THE LIVING ENERGY BOOK

by edp renováveis

INTERIM REPORT
1H 2018

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 1H 2018

EDP Renováveis, S.A. and subsidiaries

Condensed Consolidated Financial Statements For The Six-Month Period Ended 30 June 2018

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

THOUSAND EUROS	NOTES	2018	2017
Revenues	7	822,980	856,079
Income from institutional partnerships in U.S. wind farms	8	100,404	132,102
		923,384	988,181
Other income	9	55,121	19,294
Supplies and services	10	-159,646	-155,368
Personnel costs and employee benefits	11	-56,978	-49,871
Other expenses	12	-76,051	-83,516
		-237,554	-269,461
		685,830	718,720
Provisions		-278	-418
Amortisation and impairment	13	-259,042	-259,684
		426,510	458,618
Financial income	14	37,756	26,552
Financial expenses	14	-170,596	-174,384
Share of net profit in joint ventures and associates	19	1,038	2,492
Profit before tax		294,708	313,278
Income tax expense	15	-54,550	-70,746
Net profit for the year		240,158	242,532
Attributable to			
Equity holders of EDP Renováveis	27	138,848	134,034
Non-controlling interests	29	101,310	108,498
Net profit for the year		240,158	242,532
Earnings per share basic and diluted - Euros	27	0.16	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2018 AND 2017

THOUSAND EUROS	2018		2017	
	EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS
Net profit for the year	138,848	101,310	134,034	108,498
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	2	-	-	-
Tax effect of actuarial gains/(losses)	-1	-	-	-
	1	-	-	-
Items that are or may be reclassified to profit or loss				
Fair value reserve (cash flow hedge)	-27,207	1,649	13,507	619
Tax effect from the fair value reserve (cash flow hedge)	7,081	-371	-6,482	-253
Share of other comprehensive income of joint ventures and associates, net of taxes	-5,401	-	10,817	-
Reclassification to profit and loss due to changes in control				
Exchange differences arising on consolidation	3,192	13,801	-53,847	-75,005
	-22,335	15,079	-36,005	-74,639
Other comprehensive income for the year, net of income tax	-22,334	15,079	-36,005	-74,639
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	116,514	116,389	98,029	33,859

The following Notes form an integral part of these Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

THOUSAND EUROS	NOTES	2018	2017
Assets			
Property, plant and equipment	16	13,533,642	13,185,201
Intangible assets	17	240,173	249,514
Goodwill	18	1,314,362	1,296,227
Investments in joint ventures and associates	19	298,793	303,518
Equity instruments at fair value		8,585	8,585
Deferred tax assets	20	147,782	64,479
Debtors and other assets from commercial activities	22	18,125	40,546
Other debtors and other assets	23	63,398	48,717
Collateral deposits associated to financial debt	30	25,006	32,720
TOTAL NON-CURRENT ASSETS		15,649,866	15,229,507
Inventories	21	34,574	28,565
Debtors and other assets from commercial activities	22	293,503	323,107
Other debtors and other assets	23	137,187	114,217
Current tax assets	24	68,212	72,141
Collateral deposits associated to financial debt	30	14,570	10,026
Cash and cash equivalents	25	389,274	388,061
Assets held for sale	26	49,893	58,179
TOTAL CURRENT ASSETS		987,213	994,296
TOTAL ASSETS		16,637,079	16,223,803
Equity			
Share capital	27	4,361,541	4,361,541
Share premium	27	552,035	552,035
Reserves	28	-145,885	-124,738
Other reserves and Retained earnings	28	1,472,122	1,270,244
Consolidated net profit attributable to equity holders of the parent		138,848	275,895
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,378,661	6,334,977
Non-controlling interests	29	1,615,011	1,560,175
TOTAL EQUITY		7,993,672	7,895,152
Liabilities			
Medium / Long term financial debt	30	3,136,632	2,808,595
Provisions	31	277,099	270,352
Deferred tax liabilities	20	448,355	355,613
Institutional partnerships in U.S. wind farms	32	2,090,103	2,163,722
Trade and other payables from commercial activities	33	425,239	489,929
Other liabilities and other payables	34	618,749	650,061
TOTAL NON-CURRENT LIABILITIES		6,996,177	6,738,272
Short term financial debt	30	508,463	428,368
Provisions	31	5,408	5,366
Trade and other payables from commercial activities	33	668,942	685,146
Other liabilities and other payables	34	333,037	381,246
Current tax liabilities	35	131,380	90,253
TOTAL CURRENT LIABILITIES		1,647,230	1,590,379
TOTAL LIABILITIES		8,643,407	8,328,651
TOTAL EQUITY AND LIABILITIES		16,637,079	16,223,803

The following Notes form an integral part of these Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2018 AND 31 DECEMBER 2017

THOUSAND EUROS	TOTAL EQUITY	SHARE CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	EXCHANGE DIFFERENCES	HEDGING RESERVE	FAIR VALUE RESERVE	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF EDP RENOVÁVEIS	NON-CONTROLLING INTERESTS
Balance as at 31 December 2016	7,573,014	4,361,541	552,035	1,231,038	7,641	-33,425	6,132	6,124,962	1,448,052
Comprehensive income									
- Fair value reserve (available for sale financial assets) net of taxes	397	-	-	-	-	-	367	367	30
- Fair value reserve (cash flow hedge) net of taxes	-15,230	-	-	-	-	-16,766	-	-16,766	1,536
- Share of other comprehensive and associates, net of taxes	13,587	-	-	-	13,587	-	-	13,587	-
- Reclasification to profit and loss due to changes in control	-4,212	-	-	-	-4,212	-	-	-4,212	-
- Actuarial gains/(losses) net of taxes	17	-	-	15	-	-	-	15	2
Exchange differences arising on consolidation	-224,848	-	-	-	-105,362	-	-	-105,362	-119,486
- Net profit for the year	456,207	-	-	275,895	-	-	-	275,895	180,312
Total comprehensive income for the year	225,918	-	-	275,910	-95,987	-16,766	367	163,524	62,394
Dividends paid	-43,615	-	-	-43,615	-	-	-	-43,615	-
Dividends attributable to non-controlling interests	-48,730	-	-	-	-	-	-	-	-48,730
Sale without loss of control of EDPR Europe subsidiaries	210,433	-	-	93,926	-	2,502	-	96,428	114,005
Other changes resulting from acquisitions/sales and equity increases	-7,719	-	-	-7,107	584	-	-	-6,523	-1,196
Other	-14,149	-	-	-4,013	5,090	-876	-	201	-14,350
Balance as at 31 December 2017	7,895,152	4,361,541	552,035	1,546,139	-82,672	-48,565	6,499	6,334,977	1,560,175
Comprehensive income									
- Fair value reserve (cash flow hedge) net of taxes	-18,848	-	-	-	-	-20,126	-	-20,126	1,278
- Share of other comprehensive and associates, net of taxes	-5,401	-	-	-	-628	-4,773	-	-5,401	-
- Actuarial gains/(losses) net of taxes	1	-	-	1	-	-	-	1	-
Exchange differences arising on consolidation	16,993	-	-	-	3,192	-	-	3,192	13,801
- Net profit for the year	240,158	-	-	138,848	-	-	-	138,848	101,310
Total comprehensive income for the year	232,903	-	-	138,849	2,564	-24,899	-	116,514	116,389
Dividends paid	-52,338	-	-	-52,338	-	-	-	-52,338	-
Dividends attributable to non-controlling interests	-37,154	-	-	-	-	-	-	-	-37,154
IFRS 9 transition adjustments	-17,267	-	-	-17,267	-	-	-	-17,267	-
Other changes resulting from acquisitions/sales and equity increases	-27,239	-	-	-1,463	-	-	-	-1,463	-25,776
Other	-385	-	-	-2,950	-	1,188	-	-1,762	1,377
Balance as at 30 June 2018	7,993,672	4,361,541	552,035	1,610,970	-80,108	-72,276	6,499	6,378,661	1,615,011

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 AND 2017

THOUSAND EUROS	2018	2017
Operating activities		
Cash receipts from customers	891,843	877,423
Payments to suppliers	-207,314	-215,047
Payments to personnel	-66,030	-61,572
Other receipts / (payments) relating to operating activities	-18,914	-40,038
Net cash from operations	599,585	560,766
Income tax received / (paid)	-18,712	-26,059
Net cash flows from operating activities	580,873	534,707
Investing activities		
Cash receipts relating to:		
Changes in cash resulting from perimeter variations	-	26,497
Property, plant and equipment and intangible assets	3,354	2,836
Interest and similar income	3,749	1,875
Dividends	6,547	6,222
Loans to related parties	19,958	16,364
Other receipts from investing activities	20,183	257
	53,791	54,051
Cash payments relating to:		
Changes in cash resulting from perimeter variations	-	-1,212
Acquisition of subsidiaries	-	-1,100
Property, plant and equipment and intangible assets	-503,199	-727,208
Loans to related parties	-32,379	-5,990
Other payments in investing activities	-	-15,566
	-535,578	-751,076
Net cash flows from investing activities	-481,787	-697,025
Financing activities		
Sale of assets / subsidiaries without loss of control	-	210,847
Receipts / (payments) relating to loans from third parties	-61,340	-40,994
Receipts / (payments) relating to loans from non-controlling interests	-54,288	10,360
Receipts / (payments) relating to loans from Group companies	410,473	-29,056
Interest and similar costs including hedge derivatives from third parties	-25,228	-26,328
Interest and similar costs from non-controlling interests	-13,763	-10,528
Interest and similar costs including hedge derivatives from Group companies	-67,592	-77,631
Governmental grants	-	-6
Dividends paid	-60,338	-63,588
Receipts / (payments) from wind activity institutional partnerships - USA	-74,749	-131,613
Other cash flows from financing activities	-147,862	-259
Net cash flows from financing activities	-94,687	-158,796
Changes in cash and cash equivalents	4,399	-321,114
Effect of exchange rate fluctuations on cash held	-3,186	-7,774
Cash and cash equivalents at the beginning of the period	388,061	603,219
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (*)	389,274	274,331

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

Variations in the following financing captions, including cash flow variations, during the six-month period ending 30 June 2018 are as follows:

THOUSAND EUROS	BANK LOANS (*)	GROUP LOANS	NON-CONTROLLING INTERESTS LOANS	U.S. INSTITUTIONAL PARTNERSHIPS	DERIVATIVES	TOTAL
Balance as of December 31, 2017	951,340	2,242,877	638,361	2,163,722	337,777	6,334,077
Cash flows						
- Receipts/(payments) relating to loans from third parties	-61,340	-	-	-	-	-61,340
- Receipts/(payments) relating to loans from non-controlling interests	-	-	-54,288	-	-	-54,288
- Receipts/(payments) relating to loans from Group companies	-	410,473	-	-	-	410,473
- Interest and similar costs including hedge derivatives from third parties	-21,860	-	-	-	-3,368	-25,228
- Interest and similar costs from non-controlling interests	-	-	-13,763	-	-	-13,763
- Interest and similar costs including hedge derivatives from Group companies	-	-32,128	-	-	-35,464	-67,592
- Receipts/ (payments) from derivative financial instruments	-	-	-	-	-119,188	-119,188
- Receipts / (Payments) from institutional partnership in US wind farms	-	-	-	-74,749	-	-74,749
Exchange differences	-25,325	47,874	-5,613	57,187	-15,698	58,425
Fair value changes	-	-	-	-	94,640	94,640
Accrued expenses	24,395	46,314	14,825	3,906	39,124	128,564
Unwinding	-	-	-	40,610	-	40,610
Changes in U.S. Institutional Partnerships related to ITC/PTC	-	-	-	-100,573	-	-100,573
IFRS 9 transition adjustment	-	22,899	-	-	-	22,899
Balance as of 30 June 2018	867,210	2,738,309	579,522	2,090,103	297,823	6,572,967

(*) Net of collateral deposits

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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).

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. As at 30 June 2018 and 31 December 2017 EDP Energias de Portugal, S.A through its Spanish branch EDP S.A. - Sucursal en España ("EDP Branch") held a qualified shareholding of 82.5% of the share capital and voting rights of EDPR and 17.44% of the share capital was free floated in the Euronext Lisbon.

In December 2011, China Three Gorges Corporation (CTG) signed 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 above mentioned agreement through which CTG became a shareholder of the EDP Group stipulate that CTG would make minority investments totaling 2,000 million of Euros in operating and ready-to-build renewable energy generation projects (including co-funding capex).

