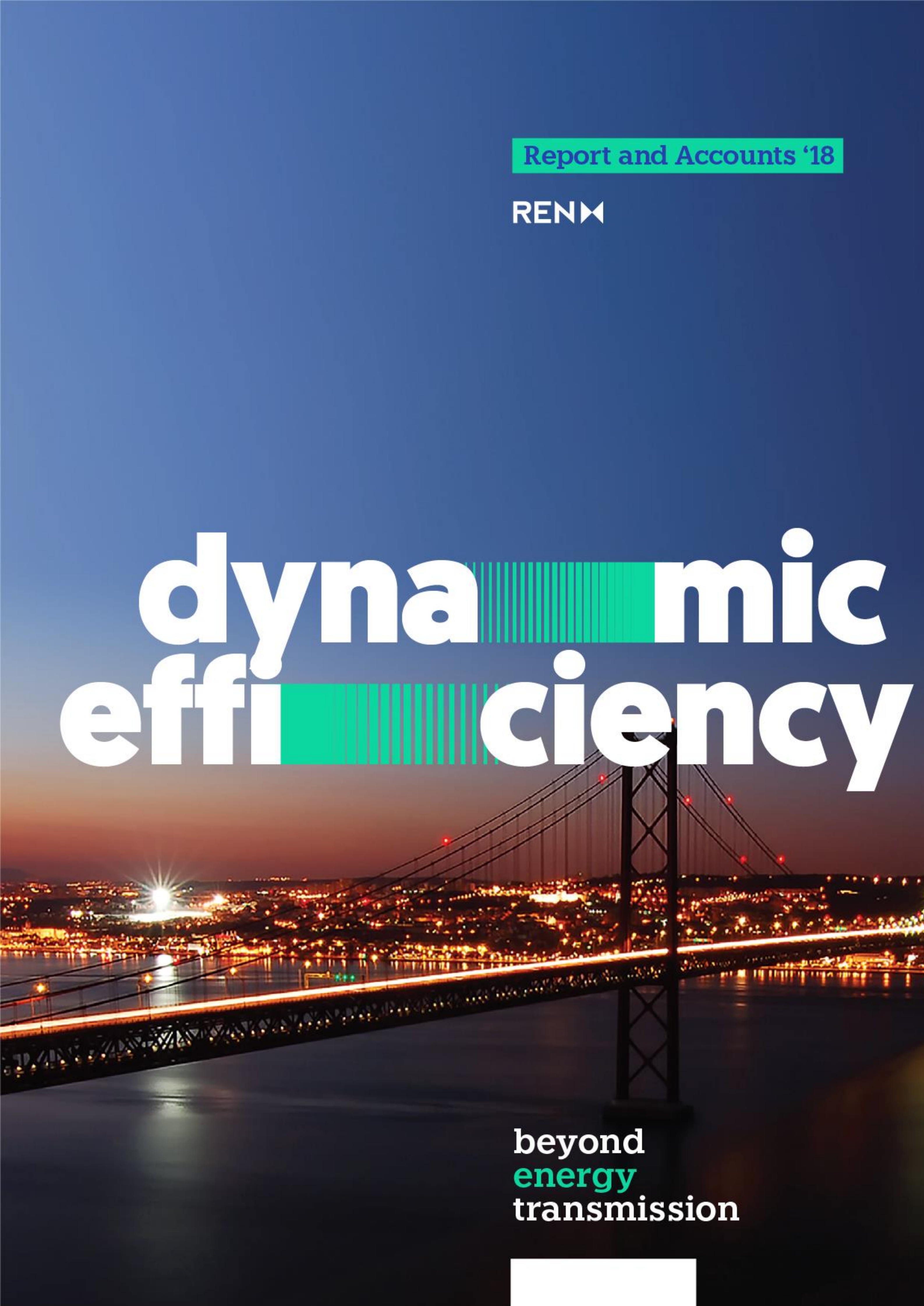
Report and Accounts '18

REN

dynamic efficiency



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2018

A year in numbers

A path achieved through knowledge and know-how which places REN among the most efficient in the transmission and management of energy and which consolidates the excellence and quality of our operations.

REN The network of all networks.

REN Investidores

REN Energia

Access all REN information on a single platform. Download our app at:

Available on the iPhone App Store

GET IT ON Google Play

Electricity and natural gas indicators

113,8 TWh
Energy transmitted in 2018
RNT and RNTG

RNT
Eletricity
47,2 TWh
41,5%

RNTGN
Natural gas
66,6 TWh
58,5%

Financial indicators

121,9 M€
Investement in electricity and gas

3 832 M€
Average RAB

115,7 M€
Net income

50,9 TWh
Electrical power consumption

0,03 Min*
Interruption time

19 949 MW
Instaled power

64,9 TWh
Natural gas consumption

-6,8%
Evolution of natural gas consumption

64,9 GWh
Maximum historic of natural gas consumption

Performance indicators

691
Employees

29 930 horas
Hours of training

100 900
Trees planted

*Excluding exceptional events (August fires) confirmed by ERSE

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confidence

01 Message from the Chairman

REN

maintain a positive balance and financial solidity.

Laying down the foundations for the future.

Gonçalo Morais Soares
CFO and member of the Executive Committee

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

João Faria Conceição
COO and member of the Executive Committee

1. Message from the **Chairman**

2018 was a year which was in line with our best expectations.

Summarizing the previous year is a simple task when we're talking about a period of time where most of the company's goals were met.

This message is to be succinct and objective so as to allow a quick reading and provide the most important information on the year gone by.

At the General Meeting of Shareholders in May, we closed a fairly positive cycle (2015-2017) and presented the strategy for the next three-year period.

The new plan is largely based on the principles which were already in effect: operational focus on safety; quality and efficiency; financial discipline; a stable financial return for shareholders; maintenance of investment grade rating and ongoing emphasis on training and implementing the best management practices and most suitable technologies for our activities.

These principles apply to all of our teams. We know that there are no perfect organizations, but we feel sure that we continue on the right path and that there is strong internal accord in the pursuit of our goals.

I always like to say that these principles are dynamic and that we are often faced with new challenges, which sometimes represent difficulties and sometimes opportunities. We always seek to be aware of what is taking place around us, so that we are not surprised. Over the course of the year we'll be systematically monitoring all events and metrics and we'll implement measures to adapt or correct as we see fit.

Many are the initiatives we are committed to and many are the milestones we have reached.

Our Board of Directors accompanies and takes part in the discussion, assessment and decision processes relating to the most relevant topics. The different committees of the Board of Directors meet their responsibilities and contribute to a transparent working environment which is informed and demanding and one which has greatly helped to establish the vision and mission adopted by REN.

2018 was a year which was in line with our best expectations. Our results are positive and -- as you can see -- we managed to grow and compensate the areas in which we knew we were going to encounter a reduction in income due to the fall in the remuneration rates of our assets.

Among the challenges we face, I feel I must mention the public discussions which continue as to whether REN should be re-nationalized; the cases involving managers and companies which have or have had a relevant role in energy in recent decades and the merger, purchase and sale proposals of companies in our sector. We have dealt with numerous episodes with total serenity, staying focused on that which is important and always meeting our duties.

The extraordinary levy on energy (CESE) which REN is required to pay continues to be one of the greatest obstacles to our good financial performance. The total effective tax rate applied to the company is now over 40%. Although many energy sector analysts and investors recognize the quality of REN’s performance, this situation leads them to consider that the company is overly penalized by the current tax system.

Our relationship with the State with regard to regulatory aspects and the definition and implementing of energy policies fully respects the rules laid down in the concession contracts. The year opened with the starting of a new Regulatory Period for Electricity (2018-2020). It ended with the expectation that we will see our multiannual investment plans being approved for the first time by the Secretary of State for Energy.

Almost two years after the announcements of investment in Electrogas and Portgas, I feel I must mention the efficient manner in which these processes were brought to a successful conclusion. In Chile, operations continue and the change in shareholder practically went unnoticed. While at Portgas, I also believe we can say that everything went extremely well. Despite the complexity of the process, we managed to execute our plans ensuring that there were no social conflicts or negative effects on the quality or safety of the services provided -- and always complying with the objectives set out.

Many are the initiatives we are committed to and many are the milestones we have reached.

We continue committed to defending the principles of the United Nations Global Compact and promoting equal opportunities, both with regard to gender and inclusion.

We maintain clear emphasis on the training of our employees in all aspects, remaining committed to consolidating a culture of incentive and respect for others in all areas of our work as a company.

Much of our work has an impact which goes beyond our main activity. For example, I would like to highlight our collaboration with different national partners – firefighters, municipal authorities and social associations -- in the preservation of the forest and more specifically in the fight against forest fires.

The REN Award is one of our key contributions to innovation and a recognition of Portuguese engineering schools. This award now stretches back 24 years and has distinguished some of the best Master's Degree work in energy that has been undertaken in Portugal.

Always aware of the best forms of developing our activity on the technical front, Nester -- a joint initiative with our shareholder State Grid in the field of science -- continues to carry out research projects in several different areas and is today involved in several successful international initiatives. At the end of 2018, we decided to extend our collaboration with SGCC that started in 2012 in multiple areas covering research and development, business development, renewable energy management, technical sharing and training.

A number of operating records were also broken – renewable energy production and consumption maximums, natural gas consumption maximums, mooring of the 500th methane tanker at Sines, are just a few of the most important.

The competence of our staff is recognized by our counterparts and REN continues to be a benchmark as one of the operators with greatest experience and best results in energy transition currently underway to some degree all over the world.

I could continue here to list facts and achievements last year, but that would be forgetting my initial promise to keep this short. I would though like to end my note of introduction to the 2018 Report and Accounts with a word of thanks to all those who have helped make REN an example of excellence, from our employees to the members of the Board of Directors, and all our shareholders and partners.

Thank you.

Rodrigo Costa

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02 Approach to Report

REN

2. Approach (to Report)

Transparent information on economic, social and environmental issues.

This report brings together the information required to meet our commitments and legal and financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders. It also deals with corporate governance and ethics during 2018. Since 2010, REN has combined financial and sustainability reporting in a single document issued every year.

The consolidated and individual financial statements were approved by the Board of Directors at their meeting of 21 March 2019. The remainder of this report was also generally approved by the Board in 2019. It is the Board of Directors' opinion that the information in this report accurately reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its present situation, policies, organization, practices and operating results in areas of sustainability considered to be most relevant in compliance with the reference Standards and Directives as implemented.

This report is complemented by the following publicly available information:

- Sustainability brochure 2018
- Company Website

Financial reporting

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 01 January 2018. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standard Interpretation Committee (SIC), which have been implemented in the EU should be understood as forming part of those standards.

The attached financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 July and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2018.

For further information on the principles and rules followed for financial information, please see Chapter 6.

The accounts were audited by Errnst & Young, Audit & Associates, SROC.

Sustainability reporting

This report, as with previous reports, was drawn up in accordance with GRI (Global Reporting Initiative) guidelines, the international standard for the development of sustainability models.

Following GRI guidelines and in accordance with the conformity option 'broad based', an analysis was conducted of the materially relevant areas which provided the focus of the report on social, environmental and economic issues.

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures This report is also the vehicle for this information and as such, the correspondence table between the content of this report and the GRI and UNGC references is included. Further information on the UNGC initiative can be consulted on the REN website.

It is REN's aim to meet the principles set out in Standard AA1000AP (inclusion, materiality, responsiveness and impact). This report also demonstrates how these principles are incorporated into the management of our business, more specifically with regard to the information in Chapter 5.

The sustainability information in this report was subject to independent external verification by PwC, in accordance with the principles of Standard ISAE 3000 (International Standard on Assurance Engagements 3000) and with GRI Standards and the Standard AA1000AP (Accountability Principles – 2018). This check provides a limited reliability assurance level.

Coverage

This report covers the financial and sustainability performance of all REN Group companies from 01 January 2018 to 31 December 2018.

List of material aspects

In accordance with GRI Standards requirements, this report focuses mainly on the issues identified as relevant in the materiality analysis. In line with GRI recommendations, REN listened to its stakeholders and took into consideration other external and internal factors such as peer sustainability references and reports. This material was used to sample materially relevant topics for purposes of sustainability management. This resulted in a new sustainability strategy based on three pillars – economic, environmental and social. These pillars provided the basis for determining the areas of sustainability seen as relevant for the purposes of this report.

Material topics were considered to be environmental policy/environmental management systems, safety, reliability, quality and supply security, health and safety at work, impact on communities, prevention of climate change and the management of human capital and diversity. Other topics included were economic performance, respect for human rights – control tools and demand management.

Further information on this process is available in the chapter on sustainability and in the GRI Table in this report, where the list of material aspects is also duly identified and addressed.

REN LIST OF MATERIAL ASPECTS FOR REPORTING PURPOSES WHICH DO NOT CORRESPOND DIRECTLY TO ANY OF THE PRIORITY AREAS OF THE REN SUSTAINABILITY STRATEGY, ALTHOUGH THEY MAY PARTIALLY OVERLAP SOME OF THESE AREAS:

- Economic Performance;
- Respect for human rights – control tools;
- Demand management.

REN LIST OF MATERIAL ASPECTS FOR MANAGEMENT PURPOSES (PRIORITY AREAS OF REN SUSTAINABILITY STRATEGY):

- Safety, reliability, quality and supply security;
- Management of human capital and diversity;
- Health and safety at work;
- Environmental policy/Environmental management systems;
- Prevention of climate change;
- Impact on communities.

REN LIST OF MATERIAL ASPECTS FOR SUSTAINABILITY REPORTING PURPOSES:

- Safety, reliability, quality and supply security;
- Management of human capital and diversity;
- Health and safety at work;
- Environmental policy/Environmental management systems;
- Prevention of climate change;
- Impact on communities;
- Economic Performance;
- Respect for human rights – control tools;
- Demand management.

Contact

For further information please contact us:

sustentabilidade@ren.pt e ir@ren.pt

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03 REN at a Glance

REN

REN at a **Glance**

Maintain positive balance to reflect financial strength.

3.1. REN Profile

3.1.1. Our world

REN's core business is the management of energy transmission systems and the company is present in the electricity and natural gas markets. REN is one of the few operators in Europe with this characteristic. In more detail:

- In electricity, REN operates through the very high voltage (VHV) transmission and the general technical management (GTM) of the national electricity system, under a 50-year public concession service, which REN – Rede Eléctrica Nacional, S.A., a company wholly owned by REN, has held since 2007;

- In natural gas, REN operates through the high-pressure (HP) transmission and the GTM of the national natural gas system, from the reception, storage and regasification of liquefied natural gas to the underground storage of gas, under a 40-year public service concession which the REN Group companies, REN Gasodutos, S.A., REN Atlântico – Terminal de GNL, S.A. and REN Armazenagem, S.A., (respectively), have held since 2006.

Through REN Trading, S.A., REN manages the energy to be acquired from two electrical power producing centres, as part of energy acquisition contracts which were not subject to early cancellation.

Since 2002, REN has also been present in the telecommunications sector through RENTELECOM – Comunicações, S.A., established with the aim of using the surplus capacity of the safety telecommunications networks which are vital to electricity and natural gas transmission.

In November 2010, the Portuguese state awarded Enondas, Energia das Ondas, S.A., a company wholly owned by REN, a concession for wave energy production in a pilot area to the north of S. Pedro de Moel. The concession has been granted for a period of 45 years and includes authorization to build the infrastructures required to connect to the public power grid.

Group business functions are conducted by REN Serviços, S.A. (REN Serviços) more specifically, this includes support functions for the concession holders and with regard to back-office services. In addition to this support work, REN Serviços also operates as a commercial extension of REN, providing consultancy and/or engineering services to third parties within the energy sector.

In October 2017, the REN natural gas segment also came to include the natural gas distribution network in the northern coastal region of Portugal. This was a result of the acquisition by REN Gás, S.A. of all the capital of EDP Gás, S.G.P.S., S.A. and its subsidiary EDP Gás Distribuição, S.A. (now REN Portgás Distribuição, S.A.), under the public service concession, the contract for which was signed by EDP Gás Distribuição, S.A. with the Portuguese State, on 11 April 2008 with validity until 1 January 2048.

This deal also included the acquisition of the subsidiary company EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A., but in July 2018 the shares representing all of the capital of the then REN Portgás GPL, S.A. were sold to ENERGYCO II, S.A.

At the end of 2018, the company REN PRO S.A. (REN PRO) was formed within the Group. The aim of this company is to differentiate support functions, which are more market directed, from functions more focused on regulated concessions. In addition to this aim, REN PRO also seeks to provide services of greater added value and potential for companies outside the REN Group, more specifically in communication and sustainability, marketing, commercial management, business development and consultancy and I.T. projects.

Corporate Holdings

REN maintained its holdings in the following companies:

a) Further to the agreement between Portugal and Spain on the forming of an Iberian electricity market, REN has:

   i. holdings of 40% in OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. which in turn holds (i) 10% in OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A. (ii) 50% holdings in OMIP – Operador do Mercado Ibérico de Energia (Polo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. and (iii) 50% in OMI – Polo Español S.A.;

   In turn, the company OMIP – Operador do Mercado Ibérico de Energia (Polo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. holds 50% of OMI CLEAR – Sociedade de Compensação de Mercados de Energia, S.G.C.C.C.C., S.A., with the remaining 50% held by OMI – Polo Español, S.A.; and

   ii. 10% holdings in OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., the company formed under Spanish law which is the counterpart of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. These companies also have holdings (direct and/or indirect) of 20% and 10% in the capital of MIBGAS, S.A., respectively;

   OMEL – Operador del Mercado Ibérico de Energía, Polo Español, S.A. which in turn holds (i) 10% of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A., (ii) 50% in OMIP – Operador do Mercado Ibérico de Energia (Polo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. and (iii) 50% in OMI – Polo Español S.A.

   Through these holdings, REN operates in the development of the energy market in the Iberian Peninsula.

b) MIBGAS, S.A., a company to which the main functions have been awarded of Operator in the Organized Gas Market or gas hub on the Iberian Peninsula, and in which REN, through its subsidiary REN Gasodutos, S.A., has holdings of 6.67%;

c) Coreso, S.A., Sociedade para a Iniciativa de Coordenação de Segurança Regional (RSCI), which collaborates with different European TSOs and other RSCI, where since the end of 2015, REN – Rede Eléctrica Nacional S.A., started with holdings of 10%. Later, with the entry of the Spanish TSO (REE – Red Eléctrica de España, S.A.U.) at the end of October 2016, REN held a position of 8.317% and, as of the end of 2017, with the entry of the Irish operators (Soni Ltd and EirGrid PLC), REN's holdings fell to 7.90%;

d) Hidroeléctrica de Cahora Bassa, S.A., the concession holding company operating the Cahora Bassa hydro-plant in Mozambique, and, in general, the production, transmission and sale of electrical power, including power import and export, where REN has direct holdings of 7.5%;

e) Red Eléctrica Corporación, S.A., a company operating Spanish electricity transmission system, where REN Serviços, S.A., a subsidiary of REN, has holdings of 1%.

f) Electrogas, S.A., a Chilean company which operates a key gas pipeline in central Chile, in which REN has had a 42.5% stake in capital since February 2017. This acquisition was an important milestone in REN's internationalization process. The operation was finalised through a company with registered office in Chile (Aerio Chile SpA), in which REN, through its subsidiary REN Serviços, S.A., owns 100%.

Since January 2018, REN had had a 9.7% stake, through its subsidiary REN Gás, S.A., in the company MIBGAS Derivatives, S.A., a company which, since that date, manages the business of the organized market for natural gas futures products, LNG spot products and spot products in underground storage on the Iberian Peninsula.

3.2. Corporate Bodies, Departments and other managing bodies (31.12.2018)

CORPORATE BODIES

Board of the General Meeting
Pedro da Maia, *chairman*
Rui Pereira Dias, *vice-chairman*[1]
Francisco Santos Costa, *vice-chairman*[2]

Board of Directors
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
Guangchao Zhu, *vice-chairman*[3]
Mengrong Cheng, *member*
Li Lequan, *member*[4]
Omar Al-Wahaibi, *member*
Jorge Magalhães Correia, *member*
Manuel Sebastião, *member*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*
José Luis Arnaut, *member*
Maria Manuela Veloso, *member*[5]
Longhua Jiang, *member*[6]

Executive Committee
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*

Audit Committee
Manuel Sebastião, *chairman*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*

Remunerations Committee
João Duque, *chairman*[7]
José Galamba de Oliveira, *member*[8]
Fernando Neves de Almeida, *member*
Paulo Pimenta de Araújo, *chairman*[9]
Manuel Lancastre, *member*[10]

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[1] Took office on 03.05.2018
[2] In office until 03.05.2018
[3] Representing State Grid International Development Limited.
[4] Took office on 03.05.2018
[5] In office from 03.05.2018 to 31.10.2018
[6] In office until 03.05.2018
[7] Took office on 03.05.2018
[8] Took office on 03.05.2018
[9] In office until 03.05.2018
[10] In office until 03.05.2018

Corporate Governance Committee

José Luís Arnaut, *chairman*
Jorge Magalhães Correia, *member*
Li Lequan, *member*[11]
Longhua Jiang, *member*[12]

Nominations and Appraisals Committee

Manuel Sebastião, *chairman*
Li Lequan, *member*[13]
Omar Al-Wahaibi, *member*
Rodrigo Costa, *member*
Longhua Jiang, *member*[14]

Statutory auditors

Ernst & Young, Audit & Associados, SROC, S.A., effective[15]
Ricardo Miguel Barrocas André, ROC, *alternate*[16]
Deloitte & Associados, SROC, S.A., *effective*[17]
Carlos Melo Loureiro, ROC, *alternate*[18]

Company Secretary

Marta Almeida Afonso, *effective*
Diogo Macedo Graça, *alternate*

DEPARTMENTS AND OTHER MANAGERS

Internal audit: Hugo Domingos
Chief Technical Officer: Zhang Xin

Electricity Unit

Holding: Albertino Meneses
System Management: Albino Marques

UN Natural Gas Transmission

Holding: Paulo Ferreira
System Management: Fernando Válter Diniz

UN Natural Gas Distribution

REN Gás Distribuição SGPS
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
REN Portgás Distribuição
Victor Baptista, *chairman*
Maria José Clara, *member*
Nuno Fitas Mendes, *member*
Paulo Pinto de Almeida, *member*

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[11] Took office on 26.07.2018
[12] In office until 03.05.2018
[13] Took office on 26.07.2018
[14] In office until 03.05.2018
[15] Took office on 03.05.2018
[16] Took office on 03.05.2018
[17] In office until 03.05.2018
[18] In office until 03.05.2018

REN Portgás GPL[19]
Victor Baptista, *chairman*
Maria José Clara, *member*
Nuno Fitas Mendes, *member*
Paulo Pinto de Almeida, *member*

Concession Support Services

Network Planning: Rui Marmota
Asset Management: João Afonso
Investment: Nuno Ribeiro
Regulation and Statistics: Pedro Furtado
Operational Services: Isabel Figueira
European Energy Agenda: Maria José Clara

Support Duties

Investor Relations: Ana Fernandes
Planning and Management Control: Joana Freitas
Accounts and General Services: Brigida Palma
Human Resources: Elsa Carvalho
Institutional Relations: Maria José Clara / Victor Baptista
Information Systems: Tiago Azevedo
Purchasing: João Botelho
Legal Services: Marta Almeida Afonso
Financial Management: Nuno Rosário

UN REN PRO

Business Development: João Pedro Pires
Communication and Sustainability: Margarida Ferreirinha
I.T. Consultancy and Project Management: Tiago Azevedo

Remaining UNs

RENTELECOM: Rui Franco
ENONDAS: Victor Baptista
REN Finance: Nuno Rosário

REN Trading:
Nelson Cardoso
Tiago Andrade e Sousa

[19] Shares in REN Portgás GPL were sold on 02.07.2018

3.3. Shareholder Structure

3.4. Milestones in 2018

Main REN Group Events

January	• REN agreed the terms for a 10 year bond issue of 300 million euros with an interest rate corresponding to the 10 year *mid swap rate*, plus 0.8%.
February	• REN inaugurated the Riba de Ave Datacenter, an infrastructure allowing the Secure Telecommunications Network (RTS) to be reinforced. The inauguration was attended by the Minister of the Economy, Manuel Caldeira Cabral and the Secretary of State for Energy, Jorge Seguro Sanches.
March	• Maximum historic recorded in national production of electricity, of 12 043 MW, 555 MW higher than the previous high recorded in 2016. • For 2 periods of 64 hours and 69 hours, renewable production was sufficient to supply electricity consumption. • REN and the Green Project Awards (GPA) launched the GPA - REN Biodiversity and Forests award to promote innovation and the development of best practices in the protection of the forest and biodiversity. • A new historic maximum was recorded in Daily Wind Production: in Portugal, with 101 GWh, higher than the 96.7 GWh recorded in January 2017.
April	• REN delivered eight vehicles to eight firefighting corporations as part of our support policy for local communities and the prevention of forest fires. • REN and the Portuguese Government, through the Secretary of State for Energy, signed an agreement providing for the extension of the Portuguese Pilot Zone (ZP) for the production of wave power in Viana do Castelo
May	• The REN General Meeting approved the corporate bodies for the 2018-2020 term of office, where two new representatives were appointed to the Board of Directors, Li Lequan and Manuela Veloso (who left at the end of October 2018). In the new term of office, (i) the member Longhua Jian is no longer a member of the REN Board of Directors, (ii) Ernst & Young, SROC, S.A. was approved as Statutory Auditor, (iii) a new vice-chairman was appointed to the Board of the General Meeting, Rui Pereira Dias, and (iv) the new composition of the Remunerations Committee was approved, with the appointment of João Duque, José Galamba de Oliveira and Fernando Neves de Almeida. • REN presented its strategic plan for the 2018 - 2021 period, maintaining the commitment to operations in Portugal and openness to new investment opportunities. • REN and ONEE - Office National de l'Electricité et de l'Eau Potable from Morocco were requested by the governments of Portugal and Morocco to submit, within six months, a pre-project proposal for the construction and financing model for the Portugal-Marrocos electricity interconnection.
June	• At the 2nd Symposium of the REN Chair, the company presented the findings of the activities carried out over the last three years by 13 REN Chair researchers in Biodiversity, studying the impact of electricity infrastructures on birds. The event was attended by the American biologist Rick Harness, a specialist in the study of bird interaction with electrical installations.

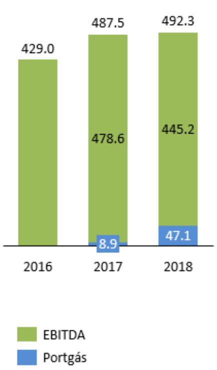
July	• REN Portgás Distribuição, S.A., sold all its shares in REN Portgás GPL to ENERGYCO II, S.A. • Photovoltaic energy production in Portugal reached a new historic record on 29 July at 13:45, standing at 437 MW.
August	• REN was awarded certification for its Quality, Environment, and Health & Safety at Work Management System in accordance with the new edition of the quality and environment standards (ISO 9001:2015 and ISO 14001:2015, respectively). Certification was also maintained under Health & Safety at Work in accordance with standard NP 4397:2008 / OHSAS 18001:2007. • From 4 to 5 August, consumption of electricity in Portugal recorded new historical maximums, surpassing previous highs reached in 2013.
September	• REN was present for the seventh year running at FACIM (the Mozambique Livestock, Trade and Industrial Fair). At this 54th edition, which ended on 2 September, a total of 2,200 companies took part, many of which were from the energy sector.
October	• The American ratings agency Standard and Poor's (S&P) raised REN's rating from BBB- /A-3 to BBB/A-2 with a stable outlook. • REN signed a protocol with the University of Évora to study the conservation of animal communities below power transmission lines. • The Single Allocation Platform entered into operation in 22 European countries. This platform, shared by 28 TSOs, represents an important step for the integrated electricity market and is expected to promote the coordinated development of net, competitive futures markets throughout Europe and provide market participants with the possibility of hedging risks in transborder electricity trading. • REN and the University of Évora develop a natural laboratory to study the preservation of animal species under power transmission lines. • REN joins national project for the integrated management of the forest.
November	• Maria Manuela Veloso, member on the Board of Directors, left office with effect as of the end of October 2018. • Higher Technical Institute (IST) student wins REN 2018 award for work on offshore wind turbine. • The Júlio Dantas Secondary School in Lagos wins ninth edition of MEDEA (initiative run by REN and the Portuguese Physics Society).
December	• REN PRO formed, a company wholly owned by REN SGPS. • On 22 December, the REN LNG Terminal in Sines saw the docking of the 500th vessel.

3.5. Main performance indicators

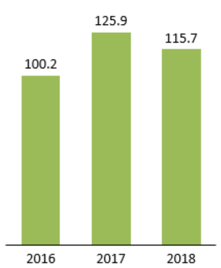
3.5.1. Financial indicators

Operating results (millions of euros)	'18	'17	'16	'15	'14	Δ% '18-'17
EBITDA	492.3	487.5	476.0	489.7	505.2	1.0%
EBIT	257.2	265.5	261.3	280.4	302.6	-3.1%
Financial profits	-57.8	-61.2	-79.9	-98.8	-113.8	-5.7%
Pre-tax profits	199.4	204.3	181.4	181.5	188.8	-2.4%
Net income	115.7	125.9	100.2	116.1	112.8	-8.1%
Recurrent net income	137.2	154.8	126.3	118.1	140.3	-11.4%

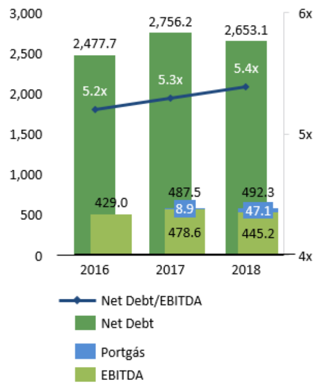
EBITDA, M€



RECURRENT NET INCOME, M€



NET DEBT/ EBITDA, M€

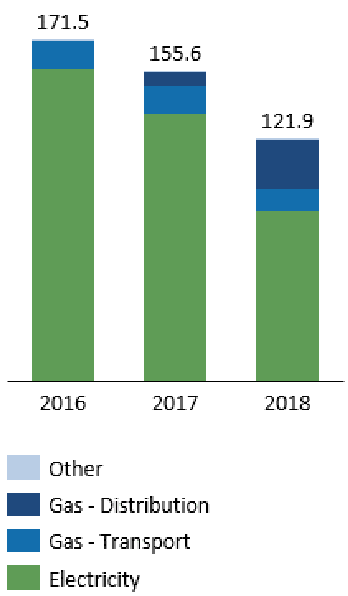


Assets, investment and debt (millions of euros)	2018	2017	2016	2015	2014	Δ% '18-'17
RAB Average rate of return, %	5.3%	6.1%	6.1%	6.2%	7.5%	-0.8p.p.
Investment (CAPEX), millions of euros	121.9	155.6	171.5	240.4	163.3	-21.6%
Net debt, millions of euros	2,653.1	2,756.2	2,477.7	2,465.5	2,436.2	-3.7%
Net debt/EBITDA, x	5.39x	5.30 x	5.20 x	5.04 x	4.82 x	0.09x

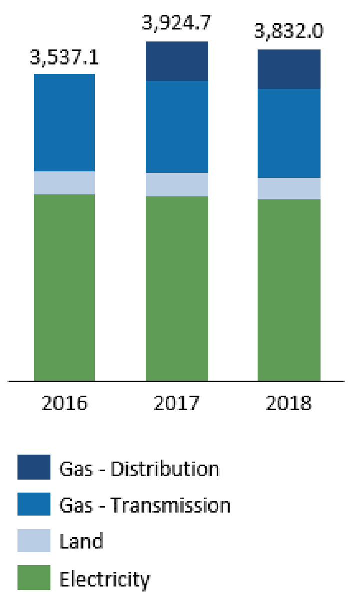
Investiment (millions of euros)	2018	2017	2016	2015	2014
Electricity	85.6	134.8	157.5	148.2	137.4
Gas - Transport	11.3	14.2	13.8	91.8	25.8
Gas - Distribution	24.9	6.3	0.0	0.0	0.0
Other	0.1	0.3	0.2	0.4	0.1
Total Investment	**121.9**	**155.6**	**171.5**	**240,4**	**163.3**

Average RAB (millions of euros)	2018	2017	2016	2015	2014
Electricity	2,091.9	2,138.4	2,152.6	2,149.4	2,128.0
Land	242.9	255.6	268.3	281.2	294.3
Gas - Transmission	1,032.6	1,075.5	1,116.1	1,155.2	1,107.0
Gas - Distribution	464.5	455.2	-	-	-
Total average RAB	**3,832.0**	**3,924.7**	**3,537.1**	**3,585.8**	**3,529.2**

CAPEX, M€



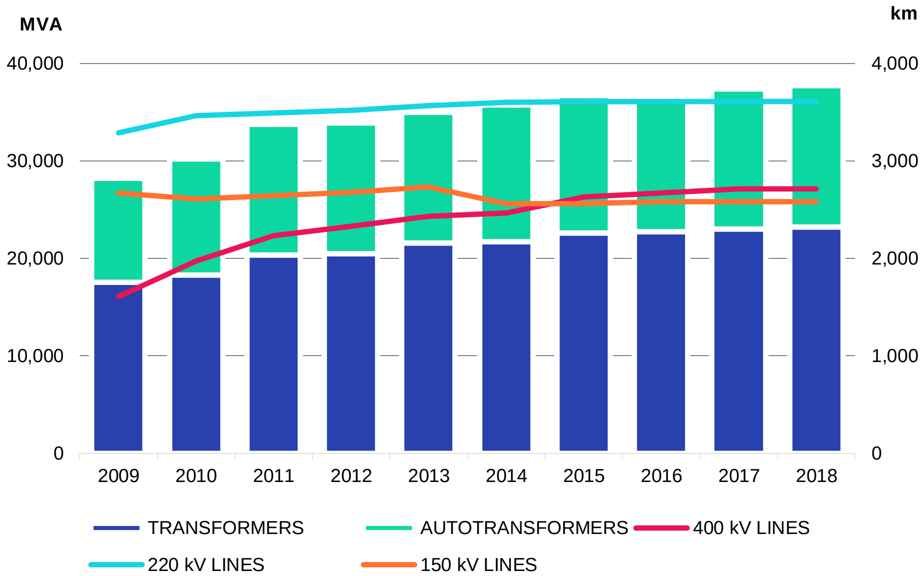
AVERAGE RAB, M€



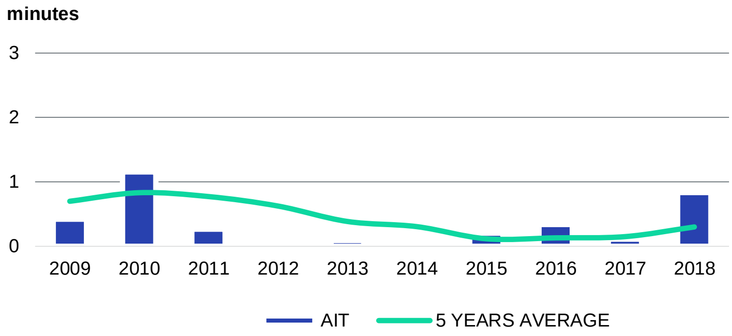
3.5.2. Electricity indicators

Technical indicators - electricity	2018	2017	2016	2015	2014
Consumption, TWh	50.9	49.6	49.3	49.0	48.8
Annual variaton in electricity consumption, %	2.5%	0.7%	0.6%	0.3%	-0.7%
Installed capacity, MW	19,949	19,800	19,539	18 545	17,775
Power transmitted on the rnt, TWh	47.2	47.2	46.7	43.0	41.9
Length of lines, km	8,907	8,907	8,863	8,805	8,630
Transformer capacity, MVA	37,638	37,382	36,636	36,673	35,754
Energy transmission losses, %	1.66%	1.51%	1.72%	1.56%	1.86%
Equivalent interruption time, minutes	0.83	0.11	0.34	0.21	0.02

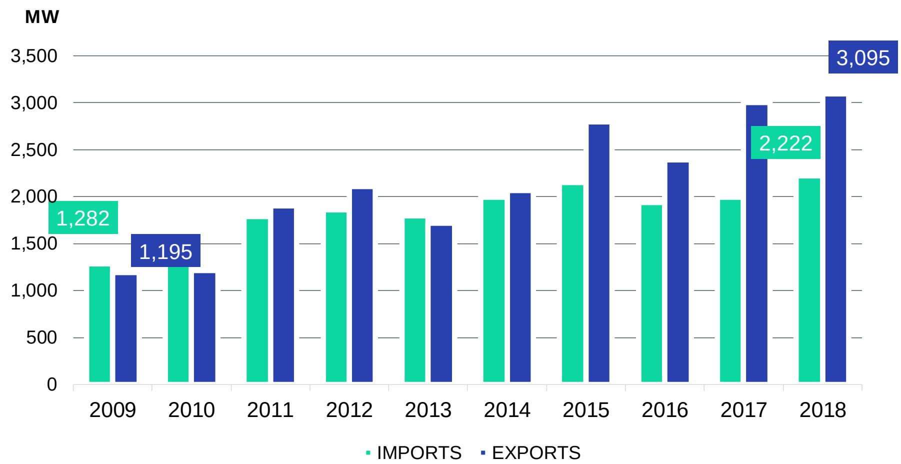
LINE LENGTH AND TRANSFORMATION POWER



EVOLUTION OF EQUIVALENT INTERRUPTION TIME (AIT), MINUTES



AVERAGE IMPORT AND EXPORT CAPACITY, MW

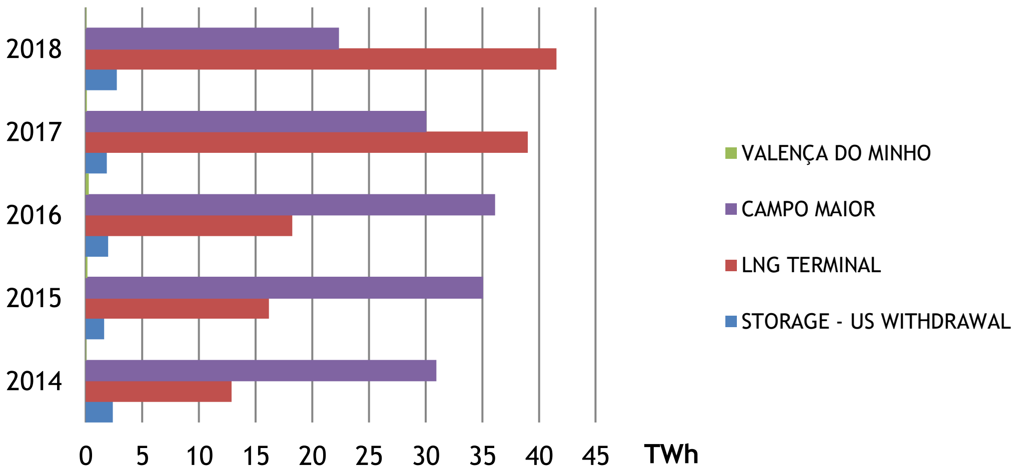


3.5.3. Natural gas indicators

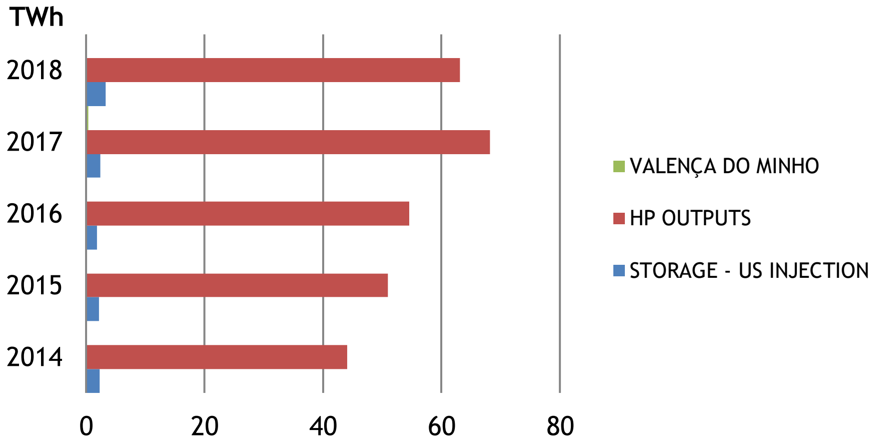
Technical indicators – natural gas	2018	2017	2016	2015	2014
Consumption, TWh	64.9	69.7	55.8	52.2	45.3
Annual variaton in natural gas consumption, %	-6.8%	24.8%	6.9%	15.3%	-5.4%
Outputs from rntgn, TWh	66.6	71.1	56.7	53.1	46.2
Length of high-pressure gas pipelines, km	1,375	1,375	1,375	1,375	1,375
Underground gas storage capacity, mm^3(*)	300.0	300.0	300.0	300.0	170.3
Supply interruption duration per offtake (sido), minutes/offtake	0.02	0.00	0.00	0.00	0.07
Consumption supplied by REN Portgás Distribuição, tTWh	7.3	7.2	-	-	-
Length of distribution network REN Portgás Distribuição, km	5,486	5,267	-	-	-

(*) The volume indicated expresses the maximum capacity available for commercial purposes, which is conditioned by the specific thermodynamics of high-pressure, natural gas storage in salt caverns.

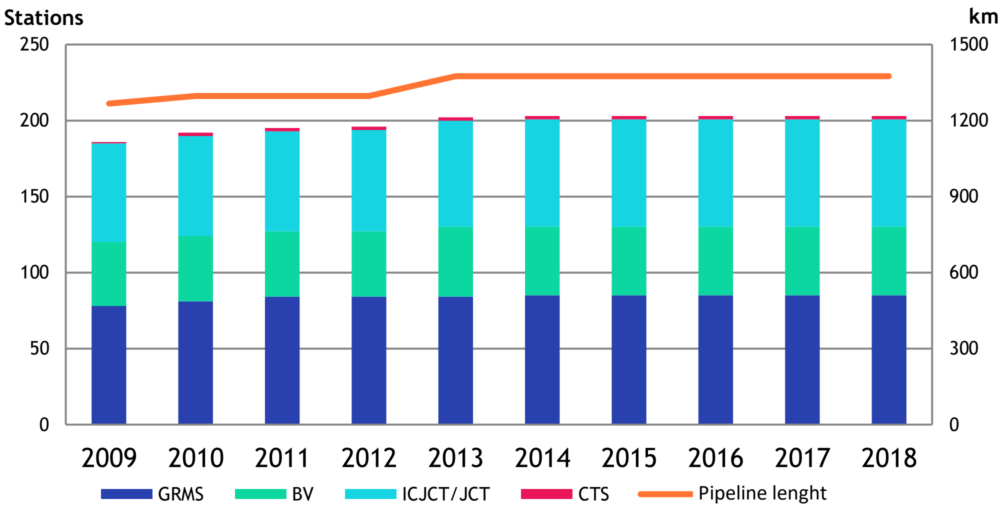
INPUTS TO RNTGN



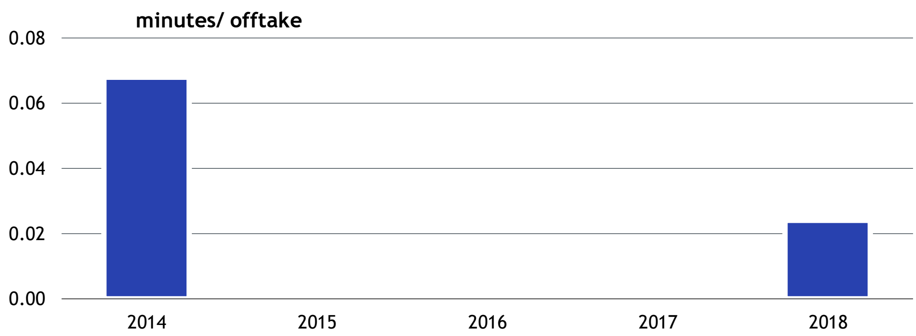
OUTPUTS TO RNTGN



RNTGN – INFRASTRUCTURES



SUPPLY INTERRUPTION DURATION PER OFFTAKE (SIDO)



3.5.4. Social and Environmental Indicators

With the aim of promoting an inclusive culture which encourages the involvement of all stakeholders and gives an active role to the company, employees and local communities, REN continues to develop its attitude of active corporate citizenship. Work by the company continued to focus on this concept of active corporate citizenship based on the three axes of the sustainability strategy: the promotion of internal well-being, involvement and satisfaction of stakeholders and protection of the environment.

REN is committed to the 17 Sustainable Development Goals created in 2015 by the United Nations. REN promotes, supports and implements actions and projects which are aligned to these 17 goals and which have been identified as priority in line with the company's sustainability strategy: quality education; gender equality; renewable and accessible energies; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; sustainable production and sustainable consumption; climate action; protecting life of earth; and partnerships to implement these goals.

The NÓS programme pursues actions which foster well-being within the company as well as quality of life, diversity, inclusion and personal fulfilment and helps to conciliate personal and professional life while improving the overall satisfaction of employees. In 2018, 22 initiatives were undertaken involving 380 REN employees under the programme's three pillars: Balance, Equality and Inclusion.

The 4th REN AGIR Award was dedicated in 2018 to the preservation of natural heritage in the regions and 40 applications were submitted this year. 'Gado Sapador', by the Gardunha 21 Development Agency in Fundão was the overall winner, and the projects 'A Encosta do Sol', in the Braga region and 'As Guardiãs do Mar", in Setúbal were also winners. Since 2014, this award has directly benefited nearly 2,900 people. Also in relation to proximity to local communities, REN once again brought together residents of the Bucelas Day Centre at its facilities in this town for the now traditional Christmas lunch.

REN also continued to focus on volunteer work through the Share Corporate Volunteer Programme. This work seeks to provide social, environmental and educational support, and 2018 saw 27 initiatives with participation by a total of 115 employees, a 3% rise over figures for the previous year. An increase in the number of hours of volunteer work was also seen, rising to 1,097, where 901 hours were by employees and 196 by family and friends of employees.

Of special note under the educational aspect of the Share programme was employee participation in entrepreneurship programmes for young people in the Junior Achievement Portugal project (www.japortugal.org), in initiatives to fight early school leaving and educational underachievement promoted by EPIS – Businesspeople for Social Inclusion (www.epis.pt). A highlight in environmental work was the annual awareness raising programme to clean the Mafra Forest (www.tapadademafra.pt), which has been a tradition at REN since 2013. In 2018, 52 volunteers took part and helped clean and recover the natural ecosystem of the REN corridor which has now covered 15 hectares.

As part of social support under the Share programme, work has also continued with the Comunidade Vida e Paz (Life and Peace Community; www.cvidaepaz.pt/), with participation by REN volunteers who helped prepare dinners for homeless people in Lisbon. This work takes place on the last Thursday of every month and in 2018, a total of 34 volunteers participated. Since 2013, volunteers from the company have also helped out at this organization's Annual Christmas Party. REN volunteers were also in evidence once again at the Salvador Association "Adapted Sport Day", (www.associacaosalvador.com) which again this year was supported by the company through the Quality of Life Action Project. In 2018, the "Em Linha" (On Line) Project was continued which, with assistance from REN volunteers, reinforced the initiative "Chamadas de Conforto" (Comfort Calls) run by the AREP (REN/EDP Retiree Association; www.arep.pt), which promotes interaction among employees.

A further highlight in this regard in 2018 was support for the Food Bank (www.bancoalimentar.pt), campaigns held at the company's installations to collect clothing and toys for children, food and equipment for animals. Also of note was the "Red Nose Operation" (www.narizvermelho.pt), held for the second year, where funds were raised through the sale of merchandising to company employees which reverted to this institution helping bring a brighter day to children in hospitals in Portugal.

Surplus food was also donated from company canteens and events to Re-food movements (www.re-food.org), Zero Waste (www.zerodesperdicio.pt), and the Life and Peace Community in Lisbon and Porto.

In 2018, as part of REN's support for and involvement with local communities, the company continued its support for several institutions in various fields. These institutions included the Portuguese Asperger's Syndrome Association (www.apsa.org.pt); the Fifth Essence Association (www.quintaessencia.pt); the international volunteer project "Grão" (www.ograo.com), which every summer takes university students and young professionals on missions to African countries where Portuguese is the official language.

In the field of sports, REN continued to support employees in their pursuit of different sporting activities including mountain biking, triathlon, running and golf. In 2018, the company renewed its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia.

In the segment for culture and education, REN renewed its partnership with the National Museum of Ancient Art (www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt) and the Arpad Szenes Foundation (www.fasvs.pt), where it is patron. A patronage protocol was also established with Jerónimos Monastery to sponsor the conferences cycles "Dialogues with Jerónimos Monastery" (www.dialogosjeronimos.pt) held to celebrate the European Year of Cultural Heritage. REN also supported the St. Thomas College (www.colegiodestomas.com) through social scholarships and the Lisbon MBA (www.thelisbonmba.com), which was founded by the company.

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In the 2018 edition, 1st place went to a team of students from the Júlio Dantas Secondary School in Lagos. Honourable mentions also went to two teams of students from the Camilo Castelo Branco Secondary School in Famalicão. (Further information can be found in point 5.3.1.5)

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which is now in its 23rd year and in 2018, 36 applications were submitted. Created in 1995, the REN Award continues to demonstrate REN's commitment to accompany the transformations and developments which have shaped the energy sector, foresee challenges, identify problems and propose innovative solutions. In 2018, the REN Award had a new jury and the prize money on offer doubled. The winning Master's theses covered topics relating to renewable energies (find out more at http://www.ren.pt/en-GB/sustentabilidade/premios_ren/). As of 2019, this award will also be open to PhD students and a biannual prize will be awarded to the best theses.

In the area of environmental protection, the protocol was renewed between REN and Quercus to support the "Common Forest" Programme (www.florestacomum.org). As part of this educational programme, REN reforested numerous areas in partnership with local authorities and schools where the REN programme "Heróis de Toda a Espécie" was once again implemented. (More detailed information can be found in point 5.3.1.5)

The partnership with the ECO Movement – Companies against Fires (www.movimentoeco.pt) was maintained. The aim of this programme is to promote forest fire prevention and raise awareness among the public with regard to activities that could lead to fires. Concern in this regard and with the goal of forming a collaborative network for the defence of the forest, and where REN plays a vital role not only with respect to fire prevention but also in the response to fires, six support vehicles were acquired for REN Prevention and Surveillance teams. These teams now have first response means in the event of a fire in collaboration with local fire fighting corporations and civil protection units.

In cooperation with the Science and Technology Foundation - FCT and CIBIO-InBIO, in 2018 REN presented the findings of the activities carried out over the last three years by 13 REN Chair biodiversity researchers studying the impact of electricity infrastructures on birds. Speaking at the 2nd Symposium on the REN Chair, which was held in June, was the American biologist Rick Harness, a specialist in the study of bird interaction with electrical installations. There was also a debate where numerous companies discussed the importance of the academic and corporate worlds being able to share knowledge.

Company support for the Green Project Awards (www.gpa.pt), where REN has been a partner since 2013, was marked in 2018 with the launch of the REN Biodiversity and Forestry Award, in the category of "Agriculture and Forests". Support was also maintained for APAI – the Portuguese Impact Assessment Association (www.sites.google.com/apai.org.pt/web/).

Internally, 2018 was also marked by the Fazer Por Nós campaign, an internal awareness and mobilisation programme to defend the environment, launched on World Environment Day. The aim of this campaign is to raise awareness for the urgent need to do something for the survival of the planet and future generations. The campaign seeks to stimulate individual action on different levels in the work place, in the reduction of waste, more careful consumption and more responsible behaviour and involves different initiatives and communication actions. In 2018, every employee received a personalized bottle, while plastic bottles in all meeting rooms in REN buildings were replaced with glass bottles. As part of this campaign, employees were also given recycling bags (paper, glass and plastic), thus stimulating the reduction of rubbish. Once again, a simple gesture which could make a difference.

Number of employees	2018	2017	2016
Full time employees	675	664	593
Fixed term contracts (Fixed, Unspecified duration and commission)	12	19	12
Professional internships	4	8	3
Total	**691**	**691**	**608**

Rotation rate	2018	2017	2016
Men	2.53%	3.22%	3.81%
Women	1.37%	1.29%	1.70%
Total	**3.90%**	**4.51%**	**5.51%**

Diversity	2018	2017	2016
Men	515	518	461
Women	176	173	147
Total	**691**	**691**	**608**
% of women in regards to the total	**25.47%**	**25.04%**	**24.18%**

Area of training (No of Hours)	2018	2017	2016
Behavioural	5,685.70	8,003.70	7,165.50
Technical	15,808.70	21,348.77	13,015.20
QAS	4,668.10	2,374.99	3,316.00
Management	3,767.90	2,816.43	3,512.50
Total	**29,930.40**	**34,543.89**	**27,009.20**

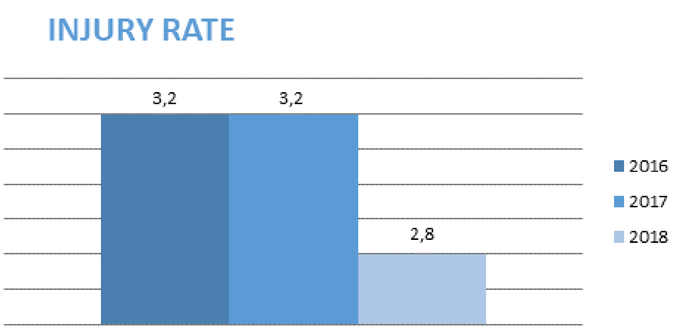
Area of training (No of Participants)	2018	2017	2016
Behavioural	536	658	605
Technical	2,353	2,125	1,434
QAS	824	375	420
Management	184	182	333
Total	**3,897**	**3,340**	**2,792**

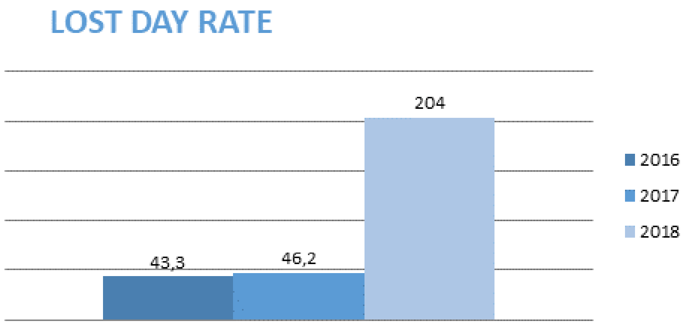
	2018	2017	2016
% Staff who are union members	38.35%	36.90%	40.95%
% Full-time ACT workers	98.84%	97.97%	98.52%
Staff who are union members	265	255	249
ACT Employees	**683**	**677**	**599**

	2018	2017	2016
Absenteeism Rate	**2.11%**	**2.06%**	**2.05%**

Indicators for the NÓS programme	2018
No of Initiatives	22
No of Participations	380

INCIDENCE AND SEVERITY INDEXES – REN





Energy Consumption at REN (GJ)	2018	2017	2016
*Electrical energy of infrastructure and buildings	269,580	263,702	218,289
Natural gas (boilers, pilots and controlled flares)	294,248	279,520	430,447
Propane gas	117	113	76
Natural Gas	38,960	2,940	2,522
Fuel (Diesel and Petrol)	23,477	1,134	27,805
Losses in the electricity transmission network	2,826,187	2,565,122	2,898,594
Losses in the gas transmission network (purges)	1,614	18,749	2,085
Total	3,454,183	3,131,280	3,579,818

Greenhouse gas emissions (TON CO_2 e)	2018	2017	2016
Scope 1	21,745	26,110	28,797
Natural gas purges (CH_4)	761	8,845	984
Flare burn	17	123	11,214
Own consumption by boilers	16,491	15,570	13,149
Sulphur hexafluoride (SF6)	545	1,398	1,208
Natural Gas (buildings)	2,186	166	177
Propane Gas (buildings)	7	8	5
Diesel (equipment and fleet)	1,739	2,117	2,060
Scope 2	241,607	156,165	110,109
Electricity	21,039	7,074	9,121
Electricity losses in the network	220,568	149,590	100,989
Scope 3	559	561	752
Plane trips	559	561	752

	2018	2017	2016
Number of train trips (Lisbon-Porto)	326	455	303
Number of videoconferences	5,105	21,557	946

In 2018, a total of 100,900 trees were planted in an approximate area of 363 hectares, where the strawberry tree was the most planted species, with 260 hectares (72,200 saplings). This situation was due to the investment made by REN in the central coastal region, more specifically on the Penela - Tábua 1/2 line, which was severely affected by the serious forest fires of 2017. Following the strawberry tree, the stone pine (45 hectares – 12,472 saplings) and the cork oak/ holm oak (60 hectares – 6,589 saplings), were the species most used in (re)forestation in 2018.

IUCN CLASSIFICATION	2018	2017	2016
Critically threatened	2	2	2
Threatened	8	8	7
Vulnerable	22	19	18

3.6. Regulated assets

3.6.1. Electricity

ELECTRICITY business

Through REN - Rede Eléctrica Nacional, S.A., REN works in two regulated areas: General System Management (GSM) and Transmission of Electrical Power (TEP). The revenue allowed from GSM and TEP is received by applying two regulated tariffs: the tariff for the General Use of the System (GUS) and the tariff for the Use of the Transmission Network (URT).

Both tariffs are defined annually by the Energy Services Regulatory Authority (ERSE) based on demand, costs, revenues and investment.

In 2018, a new regulation period was started with changes to the form of the regulation and updating of the regulatory parameters. The main changes were: (i) introduction of an incentive for the economic rationalisation of RNT operator investment costs replacing the incentive for maintaining equipment at the end of economic working life in operation, (ii) cancellation of the incentive to increase the availability of RNT elements, (iii) extension of the regulation for operating cost incentives in GSM, (iv) actuarial gains and losses are excluded from efficiency targets and accepted with a fixed value over 11 years and, (v) expenditure in the fire protection corridors is now included in the revenue cap.

The efficiency factor applied to operating costs for TEP and GSM was set at 1.5% (2019 and 2020). The indexing of the remuneration rate was maintained at the annual arithmetic mean (1 Oct n-1 at 30 Sep n) of the daily trading yield on 10 year Portuguese Republic Treasury Bonds, where the starting point stands at 270 b.p. for an initial base remuneration rate of 5.5%. Limits to the remuneration base rate indexed to the 2018-2020 period were changed to 4.50% and 9.50%.

Regulation of Activities

In the current regulatory period, which started in 2018, incentives regulation was extended to controllable operating costs in GSM activity. The regulation methodology was maintained for investment costs (remuneration rate applied to assets used in operations, net of amortization and subsidies).

Activity relating to TEP is regulated by incentives: (i) for efficient investment in the transmission network, (ii) to operating cost efficiency by establishing a maximum limit on costs plus a further component depending on the level of company activity, (iii) to economic rationalization of RNT operator investment (IREI).

The aim of the investment incentive is to reward, as additional remuneration, the efficiency obtained in investment subject to reference costs and which falls within set parameters.

The value of operating costs set for the first year of the regulation period evolves in subsequent years in line with the variation rate of the Implicit Price Index of GDP, and with an efficiency target determined by ERSE, which for 2019 and 2020 was 1.5%.

Added to this amount is the change in the OPEX due to the annual growth in the transmission network (in kilometres of lines and in the number of panels at substations), calculated with the corresponding incremental costs, also set by ERSE

The incentive for economic rationalization of RNT operator investment seeks to: (i) stimulate deferral of investment to replace fully amortized assets still displaying suitable functional performance – seeking to be technologically neutral and flexible in investment decisions and in the choice of the most effective mix between new and existing assets – varying the incentive in line with the ratio between the average value of the asset net of amortizations and subsidies and the average value of the gross asset in operation, and (ii) ensure that, in its investment decisions, the RNT operator continues to ensure good network performance, more specifically with regard to the quality of service provided and RNT efficiency and operating safety.

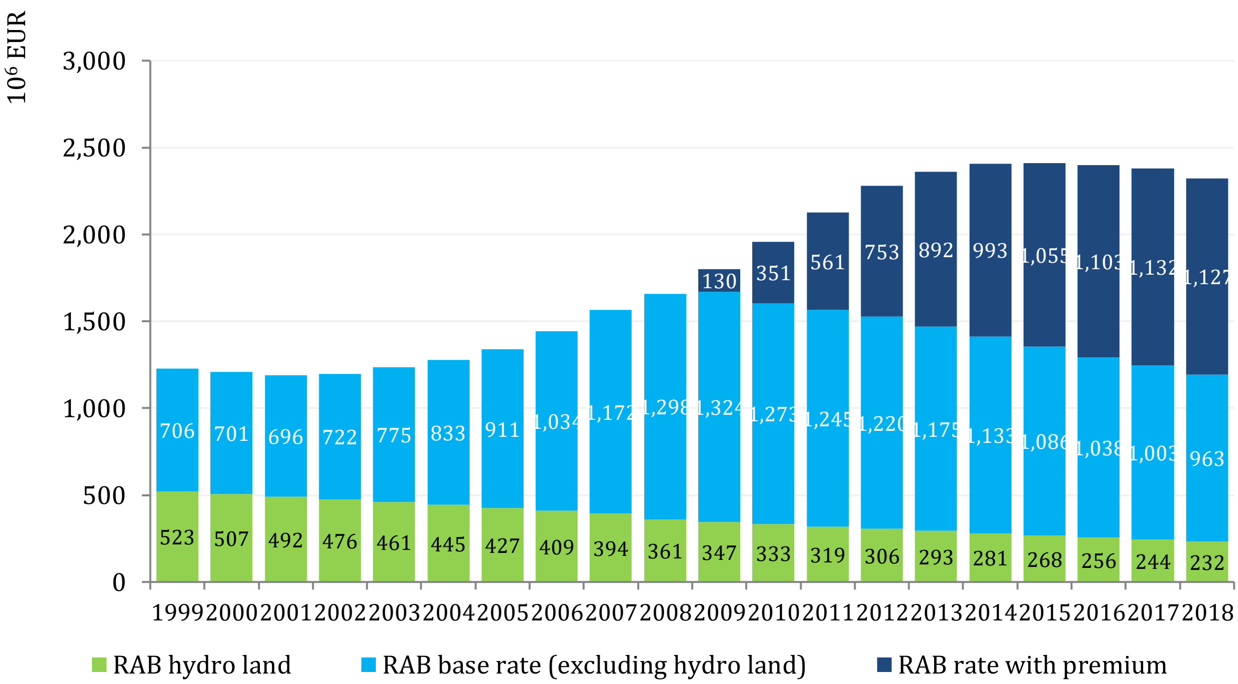
The electricity regulated assets base (RAB) consists of the assets net of amortizations and subsidies allocated to the TEP and GSM activities.

In GSM activity, the principle of RAB valuation is based on historical costs. In these cases, the remuneration rate of 5.17% is applied. In 2018, the average RAB for GSM activity stood at 37 million euros. Assets used in this activity also include land in the public water domain used in hydro power production, in the sum of 232 million euros, remuneration for which, in accordance with Ministerial Implementing Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder. The rate may vary between -1.5% and +1.5%. As no performance reports have been issued since 2015, ERSE stated that the rate would be zero with retroactive effects to 2017, therefore, for the value considered for 2018 was 0%.

With regard to Electrical Power Transmission, with the aim of promoting more efficient behaviour by the transmission system operator in investment, the reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with retroactive application to investment transferred to operations in 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January. In 2018, the average RAB on which the premium rate of 5.92% is applied, was 1.127 billion euros, while the remaining 926 million euros is remunerated at a non-premium base rate of 5.17%.

The following graph shows the RAB for the different asset groups:

Evolution of the Regulated Asset Base



The tariffs set by ERSE also reflect tariff deviations which, after two years, reconcile (to the extent they are justified and accepted by ERSE) the forecast and real values of income and costs and differences in demand.

The adjustments arising from the differences are recovered or returned two years after they have occurred. This sum is remunerated at a regulated rate equal to the 1 year Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2018, the balance of differences was 10 million euros to be recovered by REN Rede Eléctrica Nacional, SA.

REN Trading

REN Trading places production from non-terminated Electricity Acquisition Contracts (CAE) relating to the Tejo Energia and Turbogás thermal power plants on the market (MIBEL).

The difference between the contract cost within the scope of the CAE and the income from the market sale of power and system services supplied by the respective power plants, plus the incentives to optimise their management and the efficient management of the CO_2 emission licences, is incorporated into the Overall System Use tariff borne by energy users.

REN Trading income derives from incentives defined by ERSE which is based on the sharing with electricity consumers of the benefits of the optimising and management of supply from these power plants. The final value of the incentives is a result of company work, both through the optimising of energy sales from the power plants, and by minimizing acquisition costs for fuel and CO2 emission licences.

In 2018, the balance of the tariff difference account from the Purchase and Sale of Electrical Power, within the scope of CAE management, was 127 million euros to be recovered.

3.6.2. Natural Gas

Natural Gas Business

The natural gas activities listed below are subject to economic regulation by ERSE:

- The high-pressure transmission of natural gas – through REN Gasodutos. S.A.
- General technical management of the SNGN – through REN Gasodutos, S.A.
- LNG reception, storage and regasification – through REN Atlântico Terminal de GNL, S.A.
- Underground storage of natural gas – through REN Armazenagem, S.A
- Natural gas distribution – through REN - Portgás Distribuição, S.A.

In July 2016, a new three year regulatory period started which ends in the first semester of 2019.

The main changes introduced by the regulator for the activity of LNG reception, storage and regasification and the transmission and underground storage of natural gas were: (i) continuation of the indexing of the remuneration rate to the yield on Portuguese Republic 10 Year Treasury Bonds, and the introduction of limits to the remuneration rate for the 2016-2019 period of between 5.40% and 9.00%, (ii) indexing reference changed to the calendar year; (iii) broadening of the mechanism to attenuate tariff adjustments to NG storage (already introduced for the reception, storage and regasification of LNG), with the aim of reducing the impact of these adjustments on annually defined tariffs, (iv) extension of regulation on incentives for the general use of the system (limited to intra-group operations) in a similar manner to the high-pressure transmission of natural gas and the reception, storage and regasification of LNG and storage of NG; and (v) end of smoothing in the reception, storage and regasification of LNG with effects as of the 2nd semester of 2017.

The main changes introduced by the regulator for the activity of natural gas distribution were: (i) continuation of the indexing of the remuneration rate to the yield on Portuguese Republic 10 Year Treasury Bonds, and the introduction of limits to the remuneration rate for the 2016-2019 period of between 5.70% and 9.30%, (ii) indexing reference changed to the calendar year; (iii) redefinition of the maximum investment limit in the conversion of infrastructure to natural gas which is now indexed to consumption.

Currently, the level of operating costs accepted for calculating revenue on activities subject to regulation by incentives, has an allowed value which includes a fixed parcel and one or more other variable parcels, which are dependent on cost drivers recognized by the regulator and are characteristic of each type of infrastructure.

The value approved for OPEX in the first year of the current regulation period evolves, in following years, in line with the efficiency targets set and published by ERSE for these years and with the variation rate of the Implicit Price Index of Gross Domestic Product (GDP). The variable associated with the consumption of electricity at the LNG terminal (energy component) evolves in line with the average annual variation in the price of electricity on the futures market, published by OMIP, and with the efficiency target set by ERSE.

The efficiency targets for the current regulatory period vary between 2% and 3% per year.

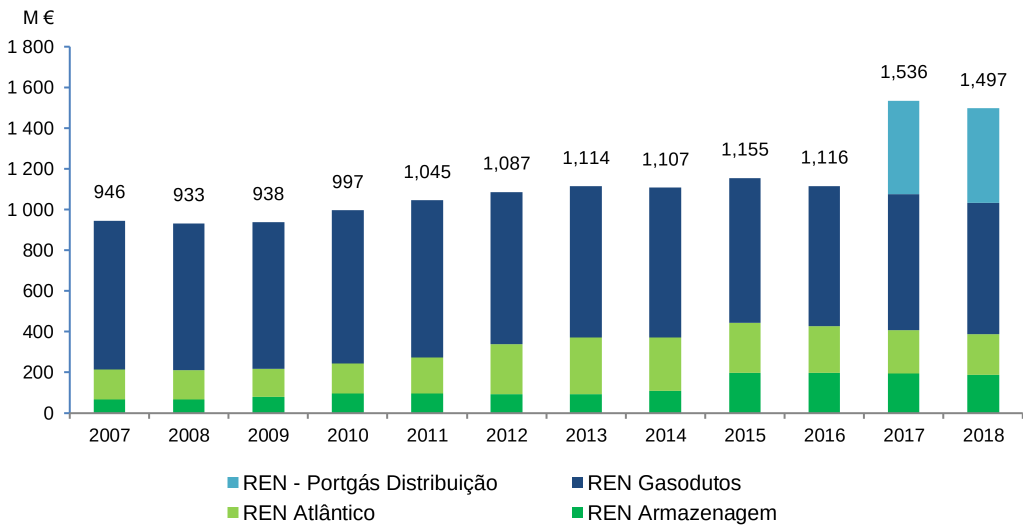
The activity of General Technical Management of the System (excluding intra-group expenditure) is not subject to efficiency targets, as well as some expenditure considered as not controllable by the company

Regulation of Activities

Income relating to invested capital stems from the return on fixed assets in operation, net of amortisations and subsidies (RAB), at a rate set by the Regulator at the start of every regulatory period, plus the corresponding amortisations.

Up to the end of 2018, the RAB for the natural gas companies had the following evolution:

Evolution of the Regulated Asset Base



Tariffs are set based on estimates of quantity and the total income permitted as calculated for each activity. They include remuneration on assets, the recovery of the value of amortizations and established operating costs, by activity. Tariff adjustments from previous years are also included.

The adjustments are recovered or returned on a transitional basis every year based on estimates. The real value of adjustments arising from the differences is recovered or returned two years after they have occurred based on the comparison of provisional adjustments. This sum is remunerated at a regulated rate equal to the 12 month Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2018, the balance of differences was 75 million euros to be recovered from tariffs.

3.7. Technical Infrastructures

3.7.1. Electricity

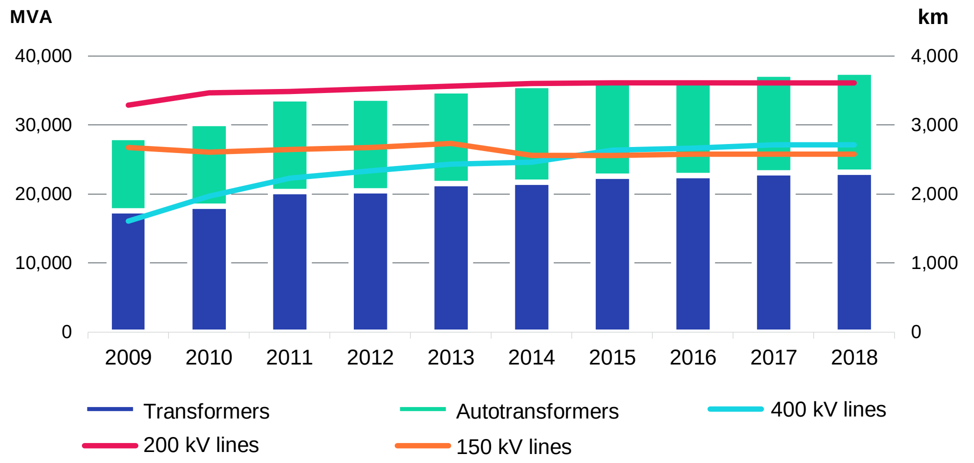
At the end of 2018, the National Electricity Transmission System (RNT) consisted of 8,907 km in lines and 68 transformer substations and 14 step-down, switching and transition substations.

The RNT ensures the flow of electrical power from power plants to the transformer substations where connections exist directly to VHV consumers and at 60 kV between the national transmission system and the national distribution network.

