edp renováveis

ENERGY AS THE NEW ART

Condensed Consolidated Financial Statements For The Six-Month Period Ended 30 June 2017

Condensed Consolidated Income Statement
for the six-month period ended 30 June 2017 and 2016

Thousand Euros	Notes	2017	2016
Revenues	6	856,079	785,362
Income from institutional partnerships in U.S. wind farms	7	132,102	103,494
		988,181	888,856
Other income	8	19,294	21,269
Supplies and services	9	-155,368	-142,176
Personnel costs and employee benefits	10	-49,871	-45,317
Other expenses	11	-83,516	-74,452
		-269,461	-240,676
		718,720	**648,180**
Provisions		-418	-646
Amortisation and impairment	12	-259,684	-293,792
		458,618	353,742
Financial income	13	26,552	36,040
Financial expenses	13	-174,384	-214,749
Share of net profit in joint ventures and associates	18	2,492	-3,099
Profit before tax		**313,278**	**171,934**
Income tax expense	14	-70,746	-43,158
Net profit for the year		**242,532**	**128,776**
Attributable to:			
Equity holders of EDP Renováveis	26	134,034	58,841
Non-controlling interests	28	108,498	69,935
Net profit for the year		**242,532**	**128,776**
Earnings per share basic and diluted - Euros	**26**	**0.15**	**0.07**

Condensed consolidated statement of comprehensive income for the six-month period ended at 30 June 2017 and 2016

Thousand Euros	2017 Equity Holders of the parent	2017 Non-Controlling Interests	2016 Equity Holders of the parent	2016 Non-Controlling Interests
Net profit for the year	134,034	108,498	58,841	69,935
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	-	-	4	-
Tax effect of actuarial gains/(losses)	-	-	-	-
Items that are or may be reclassified to profit or loss				
Fair value reserve (cash flow hedge)	13,507	619	-10,841	207
Tax effect from the fair value reserve (cash flow hedge)	-6,482	-253	5,278	181
Fair value reserve (cash flow hedge) net of taxes of non-current assets held for sale				
Share of other comprehensive income of joint ventures and associates, net of taxes	10,817	-	101	-
Reclassification to profit or loss due to ENEOP transaction				
Exchange differences arising on consolidation	-53,847	-75,005	-12,312	-684
	-36,005	-74,639	-17,774	-296
Other comprehensive income for the year, net of income tax	-36,005	-74,639	-17,770	-296
Total comprehensive income for the year	**98,029**	**33,859**	**41,071**	**69,639**

Condensed consolidated statement of financial position as at 30 June 2017 and 31 December 2016

Thousand Euros	Notes	2017	2016
Assets			
Property, plant and equipment	15	13,240,568	13,437,427
Intangible assets	16	209,187	210,189
Goodwill	17	1,329,316	1,385,493
Investments in joint ventures and associates	18	320,610	340,120
Available for sale financial assets		8,186	8,186
Deferred tax assets	19	66,781	75,840
Debtors and other assets from commercial activities	21	78,797	83,536
Other debtors and other assets	22	35,385	59,845
Collateral deposits associated to financial debt	29	35,015	28,974
Total Non-Current Assets		**15,323,845**	**15,629,610**
Inventories	20	25,921	23,903
Debtors and other assets from commercial activities	21	289,553	280,539
Other debtors and other assets	22	103,246	102,491
Current tax assets	23	93,503	77,635
Collateral deposits associated to financial debt	29	4,164	17,072
Cash and cash equivalents	24	274,331	603,219
Assets held for sale	25	85,990	-
Total Current Assets		876,708	**1,104,859**
Total Assets		**16,200,553**	**16,734,469**
Equity			
Share capital	26	4,361,541	4,361,541
Share premium	26	552,035	552,035
Reserves	27	-48,065	-19,652
Other reserves and Retained earnings	27	1,342,724	1,174,710
Consolidated net profit attributable to equity holders of the parent		134,034	56,328
Total Equity attributable to equity holders of the parent		**6,342,269**	**6,124,962**
Non-controlling interests	28	1,512,207	1,448,052
Total Equity		**7,854,476**	**7,573,014**
Liabilities			
Medium / Long term financial debt	29	2,984,942	3,292,591
Provisions	30	263,974	269,531
Deferred tax liabilities	19	409,724	365,086
Institutional partnerships in U.S. wind farms	31	1,956,741	2,339,425
Trade and other payables from commercial activities	32	425,225	463,908
Other liabilities and other payables	33	855,896	1,154,437
Total Non-Current Liabilities		**6,896,502**	**7,884,978**
Short term financial debt	29	458,767	113,478
Provisions	30	5,658	5,531
Trade and other payables from commercial activities	32	477,623	810,131
Other liabilities and other payables	33	378,537	258,891
Current tax liabilities	34	120,158	88,446
Liabilities held for sale	25	8,832	-
Total Current Liabilities		**1,449,575**	**1,276,477**
Total Liabilities		**8,346,077**	**9,161,455**
Total Equity and Liabilities		**16,200,553**	**16,734,469**

Condensed consolidated statement of changes in equity for the period ended at 30 June 2017 and 31 December 2016

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 2015	**6,834,109**	**4,361,541**	**552,035**	**1,094,362**	**-18,928**	**-22,356**	**4,346**	**5,971,000**	**863,109**
Comprehensive income:									
- Fair value reserve (available for sale financial assets) net of taxes	1,931	-	-	-	-	-	1,786	1,786	145
- Fair value reserve (cash flow hedge) net of taxes	-12,996	-	-	-	-	-15,298	-	-15,298	2,302
- Share of other comprehensive and associates, net of taxes	1,143	-	-	-	-	1,143	-	1,143	-
- Reclassification to profit and loss due to ENEOP transaction	-3	-	-	-3	-	-	-	-3	-
Exchange differences arising on consolidation	47,437	-	-	-	4,707	-	-	4,707	42,730
- Net profit for the year	176,112	-	-	56,328	-	-	-	56,328	119,784
Total comprehensive income for the year	213,624	-	-	56,325	4,707	-14,155	1,786	48,663	164,961
Dividends paid	-43,615	-	-	-43,615	-	-	-	-43,615	-
Dividends attributable to non-controlling interests	-42,563	-	-	-	-	-	-	-	-42,563
Acquisitions without changes of control of EDPR Spain subsidiaries	-1,368	-	-	1,327	-	-	-	1,327	-2,695
Sale without loss of control of EDPR North America subsidiaries	262,848	-	-	15,140	9,658	-1,338	-	23,460	239,388
Sale without loss of control of EDPR Brazil subsidiaries	414,927	-	-	130,412	1,728	4,424	-	136,564	278,363
Other changes resulting from acquisitions/sales and equity increases	-91,031	-	-	-24,747	-	-	-	-24,747	-66,284
Other	26,083	-	-	1,834	10,476	-	-	12,310	13,773
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 (cash flow hedge) net of taxes	7,391	-	-	-	-	7,025	-	7,025	366
- Share of other comprehensive and associates, net of taxes	10,817	-	-	-	10,817	-	-	10,817	-
Exchange differences arising on consolidation	-128,852	-	-	-	-53,847	-	-	-53,847	-75,005
- Net profit for the year	242,532	-	-	134,034	-	-	-	134,034	108,498
Total comprehensive income for the year	131,888	-	-	134,034	-43,030	7,025		98,029	33,859
Dividends paid	-43,615	-	-	-43,615	-	-	-	-43,615	-
Dividends attributable to non-controlling interests	-19,852	-	-	-	-	-	-	-	-19,852
Sale without loss of control of EDPR Europe subsidiaries	210,022	-	-	164,914	-	2,502	-	167,416	42,606
Other changes resulting from acquisitions/sales and equity increases	7,736	-	-	-4,470	-	-	-	-4,470	12,206
Other	-4,717	-	-	-5,143	5,090	-	-	-53	-4,664
Balance as at 30 June 2017	**7,854,476**	**4,361,541**	**552,035**	**1,476,758**	**-30,299**	**-23,898**	**6,132**	**6,342,269**	**1,512,207**

Condensed consolidated statement of cash flows for the six-month period ended 30 June 2017 and 2016

Thousand Euros	2017	2016
Operating activities		
Cash receipts from customers	877,423	791,368
Payments to suppliers	-215,047	-205,447
Payments to personnel	-61,572	-52,828
Other receipts / (payments) relating to operating activities	-40,038	-41,500
Net cash from operations	560,766	491,593
Income tax received / (paid)	-26,059	-17,874
Net cash flows from operating activities	534,707	473,719
Investing activities		
Cash receipts relating to:		
Changes in cash resulting from perimeter variations (i)	26,497	-
Property, plant and equipment and intangible assets	2,836	1,822
Interest and similar income	1,875	3,424
Dividends	6,222	1,660
Loans to related parties	16,364	30,901
Other receipts from investing activities (ii)	257	25,403
	54,051	63,210
Cash payments relating to:		
Changes in cash resulting from perimeter variations (i)	-1,212	-
Acquisition of assets / subsidiaries	-1,100	-38,042
Property, plant and equipment and intangible assets	-727,208	-765,329
Loans to related parties	-5,990	-29,363
Other payments in investing activities (ii)	-15,566	-358
	-751,076	-833,092
Net cash flows from investing activities	-697,025	-769,882
Financing activities		
Sale of assets / subsidiaries without loss of control (iii)	210,847	556,080
Receipts/ (payments) relating to loans	-59,690	-96,092
Interest and similar costs	-114,487	-114,307
Governmental grants received	-6	-
Dividends paid	-63,588	-70,520
Receipts / (payments) from wind activity institutional partnerships - USA	-131,613	113,431
Other cash flows from financing activities	-259	-53,728
Net cash flows from financing activities	-158,796	334,864
Changes in cash and cash equivalents	-321,114	38,701
Effect of exchange rate fluctuations on cash held	-7,774	-8,595
Cash and cash equivalents at the beginning of the period	603,219	436,732
Cash and cash equivalents at the end of the period (iv)	**274,331**	**466,838**

