

**REN – Redes Energéticas Nacionais,  
SGPS, S.A.**

Condensed consolidated financial statements  
30 June 2007

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## Condensed consolidated balance sheet

	Note	As at 30 June	
		2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2 566 027	2 523 496
Investment properties	6	436 053	464 136
Interest in joint ventures		3 792	2 577
Deferred income tax assets	7	19 651	19 647
Available-for-sale financial assets	8	1 033	1 033
Trade and other receivables	9	321 407	354 907
		<b>3 347 963</b>	<b>3 365 796</b>
<b>Current assets</b>			
Inventories		3 381	3 089
Trade and other receivables	9	352 588	422 466
Income tax receivable		18	94
Guarantee deposits		19 135	13 913
Cash and cash equivalents		65 603	55 482
		<b>440 725</b>	<b>495 044</b>
<b>Total assets</b>		<b>3 788 688</b>	<b>3 860 840</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	10	534 000	534 000
Other reserves	11	145 130	33 634
Retained earnings	11	169 594	(30 959)
Profit for the year attributable to equity holders of the Company	11	74 553	496 046
		<b>923 277</b>	<b>1 032 721</b>
Dividends related to 2006 profit		-	(87 000)
		<b>923 277</b>	<b>945 721</b>
Minority interest	11	523	500
<b>Total equity</b>		<b>923 800</b>	<b>946 221</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	716 979	686 544
Deferred income tax liabilities	7	189 002	204 901
Retirement and other benefits obligations	13	35 788	37 388
Trade and other payables		217 244	211 563
Provisions for other liabilities and charges	14	45 731	45 731
		<b>1 204 744</b>	<b>1 186 128</b>
<b>Current liabilities</b>			
Borrowings	12	1 286 206	1 193 920
Trade and other payables		314 939	473 332
Income tax payable		39 864	47 326
Guarantee deposits		19 135	13 913
		<b>1 660 144</b>	<b>1 728 491</b>
<b>Total liabilities</b>		<b>2 864 888</b>	<b>2 914 619</b>
<b>Total equity and liabilities</b>		<b>3 788 688</b>	<b>3 860 840</b>

The notes in pages 7 to 26 are an integral part of these condensed consolidated financial statements.

## Condensed consolidated income statement

	Note	As at 30 June	
		2007	2006
Sales of goods	23	120	6
Services provided	23	279 444	181 544
<b>Operating revenue</b>		<b>279 564</b>	<b>181 550</b>
Cost of goods sold		(148)	(3)
External supplies and services	24	(74 575)	(57 561)
Employee compensation and benefit expense	25	(22 869)	(14 612)
Depreciation and impairment charges		(60 872)	(37 359)
Other expenses	26	(5 814)	(4 839)
Other income	26	17 722	75 023
<b>Operating profit</b>		<b>133 008</b>	<b>142 198</b>
Finance costs	27	(38 361)	(17 949)
Finance income	27	2 214	-
Share of (loss)/profit of joint ventures	10	3 664	-
<b>Profit before income taxes</b>		<b>100 525</b>	<b>124 249</b>
Income tax expense	28	(25 945)	(25 541)
<b>Profit for the year</b>		<b>74 580</b>	<b>98 708</b>
<b>Attributable to:</b>			
Equity holders of the Company		74 553	98 497
Minority interest		27	211
		<b>74 580</b>	<b>98 708</b>
<b>Earnings per share attributable to the equity holders of the company during the year</b> (expressed in euro per share)			
- basic		0,14	0,18
- diluted		0,14	0,18

The notes in pages 7 to 26 are an integral part of these condensed consolidated financial statements.

## Condensed consolidated statement of recognised income and expense

	<b>As at 30 June</b>	
	<b>2007</b>	<b>2006</b>
Actuarial gains and losses - gross of tax	<u>          </u>	<u>          </u>
Net fair value gains on available for sale investments - gross of tax	<u>          </u>	<u>          </u>
Tax on items taken directly to or transferred from equity	<u>          </u>	<u>          </u>
<b>Net income recognised directly in equity</b>	<u>          -</u>	<u>          -</u>
<b>Profit for the period</b>	<u><b>74 580</b></u>	<u><b>98 708</b></u>
<b>Total recognised income for the year</b>	<b>74 580</b>	<b>98 708</b>
<b>Attributable to:</b>		
Equity holders of the company	74 553	98 497
Minority interest	<u>27</u>	<u>211</u>
	<u><b>74 580</b></u>	<u><b>98 708</b></u>

The notes in pages 7 to 26 are an integral part of these condensed consolidated financial statements.

## Condensed consolidated cash flow statement

	As at 30 June	
	2007	2006
<b>Cash flow from operating activities</b>		
Cash receipts from customers	1 345 301	1 592 513
Cash paid to suppliers	(1 164 597)	(1 409 353)
Cash paid to employees	(28 586)	(17 947)
Income tax paid	(44 476)	(263)
<b>Net flows from operating activities</b>	<b>107 642</b>	<b>164 950</b>
<b>Cash flow from investing activities</b>		
Receipts related to:		
Financial investments	51	152
Sale of PPE	22 789	165
Grants related to to assets	4 448	1 677
Dividends	8 491	24
Payments related to:		
Perimeter change		
Purchases of PPE	(117 833)	(115 919)
<b>Net cash used in investing activities</b>	<b>(82 054)</b>	<b>(113 901)</b>
<b>Cash flow from financing activities</b>		
Receipts related to:		
Borrowings	8 152 200	6 309 905
Interests		9
Payments related to:		
Borrowings	(8 017 876)	(6 265 750)
Interests	(41 109)	(24 702)
Dividends	(97 000)	(66 395)
<b>Net cash used in financing activities</b>	<b>(3 785)</b>	<b>(46 933)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>21 803</b>	<b>4 116</b>
Cash and cash equivalents at de begining of the year	23 970	(21 138)
<b>Cash and cash equivalents in de end of the period</b>	<b>45 773</b>	<b>(17 022)</b>
<b>Detail of cash and cash equivalents</b>		
Cash	20	18
Bank overdrafts	(19 830)	(21 962)
Bank deposits	65 583	4 922
	<b>45 773</b>	<b>(17 022)</b>
<b>Detail of cash and cash equivalents</b>		
Cash	20	18
Bank overdrafts	(19 830)	(21 962)
Bank deposits	65 583	4 922
	<b>45 773</b>	<b>(17 022)</b>

The notes in pages 7 to 26 are an integral part of these condensed consolidated financial statements.