THE NATIONAL ELECTRICITY TRANSMISSION NETWORK

	2018-12-31	2017-12-31	Variation
Length of lines in service (km)	**8,907**	**8,907**	**0.0%**
400 kV	2,714	2,714	0.0%
220 kV	3,611	3,611	0.0%
150 kV	2,582	2,582	0.0%
Transformation power in service (mva)	**37,638**	**37,382**	**0.7%**
Autotransformation (mva)	**14,470**	**14,340**	**0.9%**
400/220 kV	7,200	7,200	0.0%
400/150 kV	6,440	5,990	0.0%
220/150 kV	830	700	18.6%
Transformation (mva)	**23,168**	**23,042**	**0.5%**
400/60 kV	4,080	3,910	0.0%
220/60 kV	12,574	12,448	1.0%
150/60 kV	6,054	5,928	0.0%
150/130 kV	140	140	0.0%
220/30 kV	320	320	0.0%

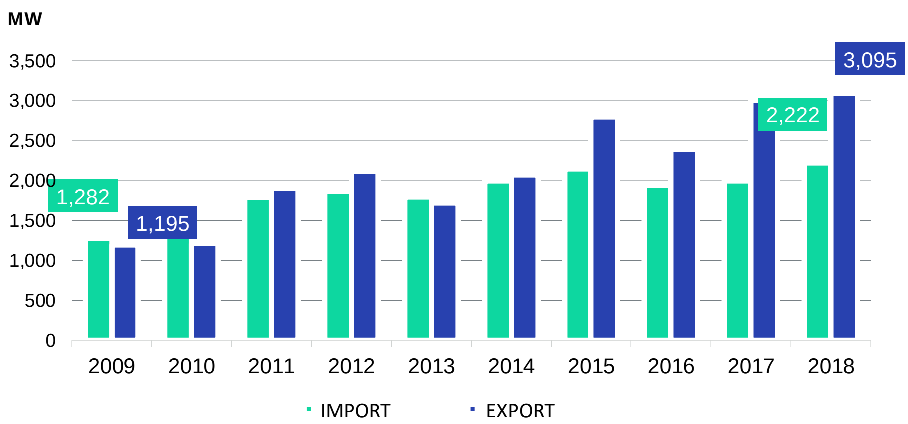
LINE LENGHT AND TRANSFORMATION POWER



The RNT also connects to the European Transmission System through ten interconnection points (nine lines at 220 and 400 kV and one at 130 kV) with the Spanish Transmission Network. This interconnection is provided by three 220 kV lines at Douro International and by six 400 kV lines, two between Minho and Galicia, one at Douro International, one at Tejo International, one between the Alentejo and Extremadura and one between the Algarve and Andalusia.

Furthermore, in exceptional cases for regional support for the distribution network, a 130 kV line is established between Minho and Galiza.

IMPORT AND EXPORT CAPACITY, MW



THE NATIONAL ELECRICITY TRANSMISSION NETWORK

3.7.2. Natural Gas

REN's natural gas infrastructures include:

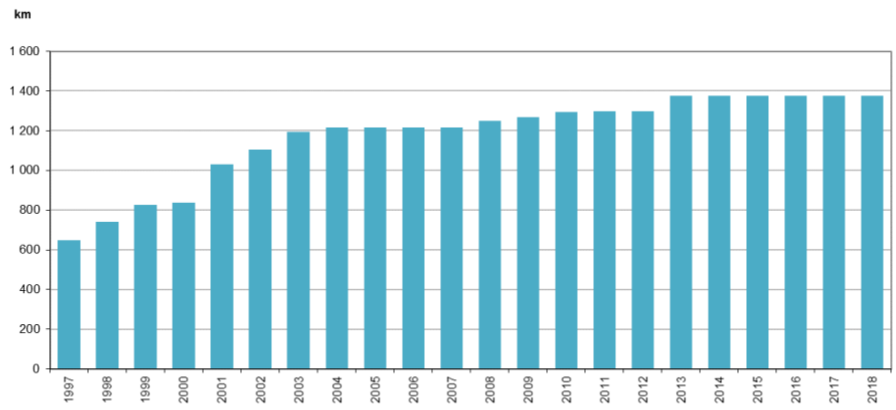
- The National Natural Gas Transmission Network (RNTGN);
- The Sines Natural Gas Liquefaction terminal (NGL);
- The Carriço natural gas underground storage facilities (6 caverns and 1 surface station).

Therefore, at the end of 2018, the RNTGN consisted of the following infrastructures:

- 1,375 km of high-pressure gas pipelines;
- 66 junction stations for pipeline branching;
- 45 block valve stations;
- 5 T-branch interconnection stations;
- 85 gas pressure regulating and metering stations;
- 2 custody transfer stations.

Since the start of operations in 1997, the high-pressure (HP) natural gas transmission network has undergone the following developments:

LENGTH OF THE HP NATURAL GAS TRANSMISSION NETWORK

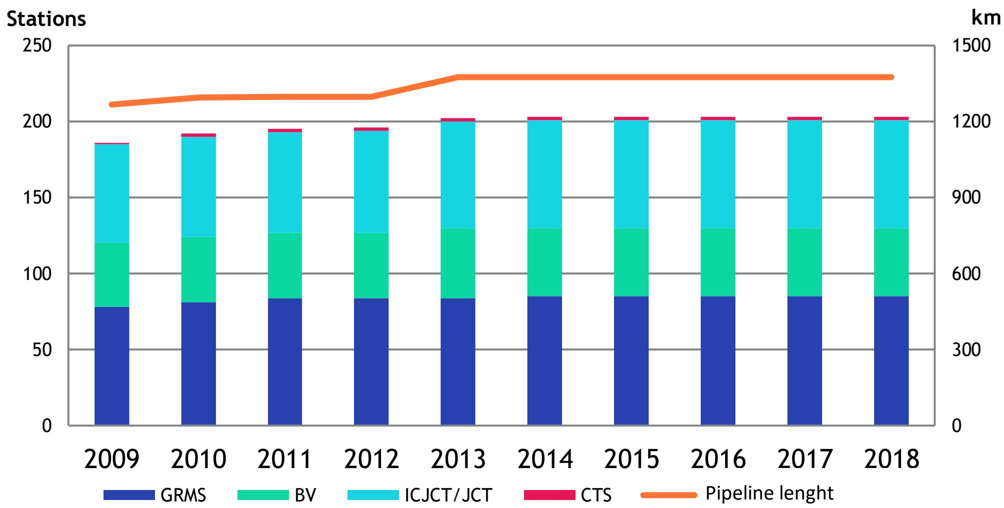


THE NATIONAL NATURAL GAS TRANSMISSION NETWORK

		Ø (mm)	km
Batch 1	Setúbal – Leiria	700	173
Batch 2	Leiria – Gondomar	700	164
	Gondomar – Braga	500	50
Batch 3	Campo Maior – Leiria	700	220
Batch 4	Braga – Valença	500	74
Batch 5	Monforte – Guarda	300	184
Batch 6	Mealhada – Viseu	500	68
Batch 7	Sines – Setúbal	800	87
Batch 8	Mangualde-Celorico-Guarda	700/300	76
High-pressure lines		150-700	278
Total	**691**	**691**	**608**

RNTGN – CHARACTERISTICS

Stations/ Length of gas pipeline



In 2018, the maximum values of available capacities for commercial purposes at the relevant points of the RNTGN were as follows:

THE NATIONAL NATURAL GAS TRANSMISSION NETWORK

Available capacity of relevant points for commercial purposes	GWh per day	$Mm^3(n)$ per day
Input		
Sines	200	17
Carriço (Withdrawal US)	85.7	7
VIP - Iberian(*)	144	12
Output		
Sines	136	11
Carriço (Injection US)	24	2
VIP - Iberian(*)	80	7
Delivery points (total)	**92**	**-**

(*) VIP – Iberian: virtual interconnection point between the Portuguese and Spanish gas systems which includes the capacities of both the existing physical interconnections, more specifically Badajoz / Campo Maior and Valença do Minho / Tuy.

Supervised from a state-of-the-art National Dispatch Centre using redundant fibre-optic technology telecommunication systems, the RNTGN connects the gas pipeline stations with the Sines LNG Terminal and the Carrico underground storage facility in Carriço, Pombal. All systems are equipped with digital communication, especially with regard to the reading of network input and output flows. This allows for the best practices to be adopted both in relation to information quality and supervision response.

The Sines LNG Terminal operating capacities are as follows:

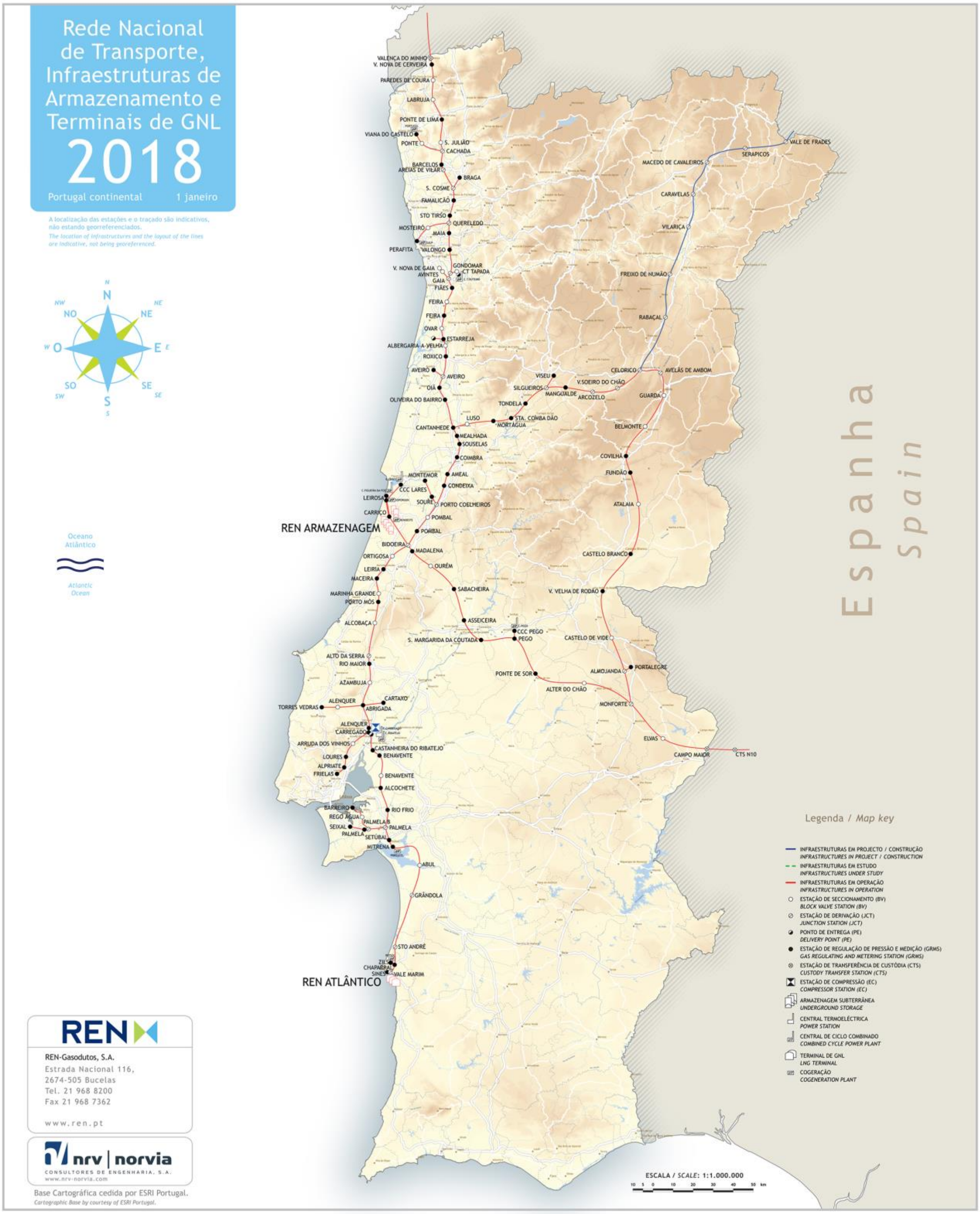
- Annual natural gas regasification capacity of 8 bcm;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTGN of 1,350,000 $m^3(n)/h$;
- Tanker loading capacity: 36 tankers/day.

Gas is stored at great depth in underground salt caverns which connect to a gas station allowing the management of gas stored by injection through natural gas compressors and withdrawal through natural gas dehydration systems for subsequent injection into the transmission network.

At the end of 2018, the natural gas underground storage facilities were as follows:

- Six operational caverns;
- Maximum capacity: 3,967 GWh <> 333 $Mm^3(n)$;
- Nominal capacities of the surface station:
    - Injection: 84,000 $m^3(n)/h$ (24 GWh/day);
    - Withdrawal: 300,000 $m^3(n)/h$ (85.7 GWh/day);
- REN Armazenagem is responsible for the operation of the surface station.

THE NATIONAL NATURAL GAS TRANSMISSION NETWORK



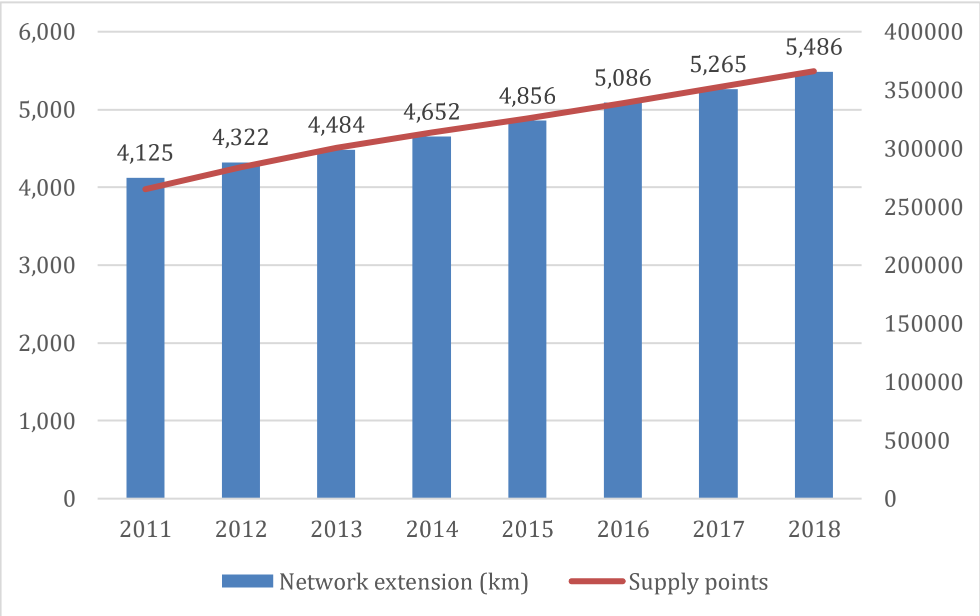
REN Portgás Distribuição

The concession zone for the 29 municipalities in 2018 is summarized in the following table, with a series of key technical and commercial indicators.

In demographic terms, the concession zone corresponds to 4,366 km² in area, divided into 29 municipalities, which have a resident population of approximately 2,569,000 people living in around 1,236,000 dwellings. It is important to note that REN Portgás Distribuição works in all the counties of the concession area, with the exception of Paredes de Coura, where investment is planned in 2021.

At the end of 2018, the REN Portgás Distribuição natural gas distribution infrastructure included assets consisting of:

- 11 interconnection points with the transmission network (GRMS);
- 403 km of medium-pressure gas pipelines;
- 639 block valve stations in the medium-pressure network;
- 89 Regulating and Metering Posts (PRMs);
- 4,583 km of low-pressure network;
- 40,914 block valve stations in the low-pressure network;
- 120,000 client supply branches;
- 500 km of client branch supply lines.



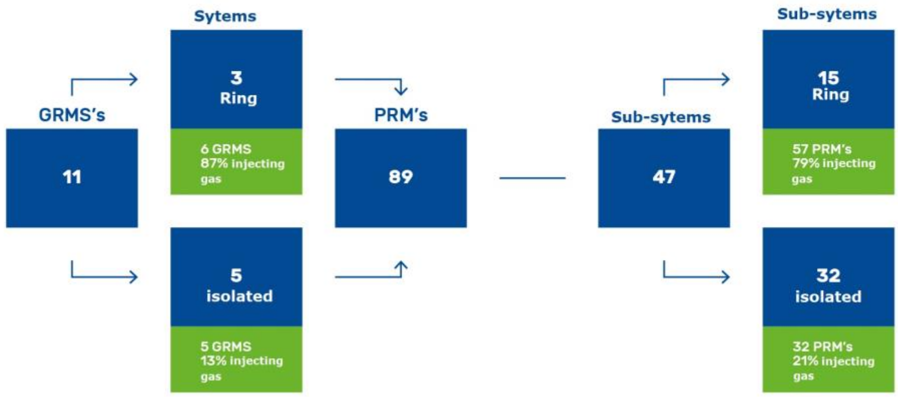
In total, REN Portgás Distribuição infrastructures are supplied by 11 GRMS injecting gas into the primary networks which, in turn, supply 89 network PRMs. There are 6 GRMS interconnected by primary network ring systems (representing 87% of the volume of gas supplied) and the remaining 5 GRMS are isolated, ensuring the supply of the secondary network sub-systems.

The 6 interconnected GRMSs supply the following systems:

- Metropolitan Port Area Network;
- Vale do Ave Network;
- Braga/Barcelos Network.

In addition to these three systems consisting of two GRMS each, the other are connected. In two of the cases, the medium-pressure network, after the GRMS is of limited length, with the PRMs close to the GRMS, as in the cases of Valença and Ponte de Lima and, in the other three, Viana do Castelo, Vila Nova de Gaia and Avintes, REN Portgás Distribuição has developed primary network of some length connected up to the supply of the PRMs.

With respect to the secondary network, the 89 RMPs are distributed throughout the concession area and are concentrated in the large urban areas - Metropolitan Porto and Braga - and in Vale do Ave, where there is a high concentration of industrial clients. A significant number of the PRMs are interconnected, with a total of 47 network sub-systems, 32 of which are isolated and 15 in ring formation. The isolated systems only represent 21% of the total volume supplied in the secondary network.



3.8. Supply Chain

3.8.1. Electricity

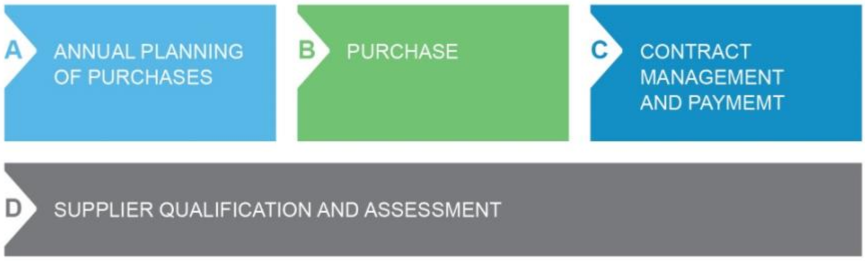
Supply Chain

The REN Group has a centralized Purchasing Department which deals with the purchase of all goods, services and construction work involving more significant sums (corporate purchases) for the different companies in the REN Group. Lower value purchases are made directly by the operational areas of Group companies (local purchases), based on procedures and requirements defined by the Purchasing Department.

The mission of the Purchasing Department is to ensure that goods, services and contract work are acquired under optimized conditions in terms of price, quality and service, as well as ensuring clarity and transparency in purchasing procedures based on the principles of ethics and sustainability. Work by this department is supported by specific I.T. systems to register suppliers, their qualification, the assessment of their performance and manage the purchasing process life cycle.

With a view to ensuring the suitability of suppliers in meeting company needs, REN has a single Supplier Qualification and Assessment System.

The main activities of the supply chain are as follows:

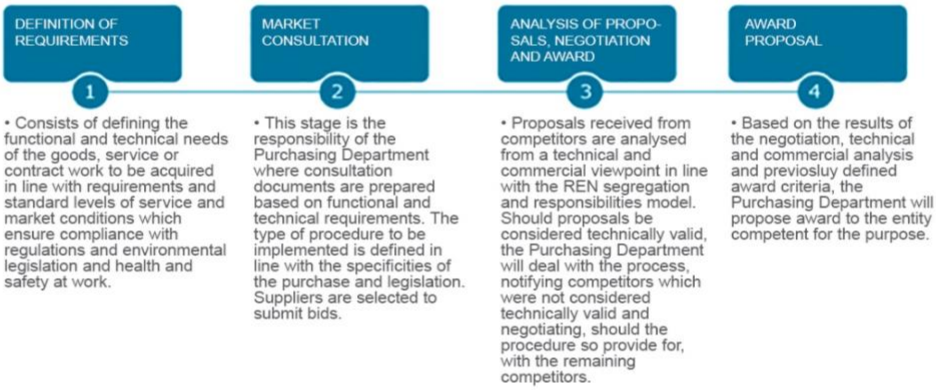


A. Annual planning of purchases

Consists of the identification and planning of REN Group company purchasing needs with the aims of defining acquisition strategies for every category of purchase, creating acquisition volume, identifying potential synergies and generating savings for the Group.

B. Purchase

Consist of identification and planning



In 2018, the Purchasing Department had a total volume of purchases of 160M€, corresponding to more than 300 purchasing processes. Of the total volume of purchases, around 5% were generated by local areas.

C. Contract Management and Payment

After approval of the award proposal, the requesting area is responsible for the management of the contract under the terms and conditions agreed with the suppliers and for the acceptance of the goods or services which will allow the suppliers to issue their respective invoices. These invoices will then be paid within the contractually agreed times by the REN department with payment responsibility.

D. Supplier Qualification and Assessment

REN operates a Supplier Management Model which deals with Supplier Qualification and the Performance Assessment.

The Qualification System allows candidates which qualify as REN Group Suppliers to be invited to submit bids to tender requests launched by REN. This in turn allows such suppliers to establish a relationship of cooperation and partnership with the Group which is governed by demanding professional and ethical standards as well as strict compliance with legislation and in line with exacting medium and long-term sustainability policies.

The principles of this model are the principles of competition, equal treatment and opportunities for all potential Group suppliers, based on clear and objectives rules and criteria with the aim of gauging the real capacity of every potential Group supplier.

The solidity behind REN's approach is based not only on its own conduct but also on the conduct of those with whom it works. For this reason, REN seeks to work with suppliers which share these values and principles.

As REN is a member of the United Nations Global Compact, it has drawn up a Code of Conduct for suppliers which sets out the 10 fundamental principles of the Compact which address human rights, labour practices, environmental protection and anti-corruption and are derived from universally accepted declarations. All REN suppliers are required to join the Supplier Conduct Code (http://www.ren.pt/pt-PT/o_que_fazemos/fornecedores/codigo_de_conduta_do_fornecedor/).

The Qualification System consists of the following steps:

REN mainly establishes contracts for energy sector related equipment and products and with the architects, contractors and service providers who work in the construction of overhead power cables and gas pipelines who are able to meet the specific business needs of the REN Group and are directly involved with the development of the concession infrastructure.

REN suppliers are grouped as follows:

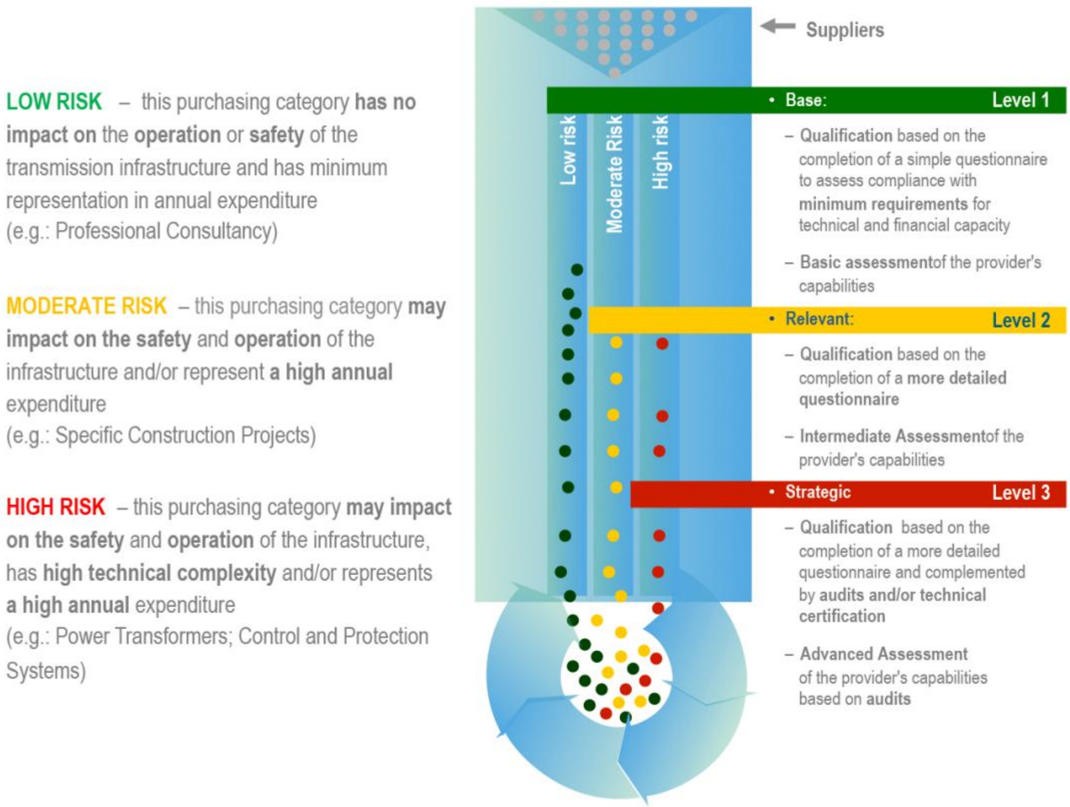
- **Specific Goods and Services of the Business**

Example: Bare Cables for MHV Lines and Sub-Stations; Control and Protection Systems (CPS); Construction Contracts, Remodelling and Maintenance of MHV Power Lines; Tubes, Conduits and Accessories; Contracts for the Construction of Saline Cavities for NG Storage; Contracts for the Construction of High-Pressure NG Infrastructure (HP); etc.

- **Corporate Goods and Services**

Example: Environmental Impact Studies; Catering, Vending; Micro I.T. and I.T. Consumables; etc.

With the aim of ensuring the capacity and suitability of suppliers with regard to needs, three levels of qualification have been created based on the complexity, criticality and representation of expenditure, in accordance with the following approach:



Suppliers are broken down as follows based on type, size and geographical organization:

Type and geographic origin of suppliers	Level 1	Level 2	Level 3
Suppliers of Goods	Small, national companies supplying standardized, low-value goods	Medium and large European companies supplying standardized goods or goods with customer specific requirements of medium or high value	Multinationals supplying complex goods of very high value
Service Providers	Small, national companies providing standardized, low-value services	Small and medium-sized national companies providing specific, medium or high value services	Medium and large European companies providing complex high value services
Contractors	Small, national building companies with a single speciality, low value	Medium and large national construction companies with multiple specialities, medium or high value	Large Iberian construction companies with multiple specialities of very high value and complexity (turnkey)

SUPPLIER BREAKDOWN IN 2018:

Geography of suppliers	% Volume expenditure (238.3M€)	% number (1 142)
Extra-Community	0.5	3
Intra-Community	5.5	10
Domestic	94	87

After the contracts have been concluded, the contract managers, based on objective criteria and through comparison with contractual arrangements, assess supplier performance, gauging their capacity for compliance with contracts signed with REN, thus contributing to more efficient management.

Significant changes to the organisation or supply chain

In 2018, as part of the project to transform Purchasing, the Purchasing Department reduced the number of purchase categories covered by the REN Group Qualification System. Furthermore, the organization increased the level of purchasing centralization, reducing the purchase thresholds to be managed by operational areas.

In parallel with the initiatives above, improvements were made to the I.T. systems supporting purchasing processes and the technical specifications were concluded to replace the current I.T. System supporting supplier qualification process management.

Further to the acquisition of REN Portgás Distribuição, S.A. by the REN Group, the Purchasing Department now provides purchasing services for this new company in the Group and as of 2018, it now undertakes the respective purchasing procedures. Updating was also started on the transfer of management of existing qualification systems (Natural Gas Infrastructure Construction Projects and Gas Metering Equipment) to the Purchasing Department. Also established was a new qualification system for REN Portgás Distribuição, S.A., to provide NG meter reading services and the REN Group system was updated to provide comprehensive support for Contact Center services and Commercial Cycle Operations.

The number of qualified suppliers decreased due to the reduction in the number of purchase categories covered by the REN Group Qualification System. Nevertheless, as was explained to suppliers, REN continues to manage and supervise its portfolio of suppliers, which has been consolidated over the years, although temporarily, without the formality required by the previous qualification system. Currently underway is the approval for the new supplier management system with a view to ensuring that the REN Group manages the supplier portfolio more effectively and efficiently to meet all of the Group's needs.

Proportion of expenditure at local suppliers in important operational units

94%

of the REN Group's suppliers are Portuguese

Bearing in mind Community and national legislation requirements, the sector and REN's position as public service concession holder, the specificity and technical and technological complexity of REN purchases and the geographical location of main suppliers, no policy exists for working with preferential suppliers.

94% of the REN Group's expenditure is concentrated on Portuguese suppliers. Included in this group of suppliers are large multinational companies based in Portugal, with significant weighting in REN Group expenditure.

3.9. Awards and Acknowledgements

In 2018, REN received the following awards and acknowledgements:

- Honourable Mention, "REN's APP - Energy", Mercury Excellence Awards 2018
- Bronze, "REN's APP", Astrid Awards 2018
- Distinction, "Mobile General Business", App REN Energia, Communicator Awards 2018
- Distinction, "Best User Interface", App REN Energia, Communicator Awards 2018
- Gold, "REN's APP", W3 Awards
- Silver, "REN's APP", Davey Awards
- Gold, "Report and Accounts" - Websites - Energy Sector Websites, Davey Awards
- Gold, "Report and Accounts" - Best website homepage, Davey Awards
- Human Resources Director of the Year Award for 2018, Elsa Carvalho, Human Resources Information Institute (IIRH)
- Honourable Mention, Equality is Quality Award (PIQ), Commission for Equality in Labour and Employment (CITE)
- Distinction, Mozambique-Portugal Cooperation Awards, Electrical Infrastructure Category, Mozambique Livestock, Trade and Industrial Fair (FACIM)

beyond
energy
transmission

compe tence

04 Management report

REN

4. Management **Report**

In 2018, the global economy continued to recover.

4.1. Environment

4.1.1. Economic Environment

WORLD ECONOMY[1]

The world economy continued to be robust in 2018, although greater divergences appeared among regions, especially in emerging economies, where the effects of commercial protectionism and financial vulnerability were felt. Global GDP is estimated to have grown 3.7%, remaining unchanged from the previous year.

Among emerging markets and developing economies, oil exporting countries benefited from the increase in the price of fuels, while growth in other countries such as Argentina, Brazil and Turkey was affected by more restrictive financing conditions, geopolitical tension and higher energy import costs. On average, the economy in emerging markets is estimated to have grown 4.7% in 2018 (4.5% in 2017). Emerging countries in Asia continued to see solid growth, although there was a slight slowdown in growth in China (6.6% in 2018 vs. 6.9% in 2017). This drop was caused by the trade tariffs imposed by the USA.

However, advanced economies benefited from growth in the United States driven by the impact of tax cuts. GDP in the USA is estimated to have grown 2.9% in 2018, after having reached 2.2% the previous year. Overall growth in advanced economies is estimated to have slowed, falling from 2.6% in 2017 to 2.4% in 2018. Contributing to this drop was the slowdown in economic growth in the European Union and Japan. The Japanese economy is estimated to have grown at the more modest rate of 1.1% in 2018, below the 1.7% seen in 2017, driven by tighter labour market conditions and lower net exports. Nevertheless, advanced economies continued to benefit from favourable financial conditions, despite the increase in Federal reserve rates in the USA.

There was less optimism in world trade, and it is estimated that growth was 4.1% in 2018, below the 5.2% recorded in 2017, against a background of high trading tensions among leading powers.

EURO ZONE[2]

Economic activity in the Euro Zone in 2018 continued to expand, although at a more moderate rate than in the previous year, (+2.1% vs. +2.4% in 2017). This was due to increased international uncertainty, trading tensions and higher oil prices.

With the contribution of external demand falling as a result of weaker world trade, the strong growth was mainly driven by internal demand. Private consumption continued to be dynamic, benefiting from low financing costs and a fall in unemployment from 9.1% in 2017 to 8.4% in 2018. Investment is estimated to

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[1] Source: European Commission: *European Economic Forecast, Autumn* 2018
[2] Source: European Commission: *European Economic Forecast, Autumn* 2018 – *Euro Zone*

have risen (3.3% in 2018 vs. 2.6% in 2017), brought about by still favourable financing conditions and high capacity utilization rates.

Inflation in the Euro Area remained moderate and estimates point to an increase from 1.5% in 2017 to 1.8% in 2018, caused by both increased oil prices and more restrictive labour markets as well as a faster increase in salaries in many Member States.

With respect to public finances, the total budget deficit as a percentage of GDP is estimated to have fallen from 1.0% in 2017 to 0.6% in 2018 due to a reduction in interest charges and improvement in the cyclical component. Debt ratios in relation to GDP continue to fall in all Member States supported by primary surpluses and continued growth. Public debt is estimated to be 86.9% of GDP, having fallen from 88.9% in 2017.

INTEREST RATES[3/4]

Despite the general increase in interest rates, global monetary policy remained accommodative. In the USA, the Federal Reserve once again increased its reference rate. This was the ninth increase since December 2015. The increase of 25 basis points in December 2018 led to a rate of between 2.25% and 2.50%. Although the European Central Bank decided to terminate its asset purchase programme at the end of 2018, it pledged to maintain interest rates at the current historic minimums until summer 2019.

In line with reference rates, Euribor rates remained negative, although a slight rise was recorded. On 31 December 2018, Euribor rates for 3, 6 and 12 months stood at -0.309% (vs. -0. 329 at the end of 2017), -0.237% (vs. -0.271%) and -0.117% (vs. -0.186%), respectively.

THE PORTUGUESE ECONOMY[5]

Following the trend in the Euro Zone, the rate of growth in the Portuguese economy is estimated to have fallen in 2018. Real GDP growth in Portugal is estimated at 2.2%, below the 2.8% seen in 2017. This downturn is mainly a reflection of a slowdown in exports (+5.5% in 2018 vs. 7.8% in 2017) and investment +4.4% in 2018 vs. 9.2% the previous year), while private consumption remained stable (2.3% in 2018 and 2017) reflecting the moderation in job creation, partially offset by the real increase in salaries. The family savings rate remained at historically low levels.

Labour market conditions continued to improve, reflected by the fall in the unemployment rate (7.1% in 2018 vs. 9.0% in 2017) and by the gradual unfreezing of salary progression in the civil service. A slowdown was also seen in job creation, although there was an improvement in labour productivity.

Despite the increase in fuel prices, inflation measured by the variation in the harmonized index of consumer prices (HICP) fell 0.1p.p., and is estimated at 1.5% at the end of 2018.

Public debt is estimated at 0.7% of GDP in 2018, (3.0% in 2017). Contributing to this improvement were the increase in revenue and a fall in financing costs for the State, despite the negative impact of the triggering of the capital contingency mechanism for Novo Banco (0.4% of GDP). Excluding this *one-off* effect, the public deficit is estimated at 0.3% of GDP. Portugal's debt rate also improved and is expected to stand at 121.5% of GDP (vs. 124.8% in 2017).

[3] Source: ECB Reference Rates (www.ecb.int) and Federal Reserve (www.federal reserve.gov)
[4] Source: *European Money Markets Institute*
[5] Source: European Commission: *European Economic Forecast, Autumn* 2018

4.1.2. Sector Environment

Electricity demand and production

In 2018, electricity consumption supplied by the public network totalled 50.9 TWh, with growth of 2.5% over the previous year, or 1.7% taking into consideration corrections relating to temperature effects and the number of working days. This is the second highest annual figure ever, accentuating the trend towards recovery seen in recent years and is now around 2.5% off the historic maximum achieved in 2010.

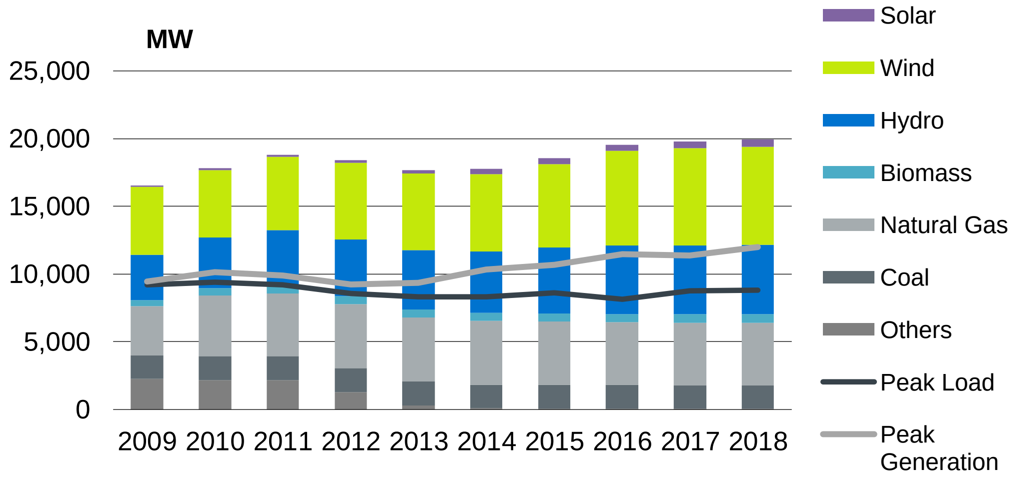
TWh	Consumption	Variation	Corrected
2014	48.8	-0.7%	0.1%
2015	49.0	0.3%	0.1%
2016	49.3	0.6%	0.4%
2017	49.6	0.7%	1.5%
2018	50.9	2.5%	1.7%

The maximum power requested of the national system, corresponding to the highest instantaneous consumption, was recorded on 7 February at 19:45, with 8,794 MW, representing a slight increase of around 20 MW over the previous year. This is the highest figure for power since 2011, standing at around 600 MW off the historic peak also seen in 2010.

Peak national production was recorded on 7 March at 20:00, with 11,995 MW, which set a new historic maximum for the national system, around 500 MW above the previous record of 2016. At the time of this peak, national production exceeded consumption by around 3,600 MW, a value corresponding to exports which took place at that time.

Throughout 2018, no significant changes were seen in installations connected to the national electricity system. At the end of the year, power connected to the national electricity system totalled 19,953 MW, of which 14,849 MW was connected to the Transmission Network and the remaining 5,104 MW connected to the Distribution Network, representing an increase of 143 MW over the previous year. Wind capacity increased by 50 MW and photovoltaic by 66 MW. The OURIKA! Plant in Ourique is of particular note with power of 40.5 MW which became the largest photovoltaic installation in Portugal.

EVOLUTION OF INSTALLED POWER



In 2018, renewable production supplied 52% of consumption (including the export balance), as against 40% for the previous year, as a result of favourable weather conditions. Considering only national consumption, renewable production would be equivalent to 55% of consumption, a figure which is in line with average weather conditions

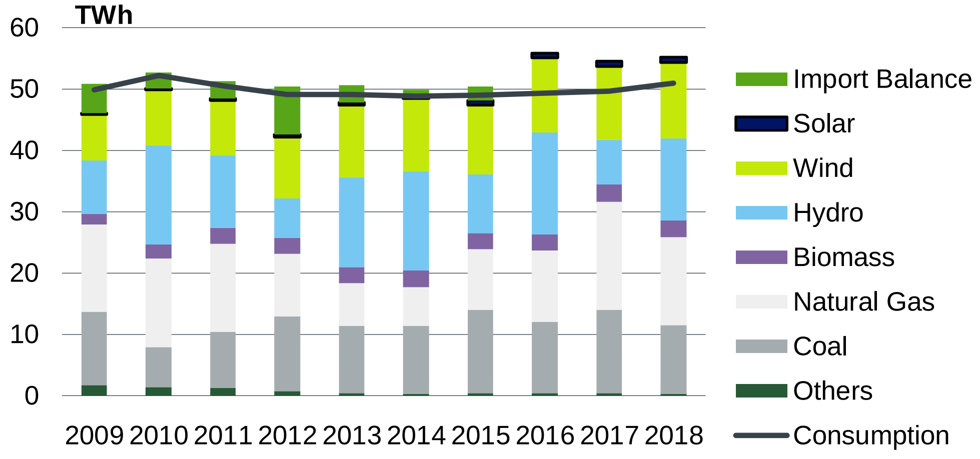
RENEWABLE AND NON-RENEWABLE PRODUCTION

The recovery seen in renewables this year was basically due to the improvement in the hydro component, which had a hydraulicity index of 1.05, in comparison to the 0.47 seen the previous year, which was one of the lowest ever figures. Wind production had an index of 1.00 in line with the average, as against the 0.97 in 2017. However, the situation at photovoltaic plants was more negative, with an index of 0.90, although the weighting of this technology is still not significant.

In 2018, renewable production was broken down into wind with 23% of consumption, hydro with 22%, biomass, including classical and go-generation plants with 5% and photovoltaic 1.5%. Wind production was the highest ever, exceeding the previous maximum of 2016. With regard to non-renewable sources, coal-fired plants provided 21% of consumption while natural gas, including combined cycle and co-generators supplied 27%.

For the third year running, the national system had an exporter balance at an equivalent of around 5% of national consumption. For consumption of 50.9 TWh, national production reached 55.1 TWh due to the export balance of 2.7 TWh and the consumption of 1.6 TWh in pumping.

MEETING DEMAND



Natural gas demand and supply

In 2018, the consumption of natural gas stood at 64.9 TWh, falling 6.8% over the previous year, which was a national historic maximum. The figure for 2018 was the second highest ever recorded.

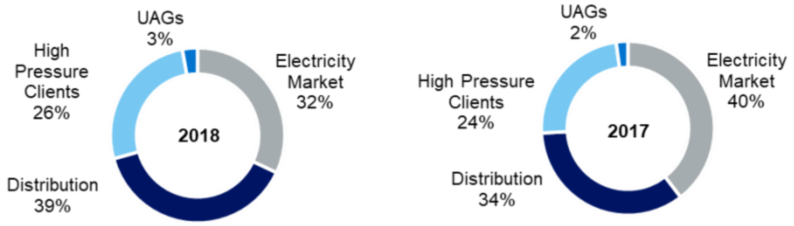
TWH	Conventional market	Variation	Electricity market	Variation	Total consumption	Variation
2014	42.1	-5.4%	3.2	-5.5%	45.3	-5.4%
2015	41.2	-2.1%	11.0	241.6%	52.2	15.3%
2016	40.5	-1.8%	15.4	39.3%	55.8	6.9%
2017	42.1	4.1%	27.6	79.1%	69.7	24.8%
2018	44.1	4.8%	20.8	-24.6	64.9	-6.8%

Maximum hourly consumption was seen on 8 January at 19:00, with 13.3 GWh, a figure very close to the historic maximum recorded in the previous year of 13.4 GWh.

In the electricity production segment, the consumption of natural gas, which totalled 20.8 TWh, fell 24.6% with respect to the previous year, due to the increase in the production of electricity by renewable sources. Consumption by electrical power stations represented 32% of total natural gas consumption, below the 40% recorded in 2017.

In the conventional segment, in a similar manner to the previous year, solid growth of 4.8% was again seen with consumption of 44.1 TWh. This segment represented 68% of total natural gas consumption

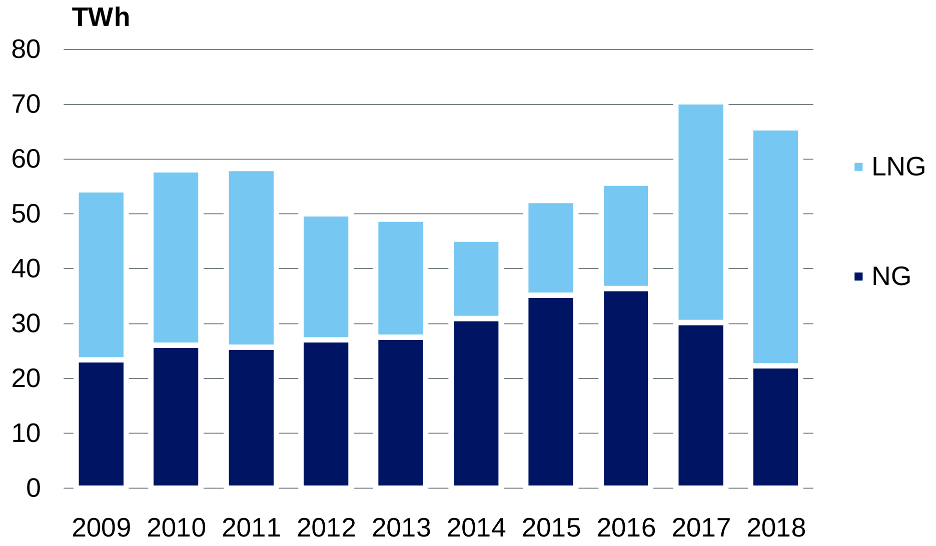
CONSUMPTION



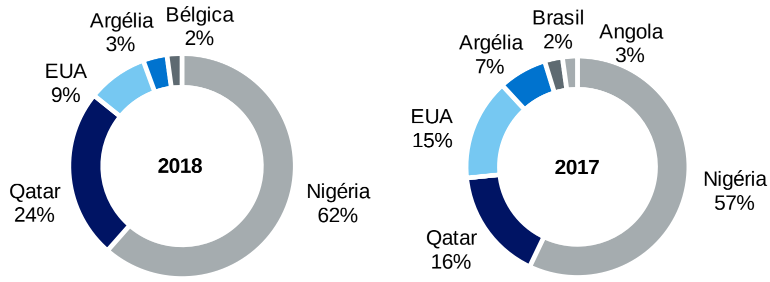
The Sines LNG Terminal was once again the main source of supply for the national system with 43.4 TWh, accounting for 66% of all gas intake to the system. Movement at the Sines Terminal with the unloading of 43.4 TWh was the highest ever seen, and 8% above the previous maximum of 2017

22.3 TWh entered through the Campo Maior and Valença interconnections, which is 26% less than the previous year, corresponding to 34% of all natural gas entering the national system.

SUPPLY



Gas received through the interconnections was mostly from Algeria, while LNG received at the Sines terminal was principally from Nigeria, representing 62% of energy unloaded.



4.1.3. Regulatory Environment

European Energy Policy

Throughout 2018, all EU institutions showed that they are determined to make the transition to clean energy and reinforce the role of Europe in the fight against climate change, with the aim of achieving a low-carbon economy in the EU which is both secure and competitive.

With respect to commitments undertaken under the climate and energy framework for 2030, Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 was issued, amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency.

In November 2018, the European Commission presented its long-term strategic vision for a prosperous, modern and competitive economy aiming to be carbon neutral by 2050. This path will require joint action by all Member States in different strategic areas: energy efficiency; renewable energies; infrastructures and energy interconnections; competitive industry and a circular economy; safe and connected ecological mobility; the bioeconomy and natural sinks; carbon capture and storage.

"With the Energy Union and the Clean Energy for All Europeans Package, there is now clear drive to accelerate the construction of the main energy networks with a view to reinforcing supply security and facilitating the transition to clean energy"

At the end of 2018, three new items of legislation in the *Clean Energy Package* were published in the Official Journal of the EU (L328):

- Directive (EU) 2018/2001 of 11 December 2018 - on the promotion of the use of energy from renewable sources (reformulated) – setting a binding target of a minimum of 32% in RES by 2030, with proposed review (for a larger share) in 2023;
- Directive (EU) 2018/2002 of 11 December 2018 - amending Directive 2012/27/EU on energy efficiency – setting a binding target of 32.5% by 2030, also with the possibility of rising in 2023, and
- Regulations (EU) 2018/1999 of 11 December 2018 - on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council.

This regulation requires Member States to submit before the end of 2018, integrated national energy and climate national (NECP) for the period from 2021 to 2030.

Through the conclusion of policy negotiations on the Clean Energy Package for all Europeans at the end of 2018, the Council, the European Parliament and the European Commission took an important step forwards in the completion of the Energy Union. Policy was agreed with regard to the Electricity Directive and Regulation, Regulations on Risk Preparation and the Agency for the Cooperation of Energy Regulator (ACER).

Domestic Energy Policy

During 2018, the Portuguese Government affirmed that energy transition and the decarbonisation of the economy are opportunities for growth in the Portuguese economy.

With this in mind, the Roadmap for Carbon Neutrality - RNC2050 - was presented which sets out scenarios and trajectories for far-reaching decarbonisation and energy transition in Portugal in the period from 2020 to 2050. In the coming two decades (2020-2040), decarbonisation will address energy production, mobility, transport and buildings, placing energy efficiency as a priority, crossing the entire economy and intrinsically linked to competitiveness.

To meet EU obligations, the NECP 2021-2030 was drawn up which sets out the vision of the RNC2050 for 2030. In this plan, Portugal is committed to a share of 47% provided by renewable energies in gross final energy consumption by 2030, corresponding to a share of 80% in the case of electricity. The reinforcement of the interconnection capacity of the Iberian Peninsula, with the aim of achieving the target of 15% by 2030, is considered vital for supply security and the integration of the European Energy Market.

On 27 July 2018 Portugal, Spain, France and the European Commission signed the Lisbon Declaration, a document which seeks to reinforce regional cooperation with regard to the Energy Union and better integrate the Iberian Peninsula into the internal energy market. This document sets a binding target of 15% interconnection capacity between the Iberian Peninsula and France by 2030.

Also with respect to interconnection, at the Luso-Spanish summit of 30 November, "Both governments underlined the importance of energy supply security in Europe and the need to promote trans-border and inter-regional interconnections to achieve greater integration of the Iberian market/Iberian Peninsula with the rest of Europe, thus contributing to the Energy Union and using existing European financing mechanisms. Both countries actively support the Lisbon Declaration signed on 27 July 2018 and reiterated their objectives to work to achieve interconnections allowing a fully operational internal energy market to be achieved which is safe, competitive and clean."

Liberalized Market in Portugal

Consumers supplied by a supplier of last resort, in accordance with Ministerial Implementing Order No 39 - 2017 of 26 January, have up to 31 December 2020 to choose a new electricity and/or natural gas supplier operating in the market.

During 2018, consumers were able to choose between all existing supplies, both with regard to liberalized market and regulated market tariffs, in accordance with Ministerial Implementing Order No 348/2017 of 14 November. The right to choose the pricing scheme set out in this Ministerial Implementing Order No can be exercised up to 31 December 2020.

Electricity

In December 2018, the free electricity accounted for 5.1 million consumers. Since December 2017, the number of consumers in the free market has grown 2.7%.

Annualized consumption in the free market stood at 43,076 GWh (around 94% of registered consumption in national territory) and represents growth of around 2.9 p.p. in year-on-year terms (consumption of 41,864 GWh in December 2017).

Almost all consumption by heavy users is carried out on the free market. In the case of domestic consumers, free market consumption represents around 85% of all consumption in this segment.

Natural gas

The total number of customers in the free market in December 2018 was 1,196,000. This number represents an increase of approximately 5% over December 2017.

Annualised consumption in the free market stood at 41,848 GWh. An increase of 2.5% was seen in YOY terms. Overall, the free market represents 97.2 % of all natural gas consumption.

94% of industrial consumers are supplied by the free market while the figure for SMEs and household consumers stood at 74% and 83%, respectively.

4.2. Electricity

4.2.1. RNT Operation

Use of Transmission System

In 2018, energy transmitted by the network totalled 47.2 TWh, a figure very close to that seen in the previous year and a historic maximum for the Portuguese system. Maximum power of 9,240 MW took place on 7 March at 20:00, which was the highest value ever recorded in the national network, 100 MW above the previous maximum recorded in 2016.

Production centres injected 39.4 TWh into the transmission network, 0.4 TWh below the figure for the previous year, corresponding to 73% of all national production. The remaining 27% corresponded to production connected directly to the distribution network, although part of this production, 2.2 TWh was injected into the transmission network due to lack of local consumption.

Transmission network losses totalled 785 GWh, representing 1.66% of energy transmitted, slightly higher than the 1.51% recorded in 2017. This increase in losses relates to the increase in hydro production seen this year, causing less balanced distribution of intakes throughout the network:

TRANSMISSION SYSTEM BALANCE

TWh	2018	2017
Energy Intake into the Network	**47.2**	**47.2**
Power plants	39.4	39.8
Interconnections	5.7	5.5
Distribution Network	2.2	1.9
Total	**46.4**	**46.5**
Power Plants / Direct Customers	3.6	4.0
Interconnections	8.3	8.2
Distribution Network	34.5	34.3
Own Consumption	0.0	0.0
Losses	**0.8**	**0.7**
Losses	**1.66%**	**1.51%**

Average interconnection capacities provided to the daily market stood at approximately 2,221 MW for imports and 3,096 MW for exports, both figures being the highest ever. As has been the case in recent years, the national system continued the trend towards export in most periods of the year, with congestion occurring (after the daily market) in the import direction in 3% of periods and in 2% in the opposite direction.

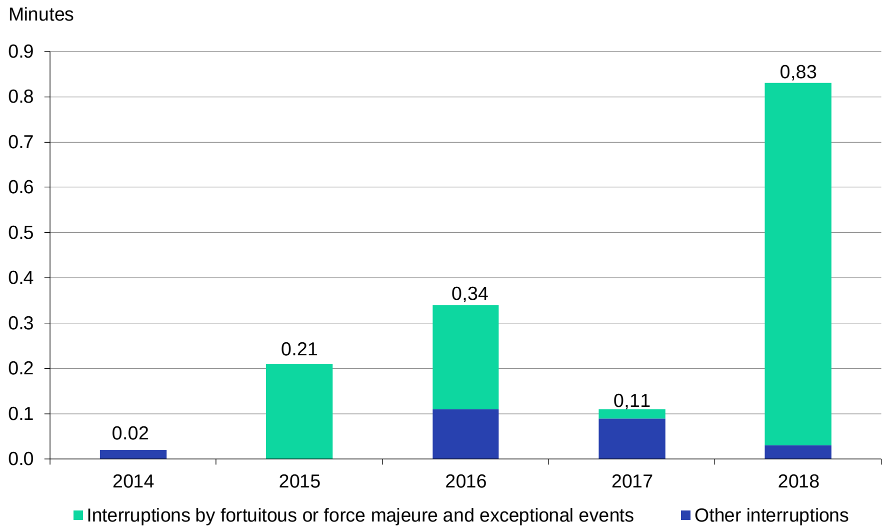
Quality of Service

The quality of service of the National Transmission Network (RNT) was marked in 2018 by a large-scale fire on 4 August, which affected the Carregado – Seixal line, causing two interruptions. One of these interruptions lasted 42.7 minutes, corresponding to non-supplied energy of 74.1 MWh, which in accordance with the Quality of Service Regulations is classified as an Incident of Significant Impact. Despite this, the quality of technical service provided - understood as being security and continuity of supply of electrical power with the necessary technical characteristics - was positive. The trend observed in previous years towards gradual and sustained improvement in the performance of the National Transmission System (RNT) was consolidated.

With regard to continuity of service, the fire which affected the Carregado – Seixal line had specific impact on the EIT, ENS, SAIDI and SARI indicators which recorded values much above those of recent years. In relation to the Quality of Service Regulations (QSR), REN requested ERSE to classify both interruptions affecting this line on 4 August as an exceptional event. The remaining general indicators established in the QSR (SAIFI and MAIFI) had figures in line with those of recent years. It can thus be seen that the policies and strategies implemented by the RNT concessionaire for electrical power transmission, are both suitable and efficient in network operation (attributes which are confirmed by comparative analysis studies of technical-economic performance among electricity TSOs).

Equivalent Interruption Time (EIT), an indicator of overall performance commonly used by electrical utility firms, attributed directly to REN, was 49.8 seconds. This corresponds to energy not supplied (ENS) of 79.1 MWh. Both interruptions on the Carregado – Seixal line accounted for 96.8% of this figure, in other words, these interruptions led to 76.6 MWh of ENS. This EIT value represents what would be a practically uninterrupted supply of electrical power (at 99.9998% of the time, i.e. 999 hours, 59 minutes and 54 seconds in every 1,000 hours) to a single 'equivalent' consumer (all of mainland Portugal), with power and energy which would represent all the different delivery points to the national distribution network and consumers directly connected to the RNT.

EQUIVALENT INTERRUPTION TIME



N.B. The parcel of the EIT value corresponding to "Interruptions due to fortuitous events or force majeure" corresponds to the incident figure which REN submitted to ERSE for classification as exceptional events.

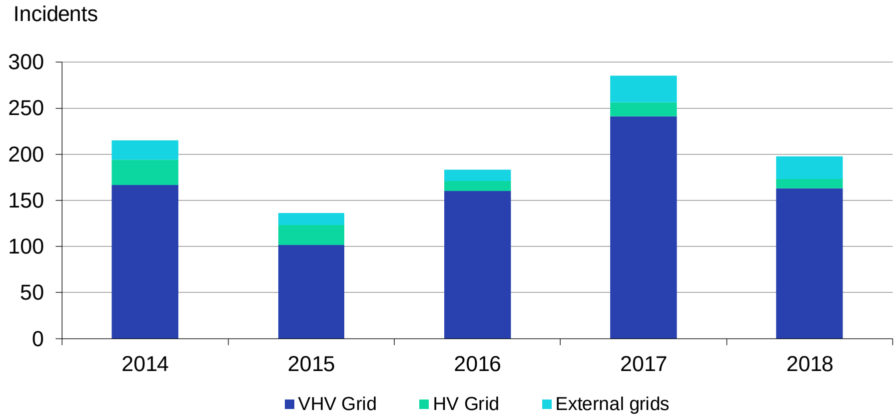
In 2018, the monitoring of voltage waveform quality continued at delivery and interconnection points on the RNT

The measurements carried out continued to show results that, with a limited number of exceptions in individual and localized cases, match the figures recommended in the Quality of Service Regulations.

The overall level of the electrical energy quality depends on the number of incidents recorded or which impact on the transmission grid. In 2018, the number of incidents was similar to that for recent years, with the exception of 2017, which was significantly influenced by the high number of fires.
In 2018, there were 198 incidents (30.5% less than in 2017), 163 of which originated in the Extra High

Voltage Network (EHV), 10 in the High Voltage Network (HV) and 25 in other networks but impacting on the REN EHV and HV networks. Only eight incidents (4% of the total) actually caused interruptions to the supply of electricity to customers, having caused eight interruptions at delivery points

EQUIVALENT INTERRUPTION TIME

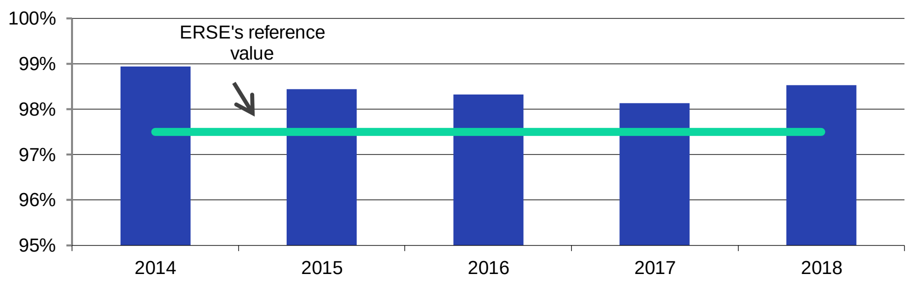


Performance of transmission system assets

Availability

The Combined Availability Rate, a regulatory indicator which analyses the availability of RNT transformers and lines, stood at 98.53% in 2018. This figure is higher than that for 2017. The following graph shows the annual evolution of this indicator over the last five years. This performance represents effective coordination and programming of grid outages during the period in question and to a certain extent, the overall reliability of RNT assets.

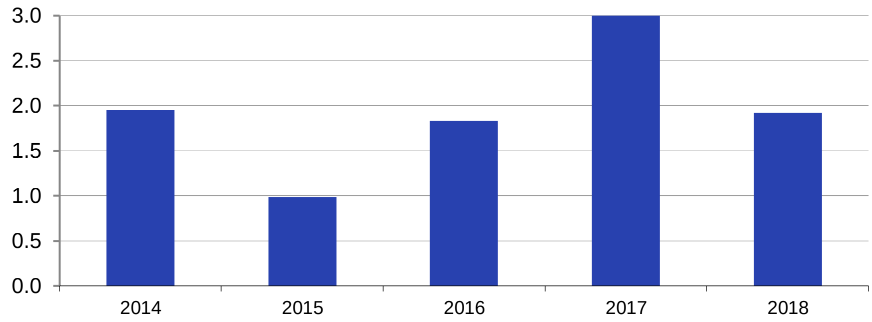
COMBINED AVAILABILITY RATE



Performance of lines and substation equipment

In general, sub-stations and their respective equipment and systems performed favourably. There was a reduction in the number of breakdowns at breakers in comparison to 2017, where a slight increase in breakdowns at transformers was seen. More in-depth technical detail is available in the Quality of Service Report published annually by REN. Most incidents originate in RNT lines, and the indicator recorded in 2018 is in line with that for previous years, and is lower than two defects per 100 km of circuit.

NUMBER OF FAULTS ORIGINATING IN OVERHEAD LINES PER 100KM OF CIRCUIT



Network Behaviour

During 2018, the major congestions that occurred in the RNT were associated with grid element outages, which were solved through generation constraints or the introduction of topological changes. In this regard, of particular note were outages which occurred due to the remodelling of 400-kV lines in the Minho area and in Lisbon which required special topological measures. These measures sought to minimize restrictions on power generation and maximize the commercial capacity of the interconnection with Spain.

System Operation

In 2018, consumption by the Portuguese electricity system saw a significant increase of 2.5% over the previous year, totalling 50.98 TWh. This figure is only exceeded by the value recorded in 2010 of 51.198TWh. It should also be noted that in 2018, the Portuguese electricity system exported power for the third year running. Around 2.7 TWh of power was exported, an identical value to that of the previous year

Market Operation

In 2018, eight new market agents opened in the National Electricity System (SEN) while two closed down operations. At the end of the year, there were 45 market agents, three of which are producers.

Further to joint work carried out by Electricity Market Operators and Transmission System Operators (TSO), on 12 June 2018, the pan-European continuous intraday market entered service. This market provides for the intraday trading of electrical power between the following countries: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, Holland, Portugal, Spain and Sweden.

In October 2018, REN became an observer member of the PICASSO (*Platform for the International Coordination of the Automatic frequency restoration process and Stable System Operation*). PICASSO is the benchmark project to implement the *automatic Frequency Restoration Reserve* (aFRR) process, which seeks to establish cooperation among TSOs for exchanging power. With the implementation of this project, mobilisation of secondary regulation energy will be optimized and reduced, thus improving competition and providing greater efficiency in the energy balance required for operating the National Electricity System.

In compliance with the schedule laid down by Commission Regulation (EU) 1719/2016 establishing a guideline on forward capacity allocation, REN in conjunction with the other 27 European TSOs, established a Single Interconnection Capacity Allocation Platform (SAP). Through SAP, the TSOs provide all participants in the market with non-discriminatory access to interconnection capacity on a yearly, quarterly and monthly basis.

This Single Interconnection Capacity Allocation Platform represents an important step for the integrated electricity market and is expected to promote the coordinated development of net, competitive futures markets throughout Europe and provide market participants with the possibility of hedging risks in trans-border electricity trading.

In December 2018, in accordance with the schedule laid down by Commission Regulation 2195/2017, the proposal by the TSOs was approved by the regulatory entities on the establishing of a European platform for exchanging balancing energy from replacement reserves. This approval represents a decisive step for the entry into operation of the TERRE Project which has the main aim of establishing and operating a centralised platform capable of compiling all Replacement Reserve offers from the different national markets operated by each TSO and conduct an optimised allocation of interconnection offers and capacity to satisfy, before real time, any differences between scheduled operations in daily and intraday markets and generation and consumption forecasts.

4.2.2. Investment in the RNT

Projects concluded in 2018

In addition to improving the internal safety and reliability of the network and the overall operation of the national electricity system, RNT projects concluded in 2018 also helped reinforce feeding to distribution networks and improve new production reception capacity.

Of note with regard to the reinforcement of feeding to distribution networks is the increase in transformation power at the Zêzere (220/150 kV/kV) and Tábua (220/60 kV/kV) substations.

In addition to the abovementioned projects, investment was also made in the modernization of assets at the end of working life, more specifically the remodelling of the 220 kV Carregado – Rio Maior 1 and Agueira – Pereiros 1 lines; work on the 220 kV Armamar – Carrapatelo 1/2 and Valdigem – Carrapatelo 1 lines, thus providing greater resilience and suitability for the stretches in question to *ice sleeving*, arising from extreme snowfall and ice, the 150 kV Ourique – Tavira, Cabril – Bouçã and Bouçã – Zêzere 2 lines (OPGW cable installation), and the 400 kV Palmela – Sines 2 and Palmela – Sines 3 lines.

With regard to investment in non-linear installations, also of note was the remodelling of protection equipment and systems and automation and control at the Batalha, Zêzere, Riba d'Ave, Canelas, Santarém and Carriche substations.

Main investments underway

Connection of large hydro-plant to RNT

- 400 kV axis in Minho between the Porto region (Vila Nova de Famalicão substation) and the Pedralva substation, passing through the future Ponte de Lima substation. This reinforcing of the network, which now only requires the closing of the connection between the Ponte de Lima area and the Vila Nova de Famalicão sub-station, and now only awaiting the issue of the respective licence, is vital for ensuring the flow of high quantities of power generation from Cávado/Alto Minho, substantially increased after the Salamonde II and Frades II plants came online. This network reinforcement will provide a 400 kv alternative corridor to the current Pedralva – Riba d'Ave – Recarei axis while also strengthening international exchange capacity through integration into the future interconnection with Spain which is planned for this area.

- 400 kV axis between the planned new Ribeira de Pena substation and the current Vieira do Minho and Feira substations, a project which is presently under environmental assessment, to create connection and reception capacity conditions for new generation throughout the Alto do Tâmega hydro region (around 1,150 MW of installed power).

Connection to the RNT of production other than large hydro or thermal power

- In the Beira Interior, establishing of the new 400 kV Fundão - Falagueira axis through the extension of the current Falagueira - Castelo Branco 3 line to the Fundão region where a new 400/220 kV sub-station will be built. This will create capacity to receive new generation throughout this region and eliminate the technical restrictions to current and future wind production and production from new photovoltaic plants which are awaiting operating licences and not as yet connected-.

Feeding of consumption centres in distribution networks and VHV clients.

- In the Alto Alentejo, the passage of the 400 kV Falagueira – Estremoz – Divor – Pegões axis, providing power to the railway line between Évora and Elvas/Caia. This line also allows reception capacity to be created in the RNT for new generation in the Alto Alentejo, improving power feeding to consumers depending on the Estremoz and Évora substations as well as ensuring better network connection for power transfer between the north and south of Portugal.
- In the Setúbal Peninsula, the second 150 kV connection between the Fernão Ferro and Trafaria substations.
- In different network areas, reinforcement of transformation power, more specifically at the Recarei, Lavos, Zambujal and Sines substations, which seeks to ensure the necessary supply security conditions and compliance with regulatory standards.

Reinforcement of the interconnection capacity between Portugal and Spain

- In order to reinforce exchange capacities between Portugal and Spain, more specifically in the import direction, a new 400 kV interconnection in the Minho region, connecting the future Ponte de Lima substations on the Portuguese side to Fontefría on the Spanish side. This project is still at the environmental assessment stage.

Remodelling of equipment and systems at the end of working life

- In addition to RNT development investment, several modernization projects are also underway for transmission network assets. This involves remodelling and replacing high and very high voltage equipment at sub-stations, protection, automation and control systems, power transformers and overhead lines. These assets are at the end of their working life.

Transmission System Development and Investment Plan 2018-2027 (PDIRT 2018-2027)

In March 2017, REN sent its draft Transmission Network Development and Investment Plan (PDIRT 2018-2027) to the Directorate General for Energy and Geology (DGEG). REN then received a request for a number of adjustments from DGEG. This led to a new version of PDIRT 2018-2027, which was provided to DGEG in June 2017, which then forwarded the plan to the Energy Services Regulatory Authority (ERSE).

In 2018, ERSE launched a public consultation on the proposed PDIRT 2018-2027, which ran from 15 February to 29 March. ERSE then issued its opinion on 29 June. As set out in current legislation, REN reviewed PDIRT taking into consideration the results of the public consultation and the ERSE opinion, and sent the final version of the plan to DGEG on 10 August.

In accordance with legislation, DGEG sent the proposed final plan to the member of government responsible for energy to make a decision on the approval of PDIRT, which up to the end of 2018, did not take place.

Projects of Common Interest for Electricity (PIC)

In November 2017, the 3rd List of European Union Projects of Common Interest (PIC) was published. The REN projects on this list designated by PCI 2.16.1, PCI 2.16.3 and PCI 2.17, for the integration of new renewable sources and the increase in interconnection capacity between Portugal and Spain, once again had their PCI status renewed, as they had already been included on the 1st and 2nd PCI lists in 2013 and 2015, respectively. In 2018, REN once again applied for PCI support for applicable projects under the 4th PCI list, which is to be communicated at the end of 2019.

4.2.3. Network connections

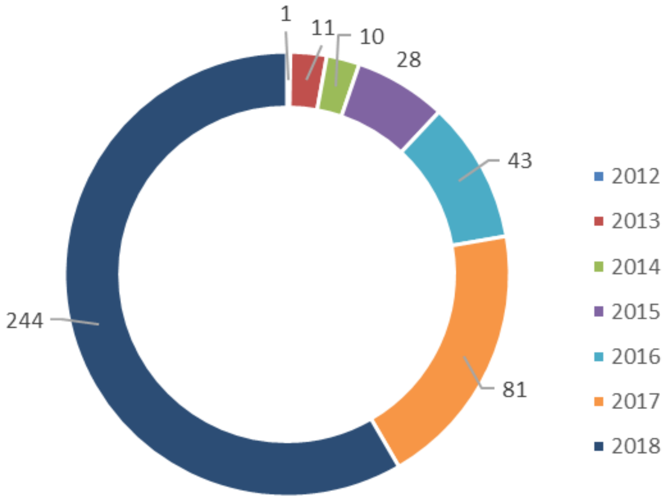
With respect to connections to Public Service Electricity Networks (RESP), REN coordinates connection and integration processes for consumer and producer facilities which connect directly to the National Transmission System (RNT), so as to ensure the safety and quality of service of the RNT and the effective integration of renewable energy sources into the National Electricity System. This activity has focused on several different areas:

- The planning of reception capacity for new production, as well as the necessary network upgrades and the definition of technical connection requirements for producer facilities;
- The preparation of technical requirements for production facilities with new technologies;
- The definition of technical connection conditions and the carrying out of integration studies for VHV clients with a high level of reliability requirement in the feeding of electrical power and quality of service;
- The development of projects, the planning of work, the execution of work under the responsibility of REN and the monitoring of work under the responsibility of the promoters to be integrated into the RNT;
- Participation and monitoring of inspections and the execution of connections to the network; the definition of communication and protection and automation and control systems;
- The coordination of tests and real trials under the conformity verification process in the final stage of connection of network users to the RNT, particularly photovoltaic plants;
- The definition of metering systems and border systems with the markets and the operational control of the execution of this operation through the dispatch control centres;
- The definition of technical adaptations to the RNT arising from the specific needs of production or consumer installations already connected to the network;
- In the forecasting of energy volumes produced and the resolution of management problems in the production of electrical power required to satisfy consumption;
- The drawing up of technical opinions for promoters and compatibility opinions for production infrastructures with existing and future RNT activities and areas.

FACTS in 2018

During 2018, as the Transmission Network Operator, REN replied to more than 240 requests for opinions on the existence of reception capacity and network connection conditions under Article 33-J(3)(c) of Decree-Law No 172/2006 of 23 August 2006, in its current wording. This was to respond to RNT connection intentions, particularly from photovoltaic plants, corresponding to more than 15 GW of power. The following figure shows the evolution in the number of opinions requested of REN in recent years.

EVOLUTION IN THE NUMBER OF OPINIONS REQUESTED OF REN IN RECENT YEARS



Furthermore, in 2018 the first photovoltaic plant directly connected to the RNT came into service, with a 150 kV connection to the Ourique substation.

