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

Consolidated Financial Statements
30 September 2016

(Translation of consolidated financial statements originally issued in Portuguese – Note 31)

Consolidated financial statements

30 September 2016

REN - Redes Energéticas Nacionais, SGPS, S.A.

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1. ECONOMIC AND FINANCIAL PERFORMANCE

Results

In the third quarter of 2016, net income reached €70.5 million, a decrease of €21.2 million as compared to the same period of the previous year, affected by the 2015 non-recurring gain with the sale of REN's 1% stake in Enagas (- €16.1 million in net income) and, also in 2015, a one-off effect of €9.9 million related to the recovery of taxes linked to re-valuation of assets, partially compensated by the good performance of financial results in 2016. It should be noted that, similarly to the previous year, the results for the 3rd quarter of 2016 reflect the continuation of the Extraordinary Levy on the Energy Sector (€25.9 million in 2016 and €25.4 million in 2015).

Excluding non-recurring effects, net income grew 3.3% (+ €3.1 million).

Financial results increased 10.0% (+ €7.1 million) when compared to the same period of the previous year, reflecting the 0.52p.p. reduction in the average cost of debt, from 3.96% in the third quarter of 2015 to 3.44% in the same period of 2016, despite the 1.5% increase in net debt to €2,484.9 million.

Capex reached €73.4 million and transfers to RAB were €21.1 million, a decrease of €72.4 million and €58.4 million, respectively, when compared to the previous year. The average RAB decreased €32.2 million (-0.9%), reaching €3,502.0 million.

Main Indicators (millions of Euros)	September 2016	September 2015	Var.%
EBITDA	357.2	372.3	-4.1%
Financial income[1]	-63.4	-70.5	10.0%
Net income	70.5	91.6	-23.1%
Recurrent net income	96.4	93.3	3.3%
Total Capex	73.4	145.8	-49.7%
Transfers to RAB (at historic costs)[2]	21.1	79.6	-73.4%
Average RAB (at reference costs)	3,502.0	3,534.2	-0.9%
Net debt	2,484.9	2,447.0	1.5%
Average cost of debt	3.44%	3.96%	-0.52p.p.

[1] Financial charges of €0.5 million in September of 2016 and revenues of €0.3 million in September of 2015 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.
[2] Includes direct acquisitions (RAB related).

Operating income – EBITDA

EBITDA reached €357.2 million, a decrease of 4.1% (- €15.1 million) as compared to the same period of the previous year.

EBITDA (millions of Euros)	September 2016	September 2015	Var.%
1) Revenues from assets	**337.0**	**330.8**	**1.9%**
RAB remuneration	161.1	161.8	-0.4%
Smoothing differences (gas)	-1.1	-2.6	56.1%
Hydro land remuneration	0.2	0.2	-4.5%
Lease revenues from hydro protection zone	0.5	0.5	-1.2%
Remuneration of fully depreciated assets	14.9	13.9	7.1%
Recovery of depreciation (net of investment subsidies)	147.8	143.5	3.0%
Depreciation of investment subsidies	13.6	13.5	0.7%
2) Revenues from OPEX	**70.8**	**68.4**	**3.6%**
3) Other revenues	**11.9**	**34.4**	**-65.5%**
4) Own works (capitalised in investment)	**11.4**	**12.0**	**-5.1%**
5) Earnings on Construction – Concession assets (excl. own works capitalised in investment)	**61.9**	**133.5**	**-53.6%**
6) OPEX	**73.7**	**72.9**	**1.1%**
Personnel costs[3]	37.8	38.9	-2.7%
External costs	35.9	34.1	5.4%
7) Construction costs – Concession assets	**61.9**	**133.5**	**-53.6%**
8) Provisions/ (reversal)	**0.3**	**-0.2**	**n.m**
9) Impairments /(reversal)	**-0.1**	**0.6**	**n.m**
10) EBITDA (1+2+3+4+5-6-7-8-9)	357.2	372.3	-4.1%

This evolution was explained mostly by the 2015 non-recurring gain with the sale of REN's 1% stake in Enagas (- €20.1 million in EBITDA), slightly offset by the growth of regulated asset base revenues, namely:

- The evolution of revenues from recovery of depreciation (+ €4.5 million), refleting the increase in the regulated gross assets;

The group operating costs increased 1,1% (+ €0.8 million), reflecting the increase in pass-thorugh costs – non core external costs (+ €2.2 million), while core external costs and personnel costs decreased 1,4% and 2,7%, respectively.

[3] Includes costs with training and seminars and provisions for staff costs

Net income

In the third quarter of 2016, net income reached €70.5 million, a decrease of €21.2 million (-23.1%) as compared to the previous year, affected essentially by the €15.1 million reduction in EBITDA due to the 2015 non-recurring gain with the sale of Enagas (- €20.1 million in EBITDA; - €16.1 million in net income), and the increase in income tax expenses, reflecting the positive one-off effect of €9.9 million related to the recovery of taxes linked to re-valuation of assets.

On the other hand, financial results increased (+ €7.1 million, +10.0%), driven by the 0,5p.p. decrease in the average cost of debt, from 3.96% to 3.44%, despite the 1.5% increase in net debt to € 2,484.9 million.

When adjusted for non-recurring items, Recurring Net Income grew 3.3% (+ €3.1 million). Non-recurring items considered in the third quarter of 2016 and 2015 are as follows:

In 2016: i) Extraordinary Levy on the Energy Sector in the State Budget for 2016 (€25.9 million).

In 2015: i) cost of carry of the European Investment Bank escrow account (€2.9 million; €2.0 million post tax); ii) Extraordinary Levy on the Energy Sector in the State Budget for 2015 (€25.4 million); iii) Capital gains with the sale of the stake in Enagás (- €20.1 million; - €16.1 million post tax); and iv) a one-off effect related to the recovery of taxes linked to re-valuation of assets (€9.9 million; €9,7 milllion net of associated costs and after taxes).

NET INCOME (millions of Euros)	September 2016	September 2015	Var.%
EBITDA	**357.2**	**372.3**	**-4.1%**
Amortizations	160.5	156.4	2.6%
Financial income[4]	-63.4	-70.5	10.0%
Income tax expenses	36.9	28.4	30.0%
Extraordinary levy on the energy sector	25.9	25.4	1.9%
Net income	**70.5**	**91.6**	**-23.1%**
Non-recurring items	25.9	1.7	1402.5%
Recurrent net income	96.4	93.3	3.3%

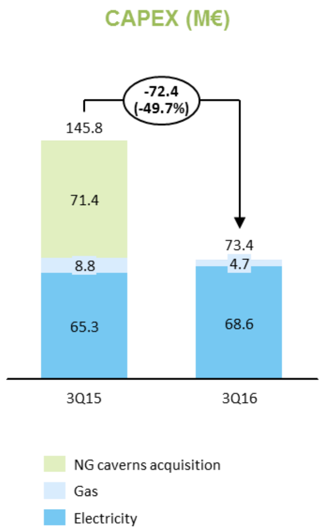
[4] Financial charges of €0.5 million in September of 2016 and revenues of €0.3 million in September of 2015 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.

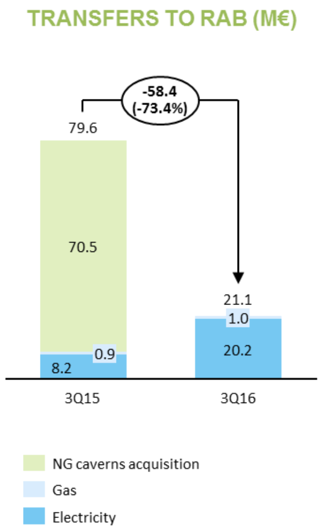
Average RAB and investment

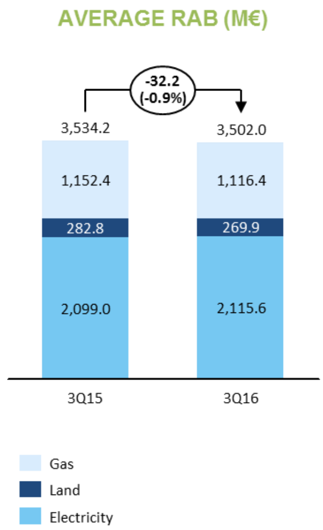
In the third quarter of 2016, capex reached €73.4 million, a €72.4 million decrease (-49.7%) when compared to the same period of the previous year, and transfers to RAB were €21.1 million, a decrease of €58.4 million (-73.4%). These reductions were mostly driven by the evolution in the natural gas segment, affected by the acquisition of the NG underground storage assets to Galp in May 2015 (€71.4 million in capex, and €70.5 million in transfers to RAB).

In electricity, the investment in the third quarter of 2016 was €68.6 million, with relevant projects such as the Line Pedralva – Ponte de Lima (€9.1 million), part of the new axis at 400kV between Porto and Minho regions, the remodeling of Carregado (€4.3 million) and Porto Alto substations (€4.7 million), the project of the initial installation in Alcochete substation (€5.0 million) and the line Terras Altas Fafe-Riba D'Ave (€2.7 million).

The average RAB decreased €32.2 million (-0.9%), reaching €3,502.0 million. This decrease reflects the reduction of 3.1% in natural gas (-€36.0 million) and -4.5% in lands (- €12.9 million), partially offset by the increase of 0.8% in electricity (+ €16.7 million).







Quarterly statements of profit or loss and comprehensive income for the periods from 1 July to 30 September of 2016 and 2015

Consolidated statements of profit or loss (unaudited information)

(Amounts expressed in thousands of Euros - tEuros)

	01.07.2016 to 30.09.2016	01.07.2015 to 30.09.2015
Sales	47	132
Services rendered	133,226	131,858
Revenue from construction of concession assets	35,680	46,857
Gains from associates and joint ventures	257	138
Other operating income	5,057	5,006
Operating income	**174,267**	**183,992**
Cost of goods sold	(43)	(111)
Cost with construction of concession assets	(31,650)	(42,490)
External supplies and services	(10,236)	(8,120)
Employee compensation and benefit expense	(12,488)	(12,529)
Depreciation and amortizations	(53,492)	(52,314)
Other expenses	(2,968)	(2,803)
Operating costs	**(110,877)**	**(118,367)**
Operating results	**63,390**	**65,624**
Financial costs	(23,238)	(25,449)
Financial income	1,542	(463)
Investment income - dividends	-	351
Financial results	**(21,696)**	**(25,561)**
Profit before income taxes	**41,694**	**40,063**
Income tax expense	(11,771)	(11,006)
Extraordinary contribution on energy sector	-	(12,722)
Net profit for the period	**29,923**	**16,335**
Attributable to:		
Equity holders of the Company	29,923	16,335
Non-controlled interest	-	-
Consolidated profit for the period	**29,923**	**16,335**
Earnings per share (expressed in euro per share)	0.06	0.03

Consolidated statements of comprehensive income
(unaudited information)

(Amounts expressed in thousands of Euros - tEuros)

	01.07.2016 to 30.09.2016	01.07.2015 to 30.09.2015
Net Profit for the year	**29,923**	**16,335**
Other income and cost recorded in equity:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains / (losses)	-	308
Tax effect on actuarial gains / (losses)	-	(89)
Items that will be reclassified subsequently to profit or loss:		
Increase/(decrease) in hedging reserves - cash flow derivatives	(1,749)	(4,958)
Tax effect on hedging reserves	367	1,041
Gain/(loss) in fair value reserve - available-for-sale assets	(4,535)	3,059
Tax effect on fair value reserves	952	(643)
Comprehensive income for the year	**24,959**	**15,054**
Attributable to:		
Shareholders of the company	24,959	15,054
Non-controlling interests	-	-
	24,959	**15,054**

CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of 30 September 2016 and 31 December 2015

(Amounts expressed in thousands of Euros – tEuros)

	Notes	Sep 2016	Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	531	695
Goodwill		3,774	3,774
Intangible assets	5	3,781,998	3,869,085
Investments in associates and joint ventures	6	15,571	14,588
Available-for-sale financial assets	9	155,446	154,862
Derivative financial instruments	11	37,708	10,157
Other financial assets	8	12	7
Trade and other receivables	10	116,693	133,676
Deferred tax assets	7	66,180	65,838
		4,177,913	**4,252,682**
Current assets			
Inventories		2,900	2,985
Trade and other receivables	10	315,735	263,766
Derivative financial instruments	11	776	-
Current income tax recoverable	7	-	5,358
Other financial assets	8	1,340	1,510
Cash and cash equivalents	12	71,724	63,652
		392,475	**337,271**
Total assets	4	**4,570,388**	**4,589,953**
EQUITY			
Shareholders' equity:			
Share capital	13	534,000	534,000
Treasury shares	13	(10,728)	(10,728)
Other reserves	13	315,789	325,619
Retained earnings		217,463	196,253
Other changes in equity		30	30
Net profit for the period		70,453	116,115
Total equity		**1,127,008**	**1,161,289**
LIABILITIES			
Non- current liabilities			
Borrowings	14	2,148,070	1,891,245
Liability for retirement benefits and others	15	125,766	129,217
Derivative financial instruments	11	21,526	8,426
Provisions	16	6,014	5,717
Trade and other payables	17	322,181	332,232
Deferred tax liabilities	7	80,402	88,249
		2,703,959	**2,455,086**
Current liabilities			
Borrowings	14	452,973	650,755
Provisions	16	817	1,171
Trade and other payables	17	267,037	315,735
Income tax payable	7	16,410	-
Derivative financial instruments	11	2,184	5,918
		739,422	**973,579**
Total liabilities	4	**3,443,381**	**3,428,664**
Total equity and liabilities		**4,570,388**	**4,589,953**

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 September 2016.

