EDP Renováveis, S.A.

Condensed Consolidated Financial Statements

30 June 2014

EDP Renováveis, S.A. and subsidiaries

Condensed Consolidated Income Statement
for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	Notes	2014	2013*
Revenues	6	627,390	661,116
Income from institutional partnerships in US wind farms	7	66,066	70,897
		693,456	732,013
Other income	8	15,207	24,981
Supplies and services	9	-120,500	-122,037
Personnel costs and employee benefits	10	-33,876	-35,144
Other expenses	11	-47,817	-56,972
		-186,986	-189,172
		506,470	542,841
Provisions		-	-228
Amortisation and impairment	12	-222,150	-223,922
		284,320	318,691
Financial income	13	43,485	76,341
Financial expenses	13	-160,949	-205,768
Share of net profit in joint ventures and associates		10,963	15,031
Profit before tax		177,819	204,295
Income tax expense	14	-51,120	-54,541
Net profit for the period		**126,699**	**149,754**
Attributable to:			
Equity holders of EDP Renováveis	26	**87,321**	**128,987**
Non-controlling interests	28	**39,378**	**20,767**
Net profit for the period		**126,699**	**149,754**
Earnings per share basic and diluted - Euros	26	0.10	0.15

* Restated for the adoption of IFRS 10 and 11

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

EDP Renováveis, S.A. and subsidiaries

Condensed consolidated statement of comprehensive income for the for the period ended at 30 June 2014 and 30 June 2013

Thousands of Euros	2014 Equity holders of the parent	2014 Non controlling Interests	2013* Equity holders of the parent	2013* Non controlling Interests
Net profit for the year	87,321	39,378	128,987	20,767
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-	-	14	-
Tax effect of actuarial gains / (losses)	-	-	-4	-
	-	-	10	-
Items that are or may be reclassified to profit or loss				
Fair value reserve (cash flow hedge)	-12,641	-2,846	15,931	2,701
Tax effect from the fair value reserve (cash flow hedge)	3,409	813	-4,343	-750
Share of other comprehensive income of associates, net of taxes	-3,222	-	3,295	-
Exchange differences arising on consolidation	10,187	4,748	-9,675	-1,016
	-2,267	2,715	5,208	935
Other comprehensive income for the year, net of income tax	-2,267	2,715	5,218	935
Total comprehensive income for the year	85,054	42,093	134,205	21,702

* Restated for the adoption of IFRS 10 and 11

EDP Renováveis, S.A. and subsidiaries

Condensed Consolidated Statement of Financial Position
as at 30 June 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013*
Assets			
Property, plant and equipment	15	10,056,247	10,095,459
Intangible assets	16	108,362	87,933
Goodwill	17	1,217,210	1,213,500
Investments in joint ventures and associates	18	337,395	338,646
Available for sale financial assets		7,434	7,434
Deferred tax assets	19	36,687	109,213
Trade receivables	21	20,562	-
Debtors and other assets from commercial activities	22	54,593	53,160
Other debtors and other assets	23	348,439	320,435
Collateral deposits associated to financial debt	29	64,345	72,206
Total Non-Current Assets		12,251,274	12,297,986
Inventories	20	19,301	15,425
Trade receivables	21	213,844	202,264
Debtors and other assets from commercial activities	22	41,076	44,598
Other debtors and other assets	23	111,685	133,098
Current tax assets	24	85,663	103,392
Financial assets at fair value through profit or loss		13	76
Collateral deposits associated to financial debt	29	7,254	6,054
Cash and cash equivalents	25	307,875	255,462
Total Current Assets		786,711	760,369
Total Assets		13,037,985	13,058,355
Equity			
Share capital	26	4,361,541	4,361,541
Share premium		552,035	552,035
Reserves	27	-69,772	-69,605
Other reserves and Retained earnings	27	795,944	692,179
Consolidated net profit attributable to equity holders of the parent		87,321	135,116
Total Equity attributable to equity holders of the parent		5,727,069	5,671,266
Non-controlling interests	28	437,115	418,057
Total Equity		6,164,184	6,089,323
Liabilities			
Medium / Long term financial debt	29	3,572,907	3,520,859
Provisions	30	67,548	64,536
Deferred tax liabilities	19	310,241	367,184
Institutional partnerships in US wind farms	31	1,458,758	1,508,495
Trade and other payables from commercial activities	32	419,640	418,140
Other liabilities and other payables	33	275,840	238,912
Total Non-Current Liabilities		6,104,934	6,118,126
Short term financial debt	29	170,158	145,018
Trade and other payables from commercial activities	32	372,376	474,208
Other liabilities and other payables	33	148,140	134,538
Current tax liabilities	34	78,193	97,142
Total Current Liabilities		768,867	850,906
Total Liabilities		6,873,801	6,969,032
Total Equity and Liabilities		13,037,985	13,058,355

* Restated for the adoption of IFRS 10 and 11

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

EDP Renováveis, S.A.

Condensed consolidated Statement of Changes in Equity
for the period ended at 30 June 2014 and 31 December 2013

Thousands of Euros	Total Equity	Share Capital	Share Premium	Reserves and retained earnings	Exchange Differences	Hedging reserve	Fair value reserve	Equity attributable to equity holders of EDP Renováveis	Non-controlling Interests
Balance as at 31 December 2012	**5,748,827**	**4,361,541**	**552,035**	**584,468**	**-32,646**	**-46,185**	**4,446**	**5,423,659**	**325,168**
Comprehensive income:									
Fair value reserve (cash flow hedge) net of taxes	13,539	-	-	-	-	11,588	-	11,588	1,951
Share of other comprehensive income of associates, net of taxes	3,295	-	-	-	-464	3,759	-	3,295	-
Actuarial gains/(losses) net of taxes	10	-	-	10	-	-	-	10	-
Exchange differences arising on consolidation	-10,691	-	-	-	-9,675	-	-	-9,675	-1,016
Profit for the year	149,754	-	-	128,987	-	-	-	128,987	20,767
Total comprehensive income for the period	155,907	-	-	128,997	-10,139	15,347	-	134,205	21,702
Dividends paid	-34,892	-	-	-34,892	-	-	-	-34,892	-
Sale without loss of control of EDPR Portugal	226,429	-	-	148,715	-	-	-	148,715	77,714
Acquisitions without changes of control	-15,987	-	-	-4,755	-	-409	-	-5,164	-10,823
Other changes resulting from acquisitions / sales and equity increases	-15,360	-	-	-	-	-	-	-	-15,360
Balance as at 30 June 2013*	**6,064,924**	**4,361,541**	**552,035**	**822,533**	**-42,785**	**-31,247**	**4,446**	**5,666,523**	**398,401**
Comprehensive income:									
Fair value reserve (available for sale financial assets) net of taxes	-1,974	-	-	-	-	-	-1,204	-1,204	-770
Fair value reserve (cash flow hedge) net of taxes	1,641	-	-	-	-	1,167	-	1,167	474
Share of other comprehensive income of associates, net of taxes	4,785	-	-	-	3,819	966	-	4,785	-
Exchange differences arising on consolidation	-18,027	-	-	-	-4,536	-	-	-4,536	-13,491
Net profit for the year	19,372	-	-	6,129	-	-	-	6,129	13,243
Total comprehensive income for the year	5,797	-	-	6,129	-717	2,133	-1,204	6,341	-544
Dividends attributable to non-controlling interests	-16,719	-	-	-	-	-	-	-	-16,719
Sale without loss of control of EDPR Portugal	-381	-	-	-381	-	-	-	-381	-
Sale without loss of control of Wheat Field (EDPR NA)	34,977	-	-	-1,043	-231	-	-	-1,274	36,251
Other changes resulting from acquisitions / sales and equity increases	847	-	-	-	-	-	-	-	847
Other	-122	-	-	57	-	-	-	57	-179
Balance as at 31 December 2013*	**6,089,323**	**4,361,541**	**552,035**	**827,295**	**-43,733**	**-29,114**	**3,242**	**5,671,266**	**418,057**
Comprehensive income:									
Fair value reserve (cash flow hedge) net of taxes	-11,265	-	-	-	-	-9,232	-	-9,232	-2,033
Share of other comprehensive income of associates, net of taxes	-3,222	-	-	-	-396	-2,826	-	-3,222	-
Actuarial gains/(losses) net of taxes	-	-	-	-	-	-	-	-	-
Exchange differences arising on consolidation	14,935	-	-	-	10,187	-	-	10,187	4,748
Net profit for the year	126,699	-	-	87,321	-	-	-	87,321	39,378
Total comprehensive income for the year	127,147	-	-	87,321	9,791	-12,058	-	85,054	42,093
Dividends paid	-34,892	-	-	-34,892	-	-	-	-34,892	-
Dividends attributable to non-controlling interests	-32,484	-	-	-	-	-	-	-	-32,484
Sale without loss of control of EDPR France subsidiaries	28,256	-	-	3,810	-	2,100	-	5,910	22,346
Other changes resulting from acquisitions / sales and equity increases	-13,211	-	-	-281	-	-	-	-281	-12,930
Other	45	-	-	12	-	-	-	12	33
Balance as at 30 June 2014	**6,164,184**	**4,361,541**	**552,035**	**883,265**	**-33,942**	**-39,072**	**3,242**	**5,727,069**	**437,115**

* Restated for the adoption of IFRS 10 and 11

EDP Renováveis, S.A. and subsidiaries

Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	2014		2013*
Operating activities			
Cash receipts from customers	666,466		691,849
Cash paid to personnel	-149,240		-152,029
Cash paid to employees	-39,177		-40,766
Other receipts / (payments) relating to operating activities	-27,109		-25,361
Net cash from operations	450,940		473,693
Income tax received / (paid)	-19,589		-17,234
Net cash flows from operating activities	431,351		456,459
Investing activities			
Cash receipts relating to:			
Property, plant and equipment and intangible assets	-		27,038
Interest and similar income	2,017		4,013
Dividends	13,889		9,046
Loans to related parties	66,147		-
Other receipts from investing activities	11,221		430
	93,274		40,527
Cash payments relating to:			
Acquisition of assets / subsidiaries	-3,910		-35,607
Changes in cash resulting from perimeter variations	-		-17,599
Property, plant and equipment and intangible assets	-271,212		-468,065
Loans to related parties	-48,202		-182,479
Other payments in investing activities	-317		-221
	-323,641		-703,971
Net cash flows from investing activities	-230,367		-663,444
Financing activities			
Sale of assets / subsidiaries without loss of control	-1,415	**	257,371
Receipts/ (payments) relating to loans	43,931		36,143
Interest and similar costs	-86,511		-24,932
Governmental grants received	-		91,549
Dividends paid	-66,413		-34,892
Receipts / (payments) from wind activity institutional partnerships - USA	-26,978		-22,622
Other cash flows from financing activities	-18,675		-18,357
Net cash flows from financing activities	-156,061		284,260
Changes in cash and cash equivalents	44,923		77,275
Effect of exchange rate fluctuations on cash held	7,490		-3,577
Cash and cash equivalents at the beginning of the period	255,462		245,837
Cash and cash equivalents at the end of the period (***)	307,875		319,535

(*) Restated for the adoption of IFRS 10 and 11

(**) Includes: -29,676 thousands of Euros of tax payment related to the sale in 2013 of 49% share interest in EDP Renováveis Portugal, S.A , 28,256 thousands of Euros related to the sale by EDPR France of 49% of its interests in several french companies (see note 5) and 6 thousands of Euros related to the sale by EDP Renewables Europe, S.L. of 7% of its interests in two french companies (see note 5).