In conjunction with DGEG and the Distribution Network Operator, REN drew up transitional technical requirements and conformity verification for connecting photovoltaic plants, approval for which was published in the Official Gazette in February 2018. The abovementioned first photovoltaic plant connected to the RNT has already implemented these technical requirements, and the compliance of the plant was verified, particularly through real tests.

Also in 2018, a new wind farm was connected at 60 kV to the Batalha substation. This was the first of a series of farms to be developed under the contract signed in 2016 between the Portuguese State and the promoter, to connect around 200 MW of wind power to RESP.

Connections underway in 2018

Currently in the process of being connected to the RNT are eleven photovoltaic plants, one wind farm, three hydro plants, one biomass plant, three customer installations involving a traction substation to feed the Minho railway network, an industrial consumer in Maia and a mine in the Alentejo, plus a wind farm to be implemented in Portuguese waters off the coast of Viana do Castelo.

The network connection process, shown in the figure above, is strictly managed by several specialized areas in REN to ensure that new installations are developed and connected to the RNT in safety and with the technical accuracy required by legislation and regulations, as well as by REN internal standards. In addition to the technical accuracy required in this type of connection, a close relationship between REN and promoters is vital for the control, monitoring and success of the connection to the network of the production/consumption installation.

Also with regard to network connections in 2018, in collaboration with the Distribution Network Operator and ERSE and under the coordination of DGEG, work was continued in the process to implement three new European network connection codes. They are (i) Network Code on Demand Connection (EU 2016/1388), (ii) network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU 2016/1447) and (iii) network code on requirements for grid connection of generators (EU 2016/631). These codes are currently at the final stage of national implementation.

The aim of the implementation process underway for Commission Regulation (EU) No 2016/631 of 14 April 2016 is to “establishing a network code on requirements for grid connection of generators to facilitate Union-wide trade in electricity, ensure system security, facilitate the integration of renewable electricity sources, increase competition and allow more efficient use of the network and resources, for the benefit of consumers”.

4.3. Natural Gas

4.3.1. Operation

Quality of Service

The indicators set out in the Natural Gas Quality of Service Regulations (QSR) had the following annual values.

General quality of service indicators for Ren Gas Pipelines	
Average No of interruptions per output point	0.002
Average time of interruptions per output point	0.024 minutes
Average duration of interruption	2.25 Minutes

Notes:

Average No of interruptions per output point: ratio between the total number of interruptions at output points during a specific period, divided by the total number of output points at the end of the period under consideration.

Average duration of interruptions per output point: ratio between the sum of interruption durations at output points during a specific period, divided by the total number of output points at the end of the period under consideration.

Average duration of interruption: ratio between the sum of interruption durations at output points, divided by the total number of interruptions at output points, in the period under consideration.

The remaining indicators for the supply and characteristics of natural gas fell within the limits set by the QSR.

The aggregate indicator for the frequency of incident occurrence per year per 1,000 km of high-pressure transmission infrastructure for 2018 stood at 0.29, taking into account activity of the last five years. The value of the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.134[(*)] for the same period.

General quality of service indicators for Ren Storage	
Compliance with nominations for natural gas withdrawal	100.0%
Compliance with nominations for natural gas injection	100.1%
Compliance with energy storage	100.0%

Notes:

Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations;

Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations;

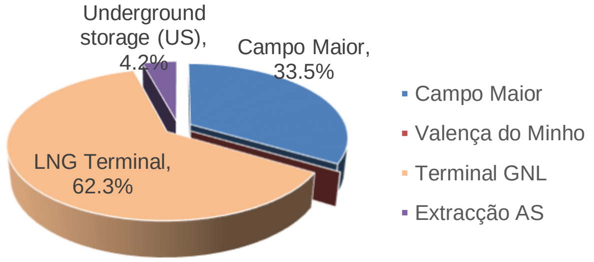
Compliance with energy storage: calculation based on the mean square error between nominated and real energy values resulting from the total requests by the users of both injection and withdrawal of gas

With regard to the unavailability of the REN Atlântico infrastructure, only 2 hours 23 minutes of stoppage time was recorded in 2018, entirely due to external causes (cuts in the supply of electrical power). Therefore, availability at the installation was 99.97%.

General quality of service indicators for Ren Atlântico	
Compliance with commercial service (nominations)	100%
Injection of natural gas into the network (injected/requested)	99.60%
Availability of facility	99.97%

System Operation

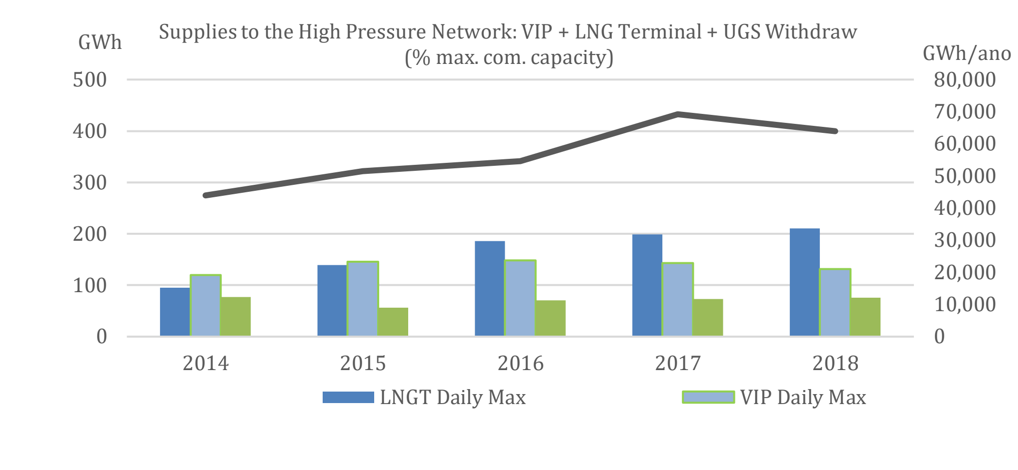
In 2018, intakes of natural gas into the infrastructure operated by the RNTGN concessionaire were mostly from the REN Atlântico Sines Terminal (62.3%). Intakes by Campo Maior through the interconnection with the Magrebe gas pipeline which supplies Portugal with gas mainly from Algeria accounted for 33.5%. The network input point via underground storage corresponded to 4.2%. Only residual entry was seen through Valença do Minho. The following graph shows the weighting of intakes into the system:



In 2018, the 66 620 GWh (around 5.59 bcm) transmitted through the RNTGN included high-pressure national consumption, with a total of 63 094 GWh (5.30 bcm), the injection of natural gas into underground storage of 3 255 GWh and withdrawal of 161 GWh (0.014 bcm) of natural gas for Spain through the Valença do Minho - Tuy interconnection.

With regard to the use of system capacity, in 2018 the maximum daily intake figure for the RNTGN through the Badajoz - Campo Maior interconnection was 131.4 GWh (0.011 bcm) recorded on 9 June, and 203.1 GWh through Sines on 30 October.

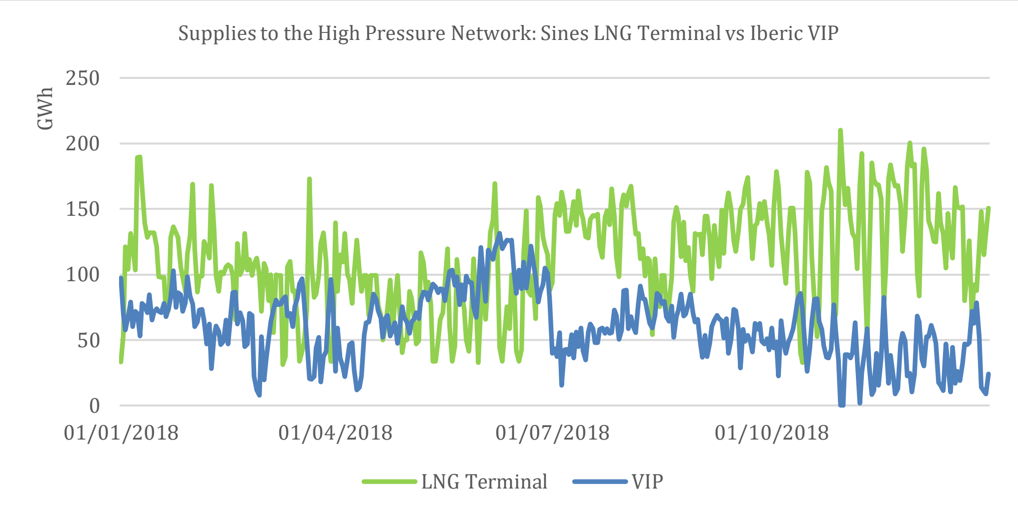
With respect to use of capacity at RNTGN entry points in 2018, a level equivalent to 97% was recorded of the maximum aggregate value made available commercially at the three entry points in the transmission network, the Sines Terminal, VIP Ibérico and Underground Storage. This figure was slightly below the value recorded in 2017 (98%). The following graph shows the growing peak withdrawal seen in the last five years, which has accompanied overall system use (with regard to natural gas consumption).



In relation to the interface with underground storage, maximum daily withdrawal reached 76.2 GWh on 12 December, while injection reached 51.9 GWh on 5 January.

In 2018, a total of 45 methane tankers were received at the Sines Terminal, all to supply the national system. This represented a new maximum as the previous maximum number of tankers docking in a single year was 41, which was reached in 2017 (Δ% 2018/2017 of 8%). The total number of vessels which have used this infrastructure now stands at 501.

This increase was due to options by market agents particularly in the second semester, a period when there was increased interest in the use of the Sines Terminal to supply the national network instead of importing gas through the international interconnection with the Spanish system (VIP Ibérico), as can be seen in the following graph.



A breakdown of gas intakes to the transmission network shows that the Sines Terminal accounted for 66% while the figure for VIP Ibérico was 34%. Capacity use at the RNTGN entry points, more specifically the VIP-Ibérico and the LNGT, were 91% and 105%, respectively.

An important milestone was reached on 22 December when the one hundredth methane tanker docked. The vessel in question was the Castillo de Merida sailing from Ras Laffan in Qatar. Over five hundred docking operations have now been successfully carried out at this infrastructure since it opened in 2003. This has been possible due to compliance with strict planning of vessel entries and the issue of natural gas, based on forecasts for market consumption, and ongoing coordination of the high-pressure infrastructure.

With regard to system management of the infrastructures in the National Natural Gas System (SNGN), in 2018, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities in the SNGN, also involving the operator of the interconnected network. Of special note: (i) limited operation due to repair work on the RNTGN infrastructure after anomalies had been identified in the high-pressure transmission line, (ii) limited operation for work on the TGNL infrastructure to upgrade the control system; (ii) operational support for the Spanish system in the supply of natural gas to Galicia by transferring gas from Portugal to Spain at the Valença do Minho/Tuy international interconnection; (iii) test for reversing the direction of natural gas flow at the Badajoz/Campo Maior international interconnection. It should be noted that all this work was undertaken so as to avoid any impact on the normal operation of the natural gas market.

As was the case last year, 2018 was highly stable with regard to network balancing processes. During the year, three balancing actions were carried out by the General Technical Manager (GTG), with the purchase of a total of 18 GWh, with total operating gas acquired by the GTG standing at 60 GWh, since the implementation of the Network Code on Gas Balancing in 2016.

Market Operation

With the implementation of the Network Code on Gas Balancing in 2016, infrastructure users now play a more important role in network balancing as, in accordance with these new rules, they are responsible for maintaining a permanent balance in their input and output to the transmission network. The System Manager is also required to carry out network balancing when necessary, using an auction mechanism determined by ERSE until Mibgás (gas transactions platform) starts operations in Portugal.

In 2018, the System Manager held three auctions to purchase a total of 18 GWh of balancing gas. In all auctions, demand was met and the price was lower than the reserve price stipulated by the System Manager. The reserve price was €27.38/MWh in the auction held on 26 July, €31.50/MWh in the auction held on 13 September and €30.67/MWh in the auction held on 20 September. Purchase prices were between €25.95/MWh, in the auction held on 26 July and €29.99/MWh recorded on 13 and 20 September. With regard to market agents qualified to operate in high-pressure infrastructure, 2018 ended with a total of 25 active suppliers in the SNGN. Contributing to this number were seven new market agents starting up and one which ceased operations.

In compliance with Decree-Law No 38/2017 of 31 March 2017 establishing the legal system applicable to the activity of the Logistics Operator for Changing Supplier (OLMC) and assigning this function to the Energy Agency (ADENE), the e_Switch platform (I.T. System managing the Supplier Changing Process, or GPMC) entered operation in February 2018 within the ADENE infrastructure. With the cut off from the REN environment, GPMC is now fully carried out by ADENE. REN Gasodutos now only intervenes as network operator in the changing process.

However, as part of work during the GPMC transitional period, REN Gasodutos is required to maintain for a minimum period of five years - from the cut-off point of the e_Switch platform from the REN infrastructure - the history of the supplier changing monitoring process, to meet possible legal and/or regulatory requests relating to any previous supplier changing process.

Therefore, during 2018, work was carried out culminating with the inclusion of the database including GPMC history for the last five years in an ATR ecosystem for future consultation.

Supply Security (Regulation EU Nº 994/2010)

On 25 October 2017, the new Regulation No 1938/2017 was published, repealing Regulation No 994/2010. This Regulation sets out the new provisions which seek to ensure gas supply security in the European Union. Based on the guiding principle of solidarity among Member States, the new regulation reinforces the role of regional cooperation in gas supply security, allowing agreement on suitable trans-border measures.

With respect to supply security and RNTIAT planning, final reports were drawn up on the Assessment of Risks Affecting Natural Gas Supply Security in Portugal, on the Preventive Action Plan and on the Emergency Plan. This ensured compliance with the provisions of Regulation No 1938/2017 and Decree-Law No 231/2012. The documents were prepared and discussed with DGEG, the competent authority, in the second semester of 2018, with the aim of being provided by DGEG to the European Commission before the end of the year. This was the first time that these documents were updated to reflect the new Regulation.

In accordance with legislation in force, it is the responsibility of the RNTGN operator to collaborate with DGEG in the preparation of a draft Report on the Monitoring of Natural Gas Supply Security (RMSA-GN), to be submitted every year to the Minister of Economy. The Government publishes the report, sending copies to the European Commission and ERSE. As a contribution to RMSA-GN 2018, the study undertaken by REN covers possible measures to implement reinforcement of SNGN supply security, including an assessment of the sufficiency of RNTIAT underground storage to ensure compliance with security reserves. The analyses carried out refer to the 2019-2040 period and also took into consideration the SEN Supply Security Monitoring Report for the 2019-2040 period (contributions to RMSA-E 2018).

Network Operation (REN Gasodutos)

Also with respect to RNTGN infrastructure operation, in 2018 work was continued on programmes to update technology in management systems and applications, more specifically:

1. Emergency work on line 04121 due to a gas leak caused by a lightning strike.
2. Repair of mechanical defect in the Sines-Setúbal gas pipeline at point PK17+787.
3. Modifications to control circuits for motorized valves to mitigate the possibility of incorrect use.
4. Implementation of a new control concept for the odorization system so as to make use of the pre-odorized NG received by Campo Maior;
5. Installation of a provisional odorization system at station CTS07000 in Campo Maior, to ensure the odorization rate agreed for gas transfers from Portugal to Spain.
6. Integration of the Linear and Mobility module into the MAXIMO maintenance tool to provide greater efficiency in infrastructure maintenance and operation processes, also allowing future integration with PIMS - Pipeline Integrity Management System;

Operation of the Sines LNG Terminal

With regard to operations, in 2018 the LNG Terminal surpassed all previous historic maximums, having received a total of 45 ships (unloading), corresponding to total unloaded energy of 40,574 TWh and issue of 41,589 TWh to the network. In the same period, 6,072 tankers were loaded, of which 1,391 were for the Island of Madeira and two for Spain, corresponding to total energy of 1.726 TWh.

The maximum daily issue from the Terminal into the network was on 30 October, with a total of 210.21 GWh.

REN Atlântico conducted eight audits, all with positive results. Three audits were under the SEVESO Directive (two internal and one external by the APA) and two audits to verify the integrated system for quality, environment, health and safety at work (renewal of SIGQAS certification, third party audit under the Port of Sines Management (APS) concession contract, one internal audit to monitor quality of service), one audit to verify compliance with the International Ships and Ports Security (ISPS) Code and one audit to monitor insurance contracts.

One safety drill was conducted with the participation of external entities, which tested the response capacity of REN Atlântico and other bodies involved in safety (PEI-SEVESO).

Operation of REN Armazenagem

In 2018, the following aspects were of note in Underground Storage:

1. Maintenance of motors at the Gas Station compression unit.
2. Renewal of authorization for the operation of pressurised deposits at the installation.

With regard to the use of underground storage, total natural gas movement was 5,967 GWh, broken down into 2,757 GWh of withdrawals and 3,210 of injection. Overall own consumption by the Gas Station in 2018 corresponded to 18 GWh.

At the end of the year, compared with 2017, the following balance of stocks was seen:

NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[6]

At 31 December 2018	At 31 December 2017	Variation 2018/2017 (energy)
2,881	2,374	+21%

AVERAGE DAILY LEVEL OF NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[7]

2018	2017	Variation 2018/2017 (energy)
2,249	2,080	+8%

[6] The figures indicated do not include cushion gas
[7] The figures indicated do not include cushion gas

At 31 December 2018, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

INFRASTRUCTURE CAPACITIES [GWH]

	2018	2017
Maximum capacity	3,967	3,967
Effective maximum capacity after technical restrictions	3,570	3,570
Commercially available capacity	3,570	3,570
Cushion gas	2,381	2,381

Notes:

- Cushion gas: permanent volume of gas maintained in caverns in order to ensure the minimum pressure required to safeguard their structural stability;

- Maximum capacity: total capacity minus the cushion gas volume;

- Maximum effective capacity after technical restrictions: maximum capacity minus the volume restrictions for using the caverns due to technical constraints;

- Commercially available capacity: maximum effective capacity after technical restrictions minus the capacity allocated to the SNGN technical system manager for operational reserves.

4.3.2. Investment

RNTIAT Development and Investment Plan (PDIRGN)

During 2018, the final proposal for PDIRGN 2018-2027 was drawn up, which was sent by letter to DGEG on 30 May. The changes made are set out in the Executive Summary and in the points of the document noted therein. The reviewed plan incorporates the recommendations made in the ERSE Opinion on the version provided for public hearing from 29 December 2017 to 15 February 2018. The plan took into consideration the comments received from different entities and stakeholders which formally pronounced on the said plan. All the- information relating to the public hearing process is available on the ERSE website.

Also incorporated into the plan were contributions resulting from comments received on the document "Technical note with justification for not conducting the Strategic Environmental Assessment (AAE) for PDIRGN 2018-2027", drawn up by REN in collaboration with the Faculty of Engineering at the University of Porto (FEUP). These comments, received from Entities with Specific Environmental Responsibilities (ERAE), are addressed in a specific chapter in the subsequent review of the abovementioned Technical Note.

With the goal of improving the coordination of interconnections in the electricity and natural gas sectors in the Southern Region (Portugal, Spain and France), REN once again in 2018 took part in High Level Group (HLG) meetings. This group was formed by the European Commission in 2015, and consists of representatives from the Commission, Competent Authorities, Regulators and System Operators (TSOs) from all three countries.

REN Gasodutos

As part of RNTGN projects, in 2018 REN Gasodutos concluded the following:

- Upgrade of temperature control systems at GRMS;
- Increase to GRMS by-pass capacity for emergency situations;
- Air inspection to detect gas leaks in the gas pipeline network;
- Installation of the 2nd filtering line and heat exchangers at two stations;
- Replacement of flow computers at the end of working life.
- Emergency work at the Leça Branch gas pipeline;
- Repair of mechanical defect in the Sines/Setúbal gas pipeline.

With regard to IT infrastructure supporting system management and in response to the need to comply with changes in national and European regulations, as well as in relation to the IT efficiency and security of the respective processes, REN Gasodutos made several investments. Of note among these investments were:

- Development and automation of the processes inherent to market operation and system management, resulting from the application of the Procedures Manual for Access to Natural Gas Sector Infrastructures (MPAI). Of note was the automation of interface processes with the capacity contracting platforms, with Distribution Network Operators, Market Agents and processes to provide information to internal and external entities.
- Updating of the classification system for alarms & events in the SCADA system so as to promote the optimized use of the already existing warning system, prioritizing the information available in accordance with that set out in the Dispatch Centre Operation Manual.

Total investment in 2018 was 3.47 million euros.

REN Armazenagem

In 2018, REN Armazenagem made a series of investments with a view to ensuring supply security and the availability capacity of natural gas storage. This investment included:

- Installation of fire detection and extinguishing system in buildings;
- Installation of switching valves in pressurized deposits.

Total investment in underground storage in 2018 was 1.29 million euros.

REN Atlântico

In 2018, REN Atlântico concluded the following investment projects:

- Painting of top of LNG tanks;
- Replacement of chromatographs at the end of working life;
- Exterior reconditioning of buildings and upgrading of HVAC systems;
- Supply of a SKID for LNG transfer in the event of an emergency;
- Upgrading of the terminal perimeter land system;
- Replacement of seals on unloading arms;
- Upgrade of the Experion DCS platform in the Command and Control System;
- Anti-corrosion protection and thermal insulation of tubing and equipment to ensure system integrity.

In total, REN Atlântico invested 2.97 million euros.

4.3.3. REN Portgás Distribuição

Commercial Development

The company ended 2018 with 352,786 supply points, 13,774 more than at the end of the previous year, as a result of the ongoing efforts for creating infrastructure and adaptation of buildings allowing them to use natural gas.

Supply points essentially consist of residential and small services customers connected at low pressure. Large-scale consumers represent only 0.5% of all supply points.

Throughout 2018, Portgás established more than 13,000 contracts for access to distribution infrastructure through door-to-door marketing where around 40% of the contracts were for densification of existing infrastructure while the remainder was for expansion.

As part of the management process for winning new clients, Portgás held quarterly meetings for market analysis and implementation of commercial strategies. Two training and motivation events were also held for marketing staff which ended with the awarding of bonuses under the 2018 incentives programme for work in conversion and reconversion of installations to natural gas.

A total of 1,647 connections were made in the new market and 1,117 new supply points were provided to the market.

In 2018, REN Portgás Distribuição made 58 connections to large-scale consumers through 64 branch supply lines with the execution of 17.4 km of secondary network.

Market

In 2018, energy provided through the REN Portgás Distribuição distribution network stood at 7,350 GWh of natural gas in the 28 municipal districts currently supplied. With respect to 2017, this represents an increase of 2.7% in distributed energy, corresponding to a rise of 193 GWh.

This increase was seen in a wide range of different market segments, particularly in the BP< segment which accounted for 1,241 GWh, or a rise of 14.5% (157 GWh).

In the same period, the number of supply points connected to the distribution system stood at 366,164, where 364,549 related to the BP< segment, 1,471 to the BP> segment and 144 to the MP segment. Growth in consumption points was also seen with respect to 2017 with an increase of 3.8%.

Domestic market customers contributed significantly to growth in energy provided, mainly through growth in unit consumption which in 2018 in the BP< segment reached a figure of 3,405 kWh in comparison with 3,086 KWh in 2017, representing growth of 10.3%.

With regard to market development in consumption points in the free and regulated markets at the REN Portgás Distribuição concession, 89% of consumption points are now in the free market while the remaining 11% is in the regulated market. This represents a departure to the free market of 3,968 consumption points in 2018.

In the Portgás concession area there are 17 free suppliers and during the year three new suppliers started activity, ALDRO Energia, Lusíada Energia and Douro Gás Natural. One supplier also left the market, Crieneco Unipessoal Lda.

Due to the entry into the SNGN of the new Logistics Operator for Changing Supplier (OLMC) under the responsibility of ADENE, the process to adjust to the e_Switch support platform for GPMC operations was started. The need to transfer the operation of suppliers of last resort (CURR) to the e_Switch platform was also communicated. This transfer was initially scheduled for the end of 2018 but was later put back to February 2019 at the request of the market agents involved. From the REN Portgás Distribuição point of view, preparatory work and the respective testing was finalized in October 2018 and the company is ready for data migration.

In relation to the supplier communication interface, Portgás started the process to automate the sending of invoices for network use via FTP based on the current data model. This service is now provided for three suppliers.

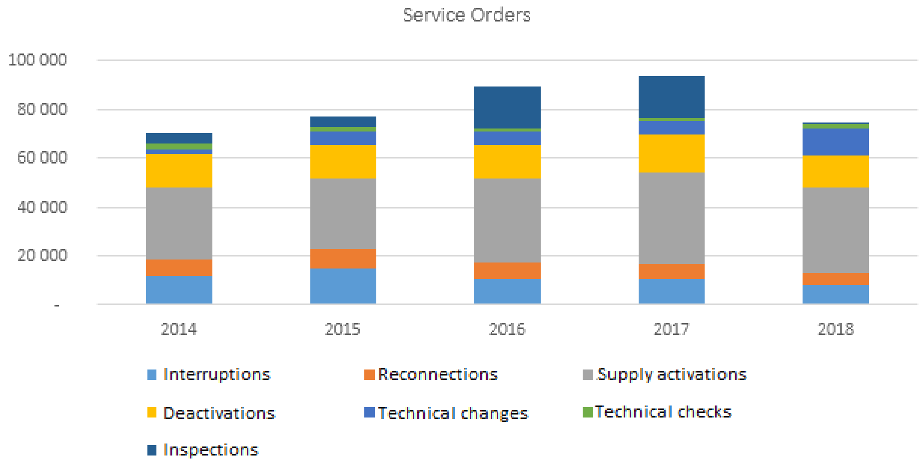
Operation

In 2018, around 75,000 operations were carried out at supply points, most were related to activation and deactivation (65%), followed by technical changes and supply interruption and reconnection.

During 2018, a significant improvement was seen in the success rate of service orders at supply points, which had been falling since 2014. The main reason for the failure related to service orders for activation, a high volume type of order where there is a high failure rate due to causes attributable to clients, mostly due to absence of inspection body and irregularities at individual gas installations.

In 2017, with the provision of deactivation service orders at the request of clients, a significant increase (+12%) was seen in this type of order, which was requested by suppliers to allow them to cancel contracts with difficult clients. The impact of these requests is not immediately visible in the failure rate as the failure rate in client request orders increased as they are considered as Combined Visit. This can be seen in the rise from 2017 to 2018. Improved success has been possible through a series of improvements in Portgás processes and greater involvement by the service providers. Of note among the improvements implemented:

- Prior scheduling with inspection bodies;
- Provision of additional services to clients with prices specified on price list;
- Incentive for greater perseverance by external service providers in the execution of interruption and deactivation service orders at the request of suppliers;
- Deactivation service orders at the request of clients are now considered as combined visits;
- Release of service orders for technical changes for portfolio management and execution in quieter market periods.



SCADA is a vital tool to ensure the safety of the infrastructure, but also for the efficient and effective management of assets, more specifically in the medium-pressure network, regulation and metering posts and cathodic protection valves and stations. The efficient use of this tool creates value for the organization and allows goals to be met in the strategic pillars of safety, reliability and efficiency.

As part of the process for the migration of information systems, it was necessary to migrate SCADA from the former platform installed in Bilbao to the REN platform. Migration was successfully concluded in stages:

- Replication of the Bilbao solution at the Ermesinde Datacenter;
- Guarantee given to communications operators of the reliability of the technical solution;
- Communications testing;
- Migration and database testing;
- Integrated solution testing.

This work involved across-the-board teams: Dispatch Department (REN), DSI (REN), Portgás, EDP, Sindosa, telecommunications operators and external service providers. The migration process was successfully concluded at the end of the first semester of 2018 in accordance with the plan established. This was the first system migration from the EDP environment to the REN environment and was achieved without any interruptions or down time.

Of note with respect to the Portgás cathodic protection system was the start of a pilot project for the remote monitoring of this equipment. This project will allow the detailed analysis of system effectiveness through continuous data collection, thus providing solid information analysis without the need for operations at metering sites.

A total of 6,162 emergency intervention requests were dealt with at supply points, representing an increase of around 3% over 2017. Among these interventions, only 53% were considered as emergency work. The remainder (47%), was considered as technical assistance.

The increase in the number of emergency interventions was due to the fact that in 2018, Portgás made the management decision to not be present at inspections carried out for changes to names in which contracts are held. In the event of detecting a critical defect and as the Portgás technician was not present at such inspections, the inspecting bodies started to notify Portgás of these defects for Portgás to then interrupt the supply of gas

Despite the increase in the number of emergency interventions, response times actually fell due to greater awareness by external service providers to the importance of complying with the times laid down in contracts.

In 2018, a total of 41 ruptures was recorded in the distribution network caused by third parties, representing a significant decrease over figures for 2017. This reduction may be due to the fact that in municipal elections were held in 2017, which normally leads to a significant increase in work carried out by municipal authorities and as a result, an increase in such occurrences.

	Ruptures	Km of network	Ruptures / 1,000 km	Estimated m^3 released
2016	41	4,640	9	14,649
2017	50	4,794	10	35,677
2018	41	4,986	8	16,877

During 2018, an analysis of the rupture process was conducted by an across-the-boards team and a series of initiatives was identified to be undertaken in 2019 to reduce the incidence of ruptures and mitigate the impact of those which occur. Moreover, further to the Annual Infrastructure Safety Report on incidents in 2017, several improvement opportunities were also identified. Therefore, in the Annual Infrastructure Safety Report for 2019, an action plan was established to incorporate these improvement opportunities.

Investment

The company invested 21.8 million euros last year, including 0.7 million euros by clients, resulting in net investment of 21.0 million euros, 1.9 million euros less than in 2016.

Investment in the distribution network was 11.6 million euros, 2.3 million euros less than in 2016, resulting in an increase of 154 km in the secondary network and 7 044 more branch lines.

Efforts to capture new supply points resulted in investment of 7.9 million euros, 1.0 million euros more than in 2016. Interior natural gas supply networks were provided for 11 059 dwellings, while 2,076 dwellings already possessing an interior network were adapted and around 22,000 meters were placed or renewed.

0.6 million euros was also invested in other areas such as in the modernization of IT systems.

The company continued its policy of capitalizing staff costs and structure costs associated with work underway. In 2017, 1.7 million euros was capitalized, in line with the figure for 2016.

Further to the publication of the Infrastructure Director Plan 2017-2018 for implementing planning policies and periodically conducting an overall analysis of infrastructure status, several investment projects were proposed, starting in 2017, based on the construction of structural networks. This work forms part of the plan for corrective action to the system and which also helps improve the quality of operation, expansion capacity and resilience of the network. In 2018, the remaining priority investment was carried out, complementing the projects started and finished in 2017.

As part of network expansion, construction was completed on 170 km of secondary network and 6,740 branch lines to existing market connections. Under infrastructure expansion work, two special points were designed and built for low-pressure network development:

- Directed drilling for the underground crossing of two adjacent waterways in Vizela
- Directed drilling for the underground crossing of one waterway in Vila do Conde

In 2018, due to the obsolescence of some equipment identified under the analysis of the Asset Management System currently underway, a network renovation programme was started. Due to technological evolution and the working life of different assets, a number of regulation and metering posts and valve actuators were replaced. This investment is based on the following pillars: justified cost, optimal performance and control of risk. The projects were developed using 3D technology employing spatial optimization of components, thus ensuring ease of maintenance and interchangeability should replacement be required.

4.4. Business Development

A milestone was seen in 2018 with the presentation of the new strategic plan for 2018-21. Based on the success of the objectives set out in the strategic plan approved in 2015, the new plan defines three important strategic guidelines for coming years, more specifically, operational excellence and consolidation of REN's core business, maintaining solid financial indicators and sustained disciplined growth in organic and non-organic projects.

Under the new strategic plan, it is the aim of the Business Development Department to prospect, analyse and implement non-organic investment projects, with a regulated profile, focusing on the domestic market but also on international projects which offer a suitable risk profile and return allowing the company to consolidate its presence in Latin America.

With respect to activity in the financial year of 2018, continuity was given to important work carried out in previous years, culminating in 2017 with two non-organic investment projects representing a total of around 700 million euros.

More specifically, of note are the following actions and milestones in work carried out by the Business Development Department, broken down into investment and engineering consultancy:

Investment

- Submitting a binding offer to acquire holdings in power distribution assets in Portugal;
- Under the strategy to focus on regulated activities, REN sold an LPG distribution company for 4 million euros, which had been acquired in 2017 as part of the purchase of EDP Gás (REN Portgás Distribuição);
- Ongoing assessment of different markets with emphasis on countries in the Pacific Alliance including Chile, Peru, Mexico and Colombia, but also on other geographically strategic areas such as Europe and Africa.
- Continuation of prospecting activities for business opportunities and establishing of contacts with potential partners for co-investment, through the regular presence of REN teams in the abovementioned markets.

Engineering consultancy

Engineering services are promoted commercially by the Business Development Unit and with specialized assistance from the operational areas of engineering. The following activities are of note:

- Provision of renewable energy training services to EDM – Electricidade de Moçambique;
- Provision of supervisory services in Portugal, particularly in projects for constructing very high voltage lines connecting power plants to the national grid.
- Provision of engineering consultancy services in Portugal to industrial clients connected to the National Transmission Network;
- Active prospecting for consultancy work through numerous meetings with organizations in Portugal and abroad to promote and inform on REN consultancy services;

In 2019, REN will continue to develop its international work in the areas of investment projects and engineering consultancy, seeking to.

- Develop partnerships with power network operators on an international level, which can result in cooperation agreements for the technical exchange of information and evaluation of business of common interest;
- Establishing relationships with multilateral agencies providing support in the development and financing of infrastructures, with the aims of identifying business opportunities, facilitating access to financing and finalising engineering consultancy proposals.

4.5. Other business

4.5.1. Electrogas

A On 7 February 2017, REN purchased a 42.5% stake in the capital of the Chilean company Electrogas, S.A., for 180 million dollars. With this acquisition, REN achieved one of the goals set out in the strategic plan for the period 2015-18, more specifically that of an international investment project.

Electrogas owns and operates a natural gas transmission system located in central Chile consisting of two main gas pipelines which connect the Quintero LNG Terminal to the metropolitan area of Santiago, to a branch line feeding power plants and refineries and the GasAndes gas pipeline which connects the natural gas systems of Chile and Argentina.

The remaining shareholders in Electrogas are Colbún S.A. (42.5%) and Empresa Nacional del Petróleo (ENAP) (15%), a company which is wholly owned by the Chilean State. The relationship between the parties is governed by a shareholders’ agreement.

The acquisition forms part of REN’s strategic aim to expand internationally. Entry into Chile allows the company’s routes to growth and business risk to be diversified, while also reducing dependence on the domestic market.

Over the last year, REN has shared its operating experience with Electrogas, actively promoting improvements in the company’s processes. As a relevant shareholder, REN has a seat on the Electrogas Board of Directors and at General Meetings, contributing to strategic, financial and operational decision making. REN continues to consider Chile to be a strategic target market due to the solid economic indicators, political, legal and regulatory stability and the potential growth of the energy sector.

Representing unique infrastructure in the region, the Electrogas gas pipeline is vital for supplying the electrical power plants providing power to central Chile, and to the natural gas distributor companies in the Santiago and Valparaíso region. The gas pipeline is reversible, allowing both the export and import of natural gas to neighbouring Argentina.

The company’s main clients include key electrical power generation companies (ENEL and Colbún), industrial organizations (ENAP) and natural gas distributors (Metrogas and GasValpo).

The Electrogas business model is based on solid Take-or-Pay natural gas transmission contracts, with no volume or price risk.

The Electrogas gas transmission infrastructure is on average 18 years old, and was designed and built in accordance with international engineering standards and good practices. The most relevant infrastructure includes:

- The Chena (Santiago) - Lo Venecia (Quillota) gas pipeline, 123 km in length and diameter of between 24” and 30”.
- The Lo Venecia - Quintero gas pipeline, 28.5 km in length and diameter of 24”.
- The El Maqui - Colmo branch line, 14.05 km in length and diameter of 16”.
- 10 switching and branching stations.
- 12 gas custody transfer stations.
- Dispatch Centre located in Quillota.
- SCADA and gas metering systems.
- Cathode protection system

On average, Electrogas transmits 2.7 to 3.1 BCM of natural gas per year. In 2017, it reached a record for the transmission of natural gas (3.649 Mm^3) as a result of gas exports to Argentina in June, August and September and the higher volume of gas transported relating to interruptible contracts.

Electrogas also operates an oil pipeline, 20.5 km in length and 8” in diameter, which transports diesel between refineries in Concón and power plants in Lo Venecia (city of Quillota). These plants use natural gas as the primary fuel and diesel is used as a support fuel in the event of interruption in the natural gas supply.

The level of service is considered to be very high, with no supply interruptions recorded in 2018 and with all performance indicators in line with those of European TSOs.

4.5.2. Enondas

Financial Year 2018

In 2018, ENONDAS continued a promotional campaign which included participation at conferences and forums on wave energy, such as the annual WAVEC conference and the business2sea conference promoted by the Ocean Forum.

However, with the evolution of the study and the use of sea or sea-located renewable energy sources to produce electricity and in light of Council of Ministers Resolution No 81-A/2016, and more recently Council of Ministers Resolution No 12/2018, work planned for 2018 was suspended.

With regard to commercial activity, ENONDAS has maintained contacts with potential clients and sector companies with the aim of keeping their interest active in the Portuguese Pilot Zone.

Main investments

Further to Council of Ministers Resolutions Nos 81-A/2016 and 12/2018, investment in 2018 was zero.

Perspectives for 2019

In accordance with Council of Ministers Resolution No 12/2018 of 19 February 2018, evolution is awaited with regard to changes in the location and size of the Pilot Zone under the Industrial Strategy for Renewable Marine Energies (EI-ERO), the Action Plan for Marine Renewable Energies.

Monitoring activity in this regard will continue and information will be supplied when requested, through dissemination of the Pilot Zone at sector events and in key publications.

ENONDAS will continue to maintain solid interaction with the public entities responsible for the areas in question. These include the Directorate-General of Energy and Geology, the Portuguese Environment Agency, the Directorate-General of Maritime Policy, the Directorate-General of the Maritime Authority, the Directorate-General of Natural Resources, Safety and Maritime Services, the Portuguese Sea and Atmosphere Institute and the Institute for the Conservation of Nature and Forests.

4.5.3. RENTELECOM

The REN Group is present in the Information and Communication Technologies market through RENTELECOM, a company wholly owned by the Group and certified by APCER in accordance with the NP EN ISO 9001, NP EN ISO 14001 and OHSAS 18001 standards

RENTELECOM was incorporated in 2002 with the primary goal of deriving profits from the surplus capacity of the REN – Rede Eléctrica Nacional secure telecommunications network and it subsequently expanded the scope of its activity to include the REN Gasodutos infrastructure when this company was integrated into the REN Group in 2007.

RENTELECOM works in various activities, including fibre optics rental, data transmission services, data centres and maintenance, projects and consulting services.

Although this was another difficult year in the information and communication technology market, RENTELECOM recorded a significant increase in turnover (17.5%). It maintained its focus on the corporate market (61%), but also increased exposure to the telecommunications operators market (39%).

In the area of data centre services, the company significantly increased revenue (54%) as a result of reinforcing commercial activity in this area of business. This focus also allowed long-term contracts to be signed which will contribute to turnover stability in coming years.

In fibre optic rental, the company increased earnings by approximately 6% as a result of signing new contracts. In addition to these contracts, long-term contracts with international clients for Iberian networks ensure the continuity of results in this area of business in coming years. There is also reason to believe that a number of proposals in hand will be successful in the near future.

In the area of circuit rental, there was a significant fall (-21%) due to the termination of a number of older contracts. However, new contracts were signed which will allow this service to be maintained as one of the company's main business areas.

Project design saw the expected reduction in turnover (-14%) due to the termination of older contracts. Nevertheless, the company implemented important telecommunications projects at power plants, one of which was the first solar plant to be connected to the National Transmission Network, which will also be the first solar plant to operate in a market regime. This contract award reinforces the role of supplier to the renewable energy sector which RENTELECOM is seeking to expand.

4.5.4. REN Trading

Power Purchase Agreement (PPA) Management

Power Purchase Agreements (PPA) not subject to early termination in accordance with Decree-Law No 172/2006 of 23 August, are managed until they end by REN Trading, a company wholly owned by REN - Redes Energéticas Nacionais, SGPS.

In the management of the respective PPAs, REN Trading acquires all the energy and system services from the Pego and Turbogás Power Plants.

The sale of electric power on the market is mainly carried out by means of the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE platform) and on the System Services market, operated by the System Manager.

In this field, in addition to the Natural Gas Consumption Management Agreement (AGC) established with GALP Gás Natural, S.A., it is also necessary to accompany the fuels markets (coal and natural gas) and their respective price indexes. (GALP).

It is also RENT's responsibility, under the European Emissions Licences Trading scheme (ELT), a to acquire all the CO_2 emissions licences required for the two PPA power stations, taking into account the respective annual production of electricity. This consists of acquiring the $C0_2$ emissions licences on the secondary market though futures contracts, in other words the EUAs (European Unit Allowances).

With respect to ELT, active participation was continued on the Intercontinental Exchange (ICE), the reference exchange for carbon futures trading.

RENT is a regulated company and its Allowed Operating Revenue is in line with the incentives achieved each year. The methodology is laid down by the Portuguese Energy Services Regulator (ERSE) in Directive No 2/2014 of 3 January.

The final value of the incentive results from the margin arising from the difference between the annual revenue of the electricity market (Iberian Market and System Services) and the annual variable costs of both plants (natural gas and coal, CO_2 emission licences and O&M costs for both plants).

The operating results of the company in 2018 therefore correspond to the value calculated for the incentives defined by ERSE, which are listed below:

ICAE – Annual value of the incentive for optimising PPA management from the Turbogás and Tejo Energia Power Plants; (limited to 3 M€, having reached 2.6 M€ in 2018, a provisional value to be approved by ERSE)

PAM – corresponds to the annual value of the market suitability premium for PPA management (limited to 0.3 M€, fully reached in 2018)

The total value of incentives obtained in 2018 was therefore 2.9 M€ (provisional vale to be approved by ERSE).

4.6. Financial Performance

In October 2017, REN acquired 100% of the share capital in EDP Gás and its subsidiaries, EDP Gás Distribuição and EDP Gás GLP. As a result, the financial statements for 2017 have used the full consolidation method for the results of the last three months of the three gas distribution companies and are not entirely comparable with the financial year of 2018.

4.6.1. Results in 2018

In 2018, REN Group net income was 115.7 million euros, 10.2 million euros (-8.1%) lower than last year, reflecting the decrease in electricity and natural gas transmission businesses (-33.4 million euros in EBITDA; -36.4 million euros in EBIT), partly offset by higher natural gas distribution results (+38.2 million euros in EBITDA; +28.1 million euros in EBIT) and strong financial income performance (+3.5 million euros; +5.7%).

It should be noted that, as in previous year, the 2018 results reflects the continuation of the Extraordinary Levy on the Energy Sector (25.3 million euros in 2018 and 25.8 million euros in 2017).

Investment reached 121.9 million euros, a 21.6% drop (-33.6 million euros), while transfers to RAB fell by 70.3 million euros over last year's figures (-44.3%) to 88.5 million euros. Average RAB was 3,832.0 million euros, 92.8 million euros lower than 2017 (-2.4%).

Financial income grew 5.7% year-on-year (+3.5 million euros) driven by the 0.3 p.p. reduction achieved in the average cost of debt due to the refinancing of maturing debt under more competitive conditions. Net debt was 2,653.1 million euros, a 3.7% decrease over the previous year (-103.1 million euros) driven by cash inflows from operations of 510 million euros, partly offset by outflows from capex (144 million euros), net dividends (101 million euros), net interest (55 million euros) and taxes (114 million euros).

Principais indicadores (millions of euros)	**2018**	**2017**	**Var. %**
EBITDA	492.3	487.5	1.0%
Financial income[8]	-57.8	-61.2	5.7%
Net income	115.7	125.9	-8.1%
Recurrent net income	137.2	154.8	-11.4%
Total CAPEX	121.9	155.6	-21.6%
Transfers to RAB[9](at historic costs)	88.5	158.8	-44.3%
Average RAB (at reference costs)	3 832.0	3,924.7	-2.4%
Net debt	2 653.1	2,756.2	-3.7%
Average cost of debt	2.2%	2.5%	-0.3p.p.

Operating income – EBITDA

[8] Financial charges of 0.5 million euros in 2016 and revenue of 0.6 million euros in 2017 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified as financial income to Revenue.
[9] Includes direct acquisitions (RAB related).

Electricity and Natural Gas Transmission Business

In 2018, the transmission business EBITDA was 445.2 million euros, 7.0% lower than the previous year (-33.4 million euros).

EBITDA - Transmisson (millions of euros)	2018	2017	Var. %
1) Revenue from Assets	**415.2**	**450.5**	**-7.8%**
RAB remuneration	173.6	208.6	-16.8%
Smoothing differences (gas)	0.0	0.6	100.0%
Hydro land remuneration	0.0	0.2	-100.0%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Incentive for the economic efficiency of investment	23.6	21.8	8.4%
Recovery of amortizations (net of investment subsidies)	199.3	200.6	-0.6%
Amortization of investment subsidies	17.9	18.0	-0.1%
2) Revenues from OPEX	**104.8**	**104.1**	**0.6%**
3) Other revenues	**22.0**	**24.3**	**-9.5%**
4) Own work (capitalised in investment)	**16.8**	**17.4**	**-3.4%**
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	**80.1**	**131.5**	**-39.1%**
6) OPEX	**112.9**	**115.6**	**-2.3%**
Personnel Costs[10]	**51.0**	**50.3**	1.5%
External Costs	**61.9**	**65.3**	-5.2%
7) Construction Costs – Concession Assets	**80.1**	**131.5**	**-39.1%**
8) Provisions	**0.3**	**1.2**	**-70.8%**
9) Impairments	**0.4**	**1.0**	**-63.6%**
10) EBITDA (1+2+3+4+5-6-7-8-9)	**445.2**	**478.6**	**-7.0%**

[10] Includes costs for training and seminars and provisions for staff costs

The EBITDA was penalized by the following effects:

- Reduction of 27.4 million euros in the remuneration of regulated assets in the electricity transmission business, reflecting (i) the reduction in the base rate of return (RoR) from 6.3% in 2017 to 5.2% in 2018 – with the new regulatory period for the electricity sector starting in January 2018, the starting point for RoR fell from 6.4% to 5.9%; and (ii) the reduction of 59.2 million euros (-2.5%) in average RAB;
- Reduction of 8.2 million euros in the remuneration of regulated assets in the natural gas transmission sector, reflecting (i) the reduction in the remuneration rate of return from 6.0% in 2017 to 5.5% in 2018 – impacted by the evolution in the rate of the Portuguese Republic 10Y Treasury Bonds; and (ii) the reduction of 42.9 million euros (-4.0%) in average RAB;
- Reduction of 2.3 million euros in other revenues, including: i) the reduction in the interest on tariff deviations (-1,3 million euros) and ii) the reduction in income generated by REN's holdings of 42.5% in Electrogás, which is accounted by using the equity method (-0.8 million euros).

Also of note were the following effects which had a positive contribution to operating profits:

- The increase of 1.8 million euros in the incentive for the economic efficiency of investment (+8.2%);
- The reduction of 2.7 million euros (-2.3%) in Opex, as a result of the 3.4 million euros decrease (-5.2%) in external costs, partially offset by the 0.7 million euros increase (+1.5%) in personnel costs. The decrease in external costs reflected a positive influence caused by the reduction in pass-through costs (-3.4 million euros) and the reduction in M&A process costs (-2.9 million euros), namely the processes to acquire REN Portgás Distribuição and the holdings in Electrogás in 2017, and the sale of REN Portgás GPL, in 2018. Also penalizing external costs were: i) the increase in costs with damaged assets following the occurrence of adverse weather conditions (+1.5 million euros), ii) the increase in LNG Terminal electricity costs due to higher activity (+0.4 million euros) and iii) the increase in forest clearing costs (+0.3 million euros).

Natural gas Distribution Business

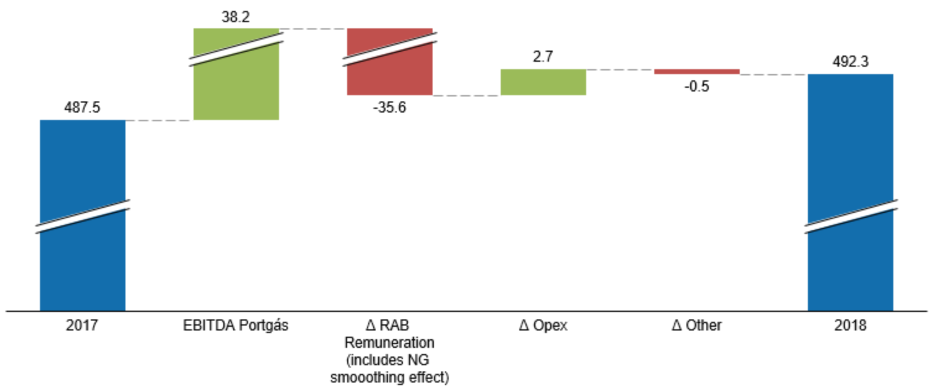
In 2018, the natural gas distribution business generated a contribution of 47.1 million euros to REN Group's EBITDA. The results obtained include the following:

- RAB remuneration of 27.0 million euros. It is important to note that in the case of distribution, the rate of return is greater than for gas transmission by 0.3 p.p.
- Recovery of amortizations of 13.1 million euros.
- Revenues from OPEX of 16.3 million euros.
- OPEX of 18.7 million euros, of which 4.8 million euros from personnel costs and 13.9 million euros from external costs. External costs include 3.8 million euros in pass-through costs, namely Subsoil occupation levies.

Results for 2018 are not comparable with those for the previous year as the 2017 results refer only to three months of activity, given that the natural gas distribution companies were acquired in October 2017.

EBITDA - Distribuição (milhões de euros)	2018	2017 3 meses
1) Revenues from Assets	**40.1**	**9.9**
RAB remuneration	27.0	7.1
Recovery of amortizations (net of investment subsidies)	13.1	2.8
2) Revenues from OPEX	**16.3**	**4.1**
3) Other revenues	**6.6**	**0.3**
4) Own work (capitalised in investment)	**2.6**	**0.6**
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	**22.2**	**5.1**
6) OPEX	**18.4**	**6.0**
Personnel Costs[11]	4.8	1.5
External Costs	13.6	4.5
7) Construction Costs – Concession Assets	**22.2**	**5.1**
8) Provisions	**0.0**	**0.0**
9) Impairments	**0.3**	**-0.1**
10) EBITDA (1+2+3+4+5-6-7-8-9)	**47.1**	**8.9**

EVOLUTION IN EBITDA 2017-2018



[11] Includes costs for training and seminars and provisions for staff costs

NET INCOME

Net income was 115.7 million euros, 10.2 million euros decrease (-8.1%) over the previous year.

This decrease was mainly driven by:

- The decrease in EBIT (-8.3 million euros), penalized by the electricity and natural gas transmission business (-36.4 million euros), and partially offset by higher natural gas distribution business results (+28.1 million euros) which in 2017 only involved three months of income as this business was acquired in October 2017.
- The improvement in financial income (+3.5 million euros, +5.7%), reflecting the reduction of 0.3 p.p. in the average cost of debt, which fell from 2.5% in 2017 to 2.3% at the end of 2018, and a reduction of 3.7% in net debt -103.1 million euros)

Excluding non-recurring effects are removed, the Recurrent Net Income for 2018 fell by 17.6 million euros (-11.4%). Non-recurring items considered in 2018 and 2017 are as follows:

i. In 2018: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2017 (25.3 million euros); ii) capital gains obtained from the sale of REN Portgás GPL, net of associated costs (3.7 million euros, 3.8 million euros after tax)

ii. In 2017: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2017 (25.8 million euros); ii) one-off from the Electrogas and Portgás acquisition processes (4.3 million euros, 3.1 million euros after tax)

Net Income (millions of euros)	2018	2017	Var. %
EBITDA	**492.3**	**487.5**	**1.0%**
Depreciation and amortization	235.1	222.0	5.9%
Financial income	-57.8	-61.2	5.7%
Income tax expenses	58.5	52.5	11.3%
Extraordinary Levy on the Energy Sector	25.3	25.8	-2.1%
NET INCOME	**115.7**	**125.9**	**-8.1%**
Non-recurring items	21.5	28.9	-25.7%
RECURRENT NET INCOME	**137.2**	**154.8**	**-11.4%**

4.6.2. Average RAB and investment

In 2018, the Group investment reached 121.9 million euros, 21.6% less (-33.6 million euros) than the previous year, and transfers to RAB were 88.5 million euros, a decrease of 70.3 million euros (-44.3%) over the 2017 figures.

In the electricity sector, transfers to RAB reached 53.8 million euros, a reduction of 80.3 million euros (-59.9%) over the previous year.

Main projects conclude two new transformers: one 220/60 kV at the Tábua substation and a 220/150 kV autotransformer at the Zêzere substation.

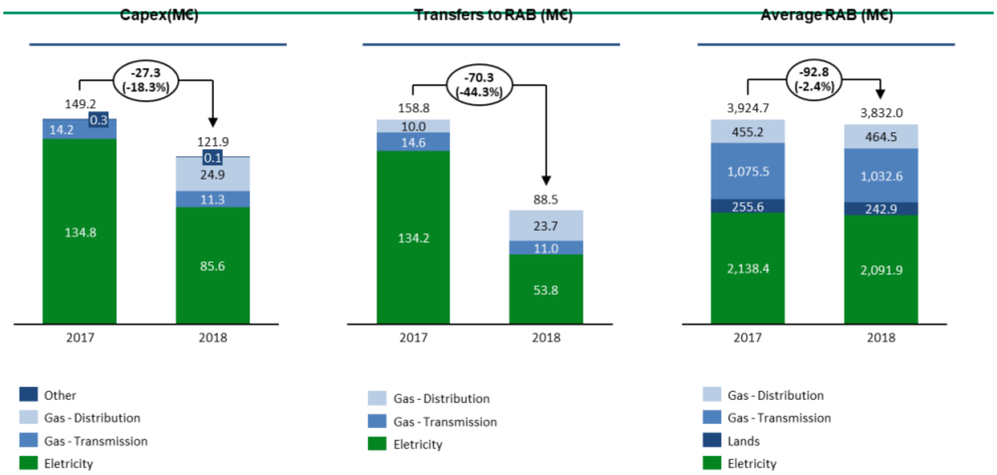
The modernization of several assets at the end-of-life was also concluded, more specifically the remodelling of the 220 kV Carregado – Rio Maior 1 and Agueira – Pereiros 1 lines; work on the 220 kV Armamar – Carrapatelo 1/2 and Valdigem – Carrapatelo 1 lines, thus providing greater resilience and suitability for the stretches in question to ice sleeving, arising from extreme snowfall and ice, the 150 kV Ourique – Tavira, Cabril – Bouçã and Bouçã – Zêzere 2 lines (OPGW cable installation), and the 400 kV Palmela – Sines 2 and Palmela – Sines 3 lines.

With regard to investment in non-linear installations, also of note was the remodelling of protection equipment and systems and automation and control at the Batalha, Zêzere, Riba d'Ave, Canelas, Santarém and Carriche substations.

In the natural gas transmission sector, transfers to RAB fell by 3.6 million euros (-25.0%) to 11.0 million euros in 2018.

In the natural gas distribution sector, investment was 24.9 million euros, with around 35% applied to capturing new supply points and around 53% in the expansion of distribution networks.

At the end of 2018, average RAB was 3,832.0 million euros, a reduction of 92.8 million euros over the previous year, influenced by the effect of amortizations greater than the transfers to RAB. In the electricity sector, average RAB (excluding land) was 2,091.9 million euros (-46.5 million euros, -2.2%), 1.127 billion euros of which was in assets with premium, while land stood at 242.9 million euros (-12.7 million euros, -5.0%). In the natural gas transmission sector, average RAB was 1,032.6 million euros (-42.9 million euros, -4.0%), while in the natural gas distribution sector, RAB was 464.5 million euros (+9.3 million euros; +2.0%).



INVESTMENT

In the electricity segment, investment reached 85.6 million euros (-36.5% than in 2017).

The main the projects were the remodelling of lines, remodelling of equipment and protection and control systems, reinforced feeding to distribution networks and the improved international exchange capabilities with Spain which all contributed to greater safety and reliability of the overall operation of the system.

Particular note should be drawn to investment of 38.9 million euros made in 2018 for the remodelling of several lines. A further 2.7 million euros was invested in new transformers and 31.9 million euros in the remodelling of equipment, protection systems and automation and control at several substations.

In the area of natural gas transmission, investment was 11.3 million euros (-19.9% less than the previous year).

Among the most significant investments in 2018 by REN-Gasodutos were the following projects: Upgrade of the temperature control systems at several GRMS, installation of by-pass capacity at GRMS for emergency situations, air inspection to detect gas leaks in the gas pipeline network, installation of the 2nd filtering line and heat exchangers at 2 GRMS, replacement of flow computers at the end of working life, work at the Leça Branch gas pipeline and repair of mechanical defect in the Sines/Setúbal gas pipeline.

Total investment by REN Gasodutos in 2018 was 6.4 M€.

In the case of REN-Armazenagem, investment in 2018 sought to reinforce supply security and the availability of natural gas storage. Highlights include the conclusion of the following projects: Installation of fire detection and extinguishing system in buildings and the installation of switching valves in pressurized deposits.

Total investment in underground storage in 2018 was 1.7 M€.

In 2018, REN Atlântico concluded the following investment projects: painting of top of LNG tanks, replacement of chromatographs at the end of working life, exterior restoration of buildings and upgrading of HVAC equipment, supply of a SKID for LNG transfer in the event of an emergency, upgrading of perimeter land system at the terminal to ensure safety, replacement of seals on unloading arms at end of working life, upgrading of Experion DCS platform in the Command and Control System and anti-corrosion protection and thermal insulation of tubing and equipment to ensure system integrity.

In total, REN Atlântico invested 3.3 M€.

In natural gas distribution, investment was 24.9 million euros. Of note was investment in the network where 13.2 million euros were invested in the construction of 219 km of gas pipeline. Investment in supply points was 8.8 million euros, 7.6 million euros of which was to provide new buildings with their own infrastructure for the supply of natural gas and 1.2 million euros for the installation of meters.

MAIN PROJECTS UNDERTAKEN IN 2018



ELECTRICITY:		TRANSMISSION - GAS		DISTRIBUTION - GAS	
38,9M€	Power lines remodeling	4,3M€	Investments in REN Gasodutos	13,1M€	Networks
31,9M€	Remodeling of equipments and systems in several substations	2,4M€	Investments in LNG Terminal	8,8M€	Supply points
2,7M€	New transformers	1,6M€	Investments in REN Armazenagem	2,2M€	IT projects
5,4M€	IT projects	3,1M€	Other projects	0,7M€	Other projects
3,4M€	Buildings and substations				
3,4M€	Other projects				

ELECTRICITY:	TRANSMISSION GAS:	DISTRIBUTION GAS:	OTHER:
85,6M€	11,3M€	24,9M€	0,1M€

GROUP'S INVESTMENT IN 2018: 121,9 M€

4.6.3. Financing and debt

In 2018, the average cost of debt was 2.2%, a reduction of 0.3% YOY continuing the downward trend seen since 2013.

This reduction was possible as a result of the ongoing refinancing of debt under more competitive conditions in an increasingly positive macroeconomic environment influenced by the improved rating of the Portuguese Republic to 'investment grade'.

REN's financing strategy, focusing on the flexibility of the financial instruments contracted and a position of solid liquidity, has allowed the company to explore market opportunities and significantly and quickly adjust the cost of debt to improved credit conditions.

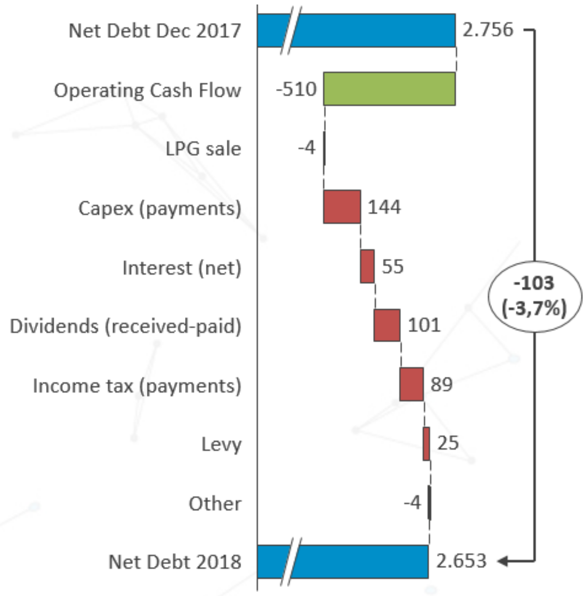
REN took advantage of this situation to continue to reduce its financial charges, with the aim of reinforcing its image of financial liquidity and solidity.

During 2018, the following financing operations were undertaken:

- In January, bonds were issued at a fixed rate for 300 million euros, with maturity of 10 years.
- In January, a term facility agreement was signed with Intesa Sanpaolo for 150 million euros, with maturity of one year;
- In January, the company disbursed 50 million euros of a credit contract signed with Banco Millennium BCP;
- Two commercial paper programmes were also renegotiated, with a total amount of 475 million euros.

Financing operations negotiated in 2018 were approximately 975 million euros.

At the end of 2018, REN Group consolidated net debt stood at 2,653.0 million euros. This is 103 million euros less than the previous year.



Financial debt (million euros)			**Change**	
IFRS	**2018**	**2018**	**ABSOL**	**%**
Gross debt	2,706.3	2,829.7	-123.4	-4.4%
Minus hedging swaps	17.6	12.1	5.5	45.1%
Minus cash and cash equivalents	35.7	61.5	-25.8	-42.0%
Net debt	2,653.1	2,756.2	-103.1	-3.7%

Bond issues were the primary source of funding during 2018, representing 65% of total gross debt, followed by bank loans with a weighting of around 28%.

Sources of capital financing outstanding debt			**Change**		**Weighting**	
IFRS	**2018**	**2017**	**ABSOL**	**%**	**2018**	**2017**
Bond issues	1,750.7	1,643.5	107.2	6.5%	65.0%	58.5%
Bank loans	756.6	943.7	-187.1	-19.8%	28.1%	33.6%
Commercial paper	180.0	220.0	-40.0	-18.2%	6.7%	7.8%
Others	4.1	3.3	0.8	24.2%	0.2%	0.1%
Total	**2,691.4**	**2,810.5**	**-119.1**	**-4%**	**100.0%**	**100.0%**

Net financing costs fell by 3.7 million euros YOY, from 68.1 million euros to 64.4 million euros. This fall is largely explained by the re-financing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions. It is further due to the systematic renovation of opportunist financing operations of shorter maturity against a background of negative Euribor rates.

The average cost of gross debt in 2018 was 2.2%. This is 0.3% less than in 2017.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed rate debt represented 61.7% of total debt and the current market environment allowed the duration of debt to be extended.

With regard to the Company's liquidity, continuation was given to ensuring that financing needs were covered for a minimum period of two years.

During 2018, REN's rating at S&P rose from BBB- to BBB. At the end of 2018, REN's risk ratings with Fitch, S&P and Moody's were BBB (stable outlook), BBB (stable outlook) and Baa3 (stable outlook), respectively..

4.7. Proposed allocation of net profit

According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A., in the financial year ended on December 31st, 2018, the amount of 115,714,629.94 Euros (one hundred and fifteen million, seven hundred and fourteen thousand, six hundred and twenty nine Euros and ninety four cents) has been established as net income in the IFRS consolidated accounts, and the amount of 113,533,261.98 Euros (one hundred and thirteen million, five hundred and thirty three thousand, two hundred and sixty one Euros and ninety eight cents) has been established in the individual accounts, in accordance with SNC.

Considering the above and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2018, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 113,533,261.98 Euros (one hundred and thirteen million, five hundred and thirty three thousand, two hundred and sixty one Euros and ninety eight cents) be transferred as follows:

- To the legal reserve: 5,676,663.10 Euros (five million, six hundred and seventy six thousand, six hundred and sixty three Euros and ten cents); and
- To retained earnings: 107,856,598.88 Euros (one hundred seven million, eight hundred and fifty six thousand, five hundred and ninety eight Euros and eighty eight cents).

Furthermore, the Board of Directors also proposes the following distribution:

- As dividends to shareholders from accumulated available reserves: 114,089,705.80 Euros (one hundred and fourteen million, eighty nine thousand, seven hundred and five Euros and eighty cents), corresponding to a distribution of 98.6 % of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2018, standing at 115,714,629.94 Euros (one hundred and fifteen million, seven hundred and fourteen thousand, six hundred and twenty nine Euros and ninety four cents), equivalent to a gross dividend per share of 0.171 Euros;

For distribution to the employees of REN and its subsidiaries: 3,585,765.01 Euros (three million, five hundred eighty five thousand, seven hundred sixty five Euros and one cent). Due to the accounting rules in force, this amount is already reflected in the net profit of the financial year ended on 31 December 2018 of REN, S.G.P.S., S.A. (290,514.95 Euros – two hundred and ninety thousand, five hundred and fourteen Euros and ninety five cents) and its subsidiaries (3,295,250.06 Euros – three million, two hundred ninety five thousand, two hundred and fifty Euros and six cents)

4.8. Outlook 2019

Our mission remains unchanged. Without ever neglecting our responsibilities as a company, our first priority is to comply with the safety and energy management targets which were set in concession contracts.

Our strategy is based on simple and clear principles:

- Continuation of current levels of quality, safety and efficiency.
- Medium and long-term financial discipline and sustainability, within the defined strategic lines which were communicated to the market.
- Compensate the absence of growth in our main concessions through the highly selective search for opportunities for growth within our areas of technical speciality, which are compatible with our investment capacity and without changing our risk profile.

Without forgetting our modest international investments, Portugal continues to be our main priority. Compliance with our multiple missions will continue with total professionalism, transparency and respect for the ethical principles which form the basis of our culture.

In contrast to what may be generally thought, REN is not a company of dull routines. Every day is a challenge involving numerous unexpected events. All our employees need to meet their responsibilities to ensure that the company is successful and that it is always ready to achieve its goals.

This new year starts off with the announcement of renewed national ambition with regard to energy transition, meaning that our teams will have plenty of work ahead.

The new directives and targets set out in the Integrated National Energy and Climate Plan (NECP) 2030 will need to be studied. We will have to submit new Network Development and Investment Plans which take into account greater focus on renewable energy generation, the abandonment of coal-fired generation and the water shortage which has been increasingly affecting us. REN has a very important role in the study and implementation of measures which help government plans to be achieved in this regard and we're working with all of the commitment we're renowned for so as to reach these goals.

Before the end of the year, we expect to conclude the installation of our first undersea cable as part of the Windfloat project, the first offshore wind farm on the Portuguese coast.

In relation to natural gas, we're going to see the start of a new regulatory period, with relevant impact on our infrastructure and distribution business.

Another important area requiring constant attention and work is that of keeping up with technological developments happening in an ever more digital world; with ever greater use of sensors which generate information allowing automatic decision making; with greater sophistication in how electricity and natural gas dispatch is managed; with greater incorporation of renewable energies and the intermittent nature of their production, leading to more challenges in energy flow stabilization.

Nor can we forget that we are still recovering from the fires which tragically caused so many victims. In this regard, we continue to focus on fire prevention and spare no effort or investment within our reach to contribute to the safety of communities.

I would like to mention here just some of our priorities, but I do not intend to list all of our concerns. I am merely seeking to highlight some of the topics which will absorb more energy in coming years.

I would like to end with something which is very important to us: our teams, which allow us to do a job which is recognized by everyone as excellent.

We will continue to emphasise ongoing training for our people and maintain a fair social environment where merit is recognized. REN bases its culture on good principles and that is how we will continue.

Our Board of Directors is an important catalyst in this roadmap and we feel that the vast majority of our shareholders see themselves in how we act.

beyond
energy
transmission

purpose

05 Sustainability at REN

REN

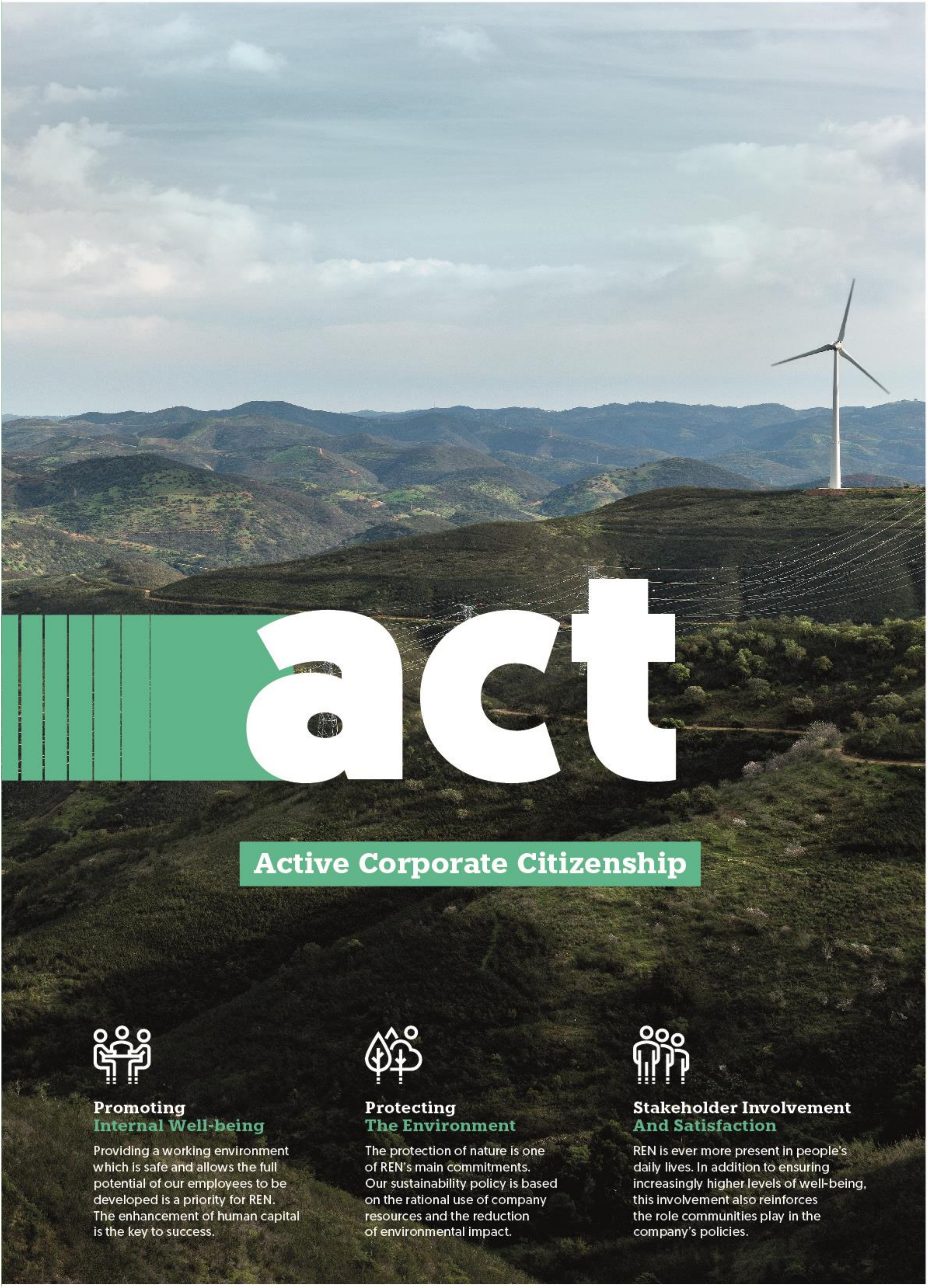
Our vision
for sustainability

Present in the **optimization** of resources, infrastructures and environmental

imp

REN'S mission is to ensure the uninterrupted supply of energy to the entire country. A commitment which has become ever more ambitious through the coupling of company development to our active corporate citizenship. This association is also clear in our extensive social and environmental involvement with the communities where we operate.

