

EDP Renováveis, S.A.

Condensed Consolidated Financial Statements

30 June 2014

Director's Report

30 June 2014

(With Auditor's Report Thereon)



KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Limited Review on the Interim Condensed Consolidated Financial Statements

To the Shareholders of

EDP Renováveis, S.A. commissioned by the Board of Directors:

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of EDP Renováveis, S.A. (“the Company”) and subsidiaries (hereinafter “the Group”), which comprise the statement of financial position at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six month period then ended (all condensed and consolidated). Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a limited review is substantially less than that of an audit performed in accordance with prevailing legislation regulating the audit of accounts in Spain and, therefore, does not enable us to ensure that all significant matters that could be identified in an audit are brought to light. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statement do not present fairly, in all material respects, the financial position of the entity as at 30 June 2014, and its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Emphasis of matter paragraph

We draw your attention to the accompanying note 2, which states that these interim condensed consolidated financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2013. This matter does not affect our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six month period ended 30 June 2014 contains such explanations as the Management of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim condensed consolidated financial statements. The interim consolidated management's report is not an integral part of the interim condensed consolidated financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim condensed consolidated financial statements for the six month period ended 30 June 2014. Our work is limited to the verification of the interim consolidated management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of EDP Renováveis, S.A. and subsidiaries.

KPMG Auditores, S.L.



Estibaliz Bilbao Belda

30 July 2014

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
		<u>693,456</u>	<u>732,013</u>
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
		<u>-186,986</u>	<u>-189,172</u>
		<u>506,470</u>	<u>542,841</u>
Provisions		-	-228
Amortisation and impairment	12	-222,150	-223,922
		<u>284,320</u>	<u>318,691</u>
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		<u>177,819</u>	<u>204,295</u>
Income tax expense	14	-51,120	-54,541
Net profit for the period		<u>126,699</u>	<u>149,754</u>
Attributable to:			
Equity holders of EDP Renováveis	26	<u>87,321</u>	<u>128,987</u>
Non-controlling interests	28	<u>39,378</u>	<u>20,767</u>
Net profit for the period		<u>126,699</u>	<u>149,754</u>
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		2013*	
	Equity holders of the parent	Non controlling Interests	Equity holders of the parent	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.

Notes to the Condensed Consolidated Financial Statements

1. The business operations of the EDP Renováveis Group
 2. Accounting policies
 3. Critical accounting estimates and judgments in applying accounting policies
 4. Financial risk management policies
 5. Consolidation perimeter
 6. Revenues
 7. Income from institutional partnerships in US wind farm
 8. Other income
 9. Supplies and services
 10. Personnel costs and employee benefits
 11. Other expenses
 12. Amortisation and impairment
 13. Financial income and financial expenses
 14. Income tax expense
 15. Property, plant and equipment
 16. Intangible assets
 17. Goodwill
 18. Investments in joint ventures and associates
 19. Deferred tax assets and liabilities
 20. Inventories
 21. Trade receivables
 22. Debtors and other assets from commercial activities
 23. Other debtors and other assets
 24. Current tax assets
 25. Cash and cash equivalents
 26. Share capital
 27. Reserves and retained earnings
 28. Non-controlling interests
 29. Financial debt
 30. Provisions
 31. Institutional partnerships in US wind farms
 32. Trade and other payables from commercial activities
 33. Other liabilities and other payables
 34. Current tax liabilities
 35. Derivative financial instruments
 36. Commitments
 37. Related parties
 38. Fair value of financial assets and liabilities
 39. Adoption of Standards IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements
 40. Relevant subsequent events
 41. Recent accounting standards and interpretations used
 42. Operating segments report
- Annex 1

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 Parública - Participações Públicas SGPS, S.A., representing 21.35% of the share capital and voting rights of EDP Energias de Portugal S.A., a majority shareholder of the Company. This operation was concluded in May 2012.

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

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

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 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 communicate 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 derivative 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 life 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 occurred. 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 statements are presented fairly, in all material respects, the Group's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

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 affect 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:

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

Thousands of Euros	30 Jun 2013			
	Profit or loss		Equity	
	+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:

Thousands of Euros	30 Jun 2014			
	Profit or loss		Equity	
	+ 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

Thousands of Euros	30 Jun 2013			
	Profit or loss		Equity	
	+ 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 counterparty. 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 Renováveis Group is not significant. In the case of EDPR NA, the great majority of the plants are under power purchase agreements, with fixed or escalating prices. In the case of EDPR EU, the electricity is sold in Spain 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
	285	283
Other revenues	624,308	658,302
	3,248	2,715
Services rendered		
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	332	860
Buildings and other constructions	224,167	215,901
Plant and machinery	5,762	5,414
Other	7	10,405
Impairment loss	230,268	232,580
Intangible assets	708	715
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	12,265	9,850
Interest income	12,265	9,850
Derivative financial instruments:	742	752
Interest	23,659	63,396
Fair value	6,725	2,168
Foreign exchange gains	94	175
Other financial income	43,485	76,341
Financial expenses	98,867	98,932
Interest expense	98,867	98,932
Derivative financial instruments:	11,594	16,134
Interest	24,798	38,736
Fair value	4,363	22,119
Foreign exchange losses	-12,617	-8,152
Own work capitalised	30,965	33,735
Unwinding	2,979	4,264
Other financial expenses	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
	<u>-51,120</u>	<u>-54,541</u>

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
	<u>2,226</u>	<u>6,748</u>

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
	<u>12,787,643</u>	<u>12,583,071</u>
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
	<u>-2,731,396</u>	<u>-2,487,612</u>
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
	<u>12,583,071</u>	<u>118,442</u>	<u>-2,527</u>	<u>-</u>	<u>87,180</u>	<u>1,477</u>	<u>12,787,643</u>
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
	<u>2,487,612</u>	<u>230,261</u>	<u>7</u>	<u>-28</u>	<u>13,539</u>	<u>5</u>	<u>2,731,396</u>

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 acquisition 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
	<u>12,777,836</u>	<u>104,483</u>	<u>-32,009</u>	<u>-</u>	<u>-2,584</u>	<u>-436,720</u>	<u>12,411,006</u>
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
	<u>2,240,929</u>	<u>222,175</u>	<u>10,405</u>	<u>-48</u>	<u>4,556</u>	<u>-147,796</u>	<u>2,330,221</u>

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 acquisition 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
	<u>958,605</u>	<u>1,058,677</u>

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
	<u>131,598</u>	<u>110,376</u>
Accumulated depreciation		
Depreciation charge	-708	-1,522
Accumulated depreciation in previous years	-22,528	-20,921
	<u>-23,236</u>	<u>-22,443</u>
Carrying amount	<u>108,362</u>	<u>87,933</u>

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
	<u>110,376</u>	<u>19,775</u>	<u>-</u>	<u>-</u>	<u>1,444</u>	<u>3</u>	<u>131,598</u>
Accumulated amortisation							
Industrial property, other rights and other intangible assets	22,443	708	-	-	85	-	23,236
	<u>22,443</u>	<u>708</u>	<u>-</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>23,236</u>

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
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	Impairment	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
	<u>1,301,930</u>	<u>344</u>	<u>-19,173</u>	<u>-</u>	<u>4,250</u>	<u>-42,225</u>	<u>1,245,126</u>

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 success 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	<u>337,395</u>	<u>338,646</u>

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	Fiat Rock Windpower II	Fiat 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:

Thousands of Euros	Capital outstanding by maturity				
	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:

Thousands of Euros	Deferred tax assets		Deferred tax liabilities	
	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
	<u>19,301</u>	<u>15,425</u>

21. TRADE RECEIVABLES

Trade receivables are analysed as follows:

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

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
	<u>54,593</u>	<u>53,160</u>
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
	<u>41,076</u>	<u>44,598</u>
	<u>95,669</u>	<u>97,758</u>

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 statements of subsidiaries and associated companies from their functional currency into Euros. The exchange rates used in the preparation of the consolidated financial statements are as follows:

Currency		Exchange rates as at 30 June 2014		Exchange rates as at 31 December	
		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
	<u>849,715</u>	<u>789,643</u>
Non convertible bonds		
Up to 1 year	34,664	-
1 to 5 years	-	29,883
	<u>34,664</u>	<u>29,883</u>
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
	<u>2,838,033</u>	<u>2,817,925</u>
Commercial Paper		
Up to 1 year	-	6,139
	<u>-</u>	<u>6,139</u>
Other loans		
Up to 1 year	10,104	10,924
1 to 5 years	10,549	11,363
	<u>20,653</u>	<u>22,287</u>
	<u>3,743,065</u>	<u>3,665,877</u>

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

Thousands of Euros	30 Jun 2014		31 Dec 2013	
	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
	<u>3,743,065</u>	<u>3,923,562</u>	<u>3,665,877</u>	<u>3,634,966</u>

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	-	-	-	-
	<u>3,743,065</u>	<u>97,087</u>	<u>112,729</u>	<u>327,988</u>	<u>84,223</u>	<u>2,048,565</u>	<u>1,072,473</u>

The breakdown of guarantees is presented in note 36 to the financial statements 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:

Thousands of Euros	30 Jun 2014				
	Debt capital by period				
	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

Thousands of Euros	31 Dec 2013				
	Debt capital by period				
	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. Z.O.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. Z.O.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 rendered 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		
	Loans and interests to receive	Others	Total
Thousands of Euros			
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		
	Loans and interests to pay	Others	Total
Thousands of Euros			
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		
	Loans and interests to receive	Others	Total
Thousands of Euros			
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		
	Loans and interests to pay	Others	Total
Thousands of Euros			
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
	<u>253,844</u>	<u>26,002</u>	<u>-11,015</u>	<u>-96,666</u>

Operating income includes mainly the electricity sales to suppliers of last resource in Portugal due to regulatory legislation and electricity sales to HC Group that 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 hedge 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
	<u>345,845</u>	<u>71,178</u>	<u>-10,880</u>	<u>-126,208</u>

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:

Thousands of Euros	30 June 2014			31 December 2013		
	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	-
	<u>1,105,521</u>	<u>1,105,521</u>	<u>-</u>	<u>1,016,527</u>	<u>1,016,527</u>	<u>-</u>
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	-
	<u>6,032,588</u>	<u>6,213,085</u>	<u>180,497</u>	<u>6,060,195</u>	<u>6,029,284</u>	<u>-30,911</u>

The fair value levels used to value 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 than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices);
- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Thousands of Euros	30 June 2014			31 December 2013		
	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 valued 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 as follows:

Thousands of Euros	Available for sale investments		Trade and other payables	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Balance at the beginning of the year	7,434	9,407	16,987	7,785
Gains / (Losses) in other comprehensive income	-	-	-	3,044
Purchases	-	-	-	55
Fair value changes/Payments	-	-	-4,614	-3,524
Disposals	-	-	-	-
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 periods 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
	<u>756,114</u>	<u>-24,101</u>	<u>732,013</u>
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
	<u>-195,669</u>	<u>6,497</u>	<u>-189,172</u>
	<u>560,445</u>	<u>-17,604</u>	<u>542,841</u>
Provisions	-228	-	-228
Amortisation and impairment	-233,495	9,573	-223,922
	<u>326,722</u>	<u>-8,031</u>	<u>318,691</u>
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	<u>206,130</u>	<u>-1,835</u>	<u>204,295</u>
Income tax expense	-56,376	1,835	-54,541
Net profit for the period	<u>149,754</u>	<u>-</u>	<u>149,754</u>
Attributable to:			
Equity holders of EDP Renováveis	128,987	-	128,987
Non-controlling interests	20,767	-	20,767
Net profit for the period	<u>149,754</u>	<u>-</u>	<u>149,754</u>
Earnings per share basic and diluted - Euros	0.15	-	0.15

Condensed Consolidated Statement of Comprehensive Income

Thousands of Euros	Jun 2013		IFRS 10 and 11 impacts		Jun 2013 restated	
	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
	276,310	7,950	284,260
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 Customers;
- 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 States of America and Canada, respectively;
- Brazil: refers to EDPR Brasil Group companies that operate in this country.

Segment definition

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

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

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 liabilities	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

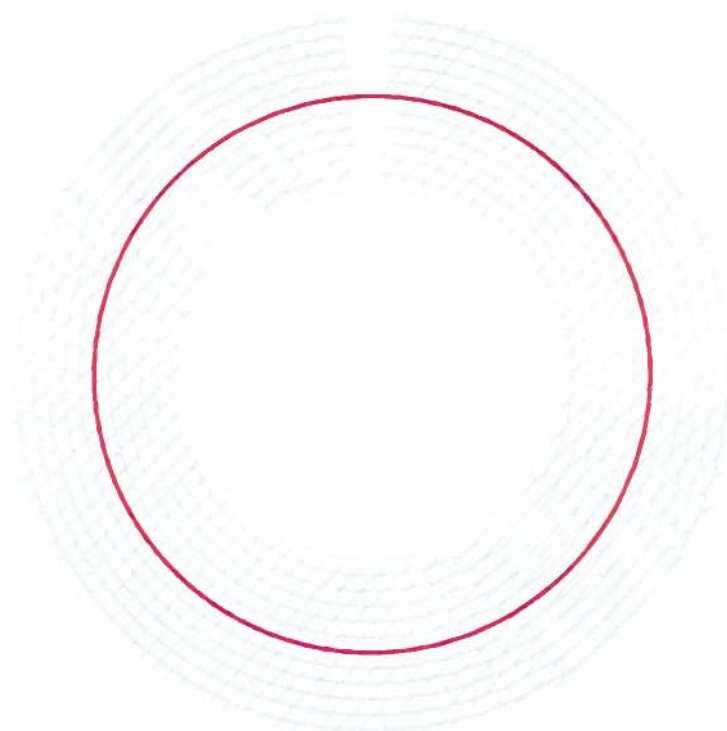
Reconciliation between the Segment Information and the Financial Statements for June 2013*

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 liabilities	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
	-228	0	0	-228
Provisions	-219,719	-560	-3,643	-223,922
Amortisation and impairment				
	19,636	0	-4,605	15,031
Share of profit of associates				

* Restated for the adoption of IFRS 10 and 11

1H 2014 Management Report



1

edp renováveis

Index

EDP RENOVÁVEIS	3
HIGHLIGHTS OF THE PERIOD	5
BUSINESS MODEL	7
CORPORATE GOVERNANCE	9
RISK MANAGEMENT	11
1H 2014 PERFORMANCE	18
DERIVATIVES, OWN STOCKS, R&D	24
HUMAN CAPITAL	25
ENVIRONMENTAL MANAGEMENT	29
SHARE PERFORMANCE	31

0. EDP RENOVÁVEIS

EDPR is a leading renewable energy company, an expert in the development, construction and operation of wind farms and solar plants.