(***) See Note 26 of the consolidated financial statements for a detailed breakdown of Cash and cash equivalents.

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

Notes to the Condensed Consolidated Financial Statements

1. THE BUSINESS OPERATIONS OF THE EDP RENOVÁVEIS GROUP

EDP Renováveis, Sociedad Anónima (hereinafter referred to as "EDP Renováveis") 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 30 June 2014 the share capital is held 62.02% by EDP S.A. - Sucursal en España ("EDP Branch"), 15.51% by Hidroeléctrica del Cantábrico, S.A. and 22.47% of the share capital is free-float in the NYSE Euronext Lisbon.

As at 30 June 2014, EDP Renováveis holds a 100% stake in the share capital of the following companies: EDP Renewables Europe, S.L. (EDPR EU), EDP Renewables North America, L.L.C. (EDPR NA), EDP Renewables Canada, Ltd. (EDPR Canada), South África Wind & Solar Power, S.L.U. and EDP Renováveis Servicios Financieros, S.L. Also holds a 55% stake in the share capital of EDP Renováveis Brasil, S.A. (EDPR BR).

The Company belongs to the EDP Group, of which the parent company is EDP Energias de Portugal, S.A., with registered offices at Praça Marquês de Pombal, 12 - 4, 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 Energías de Portugal S.A., a majority shareholder of the Company. This operation was concluded in May 2012.

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

Within the agreement mentioned above, in June 2013, EDPR completed the sale of 49% equity shareholding in EDPR Portugal to CTG through CITIC CWEI Renewables S.C.A.

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. (renewable resources electricity generation 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), EDP Renewables Romania, S.R.L. (wind farms in Romania), EDP Renewables Italy, SRL (wind farms in Italy), EDPR UK Limited (offshore development projects) and EDPR RP PV, S.L.R. (photovoltaic solar farms in Romania).

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

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

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

Regulatory framework for the activities in Spain

As a result of the regulatory changes of the Royal-Decree 9/2013, the Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Royal Decree 413/2014 of June 2014.

The remuneration is now structured in order for a standard asset to receive a pre-tax return defined as the yield of the Spanish 10-year bonds plus 300 bps. The return is based on the assets' regulatory life (20 years for wind energy assets).

EDP Renováveis expects that this regulatory change will have a total annual negative impact of approximately 30 millions of Euros before tax (under an average windy year), when compared with the previous framework defined by Royal Decree-Law 2/2013.

Regulatory framework for the activities in Portugal

The Environment and Energy Ministry published, on 24 July, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 Euros/MWh, whilst the remaining production is remunerated at the previous tariff.

Regulatory framework for the activities in France

After years of litigation, the French Council of State decided to cancel the French Wind Tariff on May 2014. The EU Court of Justice argued that it constituted illegal State Aid as France failed to notify the European Commission of the subsidy back in 2008. Shortly after, the French Government approved and released a new tariff decree ("Arrêté du 17 juin 2014") that had previously received clearance from the European Union. This new decree contains the same parameters than the former decree and has come into force with retroactive effects. Therefore, it will not endanger or modify any power purchase agreement signed under the 2008 Order.

On 18 June, French energy minister unveiled a new law for a new energy model, which represents the culmination of a nation energy transition debate started in 2012. This new law sets targets to increase renewables production (32% for 2030 split between power (40%), heat (38%) and transport (15%)). New targets to reduce greenhouse gas emissions are also introduced (40% by 2030 compared to 1990). According to the law, nuclear dependence will also to be reduced, lowering its share to 50%.

Regulatory frameworks for the activities in Romania

On 24 March 2014, the President of Romania ratified EGO 57/2013 with the following amendments: (i) Reduction of the green certificates validity from 16 months to 12 months; and (ii) the obligation for National Agency for Energy Regulation (ANRE) to comunicate in each year the GC quota for the next year.

On 28 March 2014, the Romanian Official Gazette published a Government Decision containing the new green certificate quota for 2014 at a level of 11.1%. Additionally ANRE released on 27 June 2014, the 2015 mandatory quota for acquisition of green certificates at 11.9%.

2. 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 2014 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 30 June 2014.

The Board of Directors approved these condensed consolidated financial statements on 29 July 2014. The condensed financial statements are presented in thousands of Euros, rounded to the nearest thousand.

These condensed financial statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at 31 December 2013.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, the first time adoption of IFRS 10 and 11 with effective date of 1 January 2014, implied the Group to apply this standard for comparative purposes for the annual period immediately preceding, that is 1 January 2013.

Adoption of IFRS 10 and 11

The Group has adopted IFRS 10 and 11 for the first time when preparing these condensed consolidated financial statements as at 30 June 2014.

IFRS 10 – Consolidated Financial Statements gives a new guidance about which entities must be consolidated in the consolidated financial statements, by establishing an unique control model, by which an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 – Joint Arrangements brings a couple of changes in accounting for jointly controlled entities. According to this standard, a joint arrangement structure is no longer the main feature in determining the accounting model to apply. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This assessment is made by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

IFRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable and a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

Investees which have changed the consolidation method and the respective impacts in consolidated financial statements due to the adoption of these standards are disclosed in notes 5 and 39, respectively.

b) Basis of consolidation

Controlled entities

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

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

Joint arrangements

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

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint venturers) have rights to the net assets of the arrangement, so this investment shall be accounted for using the equity method.

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

Entities over which the Group has significant influence

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Business combination

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

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

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
• The fair value of the consideration transferred; plus
• The recognised amount of any non-controlling interests in the acquiree; plus
• If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
• The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

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

Acquisitions between 1 January 2004 and 1 January 2010

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

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

Accounting for acquisitions of non-controlling interests

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

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

Investments in foreign operations

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

Foreign currency differences are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

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

Balances and transactions eliminated on consolidation

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

Common control transactions

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

Put options related to non-controlling interests

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

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

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

c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

(i) At the inception of the hedge, the hedge relationship is identified and documented;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on a on-going basis and is considered to be highly effective over the reporting period; and
(v) The forecast transactions hedged are highly probable and represent a risk to changes in cash flows that could affect the income statement.

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

Cash flow hedge

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

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

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

Net investment hedge

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

e) Other financial assets

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

Loans and receivable

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

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

At each balance sheet date an assessment is performed as to whether there is objective evidence of impairment, namely those resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets, and every time it can be reliably measured.

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

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

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

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

f) Financial liabilities

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

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

g) Borrowing costs

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

	Number of years
Buildings and other constructions	20 to 33
Plant and machinery:	
- Wind farm generation	25
- Hydroelectric generation	20 to 30
- Other plant and machinery	15 to 40
Transport equipment	3 to 10
Office equipment and tools	3 to 10
Other tangible fixed assets	4 to 10

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Industrial property and other rights

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

Green Certificates

As a consequence of the regulatory changes in Romania there's a new category of Green Certificates (GCs) which although granted are restricted for sale until 2017 (solar) and 2018 (wind). These deferred GCs are recognised as intangible assets when generated at fair market value. These GCs will be offset as they will be collected.

Power purchase agreements

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

j) Impairment of non financial assets

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

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

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

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

k) Leases

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

Operating leases

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

l) Inventories

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

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

m) Classification of assets and liabilities as current and non-current

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

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

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

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

n) Provisions

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

Dismantling and decommissioning provisions

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

The assumptions used are:

	EDPR EU	EDPR NA
Average cost per MW (Euros)	14,000	18,549
Salvage value per MW (Euros)	25,000	17,776
Discount rate	6.33%	5.38%
Inflation rate	2.00%	2.50%
Capitalisation (number of years)	25	25

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

o) Recognition of costs and revenue

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

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

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

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

p) Financial results

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

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

q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

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

r) Earnings per share

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

s) Cash and cash equivalents

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

t) Government grants

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

u) Environmental issues

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

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

v) Institutional partnerships in US wind farms

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

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

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

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

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

After the Flip Date, the institutional investor retains a small non-controlling interest for the duration of its membership in the structure. The non-controlling interest is entitled to cash distribution and income allocation percentages varying from 2.5% to 6.0%, with the exception of Vento VI in which the institutional investor is allocated 17.0% of income. EDPR NA also has an option to purchase the institutional investor's residual interest at fair market value on the Flip Date for PTC flip structures and generally, six months after the later of the 5-year anniversary of final turbine commissioning date or the Flip Date, or ten years after the final funding date if the Flip Date has not yet occured. The liability for residual interest is accreted on a straight line basis from the funding date through the Flip Date to reflect the institutional investors' minority interest position in the EDPR Group at the Flip Date.

The liability with institutional investors is increased by an interest accrual that is based on the outstanding liability balance and the targeted internal rate of return agreed.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Although estimates are calculated by the Board of Directors based on the best information available at 30 June 2014, future events may require changes to these estimates in subsequent years. Any effect on the financial statements of adjustments to be made in subsequent years would be recognised prospectively.

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

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost.

Determination of a significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, valuations are generally obtained through listed market prices or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Group.

Fair value of derivatives

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

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

Review of the useful life of assets related to production

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

Impairment of non financial assets

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

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

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

Income taxes

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

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

Tax Authorities are entitled to review the EDP Renováveis, and its subsidiaries' determination of its annual taxable earnings, for a determined period that may be extended in case there are tax losses carried forward. Therefore, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Renováveis and its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

Dismantling and decommissioning provisions

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

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

Green Certificates

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

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

(ii) Our GC model determines whether there will be excess or deficit of GCs to evaluate the price to apply;
In order to determine whether there will be excess or deficit of GCs, we compare demand with supply of GCs. Demand of GCs is calculated by multiplying gross electricity demand and quotas of renewable electricity. Electricity demand growth is based on ANRE's estimates. EDPR has made sensitivity analyses to the quotas and has assumed a conservative scenario that considers the latest regulatory changes. Regarding supply of GCs, starting from year-end 2013 renewables installed capacity, EDPR assumes capacity additions in line with latest market view on renewables development in the country.

Entities included in the consolidation perimeter

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

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

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

4. FINANCIAL RISK MANAGEMENT POLICIES

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

The Board of Directors of EDP Renováveis is responsible for the definition of general risk-management principles and the establishment of exposure limits. The management of financial risks of EDP Renováveis Group is outsourced to the Finance Department of EDP - Energias de Portugal, S.A., in accordance with the policies approved by the Board of Directors. The outsourcing service includes identification and evaluation of hedging mechanisms appropriate to each exposure.