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Consolidated statements of profit or loss for the nine month periods ended 30 September 2016 and 2015

(Amounts expressed in thousands of Euros - tEuros)

	Notes	Sep 2016	Sep 2015
Sales	4 and 18	201	532
Services rendered	4 and 18	403,632	396,493
Revenue from construction of concession assets	4 and 19	73,320	145,490
Gains / (losses) from associates and joint ventures	6	983	534
Other operating income	20	15,320	35,869
Operating income		**493,455**	**578,918**
Cost of goods sold		(250)	(536)
Cost with construction of concession assets	19	(61,910)	(133,469)
External supplies and services	21	(26,283)	(24,786)
Employee compensation and benefit expense	22	(37,563)	(38,762)
Depreciation and amortizations	5	(160,529)	(156,417)
Provisions	16	(322)	245
Impairments	9 and 10	120	(600)
Other expenses	23	(9,633)	(9,021)
Operating costs		**(296,372)**	**(363,346)**
Operating results		**197,083**	**215,571**
Financial costs	24	(74,001)	(80,553)
Financial income	24	5,911	6,004
Investment income - dividends	9	4,260	4,387
Financial results		**(63,830)**	**(70,163)**
Profit before income tax		**133,253**	**145,409**
Income tax expense	7	(36,862)	(28,354)
Energy sector extraordinary contribution	25	(25,938)	(25,445)
Net profit for the period		**70,453**	**91,609**
Attributable to:			
Equity holders of the Company		70,453	91,609
Non-controlled interest		-	-
Consolidated profit for the period		**70,453**	**91,609**
Earnings per share (expressed in Euro per share)	26	0.13	0.17

The accompanying notes form an integral part of the consolidated statement of profit or loss for the nine month period ended 30 September 2016.

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Consolidated statements of comprehensive income for the nine month periods ended 30 September 2016 and 2015

(Amounts expressed in thousands of Euros – tEuros)

	Notes	30 September 2016	30 September 2015
Net Profit for the period		**70,453**	**91,609**
Other income and cost recorded in equity:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses)		(87)	1,048
Tax effect on actuarial gains / (losses)	7	25	(304)
Other changes in equity		-	30
Items that will be reclassified subsequently to profit or loss:			
Increase/(decrease) in hedging reserves - cash flow derivatives	11	(15,724)	11,141
Tax effect on hedging reserves	7 and 11	3,302	(2,340)
Gain/(loss) in fair value reserve - available-for-sale assets	9	289	6,094
Tax effect on fair value reserves	7 and 9	(1,889)	(422)
Reclassification adjustments:			
Gain/(loss) in fair value reserve - available-for-sale assets	9	-	(20,083)
Tax effect on fair value reserves	7 and 9	-	3,966
Comprehensive income for the period		**56,369**	**90,740**
Attributable to:			
Shareholders of the company		56,369	90,740
Non-controlling interests		-	-
		56,369	**90,740**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the nine month period ended 30 September 2016.

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Consolidated statements of changes in equity for the nine month periods ended 30 September 2016 and 2015

(Amounts expressed in thousands of Euros – tEuros)

		Attributable to shareholders									
Changes in the period	Notes	Share capital	Own shares	Legal Reserve	Fair Value reserve (Note 9)	Hedging reserves (Note 11)	Other reserves	Other changes in equity	Retained earnings	Profit for the period	Total
At 1 January 2015		**534,000**	**(10,728)**	**97,295**	**60,313**	**(19,468)**	**177,482**	**-**	**183,896**	**112,777**	**1,135,567**
Net profit of the period and other comprehensive income		-	-	-	(10,445)	8,801	-	30	744	91,609	90,740
Distribution of dividends	27	-	-	-	-	-	-	-	(90,650)	-	(90,650)
Transfer to other reserves		-	-	5,313	-	-	-	-	107,464	(112,777)	-
At 30 September 2015		**534,000**	**(10,728)**	**102,608**	**49,869**	**(10,667)**	**177,482**	**30**	**201,454**	**91,609**	**1,135,656**
At 1 January 2016		**534,000**	**(10,728)**	**102,608**	**54,489**	**(8,960)**	**177,482**	**30**	**196,253**	**116,115**	**1,161,289**
Net profit of the period and other comprehensive income		-	-	-	(1,599)	(12,422)	-	-	(62)	70,453	56,369
Distribution of dividends	27	-	-	-	-	-	-	-	(90,650)	-	(90,650)
Transfer to other reserves		-	-	4,192	-	-	-	-	111,922	(116,115)	-
At 30 September 2016		**534,000**	**(10,728)**	**106,800**	**52,890**	**(21,382)**	**177,482**	**30**	**217,463**	**70,453**	**1,127,008**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the nine month period ended 30 September 2016.

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Consolidated statements of cash flow for the nine month periods ended 30 September 2016 and 2015

(Amounts expressed in thousands of Euros – tEuros)

	Notes	Sep 2016		Sep 2015	
Cash flow from operating activities:					
Cash receipts from customers		1,385,544	a)	1,500,688	a)
Cash paid to suppliers		(1,036,350)	a)	(1,148,832)	a)
Cash paid to employees		(47,828)		(46,946)	
Income tax received/(paid)		(21,858)		(19,309)	
Other receipts/(payments) relating to operating activities		(32,844)		(67,292)	
Net cash flows from operating activities (1)		**246,663**		**218,309**	
Cash flow from investing activities:					
Receipts related to:					
Available-for-sale	9	-		63,278	
Property, plant and equipment		-		3	
Other financial assets		-		1,422	
Grants related to assets		100		4,123	
Interests and other similar income		5		139	
Dividends	9	5,466		5,513	
Payments related to:					
Available-for-sale		(202)		-	
Property, plant and equipment		(19)		(2)	
Intangible assets - Concession assets		(110,462)		(175,089)	
Net cash flows used in investing activities (2)		**(105,111)**		**(100,613)**	
Cash flow from financing activities:					
Receipts related to:					
Borrowings		4,313,500		1,824,000	
Payments related to:					
Borrowings		(4,267,284)		(1,838,764)	
Interests and other similar expense		(101,697)		(70,210)	
Dividends	27	(90,650)		(90,650)	
Net cash flows from/(used in) financing activities (3)		**(146,132)**		**(175,625)**	
Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)		(4,580)		(57,928)	
Cash and cash equivalents at the beginning of the year	12	63,539		112,599	
Cash and cash equivalents at the end of the period	12	**58,960**		**54,671**	
Detail of cash and cash equivalents					
Cash	12	21		21	
Bank overdrafts	12	(12,764)		(14,123)	
Bank deposits	12	71,703		68,773	
		58,960		**54,671**	

a) These amounts include payments and receipts relating to activities in which the Group acts as agent, income and costs being reversed in the consolidated statement of profit and loss.

The accompanying notes form an integral part of the consolidated statement of cash flow for the nine month period ended 30 September 2016.

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

(Translation of notes originally issued in Portuguese – Note 31)

1 GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, was formed from the spin-off of the EDP Group, in accordance with Decree-Laws 7/91 of 8 January and 131/94 of 19 May, approved by the Shareholders' General Meeting held on 18 August 1994, with the objective of ensuring the overall management of the Public Electric Supply System (PES).

Up to 26 September 2006 the REN Group's operations were concentrated on the electricity business through REN – Rede Eléctrica Nacional, S.A.. On 26 September 2006, as a result of the unbundling transaction of the natural gas business, the Group underwent a significant change with the purchase of assets and financial participations relating to the transport, storage and re-gasification of natural gas activities, comprising a new business.

In the beginning of 2007 the Company was transformed into a holding company and, after the transfer of the electricity business to a new company formed on 26 September 2006, named REN – Serviços de Rede, S.A., changed its name to REN – Rede Eléctrica Nacional, S.A..

The Group presently has two main business areas, Electricity and Gas, and a secondary business, in the area of Telecommunications.

The Electricity business includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., founded on 26 September 2006, the activities of which are carried out under a concession contract for a period of 50 years as from 2007 and establishes the global management of the Public Electricity Supply System (PES);

b) REN Trading, S.A., founded on 13 June 2007, the main function of which is the management of power purchase agreements ("PPA") from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Maintenance of Contractual Equilibrium Contracts (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, with national and international distributors;

c) Enondas, Energia das Ondas, S.A. was founded on 14 October 2010, its capital being fully held by REN - Redes Energéticas Nacionais, SGPS, S.A., its main activity being management of the concession to operate a pilot area for the production of electricity from sea waves.

The Gas business includes the following companies:

a) REN Gás, S.A., was founded on 29 March 2011, with the corporate objectives of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has participations.

b) REN Gasodutos, S.A. was founded on 26 September 2006, the capital of which was paid up through integration into the company of the gas transport infrastructures (network, connections, and compression);

c) REN Armazenagem, S.A. was founded on 26 September 2006, the capital of which was paid up through integration into the company of the underground gas storage assets;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company consist of the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilisation and maintenance of the necessary infrastructures.

The operations of these companies mentioned in points b) to d) are carried out under three concession contracts granted separately for periods of 40 years as from 2006.

The telecommunications business is managed by RENTELECOM Comunicações, S.A., the operations of which consist of the establishment, management and utilization of telecommunications systems and infrastructures, supplying communications services and optimizing the excess capacity of the fibre optics belonging to the REN Group.

REN SGPS also has the wholly owned subsidiary REN – Serviços, S.A., which has the objective of rendering services in the energetic areas and general services on the support of the business development, for related companies and third parties, receiving remuneration for these services, as well as the management of participations the company has in other companies.

On 10 May 2013 was incorporated REN Finance, B.V., wolly owned by REN SGPS, based in Netherlands, whose object is to participate, finance, collaborate and lead the management of related companies.

Additionally on 24 May 2013, together with China Electric Power Research Institute, Entity of the State Grid Group, was incorporated the Centro de Investigação em Energia REN – State Grid, S.A. ("Centro de Investigação") under a Joint Venture in which the Group holds 1,500,000 shares representing 50% of the share capital.

