863,780	563,560	3,427,340

As at 31 December 2015, assets and liabilities with related parties, are analysed as follows:

THOUSANDS OF EUROS

	ASSETS		
	LOANS AND INTERESTS TO RECEIVE	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	260	27,909	28,169
Hidrocantábrico Group companies (electric sector)	1	19,550	19,551
Joint Ventures and Associated companies	54,392	662	55,054
Other EDP Group companies	-	165,422	165,422
	54,653	213,543	268,196

THOUSANDS OF EUROS

	LIABILITIES		
	LOANS AND INTERESTS TO PAY	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	550	4,249	4,799
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	607,226	607,226
Hidrocantábrico Group companies (electric sector)	20	718	738
Joint Ventures and Associated companies	-	45	45
Other EDP Group companies	3,137,835	9,535	3,147,370
	3,138,405	621,773	3,760,178

Assets as at 30 June 2016 and 31 December 2015 include the balance of the current account with EDP Servicios Financieros España S.A. amounting to 161,400 thousands of Euros (138,201 thousands of Euros as at 31 December 2015) in accordance with the terms and conditions of the contract signed between the parties on June 1, 2015 (see note 25).

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Finance BV in the amount of 1,654,386 thousands of Euros (31 December 2015: 1,687,058 thousands of Euros) and from EDP Servicios Financieros España S.A. in the amount of 1,209,000 thousands of Euros (31 December 2015: 1,450,000 thousands of Euros).

With the purpose of hedging the foreign exchange risk of EDP Renováveis and EDP Branch, the EDP Group establishing a Cross-Currency Interest Rate Swap (CIRS) in USD and EUR between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in EPDR NA and of the USD external financing). As at 30 June 2016, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 542,361 thousands of Euros (31 December 2015: 589,036 thousands of

Euros) (see notes 36 and 38).

Transactions with related parties for the year ended 30 June 2016 are analysed as follows:

THOUSANDS OF EUROS

	OPERATING INCOME	FINANCIAL INCOME	OPERATING EXPENSES	FINANCIAL EXPENSES
EDP Energias de Portugal, S.A.	23,514	13,011	-719	-9,872
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	45	-	-5,542	-15,592
Hidrocantábrico Group companies (electric sector)	-	-	-632	-349
Joint Ventures and Associated companies	1,500	470	-	-
Other EDP Group companies	161,338	4,612	-1,625	-68,963
	186,397	18,093	-8,518	-94,776

Transactions with related parties for the year ended 30 June 2015 are analysed as follows:

THOUSANDS OF EUROS

	OPERATING INCOME	FINANCIAL INCOME	OPERATING EXPENSES	FINANCIAL EXPENSES
EDP Energias de Portugal, S.A.	-	8,206	-1,604	-15,545
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	-5,152	-10,691
Hidrocantábrico Group companies (electric sector)	176,240	-	-1,578	-288
Joint Ventures and Associated companies	1,833	11,890	-	-
Other EDP Group companies	87,035	46,662	-3,385	-100,517
	265,108	66,758	-11,719	-127,041

Operating income includes mainly the electricity sales to suppliers of last resource in Portugal due to regulatory legislation and electricity sales to HC Group that acted as a commercial agent of subsidiaries of EDPR Group in Spain until December 2015. From January 2016 onwards, the commercial agent of subsidiaries of EDPR Group in Spain is the AXPO Group.

Financial income and Financial expenses are mainly related to derivative financial instruments and loans interests.

As part of its operational activities, the EDP Renováveis Group must present guarantees in favour of certain suppliers and in connection with renewable energy contracts. As at 30 June 2016, EDP, S.A., Energias do Brasil and Hidrocantábrico granted financial (97,148 thousands of Euros, 31 December 2015: 40,019 thousands of Euros) and operational (674,523 thousands of Euros, 31 December 2015: 293,314 thousands of Euros) guarantees to suppliers in favour of EDPR EU and EDPR NA. The operational guarantees are issued following the commitments assumed by EDPR EU and EDPR NA in relation to the acquisition of property, plant and equipment, supply agreements, turbines and energy contracts (power purchase agreements) (see note 37). In the normal course of its activity, the EDPR Group performs business transactions and operations with its related parties based on normal market conditions.

39. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Listed financial instruments are recognized at fair value based on market prices. The financial instruments for which reliable fair value estimates are not available, are recorded in the statement of financial position at their cost.