Incorporated in 2007 with the clear objective of supplying a growing number of countries with CO₂ free and renewable energy, EDPR has quickly grown to become a global company and a front-runner in this market. With an installed capacity of 8.6 GW and 11 TWh generated in the 1H14, EDPR is the fourth largest producer of wind energy in the world.

EDPR	
8,599	INSTALLED CAPACITY (EBITDA + EQUITY CONSOLIDATED)
10,965	GENERATION (GWh)
449	UNDER CONSTRUCTION (TOTAL EBITDA MW + EQUITY CONSOLIDATED)

01. NORTH AMERICA	02. EUROPE
<u>United States, Canada, Mexico</u>	<u>Portugal, Spain, France, Belgium, Poland, Romania, Italy, UK</u>
3,685 INSTALLED CAPACITY (EBITDA + EQUITY CONSOLIDATED)	4,830 INSTALLED CAPACITY (EBITDA + EQUITY CONSOLIDATED)
5,658 GENERATION (GWh)	5,205 GENERATION (GWh)
329 UNDER CONSTRUCTION (EBITDA MW)	121 UNDER CONSTRUCTION (EBITDA MW + EQUITY CONSOLIDATED)
03. BRAZIL	
84 INSTALLED CAPACITY (EBITDA MW)	
103 GENERATION (GWh)	
0 UNDER CONSTRUCTION (MW)	

3

EDPR's business is organized into three geographical platforms (Europe, North America and Brazil) and is present in 12 countries, of which 10 with operating capacity. These platforms are complemented by a net of country and regional offices that provide "on the ground" expertise and proximity to local stakeholders. This provides a perfect balance between the global view necessary to further develop a leadership position in global renewable energy, and the local approach that is critical for the successful development of our wind farms and solar plants. These relationships with landowners, municipalities, regulators and other key stakeholders are crucial and a cornerstone of EDPR's success.

VISION, VALUES, AND COMMITMENTS

VISION

A global renewable energy company,
leader in value creation, innovation,
and sustainability

VALUES

INITIATIVE | Demonstrated through
the behaviour and
attitude of our people.

TRUST | Of shareholders,
customers, suppliers and
other stakeholders.

EXCELLENCE | In the way
we perform.

SUSTAINABILITY | Aimed at improving the
quality of life for present
and future generations.

INNOVATION | With the objective of creating
value within the various areas
in which we operate.

COMMITMENTS

RESULTS

We fulfil the commitments that we embraced
in the presence of our shareholders.

We are leaders due to our capacity of
anticipating and implementing.

We demand excellence in everything that we
do.

SUSTAINABILITY

We assume the social and environmental
responsibilities that result from our
performance thus contributing toward the
development of the regions in which we are
operating.

We avoid specific greenhouse gas emissions
with the energy we produce.

Ensure the participatory, competent and
honest governance of our business.

STAKEHOLDERS

We place ourselves in our Stakeholders' shoes
whenever a decision has to be made.

We listen to our Stakeholders and answer in a
simple and clear manner.

We surprise our Stakeholders by anticipating
their needs.

PEOPLE

We join conduct and professional rigour to
enthusiasm and initiative, emphasizing team
work.

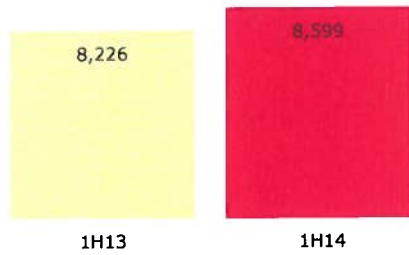
We promote the development of skills and
merit.

We believe that the balance between private
and professional life is fundamental in order
to be successful.

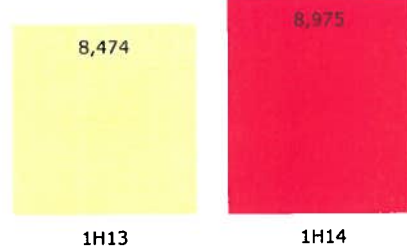
1. HIGHLIGHTS OF THE PERIOD

EDPR's performance in the 1H14 has further reinforced its position as a leader in the global renewable energy market.

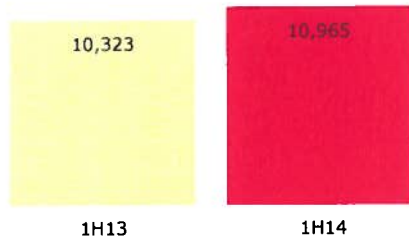
INSTALLED CAPACITY (MW)



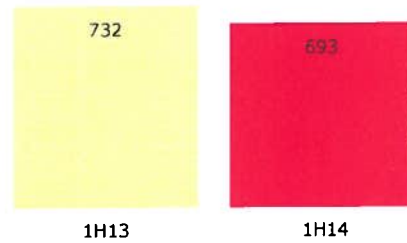
CO₂ EQ AVOIDED (KT)



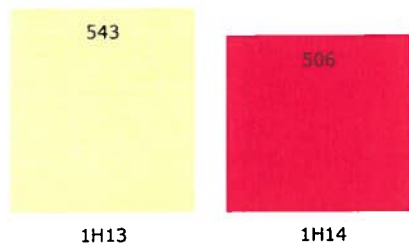
GENERATION (GWh)



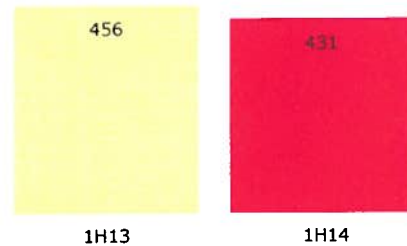
NET REVENUES (€m)



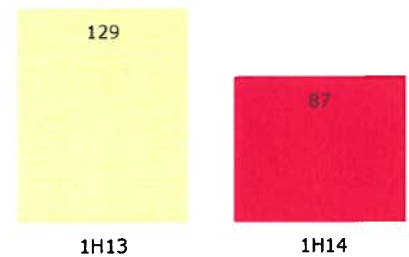
EBITDA (€m)



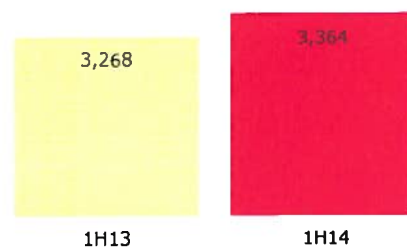
OPERATING CASH FLOW (€m)



NET PROFIT (€m)



NET DEBT (€m)



JANUARY**Jan 8th – EDP Renováveis secures PPA for new 200 MW wind farm in the US**

EDPR through its fully owned subsidiary EDP Renewables North America LLC, signed a 20-year Power Purchase Agreement ("PPA") with Kansas City Power & Light Company to sell the renewable energy produced from its 200 MW Waverly wind farm project to be installed in the state of Kansas and expected to start selling electricity under the PPA in 2016

Jan 16th – EDP Renováveis executes project finance for its first project in Canada

EDPR has executed a project finance structure agreement for its first wind farm in Canada. The South Branch project located in Ontario with an installed capacity of 30 MW has secured a 20 year Feed-in Tariff awarded by the Ontario Power Authority. The long-term contracted debt facility amounts to \$49 million (Canadian dollars) and the funding is expected to occur during the first quarter of 2014. EDPR financing strategy is to contract long-term debt in local currency at competitive prices in order to mitigate the refinancing risk and to reduce the foreign exchange risk by having a natural hedge between revenues and costs. With the successful execution of its first wind project in Canada, EDPR adds to its portfolio a market with a low risk profile and attractive wind resource and extends its geographical diversification to 11 markets around the world (US, Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, Brazil and Canada).

MARCH**March 26th – EDP Renováveis executes project finance for 50 MW wind farm in Romania**

EDPR has executed a project finance structure agreement with the European Bank for Reconstruction and Development ("EBRD") and the Black Sea Trade Development Bank ("BSTDB") for the 50 MW of solar power plants in operation in Romania.

The long-term contracted debt facility amounts to €30 million and the transaction financial close is expected to occur until the end of July 2014.

This new agreement is EDPR's seventh project finance in Eastern Europe (total of €505 million) providing strong evidence of the company's competences in the development of top quality projects and in the establishment of solid financial structures meeting the requirements of partners with rigorous investment criteria and a strong focus on renewable energy development and on foster economic growth.

APRIL

April 8th – EDP Renováveis annual shareholders meeting
EDPR informed that at the Annual General Shareholders' Meeting held, the Shareholders have approved all proposed resolutions

April 7th – EDP Renováveis consortium is awarded with 1,000 MW of wind offshore capacity in France

EDPR is pleased to announce that the partnership created with GDF Suez, S.A. ("GDF Suez") and Neoen Marine, in which EDPR holds a non-controlling shareholding position, was selected by the French Government for the development, construction and operation of the offshore wind farms in the areas of Haute-Normandie (500 MW) and of Pays de la Loire (500 MW).

April 22nd – EDP Renováveis FY13 shareholder dividends payout

EDP Renováveis announces the starting date for the payment of dividends (€0.04 gross per share) to be May 8th 2014.

April 23rd – EDP Renováveis secures PPAs for new 150 MW wind farm in the US

EDPR, through its fully owned subsidiary EDP Renewables North America LLC, signed two Power Purchase Agreements ("PPAs"), a 20-year PPA for 50 MW and a 15-year PPA for 100 MW, to sell the renewable energy produced from a 150 MW wind farm project located

in the state of Texas. The wind farm is expected to be installed in 2016 and to be qualified for Production Tax Credits ("PTC")

April 28th – EDP Renováveis enters Mexican wind energy market

EDPR has established an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under self-supply regime for the energy produced by a wind farm currently designed for 180 MW, expected to be installed in 2016 by EDPR. The contract is set in USD and for a 25-year period. The project, located in a region with very strong wind resource in the State of Coahuila in the North of Mexico

MAY**May 24th – EDP Group Investor's Day****JUNE****June 20rd – Spanish Government approves new remuneration framework for wind energy assets**

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).
Main details of the new framework:

- Regulatory periods: 6 years
- Remuneration for the first regulatory period: 7.4% pre-tax
- Revenue type: pool price + capacity complement per MW
- Capacity complement: depending on the entry into service of the asset and defined based on a standard asset for each year (see Annex I)
- Pool price: standard production to get caps and floors (see Annex II)
- Interim revisions: every 3 years, adjusting pool price deviations from caps and floors and defining expected future pool price for capacity complement calculation

2. BUSINESS MODEL

EDPR is a global leading energy company. Our growth has been the result of an extraordinary ability to execute projects and to smoothly integrate new companies, people and cultures. Our markets provide attractive growth potential, mainly due to their growth prospects and the fact that they possess stable regulatory structures that allow for profitable returns. In the 1H14, we continue to look at the renewable energy sector with a positive long-term outlook, believing that the environmental, economic and technological trends that have underpinned the currently favourable renewable energy market conditions will continue to drive further support for growth in our markets.

EDPR has a solid history executing projects and delivering targets. We consistently increased installed capacity through the successful development of pipeline. The company's successful results stem from a unique combination of factors: strong track record in execution, first class assets with above average wind resource quality, a well balanced portfolio in terms of geography, stage of development and revenue sources, and a competitive turbine supply strategy.

The combination of diversified operations with a stable revenue base spread across countries with favourable regulatory regimes limits the exposure to market prices of electricity and provides significant visibility and stability. At the core of our confidence in achieving these targets is a dynamic, highly qualified and experienced team of world-wide employees with the track record and ambition to deliver upon our targets.

QUALITY ASSETS DELIVERING INCREASED PROFITABILITY

As of June 2014, EDPR managed a global portfolio of 8.6 GW spread over 10 countries, of which 7.8 GW fully consolidated (EBITDA MW) with additional 837 MW equity consolidated through its interest in the Eólicas de Portugal consortium and EDPR equity stakes in Spain and in the US. EDPR's portfolio has low exposure to electricity market volatility as 90% of the installed capacity has pre-defined remuneration schemes with a long-term profile and only 10% is exposed to US spot wholesale electricity markets and Spanish installed capacity without incentive.