The objective of this company is to implement a Center for Research and Development in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

As of 30 September 2016 REN has also:

a) 40% interests in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), having as its corporate object the management of participations in other companies as an indirect way of exercising economic activities. The company became the shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), which function is the management of the derivatives market in MIBEL and Omiclear – Sociedade de Compensação de Mercados de Energia, S.A. a company owned by the OMIP and which has the corporate object of clearing futures and options operations;

b) Two participations of 10% each: (i) interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator; and (ii) interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European Transmission System Operators ("TSO") in coordination and security activities to ensure the safety of electricity supply in Europe;

c) Participation in share capital of: (i) Medgrid, SAS, participation of 8%; (ii) Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), participation of 7.5%; and (iii) MIBGAS, S.A., participation of 6.67%; and

d) One participation of 1% in the share capital of Red Electrica Corporatión, S.A. ("REE"), entity responsible for managing the electric network in Spain;

1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 30 September 2016 and 31 December 2015:

		30 September 2016 % Owned		31 December 2015 % Owned	
Designation / adress	Activity	Group	Individual	Group	Individual
PARENT COMPANY:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
SUBSIDIARIES:					
Electricity segment:					
REN - Rede Electrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, nº7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
Telecommunications segment:					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
Other segments:					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuberstraat 93, Unit 205 1081 CN Amsterdam	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
Natural gas segment:					
REN Atlântico , Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Owned by REN Gas, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-

There were no changes in the consolidation perimeter in 2016 with respect to what was reported on 31 December 2015.

1.2. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 4 November 2016. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

2 BASIS OF PRESENTATION

The consolidated financial statements for the nine month period ended 30 September 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as endorsed by the European Union (IAS 34), therefore do not include all information required for annual financial statements so should be read in conjunction with the annual financial statements issued for the year ended 31 December 2015.

The consolidated financial statements are presented in thousands of Euros – tEuros, rounded to the nearest thousand.

3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in the respective countries, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2016.

Such standards include International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective SIC and IFRIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been endorsed by the European Union. The standards and interpretations are hereinafter referred generically to as IFRS.

The accounting policies used to prepare these consolidated financial statements are consistent in all material respects, with the policies used to prepare the consolidated financial statements for the year ended 31 December 2015, as explained in the notes to the consolidated financial statements for 2015. These policies were applied consistently in the presented periods.

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in the economic exercises beginning on or after 1 January 2016:

- Annual improvements to IFRS (2010-2012 cycle) (amendment) - cyclically are introduced improvements which aim to clarify and simplify the application of international standards. The amendments of the 2010-2012 cycle focused on the review, namely of, IAS 16 (clarifies the accounting treatment to apply when the entity adopts the revaluation method in the subsequent measurement of property, plant and equipment, IFRS 3 (clarification of some aspects in the record of a contingent payment included in a business combination) and IFRS 8 (introduces new disclosure requirements: (i) management judgment for aggregation of operating segments, and (ii) reconciliation of segment assets and the assets of the company). From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

- IAS 19 "Employee Benefits" (amendment) - This amendment clarifies the circumstances under which employee contributions for post-employment benefit plans reduce the costs with short-term benefits.
  From the adoption of this amendment no significant impacts on REN´s consolidated financial statements occurred.

- IAS 1 - Presentation of financial statements (amendment) - This amendment is part of an ample reform project of the principles and requirements of presentation and disclosure of financial reporting (Disclosure initiative), being this review the first step of this project. Therefore, this amendment shall amend a set of disclosures contained in IAS 1.
  From the adoption of this amendment no significant impacts on REN´s consolidated financial statements occurred.

- Annual improvements to IFRS (2012-2014 cycle) (amendment) - Improvements to clarify and simplify the international financial reporting are introduced cyclically. As part of the cyclical review carried out for the period 2012-2014 the following standards have been changed: IFRS 5 (clarifies that the reclassification of Assets for distribution to owners to Assets held for sale, or otherwise, does not qualify as an amendment to the initial plan to sell); IFRS 7 (this amendment inserts additional information on the concept of continued involvement); IAS 19 (clarifies the discount rate calculation, specifying that the calculation must be determined by reference to high quality bonds); and IAS 34 (clarifies how disclosures should be presented in the interim financial reporting).
  From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

- IAS 27 - Separate Financial Statements (amendment) - This amendment intends to restore the equity method as an investment accounting option in subsidiaries, joint ventures and associates in the separate financial statements of an entity that presents consolidated financial statements.
  From the adoption of this amendment no significant impacts on REN´s consolidated financial statements occurred.

- IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture (amendment) - This amendment will change the method of measurement of biological assets, specifically those used in the production of agricultural products. In this sense, it is allowed the option to measure these biological assets under IAS 16 using the cost method to the detriment of fair value.
  From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

- IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets (amendment) - The amendments clarify which methods of depreciation of property, plant and equipment and intangible assets are allowed.
  From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

- IFRS 11 - Joint Arrangements (amendment) - This amendment requires the purchaser of an interest in a joint operation, in which the operation is a business (as defined in IFRS 3 - Business combinations): (i) apply all the accounting principles in business combination set out in IFRS 3 and other IFRS, with the exception of principles that conflict with the guidance of IFRS 11 and (ii) disclose the information required by IFRS 3 and other IFRS for business combinations.

  From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

- IFRS 10, 12 and IAS 28 (amendment) - This amendment clarifies that the exemption from the obligation to consolidate is applicable to an intermediate parent company that constitutes an investment entity subsidiary. In addition, it clarifies that the option of applying the equity method is extended to a non-investment entity that holds an interest in an associate or joint venture that is an investment entity.

  From the adoption of these amendments no significant impacts on REN´s consolidated financial statements occurred.

Standards and interpretations, amended or revised not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were not, until the date of preparation of these consolidated financial statements, been endorsed by the European Union:

Standard	Applicable for financial years beginning on or after	Resume
IFRS 9 - Financial instruments	01-Jan-18	This standard sets out requirements for the classification and mensuration of financial instruments and for the aplication of hedge accounting.
IFRS 14 - Regulatory deferral accounts	-	IFRS 14 establish the requirements for reporting by entities adopting IFRS for the first time the normative applicable to regulatory items, allowing the continuation of previous generally accepted accounting principle for the recognition, measurement , impairment, and derecognition of regulatory deferral balances. IFRS requires the presentation of regulatory deferral balances recognized separately from other assets and liabilities as well as expenses and income.
IFRS 15 - Revenue from Contracts with Customers	01-Jan-18	This standard intended to replace the revenue standards (IAS 11 and IAS 18) and clarifies the principles of revenue recognition, consistently making its application to various transactions and economic activities.
IFRS 16 - Leases	01-Jan-19	This standard intended to replace the leases standards (IAS 17, IFRIC 4, SIC-15 and SIC-27) and clarifies the principles of recognition, measurement, presentation and disclosure.
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	01-Jan-17	The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.
Amendments to IAS 7 - Statement of Cash Flows	01-Jan-17	The objective of the amendments, which is part of an extensive project to reform the principles and requirements of presentation and disclosure of financial reporting (disclosure initiative), is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. For this purpose, the amendment establishes additional requirements for disclosure for financing activities.
Clarifications to IFRS 15 - Revenue from contracts with customers	01-Jan-18	The amendments intend to clarify how the principles set up in IFRS 15 should be applied.
Amendments to IFRS 2 - Share-based payment	01-Jan-18	The amendment clarifies certain definitions, such as definition of vesting condition and market condition, in order to ensure consistency in classification of the share-based payments.
Amendments to IFRS 4 - Insurance Contracts	01-jan-18	The amendment clarifie, the accounting impacts of the different effective dates of IFRS 4 and IFRS 9.

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 30 September 2016.

4 SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007 and the pilot zone for electricity production from sea waves. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal and the underground storage of natural gas.

Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to a single user, which is also the main user of the high pressure gas transport system, it was considered that it is subject to the same risks and benefits.

The telecommunications segment is presented separately although it does not qualify for disclosure.

Management of external loans are centrally managed by REN SGPS, S.A. for which the Company choose to present the assets and liabilities separate from its eliminations that are undertaken in the consolidation process, as used by the main responsible operating decision maker.

The results by segment for the nine month period ended 30 September 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**273,912**	**125,730**	**4,050**	**25,364**	**(25,222)**	**403,833**
Inter-segments	569	327	46	24,281	(25,222)	-
Revenues from exernal customers	273,343	125,403	4,004	1,083	-	403,833
Revenue from construction of concession assets	68,580	4,740	-	-	-	73,320
Cost with construction of concession assets	(58,731)	(3,180)	-	-	-	(61,910)
Gains from associates and joint ventures	-	-	-	983	-	983
External supplies and services	(29,432)	(15,486)	(1,197)	(10,950)	30,782	(26,283)
Employee compensation and benefit expense	(15,787)	(5,982)	(185)	(15,610)	-	(37,563)
Other expenses and operating income	8,640	1,603	(9)	1,417	(6,215)	5,436
Operating cash flow	**247,183**	**107,425**	**2,659**	**1,204**	**(655)**	**357,816**
Investment income - dividends	-	-	-	4,260	-	4,260
Non reimbursursable expenses						
Depreciation and amortizations	(115,626)	(44,733)	-	(171)	-	(160,529)
Provisions	(319)	(3)	-	-	-	(322)
Impairment of trade receivables	28	-	-	92	-	120
Financial results						
Financial income	6	10,896	24	122,520	(127,536)	5,911
Financial costs	(54,327)	(25,710)	(1)	(121,903)	127,940	(74,001)
Profit before income tax	**76,945**	**47,875**	**2,683**	**6,002**	**(251)**	**133,253**
Income tax expense	(22,342)	(12,578)	(572)	(1,370)	-	(36,862)
Energy sector extraordinary contribution	(18,302)	(7,635)	-	-	-	(25,938)
Profit for the year	**36,301**	**27,661**	**2,110**	**4,632**	**(251)**	**70,453**

Results by segment for the nine month period ended 30 September 2015 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**264,088**	**128,836**	**4,317**	**28,171**	**(28,388)**	**397,025**
Inter-segments	471	425	51	27,441	(28,388)	-
Revenues from exernal customers	263,617	128,411	4,267	730	-	397,025
Revenue from construction of concession assets	65,283	80,207	-	-	-	145,490
Cost with construction of concession assets	(55,075)	(78,394)	-	-	-	(133,469)
Gains from associates and joint ventures	-	-	-	534	-	534
External supplies and services	(30,064)	(16,803)	(1,247)	(13,075)	36,402	(24,786)
Employee compensation and benefit expense	(17,101)	(5,851)	(204)	(15,607)	-	(38,762)
Other expenses and operating income	12,433	1,636	(329)	20,585	(8,015)	26,311
Operating cash flow	239,565	109,632	2,537	20,609	-	372,343
Investment income - dividends	-	-	-	4,387	-	4,387
Non reimbursursable expenses						
Depreciation and amortizations	(112,962)	(43,275)	(7)	(173)	-	(156,417)
Provisions	(67)	345	-	(33)	-	245
Impairments	-	-	-	(600)	-	(600)
Financial results						
Financial income	51	12,666	56	128,916	(135,686)	6,004
Financial costs	(55,553)	(26,476)	(1)	(134,209)	135,686	(80,553)
Profit before income tax	**71,034**	**52,892**	**2,586**	**18,896**	**-**	**145,409**
Income tax expense	(10,669)	(14,156)	(594)	(2,935)	-	(28,354)
Energy sector extraordinary contribution	(18,203)	(7,242)	-	-	-	(25,445)
Profit for the year	**42,162**	**31,494**	**1,992**	**15,962**	**-**	**91,609**

Inter-segment transactions are carried out under normal market conditions, equivalent to transactions with third parties.

Revenue included in the segment “Others” is essentially related to the services provided by the management and *back office* to Group entities as well as third parties.