Cash and cash equivalents, trade receivables and suppliers

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

Financial debt

The fair value of the financial debt is estimated through internal models, which are based on generally accepted cash flow discounting techniques. At the reporting date, the carrying amount of floating rate loans is approximately their fair value. In case of fixed rate loans, mainly the intercompany loans granted by EDP Group, their fair value is obtained through internal models based on generally accepted discounting techniques.

Derivative financial instruments

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

CIRS with EDP Branch (note 36)

With the purpose of hedging the foreign exchange risk resulting from the net investment in EDPR NA, the Group entered into a CIRS in USD and EUR with EDP Branch. This financial derivative is presented in the statement of financial position at its fair value, which is estimated by discounting the projected USD and EUR cash flows. The discount rates and forward interest rates were based on the interest rate curves referred to above and the USD/EUR exchange rate is disclosed on note 28. See also notes 13 and 23. The fair values of assets and liabilities as at 30 June 2016 and 31 December 2015 are analysed as follows:

THOUSANDS OF EUROS

	30 JUNE 2016			31 DECEMBER 2015		
	CARRYING AMOUNT	FAIR VALUE	DIFFER-ENCE	CARRYING AMOUNT	FAIR VALUE	DIFFER-ENCE
Financial assets						
Available-for-sale investments	6,257	6,257		6,257	6,257	-
Trade receivables	18,257	18,257		221,542	221,542	-
Debtors and other assets from commercial activities	85,111	85,111		77,989	77,989	-
Other debtors and other assets	106,484	106,484		86,416	86,416	-
Derivative financial instruments	66,168	66,168		55,272	55,272	-
Cash and cash equivalents	466,838	466,838		436,732	436,732	-
	749,115	749,115		884,208	884,208	-
Financial liabilities						
Financial debt	3,826,463	3,941,157	114,694	4,220,270	4,273,825	53,555
Suppliers	314,349	314,349	-	725,638	725,638	-
Institutional partnerships in U.S. wind farms	1,932,872	1,932,872	-	1,956,217	1,956,217	-
Trade and other payables from commercial activities	74,517	74,517	-	92,262	92,262	-
Other liabilities and other payables	470,712	470,712	-	235,126	235,126	-
Derivative financial instruments	653,277	653,277	-	679,161	679,161	-
	7,272,190	7,386,884	114,694	7,908,674	7,962,229	53,555

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

- Level 1 - Quoted prices (unadjusted) in active market for identical assets and liabilities;

- Level 2 - Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);

- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

THOUSANDS OF EUROS

	30 JUNE 2016			31 DECEMBER 2015		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Available-for-sale investments	-	-	6,257	-	-	6,257
Derivative financial instruments	-	66,168	-	-	55,272	-
	-	66,168	6,257	-	55,272	6,257
Financial liabilities						
Liabilities arising from options with non-controlling interests	-	-	330	-	-	344
Derivative financial instruments	-	653,277	-	-	679,161	-
	-	653,277	330	-	679,161	344

The remaining assets and liabilities are valuated within Level 1 or correspond to assets and liabilities which fair value is the same as its carrying amount. In 2016, there are no transfers between levels.

The movement in 2016 and 2015 of the financial assets and liabilities within Level 3 are analysed was as follows:

	AVAILABLE FOR SALE INVESTMENTS		TRADE AND OTHER PAYABLES	
	30 JUN 2016	30 JUN 2015	30 JUN 2016	30 JUN 2015
Balance at the beginning of the year	6,257	6,336	344	12,760
Gains / (Losses) in other comprehensive income	-	-	-	-
Purchases	-		-	-
Fair value changes/Payments	-	-	-	-
Disposals	-	-14	-14	-8,183
Balance at the end of the year	6,257	6,322	330	4,577

The Trade and other payables within level 3 are related with Liabilities arising from options with non-controlling interests.

40. RELEVANT AND SUBSEQUENT EVENTS

EDPR closed an asset rotation transaction in Europe, for a total consideration of €550 million

EDPR through its subsidiary EDP Renewables Europe, S.L. entered in April 2016 into an agreement with Vortex, a fund led by EFG Hermes which includes investments from the Gulf Cooperation Council (GCC) countries, to sell a 49% equity shareholding and outstanding shareholders loans in a portfolio of fully-owned wind onshore assets in Spain, Portugal, Belgium and France for a total consideration of 550 million of Euros.

The portfolio totals 664 MW and has 4 years of average life. In detail, the transaction scope covers 348 MW in operation in Spain (with 6 years of average life), 191 MW in operation in Portugal (part of ex-ENEOP assets), 71 MW in operation in Belgium and 54 MW in France.

The closing of this transaction has taken place in June 2016.

41. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS USED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements, with no significant impact, are the following:

- IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 (Amended) - Disclosure Initiative
- IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual Improvement Project (2010-2012)
- Annual Improvement Project (2012-2014)
- Standards, amendments and interpretations issued but not yet effective for the Group:
- IFRS 9 - Financial Instruments
- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) – Investment entities
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from the Contracts with Customers
- IFRS 16 – Leases
- IAS 7 (Amended) - Disclosure Initiative
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses.

42. OPERATING SEGMENTS REPORT

The Group generates energy from renewable resources and has three reportable segments which are the Group's business platforms, Europe, North America and Brazil. The strategic business units have operations in different geographic zones and are managed separately because their characteristics are quite different. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

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

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

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

- Europe: refers to EDPR EU Group companies operating in Spain, Portugal, Belgium, France, Italy, Netherlands, Poland, Romania and United Kingdom;
- North America: refers to EDPR NA and EDPR Canada Group companies that operate in United States of America and Canada, respectively;
- Brazil: refers to EDPR Brasil Group companies that operate in this country.

Segment definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter, including the intra-segment eliminations, without any inter-segment allocation adjustment.

The financial information disclosed by each business segment is determined based on the amounts booked directly in the subsidiaries that compose the segment, including the intra-segment eliminations, without any inter-segment allocation adjustment.

ANNEX 1

GROUP ACTIVITY BY OPERATING SEGMENT
OPERATING SEGMENT INFORMATION FOR THE PERIOD ENDED 30 JUNE 2016

THOUSANDS OF EUROS

	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	502,088	271,834	12,195	786,117
Income from institutional partnerships in U.S. wind farms	-	103,494	-	103,494
	502,088	375,328	12,195	889,611
Other operating income	13,019	7,905	-	20,924
Supplies and services	-75,234	-65,878	-2,907	-144,019
Personnel costs and Employee benefits expenses	-14,351	-21,226	-914	-36,491
Other operating expenses	-47,787	-25,103	-666	-73,556
	-124,353	-104,302	-4,487	-233,142
Gross operating profit	377,735	271,026	7,708	656,469
Provisions	-646	-	-	-646
Amortisation and impairment	-147,316	-142,222	-2,697	-292,235
Operating profit	229,773	128,804	5,011	363,588
Share of profit of associates	-952	-1,018	-	-1,970
Assets	6,713,861	7,291,663	265,389	14,270,913
Liabilities	194,328	659,161	22,844	876,333
Operating Investment	53,228	282,258	42,833	378,319

Note: The Segment "Europe" includes: i) revenues in the amount of thousands of 197,229 Euros from Spanish companies; ii) assets from Spanish companies in the amount of 1,083,504 thousands of Euros.

RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE FINANCIAL STATEMENTS

THOUSANDS OF EUROS

Revenues of the Reported Segments	786,117
Revenues of Other Segments	8,373
Elimination of intra-segment transactions	-9,128
Revenues of the EDPR Group	785,362
Gross operating profit of the Reported Segments	656,469
Gross operating profit of Other Segments	-8,288
Elimination of intra-segment transactions	-1
Gross operating profit of the EDPR Group	648,180
Operating profit of the Reported Segments	363,588
Operating profit of Other Segments	-
Elimination of intra-segment transactions	-9,846
Operating profit of the EDPR Group	353,742
Assets of the Reported Segments	14,270,913
Not Allocated Assets	1,272,901
Financial Assets	850,143
Tax assets	165,746
Debtors and other assets	257,012
Assets of Other Segments	11,675
Elimination of intra-segment transactions	67,069
Assets of the EDPR Group	15,622,558
Investments in joint ventures and associates	325,251
Liabilities of the Reported Segments	876,333
Not Allocated Liabilities	7,394,590
Financial Liabilities	3,826,463
Institutional partnerships in U,S, wind farms	1,932,872
Tax liabilities	451,289
Payables and other liabilities	1,183,966
Liabilities of Other Segments	7,580
Elimination of intra-segment transactions	-11,936
Liabilities of the EDPR Group	8,266,567
Operating Investment of the Reported Segments	378,319
Operating Investment of Other Segments	-
Operating Investment of the EDPR Group	378,319

THOUSANDS OF EUROS

	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Other operating income	20,924	791	-446	21,269
Supplies and services	-144,019	-7,272	9,115	-142,176
Personnel costs and Employee benefits expenses	-36,491	-8,826	-	-45,317
Other operating expenses	-73,556	-1,354	458	-74,452
Provisions	-646	-	-	-646
Amortisation and impairment	-292,235	-336	-1,221	-293,792
Share of profit of associates	-1,970	-60	-1,069	-3,099