(i) Refers to the change in the method by which it is consolidated the company Eólica de Coahuila, S.A. de C.V. and the reclassification of the cash balances of the company Moray Offshore Windfarm (East) Limited to assets held for sale (see notes 5 and 25);
(ii) Mainly includes the capital increase in the offshore equity consolidated companies Eoliennes en Mer Dieppe - Le Tréport, S.A.S and Eoliennes en Mer Iles d'Yeu et de Noirmoutier (see note 18);
(iii) Refers to the sale without loss of control by EDP Renewables, SGPS, S.A. of 49% of its interests in the company EDPR PT – Parques Eólicos S.A. and subsidiaries (see note 5); and
(iv) See Note 24 of the consolidated financial statements for a detailed breakdown of Cash and cash equivalents.

Notes to the condensed consolidated financial statements for the six-month period ended 30 June 2017

01. The business operations of the EDP Renováveis Group

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

As at 31 December 2014 the share capital was held 62.02% by EDP S.A. - Sucursal en España ("EDP Branch"), 15.51% by Hidroeléctrica del Cantábrico, S.A. ("HC") and 22.47% of the share capital was free-floated in the NYSE Euronext Lisbon. On December 18th 2015, EDP S.A. - Sucursal en España acquired to Hidroeléctrica del Cantábrico, S.A., its block of shares, so that, as at 30 June 2017 and 31 December 2016 EDP Energias de Portugal, S.A holds directly, through its Spanish branch, a qualified shareholding of 77.5% of the share capital and voting rights of EDPR. As a result of this acquisition, HC no longer holds any shareholding in EDPR (see note 26).

As at 5 July 2017, it was announced the period for the public offer of the voluntary acquisition of shares representing EDPR's share capital commencing on 6 July 2017 and ending on 3 August 2017 (see note 39).

As at 30 June 2017, EDP Renováveis S.A. holds direcly a 100% stake in the share capital of the following companies: EDP Renewables Europe, S.L.U. (EDPR EU), EDP Renewables North America, LLC (EDPR NA), EDP Renewables Canada, Ltd. (EDPR Canada), South África Wind & Solar Power, S.L.U., EDP Renováveis Servicios Financieros, S.A. and EDP Renováveis Brasil, S.A. (EDPR BR) and indirectly a 100% stake in S.C.Ialomita Power S.r.l., EDPR RO PV, S.r.l. (both being part of EDPR Romania), EDPR Servicios de Mexico, S. de R.L. de C.V and Greenwind S.A.

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

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

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

Within the agreement mentioned above, 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).

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

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

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

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

During the six-month period ended 30 June 2017, we emphasize the following changes, with potential impact in the economic activity of the EDPR Group:

Regulatory framework for the activities in Spain

In December 2016, the Energy Ministry (MINETAD) published a draft Royal Decree and a Ministerial Order defining a competitive process for the allocation of new renewable capacity. On 6 and 8 March 2017, two additional draft Resolutions were released including relevant information regarding the auction rules. The Council of Ministers approved on 31 March the RD 359/2017 launching the official call for the auction with a remuneration scheme in line with RD 413/2014 scheme. In May 2017 OMIE (Spanish market operator) held a competitive process for the allocation of 3 GW of new renewable capacity. The tender was a success in terms of participation with around 9 GW of competing capacity. Wind projects were allocated 2,979MW of the 3GW auctioned.

Following the outcome of May 2017 tender, the Spanish government decided to launch one additional tender for a maximum of 3 GW. The new tender will take place on 26th July 2017 and will be open exclusively to wind and solar PV technologies. The rules governing the new tender would be the same as the ones for the tender held on May 17, except for the maximum possible discount to the standard CAPEX which would be 87,08% for wind and 69,88% for solar PV.

Regulatory framework for the activities in France

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

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

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

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

Additionally, on April 24th, 2016 the French Government enacted the so-called "Programmation pluriannuelle des Investissements" (PPI) which objective is to set different renewables' capacity targets by technology, in order to achieve the objectives of the "Loi de Transition Énergétique" (framework law aimed to define France's long-term energy and climate policy, formally approved in August 2015). The French government published on 10 May 2017, the Decree for the 2017 Contract-for-Difference (CfD) for wind farms of maximum 6 wind turbines (and maximum 3 MW per turbine). These projects will be exempt from tendering. The regulator has also disclosed the tender rules for onshore wind farms (of more than 7 wind turbines or with over 3 MW per wind turbine) for the period from November 2017 to June 2020. The rules foresee to allocate 3 GW of wind capacity in six successive 500 MW rounds every 6 months during the next 3 years. The rules also include a calendar with the dates in which the tenders are expected to take place.

Regulatory framework for the activities in Romania

On October 26, 2016 the Ministry of Energy published for consultation a draft amendment to the Renewable Energy Source law.

In March 2017, the government finally approved the emergency ordinance to amend the renewable law 220/2008. As expected, the Green Certificate (GC) scheme was extended until 2031 (GC will remain valid until March 2032). The Ordinance also confirmed the removal of the indexation of the GC parameters (GC floor would remain fixed at 29,4€ and GC cap will lose indexation and reduced to a level of 35€).Regarding wind energy, the ordinance approves the extension of the GC recovery from 2018 to 2025, while solar PV's GC postponement is extended until the end of 2024 (the recovery will take place from 2025 to 2030).

Following the approval of EGO 24/2017 in March, the energy regulator (ANRE) issued the Order 27/2017 establishing mandatory quota of green certificates estimated for the period April-December 2017. This new quota is based on a new methodology, which fixes the number of GCs estimated to be issued, instead a percentage of clean energy. The number of GC for the April-December period of 11.233.667 GCs.

Regulatory framework for the activities in the United States of America

With the election of Donald Trump as President of the United States, which together with the Republican Party, gain control of both Houses of Congress, a change in the governing philosophy is expected. In the first 100 days of his term, the President has issued an Executive Order directing the EPA to revert the Clean Power Plan, removed it and replaced it with a new one, eliminate the moratorium on coal in Federal lands, regulations on methane emissions and hydraulic fracturing and eliminated guidance which has incorporated climate change and the "social costs of carbon" into federal projects. On 1 June 2017, President Trump announced that the U.S. would withdraw from The Paris Agreement, an international accord to combat climate change.

The ultimate impact of these changes on renewable demand is not yet clear for a variety of reasons: most of these changes will be challenged in court, States regulators decide on the energy mix at State level, most important energy players are already implementing the major elements of the Clean Power Plan, and the order does not impact the ITC/PTC which is the major market driver for renewable energy development in the US.

With regard to Congress, the two most relevant events currently being considered are reforming the US Tax Code and contemplating a Federal plan to promote investment in infrastructures. Both legislative initiatives are in early stages of design, as such it is not yet possible to determine its impacts. Tax Reform may result in changes to the tax codes affecting companies and in changes to the demand or cost of Tax Equity. Increased investment in infrastructures could change the demand for renewables or change the value of production from existing facilities.

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 2017 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 2017. The Board of Directors approved these condensed consolidated financial statements on July 25, 2017. The condensed consolidated financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDPR Group's consolidated and company condensed financial statements for the six-month period ended 30 June 2017 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2017 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 2016.

In these consolidated and company condensed financial statements for the six-month period ended 30 June 2017, 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 2016.

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.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can be analysed in note 40.

03. 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 2016.

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 a different model or of different assumptions or judgments in applying a particular model may have produced 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.

04. Financial risk management policies

The businesses of EDP Renováveis Group are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. Main financial risks arise from interest-rate and the exchange-rate exposures. The unpredictability 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 resulting from interest rates and foreign exchange rates risks on EDP Renováveis financial performance.

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

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

Exchange-rate risk management

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

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

Currently, the main currency exposure is the U.S. Dollar, resulting from the shareholding in EDPR NA. EDPR is also exposed to other currencies which are Polish Zloty, Romanian Leu, Brazilian Real, British Pound and Canadian Dollar.