Optimizing performance throughout a project's life-cycle is a key priority at EDPR. EDPR's superior know-how and expertise guided by internal models drives operational metrics above the market, resulting in premium net capacity factors and high levels of availability. EDPR's focus on high operational efficiency metrics, with a comprehensive O&M strategy, is crucial to keep costs under control and key to achieve quality financial metrics.

BUSINESS STRATEGY

BUSINESS PLAN 2014-2017

On the 24th of May 2014, EDPR presented to investors its strategic plan through 2017. This business plan is anchored on three main pillars.

SELECTIVE GROWTH	OPERATIONAL EXCELLENCE	SELF-FUNDED BUSINESS MODEL
<ul style="list-style-type: none"> Investment on projects of premium quality Low risk growth through projects with LT contracts Development of offshore 1GW awarded in France and projects in the UK (post 2017) 	<ul style="list-style-type: none"> Leveraging quality growth on distinctive wind assessment (premium load factors) Increasing efficiency, reducing Opex/MW Maintaining high availability levels 	<ul style="list-style-type: none"> Strong operating cash-flow generation Asset rotation to enhance value growth Net investment supported by asset rotation program

To capture new growth opportunities and expand operations, it is important to successfully select the best projects and to minimize dependence on external sources of funding.

EDPR's strategy is based in delivering superior profitability supported by the performance of its premium assets

as well as the expansion of our operations into new markets. All of this with the final objective of achieving a profitable and sustainable low-risk growth, based on contracts already signed with low exposure to wholesale prices and regulatory schemes and self-funded.

TRADITIONAL MARKETS

Much of this growth will be generated in our traditional markets with the United States in particular representing over 60 per cent of our expected growth during this period.

Over 85 per cent of EDPR's 2.0 GW capacity additions have already been awarded through competitive auctions (PPA and FIT).

EDPR Growth 2014-2017



In the United States EDPR secured the core of its growth strategy for the coming years, with over 1.130 MW of PPAs were already signed, supporting future capacity additions.

8

In Europe EDPR is to deliver 0.4GW of low-risk profitable growth opportunities. In Portugal there will be the conclusion of the ENEOP project awarded in 2006, where EDPR has a 40% stake, with asset splitting expected for 2015 with by then the full consolidation of the equivalent to 534 MW. In Italy EDPR will complete projects with PPAs, 30 MW awarded in 2013 to be installed in 2014 and participate in new energy auctions for 2015-17 additions. In France, a country with a low risk regulatory framework based on feed-in tariffs, EDPR will maintain an on-going growth with expected 60-70 MW out of its pipeline development. In Poland, where the regulatory framework is based on energy auctions, growth will be subject to the new energy law yet to be known, and EDPR will exploit its competitive projects in pipeline.

EMERGING MARKETS

EDP Renováveis continues to actively seek opportunities in new markets that possess the investment environment desired, prospecting markets with strong fundamentals:

- strong electricity demand growth;
- robust wind and solar resources;
- long-term contracts awarded bases on competitive systems (PPAs/Auctions).

Emerging markets are expected to represent 20 per cent of EDPR's capacity growth over the next three years with up to 416 MW secured in auctions in Brazil and Mexico.

In Brazil, 236 MW were awarded in 2011 and 2013 to be installed in the 2015-2017 period. Current market conditions call for further auctions of wind energy.

In Mexico, 180 MW with 25-year PPA are to be installed in 2016, and thus standing as a platform for future growth in a promising market.

3. CORPORATE GOVERNANCE

MANAGEMENT AND SUPERVISION MODEL

GOVERNANCE STRUCTURE

EDP Renováveis has adopted the governance structure in effect in Spain. This structure is comprised of a General Shareholders Assembly and a Board of Directors that is responsible for representing and overseeing the management of the company.

As required by law and the articles of association the company's board of directors has set up four committees. These are the Executive Committee, the Audit and Control committee, the Related-Party Transactions Committee and the Nominations and Remunerations Committee.

The governance model of EDPR is designed to ensure the transparency, independence, and specialization of supervision within the company. The most important bodies in the management and supervision model at EDPR are the following:

- General Shareholders Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- External auditor

The purpose of the choice of this model by EDPR is to adapt, to the extent possible, the company's corporate governance structure to the Portuguese legislation. The governance model adopted by EDPR therefore seeks, insofar as it is compatible with its personal law, to correspond to the so called "Anglo-Saxon" model set forth in the Portuguese Commercial Companies Code, in which the management body is a Board of Directors and the supervision and control duties are of the responsibility of an Audit and Control committee.

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

The experience of institutional operating indicates that the governance model adopted by the shareholders is appropriate to the corporate organisation of EDPR activity, particularly because it affords transparency and a healthy balance between the management functions of the Executive Committee, the supervisory functions of the Audit and Control Committee and the oversight by different specialised Board of Directors' committees.

The harmonious institutional and functional relationship between the Executive Committee, the Audit and Control Committee and the other non-executive members of the Board of Directors has been conducive to the development of the company's business.

In order to ensure a better understanding of EDP Renováveis corporate governance by its shareholders, the company posts its updated Articles of Association as well as its Committees Regulations at www.edprenovaveis.com.

GOVERNING BODIES

BOARD OF DIRECTORS

The Board of Directors has the broadest powers for the management and governance of the Company, with no limitations other than the competences expressly allocated exclusively to the General Shareholders' Meeting by law or the Articles of Association. With the mechanisms set forth in the regulations of the Board of Directors and its Committees, the non-executive Directors have encountered no difficulties in performing their duties. During the first semester of 2014, the non-executive Directors were involved in the governance of EDPR not only by participating in meetings of the Board of Directors, where they gave their opinions on different company matters, made any suggestions they saw fit and took decisions on matters submitted to them, but also by working on the Nominations and Remunerations Committee, on the Related-Party Transactions committee and the Audit and Control Committee, where all the members are non-executive with the exception of the Related-Party Transactions Committee, which has one executive director, Mr. Nuno Alves.

Name	Position	Date of Nomination	Date of Re-election
António Mexia	Chairman and Director	18/03/2008	21/06/2011
João Manso Neto	Vice-Chairman and Director	18/03/2008	21/06/2011
Nuno Alves	Director	18/03/2008	21/06/2011
João Marques da Cruz	Director	16/05/2012	-
Rui Teixeira	Director	11/04/2011	21/06/2011
Gabriel Alonso Imaz	Director	21/06/2011	-
João Paulo Costeira	Director	21/06/2011	-
Acácio Mota Piloto	Director (Independent)	23/04/2013	
António Nogueira Leite	Director (Independent)	23/04/2013	
Gilles August	Director (Independent)	14/04/2009	21/06/2011
João Lopes Raimundo	Director (Independent)	04/06/2008	21/06/2011
João Manuel de Mello Franco	Director (Independent)	04/06/2008	21/06/2011
Jorge Santos	Director (Independent)	04/06/2008	21/06/2011
José Araújo e Silva	Director (Independent)	04/06/2008	21/06/2011
José Ferreira Machado	Director (Independent)	23/04/2013	
Manuel Menéndez Menéndez	Director	04/06/2008	21/06/2011
Rafael Caldeira Valverde	Director (Independent)	04/06/2008	21/06/2011

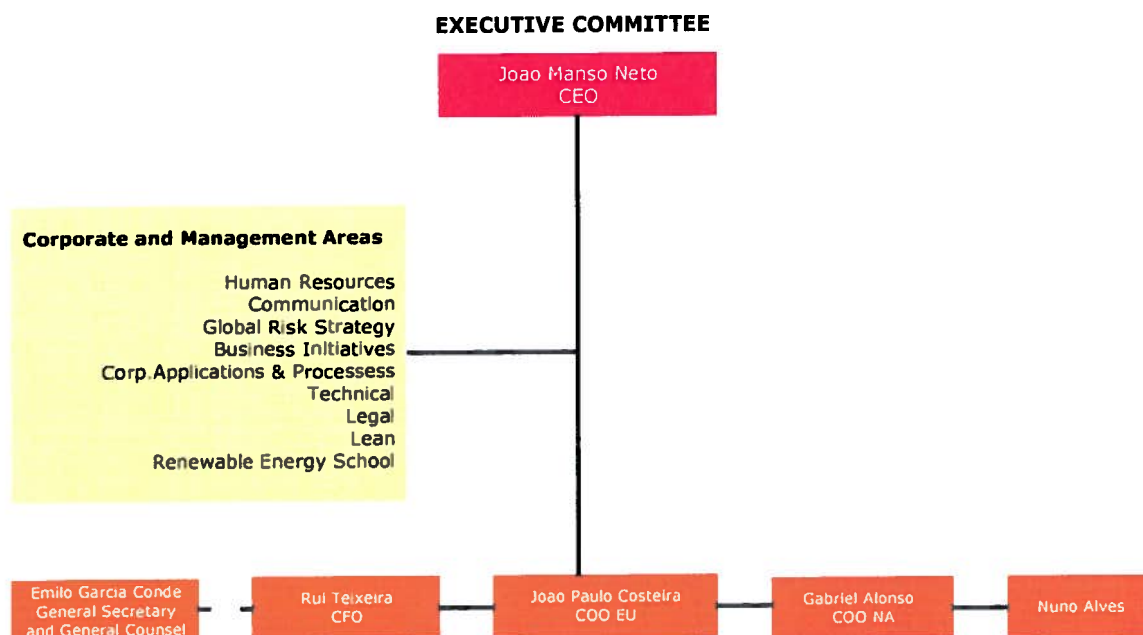
The term of office of all the members of the Board of Directors is in force till the next General Shareholders' Meeting.

10

GENERAL SHAREHOLDERS MEETING

The General Shareholders' Meeting, when properly convened, has the power to decide and adopt majority decisions on matters that the law and the Articles of Association set forth that it should be decided and be submitted for its approval.

MANAGEMENT STRUCTURE



4. RISK MANAGEMENT

Consistent with the maintaining a controlled and low risk profile, EDPR has a Risk Management Process that defines the mechanisms for evaluation and management of risks and opportunities impacting the business. This process increases the likelihood of EDPR achieving its operational and financial targets, by minimizing fluctuations of financial results without compromising returns.

RISK MANAGEMENT FRAMEWORK AND PROCESS

EDPR's Risk Management Process is an integrated and transversal management model that ensures the implementation of best practices of Corporate Governance and transparency in the communication to the market and shareholders. This process is closely followed and supervised by the Audit and Control Committee, an independent supervisory body composed of non-executive members.

The purpose of the Risk Management process is to ensure the alignment of EDPR's risk exposure with the company's desired risk profile. It consists of the identification and prioritization of risks, the development of adequate risk management policies, and their implementation. Risk management policies are aimed to mitigate risks, without ignoring potential opportunities, thus, optimizing return versus risk exposure.

Risk management is endorsed by the Executive Committee, supported by the Risk Committee and implemented in day-to-day decisions by all managers of the company. It is supported by three distinct organizational functions, each one with a different role: Strategy (Risk Profiler), Management (Risk Manager) and Controlling (Risk Controller):

- **Risk profiler** – Responsible for identification and analyses of risks, defining policies and limits for risk management within the company
- **Risk manager** – Responsible for day to day operational decisions and for implementing approved risk policies
- **Risk controller** – Responsible for follow up of the result of risk taking decisions and for verifying alignment of operations with general policy approved by the Executive Committee

These three risk functions work together and meet in the Risk Committee, the forum to discuss global risk policies to be implemented and to control the risk exposure of the company.

11



RISK COMMITTEE

EDPR's Risk Committee integrates and coordinates all Risk Functions and assures the link between corporate's risk appetite and defined strategy and the operations of the Company.

In order to separate discussions on business decisions from new analyses and the definition of new policies, EDPR has created two distinct meetings of the Risk Committee with different periodicity:

- **Restricted Risk Committee:** Held every month, it covers the risk of new transactions such as new power purchase agreements, new investments, energy price and FX hedges along with pipeline status and the EBITDA at Risk. It helps to control the implementation of defined policies and the exposure to most important risk factors.
- **Risk Committee:** Held every quarter, it is the forum where new analyses are discussed and newly defined policies are proposed in order to send to the Executive Committee for approval. Additionally, EDPR's overall risk position is reviewed.

RISK AREAS

Risk Management at EDPR is focused on covering the market, credit and operational risks of the company.

In order to have a holistic view of risks, they were grouped into Risk Areas spanning the three phases of our business model. Within each Risk Area, risks are classified in Risk Groups and finally into Risk Factors. Risk factors are the source of the risk and the purpose of Risk Management at EDPR is to measure, control and eventually mitigate all risk factors that affect the company.