## Notes to the condensed consolidated financial statements

### 1 General information

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in these notes as “REN” or “Group”), with the address in Avenida Estados Unidos da América, 55 – 12º, Lisbon, was created from the spin-off of EDP group, in accordance to Decree –law 7/91, of 8th January and 131/94, of 19th May, approved in the shareholders meeting of 18th August 1994 with the denomination REN – Rede Eléctrica Nacional, SA.

At the 5th January 2007, following the Group REN restructuring after the acquisition of the gas business as at the 26<sup>th</sup> September 2006, REN – Rede Eléctrica Nacional, SA transferred the electricity business to a group company named REN – Serviços de Rede, SA, and both companies were redenominated to REN – Redes Energéticas Nacionais, SGPS, SA and REN – Rede eléctrica Nacional, SA respectively.

REN – Redes Energéticas Nacionais, SGPS, SA is now the holding company of Group REN, which is organised in two major businesses electricity and gas, and two residual businesses in telecommunications and electricity derivative market management.

Electricity business comprises REN – Rede Eléctrica Nacional, S.A., which activities are managed under a concession agreement for a 50 year period, started in 2000. The purpose of this entity is to ensure the overall management of the Public Electricity Supply System (SEP), aiming: i) to guarantee the stability and security of the electricity supply to the different operators involved; ii) to operate and develop the NTG (National Electricity Transmission Grid) in extra high voltage in Mainland Portugal, manage the portfolio of sites for power stations and prepare the processes that will be used as a basis for DGGE (Directorate General of Geology and Energy) to launch public consultation with the view to the establishment and operation of new power stations.

Gas business, acquired as at 26th September 2006, comprises the following companies:

a) REN - Gasodutos, SA

This is a new company created in the 26th of September of 2006, which issued share capital was realized through the integration of gas transmission infrastructures (network; connections; compression).

b) REN – Armazenagem, S.A.

This is a new company created in the 26th of September of 2006, which issued capital was realized through the integration of gas underground storage facilities.

c) REN Atlântico, Terminal de GNL, S.A.

This is an acquired company formerly named “SGNL – Sociedade Portuguesa de Gás Natural Liquefeito”. This company activity is to provide services of reception, storage and regasification of liquefied natural gas in a LNG sea terminal being responsible for the construction, operation and maintenance of the needed infrastructures.

These companies’ activities are managed, each, under a concession agreement for a 40 year period, started in 2006.

Additionally REN – Gasodutos, SA owns a share in two societies created in joint venture with the Spanish Gas transmission company, Enagás, to which REN – Gasodutos ceased the rights of transport for specific pipelines (Braga-Tuy and Campo Maior - Leiria – Braga).

The telecommunications business is operated by Rentelecom – Comunicações, SA, which activity is to establish, manage and operate telecommunication infrastructures and systems, providing communication services and profiting from the dark fibre infrastructure excess of capacity belonging to REN's Group.

The electricity derivative market business is run through OMIP – Operador do Mercado Ibérico de Energia (Pólo Português, SA) the entity created for the organisation of the Portuguese division of MIBEL, ensuring the management of the MIBEL derivatives market, jointly with OMIClear (Energy Markets Clearing Company), a company constituted and totally owned by OMIP, which executes the role of a Clearing house and Central Counterparty of operations carried out on the market. OMIP started its operations as at 3rd July 2006.

In June 2007 two new companies were created – REN – Trading, S.A. and REN – Serviços, S.A..

REN – Trading was created with the purpose of buying, selling, importing and exporting electricity, the purchase and sale of power and system services, in what the Power Purchase Agreements (PPA) management concerns, as well as the purchase and sale of natural gas and other fuels, so that an efficient management and optimized costs related to PPA's can be reached, through transactions in organized markets and auction systems or through bilateral agreements.

REN – Serviços purpose is to provide administrative, financial, and supervisory services, as well as to assure human resources management, the assets management and maintenance, the negotiations and acquisitions of any other goods or services and to guarantee any back-office services to companies to who might have a direct or a nonlinear relation..

### **1.1. Approval of the consolidated financial statements**

These condensed consolidated financial statements were approved by the Board of Directors, in the meeting of 23 July of 2007. It is Board of Directors opinion that these financial statements reflect the true and fair image of REN's operations, as well as its financial position, performance and cash flows.

## **2 Basis of preparation**

These consolidated financial statements for the period ended 30 June 2007, were prepared according to the IAS 34 – Interim financial reporting. These financial statements presented in a condensed form, should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2006.

These condensed consolidated financial statements are not directly comparable due to the impact of gas business acquisition occurred only in the end of the 3<sup>rd</sup> quarter of 2006.

These condensed consolidated financial statements are presented in thousand euros.



### 3 Summary of the main accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year 2006. These accounting policies were applied consistently through the reported periods.