To hedge the risk originated with net investment in USD, EDP Renováveis entered into a CIRS in USD/EUR with EDP Branch and also uses financial debt expressed in USD. Following the same strategy adopted to hedge these investments in USA, EDP Renováveis has also entered into CIRS in CAD/EUR, in BRL/EUR and in PLN/EUR to hedge the investments in Canada, Brazil and Poland (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 2017 and 30 June 2016, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

Thousand Euros	30 Jun 2017			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD / EUR	6,294	-7,692	-	-
	6,294	**-7,692**	**-**	**-**

	30 Jun 2016			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD / EUR	-10,577	12,927	-	-
	-10,577	**12,927**	**-**	**-**

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

Interest rate risk management

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

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

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

The EDP Renováveis Group has a portfolio of interest-rate derivatives with maturities up to 10 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 90% 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 2017 and 2016 would increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

Thousand Euros	30 Jun 2017			
	Profit or loss		Equity	
	+ 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**

Thousand Euros	30 Jun 2016			
	Profit or loss		Equity	
	+ 50 BPS	- 50 BPS	+ 50 BPS	- 50 BPS
Cash flow hedge derivatives	-	-	13,310	-13,238
Unhedged debt (variable interest rates)	-1,094	1,094	-	-
	-1,094	**1,094**	**13,310**	**-13,238**

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

Counter-party credit-rate risk management in financial transactions

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

Most relevant counterparties in derivatives and financial transactions are companies within EDP Group. Financial instruments contracted outside EDP Group are 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 operators and distributors in the energy market of their respective countries (OMIE and MEFF 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, net of the impairment losses recognized, 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 2017, 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 (France, Italy and Portugal) or regulated floors (Spain) 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 35). The purpose of EDP Renováveis Group is to hedge a volume of energy generated to reduce its exposure to the energy price volatility.

Capital management

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

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

05. Consolidation perimeter

During the six-month period ended in 30 June 2017, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:

- EDP Renewables North America, LLC acquired 100% of the share capital of the companies Hog Creek Wind Project, LLC, Cameron Solar, LLC, Estill Solar I, LLC and Hampton Solar, II LLC. 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 transaction, the type of assets acquired and the initial stage of completion of the projects;
- EDP Renováveis Brasil S.A. acquired 100% of the share capital of the company SF Thirty Seven Participaçoes Societárias S.A. which name was changed to Babilônia Energias Renováveis S.A.

Disposal of non-controlling interests:

- In the second quarter of 2017, EDPR through EDP Renewables, SGPS, S.A. concluded the sale to ACE Portugal S.Á.R.L., by 210,847 thousand Euro, equivalent to 247,738 thousand Euros deducted from loans totaling 36,981 thousand Euros, of 49% of its interests in the company EDPR PT – Parques Eólicos S.A., with a subsequent loss of share interest in the following companies:
    - Eólica da Coutada, S.A.
    - Eólica das Serras das Beiras, S.A.
    - Eólica da Terra do Mato, S.A.
    - Eólica do Espigão, S.A.
    - Eólica do Alto da Lagoa, S.A.
    - Eólica do Alto do Mourisco, S.A.
    - Eólica dos Altos de Salgueiros-Guilhado, S.A.
    - Eólica do Alto da Teixosa, S.A.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totaling a gain amounting to 167,416 thousand Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated

- EDP Renewables Italia Holding S.r.l. sold 100% of the Italian companies VRG Wind 149 S.r.l. and VRG Wind 127 S.r.l. for an amount of 10 thousand Euros each. The acquisition of these companies, in 2016, was recorded as an asset acquisition out of the scope of IFRS 3 – Business Combinations, due to the substance of the transaction, the type of assets acquired and the very early stage of the projects. This sale was also considered as an asset sale, as the companies were still in the same project stage;

- EDP Renewables South Africa Proprietary Limited liquidated the South African companies Dejann Trading and Investments Proprietary Limited and Jouren Trading and Investments Proprietary Limited.
- EDP Renewables Polska sp. z o.o. liquidated the Polish companies Relax Wind Park II sp. z o.o., MFW Gryf sp. z o.o. and MFW Pomorze sp. z o.o.

Companies incorporated:

- 2017 Vento XVII LLC *;
- Castle Valley Wind Farm LLC *;
- Dry Creek Solar Park LLC *;
- EDPR Wind Ventures XVII LLC *;
- Long Holow wind Farm LLC *;
- Riverstart Solar Park III LLC *;
- White Stone Solar Park LLC *;
- Riverstart Solar Park IV LLC *;
- Riverstart Solar Park V LLC *;
- Timber Road Solar Park LLC *;
- Paulding Wind Farm VI LLC *;
- Renville County Wind Farm LLC *;
- EDPR CA Solar Park LLC*;
- EDPR CA Solar Park II LLC*;
- EDPR CA Solar Park III LLC*;
- EDPR CA Solar Park IV LLC*;
- EDPR CA Solar Park V LLC*;
- EDPR CA Solar Park VI LLC*;
- EDPR Solar Ventures II LLC*;
- 2017 Sol II LLC *;
- Blue Harvest Solar Park LLC *;
- Sweet Stream Wind Farm LLC *;
- Les Eoliennes Flottantes du Golfe du Lion, S.A.S.

* EDPR Group holds, through its subsidiary EDPR NA, a set of subsidiaries legally established in the United States without share capital and that, as at 30 June 2017, do not have any assets, liabilities, or any operating activity.

Other changes:

- EDPR Group changed the method by which it consolidated Eólica de Coahuila, S.A. de C.V. from equity method to full consolidation method as a result of the wind farm construction completion and its entry into operation. The control was initially shared with Energía Bal, S.A. de C.V. due to its experience in acquiring finance and construction of wind farms. The Shareholders Agreement already established that, with the entry into operation, EDPR International Investments B.V. would gain control of the company for its greater experience in the operational management of wind farms.

- Due to the recent acquisition and construction of the windfarm, EDPR Group considered the book value at the control acquisition date as a good approach to its fair value. Book value of assets and liabilities identified at the control acquisition date can be analyzed as follows:

Thousand Euros	Book Value
Assets	
Property, plant and equipment	327,558
Other debtors and other assets	26,160
Cash and cash equivalents	26,498
Total Assets	**380,216**
Liabilities	
Financial Debt	241,553
Other liabilities and other payables	105,754
Total Liabilities	**347,307**
NET Assets	**32,909**

06. Revenues

Revenues are analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Revenues by business and geography		
Electricity in Europe	495,740	499,907
Electricity in North America	340,817	271,834
Electricity in Brazil	18,563	12,195
	855,120	783,936
Other revenues	169	1,596
	855,289	785,532
Services rendered	891	815
Changes in inventories and cost of raw material and consumables used		
Cost of consumables used	-593	-997
Changes in inventories	492	12
	-101	-985
Total Revenues	**856,079**	**785,362**

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

07. Income from institutional partnerships in U.S. wind farms

Income from institutional partnership in U.S. Wind Farms in the amount of 132,102 thousand Euros (30 June 2016: 103,494 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, Blue Canyon I and Vento I to XVI, (see note 31).

08. Other income

Other income is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Amortisation of deferred income related to power purchase agreements	2,086	2,438
Contract and insurance compensations	6,341	4,437
Other income	10,867	14,394
	19,294	**21,269**

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date of the business combination, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and booked as a non-current liability (see note 32). This liability is amortised over the period of the agreements against Other income. As at 30 June 2017, the amortisation for the period amounts to 2,086 thousand Euros (30 June 2016: 2,438 thousand Euros).

09. Supplies and services

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Rents and leases	29,832	27,581
Maintenance and repairs	87,992	81,576
Specialised works:		
- IT Services, legal and advisory fees	6,230	5,813
- Shared services	4,330	3,978
- Other services	6,196	5,115
Other supplies and services	20,788	18,113
	155,368	**142,176**

10. Personnel costs and employee benefits

Personnel costs and employee benefits are analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Personnel costs		
Board remuneration	369	353
Remunerations	39,907	35,335
Social charges on remunerations	6,598	5,763
Employee's variable remuneration	7,190	7,179
Other costs	759	929
Own work capitalised	-11,055	-9,434
	43,768	40,125
Employee benefits		
Costs with pension plans	2,251	1,980
Costs with medical care plans and other benefits	2,976	2,439
Other	876	773
	6,103	5,192
	49,871	**45,317**

As at 30 June 2017, Costs with pension plans relates essentially to defined contribution plans in the amount of 2,193 thousands of Euros (30 June 2016: 1,956 thousands of Euros) and defined benefit plans amounting to 4 thousand Euros (24 thousand Euros as at 30 June 2016).

11. Other expenses

Other expenses are analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Taxes	59,105	47,304
Losses on fixed assets	4,962	5,052
Other costs and losses	19,449	22,096
	83,516	**74,452**

The caption Taxes, on 30 June 2017, mainly includes the amount of 15,988 thousands of Euros (30 June 2016: 12,414 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.

During the six-month period ended 30 June 2017 the EDPR Group proceeded to the write-off of assets under construction which mainly refers to (i) 131 thousand Euros in EDPR North America and (ii) 1,247 thousand Euros in EDPR Europe related to the abandonment of ongoing projects due to the reduced probability of their future development; and (iii) 2,548 thousand Euros due to incremental costs related with the damage in the met mast of the offshore wind farm Moray.

12. Amortisation and impairment

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Property, plant and equipment		
Buildings and other constructions	350	338
Plant and machinery	263,515	298,919
Other	4,184	4,203
	268,049	303,460
Intangible assets		
Industrial property, other rights and other intangibles	1,330	1,450
Impairment loss	1,406	-
	2,736	1,450
	270,785	304,910
Amortisation of deferred income (Government grants)	-11,101	-11,118
	259,684	**293,792**

The variation of the period includes the impact of the extension of the useful life of renewable assets from 25 to 30 years that took place at the end of December 2016 which results in a decrease of the amortization expense in the amount of around 59,000 thousand Euros compared to the amortisation that would have resulted if the extension of the useful life had not taken place.