Assets and liabilities by segment as well as capital expenditures for the nine month period ended 30 September 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	526,615	-	1,409,751	(1,936,365)	-
Property, plant and equipment and intangible assets	2,600,766	1,181,278	-	485	-	3,782,529
Other assets	549,054	505,888	6,028	4,718,817	(4,991,928)	787,859
Total assets	**3,149,820**	**2,213,781**	**6,028**	**6,129,053**	**(6,928,293)**	**4,570,388**
Total liabilities	**2,575,895**	**1,013,491**	**2,566**	**4,843,357**	**(4,991,928)**	**3,443,381**
Capital expenditure - total	**68,643**	**4,740**	**-**	**-**	**-**	**73,383**
Capital expenditure - property, plant and equipment (Note 5)	63	-	-	-	-	63
Capital expenditure - intangible assets (Note 5)	68,580	4,740	-	-	-	73,320
Investments in associates (Note 6)	**-**	**-**	**-**	**12,784**	**-**	**12,784**
Investments in joint ventures (Note 6)	**-**	**-**	**-**	**2,787**	**-**	**2,787**

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2015 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	536,982	-	1,495,291	(2,032,272)	-
Property, plant and equipment and intangible assets	2,647,770	1,221,372	-	637	-	3,869,780
Other assets	454,256	508,041	6,891	4,162,452	(4,411,466)	720,173
Total assets	**3,102,026**	**2,266,396**	**6,891**	**5,658,379**	**(6,443,739)**	**4,589,953**
Total liabilities	**2,513,407**	**1,050,103**	**2,991**	**4,273,631**	**(4,411,466)**	**3,428,664**
Capital expenditure - total	**148,181**	**91,887**	**-**	**295**	**-**	**240,364**
Capital expenditure - property, plant and equipment (Note 5)	67	-	-	295	-	362
Capital expenditure - intangible assets (Note 5)	148,114	91,887	-	-	-	240,002
Investments in associates (Note 6)	**-**	**-**	**-**	**12,395**	**-**	**12,395**
Investments in joint ventures (Note 6)	**-**	**-**	**-**	**2,193**	**-**	**2,193**

The liabilities included in the segment “Others” are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN FINANCE, B.V. for financing the several activities of the Group.

The captions of the statement of financial position and profit and loss for each segment result of the amounts considered directly in the individual financial statements of each company that belongs to the Group included in the perimeter of each segment, corrected with the reversal of the intra-segment transactions.

5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the nine month period ended 30 September 2016, the changes in intangible assets and property, plant and equipment in the period were as follows:

	1 January 2016			Changes					30 September 2016		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	-
Buildings, halls and construction	27	(4)	23	-	-	-	(4)	-	27	(8)	19
Transport equipment	1,038	(469)	569	57	(147)	-	(155)	103	948	(521)	427
Office equipment	302	(201)	102	6	(11)	-	(23)	11	297	(212)	85
	1,470	**(776)**	**695**	**63**	**(159)**	**-**	**(182)**	**114**	**1,375**	**(843)**	**531**

	1 January 2016			Changes					30 September 2016		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets:											
Concession assets	7,212,146	(3,404,818)	3,807,329	620	(814)	20,522	(160,348)	755	7,233,228	(3,565,165)	3,668,063
Concession assets in progress	61,756	-	61,756	72,701	-	(20,522)	-	-	134,457	-	113,934
	7,273,902	**(3,404,818)**	**3,869,085**	**73,320**	**(814)**	**-**	**(160,348)**	**755**	**7,367,685**	**(3,565,165)**	**3,781,998**
Total of property, plant and equipment and intangible assets	**7,275,373**	**(3,405,593)**	**3,869,779**	**73,383**	**(973)**	**-**	**(160,529)**	**869**	**7,369,060**	**(3,566,009)**	**3,782,529**

During the year ended 31 December 2015, the changes in in intangible assets and property, plant and equipment in the year were as follows:

	1 January 2015			Changes					31 December 2015		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(100)	2	-	-	-	(2)	-	103	(103)	-
Buildings, halls and construction	-	-	-	27	-	-	(4)	-	27	(4)	23
Transport equipment	1,330	(746)	585	267	(559)	-	(217)	493	1,038	(469)	569
Office equipment	257	(162)	95	68	(23)	-	(54)	15	302	(201)	102
	1,690	(1,008)	682	362	(582)	-	(276)	508	1,470	(776)	695
	1 January 2015			**Changes**					**31 December 2015**		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets											
Concession assets	6,982,322	(3,197,824)	3,784,498	75,512	(2,151)	156,464	(209,026)	2,033	7,212,146	(3,404,818)	3,807,329
Concession assets in progress	53,730	-	53,730	164,489	-	(156,464)	-	-	61,756	-	61,756
	7,036,052	(3,197,824)	3,838,228	240,002	(2,151)	-	(209,026)	2,033	7,273,902	(3,404,818)	3,869,085
Total of property, plant and equipment and intangible assets	**7,037,742**	**(3,198,832)**	**3,838,910**	**240,364**	**(2,733)**	**-**	**(209,303)**	**2,541**	**7,275,373**	**(3,405,593)**	**3,869,779**

During the nine month period ended 30 September 2016, the additions recorded are related essentially to the investments on construction/renovation and expansion of electrical grid.

The main additions verified in the periods ended 30 September 2016 and 31 December 2015 are made up as follows:

	Sep 2016	Dec 2015
Electricity segment		
Power line construction (220 KV and 400 KV)	13,477	68,526
Other power line constructions	7,650	6,555
Construction of new substations	5,655	18,735
Substation Expansion	33,264	38,499
Other renovations in substations	1,859	3,764
Telecommunications and information system	3,929	6,427
Pilot zone construction - wave energy	155	317
Buildings related to concession	1,499	3,334
Other assets	1,092	2,023
Gas segment		
Expansion and improvements to gas transmission network	3,572	7,374
Construction project of cavity underground storage of natural gas in Pombal	498	10,763
Assets of natural gas underground storage in Pombal	-	71,451
Construction project and operating upgrade - LNG facilities	669	2,299
Others segment		
Other assets	63	295
Total of additions	**73,383**	**240,364**

The main transfers that were concluded and began activity during the periods ended 30 September 2016 and 31 December 2015 are made up as follows:

	Sep 2016	Dec 2015
Electricity segment		
Power line construction (220 KV and 400 KV)	-	58,052
Other power line constructions	6,690	403
Construction of new substations	-	25,552
Substation Expansion	8,798	35,736
Other renovations in substations	771	5,877
Telecommunications and information system	905	6,605
Buildings related to concession	2,241	3,689
Other assets under concession	218	1,292
Other assets	34	-
Gas segment		
Expansion and improvements to natural gas transmission network	866	6,262
Construction project of cavity underground storage of natural gas in Pombal	-	10,467
Construction project and operating upgrade - LNG facilities	-	2,530
Total of transfers	**20,522**	**156,464**

The intangible assets in progress as of 30 September 2016 and 31 December 2015 are as follows:

	Sep 2016	Dec 2015
Electricity segment		
Power line construction (150KV/220KV and 400KV)	45,257	30,819
Substation Expansion	39,285	13,731
New substations projects	10,196	4,541
Other projects	4,807	1,999
Buildings related to concession	1,257	1,215
Gas segment	-	
Expansion and improvements to natural gas transmission network	9,115	6,580
Construction project of cavity underground storage of natural gas in Pombal	3,364	2,868
Construction project and operating upgrade - LNG facilities	653	2
Total of assets in progress	**113,934**	**61,756**

Financial costs capitalized in intangible assets in progress in the period ended 30 September 2016 amounted to 2,088 thousand Euros (2,054 thousand Euros as of 30 September 2015), while overhead and management costs capitalized amounted to 9,321 thousand Euros (9,966 thousand Euros as of 30 September 2015) (Note 19).

As of 30 September 2016 and 31 December 2015, the net book value of the assets financed through lease contracts was as follows:

	Sep 2016	Dec 2015
Cost	5,038	5,153
Accumulated depreciation and amortization	(2,388)	(1,749)
Net book value	**2,650**	**3,404**

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 30 September 2016 and 31 December 2015, the financial information regarding the financial investments in associates and joint ventures held is as follows:

			Financial information 30 September 2016								Interest owned		
	Activity	Head office	Share capital	Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	998	29,831	654	811	1,130	754	754	40	12,784	389
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,884	1,224	2,531	3	2,722	1,188	1,188	50	2,787	594
												15,571	**983**

			Financial information 31 December 2015								Interest owned		
	Activity	Head office	Share capital	Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	834	29,464	245	1,661	1,186	610	610	40 a)	12,395	322
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	9,692	1,237	6,542	7	2,988	892	892	50	2,193	446
												14,588	**768**

Associates

The changes in the caption "Investments in associates" during the period ended 30 September 2016 were as follows:

Associates	
At 1 January 2015	**10,829**
Effect of aplying the equity method	322
Changes in the associate equity	1,244
At 31 December 2015	**12,395**
Effect of aplying the equity method	389
At 30 September 2016	**12,784**

The proportional value of the result in OMIP, SGPS includes the effect of the adjustment arising from changes to the financial statements of the previous year, after the application of the equity method.

Joint ventures

The movement in the caption "Investments in joint ventures" during the period ended 30 September 2016 was as follows:

Joint ventures	
At 1 January 2015	**1,747**
Capital subscribed	
Effect of aplying the equity method	446
At 31 December 2015	**2,193**
Effect of aplying the equity method	594
At 30 September 2016	**2,787**

Following a joint agreement for a technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), it was incorporated in May 2013 a R&D center in Portugal, dedicated to power systems designated – Centro de Investigação em Energia REN – STATE GRID, S.A. ("Centro de Investigação") jointly controlled by the two entities.

This Entity aims to become a platform for international knowledge, a catalyst for innovative solutions and tools, applied to the planning and operation of transmission power.

As of 30 September 2016 and 31 December 2015, the financial information regarding the joint venture held is as follows:

	Other financial information						
	30 September 2016						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture							
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,574	6	4	(380)	-	1	236

	Other financial information						
	31 December 2015						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture							
Centro de Investigação em Energia REN - STATE GRID, S.A.	6,479	6	7	(93)	7	(2)	(108)

7 INCOME TAX

REN is taxed based on the special regime for the taxation of group of companies ("RETGS"), which includes all companies located in Portugal that REN detains directly or indirectly at least 75% of the share capital, which should give more than 50% of voting rights, and comply with the conditions of the article 69º of the Corporate Income Tax law.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or appeals in progress, in which case the period can be extended or suspended, depending on the circumstances.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 30 September 2016.

In 2016, in accordance with Law n. 7-A/2016, March 30, the Group is taxed at a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3.0% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros,(ii) an additional 5.0% of taxable profit between 7,500 thousand Euros and 35,000 thousand Euros and (iii) 7.0% over the taxable profit in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

The tax rate used in the valuation of temporary taxable and deductible differences as of 30 September 2016, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the nine months period ended 30 September 2016 and 2015 is detailed as follows:

	Sep 2016	Sep 2015
Current income tax	43,882	38,280
Adjustaments of income tax from previous year	(270)	(1,169)
Deferred income tax	(6,749)	(8,757)
Income tax	**36,862**	**28,354**

Reconciliation between tax calculated at the nominal tax rate and tax recorded in the consolidated statement of profit and loss is as follows:

	Sep 2016	Sep 2015
Consolidated profit before income tax	**133,253**	**145,409**
Permanent differences		
Positive/(negative) net worth variation	-	30
Non deductible costs	369	1,768
Non taxable income	(11,722)	(9,100)
Timing differences		
Tariff deviations	28,859	(2,650)
Provisions and impairments	(57)	273
Revaluations	3,801	3,883
Pension, helthcare assistence and life insurance plans	(3,538)	(2,788)
Derivative financial instruments	9,754	-
Others	(43)	627
Taxable income	160,677	137,451
Tax rate	33,683	28,865
State surcharge tax	7,275	6,771
Municipal surcharge	2,325	2,027
Autonomous taxation	600	617
Current income tax	43,882	38,280
Deferred income tax	(6,749)	(8,757)
Deferred income tax	(6,749)	(8,757)
Adjustments of estimated tax in previous years	(270)	(1,169)
Income tax	**36,862**	**28,354**
Effective tax rate	**27.7%**	**19.5%**

Income tax

The caption “Income tax” payable and receivable as of 30 September 2016 and 31 December 2015 is detailed as follows:

	Sep 2016	Dec 2015
Corporate income tax - estimated tax	-	(42,978)
Corporate income tax - payments on account	-	43,175
Income withholding tax by third parties	-	5,162
Income tax receivable	**-**	**5,358**
Corporate income tax - estimated tax	43,882	
Corporate income tax - payments on account	(24,903)	-
Income withholding tax by third parties	(2,569)	-
Income tax payable	**16,410**	**-**

Deferred taxes

The effect of deferred taxes recorded in the consolidated financial statements is as follows:

	Sep 2016	Sep 2015
Impact on the statement of profit and loss		
Deferred tax assets	(2,986)	3,101
Deferred tax liabilities	9,735	5,656
	6,749	8,757
Impact on equity		
Deferred tax assets	3,327	(2,643)
Deferred tax liabilities	(1,889)	3,544
	1,439	901
Net impact of deferred taxes	**8,188**	**9,658**

The changes in deferred tax by nature is as follows:

Change in deferred tax assets - September 2016

	Provisions /Impairments	Retirement benefits	Tariff deviations	Derivative financial instruments	Impairment of revalued assets	Others	Total
At 1 January 2016	**1,873**	**37,462**	**13,761**	**2,382**	**10,182**	**178**	**65,838**
Increase/decrease through reserves	-	25	-	3,302	-	-	3,327
Reversal through profit and loss	-	(1,027)	(1,506)	-	(446)	(12)	(2,990)
Increase through profit and loss	(1)	-	-	5	-	-	4
Change in the period	(1)	(1,001)	(1,506)	3,307	(446)	(12)	341
At 30 September 2016	**1,872**	**36,461**	**12,255**	**5,689**	**9,736**	**166**	**66,180**

Change in deferred tax assets - December 2015

	Provisions /Impairments	Retirement benefits	Tariff deviations	Derivative financial instruments	Impairment of revalued assets	Others	Total
At 1 January 2015	**1,818**	**36,715**	**22,275**	**5,175**	**-**	**-**	**65,982**
Increase/decrease through reserves	-	1,821	-	(2,793)	-	-	(972)
Reversal through profit and loss	(117)	(1,683)	(8,749)	-	-	-	(10,550)
Increase through profit and loss	173	610	235	-	10,182	178	11,378
Change in the period	56	747	(8,514)	(2,793)	10,182	178	(144)
At 31 December 2015	**1,873**	**37,462**	**13,761**	**2,382**	**10,182**	**178**	**65,838**

Deferred tax assets at 30 September 2016 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

Evolution of deferred tax liabilities - September 2016

	Tariff deviations	Revaluations	Derivative financial instruments	Fair value of Available-for-sale financial assets	Total
At 1 January 2016	**52,930**	**26,645**	**9**	**8,665**	**88,249**
Increase/decrease through equity	-	-	-	1,889	1,889
Reversal trough profit and loss	(8,192)	(1,534)	(9)	-	(9,735)
Change in the period	(8,192)	(1,534)	(9)	1,889	(7,847)
At 30 September 2016	**44,738**	**25,111**	**-**	**10,553**	**80,402**

Evolution of deferred tax liabilities - December 2015

	Tariff deviations	Revaluations	Derivative financial instruments	Fair value of Available-for-sale financial assets	Total
At 1 January 2015	**54,246**	**26,659**	**-**	**11,365**	**92,270**
Increase/decrease through equity	-	-	-	(2,700)	(2,700)
Reversal trough profit and loss	(1,316)	(14)	-	-	(1,330)
Increase through profit and loss	-	-	9	-	9
Change in the period	1,316	(14)	9	(2,700)	(4,021)
At 31 December 2015	**52,930**	**26,645**	**9**	**8,665**	**88,249**

Deferred tax liabilities relating to revaluations result from revaluations made in preceding years under legislation. The effect of these deferred taxes reflects the non tax deductibility of 40% of future depreciation of the revaluation component (included in the assets considered cost at the time of the transition to IFRS).

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)	
Electricity segment	**Natural gas segment**
Decree-Law nº 430/78	Decree-Law nº 140/2006
Decree-Law nº 399-G/81	
Decree-Law nº 219/82	
Decree-Law nº 171/85	
Decree-Law nº 118-B/86	
Decree-Law nº 111/88	
Decree-Law nº 7/91	
Decree-Law nº 49/91	
Decree-Law nº 264/92	

8 FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IAS 39 categories have been applied to the following financial assets and liabilities:

September 2016

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	-	-	-	-	-	71,724	71,724	71,724
Trade and other receivables	10	432,428	-	-	-	-	-	432,428	432,428
Other financial assets		-	-	-	-	1,340	12	1,352	1,352
Available-for-sale financial assets	9	-	-	-	155,446	-	-	155,446	155,446
Derivative financial instruments	11	-	38,484	-	-	-	-	38,484	38,484
Total financial assets		**432,428**	**38,484**	**-**	**155,446**	**1,340**	**71,736**	**699,434**	**699,434**
Liabilities									
Borrowings	14	-	-	-	-	-	2,601,043	2,601,043	2,689,380
Trade and other payables	17	-	-	-	-	-	290,969	290,969	290,969
Income tax payable	7	-	-	-	-	-	16,410	16,410	16,410
Drivative financial instruments	11	-	21,303	2,408	-	-	-	23,711	23,711
Total financial liabilities		**-**	**21,303**	**2,408**	**-**	**-**	**2,908,422**	**2,932,133**	**3,020,470**

December 2015

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	-	-	-	-	-	63,652	63,652	63,652
Trade and other receivables	10	397,442	-	-	-	-	-	397,442	397,442
Other financial assets		-	-	-	-	1,510	7	1,517	1,517
Available-for-sale financial assets	9	-	-	-	154,862	-	-	154,862	154,862
Income tax receivable	7	5,358	-	-	-	-	-	5,358	5,358
Derivative financial instruments	11	-	9,284	872	-	-	-	10,157	10,157
Total financial assets		**402,800**	**9,284**	**872**	**154,862**	**1,510**	**63,659**	**632,988**	**632,988**
Liabilities									
Borrowings	14	-	-	-	-	-	2,542,000	2,542,000	2,610,072
Trade and other payables	17	-	-	-	-	-	337,701	337,701	337,701
Drivative financial instruments	11	-	14,344	-	-	-	-	14,344	14,344
Total financial liabilities		**-**	**14,344**	**-**	**-**	**-**	**2,879,700**	**2,894,044**	**2,962,117**

The caption “Fair value through profit and loss”, in the amount of 1,340 thousand Euros corresponds to the Group’s investment in the closed fund “Luso Carbon Fund” with a maturity of 10 years, beginning in 2006.

Loans obtained, as mentioned in Note 3.6 of the consolidated financial statements for the year ended 2015, are measured initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 11) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption “Borrowings”, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

The fair value of borrowings and derivatives are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan.

The range of market rates used to calculate the fair value ranges between -0.329% and 0.608% (maturities of one day, and fifteen years, respectively).

The borrowings fair value contracted by the Group at 30 September 2016 is 2,689,380 thousand Euros (at 31 December 2015 was 2,610,072 thousand Euros), of which 418,352 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from interest rates changes (at 31 December 2015 was 396,964 thousand Euros).

Estimated fair value - assets measured at fair value

The following table discloses the Group's assets and liabilities measured at fair value at 30 September 2016 in accordance with the following hierarchy levels of fair value:

- Level 1: the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- Level 2: the fair value of financial instruments is not based on active market prices but rather on valuation models; and
- Level 3: the fair value of financial instruments is not based on active market prices, but rather on valuation models, for which the main inputs are not taken from the market.

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	103,991	47,786	-	**151,777**
Financial assets at fair value	Cash flow hedge derivatives	-	16,505	-	**16,505**
Financial assets at fair value	Fair value hedge derivatives	-	21,979	-	**21,979**
Other investments	Treasury funds	1,340	-	-	**1,340**
		105,331	**86,270**	**-**	**191,601**
Liabilities:					
Financial liabilities at fair value	Loans	-	418,352	-	**418,352**
Financial liabilities at fair value	Cash flow hedge derivatives	-	21,303	-	**21,303**
Financial liabilities at fair value through profit and loss	Negotiable derivatives	-	2,408	-	**2,408**
		-	442,063	-	**442,063**
		105,331	**(355,793)**	**-**	**(250,461)**

With respect to the current receivables and payables balances, its carrying amount corresponds to a reasonable approximation of its fair value.

The non-current accounts receivable and accounts payable refers, essentially, to tariff deviations whose amounts are communicated by ERSE, being its carrying amount a reasonable approximation of its fair value, given that they include the time value of money, being incorporated in the next two years tariffs.

Financial risk management

From the last annual report period until 30 September 2016, there were no significant changes in the financial risk management of the Company compared to the risks disclosed in the consolidated financial statements as of 31 December 2015. A description of the risks can be found in Section 4 - Financial Risk Management of the consolidated financial statements for the year ended 2015.

9 ASSETS AVAILABLE FOR SALE

The assets recognized in this caption as of 30 September 2016 and 31 December 2015 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	Sep 2016	Dec 2015
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Electrica Corporacion, S.A. ("REE")	Madrid	Spain	1.00%	103,991	104,384
Med Grid SAS	Paris	France	8.00%	600	600
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	47,786	47,104
Coreso, S.A.	Brussels	Belgium	10.00%	208	208
MIBGAS, S.A.	Madrid	Spain	6.67%	202	-
				155,954	155,463
Impairment					
Med Grid SAS				(508)	(600)
				155,446	**154,682**

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	REE	ENAGAS	CORESO	MIBGAS	Total
At 1 January 2015	**3,167**	**600**	**41,572**	**99,104**	**62,530**	**-**	**-**	**206,973**
Acquisitions	-	-	-	-	-	208	-	208
Fair value adjustments	-	-	5,532	5,279	748	-	-	11,559
Disposals	-	-	-	-	(63,278)	-	-	(63,278)
Impairment loss	-	(600)	-	-	-	-	-	(600)
At 31 December 2015	**3,167**	**-**	**47,104**	**104,384**	**-**	**208**	**-**	**154,862**
At 1 January 2016	**3,167**	**-**	**47,104**	**104,384**	**-**	**208**	**-**	**154,862**
Acquisitions	-	-	-	-	-	-	202	202
Fair value adjustments	-	-	682	(393)	-	-	-	289
Impairment loss	-	92	-	-	-	-	-	92
At 30 September 2016	**3,167**	**92**	**47,786**	**103,991**	**-**	**208**	**202**	**155,446**

Red Eléctrica Corporácion, S.A. ("REE") is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35- Spain and the financial asset was recorded on the statement of financial position at the market price on 30 September 2016.

During the nine month period ended at 30 September 2015 REN sold all the shares held in Enagás, representing 1% of its capital at its market price, in the total amount of 63,278 thousand Euros, with a capital gain of 20,083 thousand Euros (Note 20).

The Group holds 8% of the share capital in Medgrid S.A.S. This project consists in an international partnership to promote and develop the Mediterranean interconnection electric network, allowing the transportation of clean electricity produced in Africa to Europe.

REN SGPS holds 2.060.661.943 shares which represents 7.5% of Hidroeléctrica de Cahora Bassa S.A. share capital and voting rights, as a result of the conditions established in the agreement signed on 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. ("Parpublica"), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value.

REN Company holds a financial stake in the Coreso's share capital, a Company which is also hold by other important European TSO's which, as initiative of the Coordination of Regional Security (CRS), assists the TSO's in the safely supply of electricity in Europe. In this context, Coreso develops and implements operational planning activities involving the analysis and coordination of the European regional electricity network, focusing on services coordination, ranging from coordination with several days in advance to near real time.

As of 30 September 2016, REN is also the holder of 6,67%, acquired during the first half of 2016, of an investment in MIBGAS, S.A., management company for the organized gas market, which is responsible for development activities of the natural gas operator in the Iberian Peninsula.

Within the scope of the creation of a sole operator in the electricity Iberian market (OMI), and as agreed between the Portuguese republic and the Rein of Spain regarding the creation of the Iberian electrical energy market, the Group acquired 10% of the share capital of OMEL, Operador del Mercado Ibérico de Energia, S.A., in the amount of 3,167 thousand Euros.