Within this agreement, the following transactions have taken place:

- In June 2013, EDPR Group completed the sale of 49% equity shareholding in EDPR Portugal to CTG through CITIC CWEI Renewables S.C.A.
- In May 2015, EDPR Group 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 October 2016, EDPR Group completed the sale of 49% equity shareholding in EDP Renewables Polska SP.Zo.o. to CTG through ACE Poland S.Á.R.L. with a subsequent loss in its subsidiaries and the sale of 49% equity shareholding in EDP Renewables Italia S.r.l. to CTG through ACE Italy S.Á.R.L. with a subsequent loss of share interest in its subsidiaries (see note 5).
- In June 2017, EDPR Group closed the sale of 49% equity shareholding in EDPR PT - Parques Eólicos, S.A. to CTG through ACE Portugal S.Á.R.L. with a subsequent loss of share interest in its subsidiaries (see note 5).

In May 2018 China Three Georges (Europe), S.A. a company indirectly and wholly held by CTG and which holds 23,3% of EDP – Energias de Portugal, S.A. (EDP), published two preliminary announcements pursuant to which it informed the market that it will launch a general and voluntary tender offer (Offer) over the shares issued by EDP Energías de Portugal, S.A. and a general and mandatory Offer over the shares issued by EDP Renováveis, S.A. In this context, the report from the EDP Renováveis Board of Directors is available in the EDPR/Comissão do Mercado de Valores Mobiliários (CMVN) websites.

As at 30 June 2018, EDP Renováveis S.A. directly holds a 100% stake in the share capital of the following companies: EDP Renewables Europe, S.L. (EDPR EU), EDP Renewables North America, LLC (EDPR NA), EDP Renewables Canada, Ltd. (EDPR Canada), EDP Renováveis Brasil, S.A. (EDPR BR), EDPR Offshore España, S.L. and EDPR Offshore France, S.A.S.

EDPR EU operates through its subsidiaries located in Spain, Portugal, France, Belgium, Netherlands, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renovables España, S.L. and EDPR Participaciones S.L. (wind farms in Spain), EDP Renováveis Portugal, S.A. and EDPR PT – Parques Eólicos, S.A. (wind farms in Portugal), EDP Renewables France and EDPR France Holding S.A.S. (wind farms in France), EDP Renewables Belgium (wind farms in Belgium), EDP Renewables Polska, SP.ZO.O and EDPR Renewables Polska HoldCo, S.A. (wind farms in Poland), EDPR România S.r.l. and EDPR RO PV S.r.l. (wind and photovoltaic solar farms in Romania), EDP Renewables Italy, S.r.l. and EDP Renewables Italia Holding, S.r.l. (wind farms in Italy) and EDPR UK Limited (offshore development projects in UK).

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

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

Regulatory framework

During the six-month period ended 30 June 2018, we emphasize the following changes:

Regulatory framework for the activities in Poland

On 29 June 2018 Polish Parliament (Sejm and Senate) approved a set of amendments to the Renewable Energy Sources ("RES") Act to the Wind Turbine Investment Act, amendments which were published in Polish Official Gazette in June 30. The approved amendments envisaged a return to the previous taxable base of the Real Estate Tax with retroactive effects as of January 2018. The amendments include also changes in the RES Act however they do not include any relevant changes towards operating assets and focus mainly on operative changes and clarifications to the new tender scheme. In this line, the amendments include the budget (values and volumes) for 2018 tenders.

Regulatory framework for the activities in Romania

In 2017, ANRE (Energy Regulator) issued Order 77/2017 regulating the functioning of the Green Certificates (GCs) market. In this context, on 26 June 2018 EGO 24/2017 concluded the process of its validation within Romanian Parliament with the approval by the Chamber of Deputies (CD). During the discussions in the CD several amendments to the text approved in March 2017 were discussed. The final set of amendments includes among others (i) a potential change to a Feed-in-Premium scheme for operating assets; (ii) a gradual increase in the maximum allowed impact to final consumers currently of maximum 11.1€/MWh, (ii) the removal of the loss of Green Certificates from positive unbalances (iii) the pro-rata allocation of GCs sold in the centralized platforms when the supply exceeds demand; and (iv) modifications in the postponement of solar PV GCs.

Regulatory framework for the activities in the United States

On 8 January 2018, the Federal Energy Regulatory Commission ("FERC") rejected a proposal from the Department of Energy to subsidize certain coal and nuclear plants by providing cost recovery for plants with onsite fuel supplies. The FERC instead asked regional grid operators to assess how best to enhance the resilience of the power system. FERC's five members unanimously rejected the proposed Department of Energy ("DoE") rule. Instead, FERC asked regional grid operators to review an extensive list of questions about improving power system resilience and report back within 60 days.

On 3 April 2018, the Trump administration released a list of more than 1,300 imported products from China that may be subject to a 25% tariff. The list of imports from China includes "wind-powered electric generating sets," which will have minimal impact on the U.S. wind industry due to the low number of wind turbines imported from China. A 25% tariff on steel imports and a 10% tariff on aluminum imports may cause a modest increase in U.S. wind and solar project costs.

On 22 June 2018, the Internal Revenue Service ("IRS") released Notice 2018-59, which provides guidance to determine when a solar project begins construction for Investment Tax Credits ("ITC") purposes and specifies that projects have until 2024 to be placed in service and qualify for the ITC at levels above 10%. The ITC percentage for a solar project is determined based on the year in which construction of the project begins – provided the solar project is also placed in service before Jan 1, 2024 – as follows: (i) before Jan 1, 2020, 30%; (ii) in 2020, 26%; (iii) in 2021, 22%; and (iv) any time thereafter (regardless of the year in which the solar project is placed in service), 10%. Similar to the IRS guidance regarding the wind Production Tax Credit ("PTC"), establishing the beginning of construction is deemed by (i) engaging significant physical work or (ii) paying or incurring 5% of the ultimate tax basis of the project. Thus, if a developer safe harbors 5% of project Capex in 2019, the project will be qualified for a 30% ITC if the construction is concluded before Jan 1, 2024. Similarly, if a developer safe harbors 5% of project Capex in 2021, the project will be qualified for a 22% ITC if the construction is concluded before Jan 1, 2024.

On 9 February 2016, the US Supreme Court stayed implementation of the Clean Power Plan (CPP) announced by the United States' Environmental Protection Agency (EPA) on 3 August 2015, a rule to cut carbon pollution from existing power plants, which is pending judicial review. On 7 December 2017, EPA Administrator Scott Pruitt announced at a hearing of the U.S. House Energy and Commerce Committee that the EPA will introduce a replacement rule to CPP. As of 29 June 2018, EPA's agenda put a final Clean Power Plan repeal date in October with speculation a replacement rule will be proposed at the same time.

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 2018 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 2018. The Board of Directors approved these condensed consolidated financial statements on July 24, 2018. The consolidated annual accounts for 2017 were approved by the shareholders at the annual general meeting held on April 3, 2018. The condensed consolidated financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDPR Group's condensed consolidated financial statements for the six-month period ended 30 June 2018 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2018 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group for the year ended 31 December 2017.

As at 1 January 2018, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers came into force, being adopted for the first time by EDPR Group in these financial statements.

The adoption of these standards led to several changes in the Group accounting policies, models and procedures, as well as in disclosures.

Unless otherwise disclosed, namely because of these standards adoption, the Group has followed the same accounting policies and methods of computation as compared with the consolidated financial statements of the Group for the year ended 31 December 2017. The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, are detailed in note 3.

As at 30 June 2018, EDP Group has not identified any significant changes in key assumptions used in impairment tests performed in the end of 2017, which could indicate that an asset may be impaired.

EDPR Group's activity does not have, at a quarterly basis, any significant seasonality.

Selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the EDPR Group’s financial position and performance since the last annual financial statements.

Accounting policies changed due to the application of IFRS 9 and IFRS 15

A) Derivative financial instruments and hedge accounting

Hedge accounting

Pursuant to IFRS 9, the EDPR Group chooses to continue to apply the hedge accounting requirements in IAS 39 until there is greater visibility of the current Dynamic Risk Management project (macro-hedging), in order to avoid a partial application of the hedge accounting premises of the new standard.

B) Other financial assets

IFRS 9 introduced a model for the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"), replacing prior requirements which determined the classification in the categories present in IAS 39. EDPR Group classifies its other financial assets, at the time of their acquisition, in accordance with the aforementioned requirements introduced by IFRS 9.

Accounts receivables

The EDPR Group uses the simplified approach precluded in IFRS 9 in the determination and recognition of impairment losses in trade receivables, contracts assets and lease receivables. Life time expected losses are recorded based on real losses experience overtime which were statistically relevant and representative of the specific features of the respective credit risk.

Debt instruments

A financial asset is measured at amortised cost if (i) is held to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognized at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and (ii) the asset’s contractual cash flows represent solely payments of principal and interest. Financial assets included within in this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

The financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Regardless of the business model assessment, EDPR Group can elect to classify a financial asset at fair value through profit or loss if doing so reduces or eliminates a measurement or recognition inconsistency (“accounting mismatch”).

Equity instruments at fair value

Equity instruments at fair value (“Assets available for sale” according to the terminology of IAS 39) are always measured at fair value. Equity instruments that are held for trading are required to be classified at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

Impairment

IFRS 9 establishes a new impairment model based on the expected credit losses (ECL), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. This model is the basis for the recognition of impairment losses on held debt instruments that are measured at amortised cost or at fair value through other comprehensive income (which includes loans, bank balances and deposits, trade receivables and debt securities).

If the credit risk on a financial asset has not increased significantly since its initial recognition, EDPR Group recognises a cumulated loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

If the credit risk has increased significantly since its inicial recognition, EDPR Group recognises a cumulated loss allowance for that financial asset at an amount equal to lifetime expected credit losses.

As soon as the loss event occur (what is previous defined in IAS 39 as 'objective evidence of impaiment'), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, similar to the previous IAS 39, including the treatment of interest revenue.

C) Recognition of costs and revenues

EDPR Group recognises revenue in accordance with the core principle introduced by IFRS 15, thus the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology, namely: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognise revenue when (or as) the entity satisfies a performance obligation.

EDPR Group sells products and/or services separately or as a part of an integrated commercial offer ("bundled"). In a bundled sale arrangement, the Group accounts the sale of each product and/or service separately if they are distinct, this is, only if the product or service is separately identifiable in the context of the integrated offer. The consideration paid is allocated between the goods or services separately identifiable based on their relative stand-alone selling prices.

In what concerns variable transaction prices, EDPR Group only recognises revenue when it is highly probable that there will not be any significant reversal of the recognised revenue, when it becomes certain.

EDPR Group considers the facts and circumstances when analyzing the terms of each contract with customers, applying the requirements that determine the recognition and measurement of revenue in a harmonized manner, when considering contracts with the same characteristics and in similar circumstances.

D) Financial results

Due the changes occurred on classification and measurement of the financial assets previously classified as available-for-sale financial assets under IAS 39, financial results no longer include the impairment losses related to those assets. Nonetheless, financial results include the changes in the fair value of certain assets identified by the EDPR Group as held for trading and consequently measured at fair value through profit or loss.

03. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

Standards, amendments and interpretations issued effective for the Group

The amendments to standards already issued and effective and that the Group applied in the preparation of its financial statements, can be analysed as follows:

- **IFRS 9 - Financial Instruments**

IFRS 9 was endorsed by European Commission Regulation 2067/2016, 22 November 2016, with an effective date of adoption for periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but the restatement of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment of financial assets and hedge accounting.

EDP Group has adopted the new standard on the required effective date and has not restated comparative information, as provided by IFRS 9. With regard to hedge accounting, EDPR Group has decided to continue to apply IAS 39 until there is greater visibility on the project on the accounting for macro hedging. Therefore, EDPR Group will maintain its accounting policy, as described in note 2 (d).