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

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

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

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

To hedge the risk originated with net investment in EDPR NA, 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 two CIRS in BRL/EUR and two in PLN/EUR to hedge the investments in 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 2014 and 2013, would originate an increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

	30 Jun 2014			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD / EUR	-1,620	1,980	-	-
PLN / EUR	16,240	-19,849	-	-
RON / EUR	499	-610	-	-
	15,119	-18,479	-	-

	30 Jun 2013			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD / EUR	1,743	-2,130	-	-
PLN / EUR	17,871	-21,843	-	-
RON / EUR	879	-1,074	-	-
	20,493	-25,047	-	-

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 policies 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, the Group contracts derivative financial instruments to hedge interest rate risks.

In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating 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 12 years. The Financial Department of EDP Group undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations or upcoming cash flows.

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

Sensitivity analysis - Interest rates

The management of interest rate risk associated to activities developed by the Group is outsourced to the Financial Department of EDP Group, contracting derivative financial instruments to mitigate this risk.

Based on the debt portfolio of the EDPR EU Group and the related derivative financial instruments used to hedge associated interest rate risk, as well as on the shareholder loans received by EDP Renováveis, a change of 50 basis points in the interest rates with reference to 30 June 2014 and 2013 would increase/(decrease) in EDP Renováveis Group income statement and equity before taxes, as follows:

	30 Jun 2014			
	Profit or loss		Equity	
Thousands of Euros	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Cash flow hedge derivatives	-	-	19,820	-20,395
Unhedged debt (variable interest rates)	-746	746	-	-
	-746	746	19,820	-20,395

	30 Jun 2013			
	Profit or loss		Equity	
Thousands of Euros	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Cash flow hedge derivatives	-	-	20,267	-22,088
Unhedged debt (variable interest rates)	-1,072	1,072	-	-
	-1,072	1,072	20,267	-22,088

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 policy in terms of the counterparty risk on financial transactions with companies outside EDP Group is managed by an analysis of the technical capacity, competitiveness, credit rating and exposure to each counter-party. Counterparties in derivatives and financial transactions are restricted to high-quality credit institutions or to the EDP Group.

The EDP Renováveis Group documents financial operations according to international standards. Most derivative financial instruments contracted with credit institutions are engaged under ISDA Master Agreements.

In the specific case of the EDPR EU Group, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. 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).

In the specific case of EDPR NA Group, credit risk is not significant due to the limited average collection period for customer balances and the quality of its debtors. The Group's main customers are regulated utility companies and regional market agents in the U.S.

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

Liquidity risk

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

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

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

Market price risk

As at 30 June 2014, market price risk affecting the EDP Renovavéis 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 through regulated tariffs. In the remaining countries, prices are mainly determined through regulated tariffs except for Romania and Poland, where most plants are under power purchase agreements with fixed prices or floors.

For the small share of energy generated with market exposure, this risk is managed through electricity sales swaps. EDPR EU and EDPR NA have electricity sales swaps that qualify for hedge accounting (cash flow hedge) that are related to electricity sales for the years 2014 to 2018 (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.

5. CONSOLIDATION PERIMETER

During the six-month period ended in 30 June 2014, the changes in the consolidation perimeter of the EDP Renováveis Group were:

Companies acquired:
- EDP Renewables Polska, S.P. ZO.O acquired 100% of the share capital of Radziejów Wind Farm Sp. ZO.O.;
- EDP Renewables Italia, S.R.L. acquired 100% of the share capital of Wincap, S.R.L.

Companies sold and liquidated:
- EDPR-France S.A.S. sold 49% of its interests, by 28,256 thousands of Euros, in the following companies:
  - Parc Eolien du Clos Bataille, S.A.S.;
  - C.E. Canet-Pont de Salars, S.A.S.;
  - C.E. Gueltas Noyal-Pontivy, S.A.S.;
  - C.E. Patay, S.A.S.;
  - C.E. Saint Barnabe, S.A.S.;
  - Eolienne de Saugueuse, S.A.R.L.;
  - C.E. Segur, S.A.S.;
  - Parc Eolien de Varimpre, S.A.S.;
  - Parc Eolien des Vatines, S.A.S.

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 5,910 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- EDP Renewables Europe, S.L. sold 7% of its interests, by 6 thousands of Euros, of the following companies:
  - Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
  - Les Eoliennes en Mer de Vendée, S.A.S.
- EDPR Renovables España, S.L. liquidated Sotromal, S.A.

Companies merged:
- The following companies were merged into EDP Renewables Canada LP, Holdings Ltd.:
  - 8067241 BC, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm, Inc.

Companies incorporated:
- EDPR Wind Ventures XII *;
- EDPR Solar Ventures I;
- Parc Eolien de Boqueho - Pouagat, S.A.S.;
- Parc Eolien de Preuseville, S.A.S.

* EDP Renováveis Group holds, through its subsidiary EDPR NA and EDPR Canada, a set of subsidiaries in the United States and Canada legally incorporated without share capital and that as at 30 June 2014 do not have any assets, liabilities, or operating activity.

Other changes:

- Increase of the financial interest in S.C. Ialomita Power, S.R.L. from 85% to 100% through a share capital increase fully subscribed by EDP Renewables Europe, S.L.;
- Due to the date of effectiveness of IFRS 10 - Consolidated Financial Statements, the EDPR Group changed the method of consolidation from Integral Method to the Equity Method in Ceprastur A.I.E.;
- Due to the date of effectiveness of IFRS 11 - Joint Arrangements, the EDPR Group changed the method of consolidation from Proportional Method to the Equity Method in the following companies:
  - Compañía Eólica Aragonesa, S.A.;
  - Desarrollos Energeticos Canarios S.A.;
  - Evolución 2000, S.L.;
  - Flat Rock Windpower II, L.L.C.;
  - Flat Rock Windpower, L.L.C.;
  - Tébar Eólica, S.A.

6. REVENUES

Revenues are analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Revenues by business and geography		
Electricity in Europe	409,426	452,186
Electricity in United States of America	201,422	194,617
Electricity, other	13,175	11,216
	624,023	658,019
Other revenues	285	283
	624,308	658,302
Services rendered	3,248	2,715
Changes in inventories and cost of raw material and consumables used		
Cost of consumables used	-1,790	1,325
Changes in inventories	1,624	-1,226
	-166	99
Total Revenues	627,390	661,116

7. INCOME FROM INSTITUTIONAL PARTNERSHIPS IN US WIND FARMS

Income from institutional partnership in US Wind Farms in the amount of 66,066 thousands of Euros (30 June 2013: 70,897 thousands of Euros), includes revenue recognition related to production tax credits (PTC), investments tax credits (ITC) and other tax benefits, mostly from accelerated tax depreciation related to projects Vento I, II, III, IV, V, VI, VII, VIII, IX and X (see note 31).

8. OTHER INCOME

Other income is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Estimation of the revised selling price of EDPR PT	5,002	-
Amortisation of deferred income related to power purchase agreements	4,333	4,227
Contract and insurance compensations	850	17,553
Other income	5,022	3,201
	15,207	24,981

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 2014, the amortisation for the period amounts to 4,333 thousands of Euros (30 June 2013: 4,227 thousands of Euros).

As at 30 June 2013, Contract and insurance compensations include 13,933 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

9. SUPPLIES AND SERVICES

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Rents and leases	20,072	21,224
Maintenance and repairs	66,520	66,609
Specialised works:		
- IT Services, legal and advisory fees	8,160	7,977
- Shared services	4,415	4,127
- Other services	4,966	4,469
Other supplies and services	16,367	17,631
	120,500	122,037

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Personnel costs		
Board remuneration	337	248
Remunerations	26,617	26,657
Social charges on remunerations	4,985	4,764
Employee's variable remuneration	5,783	4,791
Other costs	304	611
Own work capitalised	-7,533	-5,279
	30,493	31,792
Employee benefits		
Costs with pension plans	1,229	1,285
Costs with medical care plans and other benefits	1,644	1,513
Other	510	554
	3,383	3,352
	33,876	35,144

As at 30 June 2014 and 2013, Costs with pension plans relates essentially to defined contribution plans in the amount of 1,229 thousands of Euros.

11. OTHER EXPENSES

Other expenses are analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Taxes	32,565	35,315
Losses on fixed assets	2,246	4,690
Other costs and losses	13,006	16,967
	47,817	56,972

12. AMORTISATION AND IMPAIRMENT

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Property, plant and equipment		
Buildings and other constructions	332	860
Plant and machinery	224,167	215,901
Other	5,762	5,414
Impairment loss	7	10,405
	230,268	232,580
Intangible assets		
Industrial property, other rights and other intangibles	708	715
Impairment of goodwill	278	-
	231,254	233,295
Amortisation of deferred income (Government grants)	-9,104	-9,373
	222,150	223,922

During the first semester of 2013, EDPR Group booked an impairment loss of 10,405 thousands of Euros referring to 6,647 and 3,758 thousands of Euros in EDPR EU and in EDPR NA, respectively. The impairment loss booked in EDPR EU results from regulatory changes issued in Spain, and in EDPR NA results from the write-off of work in progress recognised during the second quarter of 2013.

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (registered under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

13. FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income and financial expenses are analysed as follows:

	30 Jun 2014	30 Jun 2013
Financial income		
Interest income	12,265	9,850
Derivative financial instruments:		
Interest	742	752
Fair value	23,659	63,396
Foreign exchange gains	6,725	2,168
Other financial income	94	175
	43,485	76,341
Financial expenses		
Interest expense	98,867	98,932
Derivative financial instruments:		
Interest	11,594	16,134
Fair value	24,798	38,736
Foreign exchange losses	4,363	22,119
Own work capitalised	-12,617	-8,152
Unwinding	30,965	33,735
Other financial expenses	2,979	4,264
	160,949	205,768
Financial income / (expenses)	-117,464	-129,427

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

In accordance with the accounting policy described on note 2 g), the borrowing costs (interest) capitalised in tangible fixed assets in progress as at 30 June 2014 amounted to 12,617 thousands of Euros (30 June 2013: 8,152 thousands of Euros) (see note 15), and are included under Own work capitalised (financial interest).

Interest expense includes the 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 1,813 thousands of Euros (30 June 2013: 1,765 thousands of Euros) and the implied return in institutional partnerships in US wind farms of 28,897 thousands of Euros (30 June 2013: 31,364 thousands of Euros) (see note 31).