As there are no available market price for the investments in MedGrid, OMEL, Coreso and MIBGAS, and as it is not possible to determine the fair value of the period using comparable transactions, these shares are recorded at its acquisition cost deducted of impairment losses as described in Note 3.6 of the consolidated financial statements for the year ended 2015.

In the nine month period ended 30 September 2016, REN has recognized an impairment loss, in the amount of 508 thousand Euros, related to the Medgrid, SAS investment, arising from the fact the entity is in a dissolution process.

Regarding the investment held in OMEL, Coreso and MIBGAS there are no impairment evidence at the reporting date.

The adjustments to fair value of available-for-sale financial assets are recognized in the equity caption “Fair value reserve” that as of 30 September 2016 and 31 December 2015 had the following amounts:

	Fair value reserve (Note 13)
1 January 2015	**60,313**
Changes in fair value	11,559
Disposals	(20,083)
Tax effect	2,700
31 December 2015	**54,489**
1 January 2016	**54,489**
Changes in fair value	289
Tax effect	(1,889)
30 September 2016	**52,890**

In the nine month periods ended 30 September 2016 and 2015 the dividends attributable to the Group are as follows:

	Sep 2016	Sep 2015
Red Eléctrica Corporación, S.A. ("REE")	3,140	2,934
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	41	76
Hidroeléctrica de Cahora Bassa	1,079	1,376
	4,260	**4,387**

These amounts were recognized in the consolidated statement of profit and loss in the caption “Financial income” being received 5,466 thousand Euros at 30 September 2016 (5,513 thousand Euros at 30 September 2015).

10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 30 September 2016 and 31 December 2015 are made up as follows:

	Sep 2016			Dec 2015		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	239,784	155	239,939	184,253	155	184,409
Impairment of trade receivables	(843)	-	(843)	(927)	-	(927)
Trade receivables net	238,941	155	239,096	183,326	155	183,482
Tariff deviations	55,917	116,538	172,455	72,302	133,521	205,823
State and Other Public Entities	20,878	-	20,878	8,137	-	8,137
Trade and other receivables	**315,735**	**116,693**	**432,429**	**263,766**	**133,676**	**397,442**

The most significant amounts in trade receivables are the receivables from: (i) EDP – Distribuição de Energia, S.A. in the amount of 68,685 thousand Euros (57,787 thousand Euros as of 31 December 2015); (ii) Galp in the amount of 9,250 thousand Euros (11,248 thousand Euros as of 31 December 2015); and (iii) the amount of 87,500 thousand Euros, as stated by the regulator ERSE in the context of sustainability measures of the National Electric System.

In the trade and other receivables also stands out the not invoicing of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 16,577 thousand Euros (20,325 at 31 December 2015) and the amount still to invoice to EDP – Distribuição de Energia, S.A., of 5,802 thousand Euros (5,522 thousand Euros at 31 December 2015) regarding the CMEC. This transaction consists in a pass-through, being off set in the Group consolidated financial statement of profit and loss.

Changes to the impairment losses for trade receivable and other accounts receivable are made up as follows:

	Sep 2016	Dec 2015
Begining balance	**(927)**	**(844)**
Increases	-	(83)
Utilization	56	-
Reversal	28	-
Ending balance	**(843)**	**(927)**

11 DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 September 2016 and 31 December 2015 the REN Group has the following derivative financial instruments contracted:

		30 September 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	563,462 TEuros	776	-	2,184	19,119
Interest rate and currency swaps	10 000 000 mJPY	-	15,728	-	-
		776	15,728	2,184	19,119
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	21,979	-	-
		-	21,979	-	-
Trading derivatives	60,000 TEUR	**-**	-	**-**	**2,408**
		-	-	**-**	**2,408**
	Derivative financial instruments	**776**	**37,708**	**2,184**	**21,526**

		31 December 2015			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	569,231 TEUR	-	2,728	5,918	2,409
Interest rate and currency swaps	10,000,000 TJPY	-	1,068	-	-
		-	3,796	5,918	2,409
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	5,489	-	6,017
		-	5,489	-	6,017
Trading derivatives	60,000 TEUR	-	872	-	-
		-	872	-	-
	Derivative financial instruments	**-**	**10,157**	**5,918**	**8,426**

The derivatives financial instruments portfolio valuation is based on fair value indicated by external specialized entities.

The amount recorded in this caption relates to interest rate swaps, cross currency swap, contracted by the Group to hedge the market risk of future interest and/or foreign exchange rates, whose counterpart are financial foreign and national entities with a solid credit rating.

The above amounts include the accrued receivable or payable interest at 30 September 2016 relating to these derivatives financial instruments, netting a receivable amount of 2,012 thousand Euros (receivable amount of 1,497 thousand Euros at 31 December 2015).

The main features of the derivatives financial instruments contracted associated with financing operations at 30 September 2016 and 31 December 2015 are:

	Reference value	Currency	REN's payments	REN's receipts	Maturity	Fair value at 30-09-2016	Fair value at 31-12-2015
Cash flow hedge:							
Interest rate swaps	563 462 TEUROS	EUR	[1,89%;2,77%]	[-0.30%;0.00%] (floating rates)	[dec-2016; dec-2024]	(20,527)	(5,599)
Interest rate and currency swaps	10 000 000 000 JPY / 72 899 TEUROS	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	15,728	1,068
						(4,798)	**(4,531)**
Fair value hedge:							
Interest rate swaps	400 000 TEUROS	EUR	[-0.19%;0.20%] - floating rates	[0.61%;1.72%]	[oct-2020; feb-2025]	21,979	(529)
						21,979	**(529)**
Trading:							
Interest rate swaps	60 000 TEuros	EUR	floating rates, to be determined in future	[0.00%;0.99%]	2024	(2,408)	872
						(2,408)	**872**
					Total	**14,774**	**(4,187)**

The paid and received flows periodicity for the derivative financial instruments portfolio is quarterly and semi-annual regarding cash flow hedge contracts, semi-annual and annual for derivative designated as fair value hedge and semi-annual for trading derivatives.

The detail of the notional reference of cash flows and fair value hedge derivatives as of 30 September 2016 and 31 December of 2015 is disclosed in the following table:

September 2016

	2016	2017	2018	2019	2020	2021	Following years	Total
Interest rate swap (cash flow hedge)	200,000	63,462	-	-	-	-	300,000	563,462
Interest rate and currency swap (cash flow hedge)		-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	-	100,000	-	300,000	400,000
Interest rate swap (trading)	-	-	-	-	-	-	60,000	60,000
Total	**200,000**	**63,462**	**-**	**-**	**-**	**-**	**732,899**	**1,096,361**

December 2015

	2016	2017	2018	2019	2020	Following years	Total
Interest rate swap (cash flow hedge)	205,769	63,462	-	-	-	300,000	569,231
Interest rate and currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	-	-	400,000	400,000
Interest rate swap (trading)	-	-	-	-	-	60,000	60,000
Total	**205,769**	**63,462**	**-**	**-**	**-**	**832,899**	**1,102,130**

Swaps:

Cash flow hedges

The Group hedges part of its debts interest future payments through interest rate swaps, on which REN pays a fixed rate and receives a variable rate.

As of 30 September 2016 the total amount of cash flow hedge is 563,462 thousand Euros (569,231 thousand Euros at 31 December 2015). These hedges the interest rate risk on variable rate interest changes on recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest relates to. This hedging goal is to convert loans at variable interest rates to fixed interest rates, the credit risk not being hedged. The fair value of the interest rate swaps at 30 September 2016 was 20,527 thousand Euros negative (5,599 thousand Euros negative at 31 December 2015).

In addition, the Group hedges its exposure to cash flow risk on its bond issue of 10,000 million JPY resulting from foreign exchange rate risk, through a cross currency swap with the main features equivalent to the debt issued. The same hedging instrument is used to hedge the fair value of the exchange rate risk of the bond issue through the forward start swap component which will only start in June 2019. Changes in the hedging instrument fair value are also recognized in hedging reserves. As from June 2019 the swap will be to hedge exposure to JPY and the interest rate risk, changing the hedging instrument into a fair value hedge, hence the changes in hedged debt fair value will be recognized in the statement of profit and loss. The credit risk is not hedged.

The amounts resulting from the hedging instrument are recognized in the statement of profit and loss when the transaction hedged affects results for the year.

The cross currency swap fair value at 30 September 2016 was 15,728 thousand Euros positive (1,068 thousand Euros positive at 31 December 2015).

The (borrowing) underlying exchange variation was negative at 30 September 2016, amounted 12,130 thousand Euros, and was offset by a similar variation in the hedging instrument in the statement of profit and loss (a negative variation of 5,388 thousand Euros as at 30 September 2015).

On the third quarter of 2016 the ineffective component variation recorded in the statement of profit and loss is 7,549 thousand Euros positive (3,792 thousand positive Euros at 31 December 2015).

The amount recorded in the hedging reserve relating to the above mentioned cash flow hedges was 27,066 thousand Euros (11,342 thousand Euros in December 2015).

The changes in this caption (Note 13) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2015	**(24,644)**	**5,175**	**(19,468)**
Changes in fair value and ineffectiveness	13,302	(2,793)	10,509
30 December 2015	**(11,342)**	**2,382**	**(8,960)**
1 January 2016	**(11,342)**	**2,382**	**(8,960)**
Changes in fair value and ineffectiveness	(15,724)	3,302	(12,422)
30 September 2016	**(27,066)**	**5,684**	**(21,382)**

Fair value hedge

The Group hedges the interest rate risk of debt issued at a fixed rate by contracted interest rate swaps which pays variable and receives a fixed rate.

The fair value of these interest rate swaps with a notional amount of 400,000 thousand Euros (400,000 thousand Euros at 31 December 2015). The covered risk is the change in the debt fair value due to interest rate fluctuations. The objective of this hedging is to convert loans at a fixed interest rate into variable interest rates. The credit risk is not hedged. At 30 September 2016 was 21,979 thousand Euros positive (529 thousand Euros negative at 31 December 2015).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in profit and loss to offset changes in the fair value of the hedged instrument also recorded in profit and loss. As of 30 September 2016, the debt fair value changes related to the interest rates risk, recorded in profit and loss was 21,388 thousand Euros negative (12,282 thousand Euros positive at 30 September 2015), resulting in an ineffective component of 174 thousand Euros positive (at 30 September 2015 was 3,134 thousand Euros positive).

Trading Swap

The Group has a forward start interest rate swap on which it pays a fixed rate and receives a variable rate. This swap will begin in 2019 and will mature in 2024.

Although this swap is not designed as a hedge accounting instrument in accordance with IAS 39, it covers future interest rate index variations on the mentioned period.

At 30 September 2016, the trading swap notional amount was 60,000 thousand Euros (at 31 December 2015 was 60,000 thousand Euros). This swap hedge the interest rate risk related to future variable interest rate payments of recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest coupons are related. The objective of this hedge is to convert cash flows from variable interest rates to a fixed interest rate. The credit risk is not hedged. At 30 September 2016 the trading derivative fair value was negative 2,408 thousand Euros negative (at 31 December 2015 was 872 thousand Euros positive).

The changes on the trading swap fair value are recognized in the statement of profit or loss. The loss recorded in the period related to the trading swap fair value was 3,280 thousand Euros (at 30 September 2015 was recorded an income of 858 thousand Euros).

12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 30 September 2016 and 31 December 2015 are made up as follows:

	Sep 2016	Dec 2015
Cash	21	-
Bank deposits	71,703	63,652
Cash and cash equivalents in the statement of financial position	**71,724**	**63,652**
Bank overdrafts (Note 14)	(12,764)	(113)
Cash and cash equivalents in cash flow statement	**58,960**	**63,539**

13 EQUITY INSTRUMENTS

Share capital

REN's subscribed and paid up share capital as of 30 September 2016 and 31 December 2015 was made up of 534,000,000 shares of 1 Euro each.