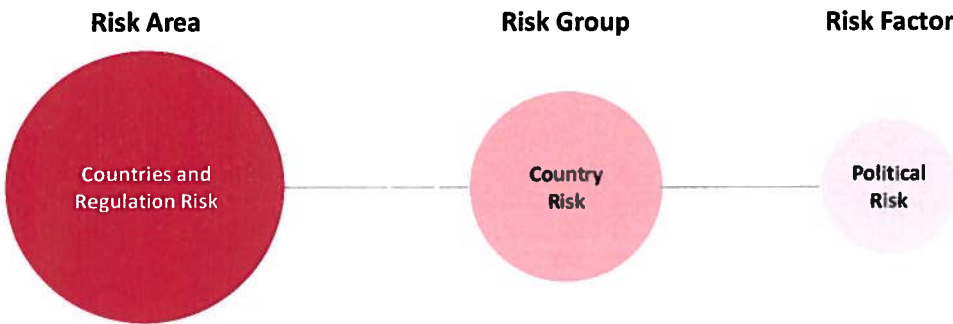
RISK AREAS AND RISK FACTORS

- **Countries & regulations** - Changes in regulations may impact EDPR’s business in a given country;
- **Revenues** - Revenues received by EDPR’s projects may diverge from what is expected;
- **Financing** - EDPR may not be able to raise enough cash to finance its planned Capex; EDPR may not be able to fulfil its financial obligations due to changes in exchange rates or bankruptcy of counterparties;
- **Wind turbine contracts** - Changes in turbine prices may impact projects’ profitability; Contracts should take into account the pipeline development risk;
- **Pipeline development** - EDPR may deliver an installed capacity different from its targets or suffer delays and/or anticipations in its installation;
- **Operations** - Projects may deliver a volume different from expected;

FROM RISK AREAS TO RISK FACTORS

Within each Risk Area, risks are classified in Risk Groups and finally into Risk Factors. Risk factors are the source of the risk and the purpose of Risk Management at EDPR is to measure, control and eventually mitigate all risk factors that affect the company.

12



RISK POLICIES

With the purpose of managing risks ex-ante, EDPR has created Global Risk policies that are enforceable at a Global Level. These policies were proposed and discussed in the Risk Committee and approved by the Executive Committee.

During 1H2014, EDPR reviewed two Global Risk Policies, which are already implemented:

- Energy Price Hedging Policy to account for regulatory change in Spain
- Counterparty Risk Policy, including credit and operational risk

Compliance with Global Risk policies is verified every month in the Restricted Risk Committee.

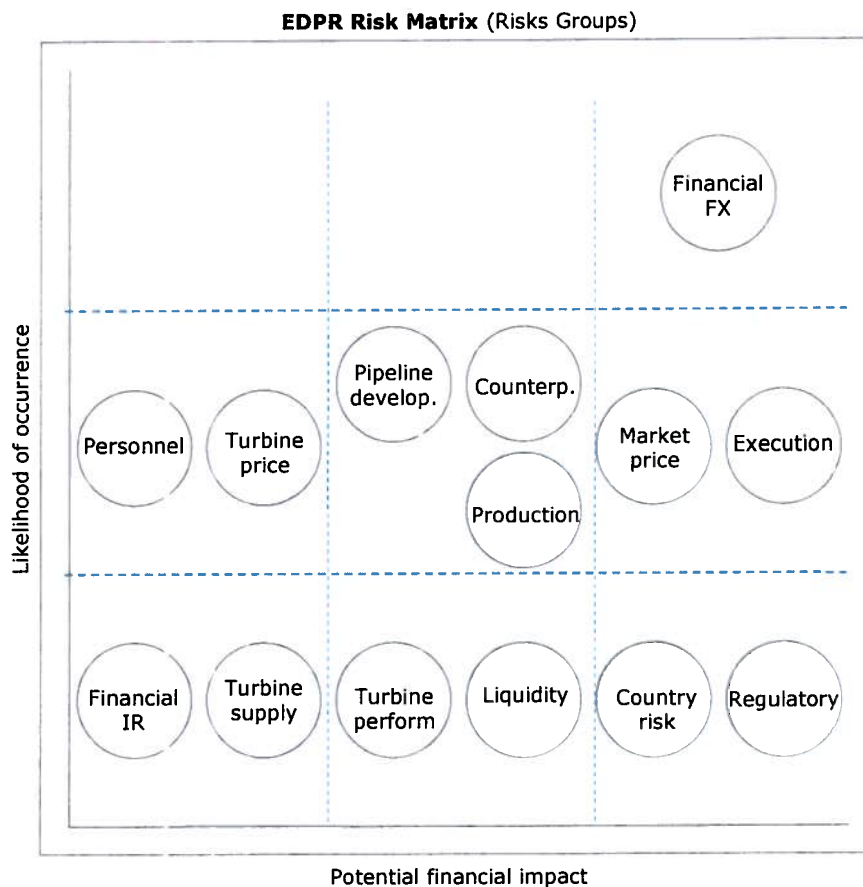
COUNTRIES AND REGULATIONS

COUNTRY RISK

Country Risk is defined as the probability of occurrence of a financial loss in a given country due to macroeconomics, political or natural disasters. This internal scoring is compared with external assessments from renowned parties. Each risk factor affecting country risk is evaluated independently to decide on potential mitigating actions:

Macroeconomic Risk: Risks from the country’s economic evolution, affecting revenue or cost time of the investments

Political Risk: All possible damaging actions or factors for the business of foreign firms that emanate from any political authority, governmental body or social group in the host country



13

Natural disaster risk: Natural phenomena (seismicity, weather) that may impact negatively in the business conditions.

MANAGEMENT OF COUNTRY RISK

Before approving a new project in a new geography, EDPR analyses the risk of the new country and compares it to our existing portfolio. Mitigation measures may be decided when this risk is above a certain threshold.

REGULATORY RISK

The development and profitability of renewable energy projects are subject to policies and regulatory frameworks. The jurisdictions in which EDPR operates provide different types of incentives supporting energy generated from renewable sources.

Although the European Union and various US federal and state bodies have regularly reaffirmed their desire to continue strengthening support for renewable energy sources, remuneration schemes have become less competitive in some countries due to the financial crisis. Thus, it cannot be guaranteed that current support will be maintained in all EDPR's geographies or that the electricity produced by future renewable energy projects will benefit from purchase obligations, tax incentives or other support measures. Regulation promoting green energy has been revised or is under revision in some countries where EDPR is present.

In particular, during 1H2014 final ordinance defining parameters for new remuneration scheme in Spain was published. In Romania, the GC quota for 2014 was confirmed at 11.1% in March 2014. In the US, Clean Power Plan was published in June 2nd 2014, increasing pressure on fossil fuel plants and creating a positive future outlook for renewable generation.

MANAGEMENT OF REGULATORY RISK

EDPR is managing its exposure to regulatory risks through diversification (being present in several countries) and by being an active member in several wind associations. Regulatory Risk in each of EDPR's countries is monitored continuously, considering current regulation, potential drafts of new laws, feedback from associations, evolution of installed renewable generation capacity and other inputs.

Additionally, a high level analysis is performed for each country considering the meaningfulness of renewable generation from a strategic and financial standpoint. Among others, EDPR analyses the following for each country: existing and future generation mix, electricity prices, remuneration incentives for renewables, renewable generation target and energy autonomy.

Finally, Regulatory Risk is also considered ex-ante at the moment of the investment, through sensitivity analyses that are performed to evaluate its impact in project profitability.

REVENUES

ELECTRICITY PRICE RISK

EDPR faces limited electricity price risk as it pursues a strategy of being present in countries or regions with long term visibility on revenues. In most countries where EDPR is present, prices are determined through regulated framework mechanisms. In those countries with no regulated tariffs, power purchase agreements are negotiated with different off-takers to eliminate electricity price risk.

Despite EDPR's strategy of eliminating electricity price risk, EDPR still has some wind farms that have merchant exposure.

In Europe, EDPR operates in countries where the selling price is defined by a feed-in-tariff (Portugal, France and Italy) or in markets where, on top of the electricity price, EDPR receives either a pre-defined regulated premium or a green certificate, whose price is achieved on a regulated market (Spain, Belgium, Poland, and Romania). EDPR is also developing investment activity in the UK, where current incentive system is based on green certificates but will change to a feed in tariff.

In countries with a pre-defined regulated premium or a green certificate scheme, EDPR is exposed to electricity price fluctuations. Considering current PPAs in place, EDPR is exposed to electricity price risk in Romania, in Poland and partially in Spain.

The US market does not provide a regulated framework system for the electricity price. However, most of EDPR's capacity in the US has predefined prices determined by long-term contracts with local utilities in line with the Company's policy of avoiding electricity price risk. Despite existing long term contracts, some EDPR's wind farms in the US do not have PPA and are selling merchant with exposure to electricity price risk. Some others with existing PPAs do not sell their energy where it is produced are exposed to basis risk.

In Ontario (Canada), the selling price is defined by a long term feed-in-tariff, thus, there is no electricity price exposure.

In Brazilian operations, the selling price is defined through a public auction which is later translated into a long term contract. Electricity price exposure is almost null, with some exposure for the production above or below the contracted production.

MANAGEMENT OF ELECTRICITY PRICE RISK

Under EDPR's global approach to minimize the exposure to market electricity prices, the Company evaluates on a permanent basis if there are any deviations to the pre-defined limits (measured through EBITDA at risk and total merchant exposure).

EDPR seeks to eliminate electricity price risk through PPAs with private offtakers. In those geographies with remaining merchant exposure, EDPR uses various financial and commodity hedging instruments in order to minimize the exposure to fluctuating electricity prices. In some cases, due to the lack of liquidity of financial derivatives, it may not be possible to successfully hedge all merchant exposure. In 1H2014, EDPR financially hedged part of its generation in Spain, Poland, Romania and the US.

Additionally, in the US EDPR hedged basis exposure through financial swaps and FTR buys (Financial Transmission Rights).

GREEN CERTIFICATE OR REC PRICE RISK

In Europe, EDPR operates in countries where, on top of the electricity price, EDPR receives a green certificate whose price is achieved on a regulated market (Poland and Romania).

In these European countries with a green certificate scheme, EDPR is exposed to fluctuation on the price of green certificates.

In the US, renewable generation is incentivized through State RPS Programs that allow receiving RECs (Renewable Energy Credit) for each MWh of renewable generation. REC prices are very volatile and depend on the supply/demand equilibrium in the market.

MANAGEMENT OF RISKS RELATED TO GREEN CERTIFICATES OR REC PRICE

EDPR intends to eliminate Green Certificates and REC price risk with the signing of bundled PPAs, which include the sale of the electricity and the Green Certificate or REC. In some cases, the off-taker may be interested in contracting only the Green Certificate or the REC, thus a GCPA (Green Certificate Purchase Agreement) or a RECPA (REC Purchase Agreement) is signed.

The market of GCPA or RECPA is very illiquid and no financial derivatives exist for Green Certificates or RECs. Therefore, all exposure to Green Certificates or REC prices cannot be eliminated.

ENERGY PRODUCTION RISK

The amount of electricity generated by EDPR's wind farms is dependent on weather conditions, which vary across locations, from season to season and from year to year. Variation on the amount of electricity that is generated affects EDPR's operating results and efficiency.

Wind at different locations may be independent from each other or may be correlated (positively or negatively). A negative correlation implies a natural hedge of production fluctuations of the portfolio.

Other risk factors that affect production are turbine availability and curtailment, which are considered as operation risks and are explained in the corresponding section.

MANAGEMENT OF ENERGY PRODUCTION RISK

EDPR mitigates wind resource volatility and seasonality by having a strong knowledge in the design of its wind farms and through geographical diversification of its asset base in different countries and regions. EDPR has analysed correlation between different wind farms in its portfolio and this geographical diversification enables EDPR to partially offset wind variations in each area and to keep the total energy generation relatively steady. Currently, EDPR is present in 11 countries: Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada, and Brazil.

EDPR has analysed in detail the potential use of financial products to hedge wind risk, and this product might be used to mitigate risk in specific cases.

FINANCING

RISKS RELATED TO FINANCIAL MARKET EXPOSURE

EDPR finances its wind farms through project finance or corporate debt. In both cases, a variable interest rate would imply fluctuations in interest payments.

On the other hand, EDPR's presence in several countries implies revenues denominated in different currencies. Consequently, exchange rate fluctuations may have a material adverse effect on financial results

MANAGEMENT OF RISKS RELATED TO FINANCIAL MARKET EXPOSURE

The evolution of the financial markets is analysed on an on-going basis in accordance to EDP Group's risk management policy approved by the EDPR's Executive Committee.

Taking into account risk management policy and approved exposure limits, the Finance team identifies, evaluates, and submits the financial strategy appropriate to each project/location for the Executive Committee's approval. Global Risk Area supports the Finance team in exchange rate hedging decisions.

15

INTEREST RATE RISK

Given the policies adopted by EDPR Group, current exposure to variable interest rate is not significant and financial cash flows are substantially independent from the fluctuation of interest rates.

MANAGEMENT OF INTEREST RATE RISK

The purpose of the interest rate risk management policies is to reduce the exposure of long term debt cash flows to market fluctuations, mainly by contracting long term debt with a fixed rate. When long term debt is issued with floating rates, EDPR settles derivative financial instruments to swap from floating rate to fixed rate. EDPR has a portfolio of interest-rate derivatives with maturities of up to 13 years. Sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations are periodically performed.

EXCHANGE RATE RISK

EDPR has international operations and is exposed to the exchange-rate risk resulting from investments in foreign subsidiaries. Currently, the main currency exposure is to U.S. dollar/euro exchange rate that results from EDPR's operations in the US. With the increasing capacity in non-euro geographies, EDPR is increasing its exposure to currencies other than the euro in Poland, Romania, Brazil, United Kingdom and Canada.

MANAGEMENT OF EXCHANGE RATE RISK

EDPR's general foreign exchange policy is the natural hedging in order to match currency cash flows, minimizing the impact of fluctuations of exchange rates in the Income Statement and preserving value. The essence of this approach is to create financial foreign currency outflows to match equivalent foreign currency inflows.

EDPR hedges risk against currency fluctuations by financing in the same currency as the revenues of the project. When local financing is not available, EDPR hedges debt cash flows through cross interest rate swaps. EDPR also contracts foreign exchange forwards to hedge the risk in specific transactions (procurement, etc.)