14. INCOME TAX EXPENSE

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Current tax	-31,591	-61,912
Deferred tax	-19,529	7,371
	-51,120	-54,541

The effective income tax rate as at 30 June 2014 and 2013 is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Profit before tax	177,819	204,295
Income tax expense	-51,120	-54,541
Effective Income Tax Rate	28.75%	26.70%

The reconciliation between the nominal and the effective income tax rate for the Group during the years ended 30 June 2014 and 2013 is analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Profit before taxes	177,819	204,295
Nominal income tax rate	30.00%	30.00%
Expected income taxes	-53,346	-61,289
Income taxes for the year	-51,120	-54,541
Difference	2,226	6,748
Accounting revaluations, amortizations, depreciations and provisions	-165	6,060
Tax losses and tax credits	-1,002	-1,510
Financial investments in associates	2,398	4,868
Effect of tax rates in foreign jurisdictions	-5,792	-5,926
Tax benefits	2,628	1,681
Other	4,159	1,575
	2,226	6,748

15. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Cost		
Land and natural resources	33,256	32,546
Buildings and other constructions	16,399	16,095
Plant and machinery:		
- Renewables generation	11,693,896	11,395,493
- Other plant and machinery	6,716	6,692
Other	78,771	73,568
Assets under construction	958,605	1,058,677
	12,787,643	12,583,071
Accumulated depreciation and impairment losses		
Depreciation charge	-230,261	-469,752
Accumulated depreciation in previous years	-2,449,188	-1,966,020
Impairment losses	-7	-19,763
Impairment losses in previous years	-51,940	-32,077
	-2,731,396	-2,487,612
Carrying amount	10,056,247	10,095,459

The movement in Property, plant and equipment for the six-month period ended 30 June 2014, is analysed as follows:

Thousands of Euros	Balance at 01 Jan	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Cost							
Land and natural resources	32,546	409	-183	-	484	-	33,256
Buildings and other constructions	16,095	108	-	-	196	-	16,399
Plant and machinery	11,402,185	9,820	-	212,988	75,591	28	11,700,612
Other	73,568	777	-460	4,641	329	-84	78,771
Assets under construction	1,058,677	107,328	-1,884	-217,629	10,580	1,533	958,605
	12,583,071	118,442	-2,527	-	87,180	1,477	12,787,643

Thousands of Euros	Balance at 01 Jan	Charge for the period	Impairment Losses/ Reverses	Disposals/ Write-offs	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Accumulated depreciation and impairment losses							
Buildings and other constructions	8,333	332	-	-	65	-	8,730
Plant and machinery	2,435,384	224,167	-	-	13,253	-37	2,672,767
Other	43,895	5,762	7	-28	221	42	49,899
	2,487,612	230,261	7	-28	13,539	5	2,731,396

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

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, Romania and Canada.

The caption Changes in perimeter/Other includes mainly the effect of the aquisition of Wincap, S.R.L by EDP Renewables Italia, S.R.L.(see note 5).

The movement in Property, plant and equipment for the six-month period ended 30 June 2013, is analysed as follows:

Thousands of Euros	Balance at 01 Jan	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Cost							
Land and natural resources	24,601	1,372	-153	1,270	-66	227	27,251
Buildings and other constructions	16,700	28	-	-	-42	-	16,686
Plant and machinery	11,579,323	1,491	-	263,352	13,674	-436,039	11,421,801
Other	76,537	1,253	-877	2,045	215	-8,454	70,719
Assets under construction	1,080,675	100,339	-30,979	-266,667	-16,365	7,546	874,549
	12,777,836	104,483	-32,009	-	-2,584	-436,720	12,411,006

Thousands of Euros	Balance at 01 Jan	Charge for the period	Impairment Losses / Reverses	Disposals/ Write-offs	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Accumulated depreciation and impairment losses							
Buildings and other constructions	7,187	860	-	-	32	-	8,079
Plant and machinery	2,196,605	215,901	10,405	-	4,388	-144,582	2,282,717
Other	37,137	5,414	-	-48	136	-3,214	39,425
	2,240,929	222,175	10,405	-48	4,556	-147,796	2,330,221

Charge / Impairment losses includes 10,405 thousands of Euros on wind generation assets in Spain and in United States of America (see note 12).

The caption Changes in perimeter/Other includes mainly the effect of the aquisition of EDPR Agincourt L.L.C. and EDPR Marathon L.L.C. by EDP Renewables NA. Additionally, also includes the impact of the adoption of IFRS 10 and 11 (see note 39), related with the opening balance.

Assets under construction as at 30 June 2014 and 31 December 2013 are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
EDPR EU Group	557,676	675,513
EDPR NA Group	357,340	302,239
Other	43,589	80,925
	958,605	1,058,677

Assets under construction as at 30 June 2014 and 31 December 2013 are essentially related to wind farms and solar plants under construction and development in EDPR EU and EDPR NA.

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

16. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Cost		
Industrial property, other rights and other intangible assets	124,787	105,514
Intangible assets under development	6,811	4,862
	131,598	110,376
Accumulated depreciation		
Depreciation charge	-708	-1,522
Accumulated depreciation in previous years	-22,528	-20,921
	-23,236	-22,443
Carrying amount	108,362	87,933

Industrial property, other rights and other intangible assets include 81,239 thousands of Euros and 14,035 thousands of Euros related to wind generation licenses of EDPR NA Group (31 December 2013: 76,065 thousands of Euros) and EDPR Portugal (31 December 2013: 14,035 thousands of Euros), respectively, and 26,830 thousands of Euros related with green certificates in Romania (31 December 2013: 12,791 thousands of Euros) (see note 2 i)).

The movement in Intangible assets for the six-month period ended 30 June 2014, is analysed as follows:

Thousands of Euros	Balance at 01 Jan	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Cost							
Industrial property, other rights and other intangible assets	105,514	17,949	-	-	1,321	3	124,787
Intangible assets under development	4,862	1,826	-	-	123	-	6,811
	110,376	19,775	-	-	1,444	3	131,598

Thousands of Euros	Balance at 01 Jan	Charge for the year	Impairment	Disposals / Write-offs	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Accumulated amortisation							
Industrial property, other rights and other intangible assets	22,443	708	-	-	85	-	23,236
	22,443	708	-	-	85	-	23,236

Additions include the recognition of the green certificates rights in Romania in the amount of 13,531 thousands of Euros.

The movement in Intangible assets for the six-month period ended 30 June 2013, is analysed as follows:

Thousands of Euros	Balance at 01 Jan	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Cost							
Industrial property, other rights and other intangible assets	47,221	-	-	-	107	-2,252	45,076
Intangible assets under development	4	513	-	-	-40	-	477
	47,225	513	-	-	67	-2,252	45,553

Thousands of Euros	Balance at 01 Jan	Charge for the year	Impairment	Disposals / Write-offs	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
Accumulated amortisation							
Industrial property, other rights and other intangible assets	22,310	715	-	-	54	-1,040	22,039
	22,310	715	-	-	54	-1,040	22,039

Changes in Perimeter / Other includes the impact of the adoption of IFRS 10 and 11 (see note 39), related with the opening balance.

17. GOODWILL

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

Thousands of Euros	30 Jun 2014	31 Dec 2013
Goodwill booked in EDPR EU Group:	635,447	637,031
- EDPR Spain Group	492,385	492,213
- EDPR France Group	61,460	64,047
- EDPR Portugal Group	42,915	42,915
- Other	38,687	37,856
Goodwill booked in EDPR NA Group	580,341	574,867
Other	1,422	1,602
	1,217,210	1,213,500

The movements in Goodwill, by subgroup, for the six-month period ended 30 June 2014 are analysed as follows:

Thousands of Euros	Balance at 01 Jan	Increases	Decreases	Impair-ment	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
EDPR EU Group:							
- EDPR Spain Group	492,213	172	-	-	-	-	492,385
- EDPR France Group	64,047	-	-2,587	-	-	-	61,460
- EDPR Portugal Group	42,915	-	-	-	-	-	42,915
- Other	37,856	651	-	-	180	-	38,687
EDPR NA Group	574,867	-	-	-	5,474	-	580,341
Other	1,602	-	-	-278	98	-	1,422
	1,213,500	823	-2,587	-278	5,752	-	1,217,210

The movements in Goodwill, by subgroup, for the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Balance at 01 Jan	Increases	Decreases	Impair-ment	Exchange Differences	Changes in perimeter / Other	Balance at 30 Jun
EDPR EU Group:							
- EDPR Spain Group	534,610	-	-	-	-	-42,225	492,385
- EDPR France Group	65,752	-	-	-	-	-	65,752
- EDPR Portugal Group	42,588	302	-	-	-	-	42,890
- Other	57,284	42	-19,173	-	-782	-	37,371
EDPR NA Group	600,302	-	-	-	5,122	-	605,424
Other	1,394	-	-	-	-90	-	1,304
	1,301,930	344	-19,173	-	4,250	-42,225	1,245,126

EDPR EU Group

The decrease in goodwill movement in EDPR EU Group in the first semester of 2014 is related with the cancellation of the sucess fee associated to a project in EDPR France.

The goodwill movement in EDPR EU Group in 2013 includes essentially a decrease in the amount of 19,173 thousands of Euros related to the contingent prices revision of some purchase agreements signed before 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2 b)).

The adoption of IFRS 10 and 11 in 2014 implied the comparative adoption of these IFRS's, for comparative purposes, as at 1 January 2013. For EDPR Group, this adoption has generated a negative variation of 42,226 thousands of Euros related to the change in the consolidation method of Compañía Eólica Aragonesa, S.A. and Evolución 2000, S.L. Since these companies started to be consolidated by equity, their goodwill was reclassified to the caption Investments in joint ventures and associates.

As at 30 June 2014, the existence of impairment trigger events for all countries has been revised. No relevant matters has been identified as a consequence of the revision made with effect in assumptions used in 2013 impairment test.

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Investments in associates		
Interests in joint ventures	272,728	273,986
Interests in associates	64,667	64,660
Carrying amount	337,395	338,646

For the purpose of the consolidated financial statements presentation, goodwill arising from the acquisition of joint ventures and associated companies is presented in this caption.

The following table resumes the companies' financial information of joint ventures included in the Group consolidated accounts, as of June 2014:

Thousands of Euros	Flat Rock Windpower II	Flat Rock Windpower	Compañía Eólica Aragonesa	Other
Non-Current Assets	105,056	265,682	163,754	72,624
Current Assets	1,188	5,591	13,747	16,095
Cash and cash equivalents	917	4,257	10,986	12,236
Total Equity	105,191	265,873	130,677	26,062
Long term Financial debt	-	-	-	44,831
Non-Current Liabilities	1,053	2,734	33,019	-
Short term Financial debt	-	-	-	-
Current Liabilities	-	2,665	13,805	13,600
Group's share of net assets	52,596	132,937	65,339	15,565
Goodwill (included in Group's share of net assets)	-	-	39,558	-
Dividends received by the Group	2,463	9,289	2,500	-
Revenues	4,888	19,579	5,835	4,618
Amortisation and impairment	-2,078	-8,773	-4,321	-3,001
Financial expenses	-27	-71	-7	-719
Income tax expense	-	-	505	341
Net profit for the period	961	5,692	-1,179	-799

The commitments relating to short and medium-long term financial debt, finance lease commitments, other long term commitments and other liabilities relating to purchases and future lease payments under operating leases of joint ventures included in the Group consolidated accounts under the equity method are disclosed, as at 30 June 2014, as follows:

	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt	30,608	3,964	8,279	8,731	9,634
Operating lease commitments	10,620	550	1,133	1,178	7,759
Purchase obligations	7,695	3,914	3,380	401	-
	48,923	8,428	12,792	10,310	17,393

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 30 June 2014, 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 2013 consolidated financial statements.