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 March 2006 or later periods but that REN Group has not early adopted:

- i) IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). This IFRIC is not relevant to the Group's accounts;
- ii) IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). This IFRIC is not expected to have impact on the Group's accounts;
- iii) IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 is not relevant to the Group's accounts;
- iv) IFRIC 10, Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006). This IFRIC is not expected to have impact on the Group's accounts;
- v) IFRIC 11, IFRS 2 – Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007). This IFRIC is not expected to have impact on the Group's accounts;
- vi) IFRIC 12, service concession arrangements (effective for annual periods beginning on or after 1 January 2008). This Interpretation is related to Group REN activities and the expected impact of its adoption on the accounts presented after 1 January 2008, is disclosed in Note 3.2 of the 2006 annual financial statements;
- vii) IAS 23, borrowing costs (amendment effective for annual periods beginning on or after 1 January 2009). This amendment is not expected to have impact on Group REN financial statements since the Group is already following this accounting procedure;
- ix) IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009). This IFRS is not expected to have a significant impact on REN Group accounts;

The impact of the adoption of the standards and interpretations that became effective for the annual period accounts beginning in 1 January 2006, was not significant to the Group, which are the following:

- i) IAS 21 (amendment) net investment in a foreign operation
- ii) IAS 39 (amendment) cash flow hedge accounting of forecast intragroup transactions;
- iii) IAS 39 (amendment) the fair value option;
- iv) IAS 39 and IFRS 4 (amendment) Financial guarantee contracts;

- v) IFRS 1 (amendment), First time adoption of International financial reporting standards and IFRS 6 (amendment) exploration for and evaluation of mineral resources;
- vi) IFRS 6, exploration for and evaluation of mineral resources;
- vii) ix) IFRS 7, financial instruments: disclosures and a complementary amendment to IAS 1 (effective from 1 January 2007);
- viii) IFRIC 4, determining whether an arrangement contains a lease;
- ix) IFRIC 5, rights to interests arising from decommissioning, restoration and environmental rehabilitation fund;
- x) IFRIC 6, liabilities arising from participating in a specific market – waste electrical and electronic equipment.

## **4 Segment reporting**

### **4.1. Primary reporting format – business segments**

As at 30 June 2007, Group REN was organised into two main business segment, electricity and gas, and two other small segments: telecommunications and electricity derivative marketing management. The electricity segment includes the transmission of electricity in extra high voltage and the overall electricity public system management. The gas segment includes the gas transmission in high pressure and the overall natural gas national system management, as well as the operation of regasification at the LNG Terminal and the underground storage of natural gas.

Although the LNG Terminal activity and the underground storage activity can be perceived as separated from the gas transmission and the overall gas national system management, since all these operations provide services to a single user, which is also the main user of the high pressure gas transmission grid, it was considered that it is subject to the same risks and returns.

The other segments (telecommunication and electricity derivative market management) are also presented separately although they do not qualify for disclosure.

The segment results for the period ended 30 June 2006 are as follows:

	<u>Electricity</u>	<u>Telecom.</u>	<u>Market Elect.Operat.</u>	<u>Group</u>
Total gross sales	181 491	794	990	183 275
Inter-segment gross sales	<u>(683)</u>	<u>(52)</u>	<u>(990)</u>	<u>(1 725)</u>
<b>Sales and services provided</b>	<u>180 808</u>	<u>742</u>	<u>-</u>	<u>181 550</u>
Operating profit / segment result	142 157	43	(2)	142 198
Finance cost	(17 937)	-	(12)	(17 949)
Finance income				
Share in JV profit				
<b>Profit before income tax</b>				<u>124 249</u>
Income tax expense				<u>(25 541)</u>
<b>Profit for the period</b>				<b>98 708</b>
<b>Other expenses:</b>				
Depreciation	37 095	4	260	37 359

The segment results for the year ended 30 June 2007 are as follows:

	<u>Electricity</u>	<u>Gas</u>	<u>Telecom.</u>	<u>Market Elect.Operat.</u>	<u>Unallocated</u>	<u>Group</u>
Total gross sales	206 105	71 871	1 082	1 841		280 899
Inter-segment gross sales	<u>(147)</u>		<u>(115)</u>	<u>(1 073)</u>		<u>(1 335)</u>
<b>Sales and services provided</b>	<u>205 958</u>	<u>71 871</u>	<u>967</u>	<u>768</u>		<u>279 564</u>
Operating profit / segment result	103 712	29 856	51	378	(989)	133 008
Finance cost	(26 714)	(11 644)		(3)		(38 361)
Finance income	100	2 049		65		2 214
Share in JV profit		3 664				3 664
<b>Profit before income tax</b>						<u>100 525</u>
Income tax expense						<u>(25 945)</u>
<b>Profit for the period</b>						<b>74 580</b>
<b>Other expenses:</b>						
Depreciation	38 660	21 918	5	289		60 872

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities at 30 June 2006 and capital expenditure for the period then ended are as follows:

	<u>Electricity</u>	<u>Telecom.</u>	<u>Market Elect.Operat.</u>	<u>Unallocated</u>	<u>Group</u>
Assets	2 586 280	2 611	2 636	925 010	3 516 537
Investment in Associates					
<b>Total assets</b>	<u>2 586 280</u>	<u>2 611</u>	<u>2 636</u>	<u>925 010</u>	<u>3 516 537</u>
<b>Liabilities</b>	1 739 057	69	1 265	420 902	2 161 293
<b>Capital expenditure</b>	100 458				100 458

The segment assets and liabilities at 30 June 2007 and capital expenditure for the period then ended are as follows:

	<u>Electricity</u>	<u>Gas</u>	<u>Telecom.</u>	<u>Market Elect.Operat.</u>	<u>Unallocated</u>	<u>Group</u>
Assets	2 560 552	1 190 024	4 731	24 333	5 256	3 784 896
Investment in Associates		3 792				3 792
<b>Total assets</b>	<u>2 560 552</u>	<u>1 193 816</u>	<u>4 731</u>	<u>24 333</u>	<u>5 256</u>	<u>3 788 688</u>
<b>Liabilities</b>	2 168 625	628 206	154	19 470	48 432	2 864 887
<b>Capital expenditure</b>	92 968	2 608	1	62		95 639

Segment assets consist primarily of concession assets presented under property, plant and equipment, investment properties headings, and trade and other receivables. It excludes the Group REN holding company assets disclosed as “unallocated” assets as at 30 June 2007 and the available-for-sale investments as at 30 June 2006. Segment liabilities comprise operating liabilities, except the liabilities of the Group REN holding company, disclosed as “unallocated” liabilities as at 30 June 2007 and borrowings negotiated to non operating activities as at 30 June 2006.