EDPR Group has reviewed its financial assets and liabilities in order to assess qualitative and quantitative impacts on the adoption of the Standard. Accordingly, qualitative changes are presented in Note 2 and quantitative impacts resulting from its adoption are as follows:

THOUSAND EUROS		01-Jan-2018	Impact of IFRS 9	31-Dec-2017
Assets				
Property, plant and equipment		13,185,201	-	13,185,201
Intangible assets		249,514	-	249,514
Goodwill		1,296,227	-	1,296,227
Investments in joint ventures and associates		303,518	-	303,518
Available for sale investments	i)	-	-8,585	8,585
Equity instruments at fair value	i)	8,585	8,585	-
Deferred tax assets	ii)/iii)	70,235	5,756	64,479
Debtors and other assets from commercial activities		40,546	-	40,546
Other debtors and other assets		48,717	-	48,717
Collateral deposits associated to financial debt		32,720	-	32,720
TOTAL NON-CURRENT ASSETS		15,235,263	5,756	15,229,507
Inventories		28,565	-	28,565
Debtors and other assets from commercial activities	ii)	322,383	-724	323,107
Other debtors and other assets		114,217	-	114,217
Current tax assets		72,141	-	72,141
Collateral deposits associated to financial debt		10,026	-	10,026
Cash and cash equivalents		388,061	-	388,061
Assets held for sale		58,179	-	58,179
TOTAL CURRENT ASSETS		993,572	-724	994,296
TOTAL ASSETS		16,228,835	5,032	16,223,803
Equity				
Share capital		4,361,541	-	4,361,541
Share premium		552,035	-	552,035
Reserves		-124,738	-	-124,738
Other reserves and Retained earnings	iv)	1,252,977	-17,267	1,270,244
Consolidated net profit attributable to equity holders of the parent		275,895	-	275,895
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,317,710	-17,267	6,334,977
Non-controlling interests		1,560,175	-	1,560,175
TOTAL EQUITY		7,877,885	-17,267	7,895,152
Liabilities				
Medium / Long term financial debt	iii)	2,830,894	22,299	2,808,595
Provisions		270,352	-	270,352
Deferred tax liabilities		355,613	-	355,613
Institutional partnerships in U.S. wind farms		2,163,722	-	2,163,722
Trade and other payables from commercial activities		489,929	-	489,929
Other liabilities and other payables		650,061	-	650,061
TOTAL NON-CURRENT LIABILITIES		6,760,571	22,299	6,738,272
Short term financial debt		428,368	-	428,368
Provisions		5,366	-	5,366
Trade and other payables from commercial activities		685,146	-	685,146
Other liabilities and other payables		381,246	-	381,246
Current tax liabilities		90,253	-	90,253
TOTAL CURRENT LIABILITIES		1,590,379	-	1,590,379
TOTAL LIABILITIES		8,350,950	22,299	8,328,651
TOTAL EQUITY AND LIABILITIES		16,228,835	5,032	16,223,803

i) In the context of the adoption of IFRS 9, the category of "Available-for-sale financial investments" previously foreseen in IAS 39 ceases to exist. Accordingly, on 1 January 2018, the Group performed an analysis of the business model applicable to its financial assets and classified them in accordance with the new categories set forth in IFRS 9. In this context, as a result of the analysis of the business model applicable to available-for-sale financial assets at the date of adoption of IFRS 9, the EDPR Group has classified equity instruments held for long-term strategic purposes as Equity instruments measured at fair value through other comprehensive income.

ii) The adjustment in these captions result from the increase of impairment losses in accordance with the new expected credit losses model provided by IFRS 9.

iii) Through the issuance of IFRS 9, the IASB has clarified the derecognition of financial liabilities accounting procedure according to IAS 39 when a non-substantial change on terms and conditions takes place. In this regard EDPR has reassessed non-substantial changes that took place in previous periods and proceed to adjust these accordingly.

iv) Due to the implementation of IFRS 9, EDPR Group has recorded in the caption Reserves and retained earnings an impact of a decrease amounting to 17,267 thousand Euros, net of deferred tax, related to the counterparts of the movements mentioned in paragraphs ii) and iii).

- **IFRS 15 - Revenue from the Contracts with Customers (object of clarification issued in April 12, 2016)**

The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 2016. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The new standard presents the principles that shall be applied by an entity in order to provide more useful information to users of financial statements about the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a customer.

The core principle of IFRS 15 is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as provided in the 5 steps methodology. This methodology consists in the following steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

EDPR Group has analyzed the changes resulting from the adoption of IFRS 15 in order to assess qualitative and quantitative impacts. Accordingly, qualitative analysis and conclusions are presented in note 2 and there are no quantitative impacts resulting from its adoption since:

i) For contracts with customers in which the sale of energy is generally expected to be the only performance obligation, adoption of IFRS 15 does not have any impact on the EDPR Group's revenue recognition pattern and timing, where the revenue recognition to occurs over time according with the practical expedient by which if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date the entity may recognize revenue in the amount to which the entity has a right to invoice.

ii) In what respects bundled sale arrangements, in which EDPR Group sells products and/or services as a part of an integrated commercial offer, the Group accounts the sale of each product and/or service separately if they are distinct, this is, only if the product or service is separately identifiable in the context of the integrated offer. The consideration paid is allocated between the goods or services separately identifiable based on their relative stand-alone selling prices.

iii) Regarding rendering of services, EDPR Group concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, under IFRS 15 the Group will continue to recognize revenue for these service contracts/service over time rather than at a point in time.

iv) In what concerns variable transaction prices, EDPR Group only recognizes revenue when it is highly probable that there will not be any significant reversal.

Overall, the EDPR Group does not have impacts on its statement of financial position and equity for the adoption of IFRS 15.

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

- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- IFRS 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- Annual Improvement Project (2014-2016)

Standards, amendments and interpretations issued but not yet effective for the Group

The standard issued but not yet effective for the Group, which impact is being evaluated, is the following:

- **IFRS 16 - Leases**

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers. This standard has not yet been adopted by the European Union.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessees and lessors provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows of the entity.

The main issues considered are as follows:

- inclusion of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

- introduction of a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately.

At the date of the publication of these consolidated financial statements, the EDPR Group has already carried out an inventory of the existing lease contracts and is currently performing a technical analysis considering the provisions of IFRS 16. In addition, EDPR Group is revising the existing information systems in order to assess to what extent will be necessary to adapt them to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to the adoption of this standard.

The standards, amendments and interpretations issued but not yet effective for the Group (despite their effective dates of application, they have not yet been endorsed by the UE) with no estimated significant impact are the following:

- IFRS 9 (Amended) - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 17 - Insurance Contracts;
- IAS 28 (Amended) - Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- "Annual Improvement Project (2015-2017)"
- IAS 19 (Amended) - Plan Amendment, Curtailment or Settlement; and
- Amendments to References to the Conceptual Framework in IFRS.

04. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

IFRS require the use of judgement and the making of estimates in the decision process regarding certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

The critical accounting estimates and judgements made by management in applying the EDPR Group's accounting policies were the same as those that applied to the consolidated financial statements as at 31 December 2017, with a special note for the following items.

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. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements are presented fairly, in all material respects.

Fair value and classification of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or determined by external entities or by pricing models, based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values.

Consequently, the use of different methodologies and different assumptions or judgments in applying a particular model could generate different financial results and different financial instruments classification from those reported.

Additionally, financial instruments' classification as debt or equity requires judgement in the interpretation of contractual clauses and in the evaluation of the existence of a contractual obligation to deliver cash or other financial assets.

Review of the useful life of the assets

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the first quarter of 2018, the Group reviewed and extended the useful life of its solar farms from 30 to 35 years based on a technical study conducted by an independent entity that considered the technical and economic availability for an additional period of 5 years. The impact of this change is not significant in this condensed consolidated financial statements (see note 13).

05. 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. Main financial risks arise from interest-rate and the exchange-rate exposures. The volatility of the financial markets is analysed on an on-going basis in accordance with EDPR's risk management policy. Financial instruments are used to minimize potential adverse effects on EDP Renováveis financial performance resulting from interest rates and foreign exchange rates changes.

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. Instruments used for hedging are foreign exchange derivatives, foreign exchange debt and other hedging structures with offsetting exposure versus the item to be hedged. 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. EDPR is also exposed to Polish Zloty, Romanian Leu, Brazilian Real and, to a minor extent, Canadian Dollar and British Pound.

To hedge the risk originated with net investment in EDPR NA, EDP Renováveis uses financial debt expressed in USD and also entered into a CIRS in USD/EUR with EDP Branch and EDP Finance BV. Following the same strategy adopted to hedge these investments in USA, EDP Renováveis has also entered into CIRS in BRL/EUR, in PLN/EUR, in RON/EUR, and in CAD/EUR to hedge the investments in Brazil, Poland, Romania and Canada (see note 35).

Sensitivity analysis - Foreign exchange rate

As a consequence a depreciation/appreciation of 10% in the foreign currency exchange rate, with reference to 30 June 2018 and 30 June 2017, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSAND EUROS	30 JUN 2018			
	PROFIT OR LOSS		EQUITY	
	+10%	-10%	+10%	-10%
USD/EUR	8,752	-10,697	-	-
	8,752	-10,697	-	-

THOUSAND EUROS	30 JUN 2017			
	PROFIT OR LOSS		EQUITY	
	+10%	-10%	+10%	-10%
USD / EUR	6,294	-7,692	-	-
	6,294	-7,692	-	-

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 15 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

About 88% 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 EDPR Group debt portfolio 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 2018 and 2017 would increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

THOUSAND EUROS	30 JUN 2018			
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS
Cash flow hedge derivatives	-	-	6,336	-7,478
Unhedged debt (variable interest rates)	-1,449	1,449	-	-
	-1,449	1,449	6,336	-7,478

THOUSAND EUROS	30 JUN 2017			
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS
Cash flow hedge derivatives	-	-	7,420	-7,656
Unhedged debt (variable interest rates)	-1,049	1,049	-	-
	-1,049	1,049	7,420	-7,656

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 recommendations, which is implemented across all departments in all EDP Renováveis geographies. EDP Renováveis Group is exposed to counter-party risk in financial derivatives transactions and in energy sales (electricity, GC and RECs).

Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions or to 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 and credit quality of external counterparties is analysed and collaterals required when needed.

In the process of selling the energy (electricity, GCs and RECs produced), exposure arise from trade receivables, but also from mark-to-market of long term contracts:

- In the specific case of the energy sales of EDPR EU Group, the Group's main customers are utilities and regulated entities in the market of their respective countries (EDP and CNMV in the case of the Spanish market). Credit risk from trade receivables 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 with 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 from trade receivables is not significant due to the limited average collection period for customer balances and the quality of the debtors. However, the exposure due to the mark-to-market of long term contracts may be significant. This exposure is managed by a detailed assessment of the counter-party before signing any long term agreement and by a requirement of collaterals when needed.

Regarding Trade receivables and other debtors, they are recognized net of the impairment losses. 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 2018, 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 sold with merchant exposure (electricity, green certificates and RECs generated, this market 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 2017 to 2020 (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.

06. CONSOLIDATION PERIMETER

During the six-month period ended in 30 June 2018, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:

- EDP Renewables Italia Holding, S.r.L. acquired 100% of the share capital of the company Breva Wind S.r.L.. 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 Renováveis Brasil, S.A. acquired 100% of the following companies:
  - Central Eólica Aventura III, S.A.,
  - Central Eólica Aventura IV, S.A.,
  - Central Eólica Aventura V, S.A.,
  - Central Eólica SRMN I, S.A.,
  - Central Eólica SRMN II, S.A.,
  - Central Eólica SRMN III, S.A.; and
  - Central Eólica SRMN IV, S.A.,

  These transactions have been considered, for consolidation purposes, as asset acquisitions out of the scope of IFRS Business Combinations due to the nature of such transactions, the type of assets acquired and the initial stage of completion of the projects.
- EDP Renewables Europe, S.L.U. acquired 100% of the share capital of the following Greek companies:
  - Wind Park Aerorrachi A.E.
  - Energiaki Arvanikou MEPE

  These transactions have been considered, for consolidation purposes as asset acquisitions out of the scope of IFRS 3 – Business Combinations, due to the nature of such transactions, the type of assets acquired and the initial stage of completion of the projects.