The main variations in net deferred tax assets and liabilities for the Group during the six-months ended 30 June 2014 and 2013 are analysed as follows:

	Deferred tax assets		Deferred tax liabilities	
Thousands of Euros	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Balance at the beginning of the period	109,213	89,378	-367,184	-380,592
Variation on tax losses carried forward	33,861	62,644	-	-
Variation on fair value of financial instruments	4,307	-5,011	434	-695
Variation in allocation of acquired assets and liabilities fair values	-	-	-2,565	40,515
Variation on property, plant and equipment	5,175	17,691	-23,565	-55,406
Variation on income from institutional partnerships in US wind farms	-	-	-32,342	-35,446
Variation on netting of deferred tax assets and liabilities	-117,487	-46,993	117,487	46,993
Other	1,618	-12,161	-2,506	107
Balance at the end of the period	36,687	105,548	-310,241	-384,524

20. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Advances on account of purchases	3,364	2,952
Finished and intermediate products	4,400	2,248
Raw and subsidiary materials and consumables	11,537	10,225
	19,301	15,425

21. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Trade receivables - Non-current		
Europe:		
- Spain	20,562	-
	20,562	-
Trade receivables - Current		
Europe:		
- Spain	114,941	68,578
- Romania	4,859	40,464
- Poland	17,979	19,237
- Rest of Europe	36,739	33,022
	174,518	161,301
United States of America	36,595	39,590
Other	4,073	2,715
	215,186	203,606
Impairment losses	-1,342	-1,342
	213,844	202,264
	234,406	202,264

Trade receivables - Non- Current, is related to the establishment of the pool boundaries adjustment in EDPR EU in Spain, as a result of the publication of Royal Decree-Law 413/2014 and Order IET/1045/2014 (see note 1).

22. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

Thousands of Euros	30 Jun 2014	31 Dec 2013
Debtors and other assets from commercial activities - Non-current		
Deferred costs	40,632	41,771
Sundry debtors and other operations	13,961	11,389
	54,593	53,160
Debtors and other assets from commercial activities - Current		
Prepaid turbine maintenance	8,496	7,125
Services rendered	8,424	11,596
Advances to suppliers	1,540	1,709
Sundry debtors and other operations	22,616	24,168
	41,076	44,598
	95,669	97,758

Deferred costs - non-current mainly includes up-front rents and surface rights paid to land owners and up-front network rents paid to EDP Distribuição. These costs are deferred on the balance sheet and recognised on a straight line basis over the estimated useful life of the assets.

23. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Other debtors and other assets - Non-current		
Loans to related parties	329,792	300,054
Derivative financial instruments	11,474	14,148
Sundry debtors and other operations	7,173	6,233
	348,439	320,435
Other debtors and other assets - Current		
Loans to related parties	60,545	95,327
Derivative financial instruments	17,566	11,154
Sundry debtors and other operations	33,574	26,617
	111,685	133,098
	460,124	453,533

Loans to related parties - Non-current mainly includes 328,720 thousands of Euros of loans to ENEOP - Eólicas de Portugal, S.A. Group (31 December 2013: 286,520 thousands of Euros).

Loans to related parties - Current mainly includes 28,377 thousands of Euros of loans to ENEOP - Eólicas de Portugal, S.A. Group (31 December 2013: 18,456 thousands of Euros), 14,331 thousands of Euros of loans to SeaEnergy Renewables Inch Cape Limited (31 December 2013: 9,428 thousands of Euros) and 12,678 thousands of Euros loans to Parque Eólico Sierra del Madero, S.A. As at 31 December 2013, this caption also includes 63,775 thousands of Euros of loans to EDP Servicios Financieros España, S.A. that was settled during the first semester of 2014.

24. CURRENT TAX ASSETS

Current tax assets is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Income tax	20,919	18,744
Value added tax (VAT)	57,926	78,734
Other taxes	6,818	5,914
	85,663	103,392

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Cash		
Cash in hand	-	-
Bank deposits		
Current deposits	267,576	205,920
Specific demand deposits in relation to institutional partnerships	66	62
Other deposits	40,233	49,480
	307,875	255,462
Cash and cash equivalents	307,875	255,462

The caption Other deposits includes very short term investments promptly convertible into cash.

26. SHARE CAPITAL

At 30 June 2014 and 2013, 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.

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

	30 Jun 2014	30 Jun 2013
Profit attributable to the equity holders of the parent (in thousands of Euros)	87,321	128,987
Profit from continuing operations attributable to the equity holders of the parent (in thousands of Euros)	87,321	128,987
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)	0.10	0.15
Earnings per share (diluted) attributable to equity holders of the parent (in Euros)	0.10	0.15
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent (in Euros)	0.10	0.15
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent (in Euros)	0.10	0.15

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

The company does not hold any treasury stock as at 30 June 2014 and 2013.

The average number of shares was determined as follows:

	30 Jun 2014	30 Jun 2013
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. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Reserves		
Fair value reserve (cash flow hedge)	-39,072	-29,114
Fair value reserve (available-for-sale financial assets)	3,242	3,242
Exchange differences arising on consolidation	-33,942	-43,733
	-69,772	-69,605
Other reserves and retained earnings		
Retained earnings and other reserves	699,903	601,838
Additional paid in capital	60,666	60,666
Legal reserve	35,375	29,675
	795,944	692,179
	726,172	622,574

Additional paid in capital

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

Legal reserve

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

Fair value reserve (cash flow hedge)

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

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

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

Exchange differences arising on consolidation

This caption reflects the amount arising on the translation of the financial statments 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:

		Exchange rates as at 30 June 2014		Exchange rates as at 31 December	
Currency		**Closing Rate**	**Average Rate**	**Closing Rate**	**Average Rate**
US Dollar	USD	1.366	1.370	1.379	1.328
Zloty	PLN	4.157	4.175	4.154	4.197
Brazilian Real	BRL	3.000	3.151	3.258	2.868
New Leu	RON	4.383	4.464	4.471	4.419
Pound Sterling	GBP	0.802	0.821	0.834	0.849
Canadian Dollar	CAD	1.459	1.503	1.467	1.368

28. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Non-controlling interests in income statement	39,378	34,009
Non-controlling interests in share capital and reserves	397,737	384,048
	437,115	418,057

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

Thousands of Euros	30 Jun 2014	31 Dec 2013
EDPR NA Group	197,366	198,348
EDPR EU Group	205,737	192,241
EDPR BR Group	34,012	27,468
	437,115	418,057

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits of the year attributable to non-controlling interests of 39,378 thousands of Euros; (ii) Sale without loss of control of EDPR France subsidiaries attributable to non-controlling interests of 22,346 thousands of Euros (see note 5); (iii) share capital increases from non-controlling interests of EDPR BR group of 2,916 thousands of Euros; (iv) equity decreases in EDPR NA group attributable to non-controlling interests of 17,709 thousands of Euros; (v) dividends attributable to non-controlling interests in EDPR EU group of 32,484 thousands of Euros; (vi) and a positive effect due to exchange differences arising on consolidation attributable to non-controlling interests of 4,748 thousands of Euros.

29. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Financial debt - Non-current		
Bank loans:		
- EDPR EU Group	681,194	642,927
- EDPR BR Group	54,534	53,833
- EDPR NA Group	30,808	-
Non convertible bonds:		
- EDPR BR Group	-	29,102
Loans from shareholders of EDP group entities:		
- EDP Renováveis, S.A.	327,576	324,417
- EDP Renováveis Servicios Financieros, S.L.	2,468,246	2,458,436
Other loans:		
- EDPR EU Group	10,549	11,363
Interest payable	-	781
Total Debt and borrowings - Non-current	3,572,907	3,520,859
Collateral Deposits - Non-current (*)		
Collateral Deposit - Project Finance and others	-64,345	-72,206
Total Collateral Deposits - Non-current	-64,345	-72,206

Thousands of Euros	30 Jun 2014	31 Dec 2013
Financial debt - Current		
Bank loans:		
- EDPR EU Group	68,308	80,881
- EDPR BR Group	7,804	7,160
- EDPR NA Group	2,779	-
Non convertible bonds:		
- EDPR BR Group	31,627	-
Commercial Paper:		
- EDPR BR Group	-	6,139
Loans from shareholders of EDP group entities:		
- EDP Renováveis Servicios Financieros, S.L.	41,804	34,262
Other loans:		
- EDPR EU Group	9,463	9,716
- EDPR NA Group	641	1,208
Interest payable	7,732	5,652
Total Debt and borrowings - Current	170,158	145,018
Collateral Deposits - Current (*)		
Collateral Deposit - Project Finance and others	-7,254	-6,054
Total Collateral Deposits - Current	-7,254	-6,054
	3,671,466	3,587,617

(*) Collateral Deposits informative note
Collateral Deposits refer mainly 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, mainly refers to a set of loans granted by EDP Finance BV (2,795,822 thousands of Euros). These loans have an average maturity of 5 years and bear interest at fixed market rates.

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 2014, these financings amount to 779,355 thousands of Euros (31 December 2013: 779,451 thousands of Euros), which are included in the total debt of the Group.

The breakdown of Financial debt by maturity, is as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Bank loans		
Up to 1 year	83,179	92,883
1 to 5 years	316,083	310,595
Over 5 years	450,453	386,165
	849,715	789,643
Non convertible bonds		
Up to 1 year	34,664	-
1 to 5 years	-	29,883
	34,664	29,883
Loans from shareholders of group entities		
Up to 1 year	42,211	35,072
1 to 5 years	2,476,054	2,199,205
Over 5 years	319,768	583,648
	2,838,033	2,817,925
Commercial Paper		
Up to 1 year	-	6,139
	-	6,139
Other loans		
Up to 1 year	10,104	10,924
1 to 5 years	10,549	11,363
	20,653	22,287
	3,743,065	3,665,877

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

	30 Jun 2014		31 Dec 2013	
Thousands of Euros	Carrying Value	Market Value	Carrying Value	Market Value
Financial debt - Non-current	3,572,907	3,753,404	3,520,859	3,489,948
Financial debt - Current	170,158	170,158	145,018	145,018
	3,743,065	3,923,562	3,665,877	3,634,966

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.

As at 30 June 2014, the scheduled repayments of Group's debt are as follows:

Thousands of Euros	Total	2014	2015	2016	2017	2018	Subsequent years
Debt and borrowings - Non-current	3,572,907	-	39,658	327,988	84,223	2,048,565	1,072,473
Debt and borrowings - Current	170,158	97,087	73,071	-	-	-	-
	3,743,065	97,087	112,729	327,988	84,223	2,048,565	1,072,473

The breakdown of guarantees is presented in note 36 to the financial statments accounts.

The breakdown of Financial debt, by currency, is as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Loans denominated in EUR	2,068,774	2,106,792
Loans denominated in USD	1,345,614	1,333,401
Loans denominated in other currencies	328,677	225,684
	3,743,065	3,665,877

30. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Dismantling and decommission provisions	65,502	62,461
Provision for other liabilities and charges	1,886	1,877
Employee benefits	160	198
	67,548	64,536

Dismantling and decommission provisions refer to the costs to be incurred with dismantling wind farms and restoring sites and land to their original condition, in accordance with the accounting policy described in note 2 o). The above amount respects mainly to 37,468 thousands of Euros for wind farms in the United States of America (31 December 2013: 36,134 thousands of Euros) and 26,884 thousands of Euros for wind farms in Europe (31 December 2013: 25,535 thousands of Euros).

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

As at 30 June 2014 and 31 December 2013, the EDP Renováveis Group does not have any significant tax-related contingent liabilities or contingent assets related to unresolved disputes with the tax authorities.