EDPR's hedging efforts minimize exchange rate volatility, but do not eliminate completely this risk due to high costs associated to hedging FX in certain situations.

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. If the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default, an economic loss would occur.

During 2013, EDPR introduced a new Global Counterparty Credit Risk Policy, which has already been implemented across the Company. Basel Standards were used as a reference for EDPR'S approach to counterparty credit risk.

From a credit risk perspective, EDPR classifies its counterparties in three different groups:

- **Energy off-takers:** Counterparties of EDPR in PPAs (energy and green certificates purchase agreements) and energy hedges
- **Suppliers:** Developers, partners, WTG suppliers and O&M suppliers
- **Financial institutions:** Counterparties of EDPR in foreign exchange forward contracts, interest rate swaps and bank deposits

MANAGEMENT OF COUNTERPARTY CREDIT RISK

To control credit risk at EDPR, thresholds of Expected Loss and Unexpected Loss are established as defined in Basel Standards. Expected Loss and Unexpected Loss from counterparty credit exposure are re-evaluated monthly. If threshold is surpassed by any counterparty or by the Company as a whole, mitigation measures are implemented in order to remain within the pre-established limit.

LIQUIDITY RISK

Liquidity risk is the risk of EDPR not meeting its financial obligations.

MANAGEMENT OF LIQUIDITY RISK

EDPR's strategy to manage liquidity risk is to ensure that its liquidity is sufficient to meet financial liabilities when due, under both normal and stressed conditions, and without incurring unacceptable losses or risking damage to EDPR's reputation.

EDPR uses a financial model to forecast liquidity risk in the medium and long term to meet strategic targets previously set (EBITDA, debt ratio and others).

WIND TURBINE CONTRACTS

The wind turbine generator (WTG) is a key element in the development of EDPR's wind-related energy projects, as the shortfall or an unexpected sharp increase in WTG prices can dramatically affect development of new projects and their profitability. WTG represents on average 70 to 80% of an onshore wind farm capital expenditure

WIND TURBINE SUPPLY RISK

The demand for new wind farms may offset the offer of turbines by WTG manufacturers. Currently, the local component requirement in some geographies (Ex: Brazil) creates this shortfall situation.

MANAGEMENT OF WIND TURBINE SUPPLY RISK

EDPR faces limited risk to the availability and price increase of WTG's due to the framework agreements with major global wind turbines suppliers. The Company uses a large mix of turbines suppliers in order to diversify the wind turbine supply risk.

For geographies with specific requirements of local component, EDPR does not engage in a project before securing the supply of wind turbines.

WIND TURBINE PRICE RISK

Price of wind turbines is affected, not only by market fluctuations of the materials used in the turbines, but also by the demand.

MANAGEMENT OF WIND TURBINE PRICE RISK

For every new project, EDPR secures the demand risk that might increase price of the turbines. With regards to market risk of the materials used to manufacture wind turbines, an escalation formula is negotiated with wind turbine manufacturers. EDPR might hedge some of the market exposure of this escalation formula if exposure is above a pre-established limit and the market is liquid.

PIPELINE DEVELOPMENT

PERMITTING RISK

Wind farms are subject to strict regulations at different authority levels (international, national, state, regional and local) relating to the development, construction, grid interconnection and operation of power plants. Among other things, these laws regulate landscape and environmental aspects, building licenses, land use and land securing and access to the grid issues.

While level of exigency might be different depending on the geographies, EDPR acknowledges a trend for legislations to align towards concentrating the most restrictive rules and development risks on the consenting (environmental and urban permissions) and interconnection (connection of the wind farm to the national grid).

In this context, EDPR's experience gathered in different countries is useful to anticipate and deal with similar situations in other countries.

MANAGEMENT OF PERMITTING RISK

During the development and design phase, EDPR focuses on the optimization of its projects. By mastering the variables, such as choice of locations, lay-out, etc., the objective is to make our projects more resilient to permitting risks.

Additionally, EDPR mitigates execution risk by generating optionality, with development activities in 11 different countries (Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, US, Canada and Brazil) and a portfolio of projects in several stages of maturity. EDPR has a large pipeline of projects that provide a "buffer" to overcome potential delays in the development of prioritized projects, ensuring growth targets and being able to compensate permitting delays in some geographies.

OPERATIONS

WIND TURBINE PERFORMANCE RISK

Wind farm output depends upon the operating availability of the turbines and the operating performance of the equipment, mainly the components of wind turbines and transformers.

MANAGEMENT OF WIND TURBINE PERFORMANCE RISK

EDPR mitigates this risk by using a mix of turbine suppliers which minimizes technological risk, avoiding exposure to a unique manufacturer.

EDPR also engages wind turbine suppliers through medium-term full-scope maintenance agreements to ensure alignment in minimizing technology risk. Finally, EDPR has created an O&M program with adequate preventive and scheduled maintenance program.

Most recently, EDPR is externalizing non-core technical O&M activities of its wind farms, while primary and value added activities continue controlled by EDPR.

CURTAILMENT RISK

Curtailement occurs when the production of a wind farm is stopped by the TSO (Transmission System Operators) for external reasons to the Company. Examples of cases of curtailement are upgrades in transmission lines, high level of renewable generation production with low demand (very exceptional).

MANAGEMENT OF CURTAILMENT RISK

Curtailement risk is managed ex-ante. For every new investment, EDPR factors the effect that expected curtailement will have on the output of the wind farm. Curtailement analysis is done considering the existing situation and potential upgrades of the transmission system in the location of the wind farm. Curtailement of EDPR's wind farm is constantly monitored by asset managers.

COUNTERPARTY OPERATIONAL RISK

Counterparty operational risk is defined as the risk that the counterparty to a transaction could default before the final settlement of the contract implying no direct economic loss to EDPR, but a replacement cost. Despite no exposure to the counterparty at the time of default, the replacement of the counterparty could imply a cost to EDPR due to potential delays, higher contract value with a new counterparty, etc. Construction and O&M subcontractors are counterparties to which EDPR is exposed from an operational point of view.

MANAGEMENT OF COUNTERPARTY OPERATIONAL RISK

To minimize the probability of incurring in potential replacement costs with counterparties, EDPR's policy concerning counterparty operational risk is managed by an analysis of the technical capacity, competitiveness, credit notation and replacement cost of the counterparty.

5. 1H 2014 PERFORMANCE

With a top quality portfolio present in eleven countries, EDPR has a strong track record and proven capability to execute superior projects and deliver on targets. The installed asset base of 8.6 GW is not only young, on average 5 years; it is also certified in terms of sustainability and safety standards

OPERATIONAL PERFORMANCE

ELECTRICITY GENERATED

In the 1H14, EDPR produced 11 TWh of clean energy, an increase of 6% vs. 1H13. The output growth benefitted from the capacity additions over the last 12 months and from a strong wind resource in the period.

GWh	1H14	1H13	Δ %
Spain	2,943	2,920	+1%
Portugal	926	888	+4%
Rest of Europe	1,335	1,001	+33%
Europe	5,205	4,809	+8%
US	5,633	5,416	+4%
Canada	24	-	-
North America	5,658	5,416	+4%
Brazil	103	98	+5%
Total	10,965	10,323	+6%

18

EDPR operations in Europe were the main driver for electricity production growth in 1H14, having increased by 8% to 5.2 TWh and representing 47% of total output. This performance was driven by an output growth across all European regions. In the 1H14, production in Spain increased by 1% YoY, in Portugal by 4% and in Rest of Europe output grew by 33%, on the back of capacity additions and higher load factor. In North America, EDPR electricity output in the period increased by 4% YoY to 5.7 TWh as a result of a higher load factor in the US. In the 1H14, EDPR's output in Brazil increase by 5% YoY due to stronger wind resource.

LOAD FACTOR

In the 1H14 EDPR achieved a 34% load factor (vs. 33% in the 1H13) reflecting the benefits of a balanced portfolio and EDPR wind farm's intrinsic quality on the back of a unique wind assessment know-how.

%	1H14	1H13
Spain	32%	31%
Portugal	34%	33%
Rest of Europe	26%	25%
Europe	30%	30%
US	37%	36%
Canada	28%	-
North America	37%	36%
Brazil	28%	27%
Total	34%	33%

In Europe EDPR achieved a 30% load factor (stable vs. 1H13) reflecting the strong wind resource throughout the period across all the regions and higher production towards Rest of Europe. In Spain EDPR achieved a load factor of 32%, delivering once again a premium over the Spanish market average (+2pp). In Portugal, EDPR reached a load factor of 34% (+1pp vs. 1H13) propelled by an outstanding load factor in the 1Q14. In Rest of Europe, in the 1H14, EDPR delivered a 26% load factor. In North America, EDPR achieved a 37% load factor (+1pp vs. 1H13). In Brazil, EDPR reached a 28% load factor (+1pp vs. 1H13) due to the stronger wind resource in the 2Q14.

INSTALLED CAPACITY

As of June 2014 EDPR managed a global portfolio of 8.6 GW spread over 10 countries, of which 7.8 GW are fully consolidated plus 837 MW equity consolidated (483 MW related to EDPR interest in Eólicas de Portugal consortium and 353 MW to EDPR equity stakes in Spain and in the US).

MW	1H14	YTD	YoY	Under Construction
Spain	2,194	-	-	2
Portugal	621	+2	+2	2
Rest of Europe	1,357	+4	+249	72
Europe	4,173	+6	+251	76
US	3,476	-	-	329
Canada	30	-	+30	-
North America	3,506	-	+30	329
Brazil	84	-	-	-
EBITDAMW	7,762	+6	+281	405
ENEOP - Eólicas de Portugal (eq. consolidated)	483	+28	+92	45
Other equity consolidated	353	-	-	-
EBITDA MW + Equity consolidated	8,599	+34	+373	449

In the last 12 months EDPR added 281 MW to its EBITDA consolidated capacity and 92 MW (attributable to EDPR) through its equity stake in the Eólicas de Portugal consortium. From the total capacity added of 373 MW in the last 12 months, 343 MW were installed in Europe and 30 MW in North America. In Europe, 144 MW were added in Romania (of which 132 MW of wind and 12 MW of solar PV), 54 MW in Poland, 30 MW in Italy, 14 MW in Belgium, 8 MW in France and 94 MW in Portugal (of which 92 MW correspond to the EDPR's interest in the Eólicas de Portugal consortium and 2 MW of EBITDA MW related to solar PV). As of June 2014, the capacity installed under the scope of Eólicas de Portugal consortium corresponding to EDPR's interest totalled 483 MW, which will increase to 534 MW at the completion of the project. In the last 12 months, in North America, EDPR added 30 MW with its first wind project in Canada.

As of June 2014 EDPR had 449 MW under construction, with 419 MW of wind onshore technology and 30 MW of solar PV. In the US, EDPR had under construction the Headwaters wind farm project (200 MW in the state of Indiana), the Rising Tree wind farm project (99 MW in the state of California) and a solar PV power plant (30 MW in the state of California). In Europe were under construction 120 MW of wind onshore: 30 MW in Italy, 24 MW in Poland, 18 MW in France, 2 MW in Spain and 47 MW in Portugal (of which 45 MW are attributable to EDPR through the Eólicas de Portugal consortium and 2 MW of EBITDA MW related to overpowering of existing wind farms).

As of June 2014, EDPR's EBITDA portfolio of 7.8 GW had an average life of 4.9 years. In Europe, EDPR portfolio had an average life of 5.1 years, in North America 4.8 years and in Brazil 3.4 years.

Considering EBITDA MW portfolio, as of June 2014, EDPR had in the US 587 MW selling electricity at the spot market, corresponding to 8% of EDPR's EBITDA MW portfolio. The remaining capacity installed in the US was remunerated under long-term contracts (PPAs). Considering the PPA secured, in July 2014, for capacity already in operation in the US, the structural long-term merchant exposure in the US decreases to 562 MW, which represents only 7% of EDPR's EBITDA MW portfolio of June 2014. In Spain, and in accordance with the Royal Decree 413/2014 approved in June 2014, EDPR installed capacity without incentive represented 3% of the portfolio being the production managed within EDPR risk management strategy and hedging policies. The remaining capacity installed in Spain is remunerated based on a standard return. All in all, as of June 2014, EDPR installed capacity selling in the US spot market plus Spanish installed capacity without incentive represented 10% of EDPR's EBITDA MW portfolio.

For 2014 EDPR has a target of adding 0.5 GW to its portfolio, of which 329 MW in the US (299 MW of wind technology and 30 MW of solar pv, already under construction and with PPAs secured) and the remaining in Europe.

FINANCIAL PERFORMANCE**INCOME STATEMENT**

In the 1H14, EDPR revenues decreased 5% YoY to €693m, on the back of a lower average selling price (-€72m YoY) and forex depreciation (-€12m YoY) and mitigated by the positive impact from higher volumes (+€50m YoY). Other operating income decreased by €10m YoY mainly due to a one-off gain related to an agreement, in 1H13, with an US off-taker to redesign the volumes of a long-term PPA (+€14m). Opex decreased 6% YoY, and

Opex/Avg. MW and Opex/MWh decreased 10% and 11% YoY, respectively. Excluding levies and write-offs, Opex per Avg. MW and MWh decreased 8% and 9% YoY, respectively, showing strict control over costs and strong efficiency levels.