Companies incorporated:

- Parque Eólico Cañete, S.L.;
- Parque Eólico La Estancia, S.L.;
- Parque Eólico Valdelugo, S.L.;
- Moray East Holdings Limited;
- Moray West Holdings Limited;
- 2018 Vento XVIII LLC *;
- Bayou Bend Solar Park LLC *;
- Casa Grande Carmel Solar LLC *;
- EDPR Wind Ventures XVIII LLC *;
- Loma de la Gloria Solar Park LLC *;
- San Clemente Solar Park LLC *;
- Wrangler Solar Park LLC *;
- Cielo Solar Park LLC*;
- EDPR Wind Ventures XIX LLC*;
- 2018 Vento XIX LLC*;
- Indiana Crossroads Wind Farm III LLC*;
- Loyal Wind Farm LLC*;
- Marathon Wind Farm LLC*;
- Quilt Block Wind Farm II LLC*;
- Shullsburg Wind Farm LLC*;
- Loblolly Hill Solar Park LLC*;
- Helena Harbor Solar Park LLC*;
- Kennedy Wind Farm GP Ltd*;
- Kennedy Wind Farm LP*;
- Bromhead Solar Park GP Ltd*;
- Bromhead Solar Park LP*;
- Halbrite Solar Park GP Ltd*;
- Halbrite Solar Park LP*;
- Blue Bridge Solar Park GP Ltd*;
- Blue Bridge Solar Park LP*;
- EDP Renewables Canada Management Service Ltd*;
- EDP Renewables Sask SE GP Ltd*;
- EDP Renewables Sask SE Limited Partnership*;

* EDPR Group holds, through its subsidiary EDPR NA and EDPR Canada, a set of subsidiaries legally established in the United States and Canada without share capital and that, as at 30 June 2018, do not have any assets, liabilities, or any operating activity.

Other changes:

- According to the sale agreement celebrated in 2017, Moray Offshore Renewable Power Limited sold 20% of the equity consolidated company Moray Offshore Windfarm (East) Limited to Diamond Generation Europe Limited by 20,168 thousand Euros the equivalent of 17,817 thousand Pound Sterling (which corresponds to a sale price of 35,766 thousand Pound Sterling deducted from 17,751 thousand Pound Sterling of loans and transaction costs in the amount of 198 thousand Pound Sterling) generated a gain of 14,688 thousand Euros (see note 14).

- EDP Renovables España S.L.U. has completed during the first quarter of 2018 the disposal of 5% shareholding in the company Acampo Arias S.L.U. in which previously held 100% of shareholding, with no significant impacts in the consolidated financial statements.
- EDP Renewables, SGPS, S.A. has acquired 60% of shareholding in the company Windplus S.A. in which previously held 19.4% and had significant influence, being therefore consolidated by the equity method. In accordance with the Shareholders Agreement and other relevant contracts, it has been established a shared control of the company thus the company remains consolidated by the equity method.
- EDP Renewables Canada LP Holdings Ltd. has been merged into EDP Renewables Canada Ltd.

07. REVENUES

Revenues are analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Revenues by business and geography		
Electricity in Europe	479,161	495,740
Electricity in North America	314,049	340,817
Electricity in Brazil	19,071	18,563
	812,281	855,120
Other revenues	420	169
	812,701	855,289
Services rendered	612	891
Changes in inventories and cost of raw material and consumables used		
Cost of consumables used	9,130	-593
Changes in inventories	537	492
	9,667	-101
Total Revenues	822,980	856,079

The breakdown of revenues by segment is presented in the segmental reporting (see note 41).

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

Income from institutional partnership in U.S. Wind Farms in the amount of 100,404 thousand Euros (30 June 2017: 132,102 thousand 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 and II, Blue Canyon I and Vento I to XVII (see note 32).

09. OTHER INCOME

Other income is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Amortisation of deferred income related to power purchase agreements	1,343	2,086
Contract and insurance compensations	11,676	6,341
Other income	42,102	10,867
	55,121	19,294

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. This liability is amortised over the period of the agreements against Other income. As at 30 June 2018, the amortisation for the period amounts to 1,343 thousand Euros (30 June 2017: 2,086 thousand Euros). The remaining balance of these contracts as at 30 June 2018 amounts to 12,685 thousand Euros (13,686 thousand Euros as at 31 December 2017 - see note 33).

The other captions mainly reflect insurance, liquidated damages and other business compensations.

10. SUPPLIES AND SERVICES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Rents and leases	29,647	29,832
Maintenance and repairs	90,686	87,992
Specialised works:		
- IT Services, legal and advisory fees	7,675	6,230
- Shared services	4,851	4,330
- Other services	5,306	6,196
Other supplies and services	21,481	20,788
	159,646	155,368

11. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Personnel costs		
Board remuneration	369	369
Remunerations	42,469	39,907
Social charges on remunerations	7,062	6,598
Employee's variable remuneration	10,350	7,190
Other costs	1,273	759
Own work capitalised	-10,959	-11,055
	50,564	43,768
Employee benefits		
Costs with pension plans	2,358	2,251
Costs with medical care plans and other benefits	4,056	2,976
Other	-	876
	6,414	6,103
	56,978	49,871

As at 30 June 2018, Costs with pension plans relates essentially to defined contribution plans in the amount of 2,299 thousands of Euros (30 June 2017: 2,193 thousands of Euros) and defined benefit plans amounting to 5 thousand Euros (4 thousand Euros as at 30 June 2017).

The average breakdown by gender of the permanent staff as of 30 June 2018 and 2017 is as follows:

	30 JUN 2018	30 JUN 2017
Female	399	368
Male	875	762
	1,274	1,130

12. OTHER EXPENSES

Other expenses are analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Taxes	55,629	59,105
Losses on fixed assets	609	4,962
Other costs and losses	19,813	19,449
	76,051	83,516

The caption Taxes, on 30 June 2018, includes the amount of 16,024 thousands of Euros (30 June 2017: 15,988 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.

13. AMORTISATION AND IMPAIRMENT

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Property, plant and equipment		
Buildings and other constructions	557	350
Plant and machinery	261,134	263,515
Other	4,639	4,184
	266,330	268,049
Intangible assets		
Industrial property, other rights and other intangibles	599	1,330
Impairment loss	-	1,406
	599	2,736
	266,929	270,785
Amortisation of deferred income (Government grants)	-7,887	-11,101
	259,042	259,684

The variation of the period includes the impact of the extension of the useful life of solar renewable assets from 30 to 35 years that took place at the beginning of January 2018 which results in a decrease of the depreciation expense in the amount of around 400 thousand Euros compared to the depreciation that would have resulted if the extension of the useful life had not taken place.

Amortisation of deferred income (Government grants) refers to grants for fixed assets received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States that are amortised through the recognition of revenue in the income statement over the useful life of the related assets (see note 33).

14. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses are analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Financial income		
Interest income	6,328	2,743
Derivative financial instruments:		
Interest	163	-
Fair value	11,119	6,323
Foreign exchange gains	5,011	17,061
Other financial income	15,135	425
	37,756	26 552
Financial expenses		
Interest expense	81,596	84,082
Derivative financial instruments:		
Interest	39,684	31,660
Fair value	4,171	5,797
Foreign exchange losses	5,274	1,782
Own work capitalised	-10,160	-5,859
Unwinding	42,913	51,242
Other financial expenses	7,118	5,680
	170,596	174,384
NET FINANCIAL INCOME / (EXPENSES)	-132,840	-147,832

Other financial income caption include the gain on the sale of 20% of the share capital of the equity consolidated company Moray Offshore Windfarm (East) Ltd to International Power Consolidated Holdings Ltd in the amount of 14,688 thousand Euros (see note 6). A first 23,3% stake was sold to Engie during the second half of 2017 which implied loss of sole control over the company according to the relevant agreements signed (see note 26).

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

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

In accordance with the corresponding accounting policy, the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2018 amounted to 10,160 thousand Euros (at 30 June 2017 amounted to 5,859 thousands Euros) (see note 16), and are included under Own work capitalised (financial interest). The interest rates used for this capitalisation vary in accordance with the related loans.

Unwinding expenses refers essentially to the financial update of provisions for dismantling and decommissioning of wind farms of 2,469 thousand Euros (30 June 2017: 2,664 thousand Euros) (see note 31) and the implied return in institutional partnerships in U.S. wind farms of 40,441 thousands Euros (30 June 2017: 48,415 thousand Euros) (see note 32).

15. 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 2018	30 JUN 2017
Europe:		
Belgium	29,58%	33.99%
France	28% - 34,43%	33.33% - 34.43%
Italy	24% - 28,8%	24% - 28.8%
Poland	19%	19%
Portugal	21% - 31,5%	21% - 29.5%
Romania	16%	16%
Spain	25%	25%
United Kingdom	19%	19%
Greece	29%	29%
America:		
Brazil	34%	34%
Canada	26,50%	26.50%
Mexico	30%	30%
United States of America	24,9%	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 are taxed under the tax consolidation group regime foreseen in 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. Furthermore, effective as from January 1st, 2017, there is a second tax group comprised by 7 subsidiaries and EDPR Participaciones, S.A. as the dominant company.

As per the applicable tax legislation, tax periods may be subject to inspection 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 and Portugal: 4 years; Brazil, Romania, Poland, Italy, Greece and Mexico: 5 years; and Canada: 10 years. Notwithstanding this, it is important to note that, in case of Portugal and France, if tax losses/credits being carried-forward are utilized, the statute of limitation is extended to the years when such tax losses/credits were generated. In Spain, tax losses may be subject to the Tax Authorities´ verification up to 10 years after they are generated; once this period has expired, taxpayers must prove the origin of the tax losses whose utilization is intended.

Tax losses generated 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 Portugal, Greece and Poland; 7 in Romania; 10 in Mexico; 20 in Canada; and indefinitely in the United States, Spain, France, Italy, Belgium, Brazil and the United Kingdom. Moreover, in France and the UK tax losses in a given year may be carried back against the taxable base assessed in the previous tax year, and in Canada in the 3 previous years. Notwithstanding this, the deduction of tax losses in the USA, Portugal, Spain, Brazil, France, Italy, the United Kingdom and Poland is limited to a percentage of the taxable income of each period, or subject to other limitations.

EDP Renováveis Group companies may, in accordance with the law, benefit from certain tax benefits or incentives under specific conditions. Most importantly, 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 over the first 10 years of the asset's life. Wind facilities that qualify for the application of the PTC prior to 1 January 2017, benefit from 100% of the credit ($23/MWh in 2016, $24/MWh in 2017 – the rate is adjusted each year for inflation). The PTC amount is reduced by 20% for wind facilities qualifying in 2017, 40% in 2018 and 60% in 2019.

Transfer pricing legislation is duly complied with by EDP Renováveis Group. Its policy follows 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 2017

Corporate income tax ("CIT") rate

In 2017, the statutory CIT rates applicable in 2018 in Belgium, Portugal, France and the United States were reduced as follows:

- In Belgium, the Corporate Tax Reform Act of 25 December 2017 decreased the standard CIT rate (previously amounting to 33%) to 29% for fiscal years starting after 1 January 2018 and 25% in 2020. The 3% surcharge applicable on the corporate tax rate (which previously resulted in an aggregate standard tax rate of 33.99%) was decreased to 2% in 2018 and will be abolished in 2020;
- In Portugal, the national surtax imposed on the taxable profit determined for IRC purposes exceeding € 35,000,000 has been increased from 7% to 9% for fiscal years starting in 2018 onwards;
- In France, the Finance Bill 2018 voted on 30 December 2017 (LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018) includes the reduction of CIT rates progressively to 25% by 2022. For fiscal years starting in 2018, the CIT rate will amount to 28% on taxable income lower than € 500,000 (33.33% onwards).

- In the USA, the "Tax Cuts and Jobs Act" signed into law on 22 December 2017 introduced extensive changes to the US tax system, most becoming effective for fiscal years starting after 31 December 2017. One of the key changes of this reform for EDP is the reduction of the US federal corporate income tax rate, from the existing 35% to 21%, effective for fiscal years starting after 31 December 2017. Thus, when combined with average state corporate income taxes applicable to EDPR North America companies, the US combined tax rate drops to 24.91% in 2018.

Tax losses carried forward

- In the United Kingdom, a reform to corporate tax loss relief was implemented, providing greater flexibility over the types of profit that can be relieved by losses arising from 1 April 2017 (the scope of relief is extended by including non-trading profits in those available for set-off). However, the total amount of profits arising from 1 April 2017 that can be relieved using carried-forward trading losses is restricted to the amount of an allowance up to £5 million, plus 50% of remaining profits after deduction of the allowance.

- In the USA, according to the abovementioned tax reform, the net operating losses' deductibility will be limited to 80% of the taxable income in each year, for fiscal years starting after 31 December 2017. Furthermore, net operating losses generated after 2017 will be carried forward for an indefinite period but will not be carried back. There is no change to the rules applied to net operating losses generated before the end of 2017.

Corporate income tax provision

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Current tax	-35,541	-26,936
Deferred tax	-19,009	-43,810
INCOME TAX EXPENSE	-54,550	-70,746

The effective income tax rate as at 30 June 2018 and 2017 is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Profit before tax	294,708	313,278
Income tax expense	-54,550	-70,746
Effective Income Tax Rate	18.51%	22.58%

The difference between the theoretical and the effective income tax expense, results from the application of the law provisions in the determination of the tax base, as demonstrated below.