31. INSTITUTIONAL PARTNERSHIPS IN US WIND FARMS

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Deferred income related to benefits provided	655,552	672,154
Liabilities arising from institutional partnerships in US wind farms	803,206	836,341
	1,458,758	1,508,495

The movements in Institutional partnerships in US wind farms are analysed as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
Balance at the beginning of the period	1,508,495	1,679,753
Cash paid to institutional investors	-26,798	-22,622
Income (see note 7)	-66,066	-70,897
Unwinding (see note 13)	28,897	31,364
Exchange differences	14,473	14,386
Others	-243	757
Balance at the end of the period	1,458,758	1,632,741

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

32. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

Thousands of Euros	30 Jun 2014	31 Dec 2013
Trade and other payables from commercial activities - Non-current		
Government grants / subsidies for investments in fixed assets	385,231	379,975
Electricity sale contracts - EDPR NA	31,751	35,750
Other creditors and sundry operations	2,658	2,415
	419,640	418,140
Trade and other payables from commercial activities - Current		
Suppliers	51,654	68,304
Property and equipment suppliers	183,268	330,225
Advance payments EDPR Spain	98,121	25,885
Other creditors and sundry operations	39,333	49,794
	372,376	474,208
	792,016	892,348

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

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

33. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Other liabilities and other payables - Non-current		
Success fees payable for the acquisition of subsidiaries	11,883	14,172
Loans from non-controlling interests	132,688	125,693
Derivative financial instruments	129,907	97,797
Other creditors and sundry operations	1,362	1,250
	275,840	238,912
Other liabilities and other payables - Current		
Success fees payable for the acquisition of subsidiaries	1,350	-
Derivative financial instruments	48,236	37,105
Loans from non-controlling interests	51,393	49,454
Other creditors and sundry operations	47,161	47,979
	148,140	134,538
	423,980	373,450

Success fees payable for the acquisition of subsidiaries non-current includes mainly the amounts related to the contingent prices of several European and Brazilian projects.

Derivative financial instruments current and non-current includes 76,996 and 24,370 thousands of Euros respectively (31 December 2013: 62,874 and 19,898 thousands of Euros respectively) related to a hedge instrument of USD and EUR with EDP Branch, which was formalised in order to hedge the foreign exchange risk of the net investment held in EDPR NA, expressed in USD (see note 35).

The variation in the caption Loans from non-controlling interests Current and Non-Current is mainly related to EDPR Portugal loan formerly due to EDPR EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were also acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 June 2014, this loan amounts to 95,072 thousands of Euros.

Other creditors and sundry operations - current include 33,878 thousands of Euros (31 December 2013: 30,915 thousands of Euros) related with the estimated corporate income tax due to EDP Energias de Portugal, S.A. Sucursal en España.

34. CURRENT TAX LIABILITIES

This caption is analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Income tax	32,392	52,694
Withholding tax	15,361	16,879
Value added tax (VAT)	12,295	15,795
Other taxes	18,145	11,774
	78,193	97,142

35. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, the Group classifies the derivative financial instruments as a fair value hedge of an asset or liability recognised, as a cash flow hedge of recorded liabilities and forecast transactions considered highly probable or net investment hedge in foreign operations.

The net fair value of the derivatives portfolio by type of hedging as at 30 June 2014 and 31 December 2013 is as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Net investment hedge		
Currency swaps	-92,092	-70,334
Currency forwards	2,203	2,360
Cash flow hedge		
Power price swaps	-5,992	-1,214
Interest rate swaps	-46,317	-32,405
Currency forwards	-	169
Not qualifiable for hedging accounting		
Power price swaps	-3,232	-2,817
Interest rate swaps	-114	-110
Cross currency rate swaps	754	400
Currency forwards	-4,313	-5,649
	-149,103	-109,600

The fair value of derivative financial instruments is recorded under Other debtors and other assets (note 23) or Other liabilities and other payables (note 33), if the fair value is positive or negative, respectively.

36. COMMITMENTS

As at 30 June 2014 and 31 December 2013, the financial commitments not included in the statement of financial position in respect of financial, operational and real guarantees provided, are analysed as follows:

Thousands of Euros	30 Jun 2014	31 Dec 2013
Guarantees of financial nature		
EDPR NA Group	3,295	3,263
	3,295	3,263
Guarantees of operational nature		
EDP Renováveis, S.A.	366,241	314,979
EDPR NA Group	604,536	499,612
EDPR EU Group	15,454	44,646
EDPR BR Group	9,784	8,609
	996,015	867,846
Total	999,310	871,109
Real guarantees	5,903	16,166

As at 30 June 2014 and 31 December 2013, EDPR has operational guarantees regarding its commercial activity, in the amount of 117,885 thousands of Euros and 303,182 thousands of Euros respectively, already reflected in liabilities.

The operating guarantees presented include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5).

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 2014, these financings amount to 779,355 thousands of Euros (31 December 2013: 779,451 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 2014 and 31 December 2013, EDPR's obligations under the tax equity agreements, in the amount of 781,302 thousands of Euros and 803,006 thousands of Euros, respectively are reflected in the statement of financial position under the caption Institutional Partnerships in US Wind farms.

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

	30 Jun 2014				
	Debt capital by period				
Thousands of Euros	**Total**	**Up to 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Financial debt (including interests)	4,641,195	345,033	744,571	2,657,040	894,551
Operating lease rents not yet due	785,466	30,401	61,778	60,172	633,115
Purchase obligations	2,001,059	923,546	907,222	61,236	109,055
Other long term commitments	1,386	1,008	378	-	-
	7,429,106	1,299,988	1,713,949	2,778,448	1,636,721

	31 Dec 2013				
	Debt capital by period				
Thousands of Euros	**Total**	**Up to 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Financial debt (including interests)	4,622,605	318,906	787,291	458,163	3,058,245
Operating lease rents not yet due	753,253	31,023	59,615	58,827	603,788
Purchase obligations	735,746	473,681	95,682	47,323	119,060
	6,111,604	823,610	942,588	564,313	3,781,093

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.

The commitments presented above do not include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5), being presented in note 18.

As at 30 June 2014 the Group has the following contingent liabilities/rights related with call and put options on investments:

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over Cajastur for all the shares held by Cajastur on company "Quinze Mines" (51% of share capital). Cajastur holds an equivalent put option on these shares over EDPR EU. The price of exercising these options will be determined under an independent investment bank valuation process. This options can be exercised between 17 July 2014 and 17 July 2016, inclusively;

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over Cajastur for 51% of interest held by Cajastur in the companies Sauvageons, Le Mee and Petite Pièce. Cajastur holds an equivalent put option on these shares over EDPR EU. The price of exercising these options will be determined under an independent investment bank valuation process. This options can be exercised between 1 January 2013 and 31 December 2014, inclusively;

- EDP Renováveis, through its subsidiary EDPR EU, holds a call option over the remaining shareholders of Re Plus (WPG, Galilea and Gant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;

- EDP Renováveis, through its subsidiary EDPR EU, holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;

- EDP Renováveis holds, through its subsidiary EDPR EU, a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;

- EDP Renováveis holds, through its subsidiary EDPR EU, a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised until 2 years after the maturity of financial debt for the park construction.

37. RELATED PARTIES

Main shareholders

EDP Renováveis, S.A.'s shareholder structure as at 30 June 2014 is analysed as follows:

	Nr. of Shares	% Capital	% Voting rights
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	541,027,156	62.02%	62.02%
Hidroeléctrica del Cantábrico, S.A.	135,256,700	15.51%	15.51%
Other shareholders	196,024,306	22.47%	22.47%
	872,308,162	**100.00%**	**100.00%**

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 in 2014 and 2013 were as follows:

Thousands of Euros	30 Jun 2014	30 Jun 2013
CEO	-	-
Board members	337	248
	337	**248**

EDPR signed an Executive Management Services Agreement with EDP, under which EDP bears the cost for the services render by its Executive Directors.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, EDP Renováveis is due to pay an amount of 537 thousands of Euros (variable and fixed remuneration) for management services rendered by EDP through 2014 (528 thousands of Euros in 2013).

As at 30 June 2014 and 2013 there are no outstanding loans and advances with company officers and key management.

The Company has no pension or life insurance obligations with its former or current Board members in 2014 or 2013.

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

With the sale of 49% of EDPR Portugal equity shareholding to CTG through CITIC CWEI Renewables S.C.A, the EDPR Group has loans of CTG in the amount of 95 millions of Euros (9 millions of Euros as current and 86 millions of Euros as non-current).

Balances and transactions with EDP Group companies

As at 30 June 2014, assets and liabilities with related parties, are analysed as follows:

	Assets		
Thousands of Euros	Loans and interests to receive	Others	Total
EDP Energias de Portugal, S.A.	-	13,212	13,212
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	9,923	9,923
Hidrocantábrico Group companies (electric sector)	1	18,433	18,434
Joint Ventures and Associated companies	390,007	1,793	391,800
Other EDP Group companies	1	14,459	14,460
	390,009	57,820	447,829

	Liabilities		
Thousands of Euros	Loans and interests to pay	Others	Total
EDP Energias de Portugal, S.A.	-	8,361	8,361
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	138,690	138,690
Hidrocantábrico Group companies (electric sector)	25	2,525	2,550
Joint Ventures and Associated companies	-	24	24
Other EDP Group companies	2,837,636	7,106	2,844,742
	2,837,661	156,706	2,994,367

As at 31 December 2013, assets and liabilities with related parties, are analysed as follows:

	Assets		
Thousands of Euros	Loans and interests to receive	Others	Total
EDP Energias de Portugal, S.A.	-	20,456	20,456
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	9,771	9,771
Hidrocantábrico Group companies (electric sector)	1	48,285	48,286
Joint Ventures and Associated companies	331,587	1,674	333,261
Other EDP Group companies	63,777	13,772	77,549
	395,365	93,958	489,323

	Liabilities		
Thousands of Euros	Loans and interests to pay	Others	Total
EDP Energias de Portugal, S.A.	-	10,040	10,040
EDP - Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	119,528	119,528
Hidrocantábrico Group companies (electric sector)	24	1,898	1,922
Joint Ventures and Associated companies	-	48	48
Other EDP Group companies	2,817,125	9,118	2,826,243
	2,817,149	140,632	2,957,781

Liabilities includes essentially loans obtained by EDP Renováveis from EDP Finance BV in the amount of 2,795,822 thousands of Euros (31 December 2013: 2,782,853 thousands of Euros).

With the purpose of hedging the foreign exchange risk of EDP Renováveis and EDP Branch, the EDP Group establishing a Cross-Currency Interest Rate Swap (CIRS) in USD and EUR between EDP Branch and EDP Renováveis. At each reporting date, this CIRS is revalued to its market value, which corresponds to a spot foreign exchange revaluation, resulting in a perfect hedge (revaluation of the investment in EPDR NA and of the USD external financing). As at 30 June 2014, the amount payable by EDP Renováveis to EDP Branch related to this CIRS amounts to 101,366 thousands of Euros (31 December 2013: 82,772 thousands of Euros) (see notes 33 and 35).