Impairment loss for intangible assets recognized in 2017 results from the recoverability assessment of deferred green certificates in Romania.

13. Financial income and financial expenses

Financial income and financial expenses are analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Financial income		
Interest income	2,743	4,208
Derivative financial instruments:		
Interest	-	110
Fair value	6,323	22,107
Foreign exchange gains	17,061	9,499
Other financial income	425	116
	26 552	36,040
Financial expenses		
Interest expense	84,082	96,209
Derivative financial instruments:		
Interest	31,660	26,365
Fair value	5,797	7,937
Foreign exchange losses	1,782	17,984
Own work capitalised	-5,859	-11,799
Unwinding	51,242	48,967
Other financial expenses	5,680	29,086
	174,384	214,749
Net financial income / (expenses)	**-147,832**	**-178,709**

Derivative financial instruments include interest liquidations on the derivative financial instrument established between EDP Renováveis and EDP Branch (see notes 35 and 37).

In accordance with the corresponding accounting policy, the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2017 amounted to 5,859 thousand Euros (at 30 June 2016 amounted to 11,799 thousands Euros) (see note 15), and are included under Own work capitalised (financial interest). The interest rates used for this capitalisation vary in accordance with the related loans.

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

Unwinding expenses refers essentially to the financial update of provisions for dismantling and decommissioning of wind farms of 2,664 thousand Euros (30 June 2016: 2,323 thousand Euros) (see note 30) and the implied return in institutional partnerships in U.S. wind farms of 48,415 thousands Euros (30 June 2016: 46,366 thousand Euros) (see note 31).

14. Income tax expense

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

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

Country	30 Jun 2017	30 Jun 2016
Europe:		
Belgium	33.99%	33.99%
France	33.33% - 34.43%	33.33% - 34.43%
Italy	24% - 28.8%	27.5% - 31.4%
Poland	19%	19%
Portugal	21% - 29.5%	21% - 29.5%
Romania	16%	16%
Spain	25%	25%
United Kingdom	20%	20%
America:		
Brazil	34%	34%
Canada	26.50%	26.50%
Mexico	30%	30%
United States of America	38.2%	38.2%

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

Furthermore, effective as from 1 January 2017 there is a second tax group formed by 7 subsidiaries and EDPR Participaciones, S.A. as the dominant company.

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

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

EDP Renováveis Group companies may, in accordance with the law, benefit from certain tax benefits or incentives in specific conditions, namely the Production Tax Credits in the US which are the dominant form of wind remuneration in that country, and represent an extra source of revenue per unit of electricity over the first 10 years of the asset's life ($24/MWh in 2017 and $23/MWh in 2016), while for wind facilities commencing construction in 2017, the PTC amount is reduced by 20%, 40% in 2018 and 60% in 2019.

EDP Renewables Group transfer pricing 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 2016 the statutory CIT rates (IRES) applicable in 2017 in Italy, France and the United Kingdom were reduced as follows:

- In Italy, from 27.5% to 24%, effective from 1 January 2017 onwards, as per the 2016 Budget Law;
- In France, the Government announced in 2016 that the CIT rate would be progressively lowered down from 33.33% to 28% for all companies before 2020, starting in 2017 with small and medium-sized enterprises and expanding to larger companies as a second step;
- In the United Kingdom, at Summer Budget 2015 the government announced legislation setting the CIT main rate (for all profits except North Sea oil and gas ring fence profits) at 19% for fiscal year 2017 (i.e. from 1 April 2017 to 31 March 2018). For fiscal years 2018 and 2019, the corporation tax rate will remain at 19%. For fiscal year 2020 the CIT rate will be 17%.

Tax losses carried forward

- In Spain, the utilization of carried forward tax losses for fiscal years starting after 1 January 2017 is limited to 70% of the tax base, 1,000 thousand Euros being deductible in any case.
- In Portugal, the Budget Law for 2016 (Law 7-A/2016, of 30 March 2016) has reduced the tax losses carry-forward period from 12 to 5 years, for tax losses assessed in tax years beginning on or after 1 January 2017.

Corporate income tax provision

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Current tax	-26,936	- 36 308
Deferred tax	-43,810	-6,850
Income tax expense	**-70,746**	**-43,158**

The effective income tax rate as at 30 Junes 2017 and 2016 is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Profit before tax	313,278	171,934
Income tax expense	-70,746	-43,158
Effective Income Tax Rate	22.58%	25.10%

The difference between the theoretical and the efective 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 2017 and 2016 is analysed as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
Profit before taxes	313,278	171,934
Nominal income tax rate (*)	25.00%	25.00%
Theoretical income tax expense	-78,320	-42,984
Tax losses and tax credits	-37	3,974
Financial investments in associates	3,175	-536
Effect of tax rates in foreign jurisdictions	-21,654	-12,827
Tax benefits	665	2,494
Other	25,425	6,721
Efective income tax expense as per the Consolidated Income Statement	**-70,746**	**-43,158**

(*) Statutory corporate income tax rate applicable in Spain

15. Property, plant and equipment

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Cost		
Land and natural resources	32,454	31,519
Buildings and other constructions	19,414	20,445
Plant and machinery:		
- Renewables generation	16,775,790	17,073,075
- Other plant and machinery	6,700	6,700
Other	111,654	112,969
Assets under construction	1,104,096	917,652
	18,050,108	18,162,360
Accumulated depreciation and impairment losses		
Depreciation charge	-268,049	-617,946
Accumulated depreciation in previous years	-4,447,875	-4,012,314
Impairment losses	-	-3,387
Impairment losses in previous years	-93,616	-91,286
	-4,809,540	-4,724,933
Carrying amount	13,240,568	13,437,427

The movement in Property, plant and equipment for the six-month period ended 30 June 2017, is analysed as follows:

Thousands of Euros	Balance as at 01 Jan	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Changes in perimeter / other	Balance as at 30 Jun
Cost							
Land and natural resources	31,519	2,704	-598	-	-1,171	-	32,454
Buildings and other constructions	20,445	3	-	-	-1,034	-	19,414
Plant and machinery	17,079,775	12,308	-1,529	74,597	-694,886	312,225	16,782,490
Other	112,969	2,308	123	631	-4,499	122	111,654
Assets under construction	917,652	405,948	-3,765	-75,228	-69,810	-70,701	1,104,096
	18,162,360	**423,271**	**-5,769**	**-**	**-771,400**	**241,646**	**18,050,108**

Thousands of Euros	Balance as at 01 Jan	Charge for the period	Disposals/ write-offs	Exchange Differences	Changes in perimeter / other	Balance as at 30 Jun
Accumulated depreciation and impairment losses						
Buildings and other constructions	12,212	350	-	-666	-	11,896
Plant and machinery	4,629,306	263,515	-456	-176,586	-2,198	4,713,581
Other	83,415	4,184	135	-3,689	18	84,063
	4,724,933	**268,049**	**-321**	**-180,941**	**-2,180**	**4,809,540**

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

Amortization charge for the period includes the impact of the extension of the useful life of renewables assets that took place at the end of December 2016 (see note 12).

Additions include the allocation of the acquisition cost of the American companies Hog Creek Wind Project, LLC, Cameron Solar, LLC, Estill Solar I, LLC and Hampton Solar, II LLC amounting to 34,068 thousand Euros due to the nature of the transaction, the type of assets and the initial stage of completion of the projects acquired (See note 5).

Transfers from assets under construction into operation mainly refer to wind farms of EDP Renováveis that become operational in France and Italy.

Disposals/Write-offs include 1,379 thousand Euros related to the abandonment of ongoing projects mainly in Italy and an additional write-off of 2,548 thousand Euros due to the damage that took place in 2014 in the met mast of the offshore wind farm of Moray.

The caption Changes in perimeter/Other includes the impact of 327,558 thousand Euros related to the full consolidation of the Mexican wind farm Eólica de Coahuila which was previously consolidated by the equity method until its construction completion and entry into operation, which took place at the beginning of 2017 (See note 5). Additionally this caption also includes the reclassification to assets held for sale of an amount of 84,693 thousand Euro (including exchange rates effect) related to the assets of the previously mentioned offshore wind farm Moray since management has committed during the second quarter of 2017 to a plan for selling a partial shareholding of the company (See note 25).

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 29). Additionally, the construction of certain assets have been partly financed by grants received from different Government Institutions.

Assets under construction as at 30 June 2017 and 31 December 2016 are analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
EDPR EU Group	237,915	331,216
EDPR NA Group	777,262	537,540
Other	88,919	48,896
	1,104,096	**917,652**

Assets under construction as at 30 June 2017 are essentially related to wind farms under construction and development in EDPR North America, EDPR Europe and in EDPR Brasil.

Financial interests capitalised amount to 5,859 thousand Euros as at 30 June 2017 (30 June 2016: 11,799 thousand Euros) (see note 13).

Personnel costs capitalised amount to 11,055 thousand Euros as at 30 June 2017 (30 June 2016: 9,434 thousand Euros) (see note 10).

The EDP Renováveis Group has lease and purchase obligations disclosed in Note 36 - Commitments.