When reading this chapter, you'll find icons which represent the different initiatives playing a part in REN's vision for sustainability.



act

Active Corporate Citizenship

Promoting Internal Well-being

Providing a working environment which is safe and allows the full potential of our employees to be developed is a priority for REN. The enhancement of human capital is the key to success.

Protecting The Environment

The protection of nature is one of REN's main commitments. Our sustainability policy is based on the rational use of company resources and the reduction of environmental impact.

Stakeholder Involvement And Satisfaction

REN is ever more present in people's daily lives. In addition to ensuring increasingly higher levels of well-being, this involvement also reinforces the role communities play in the company's policies.

5. Sustainability **at REN**

REN's mission is to ensure the uninterrupted supply of energy to the entire country, thus contributing to the development of communities and improved quality of life for the residents of Portugal. This is a task requiring ongoing effort and dedication. Our commitment goes beyond our mission.

We believe in active corporate citizenship with significant involvement in the communities in which we work, from both a social as well as an environmental perspective.

Taking on this commitment means that all REN activities are guided by principles of sustainability, adhering to stringent and measurable criteria, respecting standards of excellence without ever losing sight of the positive impact we wish to have on communities and ecosystems.

5.1. Our Approach to Sustainability

The sustainability information provided in this annual report refers to 2018 and encompasses the activities of the companies of the REN Group – Rede Eléctrica Nacional S.A., REN Gasodutos S.A., REN Armazenagem S.A., REN Atlântico S.A., REN Serviços S.A., RENTELECOM S.A., ENONDAS S.A. and REN Portgás Distribuição, and the research centre Centro de Investigação em Energia REN – State Grid, S.A..

This report was prepared in compliance with the Global Reporting Initiative (GRI) guidelines, based on the protocols for general indicators and on the sectoral supplement for the electricity sector. The report has adopted and fully complied with the requirements of the GRI and the principles of the AA1000AP standard.

AA1000AP Accountability Principles (2018)

The application of the principles of the AA1000AP standard, which are summarized below, was also reflected in the strategic drivers and in the contents of this report.

Inclusion (participation of stakeholders in the development and implementation of the sustainability strategy): methodologies and processes for involvement and participation of various stakeholders were defined. The results were integrated into the REN sustainability strategy review.

Relevance (definition of the relevant issues for REN and its stakeholders): in order to identify relevant topics, a benchmark analysis of leading national and international companies and the main industry trends in the sector was carried out. The results of stakeholder consultations held in 2011, 2013 and 2016 were also considered. In 2018, stakeholders were once again consulted and the results are available on the website[1].

Response (REN's response to relevant issues, through its decisions, actions, performance and communication): REN seeks to meet the expectations and concerns raised specifically by each stakeholder, either individually or generally. In general terms, this report and the REN website[2] are the main forms of

[1] http://www.ren.pt/en-GB/sustentabilidade/a_nossa_abordagem/envolvimento_com_stakeholders_e_modelo_de_governance/
[2] http://www.ren.pt/en

communication used to inform on the company's strategy, initiatives and performance achieved. The apps REN Energy and REN Investors are also used.

Impact (REN is required to monitor, measure and report on how its activities affect stakeholders): Through periodic consulation with stakeholders, REN identifies expectations and assesses its performance and the impact of the different areas of sustainability. We then define action plans to address stakeholder expectations.

REN further aligns its performance with its Social Responsibility Policy Statement, Quality, Environment and Safety Policy Statement and Environmental Policy.

Commitments

REN respects the commitment arising from having joine the United Nations Global Compact (UNGC) initiative in 2005 to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures. Further information on this initiative can be consulted on the REN website.[3]

REN is also a signatory to Gestãotransparente.org, has established a protocol with IGEN (Equality Organizations Forum) and has a REN Group Code of Conduct which is regularly reviewed and monitored.

Our site[4] as a table showing the correspondence between the contents of this report and the GRI and UNGC guidelines.

This document was verified by PwC, an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000). It also took into consideration the principles of standard AA1000AS (Accountability 1000 Assurance Standard - 2008), the GRI, the AA1000AP (Accountability Principles - 2018) and the Portuguese Standard NP-4469-1.

5.1.1. Sustainability strategy

REN has defined a sustainability strategy in line with the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. The topics which are materially relevant to REN are identified on the following page.

Achieving these targets means that all REN work must be based on principles of sustainability. Using this principle as a starting point along with the materially relevant topics arising from the stakeholder hearing held at the end of 2013 (reconfirmed at the hearing in 2016), our sustainability strategy is based on three pillars: promotion of internal well-being, stakeholder involvement and satisfaction and protection of the-environment.

Promoting well-being within the company

Recognizing the importance of human capital is vital to REN if we are to achieve our goals. It is essential to ensure that our employees are provided with the best working conditions to perform their duties and that diversity and equal opportunity are complied with. In short, our priority is for REN to be an increasingly good company to work at, a company which provides all its workers with an environment in which their talent and work can bear fruit, contributing to personal growth and the good operation of the organization.

Stakeholder Involvement and Satisfaction

Due to the nature and scope of its mission, REN is a company with a country-wide profile and our work frequently involves interaction with local communities. We promote active corporate citizenship, contributing

[3] See REN>Sustainability>REN Approach
Social Responsibility Policy Statement see www.ren.pt/sustentabilidade/abordagem_da_ren/
[4] http://www.ren.pt/en

to the development of communities and people, while also developing joint solutions for a sustainable future.

Protecting the Environment

REN is committed to being an active agent for environmental protection, implementing reforesting policies, promoting environmental education, preserving biodiversity, defending the rational use of natural resources and the prevention of pollution, while also playing an active role in the prevention of climate change.

LIST OF MATERIAL ASPECTS

ENVIRONMENTAL POLICY/ ENVIRONMENTAL MANAGEMENT SYSTEMS	Energy
	Biodiversity
	Environmental aspects of products and services
	Environmental compliance
	General environment (environmental costs and investment)
	Mechanisms for complaints concerning environmental impact
PREVENTION OF CLIMATE CHANGE	Economic Performance
	Emissions
OCCUPATIONAL HEALTH AND SAFETY	Health and safety at work
MANAGEMENT OF HUMAN CAPITAL AND DIVERSITY	Economic Performance
	Employment
	Labour relations
	Training and development
	Diversity and equal opportunities
	Equal pay for women and men
	Mechanisms for complaints concerning labour practices
	Non-discrimination
	Freedom of association and collective bargaining
	Child labour
	Forced or compulsory labour
	Supplier assessment with regard to human rights
	Mechanisms for complaints concerning human rights
SAFETY, RELIABILITY, QUALITY AND GUARANTEE OF SUPPLY	Health and safety of the client
	Labelling of products and services
	Compliance of products and services
	Availability and reliability of products/services
	Energy system efficiency
	Access to energy services/products
IMPACT ON COMMUNITIES	Local communities
	Indirect economic impacts
	Emergency/disaster planning and response
	Fighting corruption
	General compliance
	Mechanisms for complaints concerning impacts on society

5.1.2. Stakeholders

REN periodically identifies and evaluates its relevant stakeholders in accordance with the principles of standard AA1000AP - Assurance Principle – 2018, and in 2018, Certification in Social Responsibility in accordance with standard NP 4469-1.

With this in mind, during 2018, under REN's commitment to stakeholders, a new hearing was held to identify materially relevant situations. The aim was to satisfy stakeholder expectations and improve performance in the three key pillars of the company's sustainability strateg[5].REN regularly evaluates the perception of quality and level of satisfaction of its clients, understood to be the users of its infrastructure or customers of the services it provides in the electricity and natural gas sectors and our own internal clients. To this end, in addition to studies in accordance with the European Customer Satisfaction Index (ECSI) methodologies, in the case of infrastructure users/customers, a further study is also currently underway on internal client satisfaction with regard to the support and response capacity of the Support Areas and Concession Support.

[5] Further information at: REN>Sustainability>Our Approach>Stakeholder Involvement and Governance Model

5.2. Main Actions Undertaken

With the aim of promoting an inclusive culture which encourages the involvement of all stakeholders and gives an active role to the company, employees and local communities, REN continues to develop its attitude of active corporate citizenship.

REN is committed to the 17 Sustainable Development Goals created in 2015 by the United Nations. REN promotes, supports and implements actions and projects which are aligned to these goals and which have been identified as priority in line with the company's sustainability strategy: quality education; gender equality; renewable and accessible energies; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; sustainable production and sustainable consumption; climate action; protecting life of earth; and partnerships to implement these goals.

Of note among the actions which REN undertakes and promotes, in line with sustainable development goals and the company's sustainability strategy based on three pillars (promotion of well-being within the company; stakeholder involvement and satisfaction; and protection of the environment) are those which relate to gender equality, inclusion, conciliation and internal well-being and the initiatives under the NÓS programme. With regard to education and teaching, more specifically in the fight against educational underachievement and the promotion of entrepreneurship and citizenship, of note is the company's work under the umbrella of the "Share" corporate volunteer programme. Further highlights include work in biodiversity and the preservation of natural heritage, the Heróis de Todas a Espécie (Heroes of all kinds) project, the Reforesting Programme for rights of way and the REN Chair in Biodiversity. In relation to involvement with the community and social innovation, the AGIR Award is an initiative with real impact on people in response to the major challenges facing society.

The NÓS programme pursues actions which foster well-being within the company and quality of life, diversity and inclusion and personal fulfilment and helps to conciliate personal and professional life while improving the overall satisfaction of employees. In 2018, 22 initiatives were undertaken involving 380 REN employees under the programme's three pillars: Balance, Equality and Inclusion.

The 4th REN AGIR Award was dedicated in 2018 to the preservation of natural heritage in the regions and 40 applications were submitted this year. 'Gado Sapador', by the Gardunha 21 Development Agency in Fundão was the overall winner, and the projects 'A Encosta do Sol', in the Braga region and 'As Guardiãs do Mar", in Setúbal were also winners. Since 2014, this award has directly benefited nearly 2,900 people. Also in relation to proximity to local communities, REN once again brought together residents of the Bucelas Day Centre at its facilities in this town for the now traditional Christmas lunch.

REN also continued to focus on volunteer work through the Share Corporate Volunteer Programme. This work seeks to provide social, environmental and educational support, and 2018 saw 27 initiatives with participation by a total of 115 employees, a 3% rise over figures for the previous year. An increase in the number of hours of volunteer work was also seen, rising to 1,097, where 901 hours were by employees and 196 by family and friends of employees.

Of special note under the educational aspect of the Share programme was employee participation in entrepreneurship programmes for young people in the Junior Achievement Portugal project (www.japortugal.org), in initiatives to fight early school leaving and educational underachievement promoted by EPIS – Businesspeople for Social Inclusion (www.epis.pt). A highlight in environmental work was the annual awareness raising programme to clean the Mafra Forest (www.tapadademafra.pt), which has been a tradition at REN since 2013. In 2018, 52 volunteers took part and helped clean and recover the natural ecosystem of the REN corridor which has now covered 15 ha.

As part of social support under the Share programme, work has also continued with the Comunidade Vida e Paz - Life and Peace Community (www.cvidaepaz.pt/), with participation by REN volunteers who helped prepare dinners for homeless people in Lisbon. This work takes place on the last Thursday of every month and in 2018, a total of 34 volunteers participated. Since 2013, volunteers from the company have also helped out at this organization's Annual Christmas Party. REN volunteers were also in evidence once again at the Salvador Association "Adapted Sport Day", (www.associacaosalvador.com) which again this year was supported by the company through the Quality of Life Action Project. In 2018, the “Em Linha” (On Line) Project was continued which, with assistance from REN volunteers, reinforced the initiative “Chamadas de Conforto” (Comfort Calls) run by the AREP (REN/EDP Retiree Association; www.arep.pt), which promotes interaction among employees.

A further highlight in this regard in 2018 was support for the Food Bank (www.bancoalimentar.pt), campaigns held at the company’s installations to collect clothing and toys for children, food and equipment for animals. Also of note was the "Red Nose Operation” (www.narizvermelho.pt), held for the second year, where funds were raised through the sale of merchandising to company employees which reverted to this institution helping bring a brighter day to children in hospitals in Portugal.

Surplus food was also donated from company canteens and events to Re-food movements (www.re-food.org), Zero Waste (www.zerodesperdicio.pt), and the Life and Peace Community in Lisbon and Porto.

In 2018, as part of REN’s support for and involvement with local communities, the company continued its support for several institutions in various fields. These institutions included the Portuguese Asperger’s Syndrome Association (www.apsa.org.pt); the Fifth Essence Association (www.quintaessencia.pt); the international volunteer project “Grão” (www.ograo.com), which every summer takes university students and young professionals on missions to African countries where Portuguese is the official language.

In the field of sports, REN continued to support employees in their pursuit of different sporting activities including mountain biking, triathlon, running and golf. In 2018, the company renewed its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia.

In the segment for culture and education, REN renewed its partnership with the National Museum of Ancient Art (www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt) and the Arpad Szenes Foundation (www.fasvs.pt), where it is patron. A patronage protocol was also established with Jerónimos Monastery to sponsor the conferences cycles “Dialogues with Jerónimos Monastery" (www.dialogosjeronimos.pt) held to celebrate the European Year of Cultural Heritage. REN also supported the St. Thomas College (www.colegiodestomas.com) through social scholarships and the Lisbon MBA (www.thelisbonmba.com), which was founded by the company.

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In the 2018 edition, 1st place went to a team of students from the Júlio Dantas Secondary School in Lagos. Honourable mentions also went to two teams of students from the Camilo Castelo Branco Secondary School in Famalicão. (Further information can be found in point 5.3.1.5)

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which is now in its 23rd year and in 2018, 36 applications were submitted. Created in 1995, the REN Award continues to demonstrate REN’s commitment to accompany the transformations and developments which have shaped the energy sector, foresee challenges, identify problems and propose innovative solutions. In 2018, the REN Award had a new jury and the prize money on offer doubled. The winning Master’s theses covered topics relating to renewable energies (find out more at http://www.ren.pt/pt-PT/sustentabilidade/premios_ren/). As of 2019, this award will also be open to PhD students and a biannual prize will be awarded to the best theses.

In the area of environmental protection, the protocol was renewed between REN and QUERCUS to support the “Common Forest” Programme (www.florestacomum.org). As part of this educational programme, REN reforested numerous areas in partnership with local authorities and schools where the REN programme “Heróis de Toda a Espécie” was once again implemented. (More detailed information can be found in point 5.3.1.5)

The partnership with the ECO Movement – Companies against Fires (www.movimentoeco.pt) was maintained. The aim of this programme is to promote forest fire prevention and raise awareness among the public with regard to activities that could lead to fires. Concern in this regard and with the goal of forming a collaborative network for the defence of the forest, and where REN plays a vital role not only with respect to fire prevention but also in the response to fires, six support vehicles were acquired for REN Prevention and Surveillance teams. These teams now have first response means in the event of a fire in collaboration with local fire fighting corporations and civil protection units.

In cooperation with the Science and Technology Foundation - FCT and CIBIO-InBIO, in 2018 REN presented the findings of the activities carried out over the last three years by 13 REN Chair biodiversity researchers studying the impact of electricity infrastructures on birds. Speaking at the 2nd Symposium on the REN Chair, which was held in June, was the American biologist Rick Harness, a specialist in the study of bird interaction with electrical installations. There was also a debate where numerous companies discussed the importance of the academic and corporate worlds being able to share knowledge.

Company support for the Green Project Awards (www.gpa.pt), where REN has been a partner since 2013, was marked in 2018 with the launch of the REN Biodiversity and Forestry Award, in the category of "Agriculture and Forests". Support was also maintained for APAI – the Portuguese Impact Assessment Association (www.sites.google.com/apai.org.pt/web/).

Internally, 2018 was also marked by the Fazer Por Nós campaign, an internal awareness and mobilisation programme to defend the environment, launched on World Environment Day. The aim of this campaign is to raise awareness for the urgent need to do something for the survival of the planet and future generations. The campaign seeks to stimulate individual action on different levels in the work place, in the reduction of waste, more careful consumption and more responsible behaviour and involves different initiatives and communication actions. In 2018, every employee received a personalized bottle, while plastic bottles in all meeting rooms in REN buildings were replaced with glass bottles. As part of this campaign, employees were also given recycling bags (paper, glass and plastic), thus stimulating the reduction of rubbish. Once again, a simple gesture which could make a difference.

5.3. Management and performance

5.3.1. Social indicators

Different indicators were compiled throughout 2018 allowing the impact of internal well-being measures to be gauged under the company strategy for sustainability.

Human Resource Management and Development

A key focus in 2018 was the integration of the new REN Portgás Distribuição business, impacting on the different human resources programmes and policies and on the REN Group organizational structure. Cultural integration was promoted through the welcoming and involvement of the main stakeholders in the different initiatives for process and systems migration and through the standardization of a number of the main human resource policies.

Organizational alignment in the REN Group was achieved through the setting up of a new Natural Gas Business Unit, centralizing the core areas of responsibility and promoting the efficiency of remaining units.

At the same time, and with a view to promoting activities of greater added value and potential for companies outside the REN Group, the REN Pro business unit was also set up.

This year also saw the continuation of policies and processes to optimize existing human resources, but also the start of a number of important programmes seeking to develop a single culture for the entire REN Group:

- Start of a development plan to activate and promote the strategic values and pillars which define the desired culture at REN;

- Preparation of the next three-year REN Campus period (2019-2021), a development programme which emphasises selectivity in training and different development initiatives so as to ensure compliance with the main aims of passing on know-how and the updating and sustainability of the organization's specific knowledge;
- Start of preparation for a strategic plan on Gender Equality, a topic which is of special importance in the management of talent and business and which will empower REN as a pioneering and benchmark company. In this regard, the initiatives already developed have been recognized externally with an honourable mention in the Equality and Quality Award (PIQ) promoted by the Commission for Vocational and Employment Equality (CITE) in conjunction with the Commission for Gender Equality (CIG);
- Continuation of monitoring of the organizational climate so as to further support and promote motivation programmes as well as provide an overview of the employee work experience.
- Review and optimization of human resource processes with focus on automation (improvements in systems and processes to assess performance, training and recruitment and selection).

There was also continued specific focus on communication of human resource activities and the involvement of all stakeholders through initiatives such as the Senior Staff Meeting, Management Meetings and Strategy Workshops, human resource policy dissemination and clarification sessions, as well as other similar events.

Human Resource Profile

NUMBER OF EMPLOYEES

Number of employees	2018	2017	2016
Full time employees	675	664	593
Fixed term contracts (Fixed, Unspecified duration and commission)	12	19	12
Professional internships	4	8	3
Total	**691**	**691**	**608**

2018	Men	Women	Total
Full time employees	515	172	687
Part time employees	0	4	4
Total	**515**	**176**	**691**

	2018	2017	2016
Average age	44.71	44.10	44.31
Average length of service	16.49	16.03	16.50

At the end of 2018, there were 691 employees, the same headcount as in December 2017. Average age is 44 and average length of service is 16 years.

ROTATION RATE

Rotation rate	2018	2017	2016
Men	2.53%	3.22%	3.81%
Women	1.37%	1.29%	1.70%
Total	3.90%	4.51%	5.51%

Rotation rate by age group	2018	2017	2016
up to 30 years old	2.02%	1.93%	1.94%
from 30 to 50 years old	1.23%	1.15%	1.62%
over 50	0.65%	1.43%	1.94%
Total	3.90%	4.51%	5.51%

The rotation rate in 2018 fell slightly in relation to 2017, as a result of fewer natural departures of staff

DIVERSITY

Diversity	2018	2017	2016
Men	515	518	461
Women	176	173	147
Total	691	691	608
% of women in regards to the total	25.47%	25.04%	24.18%

Diversity (Board/Management)	2018	2017	2016
Men	60	63	52
Women	21	19	18
Total	81	82	70
% of women in regards to the total	25.93%	23.17%	25.71%

In 2018, weighting of female employees at REN stood at approximately 26%, further to the commitment made by REN to promote gender equality and equal opportunities as a strategic pillar for development.

DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY

Functional Group	2018	2017	2016
Board / Management	81	82	70
Men	60	63	52
Women	21	19	18
Senior Managers	372	370	323
Men	261	260	233
Women	111	110	90
Field / Administrative	238	239	215
Men	194	195	176
Women	44	44	39

The REN organizational structure is being gradually aligned with new needs and the challenges of business. A significant increase has been seen, especially in the last three years, in the weighting of staff with higher education in the organization.

EMPLOYEE DISTRIBUTION BY AGE GROUP

Distribution by age group (Board / Management)	2018	2017	2016
up to 30 years old	0	0	0
from 30 to 50 years old	54	55	46
over 50	27	27	24
Total	**81**	**82**	**70**

Distribution by age group (Remaining Employees)	2018	2017	2016
up to 30 years old	61	63	51
from 30 to 50 years old	362	371	319
over 50	187	175	168
Total	**610**	**609**	**538**

The gradual trend towards the rejuvenation of the structure continued so as to prepare the organization for its future challenges. REN employees are aged mostly between 30 and 50.

ACADEMIC QUALIFICATIONS

Academic Qualifications	2018	2017	2016
PhD	**4**	**4**	**3**
Men	3	3	2
Women	1	1	1
Master's Degree	**139**	**130**	**101**
Men	90	87	67
Women	49	43	34
Degree	**291**	**299**	**270**
Men	201	205	188
Women	90	94	82
Bachelor	**20**	**20**	**14**
Men	17	17	13
Women	3	3	1
Secondary education	**186**	**186**	**172**
Men	161	162	151
Women	25	24	21
Primary education	**51**	**52**	**48**
Men	43	44	40
Women	8	8	8
Total	**691**	**691**	**608**
Degree holders	65.70%	65.56%	63.82%
Non-Degree holders	34.30%	34.44%	36.18%

Preparation for future challenges has also included a sustained increase in the level of academic qualifications. In 2018, the weighting of employees holding degrees stood at 65%.

HIRING

2018	Men	Women	Total
Full time employees	506	169	675
Fixed term contracts (Fixed, Unspecified duration and commission)	8	4	12
Professional internships	1	3	4
Total	**515**	**176**	**691**

REN's hiring policy, as well as the consistency and maturity of our business, continues to be reflected in the type of contracts offered. Most REN workers are full-time.

Personal and Professional Development

REN TRAINEE PROGRAMME

The REN Trainee programme is a consolidated programme with excellent levels of satisfaction. The programme consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects, creating value for the organization while enhancing their own skills.

Indicators	2018
Professional internships	15
Academic internships	10
Summer internships	11
Total	**36**

VIVA PROGRAMME

The VIVA Programme - Welcome and Integration - has been a huge success and has had a highly positive effect on new employees joining the company. In addition to providing an overview of the company, its values, mission and areas of business, it also allows newcomers to identify more quickly with REN and enable networking opportunities. This programme consists of visits to REN’s main installations and an e-learning course providing rapid insight into REN’s business.

Indicators	2018
No of Editions	2
Satisfaction Rate – VIVA Visits (%)	94
Satisfaction Rate – VIVA e-learning (%)	91

CAMPUS REN

Campus REN is REN's training model for the full development of human capital. Its mission is to provide added and differentiating value to the management of knowledge by creating comprehensive and specific training programmes which reflect the company's strategy and business. The overriding goal is to enable growth and consolidation of business through the development of people, with differentiated supply for the correct management of intellectual capital and the ongoing transfer of knowledge.

Training	2018	2017	2016
No of Hours of training	29,930.40	34,543.89	27,009.20
No of Participants	3,897	3,340	2,792
No of Hours of training per employee	43.25	49.49	43.78
Average No of employees	692	698	617

Area of training (No of Hours)	2018	2017	2016
Behavioural	5,685.70	8,003.70	7,165.50
Technical	15,808.70	21,348.77	13,015.20
QAS	4,668.10	2,374.99	3,316.00
Management	3,767.90	2,816.43	3,512.50
Total	29,930.40	34,543.89	27,009.20

Area of Training (No of Participants)	2018	2017	2016
Behavioural	536	658	605
Technical	2,353	2,125	1,434
QAS	824	375	420
Management	184	182	333
Total	3,897	3,340	2,792

Functional Group (No of hours)	2018	2017	2016
Board / Management	3,994.80	4,841.57	4,781.60
Senior Managers	19,354.00	21,665.68	16,090.60
Field / Administrative	6,581.60	8,036.64	6,137.00
Total	29,930.40	34,543.89	27,009.20

	Female	Male	Total
Training hours	7,419.60	22,510.80	29,930.40

STAR PROGRAMME – PERFORMANCE MANAGEMENT

2018 was a year of consolidation for the performance assessment model, which was reviewed in 2017. Support tools and systems were reinforced providing managers with regular feedback and enabling team motivation.

Indicators	STAR 2017
Number of employees covered	582
% of assessments concluded	100%
Average – final assessments competences	2.43
Average – final assessments goals	4.06
% of bonuses calculated as compared to the number of assessments	99.83%

SOCIAL DIALOGUE AND BENEFITS

In the area of social dialogue between management and employee representation structures, numerous meetings were held which sought solutions and debate on matters of interest for both parties.

As a result of dialogue and based on the ACT agreement established between the parties, a general salary increase of 1.4% was awarded to all employees covered by the REN ACT. This was also extended to the REN Portgás ACT.

Union membership at REN remains stable at 40%.

	2018	2017	2016
% Staff who are union members	38.35%	36.90%	40.95%
% Full-time ACT workers	98.84%	97.97%	98.52%
Staff who are union members	265	255	249
ACT Employees	683	677	599

The REN benefits policy, centred on supporting its employees in important areas of family and personal life, includes a series of additional supports and benefits with regard to health, education and culture, etc.

The REN FLEX Programme which provides a choice of benefits adapted to the life cycle of every employee is now consolidated. Employees from REN Portgás Distribuição have maintained their specific programme of flexible benefits.

Benefits	Employees with transitional scheme from previous ACT (1)	Employees with REN Flex plan (2)	Employees with Flex-REN Portgás Distribuição plan (3)	Employees with individual work contract (4)
Life insurance + Mortgage life insurance		X	X	X
Personal accident insurance	X	X	X	X
Health Insurance		X	X	X
Sick leave insurance			X	
Complementary Health Scheme	X			
Pensions plan - Defined benefit	X			
Pensions plan - Defined contribution		X	X	
Electricity at reduced prices	X		X	
Study subsidy	X			
Education and child care vouchers		X	X	
Social pass		X	X	
Vocational training reimbursement		X	X	
Holiday Camps:	X	X	X	X
Voucher Care			X	

(1) series of benefits set out in ACT 2000 which passed to the new ACT signed in 2015;

(2) employees covered by this flexible benefits programme can choose from the benefits available up to the limit of the annual credits;

(3) employees covered by this flexible benefits programme have fixed and flexible components and can choose from the benefits available up to the limit of their annual credits

(4) standard benefits agreed upon for individual work contracts.

Health & Safety

Aware that a safe and healthy environment is a decisive factor for the satisfaction of stakeholders, REN is committed to the effective management of occupational health and safety. The occupational health and safety management system is certified by an accredited body and encompasses most Group companies. Its main objective is to prevent work related accidents and illnesses involving company employees or the employees of contractors and service providers collaborating with REN.

SAFETY

REN considers that its main asset is its people, and as such, does not accept activity which poses a high level of risk to the health and safety of employees or the employees of contractors and service providers. For this reason, REN is committed to developing and promoting measures to eliminate or mitigate such risks. With the aim of fighting accidents in the workplace, policies are implemented, safety procedures are followed and the best practices in this area are closely adhered to. This is achieved through numerous training courses and strict monitoring of activities so as to ensure demanding operational control. An analysis of the accidents allows reassessment of the risks inherent to the activities in which they occur.

Data for 2018 were as follows:

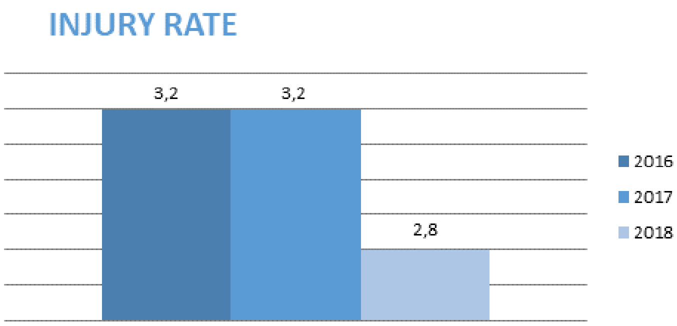
Company	Average No* of workers		No of hours worked		No of fatal accidents		No of non-fatal accidents		No of days lost	
Sex (M/F)	M	F	M	F	M	F	M	F	M	F
REN Eléctrica	188	27	328,333	45,517	0	0	1	0	0	0
REN Serviços	125	84	201,559	136,924	0	0	5	1	131	4
REN Gasodutos	79	13	128,989	21,619	0	0	1	0	309	0
REN Atlântico	27	3	48,284	5,206	0	0	0	0	0	0
REN Armazenagem	6	0	10,044	0	0	0	1	0	0	0
REN Trading	6	2	9,599	3,118	0	0	0	0	0	0
REN TELECOM	3	0	5,054	0	0	0	0	0	0	0
Enondas	1	0	1,693	0	0	0	0	0	0	0
REN SGPS	18	22	32,427	35,975	0	0	0	0	0	0
RD Nester	11	2	17,681	3,190	0	0	0	0	0	0
REN PRO	2	1	2,227	1,318	0	0	0	0	0	0
REN Portgás Distribuição	63	21	106,740	35,719	0	0	2	0	89	0
Total REN	**529**	**175**	**892,628**	**288,586**	**0**	**0**	**10**	**1**	**529**	**4**
Total No of Service Providers and Contractors	**942**	**117**	**1,958,957**	**243,697**	**0**	**0**	**13**	**2**	**376**	**24**

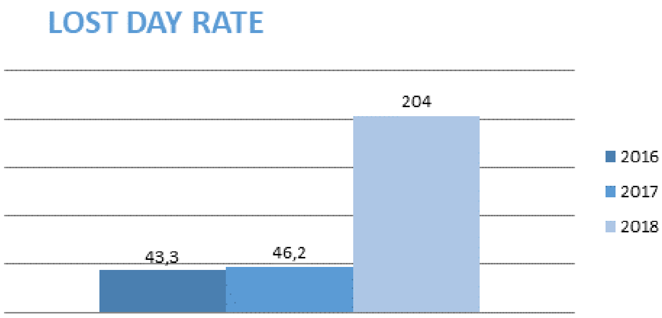
*This is the average number of workers in the year and not the actual number at 31 December 2018.

In 2018, there was one less accident involving REN workers than in 2017. A total of 406 days were lost. Of the eleven accidents, five involved full-time employees, and of the 533 days lost, around 45% were the result of full-time work accidents and around 28% related to one accident which took place in 2017 .

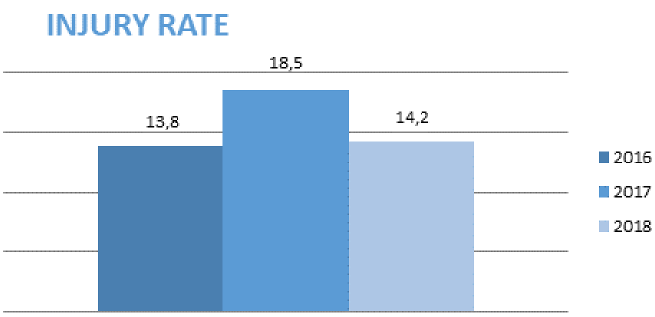
With respect to service providers, there were four less accidents in 2018 than in 2017 and less sixteen days lost.

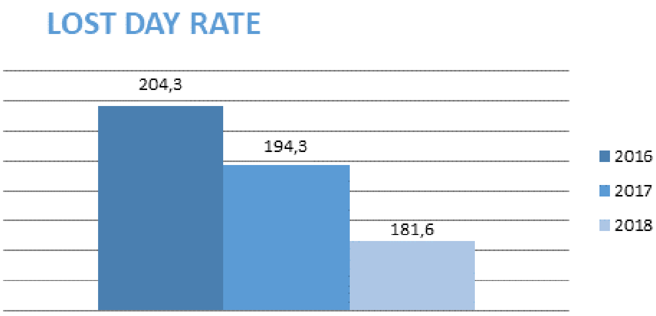
INCIDENCE AND SEVERITY INDEXES - REN





INCIDENCE AND SEVERITY INDEXES – SERVICE PROVIDERS AND CONTRACTORS





Note: To calculate the indices shown in the graphs above, only full-time employee accidents were considered with days lost.

With respect to REN workers, in 2018, the incidence index improved but the severity index worsened in relation to 2017. This was mainly as a result of the accident which took place in 2017. It should be noted that, despite these numbers, the target set for the severity index (less or equal to 250 days lost per million hours worked) was actually reached.

In relation to contractors and service providers, in 2018 both indicators evolved favourably over figures for 2017. The target set for the severity index was also attained.

All work and services awarded to contractors and service providers are subject to operational monitoring and control in accordance with legislation in force and REN's own requirements. All Health and Safety at Work requirements are also observed. In 2018, approximately 57% of REN's contractors and service providers with hours worked had safety managements systems implemented and certified in accordance with the OHSAS 18001/NP 4397 standard. Of the 90 companies listed, 51 have OHSAS certification.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and improvement opportunities, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2018, safety drills were undertaken at seven REN facilities (Carriço facility, the Sines LNG Terminal, the Vermoim, Ermesinde, Sacavém and Bucelas complexes and the head office building in Lisbon).

Further information on this topic can be consulted on the REN[6.]

HEALTH

For REN, it is vital to ensure that employees are provided with the best working conditions and that occupational health standards are complied with. With this in mind, REN implements the Healthy Workplace Framework adopted by the World Trade Health Organization (WHO), as a "state of complete physical, mental and social well-being, and not merely the absence of disease".

REN focuses on three basic and interconnected pillars in the field of health: Occupational Health, Curative Medicine and numerous health and well-being initiatives. This approach seeks to reconcile the legal requirement for Occupational Health with Curative Medicine and other actions with the goal of ensuring that our employees live and work better and in greater health.

The aims of this programme are to:

- Provide healthy workplaces by creating conditions conducive to health and well-being;
- Conduct diagnostics on situations;
- Furnish people and families with the knowledge and skills to enable healthy lifestyles to be adopted;
- Share responsibility with health organizations and those working in health care management.

With respect to Occupational Health, REN provides all employees with complementary clinical examinations and analyses with the aim of facilitating preventive health care.

[6] www.ren.pt – REN>sustainability>Stakeholders>Human Resources>Safety

	2018	2017	2016
Auxiliary diagnostics (per group of examinations)	378	424	596
No of Medical interventions	633 (*)	262	589
Nursing interventions (per group of examinations)	475	304	580
Visits by doctors to places of work	14	10	8

(*) This rise was due to the increase in health surveillance in order to comply with legislation on electromagnetic fields and the integration of REN Portgás Distribuição

REN recognizes that healthy routines and health screening bring added value to company *stakeholders* .

In addition to numerous internal initiatives, all REN employees are also covered by individual health care plans which can also include the family.

It should be noted that the REN absenteeism rate is approximately 2%.

	2018	2017	2016
Absenteeism Rate	2.11%	2.06%	2.05%

NÓS PROGRAMME

The REN NÓS Programme is based on three axes: Balance, Equality and Inclusion and it impacts on improvement in the quality of life, experience and satisfaction of employees. In addition to ongoing initiatives, as is the case with the workshops, psychologist and nutritionist appointments, screening and vaccination, academic merit award and the wedding and birth gifts and inclusion internships, etc., a further milestone in 2018 was the development of three new initiatives in the area of Equality. 1) setting up of a new statute for Gender Equality at REN; 2) signing of a collaboration protocol with the Portuguese Victim Support Association (APAV); 3) establishing of a partnership with the Professional Women Network (PWN).

Indicators	2018
No of Initiatives	22
No of Participations	380

Relations with the community

Aware of its responsibility, one of REN's main pillars with regard to sustainability is the support provided to local communities in numerous different initiatives. This involvement, which extends beyond mere compliance with its mission to manage the country's power transmission systems, also includes active corporate citizenship which seeks to contribute to the improved well-being of communities. Company work in this area involves developing communication plans which are suitable for each specific location. Meetings are held with local authorities and other stakeholders in close coordination with the company's operational areas, and a range of actions is then implemented based on findings.

The MEDEA project, an initiative developed in partnership with the Portuguese Physics Society is an example of this approach. MEDEA promotes knowledge of physics among secondary school students, which every year motivates participating students to develop a scientific project based on the measurement of very low frequency (0-300 Hz) electrical and magnetic fields in environments such as those around their schools, at home and near power lines. The three winners of the ninth edition of this project were invited to exhibit their work at their schools (Famalicão and Lagos), in a session which was attended by the Portuguese Physics Society, local authorities and media from the region. The MEDEA project has involved around 1,550 students, 236 schools and 260 teachers. In this 9th edition in 2018, MEDEA involved 252 students from all over the country and 30 teachers, representing 25 teaching institutions in Portugal.

Heróis de Toda a Espécie is another example of an initiative fostering good relations with the community in the area of environmental education and awareness. The programme is supported by the Ministries of Education and the Environment and technical accompaniment is provided by the Portuguese environmental association, Quercus. Started in 2016, this programme is for year three and four primary students and seeks to make these young people more environmentally concious and impart a greater sense of responsibility in the protection of biodiversity, preservation of the Portuguese forests and conservation of endangered plants and animals. This project involves 4,900 primary schools around the country, which every year receive the new materials for the programme. They are also able to access all content via the website www.heroisdetodaaespecie.pt. In 2018, special programmes were held in Marco Canaveses, Cascais, Oeiras, Torres Vedras and Pombal which were attended by around 500 students and 30 teachers. In three years, this project has taken place in 18 different locations around the country and involved more than 1,500 students and around 80 teachers.

REN also continued in 2018 with its programme to reforest electricity line rights of way. Two actions were held which brought together 300 students from schools in the Pedrogão Grande and Ponte de Lima districts to plant more than 54,000 trees, once again under the slogan "Let's Plant Tomorrow Together". Raising awareness among the surrounding community to the need to create a sustainable ecosystem, these initiatives seek to stimulate more active intervention by owners on their land, which in turn, leads to better management of the corridors in the prevention of fires and creating economic value for such owners. Since 2010, through corridor conversion work, REN has planted around one million native trees in a total of 2,287 ha, representing around 400 trees a day.

Also of note is that, as part of REN's social responsibility policy and in line with its policy to renew company vehicles, I.T. Equipment and furniture, 18 vehicles, various items of I.T. Equipment and furniture were donated to different associations. These associations included the Dona Estefânia Hospital, Amora Fire Fighting Corporation, the Vermoim Community Centre and the D. Filipa de Lencastre school grouping.

Innovation, Research and Technology

The REN Group is aware of its role in today's energy market, a market which is in continuous change, both nationally as well as internationally. Innovation is therefore a strategic factor in line with the company's mission to ensure the uninterrupted supply of electricity and natural gas, at the lowest cost, meeting quality and safety criteria, maintaining the balance between supply and demand in real time, and making sure that systems conditions exist for the energy market to operate.

Research, Innovation and Development take place at the different companies and departments of the REN Group through the Innovation and Development Support Group (GAID) in operational areas and in liaison with the Energy Research Centre, REN-State Grid, S.A (R&D NESTER), which was created in 2013.

In 2014, R&D NESTER was recognized by the Portuguese government (Official Order No 4058/2014), as an R&D entity of good standing in the technical-scientific fields of design and development of innovative solutions for energy networks.

In 2015, it became the first company in the REN universe to be certified in RDI (Research, Development and Innovation) in accordance with the the Portuguese Standard 4457:2007. At the end of 2018, this certification was renewed for a period of three years, after the conclusion of the audit conducted by APCER - Portuguese Certification Association.

Focusing on the efficient and effective management of RDI with the aim of obtaining innovative results, and as a result, the creation of value for R&D NESTER and its shareholders, the current RDI management system is based on three key processes: i) capturing and assessing ideas, ii) sharing of knowledge and iii) development of RDI projects both internally and in partnership with external entities.

R&D INVESTMENT AND SUBSIDIES

R&D investment by the REN Group in the last three years stands at approximately 1.7 million euros.

For the same period, R&D NESTER invested around 4.8 million euros, including operating costs. Particularly with respect to 2017, this investment has positioned R&D NESTER on the list of the top 100 companies investing most in R&D in Portugal, in the category equivalent to SME. This list is an integral part of the publication by the Directorate-General of Education and Science Statistics (DGEEC) on the final results of IPCTN17 .

This sum relates essentially to expenditure in R&D projects developed internally and/or in cooperation with national and international organizations, including academic institutions recognized by the national scientific and technological system.

In addition to internal investment, both companies regularly use sources of external funding for R&D. Under funding programmes through applications to European programmes (e.g.: Horizon 2020, European Space Agency, Interreg) and national programmes (e.g.: Portugal 2020), or as tax Incentives, through applications to “SIFIDE” (National System of Tax Incentives for Corporate R&D), where we have an approval rate of 100%, as a result of the effective nature of R&D and innovation in projects submitted in applications by the REN Group and R&D NESTER.

R&D PROJECTS IN COOPERATION WITH OTHER ENTITIES

Participation by REN and R&D NESTER in collaborative R&D projects with other partners in the sector has increased.

Of note in 2018 was the approval of five applications submitted to European and national funding programmes. These programmes included the 2020 Horizon Programme, the ESA and Portugal 2020.

Projects under development as part of the 2020 Horizon financing programme	ELECTRICAL / GAS PIPELINE NETWORK	REN SERVIÇOS	R&D NESTER	ENONDAS
INTERRFACE (2019-2022) - TSO-DSO-Consumer INTERFACE aRchitecture to provide innovative grid services for an efficient power system – New project	X		X	
TDX_ASSIST (2017-2020) - Coordination of Transmission and Distribution data eXchanges for renewables integration in the European marketplace through Advanced, Scalable and Secure ICT Systems and Tools	X		X	
OSMOSE (2017-2021) - Optimal System-Mix of flexibility Solutions for European electricity	X		X	
GIFT (2019-2022) - Geographical Islands FlexibiliTy – New project			X	
FLEXITRANSTORE (2017-2021) - An Integrated Platform for Increased FLEXIbility in smart TRANSmission grids with STORage Entities and large penetration of Renewable Energy Sources			X	
BigDataOcean (2017-2019) - Exploiting oceans of data for maritime applications)			X	X

Projects under development as part of European Space Agency (ESA) financing programmes	ELECTRICITY NETWORK	REN SERVIÇOS	R&D NESTER
RESUCI (2018-2019) - Retailer of the future: from commodity provider to energy services provider for residential consumers – New project	X	X	X
ISWIND Demo (2016-2018) - Integrated Supporting Services for The WIND Power industry – Project concluded!	X	X	X

Projects under development as part of the Interreg Atlantic Area financing programme	ELECTRICITY NETWORK	REN SERVIÇOS	R&D NESTER
ARCWIND (2017-2020) - Adaptation and implementation of floating wind energy conversion technology for the Atlantic region			**X**

Projects under development as part of the Portugal 2020 financing programme	ELECTRICITY NETWORK	REN SERVIÇOS	R&D NESTER
OPTIGRID (2018 - 2021) - Analysis Methodology on the Dynamic Capacity of Lines and Optimized Management of Electrical Networks- New project			X
GreenEst (2018 - 2021) - Green Ester Transformers- New project	**X**		

Project in collaboration with and funded by the University of Coimbra	ELECTRICITY NETWORK	REN SERVIÇOS	R&D NESTER
MAG-GIC (2018-2020): Currents induced by the geomagnetic field in Portuguese territory			X
GreenEst (2018 - 2021) - Green Ester Transformers- New project	X		

R&D PROJECTS CONDUCTED INTERNALLY

Within the REN universe, it is normal practice to have joint teams from different areas and R&D NESTER collaborating on project development.

For example, projects which seek to create tools allowing the operator to overcome current and future challenges in the management of electricity networks with regard to the significant integration of new renewable resources, more specifically solar power and electric vehicles.

The national and international scientific community has come to recognise the R&D nature of these projects via: i) publication of articles in scientific magazines; ii) presentations at different conferences; iii) patent claims.

R&D projects conducted internally	ELECTRICAL / GAS PIPELINE NETWORK	REN SERVIÇOS	R&D NESTER
Simulation models to accommodate new requirements for connecting to the electricity network	X	X	
Remodelling of Auxiliary Services at the Pontinha switching station	X	X	
Monitoring of leakage and flash-over currents in VHV overhead lines	X		
Renewable integration tools	X		X
Prot.MPLS - Line differential protection tests and teleprotection of the IP/MPLS communications network	X	X	X
Smart substation testing and implementation	X	X	X
RESFOR - Research into methods to predict wind energy in Europe and America, including prediction methods, weather forecasting numerical data and service prediction methods.			X
GRID4RES - The aim of this project is to contribute to the study of RES connection conditions against a background of high RES penetration in network.			X
SIMMRES - Research into the impact which national and regional market mechanisms have on the promotion of Renewable Energy Sources (RES) in the consumption of electricity			X
OHL Online Pollution & Ageing monitoring system	X	X	
Power to Hydrogen (P2H2) in REN	X		

INNOVATION, DEVELOPMENT AND RESEARCH AT REN PORTGÁS DISTRIBUIÇÃO

REN Portgás Distribuição has an RDI strategy based on three major pillars: smart gas grid, product awareness and business development. This company carried out a number of initiatives and projects during 2018 to structure and consolidate its RDI strategy and obtain certification, a milestone which was achieved at the end of 2018.

Of note with respect to the first pillar is the “Porto Smart Gas Grid” pilot project, a pioneering initiative in Portugal for smart natural gas networks to test two aspects: *smart meters,* which allow remote operation and readings; *smart regulation*, which allows the remote operation of posts for regulating and metering the natural gas distribution network. The first stage involved the installation of two smart regulation systems and 90 smart meters in a building in the city of Porto. Both technologies were installed at concession holder facilities as part of a wide-ranging project with an organizational structure of eight work packages. This stage is planned to end in 2020 and a summary document will be issued with final recommendations on the project for the different stakeholders in the sector.

During 2018, work was carried out internally with the aim of ensuring the certification of the REN Portgás Distribuição Research, Development and Innovation Management System (SGIDI) in accordance with the

NP 4457:2007 standard. REN Portgás Distribuição was the first Portuguese gas distribution company to obtain RDI certification and now forms part of the list of a little over one hundred national companies with this certification, offering solid proof of its innovation strategy as a factor for sustainability. When the system was designed, internal mechanisms were created to capture ideas and promote challenges, with full and transparent sharing of all information on the system in the IDIaliza Platform, thus ensuring the capitalization of knowledge generated with regard to innovation throughout the organization.

The REN Portgás Distribuição RDI strategy is based on a model of internal innovation so as to promote the creation of value in the organization, and externally so as to foster an ecosystem of partners. Of note among the partnerships established by REN Portgás Distribuição is the fact that the company has become a strategic partner of Innoenergy, an innovation community at the European Institute of Innovation and Technology (European Union body which promotes Europe's innovation capacity). REN Portgás Distribuição is Innoenergy's 4th Portuguese partner. As part of this partnership, several innovation opportunities in the European ecosystem are currently being evaluated, and in 2019, an international Master's research internship will be held on the theme of the Smartmeter framework in Portugal's Natural Gas National System.

REN Portgás Distribuição, a REN Group company, focuses on innovation as a strategic driver for development of its business in the energy sector.

Participation in associations and national / international bodies

The setting up of an innovation network with national and international sector bodies is a strategic priority for REN and R&D NESTER.

With this goal in mind, protocols have been established with numerous entities in the national scientific system and sector associations, more specifically with INESC-TEC, ISEL, LABLEC, EFACEC, LNEG, the University of Coimbra and IST to develop projects and provide representation at entities such as COTEC, APREN, CCILC, IEEE. In this regard, the active participation by the company international working groups should also be mentioned, they include:

- **ENTSO-E** – Research, Development & Innovation Committee; Market Committee; System Development Committee; System Operations Committee.
- **CIGRÉ** (Conseil International des Grands Réseaux Électriques)

  Representation of R&D NESTER on the study committees: C5.22 - "The Management of Systemic Market Risk in Electricity Markets"; C5.24 - "Exploring the Market-based value of Smart Grid developments"; C5.25 - "Regulation & Market design perspectives raised by new storage technologies" e B5.60 - "Protection, Automation and Control Architectures with Functionality Independent of Hardware" | Representation of REN on the study committees: B2 "Overhead lines"; B3 "Substations and electrical installations"; B5 "Protection and automation"; C2 "Power system operation and control"; C3 "Power system environmental performance" and D2 "Information systems and telecommunication"
- **European Technology & Innovation Platforms (ETIPs)**

  R&D NESTER participates in the Working Groups (WG): WG1: Reliable, economic and efficient smart grid system; WG4: Digitisation of the electricity system and Customer participation; WG5: Innovation implementation in the business environment.

Participation in International Working Groups

I – ENTSO

In addition to the abovementioned participation, REN has continued to cooperate and participate in the activities of the European TSO associations (ENTSO-E and ENTSO-G) with the aim of achieving implementation of the 3rd legislative package in the EU energy sector.

1.1 ENTSO-E (European Network of Transmission System Operators for Electricity):

In relation to Regulation (EC) No 714/2009, REN has participated in ENTSO-E activities particularly through its presence at the General Meeting, on the System Development Committee, System Operations Committee, Market Committee, in the Legal and Regulatory Group and also in the European Affairs Expert Group.

In 2018, with respect to Network Codes, REN continued to actively collaborate with the DGEG and ERSE in the national implementation of the following codes: Requirements for Generators (RfG), Network connections (DCC) and HVDC (HVDC) Connections.

1.2 ENTSO-G (European Network of Transmission System Operators for Gas)

ENTSO-G continued active during 2018 with working groups in its three main areas of business: The Market, System Development and System Operation. With respect to Regulation (EC) No 715/2009, REN participated in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development - WG Investment; WG Market - Capacity, WG Balancing, WG Tariffs, System Operations - WG Transparency and Interoperability.

Of note in 2018 was the monitoring of several studies by the European Commission and ACER in preparation for a potential review of the Gas Market Design, to take place in 2020.

II – EUROPEAN INSTITUTIONS

REN is on the European Transparency Register and as such plays a part in the different stages of the European legislative process at the different institutions.

In relation to European policy and legislation initiatives to reinforce interconnections, of note was REN's participation in the High Level Group on the Interconnectivity of the Iberian Peninsula, accompanying studies on additional electricity and natural gas interconnection projects.

The Clean Energy Package which the European Commission launched on 30 November 2016 has also been accompanied along with different Market Coupling initiatives.

III - WORKING GROUPS PRESIDED OVER BY THE EUROPEAN COMMISSION

With respect to the legislation initiative for the implementation of priority European energy infrastructures, REN actively participated in the NSI West Electricity Cross Regional Group and NSI West Gas Cross Regional Group, under the presidency of the European Commission.

IV - MED-TSO

In relation to the contract signed between Med-TSO and the European Commission which provides for the development of the Mediterranean Project from 2015-2018, several activities were undertaken by the Technical Committees with the aim of furthering this project which seeks to plan the reinforcing and integration of electrical systems in this region.

REN, a founder member of this association of Mediterranean electricity transmission system operators, plays an active role through its Vice-Presidency of this Association and through representation on all the Med-TSO technical committees. Active participation was also continued in the Regional Group West. As part of this project, in 2018 several different parcel tasks were concluded and the respective reports were drawn up. Of note was the presentation of the findings from the "Mediterranean Project I" at a session held in April at the European Parliament, in Brussels.

As part of the participation in this association, of note is the relevant role relating to activities for the Union platform for the Mediterranean (UpM).

V – GIE (GAS INFRASTRUCTURE EUROPE)

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings particularly with regard to the Energy Union and the future perspectives for the European Energy System. Particular focus has been placed on "Renewable Gases" and LNG.

VI – CORESO

CORESO is a Brussels based international organization which provided regional management in the Coordination of Electrical System Security, facilitating the integration of large-scale renewable production.

In this regard, in 2018 REN played an active role on the Board of Directors, the Governance Board and in Shareholder Management.

5.3.2. Environmental

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. As environmental protection is one of the three axes which govern REN's sustainability strategy, is is important to analyze the indicators which were compiled in 2018 in this regard.

Environmental Management

ENVIRONMENTAL POLICY

Minimizing environmental impact has always been a core concern at REN, both in terms of implementing new investment projects as well as with regard to its activities of operating and maintaining diverse infrastructure used to transmit electricity and to store and transport natural gas. Environmental topics mean far more to REN than simply complying with legal obligations, instead they represent a long-term commitment and the goal to live in harmony with the environment.

The Company approach on this topic can be consulted on the REN website[7].

Energy

REN's energy consumption in 2018 is shown in the table below.

Energy Consumption at REN (GJ)	2018	2017	2016
Electrical energy of infrastructure and buildings	269,580	263,702	218,289
Natural gas (boilers, pilots and controlled flares)	294,248	279,520	430,447
Propane gas	117	113	76
Natural Gas	38,960	2,940	2,522
Fuel (Diesel and Petrol)	23,477	1,134	27,805
Losses in the electricity transmission network	2,826,187	2,565,122	2,898,594
Losses in the gas transmission network (purges)	1,614	18,749	2,085
Total	3,454,183	3,131,280	3,579,818

[7] www.ren.pt

Strategic Environmental Assessment

Strategic Environmental Assessment is an environmental policy instrument (Decree-Law No 232/2007 of 15 June 2007, amended by Decree-Law No 58/2011 of 4 May) which seeks to ensure an assessment of the environmental consequences of specific plans and programmes and its respective prior implementation.

The Strategic Environmental Evaluation (SEE) process for PDIRT 2018-2027 was started in 2016. REN was responsible for preparing the Report on the Critical Factors for the Decision, the Environmental Report, the Non-Technical Summary and the Environmental Statement.

With regard to PDIRN 2018-2027, a Technical Justification Note was prepared for not conducting the SEE, based on the assumption that the environmental evaluation for the proposed projects for the coming decade had already been carried out for PDIRGN 2014-2023. The abovementioned justification was validated by the Portuguese Environment Agency.

Project Assessment

Environmental Impact Assessment (EIA) is a tool which can be used on certain public utility infrastructure projects where REN is the promoter. The EIA process consists of different stages:

Within the scope of its activities to expand and improve energy transmission networks, REN has developed a significant set of environmental assessment processes, in the planning phase:

	2018	2017	2016
Environmental Impact Assessment Processes	7	2	5
Environmental Impact Statements Issued	2	1	2
Environmental Project Studies	0	0	0
Environmental Impact Studies (EIA)	4	0	3
Environmental Compliance Monitoring Reports (RECAPE)	3	0	0

During the operating and maintenance of the network, monitoring and supervision actions are undertaken to ensure compliance with objectives and targets defined both by REN and the Environmental Impact Statement.

Information and further details on Strategic Environmental Assessment and Environmental Project Assessment can be consulted on the REN website (www.ren.pt).

In 2018, monitoring actions were also undertaken at different REN infrastructures, covering the following descriptors:

Number of infrastructures monitored by descriptor	2018	2017	2016
Birdlife	8	8	7
Soundscape	3	2	2
Water Resources	0	0	0
Flora	1	0	0
Iberian Wolf	0	0	0
Eletromagnetic fields	5	2	0

In 2018, seven REN projects were subject to environmental monitoring and supervision as a result of the environmental impact assessment process.

Prevention of climate change

ECONOMIC PERFORMANCE

REN recognizes the existence of risks and opportunities for its activities relating to climate change. Physical risks such as the increase in the occurrence of extreme climatic events, the rise in sea level or snow falls in some areas, could lead to temporary failures in the continuity of REN service. In such cases, and bearing in mind that they are covered by insurance, relevant financial implications are not expected. Furthermore, changes in maximum temperatures could lead to increased grid losses of around 1.5%, meaning an increase in operating costs. A rise in temperature could also involve increased risk of forest fires, also possibly leading to failures in continuity of service.

Other risks considered include those caused by prolonged periods of drought, although in an indirect manner. During prolonged drought, there could be a need for greater production of thermal and intermittent renewable power. In this latter scenario, as these producers are mostly located in the interior of Portugal, increased grid loss will be seen as electricity has to be transmitted over greater distances. Excessive rainfall could cause erosion affecting electricity and gas transmission infrastructures and possibly cause service interruptions.

With regard to regulatory risks, REN is aware of the implications which changes to national and Community law could have on business.

As such, through the different departments, the Company monitored legislative processes on climate change.

With respect to opportunities and taking into account that the main areas of business are highly regulated, unless opportunities are for investment projects seeking to strengthen supply security in electricity and gas transmission networks, any investment would first have to be accepted by ERSE.

Climate change and energy challenges

REN is among the companies that best provide information on the company's policies and activities in the area of climate change, according to the Carbon Disclosure Project Iberia 125 Climate Change Report 2017.

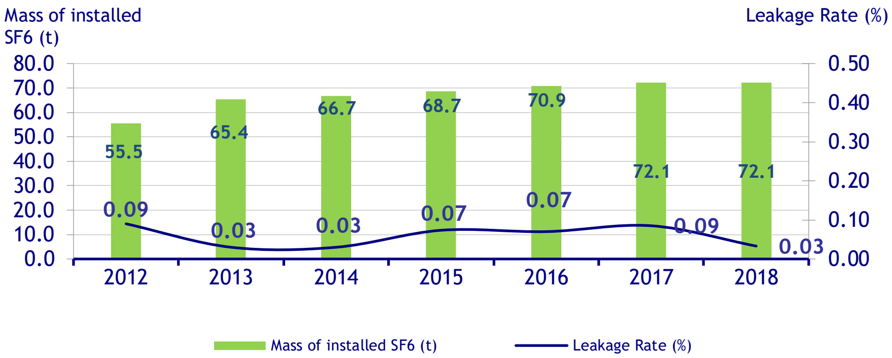
The company obtained a classification of C, corresponding to the level "Awareness". This assessment reinforces REN's awareness of the impacts which its activities have on the environment, particularly with regard to climate change. This awareness will allow steps to be taken to reduce GHG emissions and measure and manage their impact. It will also allow medium and long-term reduction objectives to be defined and implemented while also monitoring the progress of these objectives and implementing activities for emissions reduction.

Greenhouse gas emissions (ton CO_2e)	2018	2017	2016
Scope 1	21,745	26,110	28,797
Natural gas purges (CH_4)	761	8,845	984
Flare burn	17	123	11,214
Own consumption by boilers	16,491	15,570	13,149
Sulphur hexafluoride (SF6)	545	1,398	1,208
Natural Gas (buildings)	2,186	166	177
Propane Gas (buildings)	7	8	5
Diesel (equipment and fleet)	1,739	2,117	2,060
Scope 2	241,607	156,165	110,109
Electricity	21,039	7,074	9,121
Electricity losses in the network	220,568	149,590	100,989
Scope 3	559	561	752
Plane trips	559	561	752

REN continued to encourage the use of videoconferencing and trains instead of cars, especially for the Lisbon-Porto route.

	2018	2017	2016
Number of train trips (Lisbon-Porto)	326	455	303
Number of videoconferences	5,105	21,557	946

In the area of preventing and controlling greenhouse gas emissions, over the course of recent years REN has implemented an action plan to reduce its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment. In 2018, despite the increase in installed mass, the leak rate was maintained at practically the same level. The company's efforts to reduce SF_6 leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level.



Climate change and energy challenges

FLEET

The REN fleet now has 10 vehicles in operation which are 100% electric, seven of them benefit form recent technological advances as they have an autonomy of 400 Km as measured by the NEDC – the new European standard to assess emission levels and fuel economy in passenger cars. This autonomy allows the majority of travel needs to be met.

The reduction in the ecological footprint of the company vehicle fleet is a concern of REN, and forms part of the company strategy to adopt solutions which promote greater sustainability and are better for the environment.

BUILDINGS

The general principle behind all construction work carried out in 2018 was to reduce energy consumption. This was achieved by changing existing lighting for LED lamps, changing windows and frames with thermal barrier frames and double glazing and by installing more efficient climate control equipment. Examples of such work include changing security lighting at administrative buildings, changing the cover of the Alto do Lindoso step-down station, changing frames and windows at the Évora substation, and the changes made in the refectory on floor 0 at the main building on Avenida dos EUA, where gas burning equipment was replaced with more efficient models.

Managing CO_2 emissions from plants with PPAs

Within the scope of its regulated activity as a Commercial Agent, REN Trading is a company that plays an active role in the area of climate change. The management of plants which maintain Power Purchase Agreements (PPAs), viz. Tejo Energia and Turbogás, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

This situation is the result of a multilateral international negotiation process which culminated in 1997 with the signing of the Kyoto Protocol by Portugal as a member of the EU (European Union). The aim is to mitigate climate change by reducing emissions of greenhouse gases (GHG).

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GHG, after the international consensus achieved in the Paris Agreement of 2015 and the implementation agreed at the Katowice Conference in December 2018. Through the allocation of a price on CO_2, (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), the goal is to reduce the emissions of the main industrial facilities and covers sectors such as the production of electricity from fossil fuels, steel making, ceramics, petrol refineries and more recently, aviation.

ETS rules are integrated into national law through Decree-Law No 233/2004 of 14 December 2004, and later legislation which came about further to the transposition of Community Directive No 2009/29/EC of the European Parliament and of the Council of 23 April transposed by Decree-Law No 38/2013 of 15 March.

With the aim of minimizing annual expenditure on the purchase of emissions licences (on the total amount of emissions made by PPA plants, with the end of allocations for the national electricity production sector), and as such, the total costs incurred by consumers with the purchase of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2018 as a member of the ICE (Intercontinental Exchange), the key market in CO_2 emissions licence futures trading in the EU. It is the responsibility of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the two PPA plants, which requires buying EUA (European unit allowance) licenses.

The strategy of REN Trading with regard to the market sale of electricity production from these plants has always taken into account the most recent emissions forecast and the associated cost, measured through the EUA market price. It can be seen that, under certain circumstances, the incorporation of CO_2 costs into production costs at the Pego plant (coal fired, a more polluting fuel) could alter its position in the order of merit of supply in the electricity market, making it less competitive. This would therefore require it to be replaced with a less polluting alternative such as Turbogas (natural gas fired and producing less emissions than coal for power production). In essence, through ELT, impact on the operation of the electricity market is managed and the consequence of this European mechanism can be seen on the emissions of plants and the electrical power programme.

In 2018, there was a decrease in activity compared with the previous year. REN Trading was active in the futures market only in transactions for the purchase of around four million tonnes of CO_2.

With respect to market behaviour, there was a significant rise in YOY prices. The average spot market price rose by around 173%.

This price increase may be related to the market stabilization reserve mechanism, which will enter operation in 2019, with the aim of establishing a robust price signal for the cost of GHG with subsequent reflection on production and investment decisions (by internalizing this important environmental externality), thus contributing to the decarbonization effort.

Biodiversity

Biodiversity[8] is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities on the different phases of the life cycle of its infrastructure.

[8] http://www.ren.pt/en-GB/sustentabilidade/catedra_ren_em_biodiversidade/

Despite the constant concern to protect and promote biodiversity, a small percentage of REN's infrastructure is integrated into sensitive areas in national territory: sites that are part of the Natura 2000 Network, Special Protection Zones and other protected areas, including national parks, reserves, parks and natural monuments.

Infrastructure	Occupation in sensitive areas	% of total occupation
Stations/facilities	0.37 km^2	9%
Length of gas pipelines/lines	1,210.93 km	12%

The occupation of these areas by REN infrastructure is essentially due to historical reasons (the integration of infrastructure was prior to the classification of these protected areas) as well as the need to enable or reinforce the flow of renewable energy from production plants located in these sensitive areas. Whenever these facilities are modified, such as changes in the paths of lines and gas pipelines, such changes are optimised so as to reduce the impact on biodiversity.

Currently, the sites where the infrastructure of the National Transmission Network (RNT) is located are potentially the habitat for classified species on the Red List of the International Union for Conservation Nature (IUCN), in the following categories:

	2018	2017	2016
Critically threatened	2	2	2
Threatened	8	8	7
Vulnerable	22	19	18

REN Chair in Biodiversity

In 2015, in conjunction with the Foundation for Science and Technology (FCT) and the University of Porto (UP), REN created a Chair in Biodiversity to be lectured at the UP. The partnership between REN, FCT and the Biodiversity and Genetic Resource Research Centre at the University of Porto (CIBIO-InBIO) reflects the commitment of these three organizations to this area.

The Chair is based on three pillars: monitoring, minimizing and offsetting impact; population ecology; and citizen science. The first will conduct research into the assessment, monitoring, minimizing and offsetting of impacts by power transmission networks on biodiversity, particularly with regard to power lines. The second pillar is dedicated to the analysis of demographic responses of species subject to unnatural death. In the future, this study could help define the circumstances in which significant effort should be made to minimize or offset, and where to direct such efforts.

The third pillar focuses on projects for Citizen Science, a trend which is growing internationally but so far with reduced visibility in Portugal.

These projects have the double aim of raising awareness among citizens for the importance of science through their involvement in specific initiatives, while also allowing relatively simple but useful data to be collected. This data would be difficult or very costly to compile using conventional processes.

In 2018, the REN Chair in Biodiversity allowed work already carried out to be systematized and disseminated: identifying impacts on biodiversity; assessing risks and implementing minimizing measures;

promoting activities with positive impacts; integrating biodiversity into the Company's activities and supporting nature conservation.

In June, the II Symposium for the REN Chair in Biodiversity was held. At the meeting, which brought together around 150 researchers, environment technicians and academics, the results of the last three years of activities by 13 Chair researchers were presented. This research has contributed greatly to work carried out by REN in the optimization of monitoring methodologies for the protected species. The Symposium programme also included a practical aspect with a workshop on the Chair’s main scientific results which have led to the publication of around 40 articles in top scientific journals.

Of note among the findings was the work done at the university which allowed the company to define new approaches to optimize bird monitoring methodologies based on the results and trends arising from the analysis of metadata from 15 years of bird monitoring and the setting up of applied science projects at group companies.

Intensive Energy Consumption

In accordance with Decree-Law No 71/2008 governing the Intensive Energy Consumption Management System (SGCIE), intensive energy users such as REN – Armazenagem and REN Atlântico are required to comply with a number of targets to reduce their Specific Reference Consumption (Ce) and Energy and Carbon Intensity.

Now integrated into the SGCIE system, both companies are currently implementing a Plan to Rationalize Energy Consumption (PREn).

In the case of REN - Armazenagem, during 2018 a progress report (REP) was prepared on the consolidated 2015-2016 period. In addition to the set targets, also of note is compliance with all indicators, Specific Reference Consumption and Energy and Carbon Intensity. Also starting in 2018 was the requalification project for installation lighting (interior/exterior), an integral art of this 2nd Pren and which will be implemented in 2019.

At REN Atlântico, continuity was given to converting the exterior lighting system for process areas, with the installation of efficient LED lighting.

Flora and Soil Use

As a result of its construction and maintenance activities, REN has a direct impact on flora and soil use.

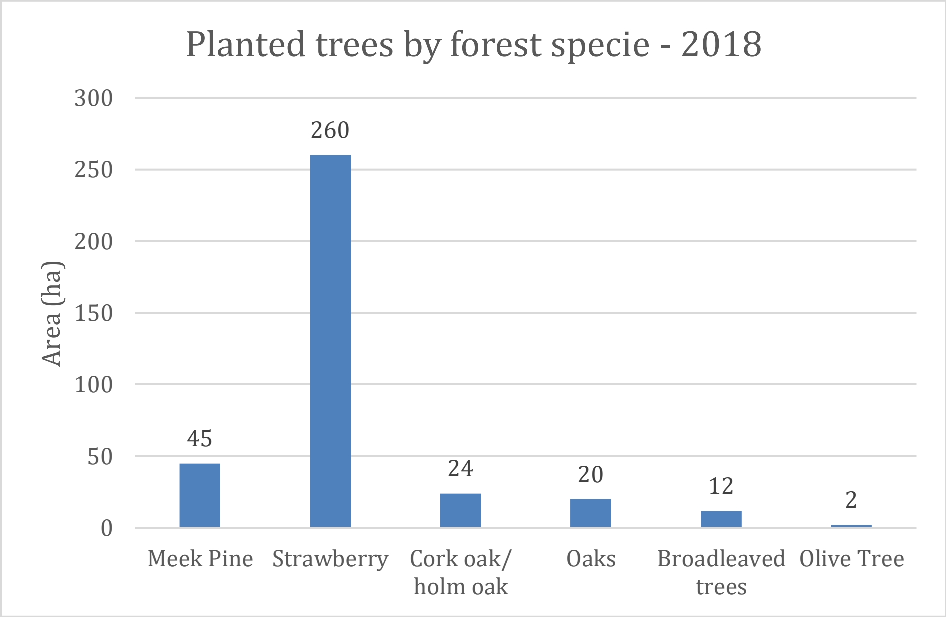
This impact occurs, for example, at the time when the line buffer corridors associated with REN’s infrastructure (electricity lines and gas pipelines) are created or maintained. In order to minimize these impacts, the company has developed a Right of Way Reforesting Programme which promotes biodiversity and the protection of the environment through a logic of multifunctional management of reforested areas, transforming them into an integral part of the ecosystems. As a way of offsetting this impact, since 2007 REN has carried out diverse tree planting projects within the scope of building its new facilities and in 2013, extended this methodology to lines already in operation.

In 2018, around 400 trees were cut during REN construction work. This represents a significant decrease when compared to previous years. This reduction was due to investment in our networks being based on already existing infrastructure (remodelling).

2018		2017		2016	
Total area cut	Total No of trees cut	Total area cut	Total No of trees cut	Total area cut	Total No of trees cut
0	± 400	± 6 ha	± 6,000	± 193 ha	± 286,000

Through its reforesting programme in rights of way, REN has already planted more than one million trees trees in recent years (2010-2018) in an area greater than 2,300 hectares.

In 2018, a total of 100,900 trees were planted in an approximate area of 363 hectares, where the strawberry tree was the most planted species, with 260 ha (72,200 saplings). This situation was due to the investment made by REN in the central coastal region, more specifically on the Penela - Tábua 1/2 line, which was severely affected by the serious forest fires of 2017. Following the strawberry tree, the stone pine (45 hectares – 12,472 saplings) and the cork oak/ holm oak (24 hectares – 6,589 saplings), were the species most used in (re)forestation in 2018.



The strawberry tree is the species which we have most increased in conversion and soil use processes as it is perfectly compatible with the presence of electricity transmission lines. It also has significant economic interest due to the use of its fruit to make brandy (most well-known use) and in the foodstuffs industry. This is an emerging area where potential growth is high.

In a joint programme with the Portuguese Strawberry Tree Cooperative (CPM) and the Coimbra Higher School of Agriculture (ESAC), we created a pamphlet to inform owners on this amazing species, thus promoting good practices when growing these trees.

Forest defence networks against fires

Further to the large forest fires of 2003 and 2005, the National Forest Defence System against Forest Fires was created. Fuel Management Corridor Networks were set up and our infrastructures fell under the so-called secondary network.

This fact had significant impact on how vegetation was managed in our buffer corridors. Impact was both short-term, in how we manage on-site work and medium/long-term, changing our strategy in this regard to one of improving sustainability.

In the last three years, from an operational perspective we have worked on **16,300 hectares**, or in other words, more than 3,500 km of 45 metre wide forest strips.

In 2018, work was carried out on **6,078 hectares** of our rights of way (electricity and gas), and a further **1,281 hectares** in concession properties, in order to comply with the provisions of the National Forest Defence System against Forest Fires.

In order to comply with these responsibilities, we have a network of partners, our service providers, who in 2018 worked around 345,000 hours in forests, representing more than 167 people per working day.

Today, and as a result of the new legal obligations, we can state that in addition to managing the energy transmission networks in Portugal, we also manage a forest defence network against fires.