The reconciliation between the nominal and the effective income tax rate for the Group during the period ended 30 June 2018 and 2017 is analysed as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
Profit before taxes	294,708	313,278
Nominal income tax rate (*)	25.00%	25.00%
Theoretical income tax expense	-73,677	-78,320
Fiscal revaluations, amortization, depreciation and provisions		
Tax losses and tax credits	7,543	-37
Financial investments in associates	736	3,175
Accounting/fiscal temporary differences on the recognition/derecognition of assets		
Effect of tax rates in foreign jurisdictions and CIT rate changes	-4,230	-21,654
Taxable differences attributable to non-controlling interests (USA)	12,156	24,909
Other	2,922	1,181
EFECTIVE INCOME TAX EXPENSE AS PER THE CONSOLIDATED INCOME STATEMENT	-54,550	-70,746

(*) Statutory corporate income tax rate applicable in Spain

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Cost		
Land and natural resources	32,443	31,632
Buildings and other constructions	21,003	21,034
Plant and machinery:		
- Renewables generation	17,419,211	17,088,854
- Other plant and machinery	699	6,694
Other	120,879	112,689
Assets under construction	1,286,896	949,359
	18,881,131	18,210,262
Accumulated depreciation and impairment losses		
Depreciation charge	-266,330	-530,074
Accumulated depreciation in previous years	-4,941,049	-4,353,226
Impairment losses	-	-48,868
Impairment losses in previous years	-140,110	-92,893
	-5,347,489	-5,025,061
Carrying amount	13,533,642	13,185,201

The movement in Property, plant and equipment for the six-month period ended 30 June 2018, is analysed as follows:

THOUSAND EUROS	BALANCE AT 01 JAN	ADDITIONS	DISPOSALS/ WRITE-OFF	TRANSFERS	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCE AT 30 JUN
Cost							
Land and natural resources	31,632	453	-	-	358	-	32,443
Buildings and other constructions	21,034	-	-	-	217	-248	21,003
Plant and machinery	17,095,548	14	-7,052	123,736	177,671	29,993	17,419,910
Other	112,689	4,440	-503	2,590	1,663	-	120,879
Assets under construction	949,359	461,703	-	-126,326	1,414	746	1,286,896
	18,210,262	466,610	-7,555	-	181,323	30,491	18,881,131

THOUSAND EUROS	BALANCE AT 01 JAN	CHARGE FOR THE PERIOD	DISPOSALS/ WRITE-OFF	EXCHANGE DIFFERENCES	CHANGES IN PERIMETER/ OTHER	BALANCEAT 30 JUN
Accumulated depreciation and impairment losses						
Buildings and other constructions	11,910	557	-	194	-	12,661
Plant and machinery	4,862,865	261,134	-6,456	56,393	2,957	5,176,893
Assets under construction	64,291	-	-	-1,770	3,553	66,074
Other	85,995	4,639	-141	1,368	-	91,861
	5,025,061	266,330	-6,597	56,185	6,510	5,347,489

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

Depreciation charge for the period includes the impact of the extension of the useful life of solar renewables assets that took place at the beginning of January 2018 (see note 13).

Additions include the investment in wind farms and solar plants under development and construction mainly in the United States, Brazil, Italy, Spain and Portugal. This caption also includes the allocation of the acquisition cost of the Italian company Breva Wind amounting to 11,340 thousand Euros and Greek companies Wind Park Aerorrachi and Energiaki Arvanikou amounting to 2,622 thousand Euros due to the nature of the transactions, the type of assets and the initial stage of completion of the projects acquired (see note 6).

Transfers from assets under construction into operation mainly refer to wind and solar farms that become operational in Italy, Brazil, United States and Spain.

Exchange differences are mainly generated by the variation in the exchange rate of the US Dollar and Brazilian Real.

The caption Changes in perimeter/Other mainly includes the reclassification from intangible assets of payments performed for accessing the Grid operator networks in the United States amounting to 32,305 thousand Euros of cost and 6,409 thousand Euros of accumulated depreciation (see note 17).

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.

Assets under construction as at 30 June 2018 and 31 December 2017 are analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
EDPR EU Group	395,391	513,269
EDPR NA Group	737,978	321,080
Other	153,527	115,010
	1,286,896	949,359

Assets under construction as at 30 June 2018 are essentially related to wind farms and solar plants under construction and development mainly in the United States, Spain, Brazil, Italy, Poland and Portugal.

Financial interests capitalised amount to 10,160 thousand Euros as at 30 June 2018 (30 June 2017: 5,859 thousand Euros) (see note 14).

Personnel costs capitalised amount to 10,959 thousand Euros as at 30 June 2018 (30 June 2017: 11,055 thousand Euros) (see note 11).

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

17. INTANGIBLE ASSETS

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Cost		
Industrial property, other rights and other intangible assets	255,998	274,642
Intangible assets under development	45,338	41,689
	301,336	316,331
Accumulated amortisation		
Amortisation charge	-599	-2,535
Accumulated amortisation in previous years	-48,299	-52,005
Impairment losses	-	-1,397
Impairment losses in previous years	-12,265	-10,880
	-61,163	-66,817
CARRYING AMOUNT	240,173	249,514

Industrial property, other rights and other intangible assets mainly include:

- Wind generation licenses amounting to 67,605 thousand Euros in the EDPR NA Group (31 December 2017: 98,317 thousand Euros) and in Portuguese companies amounting to 30,206 thousand Euros (the same amount as at 31 December 2017); and
- Deferred green certificates in Romania amounting to 122,681 thousand Euros (31 December 2017: 110,665 thousand Euros).

The movement in Intangible assets for the six-month period ended 30 June 2018, is analysed as follows:

Thousand Euros	BALANCE AT 01 JAN	ADDITIONS	EXCHANGE DIFFERENCES	OTHERS	BALANCE AT 30 JUN
Cost					
Industrial property, other rights and other intangible assets	274,642	12,488	1,173	-32,305	255,998
Intangible assets under development	41,689	3,649	-	-	45,338
	316,331	16,137	1,173	-32,305	301,336

Thousand Euros	BALANCE AT 01 JAN	CHARGE FOR THE YEAR	EXCHANGE DIFFERENCES	OTHERS	BALANCE AT 30 JUN
Accumulated amortisation and impairment losses					
Industrial property, other rights and other intangible assets	66,817	599	156	-6,409	61,163
	66,817	599	156	-6,409	61,163

Additions include the recognition of deferred green certificates rights in Romania in the amount of 8,839 thousand Euros.

The caption Changes in perimeter/Other mainly includes the reclassification to property, plant and equipment of payments performed for accessing the Grid operator networks in the United States amounting to 32,305 thousand Euros of cost and 6,409 thousand Euros of accumulated depreciation (see note 16).

18. 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:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Goodwill booked in EDPR EU Group:	635,762	636,089
- EDPR Spain Group	490,385	490,385
- EDPR France Group	61,460	61,460
- EDPR Portugal Group	43,712	43,712
- Other	40,205	40,532
Goodwill booked in EDPR NA Group	677,719	659,144
Goodwill booked in EDPR BR Group	881	994
	1,314,362	1,296,227

The variation with respect to 31 December 2017 is exclusively related to exchange differences, mainly in the US Dollar.

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Investments in associates		
Interests in joint ventures	246,578	252,174
Interests in associates	52,215	51,344
CARRYING AMOUNT	298,793	303,518

There were no significant changes in the caption investments in joint ventures and associates during the first half of 2018.

20. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. During the six-month period ended at 30 June 2018, 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 2017 consolidated financial statements.

The main variations in deferred tax assets and liabilities for the Group during the six months ended at 30 June 2018 and 2017 are analysed as follows:

THOUSAND EUROS	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	30 JUN 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
Balance as at 1 January	64,479	75,840	355,613	365,086
Tax losses and tax credits	27,278	19,104	-	
Fair value of financial instruments	12,800	-2,414	-1,573	3,437
Allocation of fair value adjustments to assets and liabilities acquired			6,597	20,775
Property, plant and equipment	-2,630	-1,279	15,614	6,977
Income from institutional partnerships in US wind farms			22,631	39,35
Netting of deferred tax assets and liabilities	45,695	-17,062	45,687	-17,062
Other temporary differences	160	-7,408	3,786	-8,839
Balance as at 30 June	147,782	66,781	448,355	409,724

21. INVENTORIES

This caption is analysed as follows:

THOUSAND EUROS	31 JUN 2018	31 DEC 2017
Advances on account of purchases	1,544	1,346
Finished and intermediate products	11,921	7,230
Raw and subsidiary materials and consumables	21,109	19,989
	34,574	28,565

22. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Debtors and other assets from commercial activities - Non-current		
Trade receivables	930	8,152
Deferred costs	16,610	19,360
Sundry debtors and other operations	585	13,034
	18,125	40,546
Debtors and other assets from commercial activities - Current		
Trade receivables	222,011	277,447
Prepaid turbine maintenance	4,217	2,550
Services rendered	24,695	5,748
Advances to suppliers	4,233	4,515
Sundry debtors and other operations	38,613	32,847
	293,769	323,107
Impairment losses	-266	-
	311,628	363,653

Trade receivables - Non- current, is mainly 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. The significant variation with respect 31 December 2017 is explained by the evolution of the energy pool prices in the Spanish market. Trade receivables – current mainly refers to electricity generation invoicing in EDPR EU amounting to 126,582 thousand Euros (169,665 thousand Euros as at 31 December 2018) and EDPR NA amounting to 80,342 thousand Euros (85,168 thousand Euros as at 31 December 2018).

Following the adoption of IFRS 9 on 1 January 2018, the caption of Debtors and other assets from commercial activities - Current includes 266 thousand Euros, which are the result of increases in impairment losses under the new expected credit loss model recommended in IFRS 9 (see notes 2 and 3).

The credit risk analysis is disclosed in note 5, under the Counterparty credit risk management.

23. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Other debtors and other assets - Non-current		
Loans to related parties	12,087	772
Derivative financial instruments	25,647	25,191
Sundry debtors and other operations	25,664	22,754
	63,398	48,717
Other debtors and other assets - Current		
Loans to related parties	46,509	42,406
Derivative financial instruments	13,393	21,429
Sundry debtors and other operations	77,285	50,382
	137,187	114,217
	200,585	162,934

Loans to related parties Non-Current mainly includes loans granted to the offshore projects in France amounting to 11,304 thousand Euros (6,048 thousand Euros as at December 31, 2017).

Loans to related parties - Current mainly include loans to the following equity consolidated companies: (i) 28,430 thousand Euros related to the UK company Moray Offshore Windfarm (East) Ltd (19,282 thousand Euros as at 31 December 2017); (ii) 12,745 thousand Euros related to the Spanish company Parque Eólico Sierra del Madero, S.A. (12,785 thousand Euros as at 31 December 2017); and 3,426 thousand Euros related to the Spanish company AERE as at 30 June 2018 and 31 December 2017.

Additionally, Sundry debtors –Current mainly includes: (i) 30,401 thousand Euros as at 30 June 2018 (20,361 thousands of Euros as at 31 December 2017) related with the estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España; (ii) 13,796 thousand Euros related to deposits for interconnection and transmission rights in EDPR NA (11,862 thousand Euros as at 31 December 2018); and (iii) 8,972 thousand Euros related to part of the price adjustment, according to the corresponding agreements, in the transaction of sale of 49% of EDP Renováveis Portugal S.A to CTG that took place in 2013 which will be received in the short-term. The amount to be received in the long-term is included in Sundry debtors non-current amounting to 13,056 thousand Euros.

For derivatives, see note 36.

24. CURRENT TAX ASSETS

Current tax assets is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Income tax	27,986	22,767
Value added tax (VAT)	36,878	45,660
Other taxes	3,348	3,714
	68,212	72,141

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Cash	186	2
Bank deposits		
Current deposits	189,678	172,327
Term deposits	116,572	114,258
Specific demand deposits in relation to institutional partnerships	57,567	101,474
	363,817	388,059
Other short term investments	25,271	-
	389,274	388,061

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 corresponding accounting policy. 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 debit balance of the EUR current account with EDP Servicios Financieros España S.A. amounting to 25,271 thousands Euros in accordance with the terms and conditions of the contract signed between the parties. This current account had a credit balance as at 31 December 2017 and therefore it was classified as a Financial Debt (see note 30).