16. Intangible assets

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Cost		
Industrial property, other rights and other intangible assets	218,856	221,995
Intangible assets under development	38,171	34,638
	257,027	256,633
Accumulated amortisation		
Amortisation charge	-1,330	-3,162
Accumulated amortisation in previous years	-45,104	-43,282
Impairment losses	-1,406	-
	-47,840	-46,444
Carrying amount	**209,187**	**210,189**

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

- Wind generation licenses amounting to 107,295 thousand Euros in the EDPR NA Group (31 December 2016: 114,803 thousand Euros) and in Portuguese companies amounting to 30,206 thousand Euros (the same amount as at 31 December 2016); and
- Deferred green certificates in Romania amounting to 77,595 thousand Euros (31 December 2016: 73,123 thousand Euros).

The movement in Intangible assets for the six-month period ended 30 June 2017, is analysed as follows:

	Balance as at 01 Jan	Additions	Exchange differences	Changes in the perimeter / other	Balance as at 30 Jun
Cost					
Industrial property, other rights and other intangible assets	221,995	7,982	-9,154	-1,967	218,856
Intangible assets under development	34,638	3,533	-	-	38,171
	256,633	**11,515**	**-9,154**	**-1,967**	**257,027**

	Balance as at 01 Jan	Charge for the year	Impairment	Exchange differences	Balance as at 30 Jun
Accumulated amortisation					
Industrial property, other rights and other intangible assets	46,444	1,330	1,406	-1,340	47,840
	46,444	**1,330**	**1,406**	**-1,340**	**47,840**

Additions include the recognition of deferred green certificates rights in Romania in the amount of 4,702 thousand Euros.

17. Goodwill

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Goodwill booked in EDPR EU Group:	636,212	636,153
- EDPR Spain Group	490,385	490,385
- EDPR France Group	61,460	61,460
- EDPR Portugal Group	43,712	43,712
- Other	40,655	40,596
Goodwill booked in EDPR NA Group	692,054	748,187
Other	1,050	1,153
	1,329,316	**1,385,493**

The movements in Goodwill, by subgroup, for the six-month period ended 30 June 2017 are analysed as follows:

Thousand Euros	Balance as at 01 Jan	Decreases	Exchange Differences	Balance as at 30 Jun
EDPR EU Group:				
- EDPR Spain Group	490,385	-	-	490,385
- EDPR France Group	61,460	-	-	61,460
- EDPR Portugal Group	43,712	-	-	43,712
- Other	40,596	-218	276	40,655
EDPR NA Group	748,187	-	-56,133	692,054
Other	1,153	-	-102	1,050
	1,385,493	**-218**	**-55,959**	**1,329,316**

There are no significant movements during the first half of 2017 except those related to exchange differences in the EDPR NA Group and a decrease related to the company Relax Wind Park II sp. z o.o. which has been liquidated in 2017 (see note 5).

18. Investments in Joint Ventures and Associates

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Investments in joint ventures	269,527	304,918
Investments in associates	51,083	35,202
Carrying amount	**320,610**	**340,120**

The variation in investments in joint ventures is mainly explained by the change of the consolidated method of Eólica de Coahuila, S.A. de C.V (negative impact of 14,530 thousands Euros), which began to be fully consolidated at the beginning of 2017 (see note 5).

The variation in Investments in associates is mainly explained by the capital increase in Eoliennes en Mer Dieppe - Le Tréport, S.A.S. and in Eoliennes en Mer Iles d'Yeu et de Noirmoutier, S.A.S. in the amount of 7,295 thousand Euros and 8,251 thousand Euros, respectively.

19. Deferred tax assets and liabilities

The EDP Renováveis Group records the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis. During the six-month period ended at 30 June 2017, 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 2016 consolidated financial statements.

The main variations in deferred tax assets and liabilities for the Group during the six months ended at 30 June 2017 and 2016 are analysed as follows:

Thousand Euros	Deferred tax assets		Deferred tax liabilities	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
Balance as at 1 January	**75,840**	**47,088**	**365,086**	**316,497**
Tax losses and tax credits	19,104	-23,174	-	-
Fair value of financial instruments	-2,414	2,490	3,437	-2,244
Allocation of fair value adjustments to assets and liabilities acquired	-	-	20,775	5,443
Property, plant and equipment	-1,279	-1,004	6,977	-2,205
Income from institutional partnerships in US wind farms	-	-	39,350	11,377
Netting of deferred tax assets and liabilities	-17,062	25,690	-17,062	25,690
Other temporary differences	-7,408	612	-8,839	-802
Balance as at 30 June	**66,781**	**51,702**	**409,724**	**353,756**

20. Inventories

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Advances on account of purchases	1,927	1,333
Finished and intermediate products	6,089	5,816
Raw and subsidiary materials and consumables	17,905	16,754
	25,921	**23,903**

21. Debtors and other assets from commercial activities

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Debtors and other assets from commercial activities - Non-current		
Trade receivables	28,441	29,854
Deferred costs	13,144	10,092
Sundry debtors and other operations	37,212	43,590
	78,797	83,536
Debtors and other assets from commercial activities - Current		
Trade receivables	230,246	231,981
Prepaid turbine maintenance	9,639	3,295
Services rendered	2,851	8,349
Advances to suppliers	4,025	4,485
Sundry debtors and other operations	42,792	32,429
	289,553	280,539
Impairment losses	-	-
	368,350	**364,075**

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 credit risk analysis is disclosed in note 4, under the Counterparty credit risk management.

22. Other debtors and other assets

Other debtors and other assets are analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Other debtors and other assets - Non-current		
Loans to related parties	760	24,275
Derivative financial instruments	26,511	28,920
Sundry debtors and other operations	8,114	6,650
	35,385	59,845
Other debtors and other assets - Current		
Loans to related parties	22,283	36,226
Derivative financial instruments	28,906	26,146
Sundry debtors and other operations	52,057	40,119
	103,246	102,491
	138,631	**162,336**

Loans to related parties Non-Current mainly included 23,526 thousand Euros as at 31 December 2016 of loans granted to the Mexican company Eolica de Coahuila, S.A. de C.V. which began to fully consolidate in the beginning of 2017 (see note 5).

Loans to related parties - Current mainly include loans granted to the following equity consolidated companies: (i) 12,783 thousand Euros related to the Spanish company Parque Eólico Sierra del Madero, S.A. as at 30 June 2017 (12,785 thousand Euros as at 31 December 2016) and (ii) 3,426 thousand Euros related to the Spanish company AERE as at 30 June 2017 and 31 December 2016.

Additionally, Sundry debtors –Current includes 31,817 thousand Euros as at 30 June 2017 (24,961 thousands of Euros as at 31 December 2016) related with the estimated corporate income tax due by EDP Energias de Portugal, S.A. Sucursal en España.

23. Current tax assets

Current tax assets is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Income tax	34,730	26,572
Value added tax (VAT)	53,181	46,329
Other taxes	5,592	4,734
	93,503	**77,635**

24. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Bank deposits		
Current deposits	167 513	264,985
Term deposits	74 792	21,970
Specific demand deposits in relation to institutional partnerships	32 026	120,921
	274,331	407,876
Other short term investments	-	195,343
	274,331	**603,219**

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 31), 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" included the debit balance of the current account with EDP Servicios Financieros España S.A. amounting to 195,343 thousands of Euros as at 31 December 2016 in accordance with the terms and conditions of the contract signed between the parties. This current account has a credit balance as at 30 June 2017 and therefore it has been classified as a Financial Debt (see note 29).

25. Assets and liabilities held for sale

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

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Assets of the business of electricity generation – Moray Offshore	85,990	-
Assets held for sale	**85,990**	**-**
Liabilities of the business of electricity generation – Moray Offshore	8,832	-
Liabilities held for sale	**8,832**	-

EDPR management has committed to a plan to sale certain stake in the company Moray Offshore Windfarm (East) Limited, with a subsequent loss of control over the company, and has been approached in the last months by different companies which were interested in investing in the project. The negotiations of the sales with some of these investors are on a final stage, and accordingly, assets and liabilities related to this wind farm has been presented as assets and liabilities held for sale as at 30 June 2017. Assets essentially refer to property, plant and equipment (see note 15).

The legal closing of one of these transactions has taken place in July 2017 (see note 39), but the conditions needed for the accounting closing to take place are expected for the third quarter of 2017.

26. Share capital and share premium

At 30 June 2017 and 2016, 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 2017 is analysed as follows:

	No. Of shares	% capital	% voting rights
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	676,283,856	77.53%	77.53%
Other (*)	196,024,306	22.47%	22.47%
	872,308,162	**100.00%**	**100.00%**

(*) Shares quoted on the Lisbon stock exchange

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

As at 5 July 2017, it was announced the period for the public offer of the voluntary acquisition of shares representing EDPR's share capital commencing on 6 July 2017 and ending on 3 August 2017 (see note 39).

There were no movements in the Share capital and Share premium for the six-month period ended 30 June 2017. The share premium is freely distributable.

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

	30 Jun 2017	30 Jun 2016
Profit attributable to the equity holders of the parent (in thousand Euros)	134,034	58,841
Profit from continuing operations attributable to the equity holders of the parent (in thousand Euros)	134,034	58,841
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)	0.15	0.07
Earnings per share (diluted) attributable to equity holders of the parent (in Euros)	0.15	0.07
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent (in Euros)	0.15	0.07
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent (in Euros)	0.15	0.07

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 2017 and 31 December 2016.