Birdlife

Offsetting Measures

A very important area for REN is the implementation of offsetting measures, arising from the Environmental Impact Assessment process for new infrastructure. The measures underway and the main results are available for consultation on the REN website[9].

Compatibility between REN's infrastructures and the white stork population

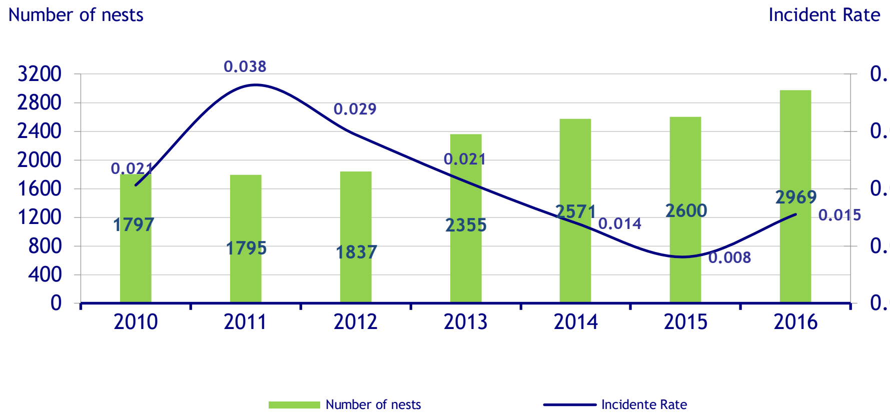
For more than twenty years, REN has monitored the nesting patterns of the white stork population in its infrastructure, creating nesting conditions for this bird in favourable habitats and installing devices that minimize the risk of accidents of electrical origin.

More actions were implemented in 2018 as compared to the previous year, described below according to type:

	2018	2017	2016
Number of Platforms Installed	70	74	144
Number of Anti-Perching Devices Installed	597	148	313
Number of nests transferred	311	180	135

[9] www.ren.pt

During the year, there was a significant fall in the rate of incidents incidents involving white storks as compared to 2017.



The fitting of fans and platforms stops nesting in places with greater likelihood of incidents and despite the considerable rise in the population of storks and a relevant increase in the number of nests, there has been a fall in the number of incidents.

beyond
energy
transmission

progress

06 Consolidated and Individual accounts

REN

6.1
Consolidated Financial **Statements**

31 december 2018

1. Consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

		31 December	
	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	561	3,227
Goodwill	9	3,877	19,102
Intangible assets	8	4,192,619	4,306,417
Investments in associates and joint ventures	10	167,841	162,027
Investments in equity instruments at fair value through other comprehensive income	12 and 13	162,552	156,439
Derivative financial instruments	12 and 16	21,010	7,907
Other financial assets	12	45	27
Trade and other receivables	12 and 14	50,246	6,528
Deferred tax assets	11	92,495	97,737
		4,691,247	**4,759,411**
Current assets			
Inventories	15	2,095	2,958
Trade and other receivables	12 and 14	427,126	540,849
Current income tax recoverable	11 and 12	35,371	-
Cash and cash equivalents	12 and 17	35,735	61,458
		500,327	**605,265**
Total assets	7	**5,191,574**	**5,364,676**
EQUITY			
Shareholders' equity			
Share capital	18	667,191	667,191
Own shares	18	(10,728)	(10,728)
Share premium	18	116,809	116,809
Reserves	19	326,906	310,191
Retained earnings		253,505	225,342
Other changes in equity	18	(5,561)	(5,541)
Net profit for the period		115,715	125,925
Total equity		**1,463,837**	**1,429,189**
LIABILITIES			
Non-current liabilities			
Borrowings	12 and 20	2,274,939	2,205,390
Liability for retirement benefits and others	21	98,288	121,977
Derivative financial instruments	12 and 16	12,952	6,960
Provisions	22	8,852	9,035
Trade and other payables	12 and 23	367,743	364,961
Deferred tax liabilities	11	113,644	99,534
		2,876,418	**2,807,857**
Current liabilities			
Borrowings	12 and 20	431,401	624,336
Trade and other payables	12 and 23	419,917	473,337
Income tax payable	11 and 12	-	29,957
		851,319	**1,127,630**
Total liabilities	7	**3,727,737**	**3,935,487**
Total equity and liabilities		**5,191,574**	**5,364,676**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2018.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

	Notes	Year ended 31.12.2018	Year ended 31.12.2017
Sales	7 and 24	117	82
Services rendered	7 and 24	567,371	561,414
Revenue from construction of concession assets	7 and 25	121,775	154,651
Gains / (losses) from associates and joint ventures	10	5,787	5,749
Other operating income	26	32,156	26,470
Operating income		**727,207**	**748,366**
Cost of goods sold	15	(1,456)	(613)
Costs with construction of concession assets	25	(102,351)	(136,683)
External supplies and services	27	(58,752)	(55,418)
Personnel costs	28	(55,287)	(51,275)
Depreciation and amortizations	8	(235,055)	(221,991)
Provisions	22	(301)	(1,273)
Impairments		(647)	(955)
Other expenses	29	(15,799)	(14,103)
Operating costs		**(469,646)**	**(482,311)**
Operating results		**257,560**	**266,055**
Financial costs	30	(69,656)	(73,424)
Financial income	30	5,125	5,360
Investment income - dividends	13	6,423	6,268
Financial results		**(58,108)**	**(61,796)**
Profit before income tax and ESEC		**199,453**	**204,259**
Income tax expense	11	(58,471)	(52,536)
Energy sector extraordinary contribution (ESEC)	35	(25,267)	(25,798)
Net profit for the year		**115,715**	**125,925**
Attributable to:			
Equity holders of the Company		115,715	125,925
Non-controlled interest		-	-
Consolidated profit for the year		**115,715**	**125,925**
Earnings per share (expressed in euro per share)	31	0.17	0.19

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2018.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

		Year ended	
	Notes	31.12.2018	31.12.2017
Consolidated Net Profit for the period		**115,715**	**125,925**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax	21	18,488	(1,026)
Tax effect on actuarial gains / (losses)	11	(5,547)	308
Other changes in equity		(19)	73
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	10	6,914	(18,239)
Increase / (decrease) in hedging reserves - cash flow derivatives	16	(1,366)	5,261
Tax effect on hedging reserves	11 and 16	492	(1,105)
Gain/(loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	13	6,069	6,325
Tax effect on items recorded directly in equity	11 and 13	(2,136)	(1,328)
Other changes in equity		(120)	-
Comprehensive income for the period		**138,490**	**116,194**
Attributable to:			
Equity holders of the company		138,490	116,194
Non-controlled interest		-	-
		138,490	**116,194**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the period ended 31 December 2018.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

		Attributable to shareholders										
Changes in the year	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal Reserve**	**Fair Value reserve (Note 13)**	**Hedging reserve (Note 16)**	**Other reserves**	**Other changes in equity**	**Retained earnings**	**Profit for the year**	**Total**
At 1 January 2017		**534,000**	**(10,728)**	**-**	**106,800**	**48,781**	**(13,858)**	**177,482**	**30**	**216,527**	**100,183**	**1,159,217**
Net profit of the period and other comprehensive income		-	-	-	-	4,997	4,156	(18,166)	-	(718)	125,925	**116,194**
Transfer to other reserves		-	-	-	-	-	-	-	-	100,183	(100,183)	**-**
Capital increase		133,191	-	116,809	-	-	-	-	(5,571)	-	-	**244,428**
Distribution of dividends	32	-	-	-	-	-	-	-	-	(90,650)	-	**(90,650)**
At 31 December 2017		**667,191**	**(10,728)**	**116,809**	**106,800**	**53,778**	**(9,702)**	**159,315**	**(5,541)**	**225,342**	**125,925**	**1,429,189**
Adoption of IFRS 9 - Financial instruments	3	-	-	-	-	-	-	-	-	9,223	-	9,223
At 1 January 2018		**667,191**	**(10,728)**	**116,809**	**106,800**	**53,778**	**(9,702)**	**159,315**	**(5,541)**	**234,565**	**125,925**	**1,438,412**
Net profit of the period and other comprehensive income		-	-	-	-	3,933	(875)	6,943	(19)	12,793	115,715	**138,490**
Allocation plan to Shares		-	-	-	-	-	-	363	-	-	-	**363**
Transfer to other reserves		-	-	-	6,352	-	-	-	-	119,573	(125,925)	**-**
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	**(113,426)**
At 31 December 2018		**667,191**	**(10,728)**	**116,809**	**113,152**	**57,711**	**(10,577)**	**166,620**	**(5,561)**	**253,505**	**115,715**	**1,463,837**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

	Note	Year ended 31.12.2018	Year ended 31.12.2017
Cash flow from operating activities:			
Cash receipts from customers		2,665,900 a)	2,388,176 a)
Cash paid to suppliers		(2,082,327) a)	(1,710,859) a)
Cash paid to employees		(73,230)	(67,843)
Income tax received/paid		(114,353)	(85,506)
Other receipts / (payments) relating to operating activities		(582)	(44,857)
Net cash flows from operating activities (1)		**395,407**	**479,111**
Cash flow from investing activities:			
Receipts related to:			
Available-for-sale	13	-	10
Property, plant and equipment		120	1,597
Other financial assets	12	4,040	1,309
Investment grants		6,777	7,369
Interests and other similar income		10	175
Dividends	10 and 13	12,805	15,285
Payments related to:			
Financial investments	10	-	(699,792)
Equity instruments through other comprehensive income		(49)	-
Property, plant and equipment		(156)	(285)
Intangible assets - Concession assets		(144,007)	(169,954)
Net cash flow used in investing activities (2)		**(120,459)**	**(844,287)**
Cash flow from financing activities:			
Receipts related to:			
Borrowings		2,397,999	5,427,401
Capital increase	18	-	250,000
Payments related to:			
Borrowings		(2,519,425)	(5,120,734)
Interests and other similar expense		(65,688)	(67,615)
Dividends	32	(113,426)	(90,650)
Net cash from / (used in) financing activities (3)		**(300,540)**	**398,402**
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		(25,592)	33,226
Effect of exchange rates		(101)	1,508
Cash and cash equivalents at the beginning of the year	17	60,448	10,680
Changes in the perimeter	17	(659)	15,034
Cash and cash equivalents at the end of the period	17	**34,096**	**60,448**
Detail of cash and cash equivalents			
Cash	17	-	1
Bank overdrafts	17	(1,638)	(1,009)
Bank deposits	17	35,735	61,457
		34,096	**60,448**

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 year ended 31 December 2018.

The Accountant

The Board of Directors

2. Notes to the consolidated financial statements as of 31 December 2018

(Translation of notes originally issued in Portuguese - Note 37)

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, resulted 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 went through 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 incorporated on 26 September 2006, renamed REN – Serviços de Rede, S.A., changed its name to REN – Rede Eléctrica Nacional, S.A..

The Group presently has two main business segments, Electricity and Gas, and a secondary business of Telecommunications.

The Electricity business includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007 which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function 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 Contracts for the Maintenance of the Contractual Equilibrium (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, to domestic and international distributors;

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

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate purpose 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 it has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground 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 comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Gás Distribuição SGPS S.A., acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the management of financial interests in other companies as an indirect form of economic activity;

f) REN Portgás Distribuição, SA ("REN Portgás"), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment;

g) REN Portgás GPL, SA, acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise: a) the sale of energy in the form of liquefied petroleum gas, propane or other, in accordance with the licenses it holds, in particular the purchase and sale, including the resale, of liquefied petroleum gas, for selling to final customers or other agents, through the conclusion of bilateral contracts or participation in other markets; b) the development and operation of gas infrastructures not reserved by law; (c) the provision of audit, maintenance and repair services for liquefied petroleum gas consumption facilities and the provision of value added services in the area of marketing and consumption; d) the provision of study, consultancy and research services for systems and processes in the liquefied petroleum gas sector. However, REN sold the liquefied petroleum gas (LPG) business to ENERGYCO II, S.A. on July 2, 2018.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in f) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

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

The purpose of this company is to implement a Research and Development centre 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.

On 14 December 2016, Aério Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations.

In addition, on November 21, 2018, REN PRO, SA was incorporated, a company fully owned by REN, headquartered in Lisbon, whose purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and IT consulting.

As of 31 December 2018 REN SGPS also holds:

a) 42.5% interest in the share capital of Electrogas, S.A., a provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017;

b) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities;

c) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. ("REE"), entity in charge of the electricity network management in Spain;

e) 7.9% interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European transmission system operators ("TSO"), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. ("HCB") – 7.5%; (ii) MIBGÁS, S.A.- 6.67%; and (iii) MIBGÁS Derivatives, S.A. – 9.7%.

2. INFORMATION ON THE CONCESSION CONTRACTS AWARDED TO REN

2.1. Electricity concession contract

The concession for the National Transmission Network operator ("NTN") was granted to REN – Rede Eléctrica Nacional, S.A. in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) to manage the PES system, using the National Transmission Network as well as development of the necessary infrastructures.

The objective of this concession contract consists of the following activities:

i) Purchase and sale of electricity

In this activity REN, S.A. operated up to 30 June 2007 as an agent between electricity producers and distributors. The electricity was acquired based on purchase and sale contracts entered into with producers and sold in accordance with tariffs defined by the regulator, ERSE (Entidade Reguladora de Serviços Energéticos). REN was agent in the sale of the available excess production. In these intermediary operations, REN had the right to retain 50% of the commercial profits.

As from 1 July 2007, upon termination of the majority of power purchase agreements ("PPA"), REN has managed the two remaining PPA`s not terminated, with Tejo Energia (Pego power plant) and Turbogás (Tapada do Outeiro CCGT power plant), through REN Trading, selling the energy of these producers into the market.

ii) Electricity transmission

This activity, the object being to transmission of electricity through the National Transmission Network to distributors in HT (high tension) and MT (medium tension), to consumers connected to the National Transmission Network and VHT networks (very high tension), networks to which REN is connected. This activity also includes the planning and development of the National Transmission Network, the construction of new infrastructures and the operation and maintenance of the National Transmission Network.

Iii) Global Management of the System

The objective of this activity is global management of the electricity system, REN being responsible for the technical management through systematic coordination, of the National Transmission System installations, in order to ensure its integrated functionality and harmonization and continuity and security of the electricity delivery.

REN can carry out other activities directly, or through subsidiary companies, when authorized by the Government, if this is in the best interests of the concession or its clients.

The concession of the electric transmission activity which includes the global management of the system is performed in an exclusive concession regime through the exploration of the National Transmission Network. The concession was granted for a period of 50 years as from 15 June 2007.

The model of the concession contract ensures the contractual equilibrium, in the conditions of an efficient management, through the recognition of investment costs, operation and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to the operator.

Assets considered concession assets are the very high tension lines, connections and locations of the system manager, which includes:

- the lines, substations, sectioning points and related installations;
- the installations related to the central dispatch and overall management of SEP, including all the equipment essential for its operations;
- the installation of electro producing centres owned by REN; and
- the telecommunications, telemetry and remote control installations relating to the transmission and coordination of the electricity producer system.

In addition, the following are also considered as concession assets:

- the real estate belonging to REN on which the assets referred to above are installed, as well as the related land rights;
- other moveable or immovable assets necessary for the operation of the activities under concession;
- the locations for the installation of the electricity producers, the ownership of which belongs to REN;
- the legal relationships directly related with the concession, such as labour, works, lease, the rendering of services, the reception and delivery of electricity, as well as the rights to use hydric resources and transport through networks located outside the concession area.

REN has an obligation to, during the concession period, maintain the assets and related means a good operating performance, maintenance and security of the assets and related means, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

In accordance with ERSE Order 14.4020/2010 of 15 September 2010, REN S.A. became subject to a new remuneration mechanism for the electricity segment, referred to as standard prices, which is applicable to for all investment in lines and substations which start operating from 1 January 2009 onwards.

2.2. Gas Transport and Global Management of the System

The concession for the use the National Natural Gas Transport Network was granted to REN - Gasodutos, S.A., with a 40 years period, under Decree-Law 140/2006 of 26 July 2006, for the purpose of managing the National Natural Gas System (Sistema Nacional de Gás Natural - SNGN), operation of the high pressure gas transport network and development of the necessary infrastructures, under the public service regime.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system

The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás - SNGN) through coordination of the national and international connections to the National Natural Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the natural gas safety reserves. The operators which perform any activity integrated in the SNGN, as well as the users are subject to this activity.

ii) Gas Transport

The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Natural Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the assets, to be reflected in the tariffs applicable to the operator.

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System; and
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, as rendering of services or any other legal form of contract.

2.3. Reception, Storage and Regasification of Liquid Natural Gas (LNG)

The concession of the operations of the LNG terminal was granted to REN Atlântico, Terminal de GNL, S.A., for a 40 years period, under Decree-Law 140/2006 of 26 July 2006, to carry out the following activities under the rendering of public services regime:

i. reception, storage, treatment and regasification of liquid natural gas unloaded;

ii. the injection of high pressure natural gas into the National Natural Gas Transport Network (Rede Nacional de Transporte de Gás Natural - RNTGN) or its dispatch by specialised trucks; and

iii. the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures (buildings, tanks, gas pipelines, etc.).

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

In addition, the following are also considered as concession assets:

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.4. Natural underground gas storage

The concession to operate the underground storage was granted to REN – Armazenagem, S.A., for a period of 40 years, under Decree-law 140/06 of 26 July of 2006, to carry out the following activities, under a rendering of public service regime:

- reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and
- construction, utilization, maintenance and expansion of the underground storage tanks.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;
- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and
- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

In addition, the following are also considered as concession assets:

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and

- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, S.A. must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.5. Distribution of Natural Gas

The concession of the natural gas distribution activity in low and medium pressure, in the concession area defined in the concession contract, was attributed to REN Portgás for a period of 40 years, under Decree-Law 140/2006, of 26 July 2006, to carry out the following activities, under a rendering of public service regime:

- reception, transportation and delivery of natural gas through the medium and low pressure network;
- construction, maintenance, operation and exploration of all the infrastructures that integrate the RNDGN, in the area corresponding to the present concession, and of the installations necessary to the operation;
- promotion of the construction, conversion or adequacy and eventual reimbursement of facilities for the use of natural gas owned by final customers, in order to guarantee the supply of natural gas;
- planning, development, expansion and technical management of the RNDGN, in the concession area;
- management of RNDGN interconnection with RNTGN.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;
- autonomous gas units;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system;

- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

In addition, the following are also considered as concession assets:

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services;
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network;
- all intangible assets, not mentioned as assets assigned to the concession, incorporated before the publication of Decree-Law no. 140/2006.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.6. Operation of a pilot site for the energy of ocean waves

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

3. Main accounting policies

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. Basis of presentation

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IAS/IFRS"), in force for the years starting on 1 January 2018.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2018, current liabilities in the amount of 851,319 thousand Euros are greater than current assets, which total 500,327 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2018, the Group has, as of 31 December 2018, credit lines in the form of commercial paper available for use in the amount of 870,000 thousands Euros, with a substantial part with guaranteed placement (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the financial statements.

Such standards includes the 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 IFRIC and SIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been adopted by the European Union. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The consolidated financial statements are presented in thousands of Euros - tEuros.

These consolidated financial statements were approved by the Board of Directors at a meeting held on 21 March 2019. The Board of Directors understands 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 as endorsed by the European Union ("IFRS").

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions endorsed by the European Union are mandatory applicable for the financial year ended 31 December 2018:

- **IFRS 9 - Financial Instruments**

  In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments. IFRS 9 was adopted by European Commission Regulation 2067/2016 of 22 November 2016.

  The Group adopted IFRS 9 with the following impacts:(i) an increase in equity, in the caption "Retained earnings" in the amount of 9,223 thousand Euros (net of income taxes in the amount of 2,615 thousand Euros); and (ii) a decrease in liabilities under the caption "Borrowings" in the amount 11,838 thousand Euros, on the date of adoption on January 1, 2018, mainly related to changes in the measurement of financial liabilities in connection with the exchange bond operation completed by the Group in 2016.

I. Classification and measurement

IFRS 9 presents a new classification and measurement approach for financial assets that reflects the business model used in its management and the characteristics of contractual cash flows.

IFRS 9 determines three main categories of classification of financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the categories of IAS 39: Held-to-Maturity (HTM), Accounts Receivable and Available-for-Sale (AFS).

In accordance with IFRS 9, embedded derivative contracts may not be forked. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset measured at fair value through profit or loss.

Based on the evaluation of the new classification requirements there are no significant impacts on the accounting of its financial assets.

II. Impairment

IFRS 9 replaces the "loss incurred" model in IAS 39 with an expected credit loss (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment is recognized.

The new impairment model will be applied to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

In accordance with IFRS 9, losses will be measured on one of the following bases:

- 12-month ECL, which results from possible default events within 12 months after the reporting date; and
- Lifetime ECLs, which result from all default events during the expected life of a financial instrument.

If the credit risk of a financial asset has not increased significantly since its initial recognition, an accumulated impairment equal to the expectation of loss estimated to occur within the next 12 months must be recognized. If the credit risk has increased significantly, an accumulated impairment equal to the expectation of loss that is estimated to occur until the respective maturity of the asset should be recognized.

There are no significant impacts on impairment due to the adoption of IFRS 9.

III. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.

However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in profit or loss, whereas, in accordance with IFRS 9, these changes in Fair Value are generally presented as follows:

- The amount of changes in Fair Value that is attributable to changes in the liability credit risk is presented in the Other Comprehensive Income (OCI) and is not recycled to profit or loss; and
- The remaining amount of changes in Fair Value is shown in Profit or Loss.

The Group has not yet designated any financial liability as FVTPL and, currently, does not intend to do so. The Group's valuation did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied as of 1 January 2018.

In addition, in accordance with IFRS 9 and as confirmed by the IASB Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification at their present value by applying the original effective rate of the liability as the discount rate and any difference recognized as a gain or loss in the results of the year. The treatment under IAS 39 allowed the deferral of this differential by reviewing the effective interest rate, a treatment applied by REN in connection with the exchange bond operation completed in 2016. This change has an impact on the book value of REN's financial liabilities in the amount of 11,838 thousand Euros and in the caption "Retained earnings" in the amount of 9,223 thousand Euros (net of income taxes in the amount of 2,615 thousand Euros).

IV. Coverage Accounting

At the date of initial application of IFRS 9, the Group may choose as an accounting policy to maintain the requirements relating to the hedge accounting of IAS 39 instead of those of IFRS 9. The actual plan of the Group is the application of IFRS 9.

The REN Group has decided to adopt the hedge accounting component of IFRS 9, and there are no significant impacts arising from the adoption of the hedge accounting component of IFRS 9.

V. Disclosures

IFRS 9 require new disclosures, in particular with respect to hedge accounting, credit risk and expected loss (Note 3.6).

- **IFRS 15 - Revenue from Contracts with Customers**

  This new standard only applies to contracts for the delivery of assets or rendering of services: i) establishes that the company recognizes the revenue when the contractual obligation to deliver assets or provide services is satisfied; ii) and the amount that reflects the consideration to which the company is entitled, as established in the "5 step methodology. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 2 - Share-based payment**

  This amendment clarifies the basis for measuring the transactions of share-based payment transactions, which are cash-settled, as well as the accounting changes to a share-based payment plan that change its classification from cash-settled to equity-settled.

  A further amendment is the introduction of an exception to the principles of IFRS 2, which now requires that a equity-based payment plan has to be treated as if it were fully equity-settled, when the employer is obliged to withhold an amount of the value of the plan to pay the tax to which the employee is subject, and to deliver the amount to the tax authority. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Annual improvements to IFRS (2014-2016 cycle)**

  Cyclical improvements are introduced to clarify and simplify the application of international normative. The changes introduced in the 2014-2016 cycle focused on the revision of: (i) IFRS 1 (this improvement eliminates the temporary exemptions foreseen in the transition to the IFRS, to IFRS 7 and IAS 19 that are no longer applicable); (ii) IFRS 12 (this improvement clarifies that the scope of IFRS 12 includes financial investments in subsidiaries, associates and / or joint ventures that are part of groups held for disposal (under IFRS 5) and that the exemption from IFRS 12 only relates to the disclosure on the summary of financial information of these entities); and (iii) standard IAS 28 (this improvement clarifies that investments in associates or joint ventures held by a venture capital company can be measured at fair value in accordance with IFRS 9, individually). The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

  IFRIC 22 corresponds to an interpretation to IAS 21 - 'The effects of changes in exchange rates', referring to the determination of the 'transaction date' when an entity pays or receives in advance, the counterpart of contracts denominated in foreign currency, being the factor that sets the exchange rate to be used for currency translation of transactions in foreign currency at the date of the transaction. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 40 - Transfers of Investment Property**

  This amendment clarifies that the transfer of assets can only be made (from and to the investment property category) when there is evidence of its change of use, meaning that the intention change of management is not sufficient to make the transfer. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- **IFRS 16 – Leases (new standard to be applied for periods beginning on or after 1 January 2019)**

  This standard replaces IAS 17 – Leases and the associated interpretations, with impact on the accounting performed by lessees, which are obliged to recognize for lease contracts a lease liability corresponding to future lease payments and, respectively, an asset related with the "right of use". The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendment to IFRS 9 - Prepayment Features with Negative Compensation new standard to be applied for periods beginning on or after 1 January 2019)**

  This amendment allows the classification / measurement of financial assets at amortized cost even if they include conditions that allow the prepayment for a lower value than the nominal value ("Negative compensation"), being an exemption to the requirements predicted in IFRS 9 for the classification of financial assets at amortized cost. Additionally, it is also clarified that when there is a change in the conditions of a financial liability that does not implies a derecognition, the measurement difference must be registered immediately in the year's results. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **IFRIC 23 - Uncertainty Over Income Tax Treatments (new standard to be applied for periods beginning on or after 1 January 2019**)

  Clarifies how the recognition and measurement requirements of IAS 12 - Income Tax are applied when there is uncertainty about the tax treatment. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (new standard to be applied for periods beginning on or after 1 January 2019)**

  These amendments clarify that long-term investments in associates and joint ventures, which are not being measured by the equity method, are accounted under IFRS 9. This clarifies that long-term investments in associates and joint ventures are subject to the IFRS 9 impairment rules (3-step model of expected losses), before being considered for impairment testing of the global investment in an associate or when there are indicators of impairment. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2018.

The following standards, interpretations, amendments and revisions, with mandatory application in future years, have 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 17 - Insurance Contracts	01/jan/21	This standard is intended to replace IFRS 4 and requires that all insurance contracts to be accounted for consistently.
Annual Improvements to IFRS Standards 2015-2017 Cycle	01/jan/19	The changes introduced in the 2015-2017 cycle focused on the revision of: (i) IAS 23 - Borrowing Costs (clarifies the computation of the average interest rate); (ii) IAS 12 - Income Tax (establishes that the tax impact of the dividends distribution should be accounted for when the account payable is recorded); and (iii) IFRS 3 and IFRS 11 (clarifies that when obtaining control of a joint venture the financial interest should be accounted for at fair value).
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	01/jan/19	If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
Amendments to References to the Conceptual Framework in IFRS	01/jan/20	The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
Amendment to IFRS 3: Business Combinations	01/jan/20	These amendments: (i) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (ii) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (iii) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
Amendments to IAS 1 and IAS 8: Definition of Material	01/jan/20	The changes in Definition of Material all relate to a revised definition of 'material' which is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2018 consolidated financial statements.

3.2. Consolidation bases

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IFRS 9.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition / attribution price is contingent upon the occurrence of specific events agreed with the seller / shareholder (eg, realization of fair value of assets acquired).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

REN reassesses power over a subsidiary when there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption "Non-controlling interests".

The comprehensive income is attributable to the company's shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a caption of Investments in associates and joint ventures. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Group's proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as investments in equity instruments at fair value through other comprehensive income in accordance with IFRS 9, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. Balances and transactions in foreign currency

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'), the Euro. The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and / or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against "Other Reserves".

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Currency	2018	2017
US Dollar (USD)	1.15	1.20
Pound sterling (GBP)	0.90	0.89
Japan Yen (Yen-JPY)	125.85	135.01
Chilean pesos (CLP)	794.63	739.01

3.4. Tangible and intangible assets

Tangible and intangible assets are valued at cost less accumulated amortization / depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

Concession/Regulated Assets – IFRIC 12 – Service Concession Arrangements

The Group has: (i) five concessions for the operations and development of the National Transmission Network, for the global management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the distribution of natural gas in low and medium pressure, the underground storage of natural gas and global management of the natural gas system and (ii) a concession to explore a pilot zone for the electricity production from ocean waves. The assets acquired / constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 – Service Concession Arrangements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. IFRIC 12 was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 1 January 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls/regulates:

- The services to be rendered by the operator (through utilization of the infrastructure), to whom and at what price; and
- Any residual interest over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- constructed or acquired by the operator from third parties;
- already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

i. the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

ii. the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

iii. the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

iv. the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

i. Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

ii. Intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset;

iii. Bifurcated/mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2018.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: " A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method and production unit method. The method used is selected based on the expected consumption model of future economic benefits included in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits". Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i. increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii. decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business. Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset". Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. Leases

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the legal form of the lease arrangement.

Leases, in which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract point a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognized in the consolidated statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated by the lower period between the useful life period of the asset and the maturity of the lease contract, when the company don`t have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

In operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.6. Financial assets and Liabilities

Financial Assets

The Board of Directors determines the classification and measurement of investments in financial assets at the time of initial recognition, in accordance with financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Investments in financial assets may be classified under the following categories:

a) Financial assets at amortised cost – The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Financial assets at fair value through other comprehensive income (equity instruments) - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (Ii) holds the asset primarily for trading purposes; (Iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which REN commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognised at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption "Financial costs" for the period in which they arise, which also includes interest income and dividends received.

Financial assets at fair value through other comprehensive income are initially recognised at fair value including transaction costs. In subsequent periods, these assets are adjusted to fair value, the changes in fair value being recognised in a fair value reserve within Equity until the investment be sold or received or until the fair value of the investment be below the acquisition cost on a longstanding perspective, situations on which the loss is recorded in the statement of profit and loss.

Dividends and interest income from financial assets at fair value through other comprehensive income are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Loans and receivables are classified as "Trade and other receivables" in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the "Borrowings" caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently on its legal form.

IFRS 9 establishes the classification of financial liabilities in two categories:

i. Financial liabilities at fair value through profit and loss;

ii. Other financial liabilities.

Other financial liabilities includes "Borrowings" and "Trade and other payables".

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions “Finance income” or “Finance costs”. If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption “Derivative financial instruments”, and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

Derivative financial instruments are classified and presented as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

Hedge accounting

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting are the following:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IFRS 9;
- It is expected that the changes in the fair value or cash flows of the hedged item, attributable to the risk hedged, are virtually offset by changes in fair value or cash flows of the hedging instrument.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged. Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

Hedge accounting is discontinued when, the hedging instrument expires, is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

3.7. Borrowing costs

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8. Government grants and others

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption "Trade and other payables".

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. Impairment of assets, except goodwill

Financial Assets

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can measured reliably.

The adoption of IFRS 9 led to a fundamental change in the way the Group accounts for its impairment losses on financial assets, replacing IAS 39 "loss incurred" approach with a prospective approach to "expected credit loss". IFRS 9 requires the Group to recognize an impairment loss for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

When there is evidence of impairment on the financial asset held for sale exists, the accumulated loss - determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded – is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Non-financial assets

Whenever events or changes in circumstances indicates that the amount by which the asset is recorded may not be recovered, impairment tests are undertaken in order to determine the recoverable amount of the asset, and when necessary an impairment loss recorded. An impairment loss is considered by the excess of the carrying amount of an asset when compared with its recoverable amount.

The recoverable amount is the higher amount between the asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10. Employee benefits

REN grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus, and death subsidy.

i) Pension Plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the annual discount rate, was based on the high quality risk bonds (Aa risk notation from Bloomberg). The credit risk notation is attributed by rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity.

3.11. Provisions, contingent assets and liabilities

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon the occurrence (or not) a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

Provisions are measured at the present value of the estimated outflows required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. Inventories

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. Capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with Portuguese Commercial law, REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, constraining the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. Income tax

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax ("CIT").

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit. However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

3.15. Accruals basis

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. Revenue

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte -RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i. amortization of the concession assets related with the electricity transmission activity;

ii. a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii. operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i. amortization of the concession assets relating to global management of the system;

ii. amortization of the concession assets relating to the generating station sites;

iii. a return on the average net book value of the generating station sites (land);

iv. a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v. operating costs related with the activity.

The “Commercial Agent” activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA’s (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE in the beginning of 2008.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the “Commercial Agent” activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. Segment reporting

An operational segment is a component of an entity which:

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements ("PPA") not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

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

The column "Others" includes the operations of REN SGPS, REN Serviços, REN Finance, B.V., Aerio Chile SPA and REN PRO, S.A..

Financial information relating to income of the identified business segments is included in Note 7.

3.18. Cash flow statement

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

3.19. Share-based payments

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payments ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the company shares quotation, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in the consolidated statement of profit and loss.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service is fulfilled (the vesting period).

The share-based payments are not material for the purpose of disclosure in the notes to the consolidated financial statements.

3.20. Subsequent events

Events that occur after the consolidated statement of financial position date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the consolidated statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the consolidated financial statements, if material.

4. Financial risk management policies

4.1. Financial risk factors

The Group's activities are exposed to a variety of financial risks including: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

The Group has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, aiming to minimise potential adverse effects on the REN Group's financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks, in strict cooperation with REN's operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of liquidity excess.

i) Foreign exchange rate risk

REN has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2018, and all other factors remaining constant, would lead to a decrease on equity in the amount of 645 thousands Euros (645 thousand Euros as of 31 December 2017), while a decrease of that exchange rate would lead to an increase on equity in the amount of 709 thousand Euros (717 thousand Euros as of 31 December 2017).

Additionally, the Group is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro /USD, related with its financial investment in Electrogas, S.A., acquired in February 2017 (Note 10).

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2018, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,400 thousand Euros (7,089 thousands Euros as of 31 December 2017), while a decrease of that exchange rate would lead to an increase on equity in the amount of 8,588 thousand Euros (7,385 thousand Euros as of 31 December 2017).

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight the 1,050,000 thousand Euros available in commercial paper programmes (from which 530,000 thousand Euros with subscription guarantee) and 405,000 thousand Euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 87,500 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), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts:

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	213,289	386,324	209,166	808,779
Bonds	70,264	963,571	918,124	1,951,959
Commercial paper	180,001	-	-	180,001
Others	1,293	2,776	-	4,069
	464,847	**1,352,670**	**1,127,291**	**2,944,808**
Derivative financial instruments	3,218	14,516	3,243	20,977
Trade and others payables	345,300	49,474	-	394,774

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	351,560	384,165	273,606	1,009,331
Bonds	237,214	435,949	1,164,188	1,837,351
Commercial paper	70,003	150,000	-	220,003
Others	1,375	1,955	-	3,330
	660,153	**972,068**	**1,437,794**	**3,070,015**
Derivative financial instruments	3,283	13,143	6,576	23,002
Trade and others payables	396,187	45,951	-	442,138

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(2,695)	(3,691)	(74,744)	(81,130)
Inflows	2,153	6,460	82,690	91,303
	(541)	**2,769**	**7,945**	**10,173**

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(6,298)	(74,707)	(85,173)
Inflows	2,007	8,029	77,079	87,116
	(2,161)	**1,731**	**2,373**	**1,943**

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on the borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowing at fixed rates exposes the REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operation REN Group exchanges with banking counterparties in specific dates and with defined maturities, the difference between the fixed interest rates and the variable rates with reference to the notional amounts contracted. All operations undertaken with this purpose can be considered, in most cases, perfect interest rate hedging operations.

A sensitivity analysis was performed based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2018 and 2017, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2018 would result in a decrease of profit before tax of, approximately, 2,206 thousand Euros (3,200 thousand Euros as of 31 December 2017).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 2,955 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2017 corresponded to an increase of 2,086 thousand Euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2018 would have an impact on equity of 10,556 thousand Euros (10,131 thousand Euros in 31 December 2017).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. Capital risk management

The REN Group's objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt over the total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as presented in the consolidated statement of financial position), adjusted by the amounts of cash and cash equivalents and hedge derivatives. Total capital is calculated as equity (as presented in the consolidated statement of financial position) plus net debt. The Group's Gearing ratio comfortably meets the limits set by contract, being on 31 December 2018 above the minimum in 87%.

5. Main estimates and judgements

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. Provisions

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. Actuarial assumptions

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. Tangible and intangible assets

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. Impairment

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. Fair Value of Financial Instruments

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. Impairment of Goodwill

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

6. Consolidation perimeter

The following companies were included in the consolidation perimeter as of 31 December 2018 and 2017:

Designation / adress	Activity	2018		2017	
		% Owned		% Owned	
		Group	Individual	Group	Individual
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiaries:					
Electricity segment:					
REN - Rede Eléctrica 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 Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
REN PRO, S.A. Av. Estados Unidos da América, 55 - Lisboa	Communication and Sustainability, Marketing, Business Management, Business Development and Consulting and IT Projects	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%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations.	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%	-
REN Gás Distribuição SGPS, S.A. Av. Estados Unidos da América, 55 - Lisboa	Management of holdings in other companies as an indirect form of economic activity	100%	-	100%	-
Owned by REN Gás Distribuição SGPS S.A.:					
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Distribution of natural gas	100%	-	100%	-
Owned by REN Portgás Distribuição, S.A. .:					
REN Portgás GPL, S.A. Rua Linhas de Torres, 41 - Porto	The commercialization of energy in the form of liquefied petroleum gas, propane or other	-	-	100%	-

Changes in the consolidation perimeter for the year ended December 31, 2018

REN sold the liquefied petroleum gas (LPG) business to ENERGYCO II, S.A. on July 2, 2018. Additionally, on November 21, 2018, REN PRO, S.A., a company fully owned by REN, was incorporated. These are the two changes to the consolidation perimeter in 2018 compared to that reported on December 31, 2017, being the most relevant change related to the sale of the liquefied petroleum gas (LPG) business for the amount of 4,030 thousand Euros (Note 26).

7. 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, the distribution of natural gas in low and medium pressure 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 the same users and they are complementary services, 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 year ended 31 December 2018 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**353,102**	**218,355**	**6,137**	**38,779**	**(48,884)**	**567,487**
Inter-segments	1,649	10,313	-	36,923	(48,884)	-
Revenues from external customers	351,453	208,042	6,137	1,856	-	567,487
Revenue from construction of concession assets	85,608	36,167	-	-	-	121,775
Cost with construction of concession assets	(70,871)	(31,479)	-	-	-	(102,351)
Gains / (losses) from associates and joint ventures	-	-	-	5,787	-	5,787
Personnel costs	(50,534)	(45,277)	(3,201)	(15,648)	55,908	(58,752)
Employee compensation and benefit expense	(19,745)	(12,227)	(283)	(23,032)	-	(55,287)
Other expenses and operating income	15,625	6,147	(43)	197	(7,024)	14,902
Operating cash flow	**313,185**	**171,686**	**2,610**	**6,082**	**-**	**493,562**
Investment income - dividends	-	-	-	6,423	-	6,423
Non reimbursursable expenses						
Depreciation and amortizations	(155,472)	(79,362)	(28)	(193)	-	(235,055)
Provisions	(408)	(12)	-	119	-	(301)
Impairments	-	(268)	-	(378)	-	(647)
Financial results						
Financial income	633	11,207	29	150,866	(157,609)	5,125
Financial costs	(44,338)	(27,802)	-	(155,126)	157,609	(69,656)
Profit before income tax and ESEC	**113,600**	**75,449**	**2,610**	**7,793**	**-**	**199,453**
Income tax expense	(36,135)	(19,959)	(618)	(1,760)	-	(58,471)
Energy sector extraordinary contribution (ESEC)	(18,004)	(7,263)	-	-	-	(25,267)
Profit for the year	**59,461**	**48,227**	**1,992**	**6,034**	**-**	**115,715**

Results by segment for the year ended 31 December 2017 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**381,257**	**177,139**	**5,222**	**36,600**	**(38,722)**	**561,496**
Inter-segments	497	3,711	61	34,453	(38,722)	-
Revenues from external customers	380,760	173,428	5,160	2,147	-	561,496
Revenue from construction of concession assets	134,800	19,852	-	-	-	154,651
Cost with construction of concession assets	(119,700)	(16,983)	-	-	-	(136,683)
Gains / (losses) from associates and joint ventures	-	-	-	5,749	-	5,749
Personnel costs	(49,614)	(31,673)	(1,651)	(17,467)	44,987	(55,418)
Employee compensation and benefit expense	(20,135)	(8,818)	(279)	(22,042)	-	(51,275)
Other expenses and operating income	16,413	1,702	(29)	(67)	(6,265)	11,754
Operating cash flow	**343,021**	**141,219**	**3,262**	**2,773**	**-**	**490,274**
Investment income - dividends	-	-	-	6,268	-	6,268
Non reimbursursable expenses						
Depreciation and amortizations	(157,036)	(64,738)	(22)	(195)	-	(221,991)
Provisions	(498)	(133)	-	(642)	-	(1,273)
Impairments	(652)	74	-	(377)	-	(955)
Financial results						
Financial income	750	9,734	28	150,211	(155,362)	5,360
Financial costs	(58,209)	(22,139)	-	(148,438)	155,362	(73,424)
Profit before income tax and ESEC	**127,376**	**64,016**	**3,268**	**9,600**	**-**	**204,259**
Income tax expense	(32,277)	(17,830)	(791)	(1,637)	-	(52,536)
Energy sector extraordinary contribution (ESEC)	(18,362)	(7,435)	-	-	-	(25,798)
Profit for the year	**76,736**	**38,751**	**2,477**	**7,963**	**-**	**125,925**

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 at 31 December 2018 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	1,048,895	-	1,806,895	(2,855,790)	-
Property, plant and equipment and intangible assets	2,556,204	1,636,523	48	404	-	4,193,180
Other assets	542,992	537,379	7,618	6,374,865	(6,464,460)	998,394
Total assets	**3,099,196**	**3,222,798**	**7,666**	**8,182,164**	**(9,320,250)**	**5,191,574**
Total liabilities	**2,398,236**	**1,509,250**	**3,940**	**6,280,771**	**(6,464,460)**	**3,727,737**
Capital expenditure - total	**85,608**	**36,167**	**-**	**173**	**-**	**121,948**
Capital expenditure - property, plant and equipment (Note 8)	-	-	-	173	-	173
Capital expenditure - intangible assets (Note 8)	85,608	36,167	-	-	-	121,775
Investments in associates (Note 10)	-	-	-	165,207	-	165,207
Investments in joint ventures (Note 10)	-	-	-	2,635	-	2,635

Assets and liabilities by segment at 31 December 2017 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	1,036,482	-	1,754,181	(2,790,663)	-
Property, plant and equipment and intangible assets	2,627,875	1,537,819	60	503	143,386	4,309,644
Other assets	621,858	690,228	6,619	6,098,689	(6,362,361)	1,055,032
Total assets	**3,249,733**	**3,264,528**	**6,680**	**7,853,373**	**(9,009,638)**	**5,364,676**
Total liabilities	**2,582,858**	**1,670,210**	**2,593**	**6,008,028**	**(6,328,202)**	**3,935,487**
Capital expenditure - total	**134,891**	**20,090**	**-**	**286**	**-**	**155,267**
Capital expenditure - property, plant and equipment (Note 8)	-	330	-	286	-	616
Capital expenditure - intangible assets (Note 8)	134,891	19,760	-	-	-	154,651
Investments in associates (Note 10)	-	-	-	159,216	-	159,216
Investments in joint ventures (Note 10)	-	-	-	2,811	-	2,811

The liabilities included in the segment "Others" are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, BV 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 eliminations of the inter-segment transactions.

8. Tangible and intangible assets

The changes in tangible and intangible assets in the in the year ended 31 December 2018 were as follows:

	1 January 2018			Changes					31 December 2018		
	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	259	(107)	152	-	(152)	-	-	-	107	(107)	-
Transport equipment	1,112	(365)	748	138	(242)	-	(360)	153	1,008	(572)	437
Office equipment	1,791	(386)	1,405	35	(1,422)	-	(44)	142	404	(288)	116
Property, plant and equipment in progress	27	(14)	13	-	-	-	(5)	-	27	(19)	8
Assets in progress	910	-	910	-	(910)	-	-	-	-	-	-
	4,099	**(871)**	**3,227**	**173**	**(2,726)**	**-**	**(409)**	**295**	**1,546**	**(985)**	**561**

	1 January 2018			Changes					31 December 2018		
	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
Intangible assets:											
Concession assets	8,072,173	(3,838,256)	4,233,918	4,158	(1,311)	86,146	(234,646)	(524)	8,161,166	(4,073,426)	4,087,740
Concession assets in progress	72,499	-	72,499	117,617	910	(86,146)	-	-	104,880	-	104,880
	8,144,672	**(3,838,256)**	**4,306,417**	**121,775**	**(401)**	**-**	**(234,646)**	**(524)**	**8,266,046**	**(4,073,426)**	**4,192,619**
Total of property, plant and equipment and intangible assets	**8,148,770**	**(3,839,128)**	**4,309,644**	**121,948**	**(3,127)**	**-**	**(235,055)**	**(229)**	**8,267,591**	**(4,074,411)**	**4,193,180**

The changes in tangible and intangible assets in the in the year ended 31 December 2017 were as follows:

	January 2017			Changes						December 2017		
	Cost	Accumulated depreciation	Net book value	Fair 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)	-	156	-	-	-	(4)	-	259	(107)	152
Transport equipment	931	(453)	479	393	227	(439)	-	(235)	323	1,112	(365)	748
Office equipment	299	(217)	81	1,297	65	(8)	138	(177)	8	1,791	(386)	1,405
Property, plant and equipment in progress	27	(9)	18	-	-	-	-	(5)	-	27	(14)	13
Assets in progress	-	-	-	724	324	-	(138)	-	-	910	-	910
	1,360	**(782)**	**578**	**2,570**	**616**	**(447)**	**-**	**(421)**	**331**	**4,099**	**(871)**	**3,227**

	January 2017			Changes						December 2017		
	Cost	Accumulated depreciation	Net book value	Fair value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Intangible assets:												
Concession assets	7,365,215	(3,618,333)	3,746,882	542,219	6,599	(2,436)	160,576	(221,570)	1,646	8,072,173	(3,838,256)	4,233,918
Concession assets in progress	78,831	-	78,831	6,192	148,052	-	(160,576)	-	-	72,499	-	72,499
	7,444,045	**(3,618,333)**	**3,825,712**	**548,411**	**154,651**	**(2,436)**	**-**	**(221,570)**	**1,646**	**8,144,672**	**(3,838,256)**	**4,306,417**
Total of property, plant and equipment and intangible assets	**7,445,405**	**(3,619,115)**	**3,826,290**	**550,981**	**155,267**	**(2,883)**	**-**	**(221,991)**	**1,978**	**8,148,770**	**(3,839,128)**	**4,309,644**

The main additions verified in the periods ended 2018 and 2017 are made up as follows:

	2018	2017
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	24,108	12,660
Power line construction (400 KV)	13,394	49,317
Construction of new substations	290	6,671
Substation Expansion	29,906	38,071
Other renovations in substations	5,460	4,428
Telecommunications and information system	5,807	7,390
Pilot zone construction - wave energy	208	205
Buildings related to concession	2,702	13,472
Other assets	3,733	2,676
Gas segment		
Expansion and improvements to gas transmission network	6,362	8,228
Construction project of cavity underground storage of natural gas in Pombal	1,703	1,586
Construction project and operating upgrade - LNG facilities	3,277	4,416
Natural gas distribution projects	24,825	5,859
Others segment		
Other assets	173	286
Total of additions	**121,948**	**155,267**

The main transfers that were concluded and began activity during the periods ended 2018 and 2017 are made up as follows:

	2018	2017
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	12,610	12,607
Power line construction (400 KV)	1,957	51,149
Substation Expansion	26,221	49,763
Other renovations in substations	3,965	5,155
Telecommunications and information system	5,153	7,623
Buildings related to concession	1,442	13,803
Other assets under concession	1,215	1,491
Gas segment:		
Expansion and improvements to natural gas transmission network	4,724	7,931
Construction project of cavity underground storage of natural gas in Pombal	1,734	1,269
Construction project and operating upgrade - LNG facilities	3,556	4,410
Natural gas distribution projects	23,570	5,512
Total of transfer	**86,146**	**160,714**

The intangible assets in progress at 31 December 2018 and 2017 are as follows:

	2018	2017
Electricity segment:		
Power line construction (150KV/220KV e 400KV)	50,298	27,363
Substation Expansion	32,015	26,785
New substations projects	6,113	5,823
Buildings related to concession	2,006	796
Other projects	1,700	710
Gas segment:		
Expansion and improvements to natural gas transmission network	6,906	6,047
Construction project of cavity underground storage of natural gas in Pombal	2,350	2,490
Construction project and operating upgrade - LNG facilities	106	403
Natural gas distribution projects	3,386	2,082
Total of assets in progress	**104,880**	**72,499**

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2018 amounted to 2,017 thousand Euros (2,703 thousand Euros in 2017), while overhead and management costs capitalized amounted to 17,408 thousand Euros (15,265 thousand Euros in 2017) (Note 25). The average rate of the financial costs capitalized was of 0.1964%.

The net book value of the intangible assets acquired through finance lease contracts at 31 December 2018 and 2017 was as follows::

	2018	2017
Cost	6,525	6,517
Accumulated depreciation and amortization	(2,481)	(2,624)
Net book value	**4,044**	**3,893**

9. Goodwill

Goodwill represents the difference between the amount paid for the acquisition and the net assets fair value of the companies acquired, with reference to the acquisition date, and at 31 December 2018 and 2017 is detailed as follows:

Subsidiaries	Year of acquisition	Acquisition cost	%	2018	2017
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	2,642	3,020
REN Gás Distribuição SGPS, S.A.	2017	503,015	100%	1,235	16,082
				3,877	**19,102**

The movement in the Goodwill caption for the years ended 31 December 2018 was:

Subsidiaries	At 1 January 2017	Increases	Decreases	At 31 December 2017	Increases	Decreases	Correction to purchase price	At 31 December 2018
REN Atlântico, Terminal de GNL, S.A.	3,397	2,642	(377)	5,662	2,642	(377)	-	2,642
REN Gás Distribuição SGPS, S.A.	-	16,082	-	16,082	-	-	(14,847)	1,235
	3,397	**18,724**	**(377)**	**21,744**	**2,642**	**(377)**	**(14,847)**	**3,877**

On 4 October 2017, the Group, through its subsidiary REN Gás, S.A. acquired to EDP Iberia, S.L.U. the total share capital of EDP Gás, SGPS, S.A. (renamed REN Gás Distribuição, SGPS, S.A. after the acquisition) and its subsidiaries, EDP Gás Distribuição, S.A. (renamed REN Portgás Distribuição, S.A. after the acquisition) and EDP Gás GPL — Comércio de Gás de Petróleo Liquefeito, S.A. (renamed REN Portgás GPL, S.A. after the acuisition). The acquisition price, with reference to 4 October 2017, amounted to 530,508 thousand Euros.

The acquisition agreement indicated considers corrections to the acquisition price within the scope of REN Portgás Distribuição, S.A. Based on its best estimate at the acquisition date, the Board of Directors of REN recorded these contingent components of the price at their fair value, as follows: (i) record of an account receivable in the amount of 1,354 thousand Euros, arising from future obligations to return tariff deviations related with periods prior to 2012, which will be reimbursed by REN EDP Iberia, S.L.U. to REN; and (ii) record of an account receivable in the amount of 11,292 thousand Euros, due to estimated obligations resulting from the payment in 2017, 2018 and 2019, of the Extraordinary Contribution of the Energy Sector (ECES) that will be reimbursed by EDP Iberia, S.L.U. to REN.

The acquisition price allocation (PPA) was recorded provisionally on December 31, 2017, resulting in a Goodwill in the amount of 16,082 thousand Euros.

During the year ended December 31, 2018, the Group recorded the acquisition price allocation (PPA), as a result of the receipt of (i) the amount of 215 thousand Euros due to Leakages and (ii) the amount of 741 thousand Euros, as a result of adjustments to the Price of the Share by EDP Iberia, SLU and also as a result of the acquisition agreement for the Company, amounting to 13,891 thousand Euros, related to a liability that will be reimbursed by EDP Iberia, S.L.U.. These allocations to the acquisition price generated a recognition of a Goodwill as detailed below:

Acquisition value	530,508
Corrections to purchase price	(27,493)
Acquisition price corrected	503,015
Fair value of assets acquired and liabilities assumed	501,780
Goodwill	(1,235)

Impairment test of Goodwill – REN Atlântico, Terminal de GNL, S.A.

REN made the impairment test of goodwill at 31 December 2018 and 2017, at the cash generating unit level to which REN Atlântico belongs. The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2018 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 6.1% (post-tax discount rate of 4.5%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	6.1% (pre-tax) 4.5% (post-tax)

In accordance with the assumptions considered and of the analysis of the Group an impairment loss in the amount of 377 thousand Euros.

Impairment test of Goodwill – REN Portgás Distribuição, S.A.

REN made the impairment test of goodwill at 31 December 2018, at the cash generating unit level to which REN Portgás Distribuição, S.A belongs. The business of the company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 30 years and 3 months beginning on October 2017), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 4.9% (post-tax discount rate of 3.5%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Portgás Distribuição, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	4.9% (pre-tax) 3.5% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) considering an increase of 50 basis points and the RoR rate after 2018 considering an increase of 50 basis points; and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

10. Investments in associates and join ventures

At 31 December 2018 and 2017, the financial information regarding the financial interest held is as follows:

			31 December 2018											
	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	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	1,179	26,180	353	-	1,117	(1,360)	27,006	25,646	40	9,817	(531)
Electrogas, S.A.	Gas Transportation	Chile	18,573	6,178	44,843	5,834	11,069	30,695	15,764	34,118	49,882	42.5	155,390	6,495
													165,207	**5,964**
Joint venture:														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,015	83	806	16	1,447	(353)	5,276	4,923	50	2,635	(176)
													167,841	**5,787**

			31 December 2017											
	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	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	480	26,467	561	-	1,488	(1,103)	26,387	25,284	40	10,348	(1,317)
Electrogas, S.A.	Gas Transportation	Chile	17,732	6,456	46,773	6,227	13,220	31,129	16,062	33,782	49,844	42.5	148,868	7,247
													159,216	**5,930**
Joint venture:														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	5,841	572	764	20	1,453	(360)	5,623	5,263	50	2,811	(180)
													162,027	**5,749**

Associates

The changes in the caption "Investments in associates" during the period ended at 31 December 2018 and 2017 was as follows:

Investments in associates	
At 1 de january de 2017	**11,666**
Acquisition of the participation of Electrogas	169,285
Effect of applying the equity method	5,930
Dividends of Electrogas	(9,497)
Changes in equity	(18,239)
Others	73
At 31 December 2017	**159,216**
Effect of applying the equity method	5,964
Changes in equity	6,914
Dividends of Electrogas	(6,917)
Others	29
At 31 December 2018	**165,207**

In the year ended December 31, 2017, the Group acquired a 42.5% interest in the share capital of the Chilean company - Electrogas S.A., for 169,285 thousand Euros. This company owns a pipeline in the central zone of Chile with 165.6 km of length. It is a pipeline of great relevance in the country, linking the regasification terminal of Quintero to Santiago (the capital and largest Chilean population center) and Valparaiso (one of Chile's most important ports). The company's corporate purpose is to provide transportation services for natural gas and other fuels.

The total amount of dividends recognized as associates during the year ended 31 December 2018 was 6,917 thousand Euros, of which 6,604 thousand Euros were received and included in the Cash Flow Statement.

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application. This participation is recorded as an Associate.

Joint ventures

The movement in the caption “Investments in joint ventures” during the year ended 31 December 2018 and 2017 was as follows:

Investments in joint ventures	
At 1 January 2017	**2,991**
Effect of applying the equity method	(180)
At 31 December 2017	**2,811**
Effect of applying the equity method	(176)
At 31 December 2018	**2,635**

Following a joint agreement of technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), in May 2013 an R&D centre in Portugal dedicated to power systems designed – Centro de Investigação em Energia REN – STATE GRID, SA ("Centro de Investigação") was incorporated, being jointly controlled by the above mentioned two entities.

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

At 31 December 2018 and 2017 the financial information of the joint venture was as follows:

	31 December 2018					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,201	6	16	(493)	(1)	(7)

	31 December 2017					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,025	10	20	(568)	(1)	2

11. Income tax

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all companies located in Portugal that REN detains directly or indirectly ate least 75% of the share capital, which should give at more than 50% of the 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. Consequently, the Company's tax returns for the years from 2015 to 2018 are still subject to review.

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 31 December 2018 and 2017.

In 2018 the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2018, the computation of the deferred taxes, was updated in accordance with Law 71/2018, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2019.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2018, was updated for each Company included in the consolidation perimeter, using the average tax rate expected in accordance with future perspective of taxable profits of each company recoverable in the next periods.

Income tax of the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Current income tax	50,405	91,404
Adjustaments of income tax from previous years	(1,473)	(2,903)
Deferred income tax	9,540	(35,965)
Income tax	**58,471**	**52,536**

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

	2018	2017
Consolidated profit before income tax	**199,453**	**204,259**
Permanent differences:		
Positive / (negative) equity variation	3,490	-
Non deductible costs	1,907	1,131
Non taxable income	1,873	(5,647)
Timing differences:		
Tariff deviations	(45,555)	119,456
Provisions and impairment	(178)	639
Revaluations	(2,464)	4,325
Pension, helthcare assistence and life insurance plans	(4,421)	(5,213)
Derivative financial instruments	3	(14)
Others	(50)	84
Taxable income	**154,059**	**319,019**
Income tax	31,326	66,514
State surcharge tax	15,100	19,420
Municipal surcharge	3,297	4,857
Autonomous taxation	681	613
Current income tax	**50,405**	**91,404**
Deferred income tax	9,540	(35,965)
Adjustments of income tax from previous years	(1,473)	(2,903)
Income tax	**58,471**	**52,536**
Effective tax rate	**29.3%**	**25.7%**

Income tax

The caption "Income tax" payable and receivable at 31 December 2018 and 2017 is made up as follows:

	2018	2017
Income tax:		
Corporate income tax - estimated tax	(50,405)	(91,404)
Corporate income tax - payments on account	85,367	63,790
Income withholding tax by third parties	895	1,137
Income recoverable / (payable)	(487)	(3,480)
Income tax recoverable	**35,371**	**(29,957)**

Deferred taxes

The effect of the changes in the deferred tax captions in the years presented was as follows:

	2018	2017
Impact on the statement of profit and loss:		
Deferred tax assets	(1,833)	21,563
Deferred tax liabilities	(7,706)	14,402
	(9,540)	**35,965**
Impact on equity:		
Deferred tax assets	(3,310)	(797)
Deferred tax liabilities	(6,404)	(1,328)
	(9,714)	**(2,125)**
Net impact of deferred taxes	**(19,254)**	**33,840**

The changes in deferred tax by nature were as follows:

Change in deferred tax assets – December 2018

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2018	**2,886**	**36,506**	**36,227**	**928**	**21,117**	**74**	**97,737**
Perimeter changes	(4)	-	-	-	(94)	-	(98)
Increase/decrease through reserves	-	(5,546)	-	492	-	1,744	(3,310)
Reversal through profit and loss	(64)	(1,558)	(15)	(161)	(2,662)	-	(4,461)
Increase through profit and loss	-	-	2,410	1	-	217	2,627
Change in the period	**(68)**	**(7,104)**	**2,394**	**331**	**(2,756)**	**1,961**	**(5,242)**
At 31 December 2018	**2,818**	**29,403**	**38,621**	**1,259**	**18,360**	**2,034**	**92,495**

Change in deferred tax assets – December 2017

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2017	**1,901**	**36,433**	**11,679**	**3,687**	**8,962**	**162**	**62,825**
Perimeter changes	727	61	713	-	12,752	(108)	14,145
Increase/decrease through reserves	-	308	-	(1,105)	-	-	(797)
Reversal through profit and loss	(64)	(296)	(102)	(1,655)	(591)	(13)	(2,721)
Increase through profit and loss	321	-	23,936	-	(6)	33	24,284
Change in the period	**984**	**73**	**24,547**	**(2,760)**	**12,155**	**(88)**	**34,911**
At 31 December 2017	**2,886**	**36,506**	**36,227**	**928**	**21,117**	**74**	**97,737**

Deferred tax assets at 31 December 2018 correspond essentially to: (i) to liabilities for benefit plans granted to employees; (ii) tariff deviations liabilities to be settled in subsequent years; and (iii) revalued assets.

Revalued assets

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand Euros as deferred tax assets.

In the period ended 31 December 2016, the caption of revalued assets refers to the net effect of the tax revaluation of eligible assets, pursuant to Decree-Law no. 66/2016, of 3 November, which led to an increase in its tax base of 46,137 thousand Euros. As a result, REN Portgás recognized deferred tax assets of 12,593 thousand Euros, which will be recovered by tax deduction from the revaluation reserve inherent to revalued assets, to be amortized over 8 years from 2018. The tax revaluation reserve was taxed in 2016 at a rate of 14% (the amount calculated is settled in three equal installments, with the first due on 20 December 2016, the second due on 15 December 2017 and the third will expire on 15 December 2018).

Evolution of deferred tax liabilities – December 2018

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2018	**26,639**	**22,856**	**39,240**	**10,790**	**9**	**99,534**
Increase/decrease through equity	-	-	-	2,136	4,268	6,404
Reversal trough profit and loss	-	(1,458)	(1,385)	-	(595)	(3,439)
Increase through profit and loss	11,145	-	-	-	-	11,145
Change in the period	**11,145**	**(1,458)**	**(1,385)**	**2,136**	**3,673**	**14,110**
At 31 December 2018	**37,784**	**21,398**	**37,855**	**12,926**	**3,682**	**113,644**

Evolution of deferred tax liabilities – December 2017

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2017	**38,878**	**24,688**	**-**	**9,461**	**-**	**73,027**
Perimeter changes	-	-	39,567	-	12	39,579
Increase/decrease through equity	-	-	-	1,328	-	1,328
Reversal trough profit and loss	(12,240)	(1,832)	(327)	-	(3)	(14,402)
Change in the period	**(12,240)**	**(1,832)**	**39,240**	**1,328**	**9**	**26,505**
At 31 December 2017	**26,639**	**22,856**	**39,240**	**10,790**	**9**	**99,534**

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 66/2016
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	

12. Financial assets and liabilities

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

2018

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Fair value - Equity instruments through other comprehensive income	Other financial assets/liabilities	Total carrying amount	Fair value
Assets								
Cash and cash equivalents	17	-	-	-	-	35,735	35,735	35,735
Trade and other receivables	14	477,372	-	-	-	-	477,372	477,372
Other financial assets		-	-	-	-	45	45	45
Investments in equity instruments at fair value through other comprehensive income	13	-	-	-	162,552	-	162,552	162,552
Income tax receivable	11	35,371	-	-	-	-	35,371	35,371
Derivative financial instruments	16	-	21,010	-	-	-	21,010	21,010
		512,743	**21,010**	**-**	**162,552**	**35,780**	**732,086**	**732,086**
Liabilities								
Borrowings	20	-	-	-	-	2,706,340	2,706,340	2,765,151
Trade and other payables	23	-	-	-	-	515,196	515,196	515,196
Drivative financial instruments	16	-	10,877	2,076	-	-	12,952	12,952
		-	**10,877**	**2,076**	**-**	**3,221,536**	**3,234,489**	**3,293,299**

2017

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Fair value - Equity instruments through other comprehensive income	Other financial assets/liabilities	Total carrying amount	Fair value
Assets								
Cash and cash equivalents	17	-	-	-	-	61,458	61,458	61,458
Trade and other receivables	14	547,377	-	-	-	-	547,377	547,377
Other financial assets		-	-	-	-	27	27	27
Investments in equity instruments at fair value through other comprehensive income	13	-	-	-	156,439	-	156,439	156,439
Derivative financial instruments	16	-	7,907	-	-	-	7,907	7,907
		547,377	**7,907**	**-**	**156,439**	**61,485**	**773,208**	**773,208**
Liabilities								
Borrowings	20	-	-	-	-	2,829,726	2,829,726	2,764,868
Trade and other payables	23	-	-	-	-	552,672	552,672	552,672
Income tax payable	11	29,957	-	-	-	-	29,957	29,957
Drivative financial instruments	16	-	6,960	-	-	-	6,960	6,960
		29,957	**6,960**	**-**	**-**	**3,382,398**	**3,419,315**	**3,354,457**

Loans obtained, as mentioned in Note 3.6 are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) 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 -0.363% and 1.010% (maturities of one day and fifteen years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2018 is 2,765,151 thousand Euros (at 31 December 2017 was 2,764,868 thousand Euros), of which 406,336 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from movements in interest rates (at 31 December 2017 was 403,689 thousand Euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2018 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;
- 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.

		2018				2017			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:									
Investments in equity instruments at fair value through other comprehensive income	Shares	105,562	53,409	-	158,971	101,311	51,591	-	152,902
Financial assets at fair value	Cash flow hedge derivatives	-	10,940	-	10,940	-	724	-	724
Financial assets at fair value	Fair value hedge derivatives	-	10,070	-	10,070	-	7,183	-	7,183
		105,562	**74,419**	-	**179,981**	**101,311**	**59,498**	-	**160,809**
Liabilities:									
Financial liabilities at fair value	Loans	-	406,336	-	406,336	-	403,689	-	403,689
Financial liabilities at fair value	Cash flow hedge derivatives	-	10,877	-	10,877	-	6,109	-	6,109
Financial liabilities at fair value through profit and loss	Trading derivatives	-	2,076	-	2,076	-	851	-	851
		-	**419,288**	-	**419,288**	-	**410,649**	-	**410,649**

During the year ended 31 December 2018 the company proceeded to a valuation of the financial interests held in Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an available-for-sale financial asset (Note 13). The fair value of this asset reflects its current exit selling price. This price was determined on the basis of revenue approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable in the market. The fair value of this share amounts to 53,409 thousand Euros in the year ended on 31 December 2018.

Quality of financial assets

The credit quality of the financial assets that have not yet matured or are impaired can be valued by reference to external credit ratings disclosed by Standard & Poor's or historical information about the entities to which they refer:

	2018	2017
Trade and other receivables		
BBB-	13,210	191,858
Others without rating	464,162	355,519
	477,372	**547,377**
Cash and cash equivalents		
A+ to A-	37	47
BBB+ to BBB-	2,182	5,334
Until BB+	33,498	56,063
Without rating	17	14
	35,735	**61,458**

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorised distributors in each of the businesses, such as EDP, GALP and some European distributors.

Overdue credits or with impairment at 31 December 2018 are as follows:

i. Trade and other receivables include 2,942 thousand Euros (Note 14) which have been adjusted for impairment;

ii. There are some aged receivables relating to transactions with EDP group companies, for which the credit risk is considered as nil.

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 which 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.

13. Investments in equity instruments at fair value through other comprehensive income

The assets recognised in this caption at 31 December 2018 and 2017 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	2018	2017
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	105,562	101,311
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	53,409	51,591
Coreso, S.A.	Brussels	Belgium	7.90%	164	164
MIBGAS, S.A.	Madrid	Spain	6.67%	202	202
MIBGÁS Derivatives, S.A.	Madrid	Spain	9.70%	48	-
Others	-	-	-	-	5
				162,552	**156,439**

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	Others	Total
At 1 January 2017	**3,167**	**49,516**	**97,060**	**173**	**202**	**-**	**-**	**150,118**
Perimeter changes	-	-	-	-	-	-	5	5
Fair value adjustments	-	2,075	4,251	-	-	-	-	6,325
Disposals	-	-	-	(9)	-	-	-	(9)
At 31 December 2017	**3,167**	**51,591**	**101,311**	**164**	**202**	**-**	**5**	**156,439**
At 1 January 2018	**3,167**	**51,591**	**101,311**	**164**	**202**	**-**	**5**	**156,439**
Acquisitions	-	-	-	-	-	48	-	48
Fair value adjustments	-	1,818	4,251	-	-	-	-	6,069
Others	-	-	-	-	-	-	(5)	(5)
At 31 December 2018	**3,167**	**53,409**	**105,562**	**164**	**202**	**48**	**-**	**162,552**

Red Eléctrica Corporácion, S.A. ("REE") is the transmission system operator of electricity in Spain. The Group 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 31 December 2018.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA ("HCB"), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública - Participações Públicas, SGPS, SA, CEZA - Companhia Eléctrica do Zambeze, SA and EDM - Electricidade de Moçambique, EP. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Nota 12).

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 executes operational planning activities since several days before until near real time.

On 31 December 2018, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016, a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade – OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand Euros.

On December 31, 2018, REN also holds a 9.70% financial interest, acquired for the amount of 48 thousand Euros, of the share capital of MIBGÁS Derivatives, SA, the management company of the organized futures market natural gas, spot products of liquefied natural gas and spot products in underground storage in the Iberian Peninsula.

As there are no available market price for these investments (OMEL, MIBGÁS, MIBGÁS Derivatives and Coreso) and as it is not possible to determine the fair value of the period using comparable transactions, these investments are recorded at acquisition deducted of impairment losses, as describe in Note 3.6.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso, MIBGÁS and MIBGÁS Derivatives at 31 December 2018.

REN Portgás holds other financial interests, which are recorded at the acquisition cost in the amount of 29 thousand Euros, deducted of impairment losses, with a net value of zero thousand Euros.

Name
PRIMUS MGV - Promoção e Desenv.. Regional, S.A.
ADRAVE - Ag. Desenv. Reg-do Vale do Alve, S.A.
AREALIMA - Ag. Reg. Energia e Amb. Vale Lima
ADEPORTO - Agência de Energia do Porto

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve". This caption at 31 December 2018 and 2017 is made up as follows:

	Fair value reserve (Note 19)
1 January 2017	**48,781**
Changes in fair value	6,325
Tax effect	(1,328)
31 December 2017	**53,778**
1 January 2018	**53,778**
Changes in fair value	6,069
Tax effect	(2,136)
31 December 2018	**57,711**

In the year ended 31 December 2018 the total amount of associated companies' dividends recognized in the consolidated statement of profit and loss amounted to 6,423 thousand Euros, of which 6,201 thousand Euros were included in the cash flows statement.

The detail of dividends by entity is as follows:

	2018	2017
Red Electrica Corporación, S.A. ("REE")	5,072	4,740
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	1,260	1,472
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	91	55
	6,423	**6,268**

14. Trade and other receivables

Trade and other receivables at 31 December 2018 and 2017 are made up as follows:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	294,602	6,005	300,607	396,558	4,168	400,726
Impairment of trade receivables	(2,942)	-	(2,942)	(3,043)	-	(3,043)
Trade receivables net	**291,660**	**6,005**	**297,665**	**393,515**	**4,168**	**397,683**
Tariff deviations	116,561	44,241	160,802	102,999	2,359	105,358
State and Other Public Entities	18,904	-	18,904	44,336	-	44,336
Trade and other receivables	**427,125**	**50,246**	**477,372**	**540,849**	**6,528**	**547,377**

The most relevant balances included in the trade receivables caption as of 31 December 2018 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 80,037 thousand Euros (83,176 thousand Euros at 31 December 2017); (ii) the receivable of Galp Gás Natural, S.A., in the amount of 11,547 thousand Euros (24,119 thousand Euros at 31 December 2017); and (iii) the amount of 31,638 thousand Euros, as defined 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 amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 22,722 thousand Euros (28,374 thousand Euros at 31 December 2017) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 7,975 thousand Euros (5,567 thousand Euros at 31 December 2017) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23). This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

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

	2018	2017
Begining balance	(3,043)	(843)
Perimeter changes	453	(1,622)
Increases	(352)	(690)
Reversing	-	112
Ending balance	**(2,942)**	**(3,043)**

The ageing of trade receivables, net of impairment, is as follows::

	2018	2017
Not due and due up to 30 days	272,828	384,671
31-60 days	6,943	496
61-90 days	896	504
91-120 days	520	93
More than 120 days	16,478	11,920
	297,665	**397,683**

15. Inventories

Inventories at 31 December 2018 and 2017 are made up as follows:

	2018	2017
Goods	934	1,154
Other materials	1,167	1,809
Inventories adjustment	(5)	(5)
Inventories	**2,095**	**2,958**

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand Euros.