€m	1H14	1H13	Δ 14/13
Electricity sales and other	627.4	661.1	(5%)
Income from Institutional Partnerships	66.1	70.9	(7%)
Revenues	693.5	732.0	(5%)
Other operating income	15.2	25.0	(39%)
Operating Costs	(202.2)	(214.2)	(6%)
Supplies and services	(120.5)	(122.0)	(1%)
Personnel costs	(33.9)	(35.1)	(4%)
Other operating costs	(47.8)	(57.0)	(16%)
EBITDA	506.5	542.8	(7%)
<i>EBITDA/Revenues</i>	<i>73%</i>	<i>74%</i>	<i>(1pp)</i>
Provisions	-	(0.2)	-
Depreciation and amortisation	(231.3)	(233.3)	(1%)
Amortisation of deferred income (government grants)	9.1	9.4	(3%)
EBIT	284.3	318.7	(11%)
Financial income/(expense)	(117.4)	(129.4)	(9%)
Net interest costs of debt	(98.5)	(100.6)	(2%)
Institutional partnerships costs (non-cash)	(28.8)	(31.4)	(8%)
Capitalised financial expenses	12.6	8.2	+55%
Forex differences & Forex Derivatives	1.0	(2.8)	(137%)
Other	(3.7)	(2.8)	-
Capital gains/(losses)	(0.0)	0.0	-
Share of profit of associates	11.0	15.0	(27%)
Pre-Tax Profit	177.8	204.3	(13%)
Income taxes	(51.1)	(54.5)	(6%)
Profit of the period	126.7	149.8	(15%)
Net Profit (Equity holders of EDPR)	87.3	129.0	(32%)
Non-controlling interests	39.4	20.8	+90%

In detail, Supplies and services (including O&M activities) and Personnel costs altogether decreased 2% YoY. Other operating costs (which mainly include taxes and rents to public authorities and the 7% tax over electricity sales generated in Spain) decreased by €9m to €48m.

In the 1H14, EBITDA totalled €506m (EBITDA margin at 73% vs. 74% in 1H13) and unitary EBITDA per average MW in operation was €67k (vs. €75k in 1H13), following changes in Spanish remuneration for renewable assets and negatively magnified by the low market price in the period.

Operating income (EBIT) summed €284m (-11% YoY), reflecting the 1% lower depreciation and amortisation costs (including impairments and net of government grants).

At the financing level, Net Financial Expenses decreased 9% YoY. Net interest costs were 2% lower YoY benefiting from a lower average net debt (-2% YoY) and from a stable cost of debt YoY (5.2% in June 2014). Institutional Partnership costs in 1H14 were 8% lower vs. 1H13, while capitalised expenses increased by €4m. The positive impact from Forex differences and derivatives (+€1m) resulted mainly from Leu appreciation that offset Zloty and US dollar depreciation over the period.

In the 1H14, Share of profits of associates decreased by €4m, to €11m, reflecting the impact from the negative performance of Spanish equity stakes offsetting the positive performance of US and ENEOP equity stakes.

In the period, Pre-Tax Profit amounted to €178m (-13% YoY), with income taxes decreasing to €51m, reflecting an effective income tax rate of 29%. Non-controlling interests increased €19m YoY, accounting the minority

interests attributable to CTG, on the back of EDP strategic partnership, and to Fiera Axium and Axpo Group, as a result of the execution of the asset rotation strategy.

All in all, Net Profit decreased to €87m (-32% YoY), and Adjusted Net Profit, after adjusting for non-recurring events on operating income, forex differences and capital gains, totalled €84m (-32% YoY).

CAPEX AND NET INVESTMENTS

In the 1H14, Capex totalled €124m, +€20m vs. 1H13, reflecting the capacity additions over the period, the works done for the capacity under construction and the enhancements in capacity already in operation. Out of the €124m, €71m were in North America, the core growth of EDPR business plan for 2014-17, €49m were related to operations in Europe (mainly Romania, United Kingdom, Italy and Poland) and €4m in Brazil.

€m	1H14	1H13	Δ %	Δ €
Europe	48.9	83.8	(42%)	(34.9)
North America	70.7	18.6	+280%	+52.1
Brazil	4.3	1.4	+196%	+2.8
Other	0.1	0.3	(78%)	(0.3)
Total Capex	123.9	104.2	+19%	+19.7
Financial investments(divestments)	3.7	35.6	(90%)	(31.9)
Government grants	(10.7)	(91.5)	(88%)	+80.8
Asset rotation proceeds	(37.8)	-	-	(37.8)
Net Investments	79.2	48.3	+64%	+30.9

Capex in North America represented 57% of the total capex in the period, up from 18% in 1H13, reflecting EDPR growth strategy based on markets with stable regulatory frameworks and long-terms contracts, providing visibility over future returns. In the period, Europe represented 39% of total capex (vs. 80% in 1H13).

EDPR net investments, in the 1H14, considering total capex plus financial investments and net of government grants and proceeds from asset rotation, totalled €79m, +€31m YoY, mainly impacted by the cash grant received in the US (€92m) during the 1H13. In the 1H14, EDPR received €38m from the asset rotation deal with Axpo Group and a government grant in Poland (€11m).

STATEMENT OF FINANCIAL POSITION

Overall, in the 1H14 EDPR has strengthened its balance sheet by increasing total equity by +1% and reducing its total liabilities by -1%.

Total assets at the end of June 2014 amounted to €13,0bn, of which c. 77% (€10,1bn) are related to Property, plant and equipment (PP&E) reflecting the cumulative net invested capital in renewable energy production.

In the 1H14, Net PP&E decreased by €39m vs. December 2013 as a result of capacity additions, forex translation and depreciation in the period. PP&E includes total investments, including capex (gross of government grants) and adjustments from purchase price allocation (resulting from M&A transactions) incurred with existing assets, assets under construction or under development.

Net intangible assets and goodwill of €1,326m include €108m in intangible assets and €1,217m in goodwill from acquisitions mainly in the US and Spain. Accounts receivable – other of €641m mainly comprise €390m in loans to related companies and €96m in tax receivables.

Total equity at the end of June 2014 of €6,164m increased by €75m during the last six months essentially from the sale of non-controlling interests in France of €28m, the profit of the period of €127m (of which €87m attributable to equity holders of EDPR) and reduced by dividends and other capital distributions paid of €84m (of which €35m to equity holders of EDPR).

Total liabilities of €6,874m at the end of June 2014 include €3,743 (c. 54%) in financial debt and €803m (c. 12%) in liabilities related to institutional partnerships.

Liabilities referred to Institutional Partnerships decreased by €33m mainly due to the tax benefits captured by the tax equity partners during the period. Deferred revenues from institutional partnerships of €656m consist mostly by the deferred income related to the tax benefits monetized by the tax equity partners yet to be recognised in the income statement throughout the remaining lifetime of the respective assets.

Deferred tax liabilities in the amount of €310m reflect the tax effects from temporary differences between the assets and liabilities on an accounting basis and on a tax basis, while accounts payable of €1,294 mostly include deferred income related to investment grants received of €385m, financial payables to related parties of €184m,

payables to PP&E suppliers of €183m, liabilities from fair value of derivative financial instruments of €178m, and tax payables of €112m.

€m	1H14	2013	Δ €	Δ %
Property, plant and equipment, net	10,056	10,095	(39)	0%
Intangible assets and goodwill, net	1,326	1,301	24	2%
Financial investments, net	345	346	(1)	0%
Deferred tax assets	37	109	(73)	(66%)
Inventories	19	15	4	25%
Accounts receivable - trade, net	234	202	32	16%
Accounts receivable - other, net	641	655	(13)	(2%)
Financial assets at fair value through profit and loss	0	0	(0)	(83%)
Collateral deposits	72	78	(7)	(9%)
Cash and cash equivalents	308	255	52	21%
			-	
Total Assets	13,038	13,058	(20)	0%
Share capital + share premium	4,914	4,914	-	0%
Reserves and retained earnings	726	623	104	17%
Net Profit (Equity holders of EDPR)	87	135	(48)	(35%)
Non-controlling interests	437	418	19	5%
Total Equity	6,164	6,089	75	1%
Financial debt	3,743	3,666	77	2%
Institutional partnerships	803	836	(33)	(4%)
Provisions	68	65	3	5%
Deferred tax liabilities	310	367	(57)	(16%)
Deferred revenues from institutional partnerships	656	672	(17)	(2%)
Accounts payable - net	1,294	1,362	(69)	(5%)
Total Liabilities	6,874	6,968	(95)	(1%)
Total Equity and Liabilities	13,038	13,057	(20)	0%

NET DEBT

In June 2014, EDPR's total Financial Debt was €3.7bn, increasing €84m vs. December 2013. Net Debt increased €95m vs. December 2013, mainly reflecting the impact from the increase in shareholders loans to associates and payment of dividends to EDPR shareholders.

In the 1H14, EDPR signed two project finance transactions: i) €30m for 50 MW of solar power plants in operation in Romania; ii) \$49m Canadian dollars for 30 MW of EDPR first wind farm in Canada; thus diversifying its funding sources and securing local financing at competitive costs.

76% of EDPR's financial debt was funded through long-term loans with EDP Group – EDPR's principal shareholder – while loans with financial institutions represented 24%. Average net debt was 2% below 1H13, benefiting from the settlement of the asset rotation transaction.

As of June 2014, 57% of EDPR's financial debt was Euro denominated, 35% was funded in US Dollar, related to the company's investment in the US, and the remaining 8% was mostly related with debt in Polish Zloty and Brazilian Real.

€m	1H14	2013	Δ €
Nominal Financial Debt + Accrued interests on Debt	3,743	3,666	+77
Collateral deposits associated with Debt	(72)	(78)	+7
Total Financial Debt	3,671	3,588	+84
Cash and cash equivalents	308	255	+52
Loans to EDP Group related companies and cash pooling	(0)	64	(64)
Financial assets held for trading	0	0	(0)
Cash & Equivalents	308	319	(11)
Net Debt	3,364	3,268	+95

EDPR continues to follow a long-term fixed rate funding strategy, matching the Operating Cash-Flow profile with its financial costs and therefore mitigating interest rate risk. Accordingly, 84% of the company's financial debt has a 2018 and beyond maturity and 88% is at a fixed rate.

As of June 2014, the average interest rate was 5.2%, stable vs. June 2013, reflecting EDPR's long term debt profile.

CASH-FLOW

In the 1H14, EDPR generated Operating Cash-Flow of €431m (-6% vs. 1H13), in line with EBITDA performance.

€m	1H14	1H13	Δ 14/13
EBITDA	506	543	(7%)
Current income tax	(32)	(62)	(49%)
Net interest costs	(100)	(101)	(2%)
Share of profit of associates	11	15	(27%)
FFO (Funds From Operations)	386	395	(2%)
Net interest costs	100	101	(2%)
Share of profit of associates	(11)	(15)	(27%)
Non-cash items adjustments	(68)	(74)	(7%)
Changes in working capital	25	49	(50%)
Operating Cash-Flow	431	456	(6%)
Capex	(124)	(104)	+19%
Financial (investments) divestments	(4)	(36)	(90%)
Changes in working capital related to PP&E suppliers	(147)	(337)	(56%)
Government grant	11	92	(88%)
Net Operating Cash-Flow	167	71	+135%
Sale of non-controlling interests and shareholders' loans	38	368	(90%)
Proceeds (payments) related to institutional partnerships	(27)	(23)	+20%
Net interest costs (post capitalisation)	(87)	(93)	(7%)
Dividends and other capital distributions	(84)	(35)	+141%
Forex & others	(102)	(34)	+200%
Decrease / (Increase) in Net Debt	(95)	254	-

23

The key items that explain 1H14 cash-flow evolution are the following:

- Funds from operations, resulting from EBITDA after net interest expenses, share of profits of associates and current taxes, decreased to €386m (-2% YoY);
- Operating Cash-Flow, which is the EBITDA net of income tax and adjusted by non-cash items (namely income from US institutional partnerships and write-offs) and net of changes in working capital, amounted to €431m (-6% YoY);
- Capital expenditures with the ongoing construction and development works totalled €124m. Other net investing activities amounted to €140m, mostly reflecting the invoice payments to equipment suppliers related to investments made in previous periods;
- Pursuing its strategy of selling non-controlling interests in operationally optimized assets, EDPR signed in October 2013 a transaction with Axpo Group, whose settlement (€38m) occurred in the 1Q14;
- In the 1H14, total dividends and other capital distributions paid to minorities, including the payment of dividends to EDPR shareholders, amounted to €84m. In the period, Forex & Other, including €48m of shareholder loans to associates, had a negative impact increasing Net Debt by €102m;
- All in all, Net Debt increased by €95m vs. December 2013 to €3,364m.

Additionally, in July 2014, EDPR secured an institutional equity financing of \$190m in exchange for an interest in the 200 MW Headwaters wind project, in the US. Under the agreements, EDPR will receive the funds closer to the project's start of operations, which is scheduled for the 4Q14.

6. DERIVATIVES, OWN STOCKS, R&D

FINANCIAL DERIVATIVES

In line with EDPR's general risk policy and strategy EDPR uses financial derivative instruments and enters in hedging positions and transactions with the sole intent to protect against those risks and, as a consequence, mitigate fluctuations of its earnings and/or changes in its equity. The type of derivative instruments contracted and their respective fair values are described in detail as part of the note 35 to the attached Condensed Consolidated Financial Statements.