Transactions with related parties for the period ended 30 June 2014 are analysed as follows:

Thousands of Euros	Operating income	Financial income	Operating expenses	Financial expenses
EDP Energias de Portugal, S.A.	1,491	4,709	-871	-9,111
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	-	-5,238	-2,209
Hidrocantábrico Group companies (electric sector)	150,829	-	-1,943	-596
Joint Ventures and Associated companies	984	10,285	-6	-
Other EDP Group companies	100,540	11,008	-2,957	-84,750
	253,844	26,002	-11,015	-96,666

Operating income includes mainly the electricty sales to suppliers of last resource in Portugal due to regulatory legislation and electricity sales to HC Group that act as a commercial agent of subsidiaries of EDPR Group in Spain. Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group that operates in the electricity and gas sectors in Spain. In the electricity sector, HC Energia generates, distributes and supplies electricity.

Financial income and Financial expenses with EDP, S.A. are mainly related to derivative financial instruments, namely to a dequalification from cash flow hegde accounting of EDPR EU power swaps due to new regulation and to changes in market fair value.

Transactions with related parties for the period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Operating income	Financial income	Operating expenses	Financial expenses
EDP Energias de Portugal, S.A.	-	41,867	-1,706	-26,143
EDP Energias de Portugal, S.A. Sucursal en España (EDP Branch)	-	333	-4,028	-6,004
Hidrocantábrico Group companies (electric sector)	248,094	-	-2,036	-500
Joint Ventures and Associated companies	1,657	11,430	-82	-3,557
Other EDP Group companies	96,094	17,548	-3,028	-90,004
	345,845	71,178	-10,880	-126,208

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. Usually, these guarantees are granted by EDP, S.A., through EDP Branch. As at 30 June 2014, EDP, S.A. and Hidrocantábrico granted financial (15,540 thousands of Euros, 31 December 2013: 45,235 thousands of Euros) and operational (293,639 thousands of Euros, 31 December 2013: 243,580 thousands of Euros) guarantees to suppliers in favour of EDPR EU and EDPR NA. The operational guarantees are issued following the commitments assumed by EDPR EU and EDPR NA in relation to the acquisition of property, plant and equipment, supply agreements, turbines and energy contracts (power purchase agreements) (see note 36).

In the normal course of its activity, EDP Renováveis performs business transactions and operations with its related parties based on normal market conditions.

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

Cash and cash equivalents, trade receivables and suppliers

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

Financial debt

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

Derivative financial instruments

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

CIRS with EDP Branch (note 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 notes 13 and 23.

During 2014 and 2013 the following market inputs were considered for the fair value calculation:

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

The fair values of assets and liabilities as at 30 June 2014 and 31 December 2013 are analysed as follows:

	30 June 2014			31 December 2013		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available-for-sale investments	7,434	7,434	-	7,434	7,434	-
Trade receivables	234,406	234,406	-	202,264	202,264	-
Debtors and other assets from commercial activities	95,669	95,669	-	97,758	97,758	-
Other debtors and other assets	431,084	431,084	-	428,231	428,231	-
Derivative financial instruments	29,040	29,040	-	25,302	25,302	-
Financial assets at fair value through profit or loss	13	13	-	76	76	-
Cash and cash equivalents	307,875	307,875	-	255,462	255,462	-
	1,105,521	1,105,521	-	1,016,527	1,016,527	-
Financial liabilities						
Financial debt	3,743,065	3,923,562	180,497	3,665,877	3,634,966	-30,911
Suppliers	234,922	234,922	-	398,529	398,529	-
Institutional partnerships in US wind farms	1,458,758	1,458,758	-	1,508,495	1,508,495	-
Trade and other payables from commercial activities	171,863	171,863	-	113,844	113,844	-
Other liabilities and other payables	245,837	245,837	-	238,548	238,548	-
Derivative financial instruments	178,143	178,143	-	134,902	134,902	-
	6,032,588	6,213,085	180,497	6,060,195	6,029,284	-30,911

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).

	30 June 2014			31 December 2013		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available-for-sale investments	-	-	7,434	-	-	7,434
Derivative financial instruments	-	29,040	-	-	25,302	-
Financial assets at fair value through profit or loss	-	13	-	-	76	-
	-	29,053	7,434	-	25,378	7,434
Financial liabilities						
Liabilities arising from options with non-controlling interests	-	-	12,373	-	-	16,987
Derivative financial instruments	-	178,143	-	-	134,902	-
	-	178,143	12,373	-	134,902	16,987

The remaining assets and liabilities are valuated within Level 1 or correspond to assets and liabilities which fair value is the same as its carrying amount. In 2014, does not have transfers between levels.

The movement in 2014 and 2013 of the financial assets and liabilities within Level 3 are analysed was as follows:

	Available for sale investments		Trade and other payables	
Thousands of Euros	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Balance at the begining of the year	7,434	9,407	16,987	7,785
Gains / (Losses) in other comprehensive income	-	-	-	-
Purchases	-	-	-	3,044
Fair value changes/Payments	-	-	-	55
Disposals	-	-	-4,614	-3,524
Balance at the end of the year	7,434	9,407	12,373	7,360

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

39. ADOPTION OF STANDARDS IFRS 10 - CONSOLIDATED FINANCIAL STATEMENTS AND IFRS 11 - JOINT ARRANGEMENTS

As referred in the note 2 b), the Group adopted the standards IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements with an effective date of mandatory application for periodos beginning on or after 1 January 2014, and restated the comparative periods from 1 January 2013.

The impacts of the adoption of these standards as at 30 June and 31 December 2013 are presented as follows:

Condensed Consolidated Income Statement

Thousands of Euros	Jun 2013	IFRS 10 and 11 impacts	Jun 2013 restated
Revenues	685,217	-24,101	661,116
Income from institutional partnerships in US wind farms	70,897	-	70,897
	756,114	-24,101	732,013
Other income	25,379	-398	24,981
Supplies and services	-125,812	3,775	-122,037
Personnel costs and employee benefits	-35,199	55	-35,144
Other expenses	-60,037	3,065	-56,972
	-195,669	6,497	-189,172
	560,445	-17,604	542,841
Provisions	-228	-	-228
Amortisation and impairment	-233,495	9,573	-223,922
	326,722	-8,031	318,691
Financial income	76,346	-5	76,341
Financial expenses	-206,537	769	-205,768
Share of net profit in joint ventures and associates	9,599	5,432	15,031
Profit before income tax	206,130	-1,835	204,295
Income tax expense	-56,376	1,835	-54,541
Net profit for the period	149,754	-	149,754
Attributable to:			
Equity holders of EDP Renováveis	128,987	-	128,987
Non-controlling interests	20,767	-	20,767
Net profit for the period	149,754	-	149,754
Earnings per share basic and diluted - Euros	**0.15**	**-**	**0.15**

Condensed Consolidated Statement of Comprehensive Income

	Jun 2013		IFRS 10 and 11 impacts		Jun 2013 restated	
Thousands of Euros	Equity holders of the parent	Non controlling Interests	Equity holders of the parent	Non controlling Interests	Equity holders of the parent	Non controlling Interests
Net profit for the year	128,987	20,767	-	-	128,987	20,767
Items						
Actuarial gains / (losses)	14	-	-	-	14	-
Tax effect of actuarial gains/(losses)	-4	-	-	-	-4	-
	10	-	-	-	10	-
Items						
Fair value reserve (available for sale financial assets)	-	-	-	-	-	-
Tax effect of Fair value reserve (available for sale financial assets)	-	-	-	-	-	-
Fair value reserve (cash flow hedge)	16,424	2,701	-493	-	15,931	2,701
Tax effect from the fair value reserve (cash flow hedge)	-4,491	-750	148	-	-4,343	-750
Share of other comprehensive income of associates, net of taxes	3,444	-	-149	-	3,295	-
Fair value reserve (available for sale investments)	-	-	-	-	-	-
Exchange differences arising on consolidation	-10,169	-1,016	494	-	-9,675	-1,016
	5,208	935	-	-	5,208	935
Other	5,218	935	-	-	5,218	935
Total	134,205	21,702	-	-	134,205	21,702

Condensed Consolidated Statement of Financial Position

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated
Assets			
Property, plant and equipment	10,358,725	-263,266	10,095,459
Intangible assets	89,796	-1,863	87,933
Goodwill	1,255,725	-42,225	1,213,500
Investments in joint ventures and associates	64,660	273,986	338,646
Available for sale financial assets	7,434	-	7,434
Deferred tax assets	111,055	-1,842	109,213
Debtors and other assets from commercial activities	53,160	-	53,160
Other debtors and other assets	320,440	-5	320,435
Collateral deposits associated to financial debt	74,172	-1,966	72,206
Total Non-Current Assets	12,335,167	-37,181	12,297,986
Inventories	15,489	-64	15,425
Trade receivables	207,189	-4,925	202,264
Debtors and other assets from commercial activities	45,768	-1,170	44,598
Other debtors and other assets	133,094	4	133,098
Current tax assets	103,652	-260	103,392
Financial assets at fair value through profit or loss	76	-	76
Collateral deposits associated to financial debt	6,054	-	6,054
Cash and cash equivalents	265,229	-9,767	255,462
Total Current Assets	776,551	-16,182	760,369
Total Assets	13,111,718	-53,363	13,058,355
Equity			
Share capital	4,361,541	-	4,361,541
Share premium	552,035	-	552,035
Reserves	-69,605	-	-69,605
Other reserves and Retained earnings	692,179	-	692,179
Consolidated net profit attributable to equity holders of the parent	135,116	-	135,116
Total Equity attributable to equity holders of the parent	5,671,266	-	5,671,266
Non-controlling Interests	418,230	-173	418,057
Total Equity	6,089,496	-173	6,089,323
Liabilities			
Medium / Long term financial debt	3,543,805	-22,946	3,520,859
Provisions	68,539	-4,003	64,536
Deferred tax liabilities	383,329	-16,145	367,184
Institutional partnerships in US wind farms	1,508,495	-	1,508,495
Trade and other payables from commercial activities	418,140	-	418,140
Other liabilities and other payables	239,770	-858	238,912
Total Non-Current Liabilities	6,162,078	-43,952	6,118,126
Short term financial debt	148,131	-3,113	145,018
Trade and other payables from commercial activities	478,853	-4,645	474,208
Other liabilities and other payables	134,511	27	134,538
Current tax liabilities	98,649	-1,507	97,142
Total Current Liabilities	860,144	-9,238	850,906
Total Liabilities	7,022,222	-53,190	6,969,032
Total Equity and Liabilities	13,111,718	-53,363	13,058,355