The cost of goods sold and materials consumed, recognized in the year ended 31 December 2018 and 2017, is detailed as follows:

	2018	2017
Opening balance	2,958	1,028
Acquisitions	594	1,412
Changes in the perimeter	-	1,132
Closing balance	2,095	2,958
Cost of goods sold and materials consumed	**1,456**	**613**

16. Derivative financial instruments

At 31 December 2018 and 2017 the REN Group had the following derivative financial instruments contracted:

		31 December 2018			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	10,877
Interest rate and currency swaps	72,899 TEUR	-	10,940	-	-
		-	**10,940**	**-**	**10,877**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	10,070	-	-
		-	**10,070**	**-**	**-**
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	2,076
		-	**-**	**-**	**2,076**
Derivative financial instruments		**-**	**21,010**	**-**	**12,952**

		31 December 2017			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	300,000 TEUR	-	-	-	6,109
Interest rate and currency swaps	72,899 TEUR	-	724	-	-
		-	**724**	**-**	**6,109**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	7,183	-	-
		-	**7,183**	**-**	**-**
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	851
		-	**-**	**-**	**851**
Derivative financial instruments		**-**	**7,907**	**-**	**6,960**

The valuation of the derivatives financial instruments portfolio is based on fair value valuations made by external entities.

The amount recorded in this caption relates to interest rate swaps and cross currency swap, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates (Note 4.1), whose counterpart are financial foreign and national entities financial entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 31 December 2018 relating to these derivatives financial instruments, in the total net amount of 2,136 thousand Euros (2,119 thousand Euros receivable as of 31 December 2017).

The main features of the derivatives financial instruments contracted associated with financing operations at 31 December 2018 and 2017 are detailed as follows:

	Notional	REN pays	REN receives	Maturity	Fair value at 31 December 2018	Fair value at 31 December 2017
Cash flow hedge:						
Interest rate swaps	600,000 TEuros	[0.75%;0.751%]	[-0.311%;0.00%] - Floating Rates	[Dec-2024; Feb-2025]	(10,877)	(6,109)
Interest rate and currency swaps	72,899 TEUR	5.64% (floating rate starting 2019)	2.71%	2024	10,940	724
					64	**(5,385)**
Fair value hedge:						
Interest rate swaps	400,000 TEuros	[-0.266%;0.066%] - floating rates	[0.611%; 1.724%]	[Oct-2020; Feb-2025]	10,070	7,183
					10,070	**7,183**
Trading:						
Interest rate swaps	60,000 TEUR	Floating rates, to be determined in the future	[0.00%;0.99%]	2024	(2,076)	(851)
					(2,076)	**(851)**
				Total	**8,058**	**947**

The periodicity of paid and received flows of the derivative financial instruments portfolio is quarterly and semi-annual contracts to the cash flow hedge contracts and biannual and annual basis for derivative designated as a fair value hedge.

The detail of the notional reference of cash flows and fair value hedge derivatives is presented in the following table:

2018

	2019	2020	2021	2022	2023	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	-	600,000	**600,000**
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	**-**	**100,000**	**-**	**-**	**-**	**1,032,899**	**1,132,899**

2017

	2018	2019	2020	2021	2022	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	-	300,000	**300,000**
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	**-**	**-**	**100,000**	**-**	**-**	**732,899**	**832,899**

Swaps:

Cash flow hedges

The Group hedges part of its future payments of interests on borrowings and bond issues through the designation of interest rate swaps, on which REN pays a fixed rate and receives a variable rate.

As of 31 December 2018, the Group contracted two new cash flow hedges in the amount of 300,000 thousand Euros, having the notional amount of derivatives increased to 600,000 thousand Euros (300,000 thousand Euros as of 31 December 2017). This is a hedge of the interest rate risk associated with variable interest payments arising from recognized financial liabilities. The hedged risk is the index of the variable rate to which the interest of the financing is associated. The objective of this hedge is to transform floating interest rate loans into fixed interest rates, and credit risk is not being hedged. The fair value of interest rate swaps at 31 December 2018 is negative 10,877 thousand Euros (at 31 December 2017, 6,109 thousand Euros negative).

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. The changes in the fair value of the hedging instrument are also recognized in hedging reserves. As from June 2019 the object will be to hedge exposure to JPY and the interest rate risk, transforming the operation into a fair value hedge, the changes in fair value of the debt issued resulting from the risks covered becoming 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 fair value of the cross currency swap at 31 December 2018 was 10,940 thousand Euros positive (724 thousand Euros positive at 31 December 2017).

The underlying foreign exchange change (borrowing) for 2018, in the amount of, approximately, 5,391 thousand Euros negative (6,969 as of 31 December 2017 positive), was offset by a positive change in the hedging instrument in the statement of profit and loss.

The inefficient component of the fair value hedge amounted to 7,321 thousand Euros positive (5,921 thousand Euros positive at 31 December 2017). Consequently, the effect recorded in the income statement for the period ended 31 December 2018 amounts to 1,401 thousand Euros.

The amount recorded in reserves relating to the above mentioned cash flow hedges was 13,647 thousand Euros (12,281 thousand Euros at 31 December 2017).

The movements recorded in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2017	**(17,542)**	**3,684**	**(13,858)**
Changes in fair value and ineffectiveness	5,261	(1,105)	4,156
31 December 2017	**(12,281)**	**2,580**	**(9,702)**
1 January 2018	**(12,281)**	**2,580**	**(9,702)**
Changes in fair value and ineffectiveness	(1,366)	492	(875)
31 December 2018	**(13,647)**	**3,071**	**(10,577)**

Fair value hedge

To manage the fair value changes of debt issues, the Group contracted interest rate swaps on which it pays a variable rate and receives a fixed rate.

As of 31 December 2018 the notional amount of derivatives nominated as fair value hedge reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2017). The risk covered is the fixed rate indexer to debt issued. The covered risk is related with fair value changes of the debt issues according to the interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates into variable interest rates, the credit risk not being hedged.

The fair value of these interest rate swaps at 31 December 2018 was 10,070 thousand Euros positive (7,183 thousand Euros positive as of 31 December 2017).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in the income statement in order to offset changes in the fair value of the hedge instrument recorded in the income statement.

During 2018, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 2,647 thousand Euros negative (4,975 thousand Euros positive as of 31 December 2017), causing an inefficient component of around 246 thousand Euros (positive) (297 thousand Euros positive as of 31 December 2017).

Trading derivatives

REN has an interest rate forward start swap with a start date on 2019 and end date on 2024, on which pays a fixed rate and receives a variable rate.

This derivative despite not being considered as a hedging instrument in accordance with IFRS 9, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 31 December 2018 the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2017). This is a hedging of interest rate risk associated with future cash flows of variable interest rate associated with the Group finance liabilities. The hedged risk is the indexer of the variable rate to which the debt interests are associated. The objective of this hedging is to convert cash flows at a variable rate into a fixed rate, the credit risk is not hedged. The fair value of this negotiation derivative as of 31 December 2018 amounts to 2,067 thousand Euros negative (851 thousand Euros negative as of 31 December 2017).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 31 December 2018, the amount related with the fair value of the trading derivative was an expense of 1,225 thousand Euros (income of 288 thousand Euros as of 31 December 2017).

17. Cash and cash equivalents

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2018 and 2017 are made up as follows:

	2018	2017
Cash	-	1
Bank deposits	35,735	61,457
Cash and cash equivalents in the statement of financial position	**35,735**	**61,458**
Bank overdrafts (Note 20)	(1,638)	(1,009)
Cash and cash equivalents in cash flow statement	**34,096**	**60,448**

Following the acquisition of the total share capital of EDP Gás, SGPS, SA and its subsidiaries in the year ended 31 December 2017, an increase of 15,034 thousand Euros was recorded in the caption "Cash and cash equivalents", changes in perimeter.

Following the sale of the liquefied petroleum gas (LPG) business in the year ended 31 December 2018, a decrease of 659 thousand Euros was recorded in the caption “Cash and cash equivalents”, changes in perimeter.

18. Equity instruments

As of 31 December 2018 and 2017 REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	2018		2017	
	Number of shares	Share Capital	Number of shares	Share Capital
Share Capital	667,191,262	667,191	667,191,262	667,191

On 7 December 2017 REN SGPS completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal amount of 1.00 Euro each.

Following the share capital increase REN SGPS recorded in the caption "Share Premium" the amount of 116,809 thousand Euros.

Additionally, in the caption "Other changes in equity" it was recorded the amount of 5,571 thousand Euros (net of income taxes in the amount of 1,481 thousand Euros) related with expenses associated with the issue of the new shares.

The caption "Other changes in equity" in the year ended 31 December 2018 amounted to 5,561 thousand Euros.

At 31 December 2018 REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Own shares	3,881,374	0.6%	(10,728)

No own shares were acquired or sold in the years ended 31 December 2018 and 2017.

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 own shares, in order to limit the amount of reserves available for distribution.

19. Reserves and retained earnings

The caption "Reserves" in the amount of 326,906 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. This reserve can only be used to cover losses or to increase capital. At 31 December 2018 this caption amounts to 113,152 thousand Euros;
- Fair value reserve: includes changes in the fair value of available for sale financial assets (57,711 thousand Euros positive), as detailed in Note 13;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 10,577 thousand Euros) as detailed in Note 16;
- Other 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 (Note 18), (ii) exchange rate changes associated to the financial investment whose functional currency is different of Euros; (iii) changes in equity of associates recorded under the equity method and (iv) share-based plan. On 31 December 2018, this caption amounts to 166,620 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 recognized 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.

20. Borrowings

The segregation of borrowings between current and non-current and by nature, at 31 December 2018 and 2017 was as follows:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	30,000	1,738,207	1,768,207	192,800	1,462,768	1,655,568
Bank Borrowings	200,134	556,430	756,564	337,155	606,591	943,746
Commercial Paper	180,000	-	180,000	70,000	150,000	220,000
Bank overdrafts (Note 17)	1,638	-	1,638	1,009	-	1,009
Finance Lease	1,557	2,776	4,333	1,385	2,176	3,561
	413,329	**2,297,413**	**2,710,742**	**602,349**	**2,221,535**	**2,823,884**
Accrued interest	24,555	-	24,555	40,085	-	40,085
Prepaid interest	(6,482)	(22,474)	(28,956)	(18,098)	(16,145)	(34,243)
Borrowings	**431,401**	**2,274,939**	**2,706,340**	**624,336**	**2,205,390**	**2,829,726**

The change in borrowings during the year ended 31 December 2018 was as follows:

	Opening balance 01.01.2018	Subscriptions	Reimbursement	Exchange evaluation	Fair value	Reclassification Non-Current to Current	Others	Closing balance 31.12.2018
NON-CURRENT								
Bonds	1,462,768	300,000	-	5,391	48	(30,000)	-	1,738,207
Bank Borrowings	606,591	-	-	-	-	(50,160)	-	556,430
Commercial Paper	150,000	450,000	(600,000)	-	-	-	-	-
Finance Lease	2,176	-	-	-	-	-	600	2,776
	2,221,535	**750,000**	**(600,000)**	**5,391**	**48**	**(80,160)**	**600**	**2,297,413**
CURRENT								
Bonds	192,800	-	(192,800)	-	-	30,000	-	30,000
Bank Borrowings	337,155	199,999	(387,181)	-	-	50,160	-	200,134
Commercial Paper	70,000	1,448,000	(1,338,000)	-	-	-	-	180,000
Bank overdrafts	1,009	-	-	-	-	-	629	1,638
Finance Lease	1,385	-	(1,444)	-	-	-	1,616	1,557
	602,349	**1,647,999**	**(1,919,425)**	**-**	**-**	**80,160**	**2,245**	**413,329**
Borrowings	**2,823,884**	**2,397,999**	**(2,519,425)**	**5,391**	**48**	**-**	**2,845**	**2,710,742**

The borrowings settlement plan was as follows:

	2019	2020	2021	2022	2023	Following years	Total
Debt - Non current	-	395,895	111,342	99,108	608,531	1,082,538	2,297,413
Debt - Current	413,329	-	-	-	-	-	413,329
	413,329	**395,895**	**111,342**	**99,108**	**608,531**	**1,082,538**	**2,710,742**

Detailed information regarding bond issues as of 31 December 2018 is as follows:

31 December 2018						
Issue date	Maturity	Inicial amount		Outstanding amount	Interest rate	Periodicity of interest payment
'Euro Medium Term Notes' programme emissions						
'Euro Medium Term Notes' programme emissions						
26/06/2009	26/06/2024	TEUR 72,899	(i) (ii)	TEUR 72,899	Fixed rate	Semi-Annual
16/01/2013	16/01/2020	TEUR 150,000	(i)	TEUR 60,000	Floating rate	Quarterly
17/10/2013	16/10/2020	TEUR 400,000	(ii)	TEUR 267,755	Fixed rate EUR 4,75%	Annual
12/02/2015	12/02/2025	TEUR 300,000	(ii)	TEUR 500,000	Fixed rate EUR 2,50%	Annual
01/06/2016	01/06/2023	TEUR 550,000		TEUR 550,000	Fixed rate EUR 1,75%	Annual
18/01/2018	18/01/2028	TEUR 300,000		TEUR 300,000	Fixed rate EUR 1,75%	Annual

(i) These issues correspond to private placements.

(ii) These issues have interest currency rate swaps associated

As of 31 December 2018, the Group has five commercial paper programs in the amount of 1,050,000 thousand Euros, of which 870,000 thousand Euros are available for utilization. Of the total amount 530,000 thousand Euros have a guaranteed placement (of which 380,000 thousand Euros were available at 31 December 2018).

Bank loans are made up mostly of loans contracted with the European Investment Bank (EIB), which at 31 December 2018 amounted to 409,388 thousand Euros (at 31 December 2017 it was 450,349 thousand Euros).

The Group also has credit lines negotiated and not used in the amount of 87,500 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).

The balance of the caption Prepaid interest includes the amount of 21,617 thousand Euros (26,500 thousand Euros in 31 December 2017) related with the refinancing of bonds through an exchange offer completed in 2016.

As a result of the fair value hedge related to the debt emission in the amount of 400,000 thousand Euros, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 2,647 thousand Euros (positive) (at 31 December 2017 was 4,975 thousand Euros (positive)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 87% above the minimum.

The bank loans with BEI include also covenants related with rating and other financial ratios in which the Group may be called upon to present an acceptable guarantee in the event of rating and financial ratios below the established values.

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change in 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 to considering the legal ownership of shares of REN restrictions.

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.

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	2018	2017
6 month or less	1,040,162	1,447,536
6 - 12 month	-	1
1 - 5 years	178,565	182,703
Over 5 years	1,485,175	1,192,245
	2,703,903	**2,822,484**

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by hedge derivate in place.

The average interest rates for borrowings including commissions and other expenses were 2.24% in 2018 and 2.55% in 2017.

Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2018 and 2017 are made up as follows:

	2018	2017
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,583	1,399
Later than 1 year and no later than 5 years	2,813	2,211
	4,396	**3,609**
Future finance charges on finance leases	(63)	(48)
Present value of finance lease liabilities	**4,333**	**3,561**

	2018	2017
The present value of finance lease liabilities is as follows		
No later than 1 year	1,557	1,385
Later than 1 year and no later than 5 years	2,776	2,176
	4,333	**3,561**

21. Pos-employment benefits and others benefits

As explained in Note 3.10 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 award, retirement award and a death subsidy (referred to as "Other benefits" in Note 21.2). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- Health care plan: were considered new reimbursement limits;
- Other benefits: (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

At 31 December 2018 and 2017 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	2018	2017
Liability on statement of financial position		
Pension plan	56,904	79,154
Healthcare plan and other benefits	41,384	42,823
	98,288	**121,977**

During the years ended 31 December 2018 and 2017, the following operating expenses were recorded regarding benefit plans with employees:

	2018	2017
Charges to the statement of profit and loss (Note 28)		
Pension plan	4,294	4,501
Healthcare plan and other benefits	1,203	1,287
	5,497	**5,788**

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

	2018	2017
Annual discount rate	1.80%	1.80%
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 elegible for early retirement - by Management act	10.00%	20.00%
Rate of salary increase	2.50%	2.50%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	1.30%	0.80%
Inflation rate	1.50%	1.50%
Medical trend	1.50%	1.80%
Management costs (per employee/year)	€290	€306
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

The annual discount rate of 1,8% used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the scenario where a discount rate of 2,8% and 0,8% have been considered in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	0.80%	**1.80%**	**2.80%**
Pension plan			
Liabilities	105,002	94,786	86,251
Impact on liabilities	10,216	-	(8,535)
Healthcare plan			
Liabilities	16,942	14,790	13,063
Impact on liabilities	2,152	-	(1,726)
Other benefits			
Liabilities	31,470	26,594	22,823
Impact on liabilities	4,875	-	(3,771)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2018	2017
Active (Pension plan, Healthcare plan and Other benefits) (a)	281	286
Active (Long service award benefit)	692	668
Pre-retires and earlier retires	179	195
Retires	645	637

(a) The Other benefits excludes the long award benefit

21.1. Pension plan

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous Pension fund.

In the years ended 31 December 2018 and 2017 no contributions were made to the REN Pension Fund. No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2019	2020	2021	2022	2023	2024-2028
Expected benefits payments	9,719	9,031	8,062	6,546	5,770	5,080

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2018 and 2017 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	2018	%	2017	%
Bonds	33,333	88%	35,317	87%
Shares	3,988	11%	5,040	12%
Readily available deposits	561	1%	470	2%
Total	**37,882**	**100%**	**40,827**	**100%**

The assets effective rate of return in 2018 was -1.42% (1.64% in 2017).

Evolution of the assets of the Pension Fund in 2018 and 2017 was as follows:

	2018	2017
At 1 January	**40,827**	**42,526**
Actuarial gain / (loss)	(1,276)	(65)
Benefits paid	(2,380)	(2,376)
Return on plan assets (i)	711	743
At 31 December	**37,882**	**40,827**

(i) Unique rate applied to the obligation and assets pension plan

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

	2018	2017
Present value of the liability	(94,786)	(119,981)
Fair value of plan assets	37,882	40,827
	(56,903)	**(79,154)**

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2018	2017
At 1 January	**79,154**	**83,871**
Current service costs	2,948	3,076
Net interest on net defined benefit liability	1,346	1,424
Actuarial gains/(losses)	(17,290)	301
Benefits paid	(9,256)	(9,519)
At 31 December	**56,903**	**79,154**

The changes in the present value of the underlying liability of the pension plan were as follows:

Reconciliation of the obligation of the pension plan

	2018	2017
At 1 January	**119,981**	**126,397**
Current service costs	2,948	3,076
Interest costs	2,058	2,167
Benefits paid	(11,636)	(11,895)
Actuarial(gains)/losses	(18,566)	236
At 31 December	**94,786**	**119,981**

The impact on the consolidated statement of profit and loss for the year was as follows:

	2018	2017
Current service costs	2,948	3,076
Net interest on net defined benefit liability	1,346	1,424
Total included in personnel costs	**4,294**	**4,501**

Historical analysis of the actuarial gains and losses

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2018	2017
Discount rate	**1.80%**	**1.80%**
Liabilities amount	(94,786)	(119,981)
Value of the fund	37,882	40,827
Actuarial gains/(losses) on liabilities	18,565	(236)
- for change in assumptions	17,388	(672)
- from experience	1,177	436
Actuarial gains/(losses) on fund assets	(1,276)	(65)

21.2. Healthcare and other benefits

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	2018	2017
Present value of the obligation	41,384	42,823
Liability in the statement of financial position	**41,384**	**42,823**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2018	2017
At 1 January	**42,823**	**41,802**
Current service costs	537	573
Interest costs	753	743
Benefits paid	(1,696)	(1,431)
Actuarial (gain)/loss	(1,190)	687
Beneficiaries contributions	157	157
Plan amendments and curtailments	-	292
At 31 December	**41,384**	**42,823**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2018	2017
Current service costs	537	573
Interest costs	753	743
(Gains)/losses of other long term employee benefit plans	(87)	(28)
Total included in personnel costs	**1,203**	**1,287**

Medical expenses trend rate in the Healthcare plan

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 1.5%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 10% increase in liabilities, where a decrease of one percentage point results in a decrease of 8% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	0.50%	1.50%	2.50%
Current service and interest costs	381	427	486
Impact on current service and interest costs	(46)	-	59
Past service liabilities	13,656	14,790	16,163
Impact on past service liabilities	(1,134)	-	1,374

Historical analysis of the actuarial gains and losses in the medical and other benefits plan

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2018	2017
Discount rate	**1.80%**	**1.80%**
Liabilities amount	(41,384)	(42,823)
Actuarial (gains)/losses on liabilities	1,190	(687)
- for change in assumptions	1,304	1,051
- from experience	(114)	(1,738)

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2019	2020	2021	2022	2023	2024-2028
Expected benefits payments	1,826	1,864	1,924	1,855	1,839	9,052

The weigh average duration of these liabilities is 13.4 years for healthcare and 16.1 years for other benefits.

22. Provisions for other risks and charges

The changes in provisions for other risks and charges in the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
Begining balance	**9,035**	**6,955**
Changes in the perimeter	(20)	1,389
Increases	511	1,385
Reversing	(210)	(112)
Utilization	(464)	(582)
Ending balance	**8,852**	**9,035**
Non-current provision	8,852	9,035
	8,852	**9,035**

At 31 December 2018, 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 amounting to 486 thousand Euros related to the on-going restructuring process.

23. Trade and other payables

The caption “Trade and other payables” at 31 December 2018 and 2017 was made up as follows:

	2018			2017		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	208,416	-	208,416	220,249	-	220,249
Other creditors						
Other creditors (Note 12)	54,935	49,474	104,409	45,089	45,951	91,040
Tariff deviations (Note 12)	56,814	63,608	120,423	58,624	51,911	110,534
Fixed assets suppliers (Note 12)	52,213	-	52,213	87,250	-	87,250
Tax payables (Note 12) (i)	24,404	-	24,404	38,485	-	38,485
Deferred income						
Grants related to assets	17,803	254,661	272,465	18,527	267,099	285,626
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,331	-	5,331	5,114	-	5,114
Trade and other payables	**419,917**	**367,743**	**787,661**	**473,337**	**364,961**	**838,298**

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

The caption “Trade and other payables” includes: (i) the amount of 54,796 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (44,619 thousand Euros at 31 December 2017); (ii) the amount of 14,603 thousand Euros of investment projects not yet invoiced (25,080 thousand Euros at 31 December 2017); (iii) the amount of 22,722 thousand Euros (28,374 thousand Euros at 31 December 2017) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 7,975 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (5,567 thousand Euros at 31 December 2017), also reflected in the caption “Trade receivables” (Note 14). This transaction sets a pass-through in the consolidated income statement of REN.

The caption "Other creditors" includes: (i) the amount of 25,682 thousand Euros (24,749 thousand Euros at 31 December 2017) related with the Efficiency Promotion Plan on Energy Consumption ("PPEC"), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	2018	2017
Not due and due up to 30 days	294,423	345,265
31-60 days	1,000	1,944
61-90 days	421	344
91-120 days	501	537
More than 120 days	68,694	50,448
	365,039	**398,539**

The movement in the caption "Grants related to assets" current and non-current, in the years ended 31 December 2018 and 2017 was as follows:

Grants	
At 1 January 2017	**297,574**
Changes in the perimeter	556
Increases	5,466
Recognition of investment subsidies in profit and loss (Note 26)	(17,970)
At 31 December 2017	**285,626**
Increases	4,784
Recognition of investment subsidies in profit and loss (Note 26)	(17,946)
At 31 December 2018	**272,465**

24. Sales and services rendered

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

	2018	2017
Goods:		
Domestic market	117	82
	117	**82**
Services:		
Electricity transmission and overall systems management	348,671	377,294
Natural gas transmission	91,009	113,170
Natural gas distribution	61,243	15,317
Underground gas storage	38,519	13,658
Regasification	16,053	30,691
Telecommunications network	6,020	5,079
Trading	2,781	3,450
Others	3,074	2,755
	567,371	**561,414**
Total sales and services rendered	**567,487**	**561,496**

25. Revenue and costs for 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 as of 31 December 2018 and 2017 were made up as follows:

	2018	2017
Revenue from construction of concession assets		
Acquisitions	102,351	136,683
Own work capitalised :		
Financial expenses (Note 8)	2,017	2,703
Overhead and management costs (Note 8)	17,408	15,265
	121,775	**154,651**
Cost of construction of concession assets		
Acquisitions	102,351	136,683
	102,351	**136,683**

26. Other operating income

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

	2018	2017
Recognition of investment subsidies in profit and loss	17,946	17,970
Underground occupancy tax	4,321	-
Supplementary income	2,177	1,372
Disposal of unused materials	1,727	3,308
Others	5,985	3,820
	32,156	**26,470**

The caption "Others" includes the profit of the sale of the liquefied petroleum gas (LPG) business that amounts to 3.8 million Euros (net value of selling costs). The operation was carried out, on July 2, 2018, through REN Portgás Distribuição, which entered into a share purchase and sale agreement in which it disposed of the total shares representing the share capital of REN Portgás GPL, to ENERGYCO II, S.A. for 4,030 thousand Euros.

27. External supplies and services

The caption “External supplies and services” for the years ended 31 December 2018 and 2017 is made up as follows:

	2018	2017
Fees relating to external entities i)	17,475	15,944
Maintenance costs	16,448	14,611
Electric energy costs	7,380	6,638
Gas transport subcontracts	4,006	3,140
Insurance costs	2,628	3,107
Cross border interconnection costs ii)	2,687	3,700
Security and surveillance	1,948	1,707
Travel and transportation costs	1,512	1,185
Advertising and communication costs	1,055	1,114
Other	3,613	4,273
External supplies and services	**58,752**	**55,418**

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.

This caption includes audit services as well as consulting services rendered by audit companies recorded as expenses in 2018, as follows:

	2018	2017
Audit and statutory audit	232	489
Other assurance services	119	330
Services other than audit and statutory audit	97	266
	448	**1,085**

28. Personnel costs

Personnel costs are made up as follows:

	2018	2017
Remuneration:		
Board of directors	2,838	2,694
Personnel	36,681	33,554
	39,519	**36,248**
Social charges and other expenses:		
Social security costs	7,850	7,241
Post-employement and other benefits cost (Note 21)	5,497	5,788
Social support costs	2,236	1,415
Other	185	583
	15,768	**15,027**
Total personnel costs	**55,287**	**51,275**

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

The average number of employees of the Group in 2018 was 692 (694 in 2017).

29. Other operating costs

Other operating costs are made up as follows:

	2018	2017
ERSE operating costs i)	7,214	9,731
Underground occupancy tax	3,839	-
Donations and quotizations	1,518	1,129
Taxes	1,161	2,150
Others	2,067	1,093
	15,799	**14,103**

i) The caption “ERSE operating costs” corresponds to ERSE’s operating costs, to be recovered through electricity and gas tariffs..

30. Financial costs and financial income

Financial costs and financial income are made up as follows:

	2018	2017
Financial costs		
Interest on bonds issued	52,147	51,573
Other borrowing interests	10,196	16,530
Interest on commercial paper issued	3,651	4,357
Derivative financial instruments	2,419	275
Other financing expenditure	1,242	689
	69,656	**73,424**
Financial income		
Derivative financial instruments	2,599	3,184
Other financial investments	2,522	2,133
Interest income	4	43
	5,125	**5,360**

31. Earnings per share

Earnings per share were calculated as follows:

		2018	2017
Consolidated net profit used to calculate earnings per share	(1)	115,715	125,925
Number of ordinary shares outstanding during the period (note 18)	(2)	667,191,262	667,191,262
Effect of treasury shares (note 18) (average number of shares)		3,881,374	3,881,374
Number of shares in the period	(3)	**663,309,888**	**663,309,888**
Basic earnings per share (euro per share)	**(1)/(3)**	**0.17**	**0.19**

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

32. Dividends per share

During the Shareholders General Assembly meeting held on 3 May 2018, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2017, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

During the Shareholders General Assembly meeting held on 11 May 2017, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2016, in the amount of 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

33. Contingent assets and liabilities

33.1. Commitments

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2018 and 2017, were as follows:

	2018	2017
Power lines	60,734	15,711
Substations	27,321	21,247
Gas pipelines	870	615
Sines Terminal	1,523	899
Underground gas storage	504	1,864
	90,952	**40,336**

33.2. Contingent liabilities

Tejo Energia - Produção e Distribuição de Energia Eléctrica, SA ("Tejo Energia") has announced to REN - Rede Eléctrica Nacional, SA ("REN Eléctrica") and REN Trading SA ("REN Trading") its intention to renegotiate the Energy Acquisition Agreement (CAE), in order to reflect in the amounts payable to this producer the costs incurred with (i) financing of the social tariff and (ii) with tax on petroleum products and energy and with the rate of carbon. Turbogás - Produtora Energética S.A. also stated its intention to renegotiate the CAE, in order to reflect in the amounts payable the costs incurred with the financing of the social tariff. According to the CAE, Tejo Energia and Turbogás act as producers and sellers and REN Trading as purchaser of the energy produced in power plants. REN Eléctrica is jointly liable with REN Trading, regarding the execution of the CAE with Tejo Energia and Turbogás.

According to the information received, the total costs incurred by these companies by 2018 amount to about 62 million Euros. On the part of REN, it was transmitted the need for the regulator - ERSE - to monitor the negotiations, considering the regulated nature of the contracts in question.

33.3. Guarantees given

At 31 December 2018 and 2017 the REN Group had given the following bank guarantees:

Beneficiary	Scope	2018	2017
European Investment Bank (EIB)	To guarantee loans	238,143	262,915
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	23,032	20,500
Judge of District Court	Guarantee for expropriation processes	10,707	10,707
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	5,229	2,817
Municipal Council of Seixal	Guarantee for litigation	2,777	2,777
Portuguese State	Guarantee for litigation	2,185	2,000
Municipal Council of Maia	Guarantee for litigation	1,564	1,562
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Matosinhos	Guarantee for litigation	817	1,639
Municipal Council of Porto	Guarantee for litigation	368	385
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT - Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
EP - Estradas de Portugal	Guarantee for litigation	95	158
European Union	To comply with the contractual requirements on a financing agreement	-	177
Direction Roads of Braga	Guarantee for litigation	-	100
Others (loss then 100 thousand Euros)	Guarantee for litigation	220	232
		292,359	**313,190**

The given guarantees have the following maturities:

	31 December 2018			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	25,219	104,345	108,579	238,143
Other guarantees	-	-	54,216	54,216
	25,219	104,345	162,795	292,359

	31 December 2017			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	23,233	110,428	134,321	267,982
Other guarantees	-	-	45,209	45,209
	23,233	110,428	179,529	313,190

33.4. Guarantees received

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 123,292 thousand Euros as of 31 December 2018 (109,381 thousand Euros as of 31 December 2017).

34. Related parties

Main shareholders and shares held by corporate bodies

At 31 December 2018 and 2017, the shareholder structure of Group REN was as follows:

	2018		2017	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	45,034,126	6.7%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc.	25,365,000	3.8%	31,691,585	4.8%
Great-West Lifeco, Inc.	17,794,967	2.7%	13,719,885	2.1%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	257,784,874	38.6%	257,110,490	38.5%
	667,191,262	**100%**	**667,191,262**	**100%**

The number of shares of REN SGPS held by corporate bodies at 31 December 2018 and 2017 is detailed in the Director's Report.

Management remuneration

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

Remuneration of the Board of Directors of REN, SGPS in the year ended 31 December 2018 amounted to 2,346 thousand Euros (2,384 thousand Euros in 2017), as shown in the following table:

	2018	2017
Remuneration and other short term benefits	1,490	1,528
Management bonuses (estimate)	856	856
	2,346	**2,384**

Transaction of shares by the members of the Board of Directors

During the year ended 31 December 2018, REN was informed of the purchase transaction of 5.000 Shares in financial instruments by the Chairman of the Audit Committee and member of the Board of Directors of REN, Manuel Ramos de Sousa Sebastião. Resulting this operation, the total amount of shares owned is 35,000.

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) in the financial statements.

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

Balances and transactions held with shareholders, associates and other related parties

During the periods ended 31 December 2018 and 2017, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue

	2018	2017
Sales and services provided		
Invoicing issued- OMIP	29	44
Invoicing issued - REE	1,506	2,081
Invoicing issued - Centro de Investigação em Energia REN - State Grid	201	180
Dividends received		
REE (Note 13)	5,072	4,740
	6,808	**7,045**

Expenses

	2018	2017
External supplies and services		
Invoicing received - REE	6,190	8,665
Invoicing received - Centro de Investigação em Energia REN - State Grid	171	140
Invoicing received - CMS Rui Pena & Arnaut [1]	146	146
Invoicing received - Lazard Chile	-	1,207
	6,507	**10,158**

[1] Entity related to the Administrator José Luis Arnaut

Balance

The balances at 31 December 2018 and 2017 resulting from transactions with related parties were as follows:

	2018	2017
Trade and other receivables		
Oman Oil - Other receivables	-	1
Centro de Investigação em Energia REN - State Grid - Other receivables	25	25
REE - Trade receivables	193	19
	218	**45**
Trade and other payables		
Centro de Investigação em Energia REN - State Grid - Other payables	165	171
REE - Trade payables	1,051	871
CMS - Rui Pena & Arnaut - Trade payables [1]	16	40
	1,232	**1,082**

[1] Entity related to the Administrator José Luis Arnaut

35. Extraordinary contribution over the energy sector

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy sector, called Extraordinary Contribution over the Energy Sector ("ECES"), that was extended by Law 82-B / 2014 , of 31 December, Law 7-A / 2016, of 30 March, Law 114/2017, of 29 December and Law 71/2018, 31 December.

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. The entities subject to this regime are, among others, entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ECES is levied on the value of the assets with reference to the first day of the financial year 2018 (1 January 2018) that include cumulatively, the tangible fixed assets, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ECES is levied on the value of regulated assets (i.e. the amount recognized by ERSE in the calculation of the allowed income with reference to 1 January 2018) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

The Group payed the ECES for the year ended 31 December 2018 in the amount of 25,308 thousand Euros in October 2018 (25,798 thousand Euros for the year ended 31 December 2017).

The ECES line of the income statement in the amount of 25,267 thousand Euros (25,798 thousand Euros at 31 December 2017) for the year ended 31 December 2018, includes the amount of 41 thousand Euros, related to the regularization of the ECES for the years 2014, 2015 and 2016.

36. Subsequent events

On January 22, 2019, a merger of the entities REN Gás, S.A. and REN Gás Distribuição SGPS, S.A. was effected by means of the global transfer of the assets of REN Gás Distribuição to REN Gás, S.A.. The merger was carried out in accordance with the principles accounting records in force in Portugal and in compliance with the requirements on which the application of the special tax neutrality regime provided in Articles 73º and followings of the Corporate Income Tax Code (CIT) depends, in particular, REN Gas will maintain, for fiscal purposes, the assets transferred by the same amounts as REN Gas Distribuição prior to the operation. All the assets and liabilities of REN Gás Distribuição, including the rights and obligations arising from its activity, were transferred in a global manner to REN Gas by the accounting values they presented in the accounting and balance sheets of REN Gás Distribuição. The merger was concluded with its commercial registration, on January 22, 2019, however, REN Gás Distribuição's operations were considered, from an accounting and tax point of view, as carried out on behalf of REN Gas, as of January 1 of 2019.

37. Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2018. In the event of discrepancies, the Portuguese language version prevails.

Statement provided for in article 245, no. 1, paragraph c) Of the securities code

Pursuant to and for the purposes of Article 245, No. 1, paragraph c) of the Securities Code, each member of the Board of Directors of REN - Redes Energéticas Nacionais, SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein1:

“I hereby declare, pursuant to and for the purposes specified in Article 245, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me, that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and of the companies included in its scope of consolidation, and that the management report relating to the tax year of 2018 faithfully describes the evolution of the business, the performance and position of the Company and those companies, within such period, and the impact on the respective financial statements, also containing a description of the main future risks and uncertainties.”

Lisbon, 21 March 2019

[1] The originals of the individual statements are available for consultation at the head office of the company.

The Accountant

Pedro Mateus

The Board of Directors

Rodrigo Costa

(Chairman of the Board of Directors and Chief Executive Officer)

Omar Al Wahaibi

(Member of the Board of Directors)

João Faria Conceição

(Member of the Board of Directors and Chief Operational Officer)

Jorge Magalhães Correia

(Member of the Board of Directors)

Gonçalo Morais Soares

(Member of the Board of Directors and Chief Financial Officer)

Manuel Sebastião

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

Guangchao Zhu

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

Gonçalo Gil Mata

(Member of the Board of Directors and of the Audit Committee)

Mengrong Cheng

(Member of the Board of Directors)

Maria Estela Barbot

(Member of the Board of Directors and of the Audit Committee)

Li Lequan

(Member of the Board of Directors)

José Luis Arnaut

(Member of the Board of Directors)

Note – The remaining pages of this Report & Accounts were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2018 which consist of the Consolidated Financial Statement, evidencing a total of 5,191,574 thousand Euros and 1,463,837 thousand Euros of Equity Capital, including a Consolidated Net Profit of 115,715 thousand Euros, the Consolidated Profit and Loss Accounts, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 21 March 2019

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2018 (showing a total of 5,191,574 thousand euros and a total equity of 1,463,837 thousand euros, including a net profit for the year of 115,715 thousand euros), and the Consolidated Statement of Profit and Loss by Nature, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Concession assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2018, the Intangible assets caption amounts to 4,192,619 thousand euros (2017: 4,306,417 thousand euros), includes the assets constructed and/or acquired under the public service concession agreements that the Group entered into with the Portuguese State. As disclosed in Note 3.4 of the notes to the consolidated financial statements, these assets were accounted in accordance to the intangible asset model prescribed in IFRIC 12 - Service Concession Arrangements. Considering the fact that the annual revenue of the Group is directly correlated to the average annual balances of those concession assets and that, as at 31 December 2018, the concession assets represent 81% of the Group's total assets (2017: 80%), the initial recognition and subsequent measurement of those concession assets have been considered as a key audit matter.	Our approach included the following procedures: ► We assessed the adequacy of the audit procedures performed by the previous auditor on 31 December 2017, in order to conclude on the measurement of the opening balances of Intangible assets; ► We obtained an understanding of the Asset Management and Purchasing process, as well as identified and assessed the internal control procedures established in the Group, mainly in relation to the investments approval policies and related monitoring controls; ► We held regular meetings with the Concession Support Services Department to evaluate the compliance with the annual investment budgets; ► We read the correspondence exchanged with the Entidade Reguladora de Serviços Energéticos ("ERSE") in order to understand the matters being analyzed with the Group; ► We read the minutes of the Board of Directors meetings of the several Group entities in order to validate the investments approved; and ► We performed substantive audit procedures on the value of the investments carried out during the period ended 31 December 2018, to corroborate the presentation as concession assets, the initial recognition, its measurement and the appropriate cut off. We also assessed the appropriateness of the applicable disclosures included in Notes 2, 3.4 and 8 of the notes to the consolidated financial statements.

2. Tariff deviations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.16 of the notes to the consolidated financial statements, as a result of the tariff regulation of the electrical sector and the tariff regulation of the natural gas sector, the Group calculates, at each reporting date and in accordance with the criteria defined in the tariff regulation published by ERSE, the tariff deviations between the revenue cap defined and actual revenue invoiced by the Group. As at 31 December 2018, the tariff deviations assets and liabilities amounts to 160,802 thousand euros and 120,423 thousand euros respectively (2017: 105,358 thousand euros and 110,534 thousand euros respectively). The complexity of the tariff deviations calculation, the several sources of information required to perform the calculation as well as the materiality of the associated balances are the basis for the fact that this matter has been considered a key audit matter for the purposes of our audit.	Our approach included the following procedures: ► We assessed the adequacy of the audit procedures performed by the previous auditor on 31 December 2017, in order to conclude on the measurement of the opening balances of the tariff deviations assets and liabilities and their Current or Non-current classification within the consolidated statement of financial position of the Group; ► We obtained an understanding and assessed the internal control procedures inherent to the information capture and to the tariff deviations calculation. In addition, we assessed the Group regulatory framework taking into consideration tariff regulation of the electrical sector and the tariff regulation of the natural gas sector; ► We obtained the calculations of the tariff deviations and compared it to the accounting records; ► We compared the data used for the purposes of the tariff deviations calculation with its original sources, testing the reasonableness of the various components of the calculation, namely the average annual balances of the concession assets and the applicable remuneration rate; ► We performed substantive audit procedures, namely the inspection and validation of a representative sample of the invoices issued during 2018; ► We performed the recalculation of the tariff deviations and compared the results with the amounts determined by the Group; ► We read the correspondence exchanged with ERSE in order to understand the matters being discussed with the Group; ► We reviewed the classification of the tariff deviations assets and liabilities as Current or Non-current Assets or Liabilities, based on the recovery period thereof, as defined by the tariff regulation of the electrical sector and the tariff regulation of the natural gas sector; and ► We evaluated the consistency of the calculation procedure used in relation to previous years. We also assessed the appropriateness of the applicable disclosures included in Notes 3.16, 14 and 23 of the notes to the consolidated financial statements.

3. Post-employment benefits and other benefits

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Notes 3.10 and 20 of the notes to the consolidated financial statements, the Group grants retirement, pre-retirement and survivors' pensions, that constitutes a defined benefits pan in accordance with IAS 19 reviewed - Employees Benefits. Furthermore, the Group provides its retirees and pensioners with a health care plan, among other benefits. As at 31 December 2018, the Retirement benefits and others liabilities amount to 98,288 thousand euros (2017: 121,977 thousand euros) and the effect on the year included an other comprehensive income of 18,488 thousand euros and a gain of 5,497 thousand euros, both before tax. The costs of the post-employment benefits and other benefits are recognized by the Group during the period the services are provided by the beneficiary employees. The associated responsibility of the Group is estimated, by an independent and specialized entity, using the Projected Unit Credit Method at the statement of financial position date and recognised in accordance with the IAS 19 reviewed.	Our approach included the following procedures: ► We assessed the adequacy of the audit procedures performed by the previous auditor on 31 December 2017, in order to conclude on the measurement of the opening balances of post-employment benefits and other benefits; ► We assessed the Management model considered in the liabilities measurement regarding post-employment benefits and other benefits, according to the independent actuarial report; ► We assessed the significant judgments, namely, the wage growth rate, discount rate, pension growth rate and health costs historical data, comparing it to market benchmarks and internal information. We obtained from our internal actuarial specialists a discount rate interval, considering the average maturity of REN's liabilities; ► We assessed the Management assumptions and estimates regarding the expected percentage of beneficiaries eligible for early retirement for management acts, focusing on the estimated decrease of that percentage in 2018; ► In conjunction with our internal actuarial specialists, we performed sensibility analysis on the main assumptions, in order to determinate the range that individually or in conjunction, could have a significant impact in the financial statements. ► We assessed the Group's accounting records regarding post-employment benefits and other benefits, according to IAS 19 reviewed, namely the presentation of interest costs, current service costs and actuarial gains or losses; and ► We assessed the work and conclusions obtained by the independent actuarial entity as well as its professional competence and independence in the scope of paragraph 8, of ISA 500 Audit evidence. We also assessed the appropriateness of the disclosures included in Notes 3.10 and 21 of the notes to the consolidated financial statements.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Statement of non-financial information set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has prepared a separated report of the Management Report, which includes non-financial information, as per article 508-G of the Commercial Companies Code, that has been published with the Management Report.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the REN - Redes Energéticas Nacionais, S.G.P.S., S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group as of today;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 22 March 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

6.2
Separate Financial **Statements**

31 December 2018

1. Separate Financial Statements

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 29)

	Notes	2018	2017
ASSETS			
ION-CURRENT ASSETS:			
Tangible assets	5 and 6	402	503
Investments - equity method	7	1,185,579	1,150,122
Goodwill	8	2,642	3,019
Investments in equity instruments at fair value for other comprehensive income	12	56,576	54,757
Other receivables	10	2,507,685	1,786,463
Other financial assets	10	11	8
Derivative financial instruments	11	21,010	7,907
Deferred tax assets	9	3,095	2,596
Total non-current assets		3,777,001	3,005,375
URRENT ASSETS:			
State and other public entities	16	37,420	597
Other receivables	10	521,274	1,417,316
Deferrals		160	88
Cash and bank deposits	4	33,393	55,699
Total current assets		592,247	1,473,701
Total assets		4,369,248	4,479,076
EQUITY AND LIABILITIES			
QUITY:			
Share Capital	13	667,191	667,191
Own shares	13	(10,728)	(10,728)
Shares premium	13	116,809	116,809
Legal reserve	13	113,152	106,800
Other reserves	13	181,609	180,908
Adjustments to financial assets	13	(36,822)	(59,240)
Retained earnings		305,717	295,707
Other changes in equity		(5,561)	(5,541)
		1,331,366	1,291,906
Net profit for the period		113,533	127,030
Total equity		1,444,899	1,418,936
IABILITIES :			
NON-CURRENT LIABILITIES:			
Borrowings	15	2,284,480	2,206,948
Provisions	14	71	71
Post employment benefit liabilities		7	7
Derivative financial instruments	11	12,952	6,960
Deferred tax liabilities	9	3,377	2,770
Total non-current liabilities		2,300,888	2,216,756
CURRENT LIABILITIES:			
Borrowings	15	588,067	784,801
Trade payables	15	1,475	6,268
State and other public entities	16	191	30,193
Other payables	15	33,728	22,121
Total current liabilities		623,461	843,383
Total liabilities		2,924,349	3,060,139
Total equity and liabilities		4,369,248	4,479,076

The accompanying notes form an integral part of the statement of financial position as of 31 December 2018

The Certified Accountant

The Board of Directors

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 29)

REVENUES AND EXPENSES	Notes	2018	2017
Services rendered	17	13,356	12,573
Gains/(losses) from associates and joint ventures	7 and 18	111,886	121,478
Supplies and services	19	(6,726)	(9,161)
Personnel costs	20	(6,867)	(7,004)
Provisions (increases)/decreases	14	-	22
Other income	21	302	471
Other expenses	22	(621)	(536)
Profit before amortization, depreciation, finance costs and taxes		111,330	117,843
Depreciation and amortization (charge)/reversal	5 and 8	(570)	(555)
Operating profit (before finance costs and taxes)		110,760	117,288
Interest and similar income	23	76,666	87,323
Interest and similar costs	23	(75,265)	(78,149)
Dividends	24	1,352	1,528
Profit before taxes		113,512	127,990
Income tax expense for the period	9	22	(959)
Net profit for the period		113,533	127,030
Basic earnings per share		0.21	0.24

The accompanying notes form an integral part of the statement of profit and loss for the year ended 31 December 2018.

The Certified Accountant

The Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 29)

	2017												
	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7)	Net profit for the period	Total equity
Balances at the beginning of 2017		**534,000**	**(10,728)**	**-**	**106,800**	**(13,858)**	**8,782**	**180,189**		**292,552**	**(43,714)**	**93,805**	**1,147,859**
Changes in the year:													
Capital increase	13	133,191	-	116,809	-	-	-	-	(5,571)	-	-	-	244,429
Changes in fair value	11 and 12	-	-	-	-	4,156	1,639	-	-	-	-	-	5,795
Appropriation of the profit for the preceding year	13	-	-	-	-	-	-	-	-	3,155	-	(3,155)	-
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	-	(15,526)	-	(15,526)
		133,191	-	116,809	-	4,156	1,639	-	(5,571)	3,155	(15,526)	(3,155)	234,698
Operations during the year with shareholders													
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
		-	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
Net profit for the year												127,030	127,030
Comprehensive income		-	-	-	-	4,156	1,639	-	-	-	(15,526)	127,030	117,299
Balances at the end of 2017		**667,191**	**(10,728)**	**116,809**	**106,800**	**(9,702)**	**10,421**	**180,189**	**(5,541)**	**295,707**	**(59,240)**	**127,030**	**1,418,936**

	2018												
	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7)	Net profit for the period	Total equity
Balances at the end of 2017		**667,191**	**(10,728)**	**116,809**	**106,800**	**(9,702)**	**10,421**	**180,189**	**(5,541)**	**295,707**	**(59,240)**	**127,030**	**1,418,936**
IFRS 9 Adoption - Financial Instruments	3	-	-	-	-	-	-	-	-	2,757	-	-	-
Balances at the beginning of 2018		**667,191**	**(10,728)**	**116,809**	**106,800**	**(9,702)**	**10,421**	**180,189**	**(5,541)**	**298,464**	**(59,240)**	**127,030**	**1,418,936**
Changes in the year:													
Capital increase	13	-	-	-	-	-	-	-	(19)	-	-	-	(19)
Changes in fair value	11 and 12	-	-	-	-	(875)	1,212	-	-	-	-	-	337
Appropriation of the profit for the preceding year	13	-	-	-	6,352	-	-	-	-	7,253	-	(13,604)	-
Stock Plan		-	-	-	-	-	-	363	-	-	-	-	363
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	-	22,418	-	22,418
		-	-	-	6,352	(875)	1,212	363	(19)	7,253	22,418	(13,604)	23,118
Operations during the year with shareholders													
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	-	(113,426)	(113,426)
		-	-	-	-	-	-	-	-	-	-	(113,426)	(113,426)
Net profit for the year												113,533	113,533
Comprehensive income		-	-	-	-	(875)	1,212	-	-	-	22,418	113,533	136,288
Balances at the end of 2018		**667,191**	**(10,728)**	**116,809**	**113,152**	**(10,577)**	**11,632**	**180,553**	**(5,561)**	**305,717**	**(36,822)**	**113,533**	**1,444,899**

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2018.

The Certified Accountant

The Board of Directors

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 29)

	Notes	2018		2017	
CASH FLOW FROM OPERATING ACTIVITIES:					
Cash receipts from customers		19,931		17,732	
Cash paid to suppliers		(12,512)		(14,315)	
Cash paid to emplyees		(9,347)		(7,764)	
Cash generated by operations		(1,928)		(4,347)	
Income tax received/(paid)		(22,457)		(18,427)	
Other receipts/(payments) relating to operating activities		(1,456)		(1,896)	
Flows generated by/(used in) operating activities [1]			(25,841)		(24,669)
FLOWS FROM INVESTING ACTIVITIES:					
Payments relating to:					
Financial Investments	7	(50)		(224,882)	
Tangible assets		(18)	(68)	(143)	(225,025)
Receipts relating to:					
Derivative financial instruments	7	6,432		1,200	
Other financial assets	10	-		1,309	
Interest and other similar income		73,213		84,602	
Dividends	7 and 24	93,691	173,336	65,993	153,103
Flows generated by investing activities [2]			173,269		(71,922)
FLOWS FROM FINANCING ACTIVITIES:					
Receipts relating to:					
Borrowings		4,021,738		6,948,258	
Capital increase and share premium	13	-	4,021,738	250,000	7,198,258
Payments relating to:					
Borrowings		(4,006,431)		(6,893,408)	
Interest and other similar expense		(71,614)		(71,713)	
Dividends	13	(113,426)	(4,191,471)	(90,650)	(7,055,771)
Flows used in financing activities [3]			(169,734)		142,486
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			(22,306)		45,895
Cash and cash equivalents at the beginning of the year	4		55,699		9,804
Cash and cash equivalents at the end of the year	4		33,393		55,699

The accompanying notes form an integral part of the statement of cash flow for the year ended 31 December 2018.

The Certified Accountant The Board of Directors

2. Notes to the financial statements as of 31 December 2018

(Amounts expressed in thousands of Euros)

1. Introductory note

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN SGPS" or "the Company"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A.

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function 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 Contracts for the Maintenance of the Contractual Equilibrium (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, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate objective 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 direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

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 comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Gás Distribuição SGPS S.A., acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the management of financial interests in other companies as an indirect form of economic activity;

f) REN Portgás Distribuição, S.A. ("REN Portgás"), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment;

g) REN Portgás GPL, S.A., acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise: a) the sale of energy in the form of liquefied petroleum gas, propane or other, in accordance with the licenses it holds, in particular the purchase and sale, including the resale, of liquefied petroleum gas, for selling to final customers or other agents, through the conclusion of bilateral contracts or participation in other markets; b) the development and operation of gas infrastructures not reserved by law; (c) the provision of audit, maintenance and repair services for liquefied petroleum gas consumption facilities and the provision of value added services in the area of marketing and consumption; d) the provision of study, consultancy and research services for systems and processes in the liquefied petroleum gas sector. However, on July 2, 2018, REN has sold this company and his business to ENERGYCO II, S.A..

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2016. The company indicated in f) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

In addition, on November 21, 2018, REN PRO, S.A., a company wholly owned by REN, headquartered in Lisbon, was created and incorporated. The corporate purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and to computer consulting.

The subsidiaries REN Gás, S.A., Aério Chile, Spa, REN Gasodutos, S.A., REN Armazenagem, S.A., REN Gás Distribuição SGPS S.A., REN Portgás Distribuição, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN SGPS).

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN – State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre 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 31 December 2018, REN SGPS also holds:

a) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. ("OMIP"), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

b) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. ("HCB"): and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017.

The Board of Directors meeting held on 21 March 2019 approved the accompanying financial statements. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors understands that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. Accounting framework for the preparation of the financial statements

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2018.

The accompanying financial statements are presented in thousands of Euros.

3. Main accounting policies

The main accounting policies used to prepare these financial statements are as follows:

3.1. Bases of presentation

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date.

So In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2018, has credit lines contracted and not used in the amount of 80,000 thousand Euros, an open credit facility in the amount of 80,000 thousand Euros and five commercial paper programmes, in the amount of 1,050,000 thousand Euros, being available 870,000 thousand Euros as of 31 December 2018. From the total amount of commercial paper programmes, 530,000 thousand Euros have subscription guarantee (of which 380,000 thousand Euros were available as of 31 December 2018) (Note 15).

In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

The accompanying financial statements reflect only the Company's separate financial statements, prepared as required by law for approval by the Shareholders' Meeting. As explained in Note 3.2 investments are recorded in accordance with the equity method.

The accounting policies adopted in these financial statements are consistent, in all material respects, with the policies used in the preparation of the financial statements for the year ended 31 December 2017, as described in the notes to the 2017 financial statements, except for the adoption of the IFRS 9 - Financial Instruments, instead of IAS 39, taking into consideration the mandatory application for the first time in the year beginning on 1 January 2018. The remaining policies were consistently applied in the periods presented.

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 - Financial Instruments ("IFRS 9"). IFRS 9 was adopted by European Commission Regulation 2067/2016 of 22 November 2016.

IFRS 9 - Financial Instruments replaced IAS 39 - Financial Instruments: Recognition and Measurement, for the annual periods beginning on or after 1 January 2018 and added the three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Company did not restate comparative information which continues to be reported in accordance with IAS 39. The effects of adopting IFRS 9 by reference to 1 January 2018 were as follows:

i. an increase in shareholders' equity, in the amount of € 2,756 thousand (net of taxes: € 733 thousand) under the caption "Retained earnings";

ii. a decrease in liabilities, under "Loans obtained", in the amount of 3,490 thousand Euros, on the date of adoption on 1 January 2018, mainly related to changes in the measurement of financial liabilities under the exchange obligations due in 2016 by the Company.

I. Classification and measurement

IFRS 9 presents a new classification and measurement approach for financial assets that reflects the business model used in its management and the characteristics of contractual cash flows.

IFRS 9 determines three main categories of classification of financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit (FVTPL). IFRS 9 eliminates IAS 39 categories: Held to Maturity (HTM), Accounts Receivable and Available for Sale (AFS).

In accordance with IFRS 9, embedded derivative contracts may not be forked. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset measured at fair value through profit or loss.

Based on the evaluation of the new classification requirements there are no significant impacts on the accounting of its financial assets.

II. Impairment

IFRS 9 replaces the "loss incurred" model in IAS 39 with an "expected credit loss" (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment loss is recognized.

The new impairment model will be applied to financial assets measured at amortized cost or FVOCI, with the exception of investments in equity instruments.

In accordance with IFRS 9, losses will be measured on one of the following bases:

- 12-month ECL, which results from possible default events within 12 months after the reporting date; and

- Lifetime ECLs, which result from all default events during the expected life of a financial instrument.

If the credit risk of a financial asset has not increased significantly since its initial recognition, an accumulated impairment equal to the expectation of loss estimated to occur within the next 12 months must be recognized. If credit risk has increased significantly, an accumulated impairment equal to the expectation of loss that is estimated to occur until the respective maturity of the asset may be recognized.

There are no significant impacts on impairment due to the adoption of IFRS 9.

III. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.

However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in the Results, whereas, in accordance with IFRS 9, these changes in Fair Value are generally presented as follows:

- The value of the variation in Fair Value that is attributable to changes in the liability credit risk is presented in Other comprehensive income (OCI) and is not transferable to results; and
- The remaining value of the change in Fair Value is shown in Results.

The Company has not yet designated any financial liability as FVTPL and, currently, does not intend to do so. The Company valuation did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied as of 1 January 2018.

In addition, in accordance with IFRS 9 and as confirmed by the IASB Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification at their present value, applying as discount rate the original effective rate of the liability, any difference being recognized as gain or loss in the results for the year. The treatment under IAS 39 permitted the deferral of this differential through the effective interest rate, a treatment applied by REN in connection with the maturing bond exchange operation effected in 2016. This change shows a decrease in the book value of the respective financial liabilities in the amount of 3,490 thousand Euros and an increase in the equity of REN in the amount of 2,757 thousand Euros (net of taxes in the amount of 733 thousand Euros).

IV. Hedge Accounting

At the initial application date of IFRS 9, the Company may choose as an accounting policy to maintain the requirements relating to hedge accounting of IAS 39 instead of IFRS 9. The Company's current plan is to apply IFRS 9.

The Company decided to adopt the hedge accounting component of IFRS 9, and there were no significant impacts arising from the adoption of the hedge accounting component of IFRS 9.

V. Disclosures

IFRS 9 requires new disclosures, particularly with respect to hedge accounting, credit risk and expected loss (Note 3.5).

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for approval in separate, which reflects, as of 31 December 2018, in relation to the accompanying separate financial statements, the following differences:

	Increase/ (Decrease)
Total net assets	822,326
Total liabilities	803,389
Net profit for the period	2,181
Total revenue	432,843
Total equity	18,938

Em As of 31 December 2018, the differences between net profit and equity (separate and consolidated financial statements) results essentially from: (i) the investment in OMIP SGPS, which in the consolidated financial statements prepared in accordance with IFRS, has been revaluated in 2011, following the loss in control, which led this investment to be changed from subsidiary to associate; and (ii) the Goodwill of REN Portgás Distribuição, S.A. which is being amortized in the separate financial statements.

3.2. Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired..

3.3. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	Years
Transport equipment	4 years
Administrative equipment	Between 3 and 10 years

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. Leases

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of borrowing costs in the caption Borrowings. Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.5. Financial assets and liabilities

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IFRS 9 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification and measurement of investments in financial assets based on the business model, used in its management and the characteristics of the contractual cash flows.

Financial assets

Investments in financial assets can be classified as:

a) Financial assets at amortized cost - Financial assets are held within the scope of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

b) Investment in equity instruments at fair value through other comprehensive income - Financial assets are held under a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets and the contractual terms of financial assets give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset up to twelve months after the reporting date; or (iv) the asset is cash or cash equivalents.

Purchases and sales of investments in financial assets are recorded at the date of the transaction, that is, on the date that REN undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the income statement. These assets are subsequently measured at fair value, and the income and expenses resulting from the change in fair value are recognized in the income statement for the period under the heading of net financial costs, which also include the amounts of interest income and dividends obtained.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, and the change in fair value is recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its cost of acquisition, in which the accumulated gain or loss is recorded in the income statement.

Dividends and interest earned on equity instruments at fair value through other comprehensive income are recognized in income for the period in which they occur, under the heading of financial income, when the right to receive is established.

The fair value of quoted financial assets is based on market prices ("bid"). If there is no active market, the Company establishes fair value through valuation techniques. These techniques include the use of prices charged in recent transactions, provided that market conditions, comparison with substantially similar instruments, and the calculation of discounted cash flows when information is available, making the maximum use of market information in internal information of the target entity.

In situations where investments are in equity instruments that are not admitted to listing on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at their acquisition cost less any impairment losses , and these impairment losses are recorded against income.

Loans and receivables are presented in the statement of financial position as "Customers and other accounts receivable" and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. The adjustment for the impairment of accounts receivable is made when there is objective evidence that the Company will not be able to receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it and is recorded in the income statement in the line item "Impairment of receivables".

Financial assets are derecognized when the rights to receive the cash flows arising from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

The caption "Cash and cash equivalents" includes cash, bank deposits, other short-term investments of high liquidity and with initial maturities of up to three months and bank overdrafts. Bank overdrafts are presented in current liabilities under the caption "Current loans" in the statement of financial position and are considered in the preparation of the statement of cash flows as "Cash and cash equivalents".

Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation on the part of the issuer to settle capital and/or interest, through the delivery of cash or other financial asset, regardless of its legal form.

IFRS 9 provides for the classification of financial liabilities into two categories:

i. Financial liabilities at fair value through profit or loss;

ii. Other financial liabilities.

Other financial liabilities include loans obtained, suppliers, and other accounts payable.

Suppliers and other accounts payable are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Loans are initially recognized at fair value, net of incremental transaction costs that have been incurred. Loans are subsequently presented at amortized cost, the difference between the nominal value and the initial fair value recognized in the income statement over the period of the loan, using the effective interest method; or at fair value, whenever REN decides, at the initial recognition, to assign the financial liability at fair value through profit or loss, under the fair value option.

Financial liabilities are classified in current liabilities, unless the Company has an unconditional right to defer payment of the liability for at least 12 months after the date of the statement of financial position, in which case they are classified as non-current liabilities.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are canceled or expire.

3.6. Derivative financial instruments and hedge accounting

Derivative financial instruments

Derivative financial instruments are measured at the inception date and subsequently at fair value. The method for the recognition of fair value gains and losses depend upon the designation made of the derivative financial instruments. If they are trading financial derivative instruments, gains and losses are recognized in the statement of profit and loss captions financial income and financial costs, respectively. When they are designated as hedging derivative financial instruments, the recognition of gains and losses depends on the nature of the item hedged, and could be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external entities, through valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recognized as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

Hedge accounting

In the scope of the risk management policy for interest rate risk and foreign exchange rate risk, the Company contracts derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IFRS 9; and
- It is expected that the changes in fair value or cash flows of the hedged item, attributable to the hedged risk, are virtually offset by changes in fair value of the hedging instrument.

At the inception of the hedge operation, the Company documents the hedge relationship between the hedging instrument and the hedged item, its risk management objectives and its strategy for managing the risk. Additionally, in the beginning of the operation and at each reporting period it is assessed the effectiveness of the hedging instrument to offset changes in the fair value and cash flows of the hedged item. (including an analysis of sources of inefficiency and how the hedging rate is determined)

The effectiveness requirements in a hedge relationship are as follows:

- There must be an "economic relationship" between the hedged item and the hedging instrument;
- The effect of credit risk does not "dominate the changes in value" that result from this economic relationship;
- The hedging ratio of the hedging relationship is the same as the amount of the hedged item that the Group effectively covers and the amount of the hedging instrument that the Group effectively uses to cover that amount of hedged item.

The fair value of the derivative financial instruments contracted and the changes recorded in the hedging reserve are disclosed in Note 11.

In the fair value hedge of an asset or liability (fair value hedge), the carrying amount of the asset or liability, determined based on the accounting policy used, is adjusted to reflect the changes of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

An hedging operation for the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value changes of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge in recognized in the statement of profit and loss in the period in which occurs:

Hedge ineffectiveness may arise from:

- Differences in timing of cash flows of hedged items and hedging instruments;
- Different indices (and, therefore, different curves) associated with the hedged risk of hedged items and hedging instruments;
- Counterparty credit risk has a different impact on fair value movements of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires, is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

In the circumstances where the derivative financial instrument is no longer qualified as hedging instrument, the Company assesses: (i) in fair value hedging instruments, the existence of fair value adjustments to the hedged item, which are amortized through the strait-line method in the remaining period of the hedged item; and (ii) in cash-flow hedging instruments, the existence of fair value differences are recognized in Hedging reserve in equity, amount that will be reclassified to the profit and loss statement.

Any amount recorded in the caption as "Other reserves – hedge reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction, which is not expected to occur, any amount recorded as "Hedging reserve" is immediately reclassified to the statement of profit and loss

3.7. Revenue

Revenue includes the fair value of the consideration received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

Revenue relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest revenue is recognized in accordance with the effective interest method if it is probable that economic benefits flow to the company and they can be reliably measured.

The revenue from dividends is recognised as gain in the year they are assigned to the shareholders.

3.8. Critical accounting judgments and main sources of uncertainties relating to estimates

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates

Significant accounting estimates

3.8.1 Provisions

Provisions are recognized when the Company has: i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

3.8.2 Fair value

The fair value of listed investments is based on current market prices ("bid"). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. Income tax

Income tax for the year recognized in the statement of profit and loss includes current income tax and deferred tax. Current and deferred tax are recognized in the statement of profit and loss, except when deferred tax relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit, given it excludes revenue or expenses items that will be taxable or deductible in other years and items that will never be taxable or deductible.

Deferred tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been formally enacted on the date of the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, or temporary taxable differences that revert in the same period as the deductible temporary differences. At the end of each reporting period a revision is made of the deductible temporary differences and they are adjusted based on the expectation of their future utilization

3.10. Foreign currency transactions and balances

Foreign currency transactions are translated to Euros, the functional currency, using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognized as "finance costs" in the statement of profit and loss if relating to borrowings and in "other operating income or costs" in the case of all the other balances/ transactions.

3.11. Accrual basis of accounting

Income and expenses are recognised on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. Distribution of dividends

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. Share capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. Cash flow statement

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. Borrowing costs

Borrowings costs are recognized as costs in the period they are incurred.

3.16. Financial risk management policies

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on the REN`s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issued totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2018, all other factors remaining constant, would lead to a decrease on equity in the amount of 645 thousand Euros as of 31 December 2018 (645 thousand Euros as of 31 December 2017), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 709 thousand Euros as of 31 December 2018 (717 thousand Euros as of 31 December 2017).

Additionally, the Company is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro /USD, related with its financial investment in Electrogas, S.A., acquired in February 2017.

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2018, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,400 thousands Euros, while a decrease of that exchange rate would lead to an increase on equity in the amount of 8,588 thousand Euros

ii) Credit risk

REN's exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

REN's counterparty risk on bank deposits, financial applications, and contracting of derivative instruments is mitigated by the selection of top ratting international institutions with solid credit rating and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through central treasury management. All the liquidity excess and needs of each group company are transferred to REN SGPS, which manages the consolidated balances with financial institutions.

In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2018, has credit lines contracted and not used in the amount of 80,000 thousand Euros and five commercial paper programmes, in the amount of 1,050,000 thousand Euros, being available 870,000 thousand Euros as of 31 December

2018. From the total amount of commercial paper programmes, 530,000 thousand Euros have subscription guarantee (of which 380,000 thousand Euros were available as of 31 December 2018) (Note 15).

The following table presents the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments, the financial liquidation of the related cash flows of which is made by the net amount. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest; as therefore, do not correspond to its carrying amounts:

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	56,386	220,486	166,830	443,701
Bonds	82,987	1,154,670	983,453	2,221,110
Commercial paper	483,481	-	-	483,481
Others	6,965	119	-	7,084
	629,819	**1,375,275**	**1,150,282**	**3,155,377**
Derivative financial instruments	3,218	12,903	3,243	19,364
Trade and others payables	35,203	-	-	35,203
TOTAL	**668,240**	**1,388,178**	**1,153,526**	**3,209,943**

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	50,839	204,686	210,124	465,650
Bonds	248,508	587,085	1,226,772	2,062,365
Commercial paper	514,500	150,000	-	664,500
Others	12,292	129	-	12,420
	826,138	**941,900**	**1,436,897**	**3,204,935**
Derivative financial instruments	3,283	13,143	6,576	23,002
Trade and others payables	28,389	-	-	28,389
TOTAL	**857,811**	**955,043**	**1,443,473**	**3,256,327**

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(2,695)	(3,691)	(74,744)	(81,130)
Inflows	2,153	6,460	82,690	91,303
	(541)	**2,769**	**7,945**	**10,173**

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(6,298)	(74,707)	(85,173)
Inflows	2,007	8,029	77,079	87,116
	(2,161)	**1,731**	**2,373**	**1,943**

iv) Interest rate risk

The Company presents exposure to interest rates risk mainly on borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs; using simple derivative financial instruments such as interest rate swaps. In this kind of operations REN exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2018 and 2017, using the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2018 would result in a decrease of profit before tax of, approximately, 3,130 thousand Euros, (3,780 thousand Euros as of 31 December 2017).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 2,995 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2017 corresponded to an increase of 2,086 thousand Euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. Share-based payment

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payment ("IFRS 2").

Payments settled on cash settlement or cash settled, which are based on the share price, give rise to the recognition of a liability initially measured at fair value determined on the date the corresponding benefits are attributed. Benefits granted are recorded as personnel costs as beneficiaries provide the service against liabilities. The fair value of the liability is reviewed on each reporting date, and the effects of any change are recorded in income for the period.

The cost of equity settled transactions is determined at fair value at the date the concession is made using an appropriate valuation model. This cost is recognized in employee benefit expenses, together with a corresponding increase in the Company's capital (other capital reserves), during the period in which the service and the performance conditions are met (vesting period).

The share-based payments assume no material amounts for the purpose of disclosure in the notes to the financial statements.

3.18. Subsequent events

Events that occur subsequently to balance sheet date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. Cash flow

For the purpose of the statement of cash flow, the caption cash and cash deposits equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents.

The caption "Cash and cash equivalents" at 31 December 2018 and 2017 is detailed as follow:

	2018	2017
Bank deposits repayable on demand	33,393	55,699
Cash and cash equivalents	**33,393**	**55,699**

Receipts and payments relating to borrowings mainly include emissions and reimbursements of commercial paper.

5. Tangible assets

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2018 and 2017 were as follows:

	2017		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	708	253	961
Acquisitions	338	3	341
Sales/write offs	(271)	(12)	(282)
Ending balance	776	244	1,020
Accumulated depreciation and impairment losses			
Beginning balance	287	180	466
Depreciation for the year	161	17	178
Sales/write offs	(115)	(12)	(127)
Ending balance	332	185	517
Net assets	**444**	**59**	**503**

	2018		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	776	244	1.020
Acquisitions	187	17	203
Sales/write offs	(228)	(6)	(234)
Ending balance	735	255	990
Accumulated depreciation and impairment losses			
Beginning balance	332	185	517
Depreciation for the year	178	15	193
Depreciation Sales/write offs	(116)	(6)	(122)
Ending balance	394	194	588
Net assets	**342**	**61**	**402**

6. Finance leases

The Company had the following assets under finance lease agreements at 31 December 2018 and 2017:

	2018			2017
	Cost	**Depreciation**	**Carrying amount**	**Carrying amount**
Transport equipment	524	(293)	231	281
	524	(293)	231	281

The minimum payments under finance lease contracts at 31 December 2018 and 2017 are as follows:

	Present value of minimum payments		Minimum payments (Note 15)	
	2018	**2017**	**2018**	**2017**
Up to 1 year (Note 15)	94	107	96	109
From 1 to 5 years (Note 15)	119	129	120	130
	213	**286**	**216**	**292**

7. Investments in subsidiaries and associates

The Company's investments in subsidiaries and associates as of 31 December 2018 and 2017 are as follows:

Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
		31 December 2018						Investment held		
Equity method:										
Subsidiaries:										
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,866,775	2,168,639	698,136	373,195	59,507	100	698,136	59,507
REN Trading, S.A.	Lisbon	50	230,412	228,000	2,412	2,786	(118)	100	2,412	(118)
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	233,363	165,578	67,785	44,499	6,098	100	67,785	6,098
RENTELECOM - Comunicações, S.A.	Lisbon	100	7,666	3,940	3,726	6,139	1,992	100	3,726	1,992
REN Serviços, S.A.	Lisbon	170,050	1,495,178	1,254,976	240,202	63,534	38,268	100	240,202	38,268
Enondas, Energia das Ondas, S.A.	Pombal	250	2,323	1,597	726	629	67	100	726	67
REN Pro, S.A.	Lisbon	50	1,413	1,227	186	1,125	136	100	186	136
Ren Finance, BV	Amsterdam	20	2,176,094	2,011,571	164,523	465	6,643	100	164,523	6,643
									1,177,695	**112,594**
Associates:										
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	27,359	353	27,006	1,117	(1,360)	40	5,251	(531) (i)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,098	822	5,276	1,447	(353)	50	2,633	(176)
									7,883	**(707)**
										-
									1,185,579	**111,886**

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method by REN SGPS.

Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net results	%	Investment	Proportional amount of result (Note 18)
		31 December 2017						Investment held		
Equity method:										
Subsidiaries:										
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	3,023,798	2,360,111	663,687	402,070	74,166	100	663,687	74,166
REN Trading, S.A.	Lisbon	50	221,662	219,132	2,530	3,452	2,480	100	2,530	2,480
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	262,037	184,191	77,846	45,267	6,159	100	77,846	6,159
RENTELECOM - Comunicações, S.A.	Lisbon	100	6,680	2,593	4,087	5,222	2,477	100	4,087	2,477
REN Serviços, S.A.	Lisbon	170,050	1,231,617	1,007,886	223,731	58,951	33,116	100	223,731	33,116
Enondas, Energia das Ondas, S.A.	Pombal	250	2,440	1,781	422	627	85	100	658	85
Ren Finance, BV	Amsterdam	20	2,011,707	1,842,715	168,992	190	4,493	100	168,992	4,493
									1,141,531	**122,975**
Associates:										
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	26,948	561	26,387	1,488	(1,103)	40 (iii)	5,782	(1,317) (i)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,413	784	5,629	1,454	(360)	50	2,809	(180)
									8,591	**(1,497)**
									1,150,122	**121,478**

(i) 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 made after application of the equity method by REN SGPS.

On 4 October 2017, the Group, through its subsidiary REN Gás, S.A. acquired to EDP Iberia, S.L.U. the total share capital of EDP Gás, SGPS, S.A. (renamed REN Gás Distribuição, SGPS, S.A. after the acquisition) and its subsidiaries, EDP Gás Distribuição, S.A. (renamed REN Portgás Distribuição, S.A. after the acquisition) and EDP Gás GPL — Comércio de Gás de Petróleo Liquefeito, S.A. (renamed REN Portgás GPL, S.A. after the acuisition). The acquisition price, with reference to 4 October 2017, amounted to 530,508 thousand Euros.

However, REN sold the liquefied petroleum gas business (REN Portgás GPL, S.A) to ENERGYCO II, S.A., on 2 July 2018.

As of 31 December 2018, the accumulated amount recognized in the caption "Investments – equity method", in consequence of the use of the equity method, amounts to 435,431 thousand Euros. According to the current legislation in Portugal, any income and other positive equity fluctuations recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

The changes in these captions in 2018 and 2017 were as follows:

Investments – equity method

2018	Investment - equity method: Proportion of capital held (assets)	Investment - equity method: Proportion of capital held (provisions) (Note 14)	Total
Beginning balance	1,150,122	-	1,150,122
Result appropriated by the equity method (Note 18)	111,886	-	111,886
Distribution of dividends by subsidiaries and associates	(92,465)	-	(92,465)
Other appropriation of changes in equity in subsidiaries	22,418	-	22,418
Devolution Premium Share REN Finance	(6,432)	-	(6,432)
Capital REN Pro	50	-	50
Ending balance	**1,185,579**	**-**	**1,185,579**

2017	Investment - equity method: Proportion of capital held (assets)	Investment - equity method: Proportion of capital held (provisions) (Note 14)	Total
Beginning balance	885,354	(401)	884,953
Result appropriated by the equity method (Note 18)	121,077	401	121,478
Distribution of dividends by subsidiaries and associates	(64,465)	-	(64,465)
Other appropriation of changes in equity in subsidiaries	(15,526)	-	(15,526)
Capital Increase on REN Finance BV	53,232	-	53,232
Capital Increase on REN Serviços	170,000	-	170,000
Capital Increase on REN Trading	450	-	450
Ending balance	**1,150,122**	**-**	**1,150,122**

8. Goodwill

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2018 and 2017, the amount is as follows:

Entity	**Year of acquisition**	**Acquisition cost**	**Percentage interest held: %**	**Percentage interest held: Amount**	**Goodwill: Amount at 01.01.2018**	**Goodwill: Decreases**	**Goodwill: Amount at 31.12.2018**	**Amount at 31.12.2017**
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	3,019	(377)	2,642	3,019

9. Income tax

The companies belonging to the REN group are taxed based on the special regime for the taxation of group companies ("RETGS"). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS.

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 contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2015 to 2018 are still subject to review.

The Company's Board of Directors understands that any correction 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 31 December 2018 and 2017.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iv) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2018, the computation of the deferred taxes, was updated in accordance with Law 71/2018, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2019.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2018, 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 credit / (expense) of the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Current tax	(744)	(1,454)
Adjustments relating to previous years income tax	758	2,537
Deferred tax	8	(2,043)
Income tax	22	(959)

The reconciliation of current income tax as of 31 December 2018 and 2017 is as follows:

	2018	2017
Profit before income tax	**113,512**	**127,990**
Positive net worth variation	3,490	-
Permanent differences		
Non tax deductible costs	1,564	768
Non taxable income	(112,985)	(121,942)
Timing differences		
Provision for post employment benefits	-	(2)
Provisions and impairments	-	(392)
Derivative Financial Instruments	3	(14)
Others	25	-
Taxable profit	**5,608**	**6,407**
Cost/(credit) of income tax at the rate of 21%	1,178	1,346
Statesurcharge tax	123	-
Municipal taxation	84	-
Autonomous taxation	92	108
Income tax from previous years	(733)	-
Current tax	**744**	**1,454**
Deferred tax	(8)	2,043
Adjustments relating to prior years income tax	(758)	(2,537)
Income tax	**22**	**(959)**

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2018 and 2017, in accordance with the underlying temporary differences are as follows:

	31 December				Increase/ (decrease) in the period	
	2018		2017			
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets						
Restructuring provision	71	16	71	15	1	-
Provision for post employment benefits	7	2	7	2	-	-
Derivative financial instruments-Cash Flow	13,647	3,071	12,281	2,579	-	492
Derivative financial instruments-Fair Value	5	1	2	-	1	-
Others	25	6	-	-	6	-
	13,756	**3,095**	**12,361**	**2,596**	**8**	**492**
Deferred tax liabilities						
Fair value of assets	15,009	3,377	13,191	2,770	-	607
	15,009	**3,377**	**13,191**	**2,770**	**-**	**607**
Deferred tax					**8**	**(115)**

10. Financial assets

Trade receivables and other receivables

Trade receivables and other receivables at 31 December 2018 and 2017 are as follows:

	2018	2017
Non current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	2,507,685	1,786,463
Current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	111,707	412,291
Group companies - treasury management (Note 25)	309,752	873,913
Group companies - RETGS (Note 25)	60,741	91,395
Group companies - other debtors (Note 25)	4,341	4,255
Group companies - Interest receivable from shareholders loans (Note 25)	32,394	33,237
Group companies - Accruals (Note 25)	1,833	2,121
Other	506	103
	521,274	1,417,316
	3,028,959	3,203,779

As of 31 December 2018, the Company made shareholders loans to its subsidiaries in the total amount 2,619,392 thousand Euros (2,198,755 thousand Euros as of 31 December 2017), which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption "Other receivables – Group companies - RETGS" includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

Other financial assets

The caption "Other financial assets" as of 31 December 2018 and 2017 is as follows:

	2018	2017
Non current:		
Labor compensation fund	11	8
	11	8
Other financial assets	**11**	**8**

11. Derivative financial instruments

As of 31 December 2018 and 2017, the Company had the following derivative financial instruments contracted:

		31 December 2018			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	10,877
Interest rate and currency swaps	10,000,000 TJPY	-	10,940	-	-
		-	10,940	-	10,877
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	10,070	-	-
		-	10,070	-	-
Trading derivatives	60,000 TEUR	-	-	-	2,076
Derivative financial instruments		**-**	**21,010**	**-**	**12,952**

		31 December 2017			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	300,000 TEUR	-	-	-	6,109
Interest rate and currency swaps	10,000,000 TJPY	-	724	-	-
		-	724	-	6,109
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	7,183	-	-
		-	7,183	-	-
Trading derivatives	60,000 TEUR	-	-	-	851
Derivative financial instruments		**-**	**7,907**	**-**	**6,960**

The valuation of the derivatives financial instruments portfolio is based on fair value valuations made by external entities.

The amount recorded in this caption relates to interest rate swaps and one cross currency swap, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates (Note 3.16), whose counterpart are financial foreign and internal entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 31 December 2018 relating to these derivatives financial instruments, in the total net amount receivable of 2,136 thousand Euros (2,119 thousand Euros at 31 December 2017 receivable).

The main features of the derivatives financial instruments used for REN's major financing operations as of 31 December 2018 and 2017 are detailed as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31/12/2018	Fair value at 31/12/2017
Cash flow hedge:							
Interest rate swaps	600,000 TEUR	EUR	[0,75%;0,751%]	[-0,311%;0,00%] - floating rates	[dec-2024; feb-2025]	(10,877)	(6,109)
Interest rate and currency swaps	10,000,000 TJPY / 72,899 TEUR	EUR/JPY	5,64% (floating rate starting 2019)	2.71%	2024	10,940	724
						64	**(5,384)**
Fair value hedge:							
Interest rate swaps	400,000 TEUR	EUR	[-0,271%;0,059%] - floating rates	[0,61%; 1,72%]	[Oct-2020; Feb-2025]	10,070	7,183
Trading derivatives:						**10,070**	**7,183**
Interest rate swaps	60,000 TEUR	EUR	Floating rates to be determined in future	[0.00%;0.99%]	2024	(2,076)	(851)
						(2,076)	**(851)**
					Total	**8,058**	**947**

The schedule of the cash flows of the derivative financial instruments portfolio is quarterly and half-yearly for cash flow hedge contracts and semi-annual and annual basis for derivatives designated as a fair value hedge and semi-annual for the negotiation derivative.

The notional reference of cash flows and fair value hedge derivatives as of 31 December 2018 and 2017 is presented in the following table:

2018:

	2019	2020	2021	2022	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	600,000	600,000
Interest rate and currency swap (cash flow hedge)	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	100,000	-	-	300,000	400,000
Trading derivatives	-	-	-	-	60,000	60,000
Total	**-**	**100,000**	**-**	**-**	**1,032,899**	**1,132,899**

2017

	2018	2019	2020	2021	Following Years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000
Interest rate and currency swap (cash flow hedge)	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	100,000	-	300,000	400,000
Trading derivatives	-	-	-	-	60,000	60,000
Total	**-**	**-**	**100,000**	**-**	**732,899**	**832,899**

Swaps:

Cash flow hedges

The Company hedges part of its future payments of interests on borrowings and bond issues through the designation of interest rate swaps, on which pays a fixed rate and receives a variable rate.

At 31 December 2018, the Company contracted two new cash flow hedge derivatives totalling 300,000 thousand Euros, with notional cash flow hedge derivatives increased to 600,000 thousand Euros (at 31 of December 2017 was 300,000 thousand Euros). This is a hedge of interest rate risk associated with variable rate interest payments arising from recognized financial liabilities. The hedged risk is the index of the variable rate to which the interest of the financing is associated. The objective of this hedge is to transform floating interest rate loans into fixed interest rates, and credit risk is not being hedged. The fair value of interest rate swaps as of 31 December 2018 is negative 10,877 thousand Euros (at 31 December 2017 was negative 6,109 thousand Euros).

In addition, the Company 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. The changes in the fair value of the hedging instrument are also recognized in hedging reserves. As from June 2019 the object will be to hedge exposure to JPY and the interest rate risk, transforming the operation into a fair value hedge, the changes in fair value of the debt issued resulting from the risks covered becoming 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 profit and loss statement when the transaction hedged affects results for the year.

The fair value of the cross currency swap at 31 December 2018 was 10,940 thousand Euros positive (724 thousand Euros positive at 31 December 2017).

The underlying foreign exchange change (borrowing) for 2018, in the amount of, approximately, 5,391 thousand Euros negative (6,969 as of 31 December 2017 positive), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The inefficient component of the fair value hedge amounted to 7,321 thousand Euros positive (5,921 thousand Euros at 31 December 2017 positive). Accordingly, the effect recorded in the income statement for the period ended 31 December 2018 amounts to 1,401 thousand Euros.

The amount recorded in the hedging reserve relating to the above mentioned cash flow hedge was 13,647 thousand Euros (12,281 thousand Euros in 31 December 2017).

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact (Note 9)	Hedging reserves
1 January 2017	**(17,542)**	**3,684**	**(13,858)**
Changes in fair value and ineffectiveness	5,261	(1,105)	4,156
31 December 2017	**(12,281)**	**2,579**	**(9,702)**
1 January 2018	**(12,281)**	**2,579**	**(9,702)**
Changes in fair value and ineffectiveness	(1,366)	492	(875)
31 December 2018	**(13,647)**	**3,071**	**(10,577)**

Fair value hedge

To manage the fair value changes of debt issues, the company contracted interest rate swaps on which pays a variable rate and receives a fixed rate.

As of 31 December 2018 the notional amount of derivatives nominated as fair value hedge reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2017). The risk covered is the fixed rate indexer to debt issued. The covered risk is related with fair value changes of the debt issues according to the interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates into variable interest rates, the credit risk not being hedged.

The fair value of these interest rate swaps at 31 December 2018 was 10,070 thousand Euros positive (7,183 thousand Euros positive as of 31 December 2017).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in the income statement in order to offset changes in the fair value of the hedge instrument recorded in the income statement.

During 2018, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 2,647 thousand Euros positive (4,975 thousand Euros positive as of 31 December 2017), causing an inefficient component of around 246 thousand Euros (positive) (297 thousand Euros positive as of 31 December 2017).

Trading derivatives

REN has an interest rate forward start swap with a start date on 2019 and end date on 2024, on which pays a fixed rate and receives a variable rate.

This derivative despite not being considered as a hedging instrument in accordance with IFRS 9, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 31 December 2018, the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2017). This is a hedging of interest rate risk associated with future cash flows of variable interest rate associated with the Group finance liabilities. The hedged risk is the indexer of the variable rate to which the debt interests are associated. The objective of this hedging is to convert cash flows at a variable rate into a fixed rate, the credit risk is not hedged. The fair value of this negotiation derivative as of 31 December 2018 amounts to 2,076 thousand Euros negative (851 thousand Euros negative as of 31 December 2017).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement.

As of 31 December 2018 the amount related with the fair value of the trading derivative was a expense of 1,225 thousand Euros (an income of 288 thousand Euros as of 31 December 2017).

12. Investments in equity instruments at fair value for other comprehensive performance

The assets recognised in this caption at 31 December 2018 and 2017 corresponds to equity interests held on strategic entities in the electricity and gas market, which can be detailed as follows:

	Head office		% owned		Book value	
	City	Country	2018	2017	2018	2017
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	53,409	51,591
					56,576	**54,757**

The changes in this caption were as follows:

	OMEL	HCB	Total
At 1 January 2017	**3,167**	**49,516**	**52,683**
Fair value adjustments	-	2,075	2,075
At 31 December 2017	**3,167**	**51,591**	**54,757**
At 1 January 2018	**3,167**	**51,591**	**54,757**
Fair value adjustments	-	1,819	1,819
At 31 December 2018	**3,167**	**53,409**	**56,576**

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. ("Parpublica"), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2018, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. ("OMEL"). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses. At this date, no evidences of impairment losses related with OMEL exist.

Adjustments to the fair value investments in equity instruments at fair value for other comprehensive income are recorded in equity under the caption "fair value reserve", which as of 31 December 2018 and 2017 presents the following amounts:

	Fair value reserve
1 January 2017	**8,782**
Changes in fair value	2,075
Fiscal effect (Note 9)	(436)
31 December 2017	**10,421**
1 January 2018	**10,421**
Changes in fair value	1,819
Fiscal effect (Note 9)	(607)
31 December 2018	**11,632**

The dividends distributed are detailed in Note 24..

13. Equity instruments

Share Capital

As of 31 December 2018, the Company's subscribed and paid up capital was made up of 667,191,262 shares with nominal value of 1 Euro each.

Share capital at 31 December 2018 and 2017 is detailed as follows:

	2018		2017	
	Number of shares	Share Capital	Number of shares	Share Capital
Share capital	667,191,262	667,191	667,191,262	667,191

On 7 December 2017 REN SGPS completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal amount of 1.00 Euro each.

Following the share capital increase of 2017, REN SGPS recorded in the caption "Share Premium" the amount of 116,809 thousand Euros.

Additionally in 2017, in the caption "Other changes in equity" it was recorded the amount of 5,571 thousand Euros (net of income taxes in the amount of 1,481 thousand Euros) related with expenses associated with the issue of the new shares.

The main shareholders at 31 December 2018 and 2017 and were as follows:

	31.12.2018		31.12.2017	
	Shares	%	Shares	%
State Grid Europe Limited (Group State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Group Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	45,034,126	6.7%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc.	25,365,000	3.8%	31,691,585	4.8%
Great-West Lifeco, Inc.	17,794,967	2.7%	13,719,885	2.1%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Free float	257,784,874	38.6%	257,110,490	38.5%
	667,191,262	**100.0%**	**667,191,262**	**100.0%**

At 31 December 2018 and 2017, the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.7268%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2018.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution

Legal reserve

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2018 the caption "Legal reserve" amounted to 113,152 thousand Euros.

Other reserves

The caption "Other Reserves" includes changes in the fair value of investments in equity instruments at fair value for other comprehensive income, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used.

As of 31 December 2018, the Company has in Equity the amount of 1.056 thousand Euros positive (719 thousand Euros positive in 2017) related to reductions arising from the application of fair value, namely: (i) fair value reserve of Investments in equity instruments at fair value for other comprehensive income in the amount of 11,632 thousand Euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 10,577 thousand Euros negative (Note 11).

The caption "Other Reserves" includes free reserves in the amount of 180,553 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption "Adjustments to financial assets" reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2018 this caption amounted to 36,822 thousand Euros negative (59,240 thousand Euros negative as of 31 December 2017) and includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses of the year in the total amount of 12,942 thousand Euros (Note 7) and; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 2,721 thousand Euros and; (iii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the exchange differences in Aerio Chile in the amount of 6,943 thousand Euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 3 May 2018, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2017, in the amount of 127,030 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 114,090 thousand of Euros.

The dividends paid during the year ended 31 December 2017, determined on the 2016 net profit amounted to 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

14. Provisions, contingent liabilities and contingen assets

Guarantees given

At 31 December 2018 and 2017, the Company had given the following bank guarantees:

Beneficiary	Object	2018	2017
European Investment Bank	For loan outstanding balances	231,989	262,929
General Directorate of Energy and Geology	Guarantee complete fulfillment of the obligations of the Concession Contract	-	10,000
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	5,024	2,613
Municipal Council of Vila Nova de Gaia	Ensure the suspension of tax enforcement proceedings n.º412/13	2	2
		237,016	**275,543**

The guarantees given have the following maturities:

	December 2018			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	23,680	99,730	108,579	231,989
Others	-	-	5,026	5,026
	23,680	**99,730**	**113,606**	**237,016**

	December 2017			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	31,126	148,169	83,634	262,929
Others	-	-	12,615	12,615
	31,126	**148,169**	**96,249**	**275,543**

Provisions

At 31 December 2018 and 2017 the caption "Provisions" was made up as follows:

	2018			2017		
	Investments (Note 7)	**Other provisions**	**Provisions**	**Investments (Note 7)**	**Other provisions**	**Provisions**
Non current:						
Beginning balance	**-**	**71**	**71**	**401**	**263**	**664**
Increases	-	-	-	-	116	116
Utilization	-	-	-	-	(241)	(241)
Reversing	-	-	-	(401)	(67)	(468)
Ending balance	**-**	**71**	**71**	**-**	**71**	**71**
Current:						
Beginning balance	**-**	**-**	**-**	**-**	**200**	**200**
Ending balance	**-**	**-**	**-**	**-**	**-**	**-**

As of 31 December 2018, the caption "Provisions" in the amount of 71 thousand Euros refers to a provision related to a restructuring process in progress.

15. Financial liabilities

Trade Payables and Other Payables

At 31 December 2018 and 2017 the captions "Trade payables" and "Other payables" were made up as follows:

	2018	2017
Current		
Trade payables:		
National	965	3,645
Foreign	510	2,623
	1,475	**6,268**
Other payables:		
Capex suppliers	2	-
Group companies - RETGS (Note 25)	18,647	4,885
Group companies - treasury management (Note 25)	6,868	12,044
Accrued costs:		
Remunerations	372	477
Others	1,946	3,974
Other Creditors:		
Group (Note 25)	5,430	288
Others	463	453
	33,728	**22,121**
	35,203	**28,389**

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

Borrowings

The borrowings are detailed, in terms of maturity (current and non-current) and nature, as of 31 December 2018 and 2017 as follows:

	2018	2017
Non-current		
Commercial paper	-	150,000
Bonds	120,452	145,013
Bank loans	355,714	403,234
Finance leases (Note 6)	119	129
Group Companies - Bonds (Note 25)	1,812,755	1,512,755
Other deferred borrowing costs	(230)	(541)
Other deferred borrowing costs - Group companies (Note 25)	(4,330)	(3,642)
	2,284,480	**2,206,948**
Current		
Commercial paper	180,000	70,000
Group Companies - Commercial Paper (Note 25)	301,500	444,500
Bonds	30,000	192,800
Bank loans	47,521	47,115
Finance leases (Note 6)	94	107
Group Companies - Interests and other similar costs (Note 25)	31,522	25,411
Interest payable	980	7,930
Other deferred borrowing costs	(1,102)	(1,275)
Other deferred borrowing costs - Group companies (Note 25)	(2,448)	(1,787)
	588,067	**784,801**
	2,872,547	**2,991,750**

The company external borrowings have the following capital repayment schedule:

	2019	2020	2021	2022	2023	Following years	Total
Debt - Non current	-	78,004	59,433	48,915	49,394	240,538	476,284
Debt - Current	257,615	-	-	-	-	-	257,615
	257,615	**78,004**	**59,433**	**48,915**	**49,394**	**240,538**	**733,899**

The company internal borrowings have the following capital repayment schedule:

	2019	2020	2021	2022	2023	Following years	Total
Commercial paper	301,500	-	-	-	-	-	301,500
Bonds	-	314,755	49,000	48,000	9,000	1,392,000	1,812,755
	301,500	**314,755**	**49,000**	**48,000**	**9,000**	**1,392,000**	**2,114,255**

Detailed information regarding bond issues as of 31 December 2018 is as follows:

31 December 2018					
Issue date	**Maturity**	**Initial amount**	**Outstanding amount**	**Interest rate**	**Schedule of interest payments**
'Euro Medium Term Notes' programme issues					
26/06/2009	26/06/2024	TJPY 10,000,000 (i)	TJPY 10,000,000	Fixed rate (ii)	Semi-annual
16/01/2013	16/01/2020	TEUR 150,000 (i)	TEUR 60,000	Floating rate	Quarterly
31/01/2013	31/01/2018	TEUR 300,000	TEUR 162,800	Fixed rate EUR 4.125%	Annual

(i) These issues correspond to private placements.
(ii) These issues has interest and currency rate swaps associated

In 2018, a bond issue of 162,800 thousand euros reached its maturity. REN SGPS together with REN Finance B.V. carried out a new fixed-rate bond issue in the amount of 300,000 thousand Euros.

In addition, both companies have agreed a new Term Facility with Intesa SanPaolo for a total amount of 150,000 thousand Euros, which are fully disbursed.

Bank loans are made up mostly of loans contracted with the European Investment Bank (EIB), which at 31 December 2018 amounted to 403,234 thousand Euros (at 31 December 2017 it was 450,349 thousand Euros).

As a result of the fair value hedge related to the debt issues in the amount of 400,000 thousand Euros (Note 11), fair value changes were recognized directly in statement of profit and loss, in a negative amount of 2,647 thousand Euros (4,975 thousand Euros positive as of 31 December 2017).

As of 31 December 2018, the Company issued commercial paper programs in the amount of 180,000 thousand Euros (220,000 thousand Euros in 31 December 2017) and bonds in the amount of 1,812,755 thousand Euros (1,512,755 thousand Euros in 31 December 2017) contracted within the Group. The terms and conditions of these borrowings are market conditions.

As of 31 December 2018, the company has five commercial paper programs in the amount of 1,050,000 thousand Euros, being available to use 870,000 thousand Euros. From the total amount of the commercial paper programs, 530,000 thousand Euros have a placement guarantee.

The Company 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), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies.

The balance of the caption Prepaid interest includes the amount of 17,310 thousand Euros (18,705 thousand Euros in 31 December 2017) related with the refinancing of bonds through an exchange offer completed in 2016.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 87% above the minimum at 31 December 2018.

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

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change in 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 to considering the legal ownership of shares of REN restrictions.

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.

16. State and other public entities

At 31 December 2018 and 2017 the caption "State and other public entities" is detailed as follows:

	2018	2017
Current assets		
Income tax	37,418	-
VAT receivable	-	596
Other taxes	2	1
State and other public entities - Asset	37,420	597

	2018	2017
Current liabilities		
Income tax	-	29,960
Retained tax	94	118
Social security	97	115
State and other public entities - Liability	191	30,193

The REN group entities are included in the CIT – RETGS regime (Note 9).

17. Revenue

The revenue recognized by the Company in the year ended 31 December 2018 and 2017 was as follows:

	2018	2017
Technical and admninistrative management of REN Group (Note 25)	13,345	12,573
Other services (Note 25)	10	-
	13,356	12,573

18. Gains and losses from subsidiaries and associates

The gains and losses from subsidiaries and associates in the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Subsidiaries:		
REN - Rede Eléctrica Nacional, S.A.	59,507	74,166
REN Atlântico, Terminal de GNL, S.A.,	6,098	6,159
Rentelecom - Comunicações, S.A.	1,992	2,477
REN Serviços, S.A.	38,268	33,116
Enondas – Energia das Ondas, S.A.	67	85
REN Pro, S.A.	136	-
REN Trading, S.A.	(118)	2,480
REN Finance, B.V.	6,643	4,493
Associates:		
OMIP, SGPS, S.A.	(531)	(1,317)
Centro de Investigação em Energia REN - State Grid, S.A.	(176)	(180)
	111,886	121,478

19. Supplies and services

The caption "Supplies and services" for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Specialized services	3,579	6,182
Services rendered to Group companies (Note 25)	1,809	1,554
Advertising and promotional expenses	253	457
Travel and lodging	468	341
Other services	617	625
	6,726	9,161

The variation in specialized services refers mainly with consulting services related with the acquisition process during the year of 2017.

20. Personnel costs

The caption "Personnel costs" for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Remunerations		
Board of directors	2,346	2,384
Personnel	3,315	3,424
	5,661	5,808
Charges on remuneration and other		
Charges on remuneration	1,034	1,043
Other	70	43
Insurance	102	111
	1,206	1,196
Personnel costs	**6,867**	**7,004**

The board of Directors caption includes the Board of Directors members' remunerations and the General Assembly members' remunerations.

Personnel employed

During the years ended 31 December 2018 and 2017 the average number of personnel employed by the Company was 40 and 42, respectively.

21. Other income

The caption "Other income" for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Supplementary income	301	220
Other income	1	250
	302	471

22. Other expenses

The caption "Other expenses" for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Donations	189	170
Subscriptions	90	111
Taxes	314	194
Other expenses	28	60
	621	536

23. Interest and similar income and expenses

The caption "Interest and similar income and expenses" for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Interest and similar costs		
Bonds	4,764	12,549
Bank loans	7,967	10,553
Commercial paper	3,651	4,357
Swaps (Note 11)	1,225	275
Centralized treasury management (Note 25)	57	334
Commercial paper -Group companies (Note 25)	2,694	4,521
Bonds -Group companies (Note 25)	54,702	45,287
Other financial costs	206	272
	75,265	**78,149**
Interest and similar income		
Interest on sharehoders loans (Note 25)	68,862	79,461
Interest on centralized treasury management (Note 25)	3,558	4,447
Interest on bank deposits	1	5
Derivative financial instruments (Note 11)	4,246	3,184
Other income (Note 10)	-	226
	76,666	**87,323**

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. Dividends

During the years ended 31 December 2018 and 2017, the Company received the following dividends from investments in equity instruments at fair value for other comprehensive income:

	2018	2017
Dividends received:		
- HCB	1,260	1,472
- OMEL	91	55
	1,352	**1,528**

The total amount of dividends received from subsidiaries, associates and investments in equity instruments at fair value for other comprehensive income amounted to 92,465 thousand Euros.

25. Related parties

During the years ended 31 December 2018 and 2017 the following transactions were carried out with related parties:

Group

Entidade	Serviços prestados (Nota 17)	Juros e rendimentos similares obtidos - Suprimentos (Nota 23)	Juros e rendimentos similares obtidos - "Gestão de tesouraria" (Nota 23)	Fornecimentos e serviços externos (Nota 19)	Juros e gastos similares suportados - "Gestão de tesouraria" (Nota 23)	Juros e gastos similares suportados - Papel comercial (Nota 23)	Juros e gastos similares suportados - Empréstimos obrigacionistas (Nota 23)
2018							
REN - Rede Eléctrica Nacional, S.A.	7,633	42,385	654	746	1	-	-
REN Trading, S.A.	3	-	806	-	-	-	-
ENONDAS, S.A.	17	-	10	-	-	-	-
REN Serviços, S.A.	1,573	22,841	1,508	588	-	-	-
RENTELECOM - Comunicações, S.A.	105	-	-	-	29	-	-
REN Gás, S.A.	-	-	153	-	-	-	-
REN Gasodutos, S.A.	2,196	-	105	-	13	-	-
REN Armazenagem, S.A.	400	-	53	-	-	-	-
REN Gás Distribuição SGPS S,A,	-	-	7	-	1	-	-
REN Portgás Distribuição SGPS, S.A.	505	-	26	-	10	-	-
REN Atlântico, Terminal de GNL, S.A.	876	3,636	187	-	4	-	-
REN Pro, S.A.	37	-	-	12	-	-	-
REN Finance, B.V.	-	-	50	464	-	2,694	54,702
	13,345	**68,862**	**3,558**	**1,809**	**57**	**2,694**	**54,702**

Entidade	Serviços prestados (Nota 17)	Juros e rendimentos similares obtidos - Suprimentos (Nota 23)	Juros e rendimentos similares obtidos - "Gestão de tesouraria" (Nota 23)	Fornecimentos e serviços externos (Nota 19)	Juros e gastos similares suportados - "Gestão de tesouraria" (Nota 23)	Juros e gastos similares suportados - Papel comercial (Nota 23)	Juros e gastos similares suportados - Empréstimos obrigacionistas (Nota 23)
2017							
REN - Rede Eléctrica Nacional, S.A.	7,266	55,448	1,076	762	-	-	-
REN Trading, S.A.	12	-	950	-	-	-	-
ENONDAS, S.A.	13	-	11	-	-	-	-
REN Serviços, S.A.	1,449	19,232	1,595	602	-	-	-
RENTELECOM - Comunicações, S.A.	115	-	-	-	28	-	-
REN Gás, S.A.	-	-	695	-	218	-	-
REN Gasodutos, S.A.	2,386	-	86	-	34	-	-
REN Armazenagem, S.A.	440	-	8	-	19	-	-
REN Gás Distribuição SGPS S,A,	-	-	5	-	-	-	-
REN Portgás Distribuição SGPS, S.A.	-	-	1	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	879	4,781	19	-	36	-	-
REN Finance, B.V.	-	-	-	190	-	4,521	45,287
	12,559	**79,461**	**4,447**	**1,554**	**334**	**4,521**	**45,287**

Other Related Parties

	2018	2017
Services rendered		
Centro de Investigação em Energia REN - State Grid, S.A.	10	15
	10	**15**
External supplies and services		
Centro de Investigação em Energia REN - State Grid, S.A.	176	-
EDP	1	1
CMS - Rui Pena & Arnaut [1]	5	54
OMIP	531	297
	714	**352**

[1] Entity related with the Member of the Board Directors, José Luis Arnaut.

As of 31 December 2018 and 2017, the Company had the following balances with related parties:

Group

2018							
	Current assets						Non current assets
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	34,231	92,087	17,254	43,635	60	1,019	1,297,885
REN Trading, S.A.	-	138,688	-	-	73	-	-
REN Serviços, S.A.	70,000	-	15,011	-	-	173	1,155,000
REN Gasodutos, S.A.	-	17,497	-	9,254	10	17	-
REN Armazenagem, S.A.	-	5,421	-	4,389	3	4	-
REN Atlântico, Terminal de GNL, S.A.	7,476	39,382	129	2,859	20	74	54,800
REN Gás, S.A.	-	690	-	-	1	-	-
REN Gás Distribuição SGPS S,A,	-	-	-	-	12	-	-
REN Portgás Distribuição SGPS, S.A.	-	14,534	-	-	31	504	-
ENONDAS, S.A.	-	1,402	-	20	1	5	-
RENTELECOM - Comunicações, S.A.	-	-	-	584	-	1	-
REN Pro, S.A.	-	50	-	-	339	37	-
REN Finance, B.V.	-	-	-	-	3,793	-	-
	111,707	**309,752**	**32,394**	**60,741**	**4,341**	**1,833**	**2,507,685**

2018								
	Current liabilities						Non Current liabilities	
Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)	Others creditors (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	478	-	-	-	-
REN Trading, S.A.	-	16,723	-	3,736	-	-	-	-
REN Serviços, S.A.	1,286	838	-	3	-	-	-	-
REN Gás, S.A.	-	1,086	-	-	-	-	-	-
REN Gás Distribuição SGPS S,A,	575	-	-	-	-	-	-	-
RENTELECOM - Comunicações, S.A.	5,007	-	-	3	-	-	-	-
REN Pro, S.A.	-	-	-	123	-	-	-	-
REN Finance, B.V.	-	-	31,522	1,088	301,500	(2,448)	1,812,755	(4,330)
	6,868	**18,647**	**31,522**	**5,430**	**301,500**	**(2,448)**	**1,812,755**	**(4,330)**

2017							
	Current assets						Non current assets
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	334,231	127,241	23,931	50,676	79	1,250	1,032,115
REN Trading, S.A.	-	143,606	-	-	101	-	-
REN Serviços, S.A.	70,000	259,888	9,127	-	142	214	655,000
REN Gasodutos, S.A.	-	-	-	24,151	-	407	-
REN Armazenagem, S.A.	-	14,877	-	5,931	5	78	-
REN Atlântico, Terminal de GNL, S.A.	8,061	-	179	9,791	-	150	99,348
REN Gás, S.A.	-	320,829	-	72	209	-	-
REN Gás Distribuição SGPS S,A,	-	1,996	-	-	5	-	-
REN Portgás Distribuição SGPS, S.A.	-	3,893	-	-	1	-	-
ENONDAS, S.A.	-	1,584	-	19	1	2	-
RENTELECOM - Comunicações, S.A.	-	-	-	756	-	20	-
REN Finance, B.V.	-	-	-	-	3,655	-	-
Aerio Chile	-	-	-	-	59	-	-
	412,291	**873,913**	**33,237**	**91,395**	**4,255**	**2,121**	**1,786,463**

2017								
	Current liabilities						Non Current liabilities	
Related party	Other payables - Treasury management (Note 15)	Other payables RETGS (Note 15)	Other payables - Interest payables from Bonds (Note 15)	Others creditors (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	82	-	-	-	-
REN Trading, S.A.	-	3,738	-	1	-	-	-	-
REN Serviços, S.A.	-	1,147	-	2	-	-	-	-
REN Gasodutos, S.A.	3,448	-	-	4	-	-	-	-
REN Armazenagem, S.A.	-	-	-	2	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	4,142	-	-	6	-	-	-	-
RENTELECOM - Comunicações, S.A.	4,454	-	-	2	-	-	-	-
REN Finance, B.V.	-	-	25,411	190	444,500	(1,787)	1,512,755	(3,642)
	12,044	**4,885**	**25,411**	**288**	**444,500**	**(1,787)**	**1,512,755**	**(3,642)**

Other Related Parties

	2018	2017
Assets		
Other receivables- Oman Oil	-	1
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	13	18
	13	**19**
Suppliers		
EDP	-	1
CMS - Rui Pena & Arnaut [1]	6	9
	6	**10**

[1] Entity related with the Member of the Board Directors, José Luis Arnaut.

Information on share transactions by members of the Board of Directors

In December 2018, the president of the Audit Committee, Manuel Ramos de Sousa Sebastião, acquired 5,000 shares of REN. Following this operation, the total number of shares held by him is 35,000.

Beside the above situation, no other transactions were made by Board of Directors members as compared to the financial statements ended 31 December 2017.

26. Remuneration of the Board of Directors

The Board of Directors of REN were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN in the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Remuneration and other short term benefits	1,490	1,528
Management bonuses (estimated)	856	856
	2,346	**2,384**

There are no loans granted to the members of the Board of Directors.

27. Classification of financial assets and liabilities

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

2018

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	33,393	33,393	33,393
Trade and other receivables	10	3,028,959	-	-	-	-	-	3,028,959	3,028,959
Other financial assets	10	-	-	-	-	11	160	171	171
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-	56,576	-	-	56,576	56,576
Income tax receivable	16	-	-	-	-	-	37,420	37,420	37,420
Derivative financial instruments	11	-	21,010	-	-	-	-	21,010	21,010
Total financial assets		**3,028,959**	**21,010**	**-**	**56,576**	**11**	**70,973**	**3,177,530**	**3,177,530**
Liabilities									
Borrowings	15	-	-	-	-	-	2,872,547	2,872,547	2,645,320
Trade and other payables	15	-	-	-	-	-	35,203	35,203	35,203
Income tax payables	16	-	-	-	-	-	191	191	191
Drivative financial instruments	11	-	10,877	2,076	-	-	-	12,952	12,952
Total financial liabilities		**-**	**10,877**	**2,076**	**-**	**-**	**2,907,941**	**2,920,893**	**2,693,666**

2017

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	55,699	55,699	55,699
Trade and other receivables	10	3,203,779	-	-	-	-	-	3,203,779	3,203,779
Other investments	10	-	-	-	-	8	88	96	96
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-	54,757	-	-	54,757	54,757
Income tax receivable	16	-	-	-	-	-	597	597	597
Derivative financial instruments	11	-	7,907	-	-	-	-	7,907	7,907
Total financial assets		**3,203,779**	**7,907**	**-**	**54,757**	**8**	**56,385**	**3,322,836**	**3,322,836**
Liabilities									
Borrowings	15	-	-	-	-	-	2,991,750	2,991,750	2,554,023
Trade and other payables	15	-	-	-	-	-	28,389	28,389	28,389
Income tax payable	16	-	-	-	-	-	30,193	30,193	30,193
Derivative financial instruments	11	-	6,109	851	-	-	-	6,960	6,960
Total financial liabilities		**-**	**6,109**	**851**	**-**	**-**	**3,050,331**	**3,057,291**	**2,619,564**

Estimated fair value – assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2018 in accordance with the following levels of fair value hierarchy:

- Level 1: the fair value of financial instruments is based on net liquid market prices as of the date of the balance sheet;
- Level 2: the fair value of financial instruments is not based on active market prices but rather on valuation models. The main inputs of the models used are taken from the market, the discount rate intervals used for the Euro curve being between -0.363% to 1.010% (maturities of one month and twelve years respectively) with respect to financial derivative instruments;
- 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 observations.

During the year ending 31 December 2018, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value for other comprehensive income	Shares	-	53,409	-	**53,409**
Financial assets at fair value	Cash flow hedge derivatives	-	10,940	-	**10,940**
Financial assets at fair value	Fair value hedge derivatives	-	10,070	-	**10,070**
		-	**74,420**	**-**	**74,420**
Liabilities:					
Financial liabilities at fair value	Borrowings	-	406,336	-	**406,336**
Financial liabilities at fair value	Cash flow hedge derivatives	-	10,877	-	**10,877**
Financial liabilitie at fair value recorded in income	Trading derivatives	-	2,076	-	**2,076**
		-	**419,288**	**-**	**419,288**

During the year ended 31 December 2018 the company performed the valuation of Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an investment in equity instruments at fair value for other comprehensive income (Note 12). The fair value of this asset reflects its current price. This price was determined based on an income approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable and available in the market.

Quality of financial assets

The credit quality of the financial assets can be valued by reference to external credit ratings based on Standard & Poor's historical information about the entities to which they refer:

	2018	2017
Cash and cash equivalents		
A+ a A-	14	14
BBB+ a BBB-	76	39
BB+ a B-	29,442	52,883
Até CCC+	3,843	2,750
Sem rating	17	13
Total cash and cash equivalents	**33,393**	**55,699**
Other financial assets		
Without rating	171	96
Total other financial assets	**171**	**96**

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

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

28. Disclosures required by law

Fees invoiced by the statutory auditor

Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

29. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards ("NCRF"). In the event of discrepancies, the Portuguese language version prevails.

The Accountant

Pedro Mateus

The Board of Directors

Rodrigo Costa

(Chairman of the Board of Directors and Chief Executive Officer)

Omar Al Wahaibi

(Member of the Board of Directors)

João Faria Conceição

(Member of the Board of Directors and Chief Operational Officer)

Jorge Magalhães Correia

(Member of the Board of Directors)

Gonçalo Morais Soares

(Member of the Board of Directors and Chief Financial Officer)

Manuel Sebastião

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

Guangchao Zhu

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

Gonçalo Gil Mata

(Member of the Board of Directors and of the Audit Committee)

Mengrong Cheng

(Member of the Board of Directors)

Maria Estela Barbot

(Member of the Board of Directors and of the Audit Committee)

Li Lequan

(Member of the Board of Directors)

José Luis Arnaut

(Member of the Board of Directors)

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

INDIVIDUAL ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2018 which consist of the Balance Sheet as of December 31, 2018, evidencing a total of 4,369,248 thousand Euros and 1,444,899 thousand Euros of Equity Capital, including Net Profit of 113,533 thousand Euros, the Profit and Loss Accounts, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 21 March 2019

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

Building a better working world

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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at 31 December 2018 (showing a total of 4,369,248 thousand euros and a total equity of 1,444,899 thousand euros, including a net profit for the year of 113,533 thousand euros), and the Statement of Profit and Loss by Nature, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in Portugal.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

The key audit matters in the current year audit are the following:

Subsequent Measurement of investments in subsidiaries and associates

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.2 of the notes to the financial statements, the investments in subsidiaries and associates are recorded by the equity method. As at 31 December 2018, the investments in subsidiaries and associates amounts to 1,185,579 thousand euros (2017: 1,150,122 thousand euros), equivalent to 27% of total Assets (26% in 2017). Additionally, as at 31 December 2018, a substantial component of the Entity's revenues are related to equity method, amounting to 111,886 thousand euros (2017: 121,478 thousand euros). The subsequent measurement and the assessment on the indication of impairment of the investments in subsidiaries and associates have been considered a key audit matter, due to the materiality of their carrying amount and of the net gains on those investments, as well as due to the complexity of the calculation of the recoverable amount that includes relevant estimates and assumptions made by Management. No indication of impairment related to the investments in subsidiaries and associates was identified by the Board of Directors.	Our approach have included the following procedures: ► We assessed the adequacy of the audit procedures performed by the previous auditor on 31 December 2017, in order to conclude on the measurement of the opening balances of investments in subsidiaries and associates; ► We assessed the adequacy of the accounting policies used by Entity in the valuation of the investments in subsidiaries and associates; ► We obtained the detailed computation of the valuation of the investments in subsidiaries and associates and we agreed it to the financial statements; ► We assessed the use, by the Entity, of the correct financial information of its subsidiaries and associates as at 31 December 2018, including the harmonization of the accounting policies of those entities; ► We assessed the estimates and assumptions made by Management on the inexistence of indication of impairment; We also assessed the appropriateness of the applicable disclosures included in Notes 3.2 and 7 of the notes to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in accordance with the accounting principles generally accepted in Portugal;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Statement of non-financial information set out in article 66-B of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Entity has prepared a separated report of the Management Report, which includes non-financial information, as per article 66-B of the Commercial Companies Code, that has been published with the Management Report.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Entity to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Entity for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity as of today; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 22 March 2019

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

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beyond
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07 Corporate Governance

REN

7. Corporate **Governance**

Part 1

REN is in a mission to ensure the continuous provision of energy to the whole country, and as such to contribute to the delevolpment of comunities and to improve the quality of life of Portuguese people. This is a task which requires a continuous and devoted effort. But our commitment goes beyond our mission.

We believe in the exercise of an active corporate citizenship, with a strong involvement with the comunities we belong to, both at a social and at an environmental level.

To take this commitment, this requires that all REN activites are guided by sustainability principles, by means of obeying to rigorous and measurable criteria and respecting demanding standards of excelence, without ever losing sight of the positive impact we want to have on the comunities and ecosytems we work close to.

7.1. Information on Shareholder Structure, Organization and Corporate Governance

7.1.1. Economic Environment

I. Capital Structure

I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 245(A)(1)(a)).

The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of € 667,191,262 is represented by 667,191,262 ordinary shares with a face value of € 1.00, in the form of nominative book-entry shares.

REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with Code PTREL0AM0008.

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2018

For more detailed information on the main company shareholders of the company see II.7 bellow.

I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 245(A)(1)(b)).

No restrictions currently exist and REN has not implemented any measures which hinder the transferability of shares (such as consent clauses in the event of transfer. REN shares are freely tradable on the regulated market.

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[1].

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures. This limitation was implemented by means of a provision included in REN's Articles of Association that provides for the non-count of votes cast by any shareholder, in the shareholder's own name or as a representative of another shareholder, that exceed 25% of the total votes corresponding to the share capital. The votes are counted in accordance with Article 20 of the Portuguese Securities Code (Securities Code)[2].

It should be further noted that on 9 September 20143, ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, inter alia, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;
- the persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Portugês de Corporate

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[1] Cf. Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (current wording), and Article 20-A(3)(b) and Article 21(3)(h) of Decree-Law No 30/2006 of 15 February (current wording).

[2] See paragraphs 3 and 4of Article 12 of REN Articles of Association.

[3] ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

Governance) (IPCG Code) cannot overturn. As such, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

I.3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which own shares would correspond (Art. 245(A)(1)(a)).

REN has 3,881,374 own shares, representing 0.6% of its capital. These shares would correspond to 0.6% of voting rights.

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 245(A)(1)(j)).

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change of control which are typical of such transactions (including, although not expressly stated, changes of control arising from takeover bids) and essential for carrying out such transactions on the market.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2.

There are no other significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or taking on encumbrances by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, the Recommendation II.6 of the IPCG Code is complied with.

I.5. Framework to which the renewal or repeal of defensive measures are subject, in particular those that limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders

The only provisions in the REN Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2 above.

Such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.

As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

There are no other defensive measures.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 245(A)(1)(g)).

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. Shareholdings and bondholdings

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 245(A)(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Based on the communications submitted to the Company, in particular in accordance with Article 16 of the Securities Code and CMVM Regulation No 5/2008, with reference to 31 December 2018, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Securities Code, were as follows:

State Grid Corporation of China	No of shares	% Share capital with voting rights
Directly	0	0%
Through State Grid Europe Limited (SGEL), controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China	166 797 815	25,0%
Total attributable	166 797 815	25,0%

Oman Oil Company SAOC[4]	No of shares	% Share capital with voting rights
Directly	0	0%
Through Mazoon B.V. and Oman Oil Holding Europe, B.V., which are controlled by Oman Oil Company SAOC	80 100 000	12,006%
Total attributable	80 100 000	12,006%

Lazard Asset Management LLC	No of shares	% Share capital with voting rights
Directly	0	0
Indirectly[5]	46 611 245	6,986%
Total attributable	46 611 245	6.986%[6]

[4] On 13 December 2017, Oman Oil Company S.A.O.C. informed REN that it reduced its qualified indirect share holding from 15% to 12% of the share capital and voting rights of REN, under the terms described in: http://web3.cmvm.pt/sdi/emitentes/docs/PQ66755.pdf.
[5] This qualified shareholding, calculated under Article 20 of the Securities Code, is held by Lazard Asset Management LLC on behalf of Clients, and is attributable to it since it agreed with the Clients that it would exercise the voting rights. The qualified shareholding is also attributable to (i) Lazard Freres & Co, which holds the total share capital of the firstly mentioned company; (ii) Lazard Group LLC, which holds the total share capital of the secondly mentioned company; and (iii) Lazard Limited, company with shares admitted to trading in the NYSE market, as controlling entity of the abovementioned company.
[6] According to the information provided by Lazard Asset Management LLC on 31 January 2019, with reference to 31 December 2018.

Fidelidade Companhia de Seguros, S.A.[7]	No of shares	% Share capital with voting rights
Directly	35 176 796	5,272%
Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade	119 889	0,018%
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	37 537	0,006%
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[8]	98 732	0,015%
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder Longrun[9]	63 470	0,010%
Total attributable	35 496 424	5,320%

Red Eléctrica Corporación, S.A.	No of shares	% Share capital with voting rights
Directly	0	0%
Through its branch Red Eléctrica Internacional, S.A.U.	33 359 563	5,0%
Total attributable	33 359 563	5,0%

The Capital Group Companies, Inc. [10]	No of shares	% Share capital with voting rights
Directly	0	0%
Through SMALLCAP World Fund, Inc.	20 085 000	3,010%
Through the accounts under discretionary management by the fund management companies in a control or group relationship with The Capital Group Companies, Inc	5 280 000	0,791%
Total attributable	25 365 000	3,802%

[7] This qualified shareholding, calculated under Article 20 of the Securities Code, is also attributable to LongRun Portugal, S.G.P.S., S.A., Millenium Gain Capital, Fosun Financial Holdings Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings, Ltd. and to Mr. Guo Guangchang, as natural or legal persons ou control directly or indirectly Fidelidade - Companhia de Seguros, S.A.

[8] Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

[9] Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

[10] As per information received on 28 March 2017: https://web3.cmvm.pt/sdi/emitentes/docs/PQ63589.pdf

GreatWest Lifeco, Inc.[11]	No. of shares	% Share capital with voting rights
Directly	0	0%
Through the collective investment undertakings managed by Setanta Asset Management Limited[12], being this company controlled by Great-West Lifeco, Inc.	17 468 588	2,618%
Through three sub-funds of Beresford Funds plc, managed by Irish Life Investment Managers Limited	326 379	0,049%
Total attributable	**17 794 967**	**2,667%**

[11] According to the communicaton received by the company on 5 October 2016 and updated on 31 January 2019, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and their trustees Sophie Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin, to whom are attributed, under Article 20(1)(b) of the Securities Code, the 2.056% voting rights in REN. The same voting rights are also attributable to the following companies controlled by The Demarais Trust: Power Financial Corporation; 17123 Canada Inc .; Power Corporation of Canada; and Pansolo Holdings Inc. This qualified holding is the result of the aggregation of the holdings of various collective investment undertakings managed by entities that are in control or group relationship with Great-West Lifeco Inc. Information updated basing on the communication received by the company on 31 January 2019, with reference to 31 December 2018.

[12] The collective investment undertakings and respective shareholdings are hereby indicated: Balanced Fund, sub-fund of Summit Investment Funds plc (63 625 shares corresponding to 0.01% of the share capital); Balanced Fund, sub-fund of Summit Mutual Funds plc (23 838 shares corresponding to 0.004% of the share capital); Canada Life Assurance Europe Limited (5 225 120 shares corresponding to 0.783% of the share capital); CF Canlife Global Equity Income Fund (330 807 shares corresponding to 0.05% of the share capital); Growth Fund, sub-fund of Summit Investment Funds plc (143 563 shares corresponding to 0.022% of the share capital); Growth Fund, sub-fund of Summit Mutual Funds plc (113 504 shares corresponding to 0.017% of the share capital); Irish Life Assurance Plc (6 351 886 shares corresponding to 0.952% of the share capital); London Life Insurance Company (1 616 927 shares corresponding to 0.242% of the share capital); Quadrus Global Dividend Class (1 379 401 shares corresponding to 0.207% of the share capital); Quadrus Global Dividend Fund (888 539 shares corresponding to 0.133% of the share capital); Setanta Global Equity Fund (41 151 shares corresponding to 0.006% of the share capital); Setanta Income Opportunities Fund (131 395 shares corresponding to 0.002% of the share capital); The Great-West Life Assurance Company (520 399 shares corresponding to 0.078% of the share capital); The Canada Life Assurance Company (422 944 shares corresponding to 0.063% of the share capital); Pier 21 Global Equity Fund (142 734 shares corresponding to 0.021% of the share capital); Quadrus Global All Cap Equity Fund (6 927 ações correspondentes a 0,001% do capital social); Quadrus Global Equity Fund (65 828 corresponding to 0.01% of the share capital). The voting rights ancillary to the abovementioned shares are also attributable, under Article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.; The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 19 of the Market Abuse Regulation[13], Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, and Article 14 of CMVM Regulation No 5/2008, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[14], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2017, based on communications with the company, were as follows:

BOARD OF DIRECTORS (INCLUDING THE AUDIT COMMITTEE)

Board of directors	Acquisitions (in 2018)	Encumbranc es (in 2018)	Disposals (in 2018)	No of shares at 31.12.2018
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	500
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang[15]	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Magalhães Correia		-	-	35,496,424[16]
José Luís Arnaut[17]		-	-	7,587
Maria Manuela Veloso[18]				0 (zero)
Manuel Ramos de Sousa Sebastião	5,000[19]	-	-	35.0000
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)
Rodrigo Costa	-	-	-	0 (zero)

[13] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.
[14] This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable,(i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by minor descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and by persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.
[15] Held office up to 3 May 2018.
[16] Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of duties of member of the board of directors and the executive committee of that company, as set out in: http://web3.cmvm.pt/sdi/emitentes/docs/fsd430883.pdf .
[17] 480 shares held directly and the remainder held by Platinumdetails - Consultoria e Investimentos, Lda, in which 68% of the share capital is held.
[18] Held office between 3 May 2018 and 31 October 2018.
[19] Acquisition which took place in the Euronext Lisbon market, on 30 May 2018, at the price of € 2.33.

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[20], as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2017, based on communications sent to the company, were as follows:

BOARD OF DIRECTORS

Conselho de administração	Aquisições (em 2018)	Onerações (em 2018)	Alienações (em 2018)	N.º ações a 31.12.2018
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	0 (zero)
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang[21]	-	-	-	0 (zero)
Li Lequan	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Manuel Magalhães Correia	-	-		1 200 000 [22]
José Luís Arnaut	-	-	-	0 (zero)
Maria Manuela Veloso[23]				
Manuel Ramos de Sousa Sebastião	-	-	-	0 (zero)
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)

[20] This comprises the shares held by members of the REN management and supervisory bodies and, if applicable,(i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of minor descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.
[21] Held office up to 3 May 2018.
[22] Corresponding to the shares held by Fidelidade – Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of the duties of member of the board of directors and on the executive committee of that company.
[23] Held office from 3 May 2018 up to 31 October 2018.

II.9 Special powers of the management body, notably regarding resolutions on capital increase (Art. 245(A)(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association[24] (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

Particularly, concerning resolutions on any increase in capital, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

There are no significant relationships of a commercial nature between the holders of qualified shareholdings and the company.

In accordance with internal regulations on the assessment and control of transactions with related parties[25] and prevention of conflict of interests, approved by the Board of Directors following a proposal presented by the Audit Committee, significant transactions with related parties are considered to be those which:

a) are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;

b) are based on the acquisition or disposal of shareholdings;

c) require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;

d) should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding € 1,000,000 or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit every transactions with related parties to the Audit Committee for appraisal[26,] in particular:

(i) transactions considered significant are subject to prior opinion from the Audit Committee (and are communicated to the Audit Committee, a minimum of 15 days in advance of the transaction);

(ii) all other transactions are only subject to subsequent appreciation, and must be communicated to the Audit Committee before the last day of January or July, depending on whether the Transactions occurred in the current previous semester.

Moreover, in accordance with the Board of Directors internal regulations, the approval of transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

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[24] Cf. Article 15(1) of the Articles of Association and Article 3(2) and (3) of the Board of Directors Regulations.
[25] The definition of "related party" in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.
[26] Cf. section III, p. 3 and section VI, p. 5.

In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2018, there were no significant transactions with related parties.

7.1.2. Corporate bodies and committees

I. General Meeting

a) Composition of the Board of the General Meeting in the year of reference

II.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2018-2020:

Name	Position	Date of 1.ª Appointment	Term of office in course
Pedro Maia	Chairman	27.03.2012	2018-2020
Rui Dias	Vice- Chairman	03.05.2018	2018-2020

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

b) Exercise of Voting Rights

II.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245(A)(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of 'one share one vote'[27].

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Shareholders' Meeting, provided that they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the Chairman of the Board of the General Meeting and the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the 'Record Date'.[28] This communication may be sent by e-mail[29].

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the 'Record Date', information on the

[27] Cf. Article 12(2) of Articles of Association.
[28] Cf. Article 23-C of the CSC.
[29] Cf. Article 12(9) of the Articles of Association.

number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[30].

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest.

d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting.[31]

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE.[32]

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail.[33].

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, provided that they submit this fact to the Chairman of the Board of the General Shareholders' Meeting in advance and deliver proportional and sufficient proof of: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[34].

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place[35].

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[30] Cf. Article 12(10) of the Articles of Association.
[31] Cf. Article 12(12)(13) and (15) of the Articles of Association.
[32] Cf. article 12(14) of the Articles of Association.
[33] Cf. Article 12(11) of the Articles of Association.
[34] Cf. article 12(5) of the Articles of Association.
[35] Cf. Article 12(5) and (7) of the Articles of Association.

It is also established that votes cast by correspondence are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website[36] which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call.[37]

In any case, REN considers the participation of its shareholders to be fully ensured through vote by correspondence and methods of representation (as outlined above). Moreover, REN considers that voting by electronic means would not represent added value for shareholders, especially taking into account the reduced number of votes cast by correspondence at its recent General Shareholders' Meetings[38].

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in 1.2 and 1.5 above, which seeks to make current regulations and the legal regime effective.

II.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to Article 20(1) of the Securities Code.

As referenced above in I.2, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20 of the Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in 1.2 and 1.5 above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

II.14. Identification of shareholder resolutions that, in accordance with the Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities.

In accordance with Article 11(1) of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Shareholders' Meeting can be held and can resolve on the first call.

In accordance with Article 11(2) of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second call, regardless of the

[36] www.ren.pt
[37] Cf. article 12(6) of the Articles of Association.
[38] There was only one vote by correspondence at the annual General Meeting of 3 May 2018.

percentage of capital represented (which, in the case of the second call, is more demanding than the provision of the Portuguese Companies Code).

Furthermore, in accordance with paragraph 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7(A), 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued (which is more demanding than the provision of the Portuguese Companies Code).

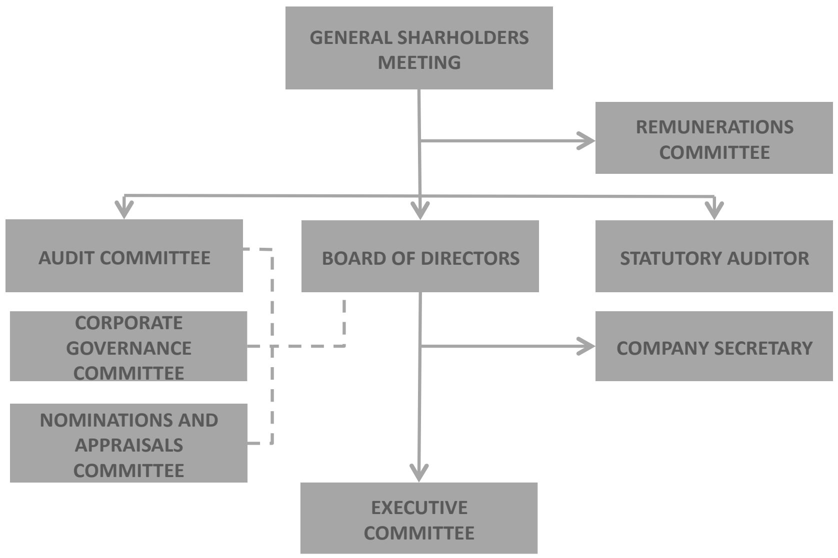
The company considers that these majorities that are more demanding than those defined by law are justified by the fact that the matters in question are strategic and of structural importance, so that their change requires a broader consensus among shareholders. As regards in particular the articles referred to in the previous paragraph, the specially qualified majority required for their amendment is justified by the fact that such articles are intended to enable the company to monitor compliance with several legal obligations and the ERSE Decision, relating to full ownership unbundling, as best described in section I.2 above.

II. Management and supervision

(Board of Directors, Executive Board of Directors and General and Supervisory Board)

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[39]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee[40] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[41].



[39] Cf. article 8(2)(b) of the Articles of Association.
[40] Cf. article 8(1) of the Board of Directors regulations.
[41] Cf. article 3(3) of the Audit Committee regulations.

II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of, where appropriate, the Board of Directors, Executive Management Board and General and Supervisory Board (Art. 245-A(1)(h)).

In accordance with the law and the Articles of Association[42], the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors. It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According the Articles of Association[43], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

The Portuguese Companies Code rules apply[44] with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is a non-delegable competence of the Board of Directors, all Directors are involved in the co-option resolution, except in the event of conflicts of interest.

The Company's Articles of Association[45] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Shareholders' Meeting that elects the said members[46].

Currently, the Board of Directors consists of 12 members, including a total of nine non-executive members.

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[42] Cf. Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.
[43] Cf. article 14(2).
[44] Cf. article 393(3).
[45] Cf. article 8(19) and (9).
[46] Cf. Articles 8(2)(b) and 14(1) both of the Articles of Association.

At 31 December 2018, the REN Board of Directors consisted of the following members, who have been appointed for the 2018-2020 term of office:

Name	Position	Year of first appointment	Final year of term of office
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2020
Gonçalo Morais Soares	Executive Director	2012	2020
João Faria Conceição	Executive Director	2009	2020
Guangchao Zhu (representing State Grid International Development Limited)	Vice-Chairman	2012	2020
Mengrong Cheng	Director	2012	2020
Li Lequan	Director	2018	2020
Omar Al-Wahaibi	Director	2015	2020
Jorge Magalhães Correia	Director	2015	2020
Manuel Ramos de Sousa Sebastião	Director/Chairman of the Audit Committee	2015	2020
Gonçalo Gil Mata	Director/Member of the Audit Committee	2015	2020
Maria Estela Barbot	Director/Member of the Audit Committee	2015	2020
José Luís Arnaut	Director	2012	2020

In accordance with the Articles of Association[47], members of corporate bodies perform their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

The Board of Directors shall include a number of non-executive members that is adequate to the size of the company and the complexity of the risks related to its activity, which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind the shareholder structure and breakdown of REN capital. Therefore, on 31 December 2018, nine of the twelve members of the REN Board of Directors were non-executive directors, as detailed under section II.18.

Taking into account the Anglo-Saxon governance structure of the company, the Audit Committee is also composed of non-executive members of the Board of Directors, also considering its composition, namely taking into account the number of members and their availability, which are appropriate to the size of the company and the complexity of the risks inherent to its activity, efficiently ensuring the functions assigned to them.

[47] Cf. Article 27(1).

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation III.3 of the IPCG Code and item 18.1 of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during the 2018 financial year to be independent:

Name	Position
Manuel Ramos de Sousa Sebastião	Chairman of the Audit Committee
Gonçalo Gil Mata	Member of the Audit Committee
Maria Estela Barbot	Member of the Audit Committee
José Luís Arnaut	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

i. the adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting of three independent members and a further six non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

ii. the size of the company, its shareholder structure and the relevant free float (which was 38.6% of share capital at 31 December 2018).

In light of the above, REN fully complies with CMVM recommendations III.2, III.3 and III.4 of the IPCG Code, as the Board of Directors consists of an adequate number of non-executive members (considerably superior to the number of executive members) and, among these, one third are independent members.

Moreover, Article 7(A) and 7(B) of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of Article 7(A) of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electricity or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7(B) of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, , on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

Although there are no written rules formalised on this matter, the members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. These procedures include leaving the room at the time of discussion and voting of the points where a conflict of interest may occur and informing the Chairman of the corporate body or committee in question of the facts that may trigger such potential conflict (in without prejudice to the duty to provide information and clarifications requested by the body or committee and its respective members).

Organization of the non-executive members of the Board of Directors

In accordance with the Board of Directors Regulations, during 2018 this corporate body established efficient mechanisms for the coordination and development of the work of its members with non-executive functions, in particular to facilitate the exercising of their right to information and to assure the conditions and means necessary for the performance of their duties, as follows[48].

a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors with a non-executive function supervise the performance of the executive management;

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the response should be provided in an adequate and timely manner;

Whenever they consider it necessary or convenient, directors with non-executive duties also hold ad hoc meetings with the aim of analysing company management.

Furthermore, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion and in advance, to the non-executive members of the Board of Directors, and the Executive Committee's resolutions and supporting documentation shall always be available for consultation[49].

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent, informed and efficient decisions.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors at 31.12.2018

RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005, Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT Group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO at Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014, CEO in February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of April 2015.

Over the years he has contributed to different organizations and has been member of Coimbra University General Counsel and also from Porto Business School the General Counsel; Vice-President of the Portuguese – American Chamber of Commerce; Member of the Portuguese Council for Foreign Investment; Member of the Advisory Board for the National Technological Plan. He was awarded by the Portuguese Republic President as Grande Oficial da Ordem do Infante D.Henrique for services to Portugal; He is frequently invited as Speaker/Moderator - to local and international forum's (Industry, Government, Universities, Investors Conferences).He holds a Certificate of Corporate Governance from Insead and attended Corporate Governance training at the Harvard Business School.

[48] Cf. article 11 of the Board of Directors Regulations.
[49] Cf. Article 5 of the Executive Committee Regulations.

GONÇALO MORAIS SOARES

Holds a degree in Economy from the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington) in 2010 and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University and, in 2018, the LEAP ("Leadership Excellence through Awareness and Practice") programme at INSEAD Business School.

Previously, he was director at ZON TV Cabo and ZON Lusomundo Audovisuais from 2007 to 2012, at Portugal Telecom from 2003 to 2007, at Jazztel from 2000 to 2003, at Santander Investment from 1996 to 2000, and at Reditus from 1993 to 1994.

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at INSEAD Business School (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he was a consultant to the Minister for the Economy and Innovation.

GUANGCHAO ZHU

Holds a degree in Relay Protection Systems from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009, he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines, and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid Development Co. Ltd. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China. He is also Chairman of the Board of Directors at NGPC in the Philippines and Board Member of HKEI in Hong Kong, China.

MENGRONG CHENG

Completed a Master's Degree in Business Management from Tsinghua University (Beijing, China). She started her career in 1991 at the Department of International Cooperation of the China Electricity Council. Since then, she has been intensely involved in international cooperation business in major projects and events between China's power sector and international community. She worked in the then Ministry of Power Industry since 1993, and later held major positions in charge of international affairs in China State Power Corporation (1996-2003) and State Grid Corporation of China (2003 till now). Mengrong Cheng is also a member of the IEC Market Strategy Board (MSB), and Director of Sherpa on the Management Committee of the Global Sustainable Electricity Partnership (G-SEP).

Currently, she is the Deputy Director General of the Department of International Cooperation of State Grid Corporation of China (SGCC), President of SGCC U.S. Office and Acting Chief of GEIDCO (Global Energy Interconnection Development and Cooperation Organisation) North America Office.

LI LEQUAN

Holds a degree in Atmospheric Physics from Nanjing University and a Master's Degree in Atmospheric Physics and Atmospheric Environment from the Research Institute of Atmosphere Physics of the Chinese Academy of Sciences. He also holds a Master Degree in Business Administration from the City University, Washington, USA.

He began his career in the China Electricity Council in 1988 and has been in the power industry over a span for over 30 years. Since 2009, he has worked at State Grid International Development Co. Ltd and is in charge of the merger and acquisition of overseas power transmission and distribution assets. Since July 2015, his responsibilities have been extended to include the management of the company's legal affairs.

From to 2009 to 2012, he was Vice Chief Economist, Head of the Business Development & Strategy Department of State Grid International Development Co. Ltd. In October 2018, he was appointed to represent State Grid International Development Co. Ltd. on the Board of Directors of AusNet Services, Australia.

Currently, he is Senior Vice President and General Counsel of State Grid International Development Corporation Limited and a Board Member of AusNet Services, Australia.

OMAR AL-WAHAIBI

Holds a degree in Mechanical Engineering from Manchester University, Institute of Science & Technology (UMIST) – United Kingdom. He carried out numerous duties in new business development including portfolio management and corporate planning at Shell E&P International Ventures registered in the Hague in the Netherlands between 1998 and 2001.

He was in charge of the engineering team and was manager of the Oman North project at Petroleum Development Oman between 2001 and 2002. He was CEO of Oman Wastewater Services Company (Haya Water), between 2003 and 2011 and is currently CEO of the Electricity Holding company and Nama Group. This is a group of state companies, which covers business in the acquisition of electricity and water and in the production, transmission, distribution and supply of electricity.He is currently a member of the Board of Directors of Oman Broad Band Company, and the Gulf Cooperative Council Interconnection Authority.

JORGE MAGALHÃES CORREIA

Chairman of the Board of Directors and Chairman of the Executive Committee of the insurance company Fidelidade. He is also Chairman of the Board of Directors of Luz Saúde, S.A. where he is also a member of the Advisory Board.

With regard to professionally related associations he is vice-president of the Portuguese Insurers Association and a member of the Geneva Association.

He started his professional career as a lecturer at the Lisbon Faculty of Law and has worked in management roles at the Portuguese Inspectorate-General of Finance and at the Securities Market Commission and has also worked as a lawyer. He has undertaken duties at different companies in the field of finance and insurance, including director and/or chairman of the board of directors at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies. In the area of health, he was a director of USP Hospitales (Barcelona) and director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS. He was also Vice-Chairman of the Board of Directors of Caixa Seguro e Saúde, SGPS, S.A.

MANUEL RAMOS DE SOUSA SEBASTIÃO

Chairman of the Audit Board of Banco BPI since July 2018. Previously, he was an advisor to the Board of Directors of (the central bank of Portugal) from September 2013 to April 2015, President of the Portuguese Competition Authority from March 2008 to September 2013, a member of the Board of Directors of Banco de Portugal from February 2000 to March 2008. Previously, he was a member of the Board of Directors of the Portuguese Insurance and Pension Funds Authority from 1998 to 2000, a member of the Board of Directors of the state-owned Banco de Fomento e Exterior from 1992 to 1996, an economist with the International Monetary Fund from 1988 to 1992, and an economist with the Banco de Portugal from 1986 to 1988. He was a professor of economics and finance at different stages of his career. He holds an undergraduate degree from the School of Economics, Technical University of Lisbon obtained in 1973, a Doctorate de 3ème cycle from the Université de Paris I, Panthéon-Sorbonne in 1978, and a Ph.D. in economics from Columbia University in New York in 1986. He was born in Luanda, Angola, in 1949.