The average number of shares was determined as follows:

	30 Jun 2017	30 Jun 2016
Ordinary shares issued at the beginning of the period	872,308,162	872,308,162
Effect of shares issued during the period	-	-
Average number of realised shares	872,308,162	872,308,162
Average number of shares during the period	872,308,162	872,308,162
Diluted average number of shares during the period	872,308,162	872,308,162

27. Other comprehensive income, reserves and retained earnings

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Other comprehensive income:		
Fair value reserve (cash flow hedge)	-23,898	-33,425
Fair value reserve (available-for-sale financial assets)	6,132	6,132
Exchange differences arising on consolidation	-30,299	7,641
	-48,065	-19,652
Other reserves and retained earnings:		
Retained earnings and other reserves	1,220,951	1,054,839
Additional paid in capital	60,066	60,666
Legal reserve	61,707	59,805
	1,342,724	1,174,710
	1,294,659	**1,155,058**

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:

Thousand Euros Currency		Exchange rates As at 30 Jun 2017		Exchange rates As at 30 June 2016		Exchange rates As at 31 December 2016	
		Closing Rate	Average Rate	Closing Rate	Average Rate	Closing Rate	Average Rate
US Dollar	USD	1.141	1.083	1.110	1.116	1.054	1.107
Polish Zloty	PLN	4.226	4.270	4.436	4.368	4.410	4.363
Brazilian Real	BRL	3.760	3.443	3.590	4.131	3.431	3.858
Romanian Leu	RON	4.552	4.537	4.523	4.496	4.539	4.491
Pound Sterling	GBP	0.879	0.861	0.827	0.778	0.856	0.819
Canadian Dollar	CAD	1.479	1.445	1.438	1.485	1.419	1.466

28. Non-controlling interests

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Non-controlling interests in income statement	108,498	119,784
Non-controlling interests in share capital and reserves	1,403,709	1,328,268
	1,512,207	**1,448,052**

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

Thousand Euros	30 Jun 2017	31 Dec 2016
EDPR NA Group	896,311	905,142
EDPR EU Group	552,633	485,577
EDPR BR Group	63,263	57,333
	1,512,207	**1,448,052**

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Balance as at 1 January	1,448,052	863,109
Dividends distribution	-19,852	-42,563
Net profit for the year	108,498	119,784
Exchange differences arising on consolidation	-75,005	42,730
Acquisitions and sales without change of control	42,606	517,179
Increases/(Decreases) of share capital	12,206	-63,659
Other changes	-4,298	11,472
Balance as at 31 December	**1,512,207**	**1,448,052**

29. Financial debt

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	514,629	542,145
- EDPR BR Group	104,762	120,409
- EDPR NA Group	235,829	23,722
Loans received from EDP group entities:		
- EDP Renováveis, S.A.	382,871	424,441
- EDP Renováveis Servicios Financieros, S.A.	1,746,765	2,181,754
Other loans:		
- EDPR EU Group	86	120
Total Debt and borrowings - Non-current	**2,984,942**	**3,292,591**
Collateral Deposits - Non-current (*)		
Collateral Deposit - Project Finance and others	-35,015	-28,974
Total Collateral Deposits - Non-current	**-35,015**	**-28,974**

Thousand Euros	30 Jun 2017	31 Dec 2016
Financial debt - Current		
Bank loans:		
- EDPR EU Group	76,005	78,165
- EDPR BR Group	11,937	13,243
- EDPR NA Group	17,984	7,777
Loans received from EDP group entities:		
- EDP Renováveis Servicios Financieros, S.A.	321,500	10,868
Other loans:		
- EDPR EU Group	707	1,315
Interest payable	30,634	2,110
Total Debt and borrowings - Current	**458,767**	**113,478**
Collateral Deposits - Current (*)		
Collateral Deposit - Project Finance and others	-4,164	-17,072
Total Collateral Deposits - Current	**-4,164**	**-17,072**
Total Debt and borrowings – Current and Non-current	**3,443,709**	**3,406,069**
Total Debt and borrowings net of collaterals – Current and Non-current	**3,404,530**	**3,360,023**

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

Financial debt Non-current and current for EDPR Group mainly refers to a set of long-term loans granted by EDP Finance BV which balance amounts to 1,290,556 thousand Euros as at 30 June 2017 and by EDP Servicios Financieros España S.A. which long-term portion amounts to 869,283 thousand Euros and the short-term portion amounts to 96,587 thousand Euros. These balances amounted to 1,397,195 thousand Euros and 1,209,000 thousand Euros respectively as at 31 December 2016. The bundled average maturity regarding long term loans granted by EDP Finance BV and EDP Servicios Financieros España S.A. is 3.6 years (2.5 as of 31 December 2016) and bear interest at fixed market rates. Additionally, the caption Financial debt-current also includes the credit balance of the current account with EDP Servicios Financieros España S.A. amounting to 224,913 thousand Euros as at 30 June 2017. This current account had a debit balance as at 31 December 2016 and therefore it was classified within the caption cash and cash equivalents in accordance with the terms and conditions of the contract signed between the parties (see note 24).

Main events of the six-month period ended 30 June 2017 mainly refers to i) the change of consolidation method of the Mexican company Eólica de Cohauila which in the previous year was consolidated by the equity method and began to be full consolidated at the beginning of 2017 with an impact as at 30 June 2017 of 222,230 thousand Euros (see note 5) and ii) anticipated repayment of intercompany loans totaling 243,130 thousand Euros with cash received from asset rotation transactions.

As at 30 June 2017, future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousand Euros	2017	2018	2019	2020	2021	Following years	Total
Bank loans							
Euro	32,332	45,863	48,700	49,765	50,709	178,911	406,280
Brazilian Real	7,474	12,406	11,423	9,149	3,067	73,584	117,103
US Dollar	9,098	11,406	10,646	11,166	11,296	174,836	228,448
Others	8,282	20,837	22,542	24,080	26,522	108,352	210,615
	57,186	90,512	93,311	94,160	91,594	535,683	962,446
Loans received from EDP group companies							
Euro	-	289,761	289,761	386,348	-	-	965,870
American Dollar	254,330	-	-	425,984	406,487	427,799	1,514,600
	254,330	289,761	289,761	812,332	406,487	427,799	2,480,470
Other loans							
Euro	672	71	50	-	-	-	793
	672	71	50	-	-	-	793
	312,188	**380,344**	**383,122**	**906,492**	**498,081**	**963,482**	**3,443,709**

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 2017, these financings amount to 960,943 thousand Euros (31 December 2016: 689,803 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 2017		31 Dec 2016	
	Carrying Value	Market Value	Carrying Value	Market Value
Financial debt - Non-current	2,984,942	3,010,679	3,292,591	3,326,757
Financial debt - Current	458,767	458,767	113,478	113,478
	3,443,709	**3,469,446**	**3,406,069**	**3,440,235**

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.

30. Provisions

Provisions are analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Dismantling and decommission provisions	262,446	268,191
Provision for other liabilities and charges	6,625	6,275
- Long-term provision for other liabilities and charges	967	744
- Short-term provision for other liabilities and charges	5,658	5,531
Employee benefits	561	596
	269,632	**275,062**

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) 102,512 thousand Euros for wind farms in North America (31 December 2016: 104,274 thousand Euros) ii) 158,477 thousand Euros for wind farms in Europe (31 December 2016: 162,413 thousand Euros) and iii) 1,457 thousand Euros for wind farms in Brazil (31 December 2016: 1,504 thousand Euros).

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

31. Institutional partnerships in U.S. wind farms

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Deferred income related to benefits provided	827,699	819,199
Liabilities arising from institutional partnerships in U.S. wind farms	1,129,042	1,520,226
	1,956,741	**2,339,425**

The Group, through EDPR North America, 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. The Group recognises under this caption the receipts of institutional investors associated with wind and solar projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, and recognised over the useful life the related projects (see note 7).

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

Thousand Euros	30 Jun 2017
Balance at the beginning of the period	2,339,425
Cash paid to institutional investors	-130,922
Income (see note 7)	-132,102
Unwinding (see note 13)	48,415
Exchange differences	-167,543
Others	-532
Balance at the end of the period	**1,956,741**

32. Trade and other payables from commercial activities

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Trade and other payables from commercial activities - Non-current		
Government grants / subsidies for investments in fixed assets	385,680	426,535
Electricity sale contracts - EDPR NA	16,575	19,857
Other creditors and sundry operations	22,970	17,516
	425,225	463,908
Trade and other payables from commercial activities - Current		
Suppliers	57,529	83,173
Property and equipment suppliers	369,791	665,806
Other creditors and sundry operations	50,303	61,152
	477,623	810,131
	902,848	**1,274,039**

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

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the 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 8).

33. Other liabilities and other payables

Other liabilities and other payables are analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Other liabilities and other payables - Non-current		
Success fees payable for the acquisition of subsidiaries	9,251	9,813
Loans from non-controlling interests	601,713	553,988
Derivative financial instruments	239,319	580,729
Other creditors and sundry operations	5,613	9,907
	855,896	1,154,437
Other liabilities and other payables - Current		
Success fees payable for the acquisition of subsidiaries	5,780	7,069
Derivative financial instruments	318,196	190,438
Loans from non-controlling interests	51,946	56,099
Other creditors and sundry operations	2,615	5,285
	378,537	258,891
	1,234,433	**1,413,328**

Success fees payable for the acquisition of subsidiaries includes the amounts related to the contingent prices of several projects, mainly in Poland and Italy.