OPERATING SEGMENT INFORMATION FOR THE YEARS ENDED 30 JUNE 2015

THOUSANDS OF EUROS

	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	424,279	254,565	9,997	688,841
Income from institutional partnerships in U,S, wind farms	-	84,442	-	84,442
	424,279	339,007	9,997	773,283
Other operating income	3,315	11,772	695	15,782
Supplies and services	-66,254	-61,849	-2,934	-131,037
Personnel costs and Employee benefits expenses	-12,068	-18,935	-808	-31,811
Other operating expenses	-40,676	-26,771	-1,778	-69,225
	-115,683	-95,783	-4,825	-216,291
Gross operating profit	308,596	243,224	5,172	556,992
Provisions	-	99	-	99
Amortisation and impairment	-120,402	-130,686	-2,774	-253,862
Operating profit	188,194	112,637	2,398	303,229
Share of profit of associates	12,646	-2,035	-	10,611
Assets	6,065,544	6,894,497	179,843	13,139,884
Liabilities	194,395	707,244	5,314	906,953
Operating Investment	41,134	247,458	33,062	321,654

Note: The Segment 'Europe' includes: i) revenues in the amount of 197,229 thousands of Euros from Spanish companies ii) assets from Spanish companies in the amount of 1,083,504 thousands of Euros,

RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE FINANCIAL STATEMENTS

THOUSANDS OF EUROS

Revenues of the Reported Segments	688,841
Revenues of Other Segments	6,186
Elimination of intra-segment transactions	-6,575
Revenues of the EDPR Group	688,452
Gross operating profit of the Reported Segments	556,992
Gross operating profit of Other Segments	-9,484
Elimination of intra-segment transactions	1
Gross operating profit of the EDPR Group	547,509
Operating profit of the Reported Segments	303,229
Operating profit of Other Segments	-9,874
Elimination of intra-segment transactions	-1,088
Operating profit of the EDPR Group	292,267
Assets of the Reported Segments	13,139,884
Not Allocated Assets	2,148,198
Financial Assets	1,357,012
Tax assets	144,761
Debtors and other assets	646,425
Assets of Other Segments	2,499
Elimination of intra-segment transactions	63,530
Assets of the EDPR Group	15,354,111
Liabilities of the Reported Segments	906,953
Not Allocated Liabilities	7,670,263
Financial Liabilities	4,438,998
Institutional partnerships in U,S, wind farms	1,948,985
Tax liabilities	362,741
Payables and other liabilities	919,539
Liabilities of Other Segments	7,909
Elimination of intra-segment transactions	-10,081
Liabilities of the EDPR Group	8,575,044
Operating Investment of the Reported Segments	321,654
Operating Investment of Other Segments	2
Operating Investment of the EDPR Group	321,656

	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Other operating income	15,782	126	1	15,909
Supplies and services	-131,037	-8,246	6,580	-132,703
Personnel costs and Employee benefits expenses	-31,811	-7,263	-1	-39,075
Other operating expenses	-69,225	-288	-3	-69,516
Provisions	99	-	-	99
Amortisation and impairment	-253,862	-390	-1,089	-255,341
Share of profit of associates	10,611	-	-4,645	5,966

edp renováveis

Always present.
Always future.

edp renováveis

Members of the Board of Directors of the Company EDP Renováveis, S.A.

DECLARE

To the extent of our knowledge, the information referred to in sub-paragraph a) of paragraph 1 of Article 246 of the Securities Code (*Código dos Valores Mobiliários*), approved by Decree-Law no. 486/99, of November 13 and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of EDP Renováveis, S.A. and the companies included in its scope of consolidation and the management report fairly presents the evolution of business, performance and position of EDP Renováveis, S.A. and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face for the next 6 months.

Lisbon, July 25th, 2016.

António Luís Guerra Nunes Mexia (Chairman)

João Manuel Manso Neto (Vice-Chairman and Chief Executive Officer)

Nuno Maria Pestana de Almeida Alves (Director)

Miguel Dias Amaro (Director)

João Paulo Nogueira da Sousa Costeira (Director)

Gabriel Alonso Imaz (Director)

Acácio Jaime Liberado Mota Piloto (Director)

António do Pranto Nogueira Leite (Director)

João Manuel de Mello Franco (Director)

João José Belard da Fonseca Lopes Raimundo (Director)

Jorge Manuel Azevedo Henriques dos Santos (Director)

José António Ferreira Machado (Director)

Gilles August (Director)

Manuel Menéndez Menéndez (Director)

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