Capital expenditure comprises additions to property, plant and equipment (Note 5).

Most of the REN Group companies operate exclusively in one geographical area, in Portugal. Only the group company OMIP manager of the electricity Iberian derivative market and Omiclear the clearing house for that market operate at an Iberian level. However, the reported transactions are not material to disclosure as a geographical segment.

## 5 Property, plant and equipment

During the period between 1 January 2006 and 30 June 2006 the movements recognised in property, plant and equipment are as follows:

### Evolution of PPE – June 2006

	<u>Land</u>	<u>Buildings and other constructions</u>	<u>Transmission and electronic equipment</u>	<u>Transport equipment</u>	<u>Tools</u>	<u>Office furniture and fittings</u>	<u>Constructions in progress</u>	<u>Total</u>
<b>1 January 2006</b>								
Acquisition cost	1 040	50 633	2 201 342	4 137	2 187	22 743	114 439	2 396 521
Accumulated depreciation	-	(21 474)	(1 136 482)	(2 407)	(1 673)	(14 569)	-	(1 176 606)
<b>Net book value</b>	<b>1 040</b>	<b>29 159</b>	<b>1 064 860</b>	<b>1 729</b>	<b>514</b>	<b>8 174</b>	<b>114 439</b>	<b>1 219 915</b>
<b>Year ended 30 June 2006</b>								
Additions	-	1 318	8 726	262	64	180	89 908	100 458
Disposals	-	-	(231)	(378)	-	(14)	-	(623)
Transfers and write-offs	369	-	69 237	(93)	-	(130)	(69 293)	90
Depreciation expense	-	(822)	(25 684)	(318)	(105)	(1 000)	-	(27 929)
Depreciation on disposals	-	-	101	352	-	14	-	467
Depreciation on transfers/ write-offs	-	-	-	92	-	60	-	152
<b>Closing net book value</b>	<b>1 409</b>	<b>29 655</b>	<b>1 117 009</b>	<b>1 646</b>	<b>473</b>	<b>7 284</b>	<b>135 054</b>	<b>1 292 530</b>
<b>At 30 June 2006</b>								
Acquisition cost	1 409	51 951	2 279 074	3 928	2 251	22 779	135 054	2 496 446
Accumulated depreciation	-	(22 296)	(1 162 065)	(2 281)	(1 778)	(15 495)	-	(1 203 916)
<b>Net book value</b>	<b>1 409</b>	<b>29 655</b>	<b>1 117 009</b>	<b>1 646</b>	<b>473</b>	<b>7 284</b>	<b>135 054</b>	<b>1 292 530</b>

During the period between 1 January 2007 and 30 June 2007 the movements recognised in property, plant and equipment are as follows:

**Evolution of PPE – June 2007**

	<u>Land</u>	<u>Buildings and other constructions</u>	<u>Transmission and electronic equipment</u>	<u>Transport equipment</u>	<u>Tools</u>	<u>Office furniture and fittings</u>	<u>Constructions in progress</u>	<u>Total</u>
<b>1 January 2007</b>								
Acquisition cost	1 719	91 186	3 499 694	4 292	2 452	24 114	142 210	3 765 667
Accumulated depreciation	-	(24 826)	(1 196 537)	(2 511)	(1 909)	(16 387)	-	(1 242 170)
<b>Net book value</b>	<b>1 719</b>	<b>66 360</b>	<b>2 303 157</b>	<b>1 781</b>	<b>543</b>	<b>7 727</b>	<b>142 210</b>	<b>2 523 496</b>
<b>Year ended 30 June 2007</b>								
Additions	-	8	3 485	386	252	1 170	90 338	95 639
Disposals	-	-	-	(55)	-	-	-	(55)
Transfers and write-offs	-	-	52 551	-	-	(60)	(52 658)	(167)
Depreciation charge	-	(1 497)	(49 135)	(394)	(246)	(1 807)	-	(53 079)
Depreciation on disposals	-	-	-	25	-	-	-	25
Depreciation on transfers/ write-offs	-	-	107	-	-	60	-	167
<b>Closing net book value</b>	<b>1 719</b>	<b>64 871</b>	<b>2 310 165</b>	<b>1 743</b>	<b>549</b>	<b>7 090</b>	<b>179 890</b>	<b>2 566 025</b>
<b>At 30 June 2007</b>								
Acquisition cost	1 719	91 194	3 555 730	4 623	2 704	25 224	179 890	3 861 084
Accumulated depreciation	-	(26 323)	(1 245 565)	(2 880)	(2 155)	(18 134)	-	(1 295 056)
<b>Net book value</b>	<b>1 719</b>	<b>64 871</b>	<b>2 310 165</b>	<b>1 743</b>	<b>549</b>	<b>7 090</b>	<b>179 890</b>	<b>2 566 027</b>

The significant increase in the property, plant and equipment comparing the period ended 30 June 2006 with the period ended 30 June 2007, refers mainly to the acquisition of gas business in the end of 2006 third quarter. The amounts recognised under this heading referring to gas assets, are still pending of a final valuation, being the result of a preliminary application of the purchase method, of the gas business combination cost.

Depreciation expense has been entirely charged to consolidated income statement within Depreciation charges, except for an amount of 484 thousand euros (30 June 2006: 467 thousand euros) that has been capitalised in construction in progress.

Borrowing costs capitalised in construction in-progress, amounts to 3 186 thousand euros (2 788 thousand euros as 30 June 2006).