26. ASSETS AND LIABILITIES HELD FOR SALE

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Assets of the business of electricity generation – Moray East	49,893	58,179
ASSETS HELD FOR SALE	49,893	58,179

In 2017, EDPR Group committed to the plan of selling certain stake of Moray Offshore Windfarm (East) Limited, thus, according to the analysis performed under IFRS 5, this sale was considered highly probable and its assets and liabilities were classified as held for sale. In the third quarter of 2017 EDPR Group completed the first sale to Engie of 23.3% of the equity shareholding and shareholder loans which implied a loss of sole control over the company according to the agreements signed. In addition, on March 2018, EDPR Group sold an additional 20% of the equity shareholding and shareholder loans of the company to Diamond Generation Europe Limited (see notes 6 and 14). As at 30 June 2018, the assets attributable to the value of the investment in the equity consolidated company and respective loans that will be disposed in subsequent transactions are recognised in non-current assets held for sale in the amount of 49,893 thousand Euros (9,125 thousand Euros as the value of the equity investment – 13,987 thousand Euros as at 31 December 2017 and 40,768 thousand Euros as shareholder loans – 44,192 thousand Euros as at 31 December 2017).

27. SHARE CAPITAL AND SHARE PREMIUM

At 30 June 2018 and 2017, 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 2018 is analysed as follows:

	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	720,191,372	82.56%	82.56%
Other (*)	152,116,790	17.44%	17.44%
	872,308,162	100.00%	100.00%

(*) Shares quoted on the Lisbon stock exchange

In the context of the General and Voluntary Public Tender Offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. that was concluded on the third quarter of 2017, EDP - Energias de Portugal, S.A. increased its interest in the company from 77.53% to 82.56% and consequently its interest in their subsidiaries. As a result of this transaction, EDP - Energias de Portugal, S.A. holds 720,191,372 shares in EDP Renováveis, S.A.

In May 2018 China Three Georges (Europe), S.A. a company indirectly and wholly held by CTG and which holds 23,3% of EDP – Energias de Portugal, S.A. (EDP), published two preliminary announcements pursuant to which it informed the market that it will launch a general and voluntary tender offer (Offer) over the shares issued by EDP Energías de Portugal, S.A. and a general and mandatory Offer over the shares issued by EDP Renováveis, S.A (see note 1).

There were no movements in the Share capital and Share premium for the six-month period ended 30 June 2018. The share premium is freely distributable.

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

	30 JUN 2018	30 JUN 2017
Profit attributable to the equity holders of the parent (in thousand Euros)	138,848	134,034
Profit from continuing operations attributable to the equity holders of the parent (in thousand Euros)	138,848	134,034
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)	0.16	0.15
Earnings per share (diluted) attributable to equity holders of the parent (in Euros)	0.16	0.15
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent (in Euros)	0.16	0.15
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent (in Euros)	0.16	0.15

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 2018 and 31 December 2017.

The average number of shares was determined as follows:

	30 JUN 2018	30 JUN 2017
Ordinary shares issued at the beginning of the period	872,308,162	872,308,162
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:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Other comprehensive income		
Fair value reserve (cash flow hedge)	-72,276	-48,565
Fair value reserve (Equity instruments at fair value)	6,499	6,499
Exchange differences arising on consolidation	-80,108	-82,672
	-145,885	-124,738
Other reserves and retained earnings		
Retained earnings and other reserves	1,338,411	1,147,871
Additional paid in capital	60,666	60,666
Legal reserve	73,045	61,707
	1,472,122	1,270,244
	1,326,237	1,145,506

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.

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 JUN 2018		EXCHANGE RATES AS AT 30 JUN 2017		EXCHANGE RATES AS AT 31 DECEMBER 2017	
		CLOSING RATE	AVERAGE RATE	CLOSING RATE	AVERAGE RATE	CLOSING RATE	AVERAGE RATE
US Dollar	USD	1.166	1.210	1.141	1.083	1.199	1.129
Polish Zloty	PLN	4.373	4.220	4.226	4.270	4.177	4.258
Brazilian Real	BRL	4.488	4.140	3.760	3.443	3.973	3.605
Romanian Leu	RON	4.663	4.654	4.552	4.537	4.659	4.569
Pound Sterling	GBP	0.886	0.880	0.879	0.861	0.887	0.877
Canadian Dollar	CAD	1.544	1.545	1.479	1.445	1.504	1.465

29. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Non-controlling interests in income statement	101,310	180,312
Non-controlling interests in share capital and reserves	1,513,701	1,379,863
	1,615,011	1,560,175

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

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
EDPR NA Group	917,653	868,584
EDPR EU Group	636,700	622,581
EDPR BR Group	60,658	69,010
	1,615,011	1,560,175

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

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Balance as at 1 January	1,560,175	1,448,052
Dividends distribution	-37,154	-48,730
Net profit for the year	101,310	180,312
Exchange differences arising on consolidation	13,801	-119,486
Acquisitions and sales without change of control	1,351	120,608
Increases/(Decreases) of share capital	-27,127	-30,954
Other changes	2,655	10,373
Balance as at 31 December	1,615,011	1,560,175

30. FINANCIAL DEBT

Financial debt current and Non-current is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	372,859	424,417
- EDPR BR Group	199,020	175,356
- EDPR NA Group	224,119	226,154
Loans received from EDP group entities:		
- EDP Renováveis, S.A.	383,125	367,526
- EDP Renováveis Servicios Financieros, S.L.	1,957,425	1,615,009
Other loans:		
- EDPR EU Group	84	133
TOTAL DEBT AND BORROWINGS - NON-CURRENT	3,136,632	2,808,595
Collateral Deposits - Non-current (*)		
Collateral Deposit - Project Finance and others	-25,006	-32,720
TOTAL COLLATERAL DEPOSITS - NON-CURRENT	-25,006	-32,720

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Financial debt - Current		
Bank loans:		
- EDPR EU Group	78,096	127,849
- EDPR BR Group	11,199	11,500
- EDPR NA Group	19,127	26,752
Loans received from EDP group entities:		
- EDP Renováveis Servicios Financieros, S.L.	362,745	239,514
Other loans:		
- EDPR EU Group	96	109
Interest payable	37,200	22,644
TOTAL DEBT AND BORROWINGS - CURRENT	508,463	428,368
Collateral Deposits - Current (*)		
Collateral Deposit - Project Finance and others	-14,570	-10,026
TOTAL COLLATERAL DEPOSITS - CURRENT	-14,570	-10,026
TOTAL DEBT AND BORROWINGS – CURRENT AND NON-CURRENT	3,645,095	3,236,963
Total Debt and borrowings net of collaterals – Current and Non-current	3,605,519	3,194,217

(*) 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.

Loans received from EDP group entities current and non-current as at 30 June 2018 mainly refer to a set of loans granted by EDP Finance BV amounting to 1,410,282 thousand Euros, including interests and deducted of debt arrangement expenses, with a long-term maturity and by EDP Servicios Financieros España S.A. amounting to 1,157,245 thousand Euros including interests (950,696 thousand Euros non-current and 206,549 thousand Euros current). The bundled average maturity regarding group long-term loans is 2 and a half years and bear interest at fixed market rates. These loans amounted to 1,208,118 thousand Euros including interests for loans granted by EDP Finance BV and 965,870 thousand Euros for loans granted by EDP Servicios Financieros España S.A. as at 31 December 2017. This caption also includes the credit balance of the USD current account with EDP Servicios Financieros España S.A. amounting to 170,781 thousand Euros (54,389 as at 31 December 2017).

The main events regarding financing and refinancing of the period refer to: i) the anticipated repayment of project finance debt amounting 59,302 thousand Euros refinanced with corporate debt; ii) new project finance debt totaling 47,806 thousand Euros in Brazil; and iii) new Intercompany Debt totaling 306,667 thousand Euros.

As at 30 June 2018, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

THOUSAND EUROS	2018	2019	2020	2021	2022	FOLLOWING YEARS	TOTAL
Bank loans							
Euro	38,813	43,038	44,828	45,407	43,627	133,457	349,170
Polish Zloty	7,176	15,214	15,736	17,229	14,043	32,971	102,369
American Dollar	10,047	11,291	11,737	11,922	11,678	166,618	223,293
Brazilian Real	7,031	13,788	17,225	14,432	13,501	145,827	211,804
Others	1,393	3,134	3,278	3,444	3,613	5,109	19,971
	64,460	86,465	92,804	92,434	86,462	483,982	906,607
Loans received from EDP Group companies							
Euro	193,174	289,761	386,348	-	211,587	63,000	1,143,870
American Dollar	205,184	-1,210	426,132	406,987	317,234	240,111	1,594,438
	398,358	288,551	812,480	406,987	528,821	303,111	2,738,308
Other loans							
Euro	48	91	41	-	-	-	180
	48	91	41	-	-	-	180
	462,866	375,107	905,325	499,421	615,283	787,093	3,645,095

The Group has project finance financings that include the usual guarantees on this type of funding, namely the pledge or a promise of pledge of bank accounts and assets of the related projects. As at 30 June 2018, these financings amount to 902,918 thousand Euros (31 December 2017: 988,952 thousand Euros), which are included in the total debt of the Group.

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

THOUSAND EUROS	30 JUN 2018		31 DEC 2017	
	CARRYING VALUE (*)	MARKET VALUE	CARRYING VALUE (*)	MARKET VALUE
Financial debt - Non-current	3,136,632	3,244,098	2,808,595	2,911,691
Financial debt - Current	508,463	508,463	428,368	428,368
	3,645,095	3,752,561	3,236,963	3,340,059

(*) Net of arrangement expenses

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:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Long-term dismantling and decommission provisions	275,945	269,454
Provision for other liabilities and charges	6,226	5,945
- Long-term provision for other liabilities and charges	818	579
- Short-term provision for other liabilities and charges	5,408	5,366
Long-term employee benefits	336	319
	282,507	275,718

Dismantling and decommission provisions refer to the costs to be incurred for dismantling wind and solar farms and restoring sites and land to their original condition, in accordance with the corresponding accounting policy. The above amount respects to i) 163,621 thousand Euros for wind farms in Europe (31 December 2017: 161.630 thousand Euros) ii) 110,405 thousand Euros for wind farms in North America (31 December 2017: 105.907 thousand Euros; and iii) 1,919 thousand Euros for wind farms in Brazil (31 December 2017: 1,917 thousand Euros). The variation with respect to 31 December 2017 is mainly explained by the unwinding of the long-term provision (2,469 thousand Euros – see note 14) and new dismantling provisions for wind farms that entered into operation mainly in North America (4,392 thousand Euros).

In the first half of 2018, there were no significant changes in the provision for other liabilities and charges or in the long-term employee benefits.

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:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Deferred income related to benefits provided	968,885	914,612
Liabilities arising from institutional partnerships in U.S. wind farms	1,121,218	1,249,110
	2,090,103	2,163,722

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

THOUSAND EUROS	30 JUNE 2018
Balance at the beginning of the period	2,163,722
Proceeds received from institutional investors	9,663
Cash paid for deferred transaction costs	-202
Cash paid to institutional investors	-84,210
Income (see note 8)	-100,404
Unwinding (see note 14)	40,441
Exchange differences	57,187
Others	3,906
BALANCE AT THE END OF THE PERIOD	2,090,103

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.

33. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Trade and other payables from commercial activities - Non-current		
Government grants / subsidies for investments in fixed assets	360,106	358,600
Electricity sale contracts - EDPR NA	12,685	13,686
Property, plant and equipment suppliers	48,745	103,383
Other creditors and sundry operations	3,703	14,260
	425,239	489,929
Trade and other payables from commercial activities - Current		
Suppliers	71,934	69,866
Property, plant and equipment suppliers	544,190	542,863
Other creditors and sundry operations	52,818	72,417
	668,942	685,146
	1,094,181	1,175,075

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. These are amortised through the recognition of revenue in the income statement over the useful life of the related assets in the amount of 7,887 as at 30 June 2018 (11,101 thousand Euros as at 31 December 2017 -see note 13).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Power Purchase Agreement, 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 9). The remaining balance of these contracts as at 30 June 2018 amounts to 12,685 thousand Euros (13,686 thousand Euros as at 31 December 2017).

Property plant and equipment suppliers -non-current mainly refer to the supply of renewable asset for certain wind farms in Brazil where terms of payments have been agreed in the long-term. Property plant and equipment suppliers -current refer to wind and solar farms in construction mainly in the USA amounting to 319,022 thousand Euros (432,033 thousand Euros as at 31 December 2017); Italy amounting to 69,735 thousand Euros (31,290 thousand Euros as at 31 December 2017); Brazil amounting to 56,390 thousand Euros (93,366 thousand Euros as at 31 December 2017); and Spain amounting to 41,787 thousand Euros (28,977 thousand Euros as at 31 December 2017).

34. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Other liabilities and other payables - Non-current		
Success fees payable for the acquisition of subsidiaries	787	787
Loans from non-controlling interests	489,064	587,441
Derivative financial instruments	127,612	59,030
Other creditors and sundry operations	1,286	2,803
	618,749	650,061
Other liabilities and other payables - Current		
Success fees payable for the acquisition of subsidiaries	550	550
Derivative financial instruments	209,251	325,367
Loans from non-controlling interests	90,458	50,918
Other creditors and sundry operations	32,778	4,411
	333,037	381,246
	951,786	1,031,307

The caption Loans from non-controlling interests Current and Non-Current mainly includes:

i) loans granted by ACE Portugal (CTG Group) due to the sale in 2017 of 49% of shareholding in EDPR PT – Parques Eólicos S.A and subsidiaries for a total amount of 30,609 thousand Euros, including accrued interests (37,362 thousand Euros as at 31 December 2017), bearing interest at a fixed rate of 3.75%.

ii) loans granted by Vortex Energy Investments II due to the sale in 2016 of 49% of shareholding in EDPR Participaciones S.L. and subsidiaries for a total amount of 220,233 thousand Euros, including accrued interests (231,751 thousand Euros as at 31 December 2017), bearing interest at a fixed rate of a range between 3.3% and 7.55%;

iii) loans granted by ACE Poland (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Polska HoldCo, S.A. and subsidiaries for a total amount of 117,583 thousand Euros including accrued interests (123,430 thousand Euros as at 31 December 2017), bearing interest at a fixed rate of a range between 1.33% and 7.23%;

iv) loans granted by ACE Italy (CTG Group) due to the sale in 2016 of 49% of shareholding in EDP Renewables Italia, S.r.l. and subsidiaries for a total amount of 67,726 thousand Euros including accrued interests (78,436 thousand Euros as at 31 December 2017), bearing interest at a fixed rate of 4,5%.

v) 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 of 53,346 thousand Euros, including accrued interests (31 December 2017: 58,388 thousand Euros), bearing interest at a fixed rate of a range between 3.1% and 7.18%.

vi) loans granted by CITIC CWEI Renewables (CTG Group) due to the sale in 2013 of 49% of shareholding in EDP Renováveis Portugal, S.A. for a total amount of 55,745 thousand Euros including accrued interests (31 December 2017: 61,140 thousand Euros), bearing interests at a fixed rate of 5.5%.

Derivative financial instruments non-current and current mainly includes 62,829 thousand Euros and 164,870 thousand Euros respectively (31 December 2017: 4,365 thousand Euros and 280,639 thousand 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). Variation of the period is mainly related to the liquidation of a short-term derivative and the formalization of a new long-term derivative.

Other creditors and sundry operations – Non-current include as at 30 June 2018 the liability related to the put options over the stake that the other shareholders hold in the Italian companies Tivano S.r.l., San Mauro S.r.l. and AW 2 S.r.l. amounting to 1,001 thousand Euros (see note 37). The current caption mainly includes distribution of dividends pending to be paid to CTG by EDPR Portugal amounting to 23,520 thousand Euros.

35. CURRENT TAX LIABILITIES

This caption is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Income tax	59,693	25,037
Withholding tax	2,540	3,246
Value added tax (VAT)	15,836	24,434
Other taxes	53,311	37,536
	131,380	90,253

36. DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 June 2018, the fair value of derivatives is analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Net investment hedge		
Cross currency rate swaps	-213,922	-277,217
	-213,922	-277,217
Cash flow hedge		
Power price swaps	-70,346	-41,733
Interest rate swaps	-16,355	-20,679
	-86,701	-62,412
Trading		
Power price swaps	345	1,027
Interest rate swaps	-10	-10
Cross currency rate swaps	2,367	2,433
Currency forwards	98	-1,598
	2,800	1,852
	-297,823	-337,777

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. 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, which are compared in each date of report to fair values available in common financial information platforms. These entities use discounted cash flows techniques usually accepted and data from public markets. The only exceptions are the CIRS in USD/EUR with EDP Branch and EDP Finance BV, which fair values are determined by the Financial Department of EDP, using the same above-mentioned discounted cash flows techniques and data. As such, according to IFRS13 requirements, the fair value of the derivative financial instruments is classified as of level 2 (see note 39) and no changes of level were made during this period.

During 2018 and 2017 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, Libor 3M, daily brazilian CDI, CAD-BA-CDOR 3M, Wibor 3M; and exchange rates: EUR/BRL, EUR/PLN, EUR/CAD and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 6M, Wibor 6M, Libor 3M and CAD-BA-CDOR 3M.
Foreign exchange forwards	Fair value indexed to the following exchange rates: EUR/PLN.
Power price swaps	Fair value indexed to the price of electricity.

37. COMMITMENTS

As at 30 June 2018 and 31 December 2017, the financial commitments not included in the statement of financial position in respect of financial, operational and real guarantees provided, are analysed as follows:

THOUSAND EUROS	30 JUN 2018	31 DEC 2017
Guarantees of financial nature		
EDPR NA Group	3,771	6,955
	3,771	6,955
Guarantees of operational nature		
EDP Renováveis, S.A.	1,514,120	1,459,014
EDPR NA Group	1,309,365	1,251,514
EDPR EU Group	187,375	63,522
EDPR BR Group	13,626	15,686
	3,024,486	2,789,736
TOTAL	3,028,257	2,796,691
REAL GUARANTEES	764	4,463

As at 30 June 2018 and 31 December 2017, EDPR has operational guarantees regarding to its commercial activity, in the amount of 374,879 thousands of Euros and 393,944 thousands of Euros respectively.

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 2018, these financings amount to 902,918 thousands of Euros (31 December 2017: 988,952 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, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements in the amount of 1,150,325 thousands of Euros as at 30 June 2018 and 1,258,661 thousands of Euros as at 31 December 2017. EDPR's liabilities under the tax equity agreements 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 2018 amounting to 3,771 thousand Euros (4,095 thousand Euros as at 31 December 2017) are related to the loans obtained by certain companies of the Group which are included in the consolidated financial debt.

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

THOUSAND EUROS					30 JUN 2018
		CAPITAL OUTSTANDING BY MATURITY			
	TOTAL	UP TO 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS
Operating lease rents not yet due	1,124,422	46,950	95,714	95,946	885,812
Purchase obligations	2,347,515	1,204,209	584,780	112,597	445,929
	3,471,937	1,251,159	680,494	208,543	1,331,741

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 2018 the Group has the following contingent liabilities/rights related with put options on investments:

- The other shareholder of the company Tivano S.r.l. holds a put option over a 25% stake of the company. The exercise price shall be 450 thousand Euros plus 100% of any contributions made by the other shareholder minus 100% of any distributions made by the company to the other shareholder, being the exercise period from July 2016 to July 2020. As at 30 June 2018 the fair value of the put option amounts to 450 thousand Euros (1,618 thousand Euros as at 31 December 2017).

- The other shareholder of the company San Mauro S.r.l. holds a put option over a 25% stake of the company. The exercise price shall be 25% of the final purchase price plus 100% of any contributions made by the other shareholder minus 100% of any distributions made by the company to the other shareholder, being the exercise period from March 2017 to March 2022. As at 30 June 2018 and 31 December 2017 the fair value of the put option amounts to 259 thousand Euros.

- The other shareholder of the company AW 2 S.r.l. holds a put option over a 25% stake of the company. The exercise price shall be 25% of the final purchase price plus 100% of any contributions made by the other shareholder minus 100% of any distributions made by the company to the other shareholder, being the exercise period from April 2017 to April 2022. As at 30 June 2018 and 31 December 2017 the fair value of the put option amounts to 292 thousand Euros.

Some of the disposal of non-controlling interests transactions retaining control carried out in previous years incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

38. RELATED PARTIES

The Members of the Board of Directors of the Company and its delegated Committees do not own directly or indirectly any shares from EDPR, as of 30 June 2018.

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 the exact amount to be paid to each Director on the basis of this proposal.

The remuneration paid to the members of the Executive Board of Directors at 30 June 2018 and 30 June 2017 were as follows:

THOUSAND EUROS	30 JUN 2018	30 JUN 2017
CEO	-	-
Board members	369	369
	369	369

EDPR signed an Executive Management Services Agreement with EDP, under which EDP bears the cost for the services rendered by its Executive and Non-Executive Directors, which are João Manso Neto, Nuno Alves (until June 2018) and António Mexia. 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 the six-month period ended on 30 June 2018 is 439 thousand Euros (514 thousand Euros as at 30 June 2017), of which 394 thousand Euros refers to the management services rendered by the Executive Members and 45 thousand Euros to the management services rendered by the non-executive Members.

In the case of the members of the Executive Committee that are also Directors (Miguel Dias Amaro, CFO (until September 2017); Duarte Melo de Castro Bello, COO EU&BR (from September 2017); João Paulo Costeira, COO Offshore & CDO; Gabriel Alonso COO EDPR NA (until September 2017); and Miguel Ángel Prado Balboa, COO EDPR NA (from September 2017)), there are contracts that were signed with other group companies, as follows: Miguel Dias Amaro (until September 2017), Duarte Melo de Castro Bello (from September 2017) and João Paulo Costeira with EDP Energias de Portugal S.A. Sucursal en España; and Gabriel Alonso (until September 2017) and Miguel Ángel Prado Balboa (from September 2017) with EDP Renewables North America LLC.

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

Within the context of the transactions with CTG related to the sale of 49% of EDPR Portugal, EDPR PT-PE, EDPR Italia and EDPR Polska equity shareholding to CTG Group, CTG has granted loans to the EDPR Group in the amount of 271,663 thousand Euros including accrued interests (228,779 thousand Euros as current and 42,884 thousand Euros as non-current). This balance amounted to 300,367 thousand Euros including accrued interests (47,651 thousand Euros as current and 252,716 thousand Euros as non-current) as at 31 December 2017 (see note 34).

Balances and transactions with EDP Group companies

As at 30 June 2018, assets and liabilities with related parties, are analysed as follows:

THOUSAND EUROS			ASSETS
	LOANS AND INTERESTS TO RECEIVE	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	-	19,120	19,120
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	30,298	30,298
Joint Ventures and Associated companies	31,082	231	31,313
EDP Serviço Universal, S.A.	-	20,689	20,689
EDP Comercializadora, S.A.U.	-	18,985	18,985
EDP Servicios Financieros España, S.A.	-	25,272	25,272
Other EDP Group companies	-	655	655
	31,082	115,250	146,332

THOUSAND EUROS			LIABILITIES
	LOANS AND INTERESTS TO PAY	OTHERS	TOTAL
EDP Energias de Portugal, S.A.	-	57,648	57,648
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	167,929	167,929
Joint Ventures and Associated companies	-	100	100
EDP Finance B.V.	1,410,282	63,345	1,473,627
EDP Servicios Financieros España, S.A.	1,328,026	413	1,328,439
Other EDP Group companies	-	3,943	3,943
	2,738,308	293,378	3,031,686

Assets mainly refer to:

- Loans granted to companies consolidated by the equity method (see note 22);

- Commercial receivables related to the sale of energy in EDPR Portugal and EDPR Spain through EDP Serviço Universal, S.A. (which is a last resort retailer due to regulatory legislation) and EDP Comercializadora, S.A.U. respectively, which replaced Axpo Group as the commercial agent in Spain starting on 1 January 2018;

- Estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España amounting to 30,401 thousand Euros (see note 22);

- Debit balance of the EUR current account with EDP Servicios Financieros España, S.A. (see note 25) amounting to 25,272 thousand Euros as at 30 June 2018 (as at 31 December 2017 it had a credit balance amounting to 35,165 thousand Euros);

- Derivatives contracted with EDP Energias de Portugal, S.A. and EDP Energía, S.A.U. which market value as at 30 June 2018 amounts to 16,705 thousand Euros (see note 35).