	Number of shares	Share capital
Share Capital	534,000,000	534,000

Own shares

As of 30 September 2016 REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Own shares	3,881,374	0.73%	(10,728)

No own shares were acquired or sold during the nine month period ended 30 September 2016.

In accordance with the Commercial Company Code ("Código das Sociedades Comerciais") REN SGPS must at all times ensure that there are sufficient Equity Reserves to cover the value of treasury shares, limiting the amount of reserves available for distribution.

Reserves and retained earnings

The caption "Reserves" in the amount of 315,789 thousand Euros includes:

- Legal reserve: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. The reserve can only be used to cover losses or to increase capital. At 30 September 2016 this caption amounts to 106,800 thousand Euros;

- Fair value reserves: includes changes in the fair value of available for sale financial assets (52,890 thousand Euros positive), as detailed in Note 9;

- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 21,382 thousand Euros) as detailed in Note 11;

* Free reserves: This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders, except for the limitation set by the Companies Code in respect of own shares (free reserves), and (ii) changes in equity of associates registered under the equity method. At 30 September 2016, this caption amounts to 177,482 thousand Euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognised as a result of the equity method can only be distributed to shareholders when paid-up. Portuguese legislation establishes that the difference between the equity method income and the amount of paid or deliberated dividends is equivalent to legal reserve.

14 BORROWINGS

The borrowing segregation between current and non-current and as well as by nature, as of 30 September 2016 and 31 December 2015 is as follows:

	30 September 2016			31 December 2015		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	30,000	1,487,841	1,517,841	330,000	1,205,719	1,535,719
Bank Borrowings	48,108	521,494	569,601	57,860	560,627	618,487
Commercial Paper	339,000	171,500	510,500	236,000	129,000	365,000
Bank overdrafts (note 17)	12,764	-	12,764	113	-	113
Finance Lease	1,105	1,215	2,320	1,183	1,883	3,066
	430,977	2,182,049	2,613,026	625,156	1,897,229	2,522,385
Accrued interest	29,000		29,000	29,860	-	29,860
Prepaid interest	(7,004)	(33,979)	(40,983)	(4,262)	(5,984)	(10,246)
Borrowings	**452,973**	**2,148,070**	**2,601,043**	**650,755**	**1,891,245**	**2,542,000**

At 30 September 2016 the nominal financial debt settlement plan is as follows:

	2016	2017	2018	2019	2020	2021	Anos seguintes	Total
Debt - Non current	-	9,466	242,285	251,074	382,676	89,303	1,207,245	2,182,049
Debt - Current	361,843	69,133	-	-	-	-	-	430,976
	361,843	**78,599**	**242,285**	**251,074**	**382,676**	**89,303**	**1,207,245**	**2,613,026**

Detailed information regarding bond issues as of 30 September 2016 is as follows:

30 September 2016					
Issue Date	Maturity	Amount	Debt Outstanding	Interest Rate	Interest Payment Frequency
'Euro Medium Term Notes' programme emissions					
26-06-2009	26-06-2024	TEUR JPY 10.000.000 (i)	TEUR JPY 10.000.000	Fixed rate (ii)	Bi-Annual
16-01-2013	16-01-2020	TEUR 150.000 (i)	TEUR 120.000	Floating rate	Quarterly
31-01-2013	31-01-2018	TEUR 300.000	TEUR 162.800	Fixed rate EUR 4,125%	Annual
17-10-2013	16-10-2020	TEUR 400.000	TEUR 267.755	Fixed rate EUR 4,75% (ii)	Annual
12-02-2015	12-02-2025	TEUR 300.000	TEUR 300.000	Fixed rate EUR 2,50% (ii)	Annual
01-06-2016	01-06-2023	TEUR 550.000	TEUR 550.000	Fixed rate EUR 1,75%	Annual

(i) These issues correspond to private placements.

(ii) These issues have interest currency rate swaps associated

The Group has five active commercial paper programs, in the amount of 1,050,000 thousand Euros, of which 539,500 thousand Euros are available. From the total amount of commercial paper programs, 650,000 thousand Euros have a subscription guarantee.

The bank loans are mainly (505,283 thousand Euros) represented by EIB loans.

In June 2016, under the Euro Medium Term Program, the Group issued a new bond in the amount of 550,000 thousand Euros with an associated coupon of 1.750%, with maturing date in June 2023. This issue allowed the refinancing through an Exchange Offer, of the following bond issues:

- approximately 137,200 thousand Euros of the total issue of 300,000 thousand Euros, maturing date in January 2018 issued in January 2013 with an associated coupon of 4.125%;
- approximately 132,245 thousand Euros of the total issue of 400,000 thousand Euros, maturing date in October 2020 issued in October 2013 with an associated coupon of 4.750%.

The refinancing of the bond issues' amounts above was not accounted as a derecognition of financial liabilities in so far as the terms of the new issue have not been substantially modified.

The Group proceeded to the total disbursement of the borrowing with Bank of China in the amount of 10,000 thousand Euros. Additionally, agreed a credit line with Bank of China in the amount of 250,000 thousand Euros. At 30 September 2016 the Group has used 10,000 thousand Euros of this credit facility.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose).

As a result of the fair value hedge related to the debt emission in the amount of 400,000 thousand Euros (Note 11), fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in a negative amount of 21,388 thousand Euros (12,282 thousand Euros positive as of 30 September 2015).

The REN financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity with the total consolidated regulated assets). The Group's gearing ratio comfortably meets the limits contractually set, thus being on 30 September 2016 above the limit by 62%.

The EIB – European Investment Bank borrowings include rating covenants. In the event of ratings below the specified levels, REN can be called to provide a guarantee acceptable by EIB.

The Group and its subsidiaries are a part of certain financing agreements and debt issues, which include change of control clauses typical in this type of transactions (including, though not so expressed, changes in control as a result of takeover bids) and essential to the realization of such transactions on the appropriate market context. In any case, the practical application of these clauses is limited due to legal restriction in the ownership of REN's shares.

Following the legal standards and usual market practices, contractual terms and free market competition, establish that neither REN nor its counterparts in borrowing agreements are authorized to disclose further information regarding the content of these financing agreements.

Leases

The financial leases minimum payments and the present value of the financial leases liabilities at 30 September 2016 and 31 December 2015 are as follows:

	Sep 2016	Dec 2015
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,120	1,245
Later than 1 year and no later than 5 years	1,250	1,927
	2,370	**3,172**
Future finance charges on finance leases	(50)	(106)
Present value of finance lease liabilities	**2,320**	**3,066**

	Sep 2016	Dec 2015
The present value of finance lease liabilities is as follows		
No later than 1 year	1,105	1,183
Later than 1 year and no later than 5 years	1,215	1,883
	2,320	**3,066**

15 POST-EMPLOYMENT BENEFITS AND OTHER BENEFITS

REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as “Other benefits”). Long services bonuses were extended to the remaining Group companies.

As of 30 September 2016 and 31 December 2015 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	Sep 2016	Dec 2015
Liability on the statement of financial position		
Pension plan	83,376	86,890
Healthcare plan and other benefits	42,390	42,327
	125,766	**129,217**

During the nine month period ended 30 September 2016 and 30 September 2015 the following operating expenses were recorded regarding benefit plans with employees:

	Sep 2016	Set 2015
Charges to the statement of profit and loss (Note 22)		
Pension plan	3,616	3,481
Healthcare plan and other benefits	1,085	2,078
Life insurance plan	-	13
	4,701	**5,572**

The amounts reported to 30 September 2016 result from the projection of the actuarial valuation as of 31 December 2015 for the nine month period ended 30 September 2016, considering the estimated increase in salaries for 2016.

The actuarial assumptions used to calculate the post-employment benefits, which are considered by the REN Group and the entity specialized in actuarial studies to be those that best meet the commitments established in the pension plan and related retirement benefit liabilities, are as follows:

	Sep 2016	Dec 2015
Annual discount rate	2.00%	2.00%
Expected percentage of serving employees elegíble for early retirement (more than 60 years of age and 36 years in Service) by Collective Work Agreement	20.00%	20.00%
Expected percentage of serving employees elegíble for early retirement - Management act	20.00%	20.00%
Rate of salary increase	2.80%	2.80%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	0.00%	0.00%
Inflation rate	1.50%	1.50%
Medical trend	3.50%	3.50%
Management costs (per employee/year)	238 €	238 €
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

16 PROVISIONS

The changes in provisions in the reported periods is as follows:

	Sep 2016	Dec 2015
Begining balance	**6,888**	**7,316**
Increases	322	1,444
Reversing	-	(1,746)
Utilization	(379)	(126)
Ending balance	**6,831**	**6,888**
Current provision	6,014	1,171
Non-current provision	817	5,717
	6,831	**6,888**

As of 30 September 2016 the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision in the amount of 320 thousand Euros, related to the Group's restructuring plan in course.

17 TRADE AND OTHER PAYABLES

The caption "Trade and other payables" as of 30 September 2016 and 31 December 2015 was made up as follows:

	September 2016			December 2015		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 8)	101,601	-	101,601	122,467	-	122,467
Other creditors						
Other creditors (Note 8)	62,389	29,954	92,343	45,106	30,293	75,400
Tariff deviations (Note 8)	11,392	12,101	23,493	18,327	9,676	28,002
Fixed assets suppliers (Note 8)	49,519	-	49,519	96,471	-	96,471
Tax payables (Note 8) (i)	18,340	-	18,340	10,683	-	10,683
Deferred income						
Grants related to assets	18,123	280,126	298,249	18,004	292,263	310,267
Accrued costs						
Holidays and holidays subsidies (Note 8)	5,673	-	5,673	4,677	-	4,677
Trade and other payables	**267,037**	**322,181**	**650,774**	**315,735**	**332,232**	**647,967**

(i) Tax payables refer to VAT, personnel income taxes and other taxes

The caption "Trade and other payables" includes: (i) the amount of 41,497 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (38,363 thousand Euros at 31 December 2015); (ii) the amount of 17,554 thousand Euros of investment projects not yet invoiced (31,277 thousand Euros at 31 December 2015); (iii) the amount of 16,577 thousand Euros (20,325 thousand Euros at 31 December 2015) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount to invoice to EDP – Gestão da Produção de Energia, S.A., of 5,802 thousand Euros (5,522 thousand Euros at 31 December 2015) regarding the CMEC, which was also reflected in the caption of “Trade and other receivables” (Note 10). This last transaction sets a pass-through in the consolidated income statement of REN.

In the nine month period ended 30 September 2016 the caption “Other creditors” include the Energy Sector Extraordinary Contribution (“ESEC”), in the amount of 25,938 thousand Euros (Note 25) (25,445 thousand Euros at 30 September 2015).

18 SALES AND SERVICES RENDERED

Sales and services rendered recognized in the consolidated statement of profit and loss are made up as follows:

	Sep 2016	Sep 2015
Goods:		
Domestic market	201	532
	201	532
Services:		
Electricity transmission and overall systems management	270,229	260,762
Natural gas transmission	83,489	86,102
Regasification	26,636	25,713
Underground gas storage	15,276	16,522
Telecommunications network	4,004	3,809
Trading	2,812	2,580
Others	1,184	1,004
	403,632	396,493
Total sales and services rendered	**403,832**	**397,025**

19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets.