Derivative financial instruments non-current and current mainly includes 182,597 thousand Euros and 295,676 thousand Euros respectively (31 December 2016: 511,811 thousand Euros and 157,918 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 35). Variation of the period is mainly related to the change in the mark-to-market valuation of the derivative amounting to 191,234 thousand Euros and a reclassification from long-term to short-term of a portion amounting to 255,345 thousands Euros which maturity is February 2018.

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 (see note 5) for a total amount of 36,762 thousand Euros, including accrued interests (with no balances as of 31 December 2016), 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 235,865 thousand Euros, including accrued interests (245,981 thousand Euros as at 31 December 2016), 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 121,107 thousand Euros including accrued interests (120,390 thousand Euros as at 31 December 2016), bearing interest at a fixed rate of a range between 1.7% 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 80,632 thousand Euros including accrued interests (83,618 thousand Euros as at 31 December 2016), 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 62,770 thousand Euros, including accrued interests (31 December 2016: 66,264 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 66,391 thousand Euros including accrued interests (31 December 2016: 71,501 thousand Euros), bearing interests at a fixed rate of 5.5%.

As at 30 June 2017 and 31 December 2016 Other creditors and sundry operations – Non-current includes 3,225 thousands Euros in relation to the amount to be paid in 2018 concerning the tax effect of the revaluation of assets in Portugal according to Decree 66/2016 (see note 14). Additionally, this caption also includes 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 2,169 thousand Euros (see note 36).

34. Current tax liabilities

This caption is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Income tax	44,344	27,993
Withholding tax	3,413	27,420
Value added tax (VAT)	16,365	17,386
Other taxes	56,036	15,647
	120,158	**88,446**

35. Derivative financial instruments

As of 30 June 2017, the fair value of derivatives is analysed as follows:

Thousand Euros	30 Jun 2017	31 Dec 2016
Net investment hedge		
Cross currency rate swaps	-470,532	-658,514
	-470,532	-658,514
Cash flow hedge		
Power price swaps	-6,175	-14,673
Interest rate swaps	-24,707	-32,814
Currency forwards	-	-11,924
	-30,882	-59,411
Trading		
Power price swaps	-415	-398
Interest rate swaps	-13	-33
Cross currency rate swaps	627	2,043
Currency forwards	-883	212
	-684	1,824
	-502,098	**-716,101**

The fair value of derivative financial instruments is recorded under other debtors and other assets (note 22) or other liabilities and other payables (note 33), if the fair value is positive or negative, respectively.

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 the USD/EUR forward contract with EDP Servicios Financieros, 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 38) and no changes of level were made during this period.

During 2017 and 2016 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, Wibor 3M, CAD Libor 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 and CAD Libor 3M.
Foreign exchange forwards	Fair value indexed to the following exchange rates: EUR/PLN, BRL/USD and BRL/EUR.
Power price swaps	Fair value indexed to the price of electricity.

36. Commitments

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

Thousand Euros	30 Jun 2017	31 Dec 2016
Guarantees of financial nature		
EDPR NA Group	5,920	21,039
	5,920	21,039
Guarantees of operational nature		
EDP Renováveis, S.A.	1,273,090	1,079,869
EDPR NA Group	1,241,196	1,224,085
EDPR EU Group	47,132	44,544
EDPR BR Group	16,519	18,622
	2,577,937	2,367,120
Total	**2,583,857**	**2,388,159**
Real guarantees	**1,619**	**3,318**

As at 30 June 2017 and 31 December 2016, EDPR has operational guarantees regarding to its commercial activity, in the amount of 372,421 thousands of Euros and 495,692 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 2017, these financings amount to 873,825 thousands of Euros (31 December 2016: 689,803 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. As at 30 June 2017 and 31 December 2016, EDPR's obligations under the tax equity agreements, in the amount of 1,139,452 thousands of Euros and 1,428,275 thousands of Euros, respectively are reflected in the statement of financial position under the caption Institutional Partnerships in U.S. Wind Farms.

iii) The financial guarantees contracted as at 30 June 2017 amounting to 5,920 thousands of Euros are related with loans obtained by Group companies and already included in the consolidated debt.

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

Thousand Euros					30 Jun 2017
			Capital outstanding by maturity		
	Total	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years
Operating leases for rents not yet due	1,108,283	44,498	91,385	91,574	880,826
Purchase obligations	2,382,670	984,401	751,886	122,520	523,863
	3,490,953	**1,028,899**	**843,271**	**214,094**	**1,404,689**

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 2017 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 2017 the put option amounts to 1,618 thousand Euros.

- 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 2017 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 2017 the put option amounts to 292 thousand Euros.

Some of the disposal of non-controlling interests transactions retaining control carried out in 2017 an in previous years incorporate contingent assets and liabilities according to the terms of the corresponding agreements.

37. Related parties

Remuneration of company officers

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

The remuneration paid to the members of the Executive Board of Directors at 30 June 2017 and 30 June 2016 were as follows:

Thousand Euros	30 Jun 2017	30 Jun 2016
CEO	-	-
Board members	369	353
	369	**353**

EDPR signed an Executive Management Services Agreement with EDP, under which EDP bears the cost for the services render by its Executive and Non-Executive Directors, which are João Manso Neto, Nuno Alves 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 30 June 2017 is 514 thousand Euros (514 thousand Euros as at 30 June 2016), of which 492 thousand Euros refers to the management services rendered by the Executive Members and 22 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 Officers (Miguel Dias Amaro, CFO; João Paulo Costeira, COO EU, BR & South Africa; and Gabriel Alonso COO NA & Mexico), there are contracts that were signed with other group companies, as follows: Miguel Dias Amaro and João Paulo Costeira with EDP Energias de Portugal S.A. Sucursal en España; and Gabriel Alonso with EDP Renewables North America LLC.

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

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 304,892 thousand Euros including accrued interests (46,937 thousand Euros as current and 257,955 thousand Euros as non-current). This balance amounted to 275,509 thousand Euros including accrued interests (53,134 thousand Euros as current and 222,375 thousand Euros as non-current) as at 31 December 2016 (see note 33).

Balances and transactions with EDP Group companies

As at 30 June 2017, 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.	-	13,331	13,331
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	31,680	31,680
Joint Ventures and Associated companies	18,785	308	19,093
Other EDP Group companies	-	26,476	26,476
	18,785	**71,795**	**90,580**

Thousand Euros	Liabilities		
	Loans and interests to pay	Others	Total
EDP Energias de Portugal, S.A.	-	23,124	23,124
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	481,071	481,071
Joint Ventures and Associated companies	-	1	1
EDP Finance B.V.	1,319,903	516	1,320,419
EDP Servicios Financieros España, S.A.	1,190,860	260	1,191,120
Other EDP Group companies	-	3,311	3,311
	2,510,763	**508,283**	**3,019,046**

Liabilities essentially include loans obtained by EDPR Group from EDP Finance BV which balance amounts to 1,290,556 thousand Euros as at 30 June 2017 as non-current financial debt and from EDP Servicios Financieros España S.A. which balance amounts to 1,190,860 thousand Euros (869,283 thousand Euros as non-current financial debt and 96,587 thousand Euros as current financial debt) as at 30 June 2017. As at 31 December 2016 these balances amounted to 1,397,195 thousands of Euros and 1,219,868 thousand Euros respectively.

With the purpose of hedging the foreign exchange risk of EDP Renováveis and EDP Branch, the EDP Group establishing a Cross-Currency Interest Rate Swap (CIRS) in USD and EUR between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in EDPR NA and of the USD external financing). As at 30 June 2017, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 478,273 thousands of Euros (31 December 2016: 668,047 thousands of Euros) (see notes 33 and 35).

Transactions with related parties for the six-month period ended 30 June 2017 are analysed as follows:

Thousand Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
EDP Energias de Portugal, S.A.	-	2,105	12,989	11,862
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	6,581	22,211
Hidrocantábrico Group companies (electric sector)	49	-	373	329
Joint Ventures and Associated companies	1,230	296	18	7
EDP Serviço Universal, S.A.	142,204	-	1	-
Other EDP Group companies	9	609	1,747	50,044
	143,492	**3,010**	**21,709**	**84,453**

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.

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 2017, EDP, S.A., Energias do Brasil and Hidrocantábrico granted financial (85,494 thousands of Euros, 31 December 2016: 101,306 thousands of Euros) and operational (243,357 thousands of Euros, 31 December 2016: 276,236 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.

38. 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.

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

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

Cash and cash equivalents, trade receivables and suppliers

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

Financial debt

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

Derivative financial instruments

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

CIRS with EDP Branch (note 35)

With the purpose of hedging the foreign exchange risk resulting from the net investment in EDPR NA, the Group entered into a CIRS in USD and EUR with EDP Branch. This financial derivative is presented in the statement of financial position at its fair value, which is estimated by discounting the projected USD and EUR cash flows. The discount rates and forward interest rates were based on the interest rate curves referred to above and the USD/EUR exchange rate is disclosed on note 27. See also note 33.