TREASURY STOCKS (OWN SHARES)

At the Annual Shareholders' meeting of 2010, the Board of Directors was authorized, during a term of five years from the date of the General Shareholders Meeting, for the derivative acquisition and sale of own shares by the Company and/or other affiliate companies, to the maximum limit established by the Law and in accordance with its terms. EDPR has not executed any acquisition and consequently any trade of its own shares.

RESEARCH & DEVELOPMENT

Beyond the commercial activities, EDP Renováveis supports EDP Inovação (EDPI) in developing different projects with the objective of improving the competitiveness of the whole group. These projects are mainly focused on solar, offshore wind and other technologies. This agreement with EDPI reinforces the long term commitment of EDPR to support R&D activities in areas related with its business.

SUBSEQUENT EVENTS

On July 17th EDP Renováveis established a new institutional partnership structure for 200 MW in the US. EDP Renováveis, S.A. ("EDPR"), through its fully owned subsidiary EDP Renewables North America LLC, has secured a \$190 million 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.

7. HUMAN CAPITAL

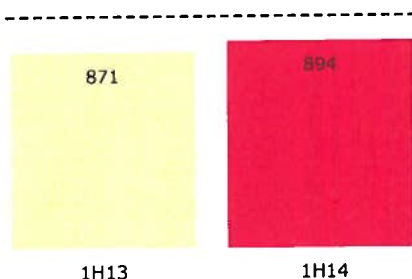
To attract, develop and retain talent is a main goal of EDPR's Human Resources strategy. At EDPR, our people are very important and we, as a responsible employer, want to retain them by offering quality employment that can be balanced with personal life.

HEADCOUNT

Despite a difficult macroeconomic environment, our world class team continued to deliver outstanding operational results in the 1H14. Currently our employee base stands at 894, 74% of which hold university degrees and 67% are less than 40 years old. New employees have the opportunity to join a company with a strong work culture that emphasizes team work within a diverse environment represented by over 20 nationalities.

We strive to offer our workforce with opportunities to develop professionally and to assume new roles to reach the company's goals. Our employees are distributed globally as 16% of our employees work at EDPR Holding, 48% within the European Platform, 33% within the North American Platform and 3% in Brazil. All are encouraged to take advantage of the functional and geographic mobility opportunities so they can assume more responsibilities.

HEADCOUNT



26

ATTRACT AND COMMIT

HIRING

As part of the employee recruiting strategy, EDPR is committed to hiring the brightest people and seeks potential employees attending top universities and business schools. We have carried out different initiatives to enhance employer branding by participating in different Employer forums and hosting visits from top-tier universities. EDPR offers an internship program aimed at giving young professionals work experience and potentially identifying future employees with growth potential who can contribute to the future development of the business.

EDPR hires talented individuals who are passionate about the industry and share our vision and purpose. When hiring, the company takes into account not only the specific job skills for a certain position but also the behavioural skills, which are at the base of the organisational culture. As a company devoted to sustainability, EDPR aims to combine career goals with company values.

- **Team Oriented Environment:** EDPR promotes an environment based on team building.
- **Career Development:** EDPR recognizes the importance of career development, helps employees acquire knowledge to master the business, and rewards employees for their innovation, hard work and performance.
- **Diversity:** EDPR has a diverse team, with employees from a wide range of backgrounds and cultures.
- **Sustainability:** EDPR aims to encourage environmental, economic and social stewardship by its employees.

At EDPR, we hire top talent ensuring a non-discriminatory selection processes. This is confirmed in the Code of Ethics which contains specific clauses of non-discrimination and equal opportunities in line with the company's culture of diversity.

In the 1H14, EDPR hired, 46 new employees, while 42 are no longer with the company, resulting in a turnover rate of 2%. During this period, 60 interns worked at EDPR with 5 of them being offered full-time contracts.

INTEGRATION

EDPR has a strong company culture, and wants new hires to be able to understand this culture and quickly adopt

it in their day-to-day activities. To encourage this, new hires are involved in a number of workshops and team building activities aimed at improving integration and gaining a better understanding of the company.



Our Welcome Day, a four day event for new hires, allows new employees to obtain basic knowledge of the company, our business, and depending on the employee's profile, a visit to one of the wind farms or the remote control dispatch centre. EDPR's integration tool called the Induction Plan, allows new hires to spend a few days at the corporate headquarters where they are guided by colleagues from different areas to learn key aspects of their job and gain a better understanding of their work and how it contributes to the mission of EDPR.

EMPLOYEE SATISFACTION

Employee satisfaction is one of the key drivers to retain our highly qualified workforce. Providing one of the best workplaces in the regions where we are present increases our employees' pride and ownership feeling for the company.

In Poland, we have been considered as #1 in the 2014 Great Place to Work® (GPTW) ranking for less than 50 employees (new category created this year).

In the UK, we have been included in Scotland's 2014 Best Workplaces list.

For a second consecutive year we continue among the 50 best companies to work for in Spain. We have generally improved in all key indicators compared to last year.



BENEFITS & WORK LIFE BALANCE

27

BENEFITS

EDPR is committed to offer a competitive compensation and benefits package to recognize the work and talent of our employees. The compensation policy addresses the needs of local markets and provides flexibility to adapt to the specifics of each region. In addition to a fixed base compensation, there is a variable component that depends on a performance evaluation measured against the company's performance, area and individual KPIs.

Our performance based compensation is an important tool to promote a greater focus from our employees on not only the company's objectives but personal and team objectives as well. In order to be competitive in the marketplace and recruit the best talent, EDPR reviews and benchmarks itself against local markets in order to offer the most attractive benefits packages. For example, as of 2014, EDPR has 100% of its employees covered by its life and accident insurance policy.

WORK LIFE BALANCE

At EDPR, we understand the importance of maintaining a balance between work and personal commitments. This understanding has led to an increase of employees' satisfaction, while boosting productivity, and morale. EDPR has work-life balance programs and aims to constantly improve and provide the most suitable benefits to employees. Often specific benefits are only applicable to certain countries in which EDPR is present. As an example of normalizing key benefits across the countries, EDPR employees in the United States can now enjoy extended maternity leave, as it is a common practice in Europe.

Since 2011, EDPR's practices have been recognized with the Family Responsible Employer Certification (EFR- Empresa Familiarmente Responsable) by the MásFamilia Foundation, in Spain. This certification reflects EDPR's commitment to promote a healthy work-life balance for its employees. EDPR stood out for its effectiveness in terms of scheduling flexibility, family support, equal opportunities and its ambitious policy of continuous improvement.

EDPR does not limit itself to only providing benefits to the community through the construction of new wind farms and solar plants. Employees are also encouraged to actively participate in their communities and to be responsive and aware of emerging needs through many volunteering initiatives sponsored by EDPR's Volunteering Program. Employees can choose from several campaigns to donate financially or participate directly in volunteering opportunities held during working hours or weekends.

DEVELOPMENT & TRAINING

POTENTIAL APPRAISAL

Assessing the potential of our talented pool of employees is a fundamental tool in people management. The purpose of the annual Potential Appraisal is to prepare employees to achieve his/her top potential development based on a set of strategic skills. All of EDPR's employees, regardless of their professional category, are evaluated yearly to determine their development potential by providing the most suitable training. EDPR creates tailored development plan to address specific needs. The potential assessment process is independent from performance appraisal and is based on a 360 degree evaluation model which considers feedback from oneself, peers, subordinates and the manager.

TRAINING PLAN

Each year a customized Training Plan is created based on the results of the potential performance assessment. The plan provides a framework for managing training within the company, in close alignment with the business strategy. When defining our strategy for the future, we strive to align current and future demands of the organization with our employees' capabilities while fulfilling their professional development expectations and supporting their continuous improvement. EDPR is committed to offer employees an attractive career plan, as well as advanced education and training opportunities.

In 1H14 the number of training hours was 8.891 (vs. 13.230 in 1H13).

RENEWABLE ENERGY SCHOOL



The Renewable Energy School has now established itself as a platform for knowledge sharing and exchange of best practices across the company and has been tasked with delivering the core programme within the defined EDPR employees' Training Roadmap.

The objective of the EDP University training is to familiarize employees with the core business of the company and to broaden their horizons by providing them with an overview of the strategic challenges that the company faces.

In the 1H14, the Renewable Energy School delivered 11 training sessions across Europe and the US, representing 2.775 training hours and a total of 288 attendances. During this period, the School

engaged 34 internal experts as trainers for these courses.

HIGH POTENTIAL PROGRAM

Our training strategy is also focused on boosting career development to our employees. With this objective, during 2014, we have launched a new edition of the High Potential Program (HIPO) offering high performance employees' specific training in Communication, Leadership and Finance. These employees have designed in the context of the HIPO Program their own Individual Development Plans what will help them reinforce their skills and competencies throughout their career in EDPR.

EXECUTIVE DEVELOPMENT SCHOOL

As part of our continuous commitment to providing all of our employees with opportunities to further develop their professional skillset, EDPR in partnership with the IE school of business launched in May of the current year its Executive Development Program. This two day program tailored specifically for the company's executives, allows its participants to acquire a broader vision of the company's capabilities and management skills as well as to interact directly with colleagues from different countries and exchange information and ideas.

PROMOTIONS AND MOBILITY

All our employees are covered by our performance evaluation system that collects information from several data sources to evaluate employee performance.

In the context of fostering workers' growth through diversity of experience, EDPR encourages professional mobility. To support the global growth strategy, mobility is of utmost importance as a powerful tool to share

EDPR culture and best practices with new markets where we plan to enter.

VOLUNTEERING

EDPR encourages its employees to be aware of emerging needs in their communities through volunteering initiatives. In the 1H14, we participated in many activities geared toward people at risk of social exclusion due to economic and social difficulties. Our volunteers participated in, among others:

SHARING KNOWLEDGE

LESSONS WITH CARITAS

In March, a group of children from the Caritas after-school club were invited to our polish office. There they learned about the renewable energy business and EDPR's operations in Poland. All teams in Poland created a little presentation to teach the kids about their scope of duties, highlighting their main responsibilities and what they studied. From Madrid, our HR department joined via video conference allowing the kids to witness the power of new technologies and how they can impact businesses.

SOLIDARITY ENERGY & KILOS:

Continuing with EDPR's social commitment, during the months of April and May was launched in Europe and Brazil the campaign Kilos of Solidarity. With the aim of collecting food and products of first necessity, this campaign has been a resounding success gathering more than 815 kilos of food. Through this project, 11 NGOs of 8 countries will receive the solidarity impact of EDPR employees.



"PARTE DE NÓS" FLORESTAS-AMBIENTE:

In June and July is taking place across the EDP Group the volunteering campaign "Parte de Nós" - Ambiente. Employees, their family and friends were invited to participate. In Spain volunteers collaborated on 28th June with the NGO Fundación Oxígeno in Tubilla del Lago (Burgos) restoring the lagoon of Valcabadillo. In Italy volunteers worked on 21st June with Legambiente on cleaning an area that will be used as an urban garden. Till date 56 volunteers from Spain and Italy have collaborated in this Campaign.

In US, volunteers met on 28th June through Urban Harvest to help maintain a community garden.

29



BIRTHS & SOLIDARITY

In EDPR we want celebrating the birth with a new initiative, for each birth we done 21 doses of vaccines to fight polio. This initiative has been very well received by employees and so far 24 donations have been made already.

In the US, there is a Volunteering Committee that plans periodic activities aimed at generating a positive impact in society such as: Arbor Day Tree Planting with Trees for Houston, Houston Area Women's Center – Race Against Violence Packet Pick-Up at Luke's Locker, Buffalo Bayou Partnership Trash Bash at Little Thicket Park, among others.

To engage in our volunteering programs, employees can participate in several campaigns, by donating or by engaging in several activities, during working hours or during weekends.

HEALTH AND SAFETY

GUARANTEEING HEALTH AND SAFETY

Guaranteeing a healthy and safe work environment is fundamental to safeguard our team. EDPR Health and Safety policy, available on our website, reflects the company's commitment to prevention of occupational risks associated with our activities as a key priority of the company's management. To support our strategy on health and safety, we have implemented proper management systems, with specific standards and procedures based on country regulation and industry best practices. In Europe, the Management System is certified OHSAS 18001:2007. By the end of the first half of 2014, 3,387 MW were OHSAS 18001:2007 certified, representing a 44% of EDPR installed capacity.

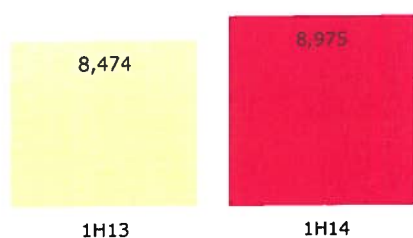
8. ENVIRONMENTAL MANAGEMENT

EDPR is a leading company in renewable energy. We produce clean and green energy, energy without emissions. Our strategy towards the environment is based in four pillars: the generation of CO₂-free energy, a strategy to minimize impacts during the life-cycle of our wind farms, a culture of respect for the biodiversity and a culture of responsibility and recycling in our offices.