The detail of the revenue and expenses with the acquisition of concession assets for the nine month periods ended 30 September 2016 and 30 September 2015 is the following:

	Sep 2016	Sep 2015
Revenue from construction of concession assets		
- Acquisitions	61,910	133,469
- Own work capitalised :		
Financial expenses (Note 5)	2,088	2,054
Overhead and management costs (Note 5)	9,321	9,966
	73,320	**145,490**
Cost of construction of concession assets		
- Acquisitions	61,910	133,469
	61,910	**133,469**

20 OTHER OPERATING INCOME

The caption "Other operating income" is made up as follows:

	Sep 2016	Sep 2015
Recognition of investment subsidies	13,592	13,500
Supplementary income	1,200	1,047
Capital gain from Enagás (Note 9)	-	20,083
Others	528	1,239
	15,320	**35,869**

21 EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the nine month periods ended 30 September 2016 and 2015 is made up as follows:

	Sep 2016	Sep 2015
Fees relating to external entities i)	5,969	5,991
Maintenance costs	5,477	5,531
Electric energy costs	3,210	3,270
Insurance costs	2,395	2,312
Gas transport subcontracts	2,249	2,083
Cross border interconnection costs ii)	1,627	-
Security and surveillance	1,246	1,238
Fuel and other utilities	982	1,221
Travel and transportation costs	885	767
Advertising and communication costs	661	695
Other (less than 500 thousand Euros)	1,581	1,678
External supplies and services	**26,283**	**24,786**

i) The fees paid to external entities refer to specialized work and fees paid by REN for contracted services and specialized studies.

ii) The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity.

22 PERSONNEL COSTS

Personnel costs are made up as follows:

	Sep 2016	Sep 2015
Remuneration		
Board of directors	1,768	1,827
Personnel	24,392	24,317
	26,160	26,144
Social charges and other expenses		
Post-employement and other benefits cost (Note 15)	4,701	5,572
Charges on remuneration	5,373	5,444
Social support costs	83	152
Other	1,246	1,449
	11,404	12,618
Total personnel costs	**37,563**	**38,762**

The Corporate Bodies remuneration includes remunerations paid to the Board of Directors as well as to the Board of the General Shareholders meeting.

23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

	Sep 2016	Sep 2015
ERSE operating costs i)	7,305	6,907
Donations	108	42
Taxes	745	652
Quotizations	870	900
Others	605	520
	9,633	**9,021**

i) The caption "ERSE operating costs" corresponds to ERSE's operating costs, to be recovered through electricity and gas tariffs.

24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

	Sep 2016	Sep 2015
Financial costs		
Interest cost	69,798	79,557
Derivative financial instruments	3,280	704
Other financial investments	170	-
Other financial costs	754	293
	74,001	**80,553**
Financial income		
Interest income	3	1,951
Derivative financial instruments	5,882	4,012
Other financial investments	26	42
	5,911	**6,004**

25 ENERGY SECTOR EXTRAORDINARY CONTRIBUTION

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy field, called Energy Sector Extraordinary Contribution ("ESEC"), which was extended by Law No. 82-B/2014, of 31 December, and Law No. 15—C/2015, of 30 December, for the year of 2015 and 2016, respectively.

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. Are subject to this regime, among others, the entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ESEC is levied on the value of the assets with reference to the first day of the financial year 2016 (1 January 2016) that include cumulatively, the property, plant and equipment, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ESEC is levied on the value of regulated assets (i.e. the amount recognised by ERSE in the calculation of the allowed income with reference to 1 January 2016) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded a liability in the amount of 25,938 thousand Euros (Note 17) (for the nine months period ended 30 September 2015 was 25,445 thousand Euros) against a cost in the statement of profit and loss.

26 EARNINGS PER SHARE

Earnings per share attributable to REN's shareholders were calculated as follows:

		Sep 2016	**Sep 2015**
Consolidated net profit used to calculate earnings per share	(1)	70,453	91,609
Number of ordinary shares outstanding during the period (Note 13)	(2)	534,000,000	534,000,000
Effect of treasury shares (Note 13) (average number of shares)		3,881,374	3,881,374
Number of shares in the period	(3)	530,118,626	530,118,626
Basic earnings per share (euro per share)	**(1)/(3)**	**0.13**	**0.17**

Basic earnings per share are the same as diluted earnings as there is no situation that could originate dilution effects.

27 DIVIDENDS PER SHARE

During the General Shareholders Meeting held on 13 April 2016, the shareholders approved the distribution of dividends with respect to the net profit of 2015, in the amount of 91,314 thousand Euros, corresponding to a gross dividend amount of 0.171 Euros per share, which include 664 thousand Euros attributable to own shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

The distribution of dividends with respect to the net profit of 2014 amounted to 91,314 thousand Euros (0,171 Euros per share). From this amount, 664 thousand Euros were attributable to own shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

28 GUARANTEES GIVEN

As of 30 September 2016 and 31 December 2015 the REN Group had given the following guarantees:

Beneficiary	Scope	Sep 2016	Dec 2015
European Investment Bank (EIB)	To guarantee loans	286,558	310,419
General Directorate of Energy and Geology	To guarantee compliance with the obligations assumed in the public service concession	20,500	20,500
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Municipal Council of Seixal	Guarantee for litigation	2,152	2,152
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Silves	Guarantee for expropriation processes	352	352
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	205	205
NORSCUT - Concessionária de Auto-estradas, S.A.	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilizatior	200	200
European Union	To comply with the contractual requirements of the grant agreement	177	177
Labour Court of Lisbon	Guarantee for litigation	153	153
Municipal Council of Aveiro	Guarantee for litigation	87	87
EP - Estradas de Portugal	To guarantee compliance with the obligations assumed	79	84
GSE - Georgian State Electrpsystem JSC	Providing services contract	57	28
Social Security Institution	Ensure compliance with obligations	15	511
Municipal Council of Lisboa	Guarantee suspension of the collection of the Municipal Fee for Lisbon Civil Protection	9	-
Municipal Council of Vila Nova de Gaia	Guarantee the suspension of the process	2	2
Alrisa - Sociedade Imobiliária, S.A.	Urban Lease Contract	-	15
Electricity Iberian Market (OMI)	To guarantee payments resulting from trading participation as purchaser in the Spanish market	-	2,000
		317,215	343,553

29 RELATED PARTIES

Main shareholders and shares held by corporate bodies

As of 30 September 2016 and 31 December 2015, the shareholder structure of Group REN was as follows:

	Sep 2016		Dec 2015	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	133,500,000	25.00%	133,500,000	25.00%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	15.00%	80,100,000	15.00%
Fidelidade - Companhia de Seguros, S.A.	28,370,665	5.31%	28,370,665	5.31%
The Capital Group Companies, Inc.	26,792,304	5.02%	-	-
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Internacional, S.A.U.	26,700,000	5.00%	26,700,000	5.00%
Great-West Lifeco, Inc.	10,980,987	2.06%	-	-
Gestmin, SGPS, S.A.	i)	i)	32,040,000	6.00%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free float	196,967,335	36.89%	202,700,626	37.96%
	534,000,000	**100.00%**	**534,000,000**	**100.00%**

i) The Gestmin, SGPS, SA no longer has a qualifying participation.

Transaction over REN shares by the Board of Directors

In the first half of 2016, the company Gestmin, SGPS, S.A. (Gestmin), holder of participation and related party with Manuel Champalimaud, member of REN's Board of Directors until 31st May 2016, informed the disposal of a total of 19,499,175 shares.

Additionally, Jorge Magalhães Correia, member of REN's Board of Directors, due to the exercising of the duties of member of the management bodies of the company Fidelidade - Companhia de Seguros, S.A.(Fidelidade), holder of a quantified holding, and of its affiliate company Multicare – Seguros de Saúde S.A.(Multicare), informed on the transaction acquition of 1,323,160 bonds, through Fidelidade, and the disposal of 600,000 and 53,000,000 bonds through Multicare and Fidelidade, respectively.

In July 2016, the Member of the Board of Directors of REN, Jorge Baptista Manuel Magalhães Correia, informed REN about the disposal of the 9,000 REN notes. With the stated operation, Jorge Baptista Manuel Magalhães Correia, does not have any notes or REN shares.

In September 2016, the Member of REN's Board of Directors and Chairman of the Audit Committee of REN, Manuel Ramos de Sousa Sebastião informed REN about the acquisition of 2,000 shares. With the completion of this transaction, Manuel Ramos de Sousa Sebastião, holds 7,000 shares of REN.

Besides the events mentioned above, no other cases of transactions made by board members, compared to the consolidated financial statements of REN, on 31 December 2015, were made.

Remuneration of the Board of Directors

The Board of Directors of REN, SGPS was considered in accordance with IAS 24 to be the only key entity in the management of the Group.

Remuneration of the Board of Directors of REN, SGPS in the nine months period ended 30 September 2016 amounted to 1,768 thousand Euros (1,827 thousand Euros on 30 September 2015), as shown in the following table:

	Sep 2016	Sep 2015
Remuneration and other short term benefits	1,768	1,827
	1,768	**1,827**

Transactions with group or dominated companies

In its activity REN maintains transactions with Group entities or with dominated parties. The terms in which these transactions are held are substantially identical to those practiced between independent parties in similar operations.

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2 of the notes to the consolidated financial statements as of 31 December 2015) in the consolidated financial statements.

The main transactions held between Group companies were: (i) borrowings and shareholders loans; and (ii) shared services namely legal, administrative and IT services.

Balances and transactions held with associates and other related parties

REN Group carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue

	Sep 2016	Sep 2015
Sales and services rendered		
Invoicing issued- EDP	850,331	686,561
Invoicing issued- OMIP	-	2
Invoicing issued - REE	973	2,393
Invoicing issued - Centro de Investigação em Energia REN - State Grid	95	138
Financial income		
Dividends received - REE	3,140	2,934
	854,539	**692,028**

The amounts shown as invoicing issued to EDP relate essentially to the overall management of the electricity system tariff (UGS) and electricity transmission tariff (TEE) that include pass through amounts with income and costs being reversed in the consolidated statement of profit and loss.

Costs

	Sep 2016	Sep 2015
External supplies and services		
Invoicing received-EDP	319,100	277,696
Invoicing received - REE	5,295	3,624
Invoicing received - CMS Rui Pena & Arnaut[1]	53	64
	324,448	**281,383**

[1] Entity related to the Board member José Luis Arnaut.

The amounts shown as invoicing received from EDP relate to the intermediation role of REN in the purchase and sale of electricity, where REN acts as an agent, income and costs being reversed in the statement of profit and loss, since they are pass through amounts in the income recognition.

Balances

As of 30 September 2016 and 31 December 2015 the balances resulting from transactions with related parties were as follows:

	Sep 2016	Dec 2015
Trade and other receivables		
EDP - Trade receivables	78,953	71,637
EDP - Guarantees	155	155
EDP - Other receivables	864	1,416
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	8	116
Centro de Investigação em Energia REN - State Grid - Trade receivable	7	8
REE - Trade receivables	53	148
	80,040	**73,481**
Trade and other payables		
EDP - Trade payables	2,590	8,945
Centro de Investigação em Energia REN - State Grid - Other payables	-	2
CMS - Rui Pena & Arnaut - Trade payables [1]	6	6
REE - Trade payables	775	1,188
	3,371	**10,141**

[1] Entity related to the Board member José Luis Arnaut.

30 SUBSEQUENT EVENTS

After the date of the statement of financial position, there were no events that give rise to additional adjustments or disclosures in the consolidated financial statements of the Company for the nine months ended 30 September 2016.

31 EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with IAS 34 – Interim Financial Reporting. In the event of discrepancies, the Portuguese language version prevails.

The Accountant

Susana Neves

The Board of Directors

Rodrigo Costa
(Chairman of the Board of Directors and of the Executive Committee)

Omar Al Wahaibi
(Member of the Board of Directors)

João Faria Conceição
(Member of the Board of Directors and of the Executive Committee)

Jorge Magalhães Correia
(Member of the Board of Directors)

Gonçalo Morais Soares
(Member of the Board of Directors and of the Executive Committee)

José Luis Arnaut
(Member of the Board of Directors)

Guangchao Zhu
(Vice-President of the Board of Directors designated by State Grid International Development Limited)

Manuel Sebastião
(Member of the Board of Directors and Chairman of the Audit Committee)

Mengrong Cheng
(Member of the Board of Directors)

Gonçalo Gil Mata
(Member of the Board of Directors and of the Audit Committee)

Longhua Jiang
(Member of the Board of Directors)

Maria Estela Barbot
(Member of the Board of Directors and of the Audit Committee)

Note – The remaining pages of this Report and Accounts (3rd Quarter of 2016) were initialled by the Company Secretary and by the Accountant.