The fair values of assets and liabilities as at 30 June 2017 and 31 December 2016 are analysed as follows:

Thousand Euros	30 June 2017			31 December 2016		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available-for-sale investments	8,186	8,186	-	8,186	8,186	-
Debtors and other assets from commercial activities	368,350	368,350	-	364,075	364,075	-
Other debtors and other assets	83,214	83,214	-	107,270	107,270	-
Derivative financial instruments	55,417	55,417	-	55,066	55,066	-
Cash and cash equivalents	274,331	274,331	-	603,219	603,219	-
	789,498	**789,498**	**-**	**1,137,816**	**1,137,816**	**-**
Financial liabilities						
Financial debt	3,443,709	3,469,446	25,737	3,406,069	3,440,235	34,166
Suppliers	427,320	427,320	-	748,613	748,613	-
Institutional partnerships in U.S. wind farms	1,956,741	1,956,741	-	2,339,425	2,339,425	-
Trade and other payables from commercial activities	89,848	89,848	-	98,525	98,525	-
Other liabilities and other payables	676,918	676,918	-	642,527	642,527	-
Derivative financial instruments	557,515	557,515	-	771,167	771,167	-
	7,152,051	**7,177,788**	**25,737**	**8,006,326**	**8,040,492**	**34,166**

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 June 2017			31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available-for-sale investments	-	-	8,186	-	-	8,186
Derivative financial instruments	-	55,417	-	-	55,066	-
	-	**55,417**	**8,186**	**-**	**55,066**	**8,186**
Financial liabilities						
Liabilities arising from options with non-controlling interests	-	-	4,694	-	-	4,694
Derivative financial instruments	-	557,515	-	-	771,167	-
	-	**557,515**	**4,694**	**-**	**771,167**	**4,694**

The remaining assets and liabilities are valuated within Level 1 or correspond to assets and liabilities which fair value is the same as its carrying amount. For the six-month period ended 30 June 2017, 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 2017 and 30 June 2016 of the derivative financial instruments are presented in note 35.

39. Relevant and subsequent events

EDP – Energias de Portugal S.A. (EDP) launches announcement of the general and voluntary tender offer for the acquisition of shares representative of the share capital of EDP Renováveis, S.A. (EDPR)

In March 2017 EDP published a preliminary announcement pursuant to which it has informed the market that it would launch a voluntary takeover offer for the shares issued by EDPR that are free floating in the Euronext Lisbon regulated market. In July 5, 2017 the offer was registered by the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários") and the launch announcement and prospectus were published (documents available in CMVM and EDP website).

The launch announcement and prospectus confirm the purpose of EDP to keep the strategic guidelines defined by the Board of Directors of EDPR.

The Offer period will run from July 6, 2017 to August 3, 2017 and the relevant sell orders may be received up to the end of that period. The result of the Offer will be determined at a Special Regulated Market Session which is expected will be held on August 4, 2017, i.e. the first working day after the end of the Offer period, at a time to be designated in the relevant Notice of Special Regulated Market Session to be published by Euronext Lisbon.

Sale of a 23% stake in UK wind offshore project

EDPR through its subsidiary EDPR UK Limited closed on July 7 an agreement with ENGIE, to sell a 23% stake in equity shareholding and outstanding shareholders loans on the Moray Offshore Windfarm (East) Limited ("MOWEL").

In January 2010, MOWEL was awarded the right, under a farm leasing programme conducted by The Crown Estate, to develop offshore wind energy in Zone 1 of the Third Offshore Wind Licensing Round ("UK Round 3") and in March 2014 was granted consent, by the Scottish government, for up to 1,116 MW offshore wind development

New institutional partnership structure for 297 MW in the US

EDPR through its fully owned subsidiary EDP Renewables North America LLC, has secured in July 2017 370 million USD of institutional equity financing from BNY Mellon in exchange for an interest in the 100 MW Meadow Lake V, 99 MW Redbed Plains and 98 MW Quilt Block. The projects are located in the state of Indiana, Oklahoma and Wisconsin respectively, and have previously secured long-term Power Purchase Agreements.

Acquisition of minority interests in Eólica de Arlanzón S.A.

EDPR through its fully owned subsidiary EDP Renovables España S.L. closed in July 2017 the acquisition of a 7.5% minority stake in the Spanish company Eólica de Arlanzón S.A., a 34 MW project that started operations in 2004, in which EDPR already had a 77.5% stake.

40. Recent accounting standards and interpretations used

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

The standards, amendments and interpretations issued but not yet effective for the Group, which impact is being evaluated, are the following:

- IFRS 9 - Financial Instruments

The International Accounting Standards Board (IASB) issued, in November 2009, IFRS 9 - Financial instruments, changed in July 2014, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This standard is included in the IASB's comprehensive project to replace IAS 39 and incorporates three distinct topics, namely classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The main aspects considered are as follows:

- classification and measurement of financial instruments: IFRS 9 determines that the classification and measurement of financial assets shall be based on the business model used to manage them and on the characteristics of the contractual cash flows. In this context, financial assets are measured at amortized cost if they are held with the perspective of collecting its contractual cash flows, being the remaining financial assets measured at fair value through other comprehensive income (if there is also an intention to sell assets) or through profit or loss (if the financial assets are not in the scope of any of the previous models, e.g., they are managed on the basis of their fair value). As regards the classification and measurement of financial liabilities, changes to IAS 39 introduced by IFRS 9 are residual;

- impairment of financial assets: IFRS 9 replaces the impairment recognition model based on the incurred credit losses by an alternative model, based on the expected credit losses. Summarily, the new model foresees (i) the recognition of expected credit losses at each reporting date, considering changes in the credit risk inherent to each financial instrument; (ii) the measurement of expected losses using models based on past events, actual conditions and forecast of future conditions; and (iii) the increase in the relevance of the financial information to be disclosed, namely in terms of expected losses and credit risk;

- hedge accounting: Regarding hedge accounting, the adoption of IFRS 9 results in a more accurate representation of risk management activities in the financial statements. In addition, the criteria for eligibility as hedged items is extended to risk components of non-financial elements, to net positions and to aggregate exposures. For hedging instruments, the main changes concern to the possibility of deferring certain effects in other comprehensive income (e.g., the time value of an option), until the hedged item impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

The EDPR Group expects to adopt this standard on the required date of application. In this context, it set up a multidisciplinary team in order to assess the impacts on the adoption of this standard on the consolidated financial statements. Regardless the fact that, at this stage, there is an ongoing analysis, preliminary conclusions point out that significant impacts are not expected.

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

The International Accounting Standards Board (IASB) issued, in May 2014, IFRS 15 - Revenue from the Contracts with Customers, with effective date of mandatory application for periods beginning on or after 1 January 2018, being allowed its early adoption.

This 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 client.

The core principle of IFRS 15 is that an entity 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.

The 5 steps 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) recognise revenue when (or as) the entity satisfies a performance obligation.

The EDP Group expects to adopt this standard on the required date of application. Accordingly it started, back in 2016, a project to measure the impact of its adoption in the recognition of revenue in the activities that carries out. EDP Group is currently reviewing and analysing the universe of information gathered, in order to have visibility on the undelying impacts inherent to the adoption of this standard and define the procedures associated with its initial aplication.

- 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 EDP Group has already carried out an inventory of the existing lease contracts and is currently perfoming a tecnical analysis considering the provisions of IFRS 16. It addition, EDP 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.

- IAS 7 (Amended) - Disclosure Initiative

The International Accounting Standards Board (IASB) issued, in January 2016, amendments to IAS 7 - Statement of Cash Flows, with effective date of mandatory application for periods beginning on or after 1 January 2017, being allowed its early adoption. This standard has not yet been adopted by the European Union.

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as:

- Changes from financing cash flows;

- Changes arising from obtaining or losing control of subsidiaries or other businesses;

- The effect of changes in foreign exchange rates; or

- Changes in fair values.

These disclosures may be presented by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

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 4 (Amended) - Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts;
- IFRS 14 - Regulatory Deferral Accounts;
- IFRS 17 — Insurance Contracts;
- IAS 12 (Amended) - Recognition of Deferred Tax Assets for Unrealised Losses;
- IFRIC 22 - Foreign Currency Transactions and Advance Payments;
- IFRIC 23 — Uncertainty over Income Tax Treatments;
- Annual Improvement Project (2014-2016).

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.

The accounting policies of the reportable segments are the same as described in note 3. Information regarding the results of each reportable segment is included in Annex 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 and United Kingdom;
- 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 2017

Thousand Euros	Europe	North America	Brazil	Segments total
Revenues	497,670	340,821	18,499	856,990
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	726,630
Provisions	-349	-69	-	-418
Amortisation and impairment	-121,080	-132,104	-5,080	-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 thousands of Euros from Spanish companies; ii) assets from Spanish companies in the amount of 2,964,423 thousands of Euros.

Reconciliation between the Segment Information and the Financial Statements

Thousand Euros	
Revenues of the Reported Segments	856,990
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	726,630
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	320,610
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
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

Operating Segment Information for the six-month period ended 30 June 2016

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

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

Reconciliation between the Segment Information and the Financial Statements

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

Thousand Euros	Total of the reported segments	Other segments	Elimination of intra-segment transactions	Total of the EDPR group
Other operating income	20,924	791	-446	21,269
Supplies and services	-144,019	-7,272	9,115	-142,176
Personnel costs and Employee benefits expenses	-36,491	-8,826	-	-45,317
Other operating expenses	-73,556	-1,354	458	-74,452
Provisions	-646	-	-	-646
Amortisation and impairment	-292,235	-336	-1,221	-293,792
Share of profit of associates	-1,970	-60	-1,069	-3,099