## 6 Investment properties

Investment properties include the sites (land) of the hydroelectric and thermal power stations, owned by NTG (National electricity transmission grid) and awarded to REN in accordance with the concession agreement, and land and buildings owned but not used in REN operational activities. Investment properties had the following evolution:

	<b>30.06.07</b>	<b>30.06.06</b>
Gross value	527 078	629 555
Accumulated depreciation	<u>(62 943)</u>	<u>(42 810)</u>
<b>Net book value</b>	<b><u>464 136</u></b>	<b><u>586 745</u></b>
<b>Period ended 31 December</b>		
Impairment		-
Disposals and write-offs	(19 344)	
Depreciations	(8 739)	(10 069)
Transfers	<u>-</u>	
<b>Movements of the year</b>	<b><u>(28 083)</u></b>	<b><u>(10 069)</u></b>
Gross value	505 248	629 555
Accumulated depreciation	<u>(69 196)</u>	<u>(52 879)</u>
<b>Net book value</b>	<b><u>436 053</u></b>	<b><u>576 676</u></b>

The reduction in the Investment properties, comparing the 30 June 2006 closing figures to the 30 June 2007 refers to the impairment loss recognised in the end of 2006, due to a change in the remuneration terms of the hydroelectric power station lands, to be applied from the 1 July 2007 and *Central do Pego's* land sale to *Tejo Energia*.

## 7 Deferred income taxes

The detail of the income taxes recognised in the consolidated financial statements is as follows:

	<u>30.06.07</u>	<u>30.06.06</u>
Impact in income statement		
Deferred income tax assets	(4)	17 771
Deferred income tax liabilities	<u>(15 896)</u>	<u>(12 493)</u>
	<u>(15 900)</u>	<u>5 278</u>
Impact in equity		
Deferred income tax assets	-	536
Deferred income tax liabilities	<u>-</u>	<u>-</u>
	<u>-</u>	<u>536</u>
<b>Net impact of deferred income taxes</b>	<b><u>(15 900)</u></b>	<b><u>5 814</u></b>

The movements in the deferred income taxes, by nature, for the reported periods are as follows:

### Deferred income tax assets evolution – June 2006

	<u>Provisions</u>	<u>Carry forward losses</u>	<u>Pensions</u>	<u>Others</u>	<u>Total</u>
<b>At 1 January 2006</b>	865	30 962	12 748	3 942	48 516
<b>Period ended 30 June 2006</b>					
Credit to income statement		(14 339)	(907)	(929)	(16 175)
Credited/(charged) to equity			536		536
Charged to income statement		<u>(2 283)</u>	<u>192</u>	<u>495</u>	<u>(1 596)</u>
<b>Movement of the period</b>	<u>-</u>	<u>(16 622)</u>	<u>(179)</u>	<u>(434)</u>	<u>(17 235)</u>
<b>At 30 June 2006</b>	<b><u>865</u></b>	<b><u>14 340</u></b>	<b><u>12 569</u></b>	<b><u>3 508</u></b>	<b><u>31 281</u></b>

### Deferred income tax assets evolution – June 2007

<b>At 1 January 2007</b>	6 730	7	9 906	3 004	19 647
<b>Period ended 30 June 2007</b>					
Transferred to deferred income tax liabilities					-
Charged to income statement			(554)	(58)	(612)
Charged/ (credited) to equity					-
Credited to income statement			<u>131</u>	<u>485</u>	<u>616</u>
<b>Movement of the period</b>	<u>-</u>	<u>-</u>	<u>(423)</u>	<u>427</u>	<u>4</u>
<b>At 30 June 2007</b>	<b><u>6 730</u></b>	<b><u>7</u></b>	<b><u>9 483</u></b>	<b><u>3 431</u></b>	<b><u>19 651</u></b>

In the period ended 30 June 2007, deferred income tax assets refer mainly to provisions for employee benefit plans obligations.



### Deferred income tax liabilities evolution – June 2006

	Agent role	Transmission equipment	Investment properties	Revaluation previous GAAP	Assets available for sale	NG assets fair value	Other	Total
At 1 January 2006	104 785	9 231	46 692	41 477	66 858	-	143	269 186
<b>Period ended 30 June 2006</b>								
Constituição por capital								-
Reserva de justo valor, por capital								-
Fair value reserve/equity								-
Charged to income statement		2 341						2 341
Credit to income statement	(12 641)		(727)	(3 770)	2 315		(11)	(14 834)
Variações de taxa	-	-	-	-	-	-	-	-
Variações cambiais	-	-	-	-	-	-	-	-
<b>Movement of the period</b>	<b>(12 641)</b>	<b>2 341</b>	<b>(727)</b>	<b>(3 770)</b>	<b>2 315</b>	<b>-</b>	<b>(11)</b>	<b>(12 493)</b>
At 30 June 2006	92 144	11 572	45 965	37 707	69 173	-	132	256 693

### Deferred income tax liabilities evolution – June 2007

	Agent role	Transmission equipment	Investment properties	Revaluation previous GAAP	Assets available for sale	NG assets fair value	Other	Total
At 1 January 2007	126 431	13 465	16 438	37 189	-	11 378	-	204 901
<b>Period ended 30 June 2007</b>								
Acquisition of subsidiaries	-	-	-	-	-	-	-	-
Transf. from deferred income tax assets								-
Charged to income statement		2 417						2 417
Credited to income statement	(11 086)		(5 477)	(1 241)		(550)	38	(18 316)
<b>Movement of the period</b>	<b>(11 086)</b>	<b>2 417</b>	<b>(5 477)</b>	<b>(1 241)</b>	<b>-</b>	<b>(550)</b>	<b>38</b>	<b>(15 899)</b>
At 30 June 2007	115 345	15 882	10 961	35 948	-	10 828	38	189 002

## 8 Assets available for sale

This heading refers to equity securities held by OMIP in OMEL – Operador del Mercado Ibérico de Energia (Polo Español), SA.

	<u>% owned</u>	<u>30.06.07</u>	<u>31.12.06</u>
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	10,00%	1 033	1 033
<b>Total</b>		<b>1 033</b>	<b>1 033</b>

This investment is measured at acquisition cost since this entity has a specific activity, is not listed and its shares have not been subject of recent market transaction. No adjustment was considered at period ended 30 June 2007, as no indicators for impairment exist at this date.