Liabilities mainly refer to:

- Loans obtained by EDP Renováveis S.A. and by EDP Renováveis Servicios Financieros S.L. from EDP Finance BV in the amount, including interests and deducted from debt arrangement expenses, of 1,410,282 thousand Euros (31 December 2017: 1,222,617 thousand Euros) and from EDP Servicios Financieros España S.A. in the amount of 1,157,245 thousand Euros (31 December 2017: 965,870 thousand Euros);

- Credit balance of the USD current account with EDP Servicios Financieros España S.A. amounting to 170,781 thousand Euros as at 30 June 2018 (19,224 thousand Euros as at 31 December 2017);

- Derivatives with the purpose of hedging the foreign exchange risk of EDP Renováveis and EDP Branch, having the EDP Group established 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 EDPR NA and of the USD external financing). As at 30 June 2018, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 164,183 thousand Euros (31 December 2017: 280,477 thousand Euros) (see notes 34 and 36).

Transactions with related parties for the six-month period ended 30 June 2018 are analysed as follows:

Thousand Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
EDP Energias de Portugal, S.A.	11,786	2,711	-757	-9,432
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	-6,670	-14,563
Hidrocantábrico Group companies (electric sector)	-	-	-348	-271
Joint Ventures and Associated companies	792	322	-146	-
EDP Serviço Universal, S.A.	157,864	-	-	-
EDP Comercializadora, S.A.U.	130,399	-	-	-
EDP Finance B.V.	-	-	-	-44,920
EDP Servicios Financieros España, S.A.	-	-	-	-16,998
Other EDP Group companies	1,727	-	-3,178	-243
	302,568	3,033	-11,099	-86,427

Operating income includes mainly the electricity sales to EDP Serviço Universal, S.A. which is a supplier of last resource in Portugal due to regulatory legislation and to EDP Comercializadora, S.A.U. as the commercial agent in Spain.

Financial income and Financial expenses with EDP, S.A. are mainly related to derivative financial instruments.

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 2018, EDP, S.A., Energias do Brasil and Hidrocantábrico granted financial (37,771 thousands of Euros, 31 December 2017: 85,494 thousands of Euros) and operational (363,596 thousands of Euros, 31 December 2017: 243,357 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).

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

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

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

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

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.

Equity instruments at fair value

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 fair values of assets and liabilities as at 30 June 2018 and 31 December 2017 are analysed as follows:

THOUSAND EUROS	30 JUN 2018			31 DEC 2017		
	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE
Financial assets						
Equity instruments at fair value	8,585	8,585	-	8,585	8,585	-
Debtors and other assets from commercial activities	311,628	311,628	-	363,653	363,653	-
Other debtors and other assets	161,545	161,545	-	116,314	116,314	-
Derivative financial instruments	39,040	39,040	-	46,620	46,620	-
Cash and cash equivalents	389,274	389,274	-	388,061	388,061	-
	910,072	910,072	-	923,233	923,233	-
Financial liabilities						
Financial debt	3,645,095	3,752,561	107,466	3,236,963	3,340,059	103,096
Suppliers	664,869	664,869	-	716,112	716,112	-
Institutional partnerships in U.S. wind farms	2,090,103	2,090,103	-	2,163,722	2,163,722	-
Trade and other payables from commercial activities	429,312	429,312	-	458,963	458,963	-
Other liabilities and other payables	614,923	614,923	-	646,910	646,910	-
Derivative financial instruments	336,863	336,863	-	384,397	384,397	-
	7,781,165	7,888,631	107,466	7,607,067	7,710,163	103,096

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).

THOUSAND EUROS	30 JUN 2018			31 DEC 2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets						
Available-for-sale investments	-	-	8,585	-	-	8,585
Derivative financial instruments	-	39,040	-	-	46,620	-
	-	39,040	8,585	-	46,620	8,585
Financial liabilities						
Liabilities arising from options with non-controlling interests	-	-	3,722	-	-	3,722
Derivative financial instruments	-	336,863	-	-	384,397	-
	-	336,863	3,722	-	384,397	3,722

The remaining assets and liabilities correspond to assets and liabilities which fair value is the same as its carrying amount. For the six-month period ended 30 June 2018, there are no transfers between levels.

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

The movements for the six-month period ended 30 June 2018 and 30 June 2017 of the derivative financial instruments are presented in note 36.

40. RELEVANT AND SUBSEQUENT EVENTS

EDPR secures PPAs for 405 MW in the United States

EDPR, through its fully owned subsidiary EDP Renewables North America LLC, secured four 15-year Power Purchase Agreements ("PPA") with three Commercial and Industrial ("C&I") entities to sell the energy produced from two wind farm projects, with a total capacity of 405 MW. Wind farms are located in the State of Illinois and Indiana and are expected to start operations in 2019 and 2020, respectively.

Greek wind onshore auction

EDPR secured 20-year Contract-for-Difference ("CfD") at the Greek energy auction to sell electricity produced by Livadi 45 MW wind farm, located in Central Greece and with expected commercial operation in 2020.

41. 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.

Information regarding the results of each reportable segment is included in Annex 1. 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; United Kingdom and Greece;
- North America: refers to EDPR NA, EDPR Canada and EDPR Mexico Group companies that operate in United States of America, Canada and Mexico 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 six-month period ended 30 June 2018

THOUSAND EUROS	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	492,596	314,049	18,641	825,286
Income from institutional partnerships in U.S. wind farms	-	100,404	-	100,404
	492,596	414,453	18,641	925,690
Other operating income	17,280	28,528	1,875	47,683
Supplies and services	-81,336	-74,195	-5,413	-160,944
Personnel costs and Employee benefits expenses	-14,232	-27,594	-1,102	-42,928
Other operating expenses	-45,681	-30,091	-490	-76,262
	-123,969	-103,352	-5,130	-232,451
Gross operating profit	368,627	311,101	13,511	693,239
Provisions	-278	-	-1	-279
Amortisation and impairment	-121,866	-129,688	-6,049	-257,603
Operating profit	246,483	181,413	7,461	435,357
Share of profit of associates	2,582	-2,686	-	-104
Assets	6,623,841	8,184,373	449,929	15,258,143
Liabilities	415,547	803,143	62,439	1,281,129
Operating Investment	145,107	230,489	87,914	463,510

Note: The Segment "Europe" includes: i) revenues in the amount of 205,860 thousands of Euros from Spanish companies; ii) assets from Spanish companies in the amount of 2,323,957 thousands of Euros.

Reconciliation between the Segment Information and the Financial Statements

THOUSAND EUROS	
Revenues of the Reported Segments	825,286
Revenues of Other Segments	11,630
Elimination of intra-segment transactions	-13,936
Revenues of the EDPR Group	822,980
Gross operating profit of the Reported Segments	693,239
Gross operating profit of Other Segments	-6,723
Elimination of intra-segment transactions	-686
Gross operating profit of the EDPR Group	685,830
Operating profit of the Reported Segments	435,357
Operating profit of Other Segments	-6,910
Elimination of intra-segment transactions	-1,937
Operating profit of the EDPR Group	426,510
Assets of the Reported Segments	15,258,143
Not Allocated Assets	1,241,496
Financial Assets	736,228
Tax assets	215,994
Debtors and other assets	289,274
Assets of Other Segments	19,297
Elimination of intra-segment transactions	118,143
Assets of the EDPR Group	16,637,079
Investments in joint ventures and associates	298,793
Liabilities of the Reported Segments	1,281,129
Not Allocated Liabilities	6,608,516
Financial Liabilities	3,645,095
Institutional partnerships in U,S, wind farms	2,090,103
Tax liabilities	579,735
Payables and other liabilities	293,583
Liabilities of Other Segments	12,865
Elimination of intra-segment transactions	740,897
Liabilities of the EDPR Group	8,643,407
Operating Investment of the Reported Segments	463,510
Operating Investment of Other Segments	1,043
Operating Investment of the EDPR Group	464,553

THOUSAND EUROS	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Income from institutional partnerships in U.S. wind farms	100,404	-	-	100,404
Other operating income	47,683	7,310	128	55,121
Supplies and services	-160,944	-10,913	12,211	-159,646
Personnel costs and Employee benefits expenses	-42,928	-12,925	-1,125	-56,978
Other operating expenses	-76,262	-1,825	2,036	-76,051
Provisions	-279	-	1	-278
Amortisation and impairment	-257,603	-187	-1,252	-259,042
Share of profit of associates	-104	1,142	-	1,038

Operating Segment Information for the six-month period ended 30 June 2017

THOUSAND EUROS	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	497,670	340,821	18,499	856,99
Income from institutional partnerships in U.S. wind farms	-	132,102		132,102
	497,670	472,923	18,499	989,092
Other operating income	4,738	14,481	-	19,219
Supplies and services	-79,267	-73,460	-4,269	-156,996
Personnel costs and Employee benefits expenses	-14,413	-25,580	-1,453	-41,446
Other operating expenses	-51,360	-31,387	-492	-83,239
	-140,302	-115,946	-6,214	-262,462
Gross operating profit	357,368	356,977	12,285	726,63
Provisions	-349	-69	-	-418
Amortisation and impairment	-121,080	-132,104	-5,08	-258,264
Operating profit	235,939	224,804	7,205	467,948
Share of profit of associates	3,155	1,045	-	4,200
Assets	6,699,449	7,985,149	299,652	14,984,250
Liabilities	293,809	797,681	11,902	1,103,392
Operating Investment	54,949	321,005	47,931	423,885

Note: The Segment "Europe" includes: i) revenues in the amount of 199,522 thousand Euros from Spanish companies; ii) assets from Spanish companies in the amount of 2,964,423 thousand Euros.

Reconciliation between the Segment Information and the Financial Statements

THOUSAND EUROS	
Revenues of the Reported Segments	856,99
Revenues of Other Segments	9,306
Elimination of intra-segment transactions	-10,217
Revenues of the EDPR Group	856,079
Gross operating profit of the Reported Segments	726,63
Gross operating profit of Other Segments	-7,912
Elimination of intra-segment transactions	2
Gross operating profit of the EDPR Group	718,720
Operating profit of the Reported Segments	467,948
Operating profit of Other Segments	-8,132
Elimination of intra-segment transactions	-1,198
Operating profit of the EDPR Group	458,618
Assets of the Reported Segments	14,984,250
Not Allocated Assets	1,399,339
Financial Assets	997,571
Tax assets	153,475
Debtors and other assets	248,293
Assets of Other Segments	12,337
Elimination of intra-segment transactions	-195,373
Assets of the EDPR Group	16,200,553
Investments in joint ventures and associates	320,61
Liabilities of the Reported Segments	1,103,392
Not Allocated Liabilities	6,832,611
Financial Liabilities	3,406,069
Institutional partnerships in U,S, wind farms	2,339,425
Tax liabilities	453,532
Payables and other liabilities	633,585
Liabilities of Other Segments	8,216
Elimination of intra-segment transactions	401,858
Liabilities of the EDPR Group	8,346,077
Operating Investment of the Reported Segments	423,885
Operating Investment of Other Segments	218
Operating Investment of the EDPR Group	424,103

THOUSAND EUROS	TOTAL OF THE REPORTED SEGMENTS	OTHER SEGMENTS	ELIMINATION OF INTRA-SEGMENT TRANSACTIONS	TOTAL OF THE EDPR GROUP
Income from institutional partnerships in U.S. wind farms	132,102	-	-	132,102
Other operating income	19,219	98	-23	19,294
Supplies and services	-156,996	-8,647	10,275	-155,368
Personnel costs and Employee benefits expenses	-41,446	-8,425	-	-49,871
Other operating expenses	-83,239	-245	-32	-83,516
Provisions	-418	-	-	-418
Amortisation and impairment	-258,264	-220	-1,200	-259,684
Share of profit of associates	4,200	-	-1,708	2,492

THE LIVING ENERGY BOOK

by edp renováveis

MANAGEMENT REPORT
1H 2018

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

Lisbon, July 24th, 2018

António Luís Guerra Nunes Mexia	João Manuel Manso Neto
João Paulo Nogueira da Sousa Costeira	Duarte Melo de Castro Belo
Miguel Ángel Prado Balboa	António do Pranto Nogueira Leite
Acácio Jaime Liberado Mota Piloto	Gilles August
Manuel Menéndez Menéndez	Francisco Seixas da Costa
Francisca Guedes de Oliveira	Allan J. Katz
María da Conceição Mota Soares de Oliveira Calle Lucas	Maria Teresa Costa Campi
Alejandro Fernández de Araoz Gómez-Acebo	

EDP Renováveis S.A.
Plaza de la Gesta, 2
22007 Oviedo - España
T: +34 985 230 300
Inscrita en registro mercantil de Asturias. Tomo 3671, Folio 177
Hoja nº AS-37669, Inscripción 1º, C.I.F. A-74219304

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