Condensed Consolidated and Company Statement of Cash Flows

Thousands of Euros	Jun 2013	IFRS 10 and 11 impacts	Jun 2013 restated
Operating activities			
Cash receipts from customers	714,567	-22,718	691,849
Payments to suppliers	-155,957	3,928	-152,029
Payments to personnel	-40,824	58	-40,766
Other receipts / (payments) relating to operating activities	-28,111	2,750	-25,361
Net cash from operations	489,675	-15,982	473,693
Income tax received / (paid)	-17,474	240	-17,234
Net cash from operating activities	472,201	-15,742	456,459
Investing activities			
Cash receipts relating to:			
Property, plant and equipment	27,038	-	27,038
Interest and similar income	3,998	15	4,013
Dividends	1,283	7,763	9,046
Loans to related parties	-	-	-
Other receipts from investing activities	430	-	430
	32,749	7,778	40,527
Cash payments relating to:			
Acquisition of assets / subsidiaries	-35,607	-	-35,607
Changes in cash resulting from perimeter variations	-	-17,599	-17,599
Property, plant and equipment	-468,065	-	-468,065
Loans to related parties	-182,479	-	-182,479
Other payments in investing activities	-221	-	-221
	-686,372	-17,599	-703,971
Net cash from investing activities	-653,623	-9,821	-663,444
Financing activities			
Sale of assets / subsidiaries without loss of control	257,371	-	257,371
Receipts / (payments) relating to loans	27,581	8,562	36,143
Interest and similar costs	-25,521	589	-24,932
Governmental grants received	91,549	-	91,549
Dividends paid to non-controlling interests	-34,892	-	-34,892
Receipts / (payments) from wind activity institutional partnerships - USA	-22,622	-	-22,622
Other cash flows from financing activities	-17,156	-1,201	-18,357
Net cash from financing activities	276,310	7,950	284,260
Changes in cash and cash equivalents	94,888	-17,613	77,275
Effect of exchange rate fluctuations on cash held	-3,474	-103	-3,577
Cash and cash equivalents at the beginning of the period	245,837	-	245,837
Cash and cash equivalents at the end of the period	337,251	-17,716	319,535

40. RELEVANT SUBSEQUENT EVENTS

EDP Renováveis established new institutional partnership structure for 200 MW in the US

On 17 July 2014, EDP Renováveis, S.A. (EDPR), through its fully owned subsidiary EDP Renewables North America LLC, has secured a 190 millions of USD commitment of institutional equity financing from Bank of America Merrill Lynch (BofA Merrill), in exchange for an interest in the 200 MW Headwaters wind project, located in the State of Indiana.

Under the agreement, BofA Merrill will invest its funds close to the project's start of operations, which is scheduled for the fourth quarter of 2014.

The Headwaters wind project will sell its output through a 20-year Power Purchase Agreement (PPA) with Indiana Michigan Power Company, a fully owned subsidiary of American Electric Power.

The institutional partnership structure established with BofA Merrill enables an efficient utilization of the fiscal benefits generated by the project and improves the project's economics.

41. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS USED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

• IFRS 10 - Consolidated Financial Statements

The Group presents the impact from the adoption of this standard on note 39.

• IFRS 11 - Joint Arrangements

The Group presents the impact from the adoption of this standard on note 39.

• IFRS 12 - Disclosure of Interests in Other Entities

The disclosures resulted from the adoption of this standard were made in the notes 5 and 18.

• IAS 28 (Amended) - Investments in Associates and Joint Ventures

No significant impact in the Group resulted from the adoption of amendment.

• IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

No significant impact in the Group resulted from the adoption of amendment.

• IAS 36 (Amended) - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

No significant impact in the Group resulted from the adoption of amendment.

• IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting

No significant impact in the Group resulted from the adoption of amendment.

• Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

No significant impact in the Group resulted from the adoption of amendment.

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

• IFRS 9 - Financial Instruments;
• IFRS 14 - Regulatory Deferral Accounts;
• IFRS 15 - Revenue from Contracts with Costumers;
• IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
• Annual Improvement Project (2010-2012);
• Annual Improvement Project (2011-2013).

No significant impact in the Group is expected from the adoption of these standards and amendment.

42. OPERATING SEGMENTS REPORT

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

The accounting policies of the reportable segments are the same as described in note 3. Information regarding the results of each reportable segment is included in Annex 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 and EDPR Canada Group companies that operate in United Stares of America and Canada, respectively;
- Brazil: refers to EDPR Brasil Group companies that operate in this country.

Segment definition

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

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

In the last quarter of 2013, the EDPR Group changed the criteria to disclose reportable segments, as well as the information disclosed in the Segmental Reporting, according to mentioned above criteria. To be comparable, the information reported as at 30 June 2013 has been restated.

ANNEX 1

EDP Renováveis, S.A.

Group Activity by Operating Segment
Operating Segment Information for the year ended 30 June 2014

Thousands of Euros	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	413,119	203,834	10,780	627,733
Income from institutional partnerships in US wind farms	-	66,066		66,066
	413,119	269,900	10,780	693,799
Other operating income	7,132	6,341	14	13,487
Supplies and services	-66,233	-50,212	-3,078	-119,523
Personnel costs and Employee benefits expenses	-12,445	-13,620	-404	-26,469
Other operating expenses	-33,919	-11,933	-232	-46,084
	-105,465	-69,424	-3,700	-178,589
Gross operating profit	307,654	200,476	7,080	515,210
Provisions	-	-	-	-
Amortisation and impairment	-119,901	-97,645	-2,920	-220,466
Operating profit	187,753	102,831	4,160	294,744
Share of profit of associates	15,001	3,229	-	18,230
Assets	6,214,214	5,211,807	156,163	11,582,184
Liabilities	202,219	494,761	2,986	699,966
Operating Investment	38,329	70,382	4,255	112,966

Note: The Segment "Europe" includes: i) revenues in the amount of 182,772 thousands of Euros from Spanish companies, of which 32.097 thousands of Euros generated outside of Spain; ii) assets from spanish companies in the amount of 2,464,836 thousands of Euros.

Reconciliation between the Segment Information and the Financial Statements for June 2014

Thousands of Euros

Revenues of the Reported Segments	**627,733**
Revenues of Other Segments	6,217
Elimination of intra-segment transactions	(6,560)
Revenues of the EDPR Group	**627,390**
Gross operating profit of the Reported Segments	**515,210**
Gross operating profit of Other Segments	(8,739)
Elimination of intra-segment transactions	(1)
Gross operating profit of the EDPR Group	**506,470**
Operating profit of the Reported Segments	**294,744**
Operating profit of Other Segments	(9,619)
Elimination of intra-segment transactions	(805)
Operating profit of the EDPR Group	**284,320**
Assets of the Reported Segments	**11,582,184**
Not Allocated Assets	1,402,459
Financial Assets	724,316
Tax assets	122,350
Debtors and other assets	555,793
Assets of Other Segments	3,148
Elimination of intra-segment transactions	50,194
Assets of the EDPR Group	**13,037,985**
Liabilities of the Reported Segments	**699,966**
Not Allocated Liabilities	6,152,287
Financial Liabilities	3,743,065
Institutional partnerships in US wind farms	1,458,758
Tax liabilities	388,434
Payables and other liablities	562,030
Liabilities of Other Segments	8,333
Elimination of intra-segment transactions	13,215
Liabilities of the EDPR Group	**6,873,801**
Operating Investment of the Reported Segments	**112,966**
Operating Investment of Other Segments	74
Operating Investment of the EDPR Group	**113,040**

	Total of the Reported Segments	Other Segments	Elimination of intra-segment transactions	Total of the EDPR Group
Other operating income	**13,487**	2,037	(317)	**15,207**
Supplies and services	**(119,523)**	(7,853)	6,876	**(120,500)**
Personnel costs and Employee benefits expenses	**(26,469)**	(7,407)	-	**(33,876)**
Other operating expenses	**(46,084)**	(1,733)	-	**(47,817)**
Provisions	**-**	-	-	**-**
Amortisation and impairment	**(220,466)**	(880)	(804)	**(222,150)**
Share of profit of associates	**18,230**	(259)	(7,008)	**10,963**

EDP Renováveis, S.A.

Group Activity by Operating Segment
Operating Segment Information for the year ended 30 June 2013 (*)

Thousands of Euros	EUROPE	NORTH AMERICA	BRAZIL	SEGMENTS TOTAL
Revenues	455,239	194,618	11,257	661,114
Income from institutional partnerships in US wind farms	-	70,897		70,897
	455,239	265,515	11,257	732,011
Other operating income	2,306	22,933	-	25,239
Supplies and services	-61,510	-50,429	-3,457	-115,396
Personnel costs and Employee benefits expenses	-13,744	-15,432	-511	-29,687
Other operating expenses	-40,921	-15,833	-71	-56,825
	-113,869	-58,761	-4,039	-176,669
Gross operating profit	341,370	206,754	7,218	555,342
Provisions	-	-228	-	-228
Amortisation and impairment	-116,242	-100,513	-2,964	-219,719
Operating profit	225,128	106,013	4,254	335,395
Share of profit of associates	20,831	-1,195	-	19,636
Assets	6,217,056	5,201,576	142,438	11,561,070
Liabilities	346,169	513,271	2,025	861,465
Operating Investment	83,829	-73,942	1,436	11,323

Note: The Segment "Europe" includes: i) revenues in the amount of 249,930 thousands of Euros from Spanish companies, of which 682 thousands of Euros generated outside of Spain; ii) assets from spanish companies in the amount of 2,509,495 thousands of Euros.

* Restated for the adoption of IFRS 10 and 11

Reconciliation between the Segment Information and the Financial Statements for June 2013*

Thousands of Euros	
Revenues of the Reported Segments	**661,114**
Revenues of Other Segments	-
Elimination of intra-segment transactions	2
Revenues of the EDPR Group	**661,116**
Gross operating profit of the Reported Segments	**555,342**
Gross operating profit of Other Segments	-12,328
Elimination of intra-segment transactions	-173
Gross operating profit of the EDPR Group	**542,841**
Operating profit of the Reported Segments	**335,395**
Operating profit of Other Segments	-12,888
Elimination of intra-segment transactions	-3,816
Operating profit of the EDPR Group	**318,691**
Assets of the Reported Segments	**11,561,070**
Not Allocated Assets	1,443,773
Financial Assets	679,878
Tax assets	212,605
Debtors and other assets	551,290
Assets of Other Segments	5,264
Elimination of intra-segment transactions	48,248
Assets of the EDPR Group	**13,058,355**
Liabilities of the Reported Segments	**861,465**
Not Allocated Liabilities	6,090,621
Financial Liabilities	3,665,877
Institutional partnerships in US wind farms	1,508,495
Tax liabilities	464,326
Payables and other liablities	451,923
Liabilities of Other Segments	10,662
Elimination of intra-segment transactions	6,284
Liabilities of the EDPR Group	**6,969,032**
Operating Investment of the Reported Segments	**11,323**
Operating Investment of Other Segments	436
Operating Investment of the EDPR Group	**11,759**

	Total of the Reported Segments	Other Segments	Elimination of intra-segment transactions	Total of the EDPR Group
Other operating income	**25,239**	21	-279	**24,981**
Supplies and services	**-115,396**	-6,745	104	**-122,037**
Personnel costs and Employee benefits expenses	**-29,687**	-5,457	0	**-35,144**
Other operating expenses	**-56,825**	-147	0	**-56,972**
Provisions	**-228**	0	0	**-228**
Amortisation and impairment	**-219,719**	-560	-3,643	**-223,922**
Share of profit of associates	**19,636**	0	-4,605	**15,031**

* Restated for the adoption of IFRS 10 and 11