## 9 Trade and other receivables

As for the period ended 30 June 2007, the detail of trade and other receivables is as follows:

	2007			2006		
	current	Non current	Total	Current	Non current	Total
Trade receivables	239 387	155	239 542	300 950	155	301 105
Trade receivables impairment	(828)	-	(828)	(828)	-	(828)
Trade receivables net	238 559	155	238 714	300 122	155	300 277
Agency balance	114 011	321 252	435 263	122 344	354 752	477 096
Tax receivable	18	-	18	-	-	-
<b>Trade and other receivables</b>	<b>352 588</b>	<b>321 407</b>	<b>673 995</b>	<b>422 466</b>	<b>354 907</b>	<b>777 373</b>

## 10 Share capital

At the period ended 30 June 2007, REN's share capital is fully subscribed and realised, being represented by 534.000.000 shares with a value of 1 euros each. No changes have occurred during this period.

REN's shareholders as at 30 June 2007 is as follows:

	Number of shares	%
Parpública - Participações Públicas (SGPS), S.A.	267 005 340	50,00%
Caixa Geral de Depósitos	106 794 660	20,00%
EDP - Energias de Portugal, S.A.	53 400 000	10,00%
Gestmin, SGPS, SA	26 700 000	5,00%
Logoenergia, SGPS, SA	26 700 000	5,00%
Oliren, SGPS, SA	26 700 000	5,00%
Red Eléctrica de España, S.A.	26 700 000	5,00%
	<b>534 000 000</b>	<b>100,00%</b>

## 11 Other reserves and retained earnings

The Other reserves and Retained earnings headings presented the following evolution during the period ended 30 June 2006, as follows:

	Attributable to shareholders					Minority interests	Total
	Legal Reserve	Fair Value reserve	Other reserves	Retained earnings	Profit for the year		
<b>At 1 January 2006</b>	28 101	436 217	192 830	27 737	103 980	68	<b>788 933</b>
Actuarial gains/ (losses)	-	-	-	-	-	-	-
<b>Gains/(losses) recognised directly in equity</b>	<b>28 101</b>	<b>436 217</b>	<b>192 830</b>	<b>27 737</b>	<b>103 980</b>	<b>68</b>	<b>788 933</b>
Profit for the period	-	-	-	-	98 497	211	<b>98 708</b>
<b>Total gains recognised in 2006</b>	<b>28 101</b>	<b>436 217</b>	<b>192 830</b>	<b>27 737</b>	<b>202 477</b>	<b>279</b>	<b>887 641</b>
Dividends distribution (referring to 2004)	-	-	-	(66 395)	-	-	(66 395)
Transfer to other reserves	5 533	-	16 897	81 550	(103 980)	-	0
<b>At 30 June 2006</b>	<b>33 634</b>	<b>436 217</b>	<b>209 727</b>	<b>42 892</b>	<b>98 497</b>	<b>279</b>	<b>821 246</b>

The Other reserves and Retained earnings headings presented the following evolution during the periods ended 30 June 2007, as follows:

	Attributable to shareholders					Minority interests	Total
	Legal Reserve	Fair Value reserve	Other reserves	Retained earnings	Profit for the year		
<b>At 1 January 2007</b>	33 634	-	-	(30 959)	409 046	500	412 221
Actuarial gains/ (losses)	-	-	-	-	-	-	-
<b>Gains/(losses) recognised directly in equity</b>	<b>33 634</b>	<b>-</b>	<b>-</b>	<b>(30 959)</b>	<b>409 046</b>	<b>500</b>	<b>412 221</b>
Profit for the period	-	-	-	-	74 553	27	<b>74 580</b>
<b>Total gains recognised in 2007</b>	<b>33 634</b>	<b>-</b>	<b>-</b>	<b>(30 959)</b>	<b>483 599</b>	<b>527</b>	<b>486 801</b>
Dividends distribution (referring to 2006)	-	-	-	(97 000)	-	-	(97 000)
Transfer to other reserves	27 503	-	83 993	297 553	(409 046)	(3)	(0)
<b>At 30 Junho 2006</b>	<b>61 137</b>	<b>-</b>	<b>83 993</b>	<b>169 594</b>	<b>74 553</b>	<b>523</b>	<b>389 800</b>

## 12 Borrowings

The allocation of borrowings between current and non current, for the period ended 30 June 2007 is as follows:

### Detail of current and non-current borrowings

	30.06.2007			31.12.06		
	Current	Non current	Total	Current	Non current	Total
Commercial Paper	1 229 500	300 000	1 529 500	1 125 700	259 500	1 385 200
Bank Borrowings	34 916	415 838	450 754	34 917	425 813	460 730
Bank overdrafts	19 830	-	19 830	31 512	-	31 512
	<b>1 284 246</b>	<b>715 838</b>	<b>2 000 084</b>	<b>1 192 129</b>	<b>685 313</b>	<b>1 877 442</b>
Finance Lease	966	1 141	2 107	896	1 231	2 127
Interest accrual	994	-	994	895	-	895
	<b>1 286 206</b>	<b>716 979</b>	<b>2 003 185</b>	<b>1 193 920</b>	<b>686 544</b>	<b>1 880 464</b>

Borrowings evolution for the reported period:

	<u>30.06.07</u>
<b>At 1 January</b>	1 880 464
Additions	8 152 200
Reimbursements	<u>(8 029 479)</u>
<b>At 30 June</b>	<u>2 003 185</u>

Since all the borrowings are negotiated at variable interest rates, the carrying amounts approximate their fair value. All the borrowings are negotiated in euros.

### 13 Retirement and other benefits obligations

REN grants supplementary retirement and survival benefit plan (from now on referred as pension plan), offers to its retirees and pensioner a medical assistance plan, on the same terms as for active personnel, and grants other benefits like seniority bonus, retirement bonus and a death grant. Gas business companies' employees are granted with a life insurance plan. No changes have occurred in the benefits granted comparing with the previous year.