CLIMATE CHANGE STRATEGY

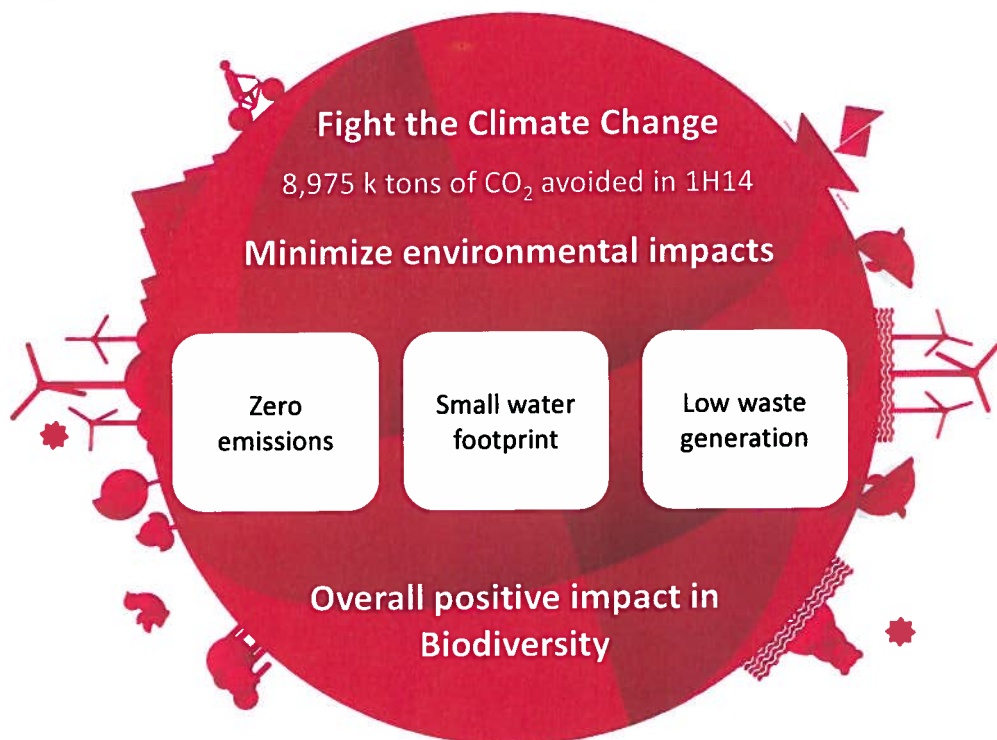
Our portfolio of 8.6 GW of installed capacity contributes every year to the worldwide fight against climate change. We significantly improve local and global air quality by mitigating emissions that would otherwise be released into the atmosphere due to the operation of other kinds of energy generation based on fossil fuels.

CO₂ AVOIDED (K TONS)¹



¹ Estimated as: [production x country emission factors]

30



The company growth plans of pure renewable energy represent a solid commitment to foster the use of green energy sources. Moreover, we are committed to support the use the best technologies available in order to preserve natural resources and reduce pollution.

ENVIRONMENTAL STRATEGY

In order to protect the environment, we complement our strategy of fighting against climate change with an environmentally responsible management of our wind farms. This strategy is supported by the Environmental and Biodiversity policies based on EDP Group's Guidelines that were approved by EDPR Executive Committee.

The integration of our projects with the environment is considered from the very early stages of project development – when it is critical to perform environmental and cultural feasibility studies – to the decommissioning of our wind farms. All this process is supported by an extensive local knowledge that allows us to ensure environmental compliance during the project life cycle.

Moreover, EDPR pursues to minimize impacts on the eco-system. When impacts cannot be prevented, we implement compensation measures, including partnerships with environmental associations aimed at achieving a globally positive biodiversity balance.

Nevertheless, wind farms are typically constructed in rural areas where wind resource is abundant and the operation of wind farms is compatible with current land use. Once construction is complete, less than 1% of the total project area is taken out of permanent production, and its change of use is approved by the competent authorities.

The primary use of this land is for access roads to the wind turbine locations, a small area for the wind turbine and electrical transformer, and a gravelled pad area for a crane to be used in construction and maintenance activities.

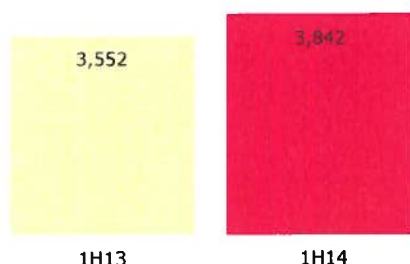
ENVIRONMENTAL MANAGEMENT SYSTEM AND ISO 14001 CERTIFICATION

To guarantee the proper management of the environmental aspects and compliance with applicable environmental legislation, EDPR initiated in 2008 the implementation of an Environmental Management System (EMS).

The EMS covers, among others, the procedures applicable to all wind farms in operation to establish operational controls, monitoring and measurements of the relevant environmental aspects. Environment surveillance is carried out periodically to assess the significance of the environmental aspects

In Europe, the EMS has been ISO 14001:2004 certified. By the end of the first half of 2014, all EDPR European wind farms that have been in service before January 2013 and operated by EDPR have been certified, accounting for 3.842 MW, about 49% of EDPR installed capacity.

MW CERTIFIED ISO14001



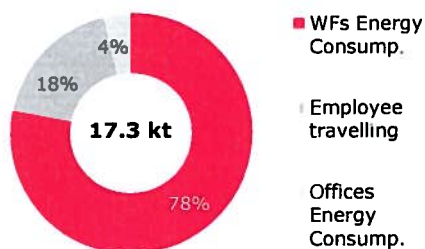
MONITORING IMPACTS

Our internal procedures guarantee that environmental aspects like consumptions, waste, noise, or even environmental emergencies, are under control.

Our indirect emissions represent just a 0.2%, when compared to the total amount of emissions avoided and 78% of them are wind farms electricity consumption, necessary to feed our wind farms.

At EDPR, we believe that it is important to promote a culture of rational use of resources. As a result we launched an eco-efficiency campaign called "because we care" that focuses on fostering environmental best practices in our offices.

CO₂ EQ EMITTED (KT)



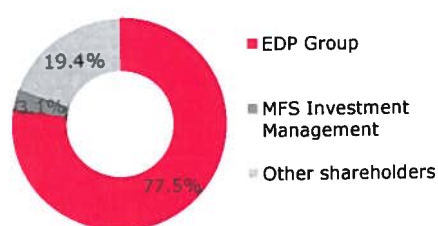
9. SHARE PERFORMANCE

The EDP Renováveis share capital of €4,361,540,810 is fully subscribed by 872,308,162 shares with a face value of €5 each. All shares integrate a single class and series and are fully issued and paid. There are no holders of special rights.

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

As far as the Board of Directors of EDPR is aware, there are currently no shareholders' agreement regarding the Company.

SHAREHOLDER STRUCTURE



QUALIFYING SHAREHOLDING

32

Qualifying shareholdings in EDP Renováveis are subject to Spanish law, which regulates the criteria and thresholds of shareholders' holdings. As of June 30th 2014 the following qualifying shareholdings in EDP Renováveis were known:

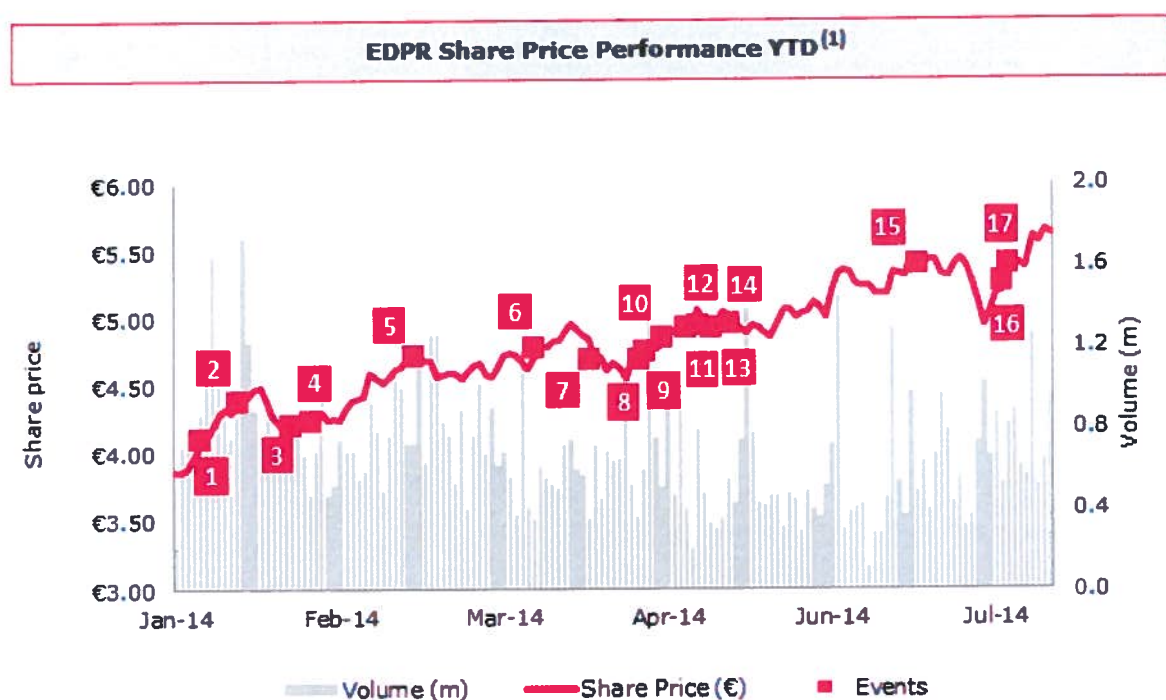
Qualifying Shareholder	# of Shares	% of Capital	% of Voting
EDP - Energias de Portugal, S.A.:			
EDP - Energias de Portugal, S.A. - Sucursal en España	541,027,156	62.0%	62.0%
Hidroeléctrica del Cantábrico, S.A.	135,256,700	15.5%	15.5%
Total	676,283,856	77.5%	77.5%
MFS Investment Management	27,149,038	3.1%	3.1%

The shares representing 100% of the EDPR share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on the June 4th 2008. Since then, the free float level is unchanged at 22.5%.

SHARE PRICE PERFORMANCE YTD

During the 1H14, EDP Renováveis' share price increased by 41% closing the semester at €5.438. In the same period the Down Jones Eurostoxx Utilities and the PSI20 were up 18.5% and 3.7% respectively.

During the 1H14, 84 million EDP Renováveis shares were traded, corresponding to a turnover of approximately €400 million. EDP Renováveis daily trade volume was, on average, around 675 thousand shares per day at the Euronext Lisbon. Market Cap at June 30th was €4,744 million.



33

⁽¹⁾ From 01-Jan-2014 until 29-July-2014

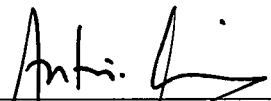
#	Date	Key event description	Share Price €
1	08-Jan	EDPR secures PPA for new 200 MW wind farm in the US	4.119
2	16-Jan	EDPR executes project finance for its first project in Canada	4.400
3	29-Jan	EDPR FY13 Volumes & Capacity Statement release	4.219
4	03-Feb	Spain - published the renewables' standards for consultation period	4.246
5	26-Feb	EDPR FY13 Annual Results release	4.735
6	26-Mar	EDPR executes project finance for 50 MW in Romania	4.792
7	08-Apr	EDPR Annual Shareholder Meeting	4.706
8	22-Apr	EDPR 1Q14 Volumes & Capacity Statement release	4.709
9	23-Apr	EDPR secures PPA for new 150 MW wind farm in the US	4.760
10	28-Apr	EDPR enters the Mexican wind energy market	4.868
11	05-May	EDPR ex-dividend date (€0.04 per share)	4.942
12	07-May	EDPR consortium is awarded with 1 GW of wind offshore in France	4.950
13	09-May	EDPR 1Q14 Results release	4.930
14	14-May	EDP Group Investor Day	4.960
15	26-Jun	Spain approves the new remuneration framework for wind energy	5.412
16	16-Jul	EDPR 1Q14 Volumes & Capacity Statement release	5.280
17	17-Jul	EDPR establishes institutional partnership structure for 200 MW in the US	5.400

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

DECLARE

To the extent of our knowledge, the information referred to in sub-paragraph a) of paragraph 1 of Article 245 of Decree-Law no. 357-A/2007 of October 31 and other documents relating to the submission of accounts required by current regulations have been prepared in accordance with applicable accounting standards, reflecting a true and fair view of the assets, liabilities, financial position and results of EDP Renováveis, S.A. and the companies included in its scope of consolidation and the management report fairly presents the evolution of business performance and position of EDP Renováveis, S.A. and the companies included in its scope of consolidation, containing a description of the principal risks and uncertainties that they face.

Lisbon, July 29th, 2014.



António Luis Guerra Nunes Mexia



Nuno Maria Pestana de Almeida Alves



Rui Manuel Rodrigues Lopes Teixeira



Gabriel Alonso Imaz



José Fernando Maia de Araújo e Silva




João José Belard da Fonseca Lopes Raimundo



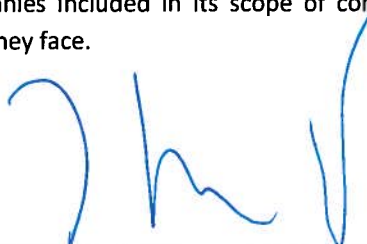
Rafael Caldeira de Castel-Branco Valverde




António do Pranto Nogueira Leite




José António Ferreira Machado



João Manuel Manso Neto



João Manuel Veríssimo Marques da Cruz

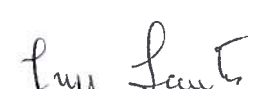


João Paulo Nogueira da Sousa Costeira


Manuel Menéndez Menéndez



João Manuel de Mello Franco



Jorge Manuel Azevedo Henriques dos Santos



Gilles August

Acácio Liberado Mota Piloto



Acácio Liberado Mota Piloto