The overall impact of the granted defined benefits in the consolidated financial statements is as follows:

	<u>30.06.07</u>	<u>31.12.06</u>
<b>Obligations on Balance sheet</b>		
Pension plan	2 893	5 210
Medical assistance plan and others	32 840	32 128
Life insurance plan	55	50
	<u>35 788</u>	<u>37 388</u>

The amounts charged to income statement for the periods reported are as follows:

	<u>30.06.07</u>	<u>30.06.06</u>
<b>Charges to income statement</b>		
Pension plan	(161)	58
Medical assistance plan and others	(1 049)	(1 015)
Life insurance plan	5	-
	<u>(1 205)</u>	<u>(957)</u>

The amounts reported as at 30 June 2007, results from the projection of the actuarial evaluation performed as at 31 December 2006 for the 6 month period ending 30 June 2007, considering the salary and pensions growth estimated for 2007. No actuarial gains or losses were considered to have been generated in the period ended 30 June 2007.

The main assumptions used in this projection are summarised in the table below:

	<u>30.06.2007</u>	<u>31.12.06</u>
Annual discount rate	4,50%	4,50%
Expected percentage of the active employees eligible for early retirement	10,00%	10,00%
Annual salary growth rate	3,30%	3,30%
Annual pension growth rate	2,25%	2,25%
Annual growth rate of Social security pensions	2,00%	2,00%
Inflation rate	2,00%	2,00%
Annual growth rate of health costs (over 8 years)	4,50%	4,50%
Annual growth rate of health costs (after the 8 year period)	4,00%	4,00%
Medical assistance commission (by employee/year)	233 €	233 €
Growth rate of medical assistance commission - up to 2007	4,50%	4,50%
Growth rate of medical assistance commission - after 2007	2,70%	2,70%
Rate of return on assets	5,37%	5,37%
Mortality table	TV 88/90	TV 88/90

#### 14 Provisions for other liabilities and charges

The provisions evolution during the disclosed periods is as follows:

##### Provisions evolution

	<u>2007</u>	<u>2006</u>
<b>At 1 January</b>	45 731	3 147
Provision increase	-	-
Provision decrease	-	-
<b>At 30 June</b>	<u>45 731</u>	<u>3 147</u>

As at 30 June 2007, the provisioned amounts refer to the estimation of the probable outflow of resources, related with damages caused by REN in third parties property, and a litigation process with Amorim Energia, BV related with the dividends received from GALP prior to the sale of REN's share in GALP to Amorim Energia, BV.

#### 15 Income taxes

The income tax calculated for the period ended 30 June 2007, includes the current income tax and the deferred income tax, as follows:

##### Income taxes

	<u>30.06.07</u>	<u>30.06.06</u>
Current income tax	41 845	20 262
Deferred income tax	(15 900)	5 279
<b>Income tax</b>	<b><u>25 945</u></b>	<b><u>25 541</u></b>

The income tax reconciliation between the nominal amount of current income tax and the recognised charge to the consolidated income statement is as follows:

	<u>30.06.07</u>	<u>30.06.06</u>
Consolidated profit before income tax	100 525	124 249
Tax rate	26,5%	27,5%
	<u>26 639</u>	<u>34 169</u>
Expenses non deductible	156	(11 228)
Income non taxable	(944)	2 513
Separate settlement	95	87
Income tax	<u>25 945</u>	<u>25 541</u>
Current income tax	41 845	20 262
Deferred income tax	(15 900)	5 279
Income tax	<u>25 945</u>	<u>25 541</u>
<b>Effective tax rate</b>	<b><u>25,8%</u></b>	<b><u>20,6%</u></b>

Permanent differences arise mainly from the share of gains in joint ventures which are non taxable income.

The income tax rate used in the reconciliation of the income tax recognised in the consolidated income statement was calculated as follows:

#### Current income tax rates

	<u>30.06.07</u>	<u>30.06.06</u>
Income tax rate	25,00%	25,00%
Municipality tax	1,50%	2,50%
	<b><u>26,50%</u></b>	<b><u>27,50%</u></b>

## 16 Dividends

As at 30 June 2007, no dividends have been distributed. As at 30 June 2006, the dividend distributed relates to the 2005 profit application of 66.395 thousand euros, and was paid in April 2006. In what concerns to 2006 Income, it was deliberated in the Shareholders Meeting in the 30<sup>th</sup> of May, 2007, an additional dividend distribution of 97 million euros, reaching 184 million

euros of dividend distribution in 2006 (87 million euros were distributed in 2006, as anticipated dividends), and the other 97 million euros throughout June 2007).

## 17 Contingencies

As at 30 June 2007 Group REN has guarantees provided to the following entities:

<u>Beneficiary</u>	<u>Subject</u>	<u>Beginning</u>	<u>2007</u>	<u>2 006</u>
European Community	To accomplish contractual clauses in what refers the financing contract	16-12-2003	643	643
Viseu District Court	A pledge for expropriating 63 plots of land for Bodiosa's substation	22-10-2004	206	206
Braga and C. Branco district Court	A pledge for expropriating plots of land for Pedralva's and C. Branco substations	15-02-2006	800	800
Silves Municipality	Convenant for building in Tunes	04-05-2006	352	0
Anadia District Court	A pledge for expropriating 111 plots of land for Paraimo's substation	26-04-2005	432	432
Gondomar District Court	Pledge payment concerning to legal process nr.1037/2001	09-11-2005	150	150
Penela and Ansião Distric Court	A pledge for expropriating 83 plots of land for Penela's substation	30-06-2006	703	0
Vieira do Minho District Court	A pledge for expropriating 29 plots of land to Frades substation	3-08-2006	558	0
Torres Vedras District Court	A pledge for expropriating 11 plots of land to Carvoeira's substation	13-12-2006	297	0
Macedo de Cavaleiros District Court	A pledge for expropriating plots of land to Olmo's substation	14-2-2007	190	0
OMEL - Operador del Mercado Español de Electricidad	To guarantee payments as being the buyer over the Electricity Spanish Market	12-01-2001	30 000	30 000
MEFF	To guarantee payments as being the buyer over the Electricity Spanish Market		5 000	0
Directorate General of Geology and Energy	Concession of natural gas transmission activities	26-09-2006	20 000	20 000
Seixal municipality	Convenant for ongoing processes		3 853	3 853
European Bank of Investment	For loan convenants		443 454	443 454
Loures Finance Services	Pledge for ongoing processes		1 306	1 306
Lisboa Finance Services	Pledge de processo em curso		1 278	1 278
			<b>509 220</b>	<b>502 121</b>

## 18 Related party transactions

As at 30 June 2007 the Group REN shareholders are predominantly Parpública, EDP and Caixa Geral de Depósitos (refer to note 10). For the presented periods the following transactions were carried out with these related parties:

### 18.1. Sale of products and services

	<u>30.06.07</u>	<u>30.06.06</u>
<b>Sale of products</b>		
Electricity to EDP	<u>1 156 544</u>	<u>1 484 568</u>
	<b><u>1 156 544</u></b>	<b><u>1 484 568</u></b>
<b>Services provided</b>		
Other services to EDP	<u>146</u>	<u>341</u>
	<b><u>146</u></b>	<b><u>341</u></b>

The values disclosed as Sales of electricity are recognised in REN accounts in other debtors, because of the agent role played by REN in the acquisition and sell of electricity.

### 18.2. Purchase of products and services

	<u>30.06.07</u>	<u>30.06.06</u>
<b>Purchase of products</b>		
Electricity from EDP	<u>(639 106)</u>	<u>(802 467)</u>
	<b><u>(639 106)</u></b>	<b><u>(802 467)</u></b>
<b>Purchase of services</b>		
Other services from EDP	(2 058)	-
Interests on Commercial paper from CGD	(10 767)	(6 938)
Borrowings commissions from CGD	<u>(250)</u>	<u>(204)</u>
	<b><u>(13 075)</u></b>	<b><u>(7 142)</u></b>

The values disclosed as Purchases of electricity are recognised in REN accounts, in other debtors, because of the agent role played by REN in the acquisition and sell of electricity.

### 18.3. Board of Directors remuneration

As at period ended 30 June 2007, the remunerations paid to the Board of directors amounted 560 thousand euros (30 June 2006: 561 thousand euros), according to the table below.

	<u>30.06.07</u>	<u>30.06.06</u>
Remuneration and other short term benefits	<u>560</u>	<u>561</u>
	<b><u>560</u></b>	<b><u>561</u></b>



There are no loans granted to the Board of Directors.

#### 18.4. Related party balances

At period ended 30 June 2007 the balances resulting from transaction with related parties are as follows:

	<u>30.06.07</u>	<u>30.06.06</u>
<b>Related parties - debtors</b>		
EDP - Trade receivables	195 036	255 928
EDP - Other receivables	2 917	2 674
	<u>197 953</u>	<u>258 602</u>
<b>Related parties - creditors</b>		
EDP - Trade payables	103 453	132 100
EDP - Other payables	3 230	2 659
CGD - Borrowings (Commercial paper)	580 000	523 000
	<u>686 683</u>	<u>657 759</u>

The borrowing negotiated with CGD, is a Commercial paper programme, with a maturity date of 8 February 2007 that as been “revolved” until the year end. The total amount is of 580.000 thousand euros, which was fully used as at 30 June 2007. The interest rates negotiated for this programme are different according to the issuance option adopted. If through direct issuance, the interest rate is the Euribor for the maturity of the issuance. If through an auction of interest rates, the interest rate will be the average of all the interest rates offered in the auction.

## 19 Subsequent events

### a) The arbitration proceeding no. 16/2006/INS/AVS, opposing Amorim Energia, BV to REN

The arbitration proceeding no. 16/2006/INS/AVS, opposing Amorim Energia, BV to REN, and for which a provision was inscribed in REN’s accounts in the amount of 40 670 thousand euros, has been decided by the arbitration court established with the “*Centro de Arbitragem Comercial da Associação Comercial de Lisboa / Câmara de Comércio e Indústria Portuguesa*” on 15 June 2007. The arbitration court decision has absolved REN from the claims brought against it by Amorim Energia, BV. The arbitration court decision is not subject to appeal, although it might be challenged in an annulment proceeding to be initiated with the competent judicial courts, pursuant to article 27 of Law no. 31/86, of 29 August and should the requisites of the referred article are meet. The annulment proceeding should be initiated within 30 days from the notification to the parties of the arbitration court decision.

For the necessary purposes, REN has waited for the elapse of the 30 days period and, therefore, at 30 June 2007, the above mentioned provision had not yet been reverted.

### b) Share capital dispersion Freefloat

On July 9<sup>th</sup> part of REN – Redes Energéticas Nacionais, SGPS share capital was dispersed in the stock market. Parpública and EDP alienated 128 160 000 shares.

Parpública – Participações Públicas (SGPS) S.A. alienated 101 460 000 shares, and is now left with 165 545 340 shares representing 31% of REN's share capital.

EDP – Energias de Portugal, S.A. sold 26 700 000 shares, and now owns 5% of REN's share capital.

### c) PPA's cessation

The Decree-Law 240/2004 (27<sup>th</sup> December) established the main causes that apply to the anticipated PPA cessation, later adjusted by Decree-Law 29/2006 (15<sup>th</sup> February), Decree-Law 172/2006 (23<sup>rd</sup> August), Decree-Law 199/2007 (18<sup>th</sup> May) and more recently by Decree-Law 264/2007 (24<sup>th</sup> July). The latter settled the 1<sup>st</sup> of July as the anticipated PPA cessation date.

After this date, only the *Central da Tapada do Outeiro* (Turbogás) and *Central do Pego* (Tejo Energia) PPA's remain effective.

d) The **Portaria** 481/2007 (19<sup>th</sup> April) settles that the remuneration of the sites (land) of the hydroelectric and thermal power stations will be calculated after 1<sup>st</sup> July using the last 12 months' Consumer Price Index average variation rate published by the *Instituto Nacional de Estatística* (Statistics National Institute), referred to the month of September of the year prior to the legal land depreciation.

The present income is determined using the swap rate defined on January 1<sup>st</sup> plus 50 basis points.

- : - : - : - : - : - : -