GONÇALO GIL MATA

Holds a Degree in Software Engineering awarded by the University of Coimbra and an MBA awarded by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo - Soc. Capital de Risco and a member of the board (non-executive) of Arquiled, SA (LED lighting solutions), Summer Portugal, SA and Vila Monte, SA (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

For the last five years he has held positions as a director in Corporate Finance at Deutsche Bank (Portugal), S.A and as a Non-Executive Director at MVMS, S.A., ISA Intelligent Sensing Anywhere, S.A. and Gypfor – Gessos Laminados, S.A as a representative of funds managed by Capital Criativo – Sociedade de Capital de Risco, S.A.

MARIA ESTELA BARBOT

Time management skills and ability to manage priorities expressed by the accomplishment of many tasks simultaneously in the course of the professional career.

Over 20 years of relevant business and corporate experience in the area of chemical industrial products with consequent in-depth knowledge of the corporate world both nationally and internationally.

Responsible for negotiating and for developing partnerships with various multinational companies (Dupont, BP Chemicals, Rhone Poulenc among others) both for raw-materials and packaging products (namely, Signode Packaging Solutions).

Headed the acquisition process of the Company AGA - Álcool e Genéros Alimentares, S.A. which culminated in the purchasing of this Portuguese state-owned company's (1994), in its restructuring and in the development of new business areas (pharmaceutical products).

In Banking, experience in institutional and business monitoring with corporate / retail/private customers (member of the Board of Banco Santander de Negócios).

Extensive experience with associations both at a national (namely as vice-president of AIP) and international level (member of IMF European Advisory Board and of the and President of the Portuguese Group at Trilateral Commission).

Since 2015, she has been a member of the REN Board of Directors and member of the Audit Committee.

JOSÉ LUÍS ARNAUT

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and he started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner and is a member of the Executive Committee of CMS Legal Services EEIG. He is a member of the AON Advisory Board, Chairman of the General Meeting of the Portuguese Football Federation, Chairman of the General Meeting of Group Super Bock, Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports), Chairman of the General Meeting of PORTWAY - Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., member of the Board of Directors of Discovery Portugal Real Estate Fund, Chairman of the General Meeting of Tabaqueira II, S.A. and member of the Goldman Sachs International Advisory Board. In 1999, he was elected general secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 - European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, no 55, Alvalade, Lisbon.

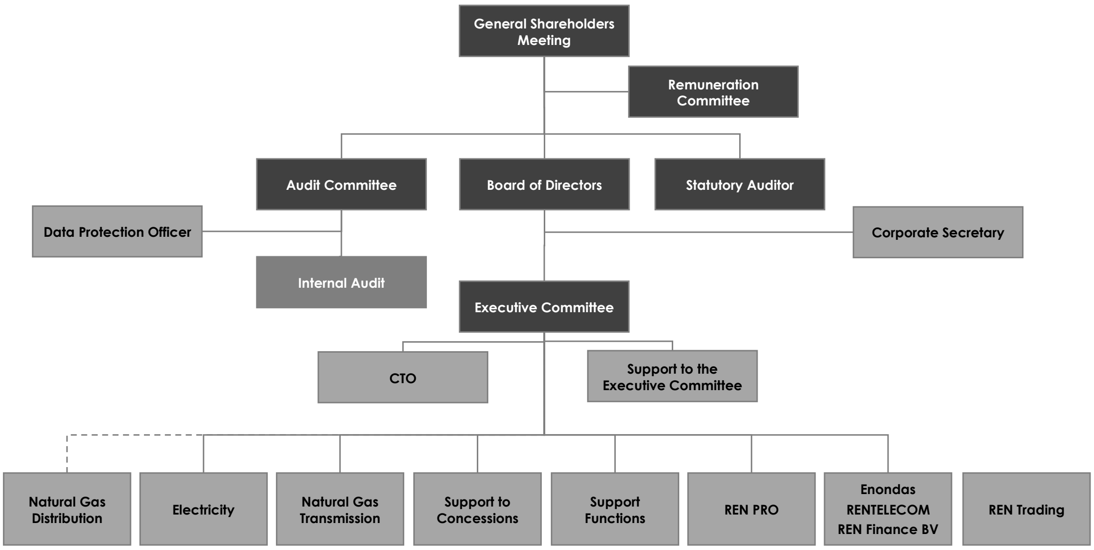
II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Management Board at 31.12.2018

Director	Owner of qualified holdings	Relationship
Rodrigo Costa	-	-
Gonçalo Morais Soares	-	-
João Faria Conceição	-	-
Guangchao Zhu (representing State Grid International Development Limited)	State Grid Corporation of China	Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19 and 26)
Mengrong Cheng	State Grid Corporation of China	Deputy Director General of the Department of International Cooperation of State Grid Corporation of China and President of the State Grid Corporation of China, US Office. (*see* II.19 and 26)
Li Lequan	State Grid Corporation of China	Senior Vice-President of State Grid International Development Corporation Limited (*see* II.19 and 26)
Omar Al Wahaibi		
Jorge Magalhães Correia	Fidelidade – Companhia de Seguros, S.A.	Chairman of the Board of Directors and CEO of Fidelidade – Companhia de Seguros, S.A. (see II.26)
Manuel Ramos de Sousa Sebastião	-	-
Gonçalo Gil Mata	-	-
Maria Estela Barbot	-	-
José Luís Arnaut	-	-

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[50]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[51] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

In order to better understand the division of powers among the different corporate bodies, the organization chart below outlines REN's business units:



GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is a corporate body comprising all the company shareholders, and its responsibilities are in particular:

a) Appraise the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;

b) Elect the members of the General Shareholders' Meeting Board, the directors and the statutory auditor;

c) Resolve on any amendments to the Articles of Association;

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[50] Cf. article 8(2)(b) of the Articles of Association.
[51] Cf. article 8(1) of the Board of Directors regulations.

d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a remunerations committee; and

e) Resolve on any other matter falling within its power and for which it has been summoned.

BOARD OF DIRECTORS

Pursuant to the Portuguese Companies Code and REN’s Articles of Association, the Board of Directors is duly empowered.[52] Of special note are the powers to:

a) Define the Company’s goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders’ Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders’ Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012[53], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders’ Meetings, approval of the annual report and accounts to be submitted to the General Shareholders’ Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company’s registered share capital and the approval of merger, demerger and transformation projects.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company’s fixed assets is subject to prior approval from the General Shareholders’ Meeting[54].

EXECUTIVE COMMITTEE

[52] Cf. article 15(1) of the Articles of Association.
[53] Cf. Article (3) and 3(5).
[54] Cf. Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

On 3 May 2018, the Executive Committee was delegated, to the extent permitted by law, the Company's Articles of Association and by the Board of Directors' own regulations, with all the powers necessary or convenient to the performance of the management acts regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors:

a) manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' own regulations;

b) approve, on a case-by-case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal to or lower than € 15,000,000.00 (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25,000,000 (twenty-five million euros);

c) propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) without prejudice to article 3(3)(f) of the Board of Directors' Regulations, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

e) represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed € 7,500,000 (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;

g) negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than € 5,000,000 (five million euros);

h) to approve and promote any and all acts necessary to update the Euro Medium Term Note Program, under such terms as may at any time be more appropriate, including, without limiting the negotiation and conclusion of the all contractual instruments or related accessories and the pursuit of any steps or taking of any measures necessary for such updating, namely before any supervisory, market or other entity;

i) to approve and practice any and all necessary, useful or convenient acts, including through the execution of contractual instruments, the intra-group allocation of funds obtained through external financing operations;

j) negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

k) open, operate and close bank accounts;

l) resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

m) present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

n) present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group

o) appoint attorneys with the powers deemed convenient, including those of sub-delegation;

p) indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

q) take or give in lease any real estate or individual parts of real estate; and

r) manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms;

s) appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.

Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegates to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument with respect to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The delegation of powers to the Executive Committee does not exclude the possibility for the Board of Directors to resolve on delegated matters and does not include matters reserved by law, by the Articles of Association or by the Board of Directors Regulations.

The powers delegated to the Executive Committee do not exclude the possibility of the Board of Directors deciding on those matters and do not include any matters reserved by law, by the Company's Articles of Association or the Board of Directors' own regulations, notably:

a) appointment of the Chairman of the Board of Directors;

b) co-optation of directors;

c) request to convene the general shareholders' meetings;

d) approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) provision of deposits and personal guarantees or security interests by the Company;

g) change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) projects for the merger, demerger and transformation of the Company;

i) appointment of the Company Secretary and the respective alternate;

j) definition of the Company's strategy and general policies;

k) definition of the Company's goals and management policies;

l) approval of the annual budget, the business plan and other long-term development plans;

m) definition of the Group’s corporate structure;

n) the approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than € 15 million, except if already approved within the Company’s annual budget and the corresponding value does not exceed individually or in total € 25 million;

o) incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an single or aggregate or value which does not exceed € 7.5 million or which have been approved in the annual budget;

p) adoption of resolutions to contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) presentation of proposals to the General Shareholders’ Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) approval of the Company’s systems of internal control, risk management and internal audit;

s) the appointment of the Company’s representative in the General Shareholders’ Meetings of all subsidiaries;

t) the indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company’s Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) the participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

v) the entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

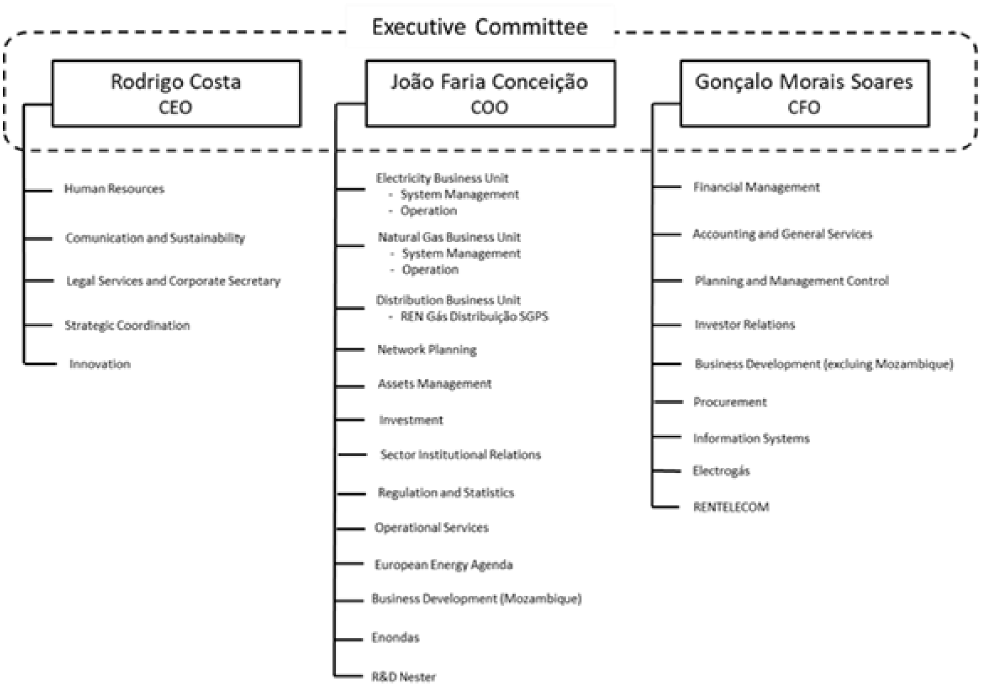
w) transactions with related parties in excess of € 500,000 or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;

x) the resolution on all the matters which are deemed strategic, notably because they are related to strategic agreements entered into by REN or due to their risk or special characteristics.

Taking into account the above, non-executive directors participate in the definition by the management body of the strategy, main policies, corporate structure and decisions that should be considered strategic for the company by virtue of their amount or risk, as well as in the evaluation of the compliance with those measures, as these decisions were not delegated to the Executive Committee, but should be decided by the Board of Directors, of which non-executive directors are members, and who in the terms described above, have access to all the information necessary for their duties.

Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2018, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart:



AUDIT COMMITTEE AND STATUTORY AUDITOR

The Audit Committee and the Statutory Auditor are the Company's supervisory bodies, and their main powers are set out in III.38.

REMUNERATIONS COMMITTEE

The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

II.22. Existence and place where the operating regulations can be found for the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors

The Board of Directors Regulations and the Executive Committee Regulations, which establish, inter alia, the performance of their respective duties, chairmanship, attendance of meetings, functioning and the framework of duties of its members, are available on the REN website[55] in Portuguese and English.

As detailed in the law and its regulations, at the meetings of the Board of Directors and the Executive Committee, detailed minutes are drawn up, approved and signed by all members present.

II.23. Number of meetings held and attendance by each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors

BOARD OF DIRECTORS

The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time the meetings shall be monthly[56].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor[57].

In 2018, the Board of Directors held five meetings.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

Name	Present	Representation	Absent	% attendance
Rodrigo Costa	5	0	0	100%
Gonçalo Morais Soares	5	0	0	100%
João Faria Conceição	5	0	0	100%
Guangchao Zhu (representing State Grid International Development Limited)	3	2	0	100%
Mengrong Cheng	2	3	0	100%
Longhua Jiang[58]	0	1	0	100%
Li Lequan[59]	4	0		100%
Omar Al Wahaibi	9	0	0	100%

[55] www.ren.pt

[56] Cf. Article 19(1) of the Articles of Association and Article 4(2) of the Board of Directors Regulations.
[57] Cf. Article 19(1) of the Articles of Association.
[58] Held office up to 3 May 2018.
[59] Held office since 3 May 2018.

Name	Present	Representation	Absent	% attendance
Jorge Magalhães Correia	7	2	0	100%
Manuel Ramos de Sousa Sebastião	9	0	0	100%
Maria Manuela Veloso[60]	1	0	2	33.33%
Gonçalo Gil Mata	5	0	0	100%
Maria Estela Barbot	5	0	0	100%
José Luís Arnaut	4	1	0	100%

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/conselho_de_administracao/

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Board of Directors, whenever the Board of Directors deems that their presence is necessary or convenient.

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week61.

In 2018, the Executive Committee held 35 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request62. This mechanism ensures that the members of the administrative and supervisory bodies have permanent access to all information for the evaluation of the company's performance, situation and prospects for development.

ATTENDANCE OF MEMBERS OF THE EXECUTIVE COMMITTEE AT MEETINGS

Name	Present	Representation	Absent	% attendance
Rodrigo Costa	35	0	0	100%
Gonçalo Morais Soares	35	0	0	100%
João Faria Conceição	35	0	0	100%

[60] Held office from 3 May 2018 to 31 October 2018.
[61] Cf. article 1(2) of the Audit Committee regulations.
[62] Cf. Article 5 of the Executive Committee Regulations.

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at: https://www.ren.pt/pt-T/investidores/governo_da_sociedade/comissao_executiva/

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of members of the Executive Committee has been assessed by the Nominations and Appraisals Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

The Board of Directors, through its Nominations and Appraisals Committee, within the scope of its powers, assesses the overall performance of the Board of Directors and the specialized committees, taking into account compliance with the company's strategic plan and budget, risk management , its internal functioning and the contribution of each member, and the relationship between the company's bodies and committees.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

II.26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors and, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2018:

Director	Duties carried out on management or supervisory bodies
Rodrigo Costa	Chairman of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Chairman of the REN Gasodutos, S.A. Board of Directors. Chairman of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Chairman of the REN Armazenagem, S.A. Board of Directors. Chairman of the REN Serviços, S.A. Board of Directors. Chairman of the REN PRO, S.A. Board of Directors. Chairman of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Chairman of the REN Gás, S.A. Board of Directors. Chairman of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the Board of Directors of Aerio Chile, Spa Chairman of the REN Gás Distribuição, SGPS, S.A. Board of Directors
Gonçalo Morais Soares	Member of the REN - Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN PRO, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Chairman of the REN Finance BV Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the REN Gás Distribuição, SGPS, S.A. Board of Directors

Director	Duties carried out on management or supervisory bodies
	Member of Aerio Chile, Spa Board of Directors Member of the Electrogas, S.A. Board of Directors
João Faria Conceição	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN PRO, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the Board of Directors of Aerio Chile, Spa Member of the Research Center at Energia REN – State Grid, S.A. Board of Directors. Non-executive Member of the Hidroeléctrica de Cahora Bassa Board of Directors Chairman of the REN Gás Distribuição, SGPS, S.A. Board of Directors Member of the Electrogas, S.A. Board of Directors

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role – seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

In fact, although not formalized in internal regulations specifically addressing Executive Directos, REN has a Code of Conduct which regulates this matter under section 2.5. In addition, in practice, REN's policy is that its executive directors perform executive functions during their term of office only in the REN Group. This practice has always been followed in previous terms of office.

Moreover, it should be noted that, upon their appointment, the executive directors declared their full dedication to carrying out their role and pursuing the objectives laid out, and have proven this through their attendance at Board of Directors and Executive Committee meetings and through their work carried out within REN.

DUTIES OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS PERFORMING DUTIES AT 31.12.2018[63]

Director	Duties carried out on management or supervisory bodies
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China.
Mengrong Cheng	Deputy Director General of the Department of International Cooperation at the State Grid Corporation of China. President of the State Grid Corporation of China US Office Acting Chief of GEIDCO North America Office Member of the Chinese Expert Committee of IEC MSB

[63] None of the companies identified belong to the REN Group.

Director	Duties carried out on management or supervisory bodies
	Director of Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP)
Li Lequan	Senior Vice-President of State Grid International Development Corporation Limited Member of the Board of Directors of ElectraNet
Omar Al-Wahaibi	CEO Electricity Holding Member of the Board of Oman Broad Band Company Member of the Board of Gulf Cooperative Council Interconnection Authority CEO of Nama Group
Jorge Magalhães Correia	Chairman of the Board of Directors and CEO of Fidelidade - Companhia de Seguros, S.A. Chairman of the Board of Directors and of the Advisory Board of Luz Saúde, S.A. Member of the Board of Directors of Banco Comercial Português, S.A. Vice-President of the Portuguese Insurers Association Member of the Geneva Association

Upon their appointment, the non-executive directors named above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

DUTIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS AT 31.12.2018[64]

Director	Duties carried out on management or supervisory bodies
Manuel Ramos de Sousa Sebastião	President of the Supervisory Committee of Banco BPI, S.A.
Gonçalo Gil Mata	Executive director and a member of the board of Directors of Capital Criativo - Soc. Capital de Risco Non-executive member of the Arquiled, S.A. Board of Directors Summer Portugal, SA and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Maria Estela Barbot	President of the General Council of the Universidade Nova de Lisboa Managing Partner at ALETSE, Lda (Real Estate, Management Consulting and Public Relations and Communication) Member of the Advisory Board of *Instituto Português de Corporate Governance*, Member of the Advisory Board of Ar.Co – *Centro de Arte e Comunicação Visual*, Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves President of *Fórum Portugal Global* – FPG Member of the General Board of FAE – *Fórum de Administradores de Empresas*
José Luis Arnaut	Member of the Board of Directors of Discovery Portugal Real Estate Fund, Chairman of the General Meeting of the Portuguese Football Federation. Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports) Chairman of the General Meeting of SIEMENS Portugal Member of the Advisory Board of Goldman Sachs International (London) Member of the Advisory Board of AON Managing Partner of CMS Rui Pena, Arnaut & Associados Member of the Executive Committee of CMS Legal Services EEIG (Frankfurt) Chairman of the General Meeting of Portway, Handling de Portugal (Vinci Airports) Chairman of the General Meeting of *Grupo Super Bock* Chairman of the General Meeting of Tabaqueira II, S.A.

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

II.27. Identification of committees set up within, where appropriate, the Board of Directors, the General and Supervisory Board and the Executive Management Board, and place where the operating regulations may be found

In 2018, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors

[64] None of the companies identified belong to the REN Group.

in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees.

Their internal regulations can be consulted at: http://www.ren.pt/pt-PT/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/.

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at: https://www.ren.pt/pt-PT/investidores/governo_da_sociedade/

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

At 31 December 2018, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the powers of each of the committees created

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Corporate Governance Committee and the Nominations and Appraisals Committee.

The Corporate Governance Committee has the powers and competences conferred by its internal regulations[65]. Among these, of special note are those to:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

   i. structure, role and functioning of the corporate bodies

   ii. liaison between the corporate bodies and the internal committees

   iii. incompatibilities and independence of the members of corporate bodies

   iv. efficiency of the role of non-executive members of the Board of Directors

   v. voting, representation and equal treatment of shareholders

   vi. the prevention of conflicts of interests

   vii. transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

[65] Cf. Article 3 of the Corporate Governance Committee Regulations.

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations[66]. Among these, of special note are:

a) In relation to appointments, to

   i. support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment

   ii. make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors

   iii. assist the Board of Directors in the preparation of the succession of its members

   iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

In relation to appraisals

   i. advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators

   ii. support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

   iii. prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year.

   iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

With regard to the Executive Committee, see II.21.

The Regulations of the Corporate Governance Committee and the Nominations and Appraisals Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website[67] in Portuguese and in its English translation.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

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[66] Cf. Article 3 of the Nominations and Appraisals Committee Regulations.
[67] www.ren.pt

III. Supervision
(Supervisory Board, Audit Committee or General and Supervisory Board)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[68], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[69] (including the Chairman), possessing the necessary powers to perform their duties.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, General and Supervisory Board or the Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At 31 December 2018, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

As regards the remaining appropriate information, please also refer to point II.17.

III.32. Identification of, where appropriate, the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés, where appropriate, of each of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted, where appropriate, for the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulations, which establish, inter alia, the peformance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members which can be consulted on the official REN website[70] in Portuguese and English.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

[68] See II.15. above.
[69] Cf. Article 3(3) of the Audit Committee regulations.
[70] www.ren.pt

III.35. Number of meetings and attendance, where appropriate, for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee meetings are convened and chaired over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members.[71]

In 2018, the Audit Committee held 14 meetings.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

Name	Present	Representation	Absent	% attendance
Manuel Ramos de Sousa Sebastião	13	0	1	93%
Gonçalo Gil Mata	13	0	1	93%
Maria Estela Barbot	14	0	0	100%

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at: https://www.ren.pt/pt-PT/investidores/governo_da_sociedade/

III.36. Duties of, where appropriate, each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[72], it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46.)

In 2018, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The intervention of its members, as members of both the supervisory body and the management

[71] Cf. Article 8(1) and (2) of the Audit Committee Regulations.
[72] Cf. article 6(3)(l).

body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Audit Committee, whenever the Audit Committee deems that their presence is necessary or convenient to the smooth running of the work.

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for[73]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code and in CMVM Regulation No 4/2013[74];

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying the accuracy of books, accounting records and documents they use as support;

f) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

g) Inspecting the accuracy of accounting documentation;

h) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

i) Preparing the annual report on their supervisory work;

j) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

k) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

l) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;

m) Supervising the preparation and disclosure of financial information;

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several of its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;

p) Complying with other provisions set out in law or the Articles of Association.

[73] Cf. Article 6(2) of the Audit Committee regulations.
[74] In accordance with Article 6(2)(c) of the REN Audit Committee regulations, it is the Audit Committee's responsibility to confirm whether the REN Corporate Governance Report includes the information set out in CMVM Regulation No 1/2010. However, since the later regulation was implemented (CMVM Regulation No 4/2013), this provision must be read with reference to this Regulation. Since the IPCG Code was implemented, the aforementioned provision must be read with reference to the latter.

In its relationship with other corporate bodies, the Audit Committee is also responsible for[75]:

a) Supervising the effectiveness of the risk management, internal control and internal audit systems implemented by the Board of Directors or Executive Committee, including through the submission of proposals for improving operation and adjustment to REN's requirements;

b) Assisting the Board of Directors and the Executive Committee in complying with their supervisory responsibilities for internal and external audit processes, including through the submission of proposals for improving operation;

c) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate;

d) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;

e) Representing the Company, for all purposes, with the External Auditor;

f) Proposing to the General Shareholders' Meeting the appointment of the External Auditor, the respective remuneration and their removal whenever justified;

g) Issuing a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement[76];

h) Ensuring that the proper conditions for the provision of audit services by the REN External Auditor are provided within the company.

i) Performing the duties as REN's interlocutor with the External Auditor and be the first recipient of the respective reports;

j) Monitoring the activities of the External Auditors and the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditors or the Statutory Auditor.

k) Assessing the work carried out by the External Auditor on an annual basis;

l) Providing prior approval on the contracting of any audit services from the External Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

m) Supervising the work of REN's Internal Audit Office and proposing the recruitment of the respective human resources to the Executive Committee.

Within the scope of its competences described above, the Audit Committee duly follows, evaluates and pronounces on the strategic lines defined by the Board of Directors.

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[75] Cf. Article 6(3) and (2) of the Audit Committee regulations.
[76] In accordance with Article 6 (3) (g) of the Audit Committee Regulation, the opinion shall be issued in accordance with recommendation III.1.3. of the Code of Corporate Governance of CMVM 2010, regarding the principle of rotation of the External Auditor. However, that provision should be read by reference to the legal provisions currently in force on the rotation of the Statutory Auditor, in particular paragraphs 1 and 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council , of 16 April, 2014, and in Article 54(4) of Law No 140/2015 of 7 September. It is further considered that such competence contributes in part to compliance with Recommendation VII.2.3 of the IPCG Code.

In particular, the Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website[77], and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor and External Auditor, representing it before the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditors and the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditors or the Statutory Auditor[78].

As REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code[79], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

The External Auditor and the Statutory Auditor also verify the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms, reporting to the Company's Audit Committee any irregularity and deficiencies detected. The Statutory Auditor also verifies the Corporate Governance Report, under the legally applicable terms.

In addition, the Statutory Auditor and the External Auditor meet regularly and cooperate with the Audit Committee, immediately providing information on any irregularities relevant to the performance of their duties that they have detected, and any difficulties encountered in the performance of their duties.

IV. Statutory Auditor

IV.39. Identification of the Statutory Auditor and of the key auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Ernst & Young, Audit & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Ricardo Miguel Barrocas André, registered with the Portuguese Institute of Statutory Auditors under No 1461.

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

The REN Statutory Auditor (Ernst & Young, Audit, SROC SA) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

The election of a new Statutory Auditor was necessary in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and Law No 140/2015 of 7

[77] www.ren.pt
[78] Cf. Article 6(3)(j) of the Audit Committee Regulations.
[79] Cf. Article 420.

September, since the re-election of Deloitte & Associados, SROC SA for another term would exceed the legal limit of 10 years by one year.

In light of this legal and regulatory framework, the appointment of Ernst & Young, Audit & Associates, SROC SA took place following a selection process for a new Statutory Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to the services as Statutory Auditor detailed in III.38., the services referred to in V.46 were also provided.

V. External Auditor

V.42. Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Ernst & Young, Audit & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119)

V.43. Indication of the number of years during which the External Auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's External Auditor (Ernst & Young, Audit & Associados, SROC SA), and the respective partner, was initially hired to carry out these duties in 2018.

V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Ernst & Young & Associados, SROC S.A.) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

In addition to the applicable legal provisions regarding the rotation of the Statutory Auditor, as mentioned, the CMVM recommendation applicable at the time (Recommendation IV.3 of the CMVM Corporate Governance Code of 2013) stipulated that public companies should rotate their auditor after three terms of office when such terms have a duration of three years, as it was the case. Therefore, the reasons for maintaining the same auditor should be set out in a specific reasoned opinion from the REN Audit Committee which expressly considered the conditions of this auditor, as well as the advantages and costs of a replacement[80], after which the REN Audit Committee decided to appoint a new External Auditor (as well as a new Statutory Auditor).

In light of this legal and regulatory framework, the appointment of Ernst & Young, Audit & Associados, SROC S.A. took place following a selection process for a new External Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

[80] As such, Article 6(3)(g) of the REN Audit Committee Regulations states that it is this Committee's responsibility to *"Issue a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement and (ii) consider that the principle of rotation of the Statutory Auditor at the end of three terms is applied, with regard to REN, in relation to recommendation III.1.3 of the CMVM Corporate Governance Code of 2010.".*

V.45. Indication of the body responsible for assessing the External Auditor and frequency of the assessment

The Audit Committee is responsible for undertaking an annual assessment of the External Auditor and has the power to propose the dismissal of the External Auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditor.

The Audit Committee is also responsible for overseeing the independence of the External Auditor and issuing prior approval of the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said External Auditor or which is part of the same network.

In 2017, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor provided its services in a satisfactory manner and complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high technical accuracy.

V.46. Identification of non-audit services provided by the External Auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for their contracting

Non-audit services provided by the External Auditor / Statutory Auditor for REN consisted essentially in agreed auditing procedures to validate financial ratios and issuance of comfort letters.

As part of compliance with the independence rules established in relation to the External Auditor/Statutory Auditor, in 2017, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it complies with Article 77 of Law No 140/2015 of 7 September.

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from EU Recommendation C(2002) 1873 of 16 May[81])

In the financial year ending 31 December 2018, the statutory auditor for REN SGPS and its subsidiaries was Ernst & Young, Audit & Associados, SROC S.A. The exception was REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A.

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2018, was € 448,240, broken down as follows:

- Ernst & Young, Audit & Associados, SROC S.A. and its network – € 381,390;
- Pricewaterhousecoopers & Associados – SROC, S.A. – € 66,850.

[81] In accordance with the Corporate Governance Report Model approved by CMVM Regulation No 4/2013, for the purposes of this information this is the applicable concept of "network". However, Article 3 of the later Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) states that the concept of network must be satisfied as defined in Article 2(7) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. As this is the legislation currently in force for the specific requirements for the legal review of accounts of public-interest entities, this is the concept of network which has been adopted by REN.

ERNST & YOUNG, AUDIT & ASSOCIADOS, SROC S.A. AND ITS NETWORK

	Company (REN SGPS)[82]	Other companies[83]	Total	%
Audit and legal review of accounts	20 850	206 900	227 750	59.7%
Other reliability guarantee services	72 500	-	72 500	19.0%
Services other than audit services or legal review of accounts	81 140	-	81 140	21.3%
	174 490	206 900	381 390	

PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.

	Company (REN SGPS)[84]	Other companies[85]	Total	%
Audit and legal review of accounts	-	4 110	4 110	6,1%
Other reliability guarantee services	-	46 800	46 800	70,0%
Services other than audit services or legal review of accounts	12 040	3 900	15 940	23,8%
	12 040	54 810	66 850	

7.1.3. Internal Organization

I. Articles of Association

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 245(A)(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[86] and in the Articles of Association themselves[87]. In this regard, please see point 7.1.1, II.14.

II. Whistleblowing policy

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may

[82] Including individual and consolidated accounts.
[83] Including individual and consolidated accounts.
[84] Including individual and consolidated accounts.
[85] Including individual and consolidated accounts.
[86] Cf. Article 383 of the CSC.
[87] Cf. Article 11 of REN's Articles of Association.

communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group.[88].

This system covers the communication of irregular practices by shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies, due to or during the performance of their respective duties[89].

Such communications must be submitted in writing to the registered office and addressed to the Chairman of the Audit Committee or to the email comissão.auditoria@ren.pt, an account which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity[90].

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigation should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations approved by the Board of Directors, under a proposal by the Audit Committee[91].

The investigation process by the Audit Committee includes a preliminary stage which is followed by an investigation and a final report. Based on this report, should the conclusions so justify, penalty measures are proposed for approval by the Board of Directors or Executive Committee.

III. Internal control and risk management

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements[92]. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

For the purposes of this control, the Audit Committee has implemented in particular the following measures: (i) meeting twice a year with the Risk Management Committee; (ii) periodic audits (performed by the internal

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[88] Cf. Articles 6(2) and 7 of the Audit Committee Regulations and the document on "Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities", available at www.ren.pt.
[89] Cf. Chapter VI (Concept of "Irregularity") in the document on Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities (Guidelines).
[90] Cf. Chapter VII (Whistleblowing) in the Guidelines.
[91] Available at www.ren.pt.
[92] Cf. Article 3(6)(a) of the Audit Committee regulations.

audit department); (iii) implementing risk detection systems; (iv) implementing mechanisms to verify the obligations of Group comanies, in particular, monitoring their compliance with concession agreements.

In addition to this annual risks assessment, the Audit Committee assesses the Company's management which comprises, in particular, the assessment of the internal functioning of the management body, its committees, the accounts and compliance with plans and budgets. It also follows-up on the implementation of recommendations.

Therefore, in its action plan for activities to be carried out in 2018, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: information systems; procurement, management planning and control, accounts, research and regulations. The Audit Committee added to the activity plan the monitoring of the implementation of recommendations arising from the internal control system, especially with regard to the security of the information system and analysis of the general I.T. system, in conjunction with the office communication system. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff with audit functions.

The External Auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

On 13 May 2009, the Executive Committee passed a resolution to set up GSAD-AI (the Internal Audit Department), which, under the oversight of the Audit Committee, has the mission of supervising the creation, operation and effectiveness of the REN Group's risk management [93], control model and internal control and governance systems. This is achieved through objective, independent and systematic monitoring.

Of note, among GSAD-AI's various tasks, are the following:

- Review of risk management and internal control policies in force;
- Assessment of the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures);
- Implementation of financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with policies, laws and regulations (compliance services);
- Definition, jointly with the various areas, of measures to correct any weaknesses or non-compliances identified during the audits
- Monitoring the implementation of corrective measures, through follow-up reports
- Support high-level management in defining and/or implementing control and governance measures.

Moreover, the mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified
- Identify and define the persons responsible for risk management
- Monitor significant risks and REN's general risk profile
- Approve regular risk reporting mechanisms by different businesses areas.

[93] Cf. Article (6)(3)(m) of the Audit Committee regulations.

- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

In 2018, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group and the internal disclosure of best practices for Risk Management.

III.51. Explanation, even though by organisational chart, of the hierarchical and/or functional relationships of other Company bodies or committees

GSAD-AI reports in terms of functions and hierarchy to the Audit Committee, notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, notably through the presentation of proposals to improve its operation[94]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to GSAD-AI, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by Gonçalo Morais Soares, an executive director, and is responsible for the first line of defence, reporting to the Executive Committee.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2017, the Risk Management Committee, with support from 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

[94] Cf. Article 3(6)(a)(b) and (m) of the Audit Committee regulations.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

#	Category	Subcategory	Nature	Risk event
1	Surrounding Environment	External Context	Regulatory	Changes to the regulatory model and parameters
			Energy Markets	Financial non-compliance by the market agents
2			Financial Markets	Evolution of REN's rating
3				Evolution of interest rates
4	Processes	Operational	Interruption of business	Occurrence of a generalized incident
5			Investment projects	Non-approval of investment plans
6				Non-entry into operation of assets within planned deadlines of the project
7			Health & Safety	Occurrence of serious work accidents
8			Information technology	Unavailability of information systems
				I.T. attacks - cybersecurity

Changes to the regulatory model and parameters

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/analyse the impacts of possible changes.

Evolution of REN's rating

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any deterioration in Portugal's rating.

Evolution of interest rates

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

Non-compliance by ENERGY market agents

Network infrastructures are used by agents of the respective gas and electricity markets, in particular energy suppliers.

Non-compliance with the corresponding financial obligations by these market agents constitutes a risk the importance of which increased with the entry of the Portgas Distributor into the REN universe.

Occurrence of a generalized incident

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, etc.), which could cause interruptions to the service.

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing the potential impact of this risk.

Non-approval of investment plans

The existence of delays in the approval of investment plans by the grantor or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

Non-entry into operation of assets within planned deadlines

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization, may compromise the entry into operation of assets within planned deadlines.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

Occurrence of serious work accidents

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness.

Unavailability of information systems

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures are in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

I.T. ATtacks - Cybersecurity

Development of information technologies and their gradual applicability to REN's operation, such as the increase in automation and digitalization, increases the likelihood of malicious I.T. attacks which may cause significant impact.

While still at the implementation stage, the management of this risk requires the introduction of measures to I.T. systems as well as specific training for all REN employees on the care to be taken when using such technologies. The aim will be to mitigate REN's exposure to these risks.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation, processing, reporting and disclosure of all information, including financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information producing, treating and processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;

- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2018:

- Review and updating of the list of greatest risks;
- Implementing of a technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the review of the regulations on 'Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities'.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components previously provided for in CMVM Recommendations and currently provided for in the IPCG Code. It has also been guided by the rules of the International Organization for Standardization (ISO).

In 2018, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 245(A)(1) (m))

REN regularly provides information, including financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations and to the market, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information and other information, as better described in the previous section.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and External Auditor and with those responsible for accounts and management planning and control.

In addition, it is the responsibility of the Corporate Governance Committee to promote the adoption of guidelines regarding information disclosed to the market. It is the responsibility of the Investor Relations Office (IRO) to coordinate, prepare and disclose all the information made available by the REN Group regarding the disclosure of inside information and other communications to the market. IRO is also responsible for the publication of the periodic financial statements, as well as developing and maintaining the investor relations page on the company's website.

IV. Investor support

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the IRO. It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts. This office ensures communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders. It also provides clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes (Director): ana.fernandes@ren.pt

Alexandra Martins: alexandra.martins@ren.pt

Telma Mendes: telma.mendes@ren.pt

Address: REN - Redes Energéticas Nacionais, SGPS, S.A.
C/O: Investor Relations Office

Avenida dos Estados Unidos da América, 55
1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 I Fax: 21 001 31 50

The IRO has the following main duties:

- Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;
- Ensure that feedback from institutional investors is communicated to the Executive Committee;
- Guarantee timely compliance with CMVM obligations and other financial authorities;
- Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;
- Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;
- Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;
- Attract the interest of potential institutional investors, as well as a greater number of financial analysts;
- Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;
- Develop and maintain the Investor Relations page on the Company's[95] website / Investors APP.

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in cases where the request required the receipt of information from third parties, soon after they were received. In 2018, almost

[95] http://www.ren.pt/en-GB/investidores/

350 requests were received attended to by telephone, 400 by email and 230 in person at conferences and roadshows, with both debt and equity investors.

Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. Internet site

V.59. Address(es)

The Company's[96] website is available in Portuguese and English.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code;

On the REN website[97], under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as opencapital company ("sociedade aberta"), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found.

www.ren.pt/investidores/informacao_da_sociedade/

V.61. Place where the Articles of Association and operating regulations for the bodies and/or committees can be found

On the REN website[98], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association
- Board of Directors Regulations
- Audit Committee Regulations
- Executive Committee Regulations
- Corporate Governance Committee Regulations
- Nominations and Appraisals Committee Regulations
- Remuneration Committee Regulations (approved in January 2019)
- Regulations on transactions with related parties
- Regulations on transactions of financial instruments by REN directors;
- Whistleblowing procedures
- Regulations on procedures relating to the compliance with the Market Abuse Regulation

www.ren.pt/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/

[96] www.ren.pt
[97] www.ren.pt
[98] www.ren.pt

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found.

www.ren.pt/investidores/governo_da_sociedade/

Furthermore, on the REN website[99], under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

www.ren.pt/investidores/relacoes_com_investidores/

V.63. Place where accounting records are made available, which must be accessible for at least ten years[100], as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website[101], under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

www.ren.pt/investidores/resultados/

On the same website[102], a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website[103], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

www.ren.pt/investidores/governo_da_sociedade/assembleias_gerais/

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[104], REN provides extracts from the minutes of General Meetings.

On the website,[105] REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

See V.64. with regard to where this information is provided.

[99] www.ren.pt
[100] In accordance with the CMVM Regulation No 4/2013 which approves the model of the corporate governance report, accounting documents may be accessible for five years. Nevertheless, under the current version of Article 245 (1) of the Securities Code, those documents must by available for 10 years.
[101] www.ren.pt
[102] www.ren.pt
[103] www.ren.pt
[104] www.ren.pt
[105] www.ren.pt

7.1.4. REMUNERATION

I. Competence to determine remuneration

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[106], which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements[107]. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors, but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

II. Remuneration Committee

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

On 31 December 2018, the following three members, appointed at the annual General Meeting of 3 May 2018, were on the Remunerations Committee (three-year period of 2018-2020):

Name	Position
João Duque	Chairman
José Galamba de Oliveira	Member
Fernando Neves de Almeida	Member

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at: https://www.ren.pt/pt-PT/investidores/governo_da_sociedade/comissao_de_vencimentos/.

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract. In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services

[106] Cf. Article 8(2)(d) of the Articles of Association.
[107] Cf. Article 26 of REN's Articles of Association.

to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at https://www.ren. pt / pt-PT / investors / corporate_government / statutes_regulations_and_reports /.

As set out in its Regulations, and as was already the case prior to the adoption of these regulations, detailed minutes are drawn up, approved and signed by all the members present at the meetings.

At the Annual General Meeting of 2018, Fernando Neves de Almeida was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations approved in January 2019 provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, being executive coordinator of Ph.D., master and bachelor programmes in the fields of strategic management and human resources areas and has published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) positions of management and consulting in financial regulators, and (iii) positions of management at consultancies in the fields of management, technology and human resources, thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. Remuneration structure

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 2 of Law No 28/2009 of June 19 2009

As an issuer of shares admitted to trading on the regulated market, REN is subject to Law No 28/2009 of 19 June 2009 as well as to the recommendations of the IPCG Code of 2018.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2018 financial year for the appraisal of the Annual General Meeting, the terms of which reflected the decision made by this Committee on this matter and which set out a number of systematic improvements and updates of remuneration amounts, but which essentially reflect the previous remunerations policy.

On 3 May 2018, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by a majority at the General Meeting. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009. In accordance with IPCG Code, recommendation V.2.3 (although REN considers this recommendation as not applicable in 2018, as at the time of preparation and approval of the declaration it was not clear if the IPCG Code was strictly in force) the abovementioned declaration also contains, although in generic terms, when applicable: (i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied; (ii) remuneration from companies belonging to the same group; (iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions (not applicable); (iv) information on the possibility of requesting the return of variable remuneration; (v) information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation (not applicable); and (vi) information on the enforceability or unenforceability of payments for the termination of the directors' service. Some of this information is included in more detail in this report, considering the nature of the declaration and in order to avoid duplication of information.

The remuneration policy for Executive Directors follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen nationally and in Europe, particularly with regard to REN's peers;
- To incorporate a fixed component adjusted to the duties and responsibility of the directors;
- To incorporate a variable component which is reasonable overall in relation to the fixed remuneration, with one short-term component and another medium-term component, both with maximum limits;
- To establish a variable remuneration indexed to individual performance assessment and that of the company, in accordance with achievement of specific quantifiable aims which are in line with Company and shareholder interests; and
- To establish a medium-term variable remuneration component indexed to the evolution of the REN share price, thus ensuring that the remuneration of executive directors is bound to the sustainability of results and the creation of wealth for shareholders.

Based on these principles, the remuneration of executive directors is mainly determined based on four general criteria: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, taking into consideration that remuneration must be based on uniform, consistent, fair and balanced criteria; (iii) assessment of real performance, in accordance with duties and the level of responsibility of the person in question, as well as the assumption of suitable levels of risk and compliance with the rules applicable to REN activity; and (iv) alignment of directors' interests with the Company's and its sustainability and creation of long-term wealth.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium-term performance, as described in further detail below.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed sum.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69 above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is adequate proportionality between both components, as explained in III.69 above.

In accordance with the remuneration policy applicable to remuneration awarded in 2018 and set out in the Remuneration Committee declaration approved by the Annual General Meeting of 2018, the variable component of remuneration for 2018 may include a short-term parcel (STVR) and a medium-term parcel (MTVR). Both parcels are based on performance assessment, reflecting the weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, described in more detail in III.71 below, aim to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

Particularly, MTVR has the following characteristics which contribute to the alignment of the interests of REN executive directors with those of the Company and shareholders:

- MTVR is set in Remuneratory Units (RU) that refer to each term of office in which each executive director has performed duties;
- Each RU has a value corresponding to the REN share price at the date that MTVRs were set (based on the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year) and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between 20% and 120% of fixed remuneration, in a gradual manner, without prejudice to the evolution in RU) are to discourage taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

As has already been mentioned, the remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2018, the variable component of remuneration for 2018 may include short and medium-term parcels – STVR and MTVR[108].

The awarding of STVR and MTVR is subject to the following common requirements:

- The awarding of the variable component of remuneration only takes place after approval of the financial statements for each financial year, after the performance assessment for the year to which the payment refers to, and only when predefined objectives have been complied with, measured against individual and company performance indicators indexed to targets in the REN strategic plan.

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[108] Cf. points III.69. and III.70 above.

- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration is awarded. However, if compliance with targets lies between 80% and 120% or greater, the corresponding total variable remuneration will be set, in a gradual manner, between 20% and 120% of the fixed remuneration.

The abovementioned annual performance assessment, for purposes of awarding STVR and MTVR during the term of office, is carried out based on the following REN Key Performance Indicators (KPI) on a consolidated basis (weighting of 80%) and the individual performance assessment (weighting of 20%), which, if negative, will result in the non-awarding of Short-Term Variable Remuneration:

i. Average Cost of Debt;

ii. Return on Invested Capital;

iii. EBITDA in investments abroad

iv. Earnings per share;

v. EBITDA

Short-Term Variable Remuneration

a) Short-Term Variable Remuneration (STVR) is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of targets relating to certain Key Performance Indicators.

b) Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or greater, the corresponding STVR will be set between 10% and 60% of fixed remuneration

c) The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year.

Medium-Term Variable Remuneration

Medium-Term Variable Remuneration (MTVR) aims to strengthen the alignment of the interests of REN executive directors with those of the Company and shareholders. This payment will vary depending on the annual performance assessment (already described in the previous point) and will follow the same model as that for STVR.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of STVR, as described above, will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year in question.

In turn, MTVR is set in RU which refer to every financial year of the term of office and is structured to ensure deferral of payment and is conditioned to continued positive performance, through the following channels:

- Each RU has a value corresponding to the REN share price at the date that MTVR is set, (based on the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year) and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares
- The executive directors’ right to convert their RU is established progressively. One third is consolidated at the end of the first financial year it relates to while each of the remaining two thirds are consolidated

at the end of each of the two subsequent financial years, provided that the director performs executive duties in the respective financial year. The executive directors' right to convert their RU will be maintained even if their duties terminate as a result of a change in REN shareholder control. This is due to the fact that the director has been in office in the period in question (such conversion thus not being seen as compensatory in nature), and as a result of the non-voluntary nature of termination of duties (unlike that which takes place, for instance, in the event of dismissal);

- RU will be automatically converted into cash or, should the REN General Meeting come to deliberate (and in accordance with the terms thereby established), into REN shares, either partially or totally, over a period of three years after the date on which they were awarded (one third per year, starting in the year after award).

Bearing in mind the above, payment of MTVR for 2017 was awarded in 2018 and deferred for a period of three years, if the corresponding assumptions are met.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist.

Therefore, despite the remuneration policy approved by the Remuneration Committee for the term of office determining that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate, this has not as yet taken place. Should the General Meeting make such a decision, this deliberation shall govern the conditions for awarding the shares in question, including the potential requirement to maintain the shares or part of them until the end of the term of office.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the board of directors of the Company have not entered into agreements either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2018, Executive Directors were entitled to the use of a car for the performance of their duties, and were also provided with health insurance, life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is € 20,000/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. Disclosure of remuneration

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

Remuneration paid in 2017 to members of REN's management body, individually and collectively, was as follows:

Name	Position	Fixed rem.	Variable short-term rem.	Variable medium-term rem.	Total[109]
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	€385,000.00	€221,567.48		€606,567.48
João Faria Conceição	Executive Committee	€305,000.00	€175,527.50	€183,896.78	€664,424.28
Gonçalo Morais Soares	Executive Committee	€305,000.00	€175,527.50	€183,896.78	€664,424.28
Guangchao Zhu	Vice-Chairman of the Board of Directors	€80,000.00			€80,000.00
Mengrong Cheng	Board of Directors	€36,000.00			€36,000.00
Li Lequan	Board of Directors	€23,806.45			€23,806.45
Longhua Jiang	Board of Directors	€15,000.00			€15,000.00
Omar Al-Wahaibi	Board of Directors	€36,000.00			€36,000.00
Jorge Magalhães Correia	Board of Directors	€36,000.00			€36,000.00
Manuel Sebastião	Audit Committee	€75,000.00			€75,000.00
Maria Manuela Veloso	Board of Directors	a)[110]			-
Gonçalo Gil Mata	Audit Committee	€60,000.00			€60,000.00
Maria Estela Barbot	Audit Committee	€60,000.00			€60,000.00
José Luís Arnaut	The Board of Directors	€36,000.00			€36,000.00
Total		**€1,452,806.45**	**€572,622.48**	**€367,793.56 €**	**€2,393,222.49**

[109] These amounts do not include remuneration as a result of appointment to corporate committees, as this was already granted in January 2019.
[110] Renounced to remuneration.

STVR paid in 2018, as indicated in the table above, refers to the financial year of 2018.

Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, for MTVR referring to the 2017 financial year, set in RU. Considering that the REN share price on the date MTVR was set was € 2.558, the number of RU awarded to each member of the Executive Committee is as follows:

i. Rodrigo Costa – 86,617.47 RU

ii. João Faria Conceição – 68,619.04 RU and

iii. Gonçalo Morais Soares – 68,619.04 RU

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79. Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex Executive Directors for the termination of their duties during the term of office

In 2018, there were no amounts due or paid in the form of compensation to Ex-Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Law No 28/2009, of 19 July.

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2018, the Chairman of the General Meeting received the fixed annual amount of €15,000 for carrying out the respective duties.

V. Agreements with remuneration implications

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2018, which REN considers to be the adequate legal instrument for these purposes, in the event of unfair dismissal or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required, if such termination or dismissal is due to the unsuitable performance of the director. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (Article 245-A(1)(l)).

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. Plans to allocate shares or stock options

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration plans or programmes that consist of the awarding of shares, options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

However, the remuneration policy approved by the Remuneration Committee and which came into effect on 1 June 2012 and later in 2018, respectively, determine that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate (which has not happened so far).

VI.86. Characteristics of the plan (conditions of allocation, shares non-transferability clauses, criteria relating to the share price and exercise price, period during which options can be exercised, characteristics of the allocated shares or options to be awarded, existence of incentives for the acquisition of shares and/or the exercising of options)

See VI.85. above.

VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the Company workers or employees

See VI.85. above.

VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 245(A)(1)(e)

There are no schemes for worker participation in the share capital of the Company.

7.1.5. Transactions with related parties

I. Control mechanisms and procedures

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to provide for monitoring by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed to the Board of Directors an internal regulations for the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest', which were approved by the Board of Directors on 8 November 2012 and remain in effect.

In accordance with the internal regulations on 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest', which are in line with IAS 24 and recommendation I.V.1 of the IPCG Code, transactions conducted between a related party[111] and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee[112]:

- The purchase and/or sale of goods, provision of services or contract work valued at over € 1,000,000.00;
- The acquisition or disposal of shareholdings;
- New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000.00, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions.
- Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds € 1 million or must be considered relevant for this purpose by the Board of Directors by virtue of its nature or its particular liability to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration[113].

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee[114].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[115].

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

In 2018, there were no transactions carried out between REN Group companies and the holders of qualified shareholdings or entities with which they are in a relationship pursuant to Article 20 of the Securities Code that are subject to a prior favourable opinion by the Audit Committee for carrying out the aforementioned transactions in compliance with the internal regulations on the analysis and control of transactions with related parties and the prevention of situations of conflict of interests.

[111] That is, a) a member of a REN management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to Article 21 of the Securities Code ('Subsidiaries') or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with Article 20 of the Securities Code, or d) a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.
[112] Cf. Point II.I(a) of the abovementioned internal regulation.
[113] Cf. Point III(b) of the abovementioned internal regulation.
[114] Cf. Points 4 and 5 of point VI of the abovementioned internal regulation.
[115] Cf. Point IX(I)(a) of the abovementioned internal regulation.

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code, given that these are by definition considered to be related parties in accordance with internal regulations for the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest'.

II. Information relating to business

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2018 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations, and as such, IPCG Code Recommendation I.5. was adopted.

Part 2

7.2. Assessment of Corporate Governance

1. Identification of the Code of Corporate Governance adopted

With regard to the disclosure of information on corporate governance, as an issuer of shares that are admitted to trading on the Euronext Lisbon regulated market, REN is subject to the regime established in the Securities Code, Law No 28/2009 of June 19, and CMVM Regulation No 4/2013 (the latter was approved in 2013 and is applicable to government reports for this year).

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code(s) to which the Company is subject is made available to the public shall also be indicated (Article 245-A(1)(p))

When preparing this report, REN referred to the Portuguese Institute of Corporate Governance Code, approved in 2018, available at https://cgov.pt/images/ficheiros/2018/codigo-pt-2018-ebook.pdf.

2. Analysis of compliance with the Corporate GOVERNANCE CODE adopted

Pursuant to Article 245-A(1)(o) of the Securities Code, a statement shall be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from the said code and the reasons for the divergence.

- The information submitted should include, for each recommendation:
- Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);
- Grounds for the potential non-compliance or partial compliance thereof;
- In the event of non-compliance or partial compliance, the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation.

As mentioned above, REN took the decision to adopt all recommendations laid out in the IPCG Code.

Therefore, REN hereby declares that it fully adopts all the abovementioned Portuguese Institute of Corporate Governance recommendations on corporate governance matters laid down in said Code, except for Recommendations I.2.1, II.2, II.4, III.1, V.4.3 and V.4.4 which are not adopted for the reasons described below, Recommendations II.5, III.5, III.7, V.2.3, V.3.4 and V.4.1 which are not applicable to REN, Recommendations I.4.1, I.4.2, II.3, V.1.2 which are partially adopted and Recommendation V.2.4, which is partially adopted and partially not applicable to REN.

The chart below identifies IPCG Code recommendations and individually mentions those that have been adopted by REN and those that have not. It also indicates the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said recommendations.

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
I.	**General provisions**		
General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies			
I.1.	**Company's relationship with investors and disclosure** *Principle: Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.*		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	**Adopted**	Part I, chapter 7.1.3. s. III 55 and chapters 7.1.2. s. II 18 and III 38 and 7.1.3. ss. III 54 and IV 56
I.2.	**Diversity in the composition and functioning of the company's governing bodies** *Principle I.2.A: Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.* *Principle I.2.B: Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.*		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	**Not adopted**	Part I, chapter 7.1.2. s. II.27, II.29 Considering the shareholders' structure of REN, the company believes that the choice and appointment of the members of its governing bodies must firstly fall on the shareholders, without prejudice of Nominations and Appraisals Committee, within the scope of its functions, submitting lists of persons recommended for appointment, preparing recommendations based on the qualifications, knowledge and professional experience required for the members of the corporate bodies and assisting the board of directors in the succession of its members.
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	**Adopted**	Part 1, chapter 7.1.2. ss. II.22, II.27, II.29, II.34 and chapter 7.1.4. s. II.67

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
I.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	**Adopted**	Part 1, chapter 7.1.2. ss. II.22, II.27, II.29, III.34 and chapter 7.1.3. s. V.61
I.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	**Adopted**	Part 1 chapter 7.1.2. ss. II.23, III.35 and chapter 7.1.4. s. II.67
I.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	**Adopted**	Part 1, chapter 7.1.3. s. II.49
I.3.	***Relationships between the company bodies*** *Principle: Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.*		
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	**Adopted**	Part 1, chapter 7.1.2. ss. II.18 and III 38
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	**Adopted**	Part 1, chapter 7.1.2. ss. II 18 and III 38
I.4.	***Conflicts of interest*** *Principle: The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed*		
I.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts	**Partially adopted**	Part 1, chapter 7.1.2. ss. II.18 and 29

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
	that could constitute or give rise to a conflict between their interests and the company's interest.		Pursuant to articles 7-A and 7-B of the Bylaws and Article 12 of the BoD Regulation, the blocking of the main situations that generate conflicts of interest within REN is ensured from the outset. In addition, although REN did not include, in a specific internal regulation, a wording identical to the Recommendation, taking into account Company Law, the practice followed by the members of the corporate bodies is not to participate in the discussion and voting of resolutions that may entail a conflict of interests, and they inform the President of the respective governing body of the facts that constitute or may substantiate the conflict in question. Hence, REN's practice is complaint with this recommendation, so it should be considered as partially adopted.
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**Partially adopted**	Part 1, chapter 7.1.2. s. II.18 As mentioned in Recommendation I.4.1, the practice followed by the members of the corporate bodies is not to participate in the discussion and voting of resolutions that may entail a conflict of interests, and they inform the Chairman of the respective governing body of the facts that constitute or may substantiate the conflict in question. This, notwithstanding the fact that no mechanisms are formalised in written to ensure that the conflicting member of the corporate body does not interfere in the decision-making process, Hence, REN's practice is compliant with this recommendation, so it should be considered as partially adopted.

I.5. ***Related party transactions***

<u>Principle:</u> Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
I.5.1.	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	**Adopted**	Part 1, chapters 7.1.1. s. II 10 and 7.1.5 s. I 89
I.5.2.	The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.	**Adopted**	Part 1, chapter 7.1.1. s. II 10
II.	**Shareholders and general meetings**		
II.A	*<u>Principle</u>: As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*		
II.B	*<u>Principle:</u> The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself*		
II.C	*<u>Principle:</u> The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.*		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	**Adopted**	Part 1, chapter 7.1.2. s. II 12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	**Not adopted**	Part 1, chapter 7.1.2. s. II 14 The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime.
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	**Partially adopted**	Part 1, chapter 7.1.2. s. II 12 As regards the vote by electronic mail, where there is

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
			an express reference in the notice of the meeting of the General Meeting, the shareholders may exercise the right to vote in such a manner, under the terms, period and conditions that may be defined in the relevant notice. In addition, in view of the very low number of postal votes received at the last general meetings, REN has considered that electronic voting is not an added value for its shareholders. In general, REN deems that the participation of its shareholders in general meetings is assured through correspondence voting and representation mechanisms. In summary, REN considers that it has the necessary mechanisms to encourage its shareholders to participate and to vote in general meetings.
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	**Not adopted**	REN gives preference to in person attendance in the Annual General Meeting, whether it be for promoting participation and discussion or for avoiding eventual issues regarding violation of privacy. With the mechanisms implemented, REN considers that it has the necessary mechanisms to entice its shareholders to participate and vote in the general meetings.
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	**N/A**	Part 1, chapter 7.1.1. ss. I 2 e I 5 There is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, this recommendation must be considered not applicable to REN.
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	**Adopted**	Part 1, chapter 7.1.1. s. I.4

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
III.	**Non executive management, monitoring and supervision**		
III.A	*Principle: The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.*		
III.B	*Principle: The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.*		
III.C	*Principle: The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.*		
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	**Not adopted**	Part 1 chapter 7.1.2. s. II.18 Under the terms of the BoD Regulation, a number of mechanisms were adopted in 2018 for the efficient coordination and performance of the members with non-executive functions, in particular with a view to facilitating the exercise of their right to information and ensuring the necessary conditions and means to the performance of their duties, in the terms best described in the above section of this report. In addition, some of the independent board members are also members of board committees, thus the development of their functions therein should be preserved.
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	**Adopted**	Part 1, chapter 7.1.2. s. II 18
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	**Adopted**	Part 1, chapter 7.1.2. s. II 18
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:	**Adopted**	Part 1, chapter 7.1.2. s. II 18

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
	i. having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.		
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	**N/A**	There is no REN director in this situation.
III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**Adopted**	Part 1, chapter 7.1.2. s. II 21
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	**N/A**	Not applicable to REN's corporate governance model.
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	**Adopted**	Part 1, chapter 7.1.2. s. III 38, chapter 7.1.3. s. III 50 *et seq*

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
III.9.	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.	**Adopted**	Part 1, chapter 7.1.2. s. II 29, chapter 7.1.4. s. I 66
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	**Adopted**	Part 1, chapter 7.1.3. s. III 50 *et seq*
III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	**Adopted**	Part 1, chapters 7.1.2. s. III 38 and 7.1.3. s. III 50 *et seq*
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	**Adopted**	Part 1, chapter 7.1.3. s. III 50
IV.	**Executive management**		
IV.A	*Principle:* *As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*		
IV.B	*Principle:* *In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	**Adopted**	Part 1, chapter 7.1.2. s. II 26 Although the Recommendation is not formalized in an internal regulation specifically addressed to executive directors, REN has a Code of Conduct that regulates the topic in section 2.5, in addition to the fact that REN's practice consists in its executive directors exercising executive functions during their mandate exclusively in REN Group. This practice has been followed consistently over the past mandates, and REN therefore considers the recommendation adopted.

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	**Adopted**	Part 1, chapter 7.1.2. s. II 21
IV.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	**Adopted**	Part 1, chapter 7.1.3. s. III 50
IV.4.	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	**Adopted**	Part 1, chapter 7.1.3. s. III 50
V.	**Evaluation of performance, remuneration and appointment**		
V.1.	***Annual evaluation of performance*** *<u>Principle:</u> The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.*		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Adopted**	Part 1, chapter 7.1.2. s. II 24
V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	**Partially adopted**	Part 1, chapter 7.1.2. s. III 38 The Audit Committee only failed to assess the accomplishment of the company's strategic plan. This recommendation should therefore be considered partially adopted.
V.2.	***Remuneration*** *<u>Principle:</u> The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.*		
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	**Adopted**	Part 1, chapter 7.1.4. s. I 66

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	**Not adopted**	Part 1, chapter 7.1.4. s. III 69 *et seq* Since a new policy was not adopted in 2018, the recommendation should be considered as not being adopted, notwithstanding the fact that a new policy is being prepared and clarifying that for 2018 the prior policy shall apply.
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration; v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	**N/A**	Part 1, chapter 7.1.4. s. III 69 ss At the date the declaration was prepared and approved, the IPCG Code was not yet fully in force and therefore this recommendation should be considered not applicable in 2018. It should be noted, however, that the statement approved by the REN General Meeting in 2018 generally comprised the points listed in the recommendation and complied with the CMVM recommendation regarding this matter, applicable at the time.
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	**N/A and Adopted**	Part 1, chapter 7.1.4. ss. III.76 and IV 80 and V 83 The Recommendation is not applicable to the pension benefit policies, as none currently exist, and is complied with in relation to termination of office.
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general	**Adopted**	Part 1, chapter 7.1.4. ss. II.67.

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
	meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.		
V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	**Adopted**	Part 1, chapter 7.1.4. ss. II.67
V.3.	***Director remuneration*** *<u>Principle:</u> Directors should receive compensation:* *i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;* *ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and* *iii) that rewards performance.*		
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	**Adopted**	Part 1, chapter 7.1.4. s. III 70 – 71
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	**Adopted**	Part 1, chapter 7.1.4. s. III 72
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	**N/A**	Part 1, chapter 7.1.4. s. III 74 Variable remuneration does not include the relevant requirements for the purposes of applying the Recommendation.
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	**Adopted**	Part 1, chapter 7.1.4. s. III 69
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	**Adopted**	Part 1, chapter 7.1.4. s. IV 83

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
V.4.	***Appointments***		
	Principle: Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.		
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	**N/A**	This Recommendation shall not to be applicable to the year of 2018, as by the date on which the information was prepared for the GM the IPCG Code was not yet fully in force.
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	**Adopted**	Part 1, chapter 7.1.2 ss. II 27 and 29
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	**Not adopted**	
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	**Not adopted**	Even though the Nominations and Appraisals Committee has not formalized procedures as described in the Recommendation, it ensures the identification of suitable candidates by submitting lists of people recommended for appointment, making recommendations based on qualifications, knowledge and professional experience required for members of the governing bodies and assisting the board of directors in the succession of its members. This should be considered together with REN's understanding that, in view of the shareholder structure, the election and appoinment of the members of the corporate bodies must firstly fall on the shareholders.
VI.	**Risk management**		
Principle: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.			
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	**Adopted**	Part 1, chapter 7.1.3. s. III 50 *et seq*

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	**Adopted**	Part 1, chapter 7.1.3. s. III 50 *et seq*
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	**Adopted**	Part 1, chapter 7.1.3. s. III 50 *et seq*
VII.	**Financial statements and accounting**		
VII.1	***Informação financeira*** ***Financial information*** *Principle VII.A: The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.* *Principle VII.B: The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	**Adopted**	Part 1, chapter 7.1.3. ss. III 38 and 55
VII.2	***Statutory audit of accounts and supervision*** *Principle: The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations*		
VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	**Adopted**	Part 1, chapter 7.1.2. s. III 38, V.46 Although it does formally included under these same terms in a regulation, REN considers both the Regulation of the Audit Committee and practice confirm that the supervision body defines these items in discharging its duties. In addition, it should be noted that the appointment of Ernst & Young, Audit & Associates, SROC, S.A. took place in 2018, following a process to select a new Statutory Auditor,

Corporate governance code		Assessment	Reference to the Corporate Governance Report / Comments
			conducted the Audit Committee of REN and performed in an equitable manner, thus continuing in full compliance with the legislation and recommendations, as of the date in force.
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	**Adopted**	Part 1, chapter 7.1.2. s. III 38
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	**Adopted**	Part 1, chapter 7.1.2. s. III 38
VII.2.4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	**Adopted**	Part 1, chapter 7.1.2. s. IV 38
VII.2.5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	**Adopted**	Part 1, chapter 7.1.2. s. III 38

3. Other information

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

In relation to 2018, for the purpose of paragraph r) of Article 245-A of the Securities Code, it should be highlighted that REN has in force *(i)* a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non-discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; and *(ii)* a "Plan for Equal Gender Equal Treatment" aplicable to the REN Group. In addition, in this respect, in 2015 REN also endorsed the committment agreement with the Portuguese Government for gender equality in the corporate bodies of listed companies.

REN has continued the work of evaluating the implementation of an integrity policy at the REN Group to establish the principles of action and duties of Group companies and respetive employees, so as to combat and prevent ilicit actions, such as corruption, money laundering, or the financing of terrorism. This policy also promotes ethics, integrity and transparency in business conducted. In particular, in 2018, REN once again consulted its stakeholders. The result of this process, which takes place every two years, reflects stakeholder perception in relation to the performance of the company and it will serve as basis for reflecting on REN's sustainability strategy, as well for establishing the company's communication priorities.

REN does not possess any other additional information which is relevant for understanding the governance model and practices implemented.

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REN

1. Management **Report**

1.1. Electricity and Natural Gas Legislation published in 2018

1.1.1. Electricity

Directive no. 6/2018, of 2 February, Official Journal no. 41, 2nd Series

Approval of the rules for participation, tariffs and applicable prices, as well as the rules for invoicing and for commercial relations between the parties partaking in pilot projects in order to improve the tariff structure and to introduce dynamic tariffs on very high-voltage, high voltage and medium voltage grid access in mainlain Portugal.

Decree-Law no. 11/2018, of 15 February, Official Journal no. 33, 1st Series

Sets out the criteria for the mitigation and monitoring of the general population's exposure to magnetic, electric and electromagnetic fields; criteria that shall guide the planning and construction phases of new lines of high and very high voltage, as well as the exploitation phase of the same. This decree-law implements Law no. 30/2010, of 2 September.

Resolution of the Council of Ministers no. 12/2018, of 19 February, Official Journal no. 35, 1st Series

Approval of a set of measures to update the legal framework of the Pilot Zone for renewable ocean energy.

Portaria no. 62/2018, of 2 March, Official Journal no. 44, 1st Series

Enactment of the regulation for the attribution of production licenses or approval of prior communications with regard to special generation of electricity under the general remuneration scheme, as per Article 33-F(4) of the Legal Framework applicable to the Generation, Transmission, Distribution and Supply of Electricity, as approved by Decree-Law no. 172/2006, of 23 August.

Portaria no. 93/2018, of 3 April, Official Journal no. 65, 1st Series

Establishes the postponement of the auction date for the attribution of the safety reserve in the National Electricity System (NES), as provided for by Article 7(6) of Order no. 41/2017, of 27 January, until receipt by the Portuguese State of a clear indictment of the European Commission regarding the compatibility of the safety reserve mechanism of the NES with community rules on State aid in the energy sector.

Law no. 20/2018, of 4 May, Official Journal no. 86, 1st Series

Amendment of Articles 2 and 3 of Law no. 30/2010, of 2 September, which governs the mechanisms for setting limits to human exposure to magnetic, electric and electromagnetic fields associated with very high-voltage lines, installations or equipment, in order to safeguard public health and, additionally, preserve the public interests of environmental protection and, in particular, of landscape and territorial planning, as well as to mitigate possible negative impacts of the aforesaid lines and equipment of high and very high-voltage. This Law aims at strengthening the applicable protection rules.

Directive no. 10/2018 (ERSE), of 11 June, Official Journal no. 131, 2nd Series

For the purposes of the implementation of the continuous intradaily market, this Directive approves amendments to the following handbooks: (a) Handbook for the Global Management of the System, as approved by Directive no. 8/2013, of 30 April, Official Journal (2nd Series) of 15 May, as amended by Directive no. 9/2014, of 4 April, Official Journal (2nd Series) of 15 April; and (b) Handbook setting out the Procedures applicable to the Joint Management Mechanism of the Portugal-Spain interconnection, as approved by Order no. 17744-A/2007, of 29 June, Official Journal (2nd Series) of 10 August (2nd supplement).

Directive no. 11/2018 (ERSE), of 22 June, Official Journal no. 135, 2nd Series

Approval of the transitory legal framework applicable to the management of risks and guarantees of the National Electricity System (NES). It sets out the means for the provision of said guarantees, the method of calculation, as well as the conditions for its verification, maintenance and execution with regard to the obligations created by market agents before distribution grid operators under the execution of contracts for grid access, and before the transmission grid operator, carrying out the activity of global management of the system, under the adhesion contract to the system services market.

Decree-Law no. 57-A/2018, of 13 July, Official Journal no. 134, 1st Series

Amendment of the Energy Services Regulatory Authority's Bylaws, extending the latter's regulatory functions to the liquified petroleum gas sectors - in all its categories - , to fuels deriving from petroleum and to biofuels.

Law no. 61/2018, of 21 August, Official Journal no. 160, 1st Series

Amendment of Articles 2, 4, 5, 12, 19, 21 and 31 of the Legal Framework of Electric Installations, as approved by Decree-Law no. 96/2017, of 10 August.

Decree-Law no. 69/2018, of 27 August, Official Journal no. 164, 1st Series

Restructuring of the National Entity for the Fuel Market, E. P. E. (ENMC, E. P. E.), of the Directorate General of Energy and Geology (DGEG) and of the National Laboratory of Energy and Geology, I. P. (LNEG, I. P.), in order to concentrate all supervisory competences of the energy sector in one single entity, as well as to modify the coordination competences with regard to the process for the verification of the biofuels' sustainability criteria, as well as to the field of exploration and exploitation of hydrocarbons.

Despacho no. 9217/2018, of 23 September, Official Journal no. 189, 2nd Series

Sets out the discount to be applicable to electricity tariffs for grid access, in force as from 1 January 2019, as provided for in Article 3(2) of Decree-Law no. 138-A/2010, of 28 December, in order to allow a discount of 33.8% over transitory sale tariffs to electricity end-customers, excluding VAT, and other taxes, contributions, fees and interest that may be applicable.

Decree-Law no. 109-A/2018, of 7 December, Official Journal no. 236, 1st Series

Amendment of Articles 4 and 7 of Decree-Law no. 55/2014, of 9 April, which creates the Fund for Systemic Sustainability of the Energy Sector.

Directive no. 15/2018 (ERSE), of 10 December, Official Journal no. 237, 2nd Series

Sets out the procedures for switching suppliers in the electricity and natural gas sectors.

1.1.2. Natural gas

Directive no. 7/2018 (ERSE), of 28 March, Official Journal no. 62, 2nd Series

Handbook of Metering, Reading and Making Data Available in the natural gas sector.

Despacho no. 3121/2018, of 20 March, Official Journal no. 61, 2nd Series

Sets out the discount to be applicable to natural gas tariffs for grid access, in force as from 1 July 2018, as per Article 3(2) of Decree-Law no. 101/2011, of 30 September, which shall correspond to an amount that allows a discount of 31.2 % over the transitory sale tariffs applicable to natural gas end-consumers, excluding VAT, and other taxes, contributions, fees and interest as applicable and which application should not be considered for the purposes of other aids currently in place.

Regulation no. 225/2018 (ERSE), of 16 April, Official Journal no. 74, 2nd Series

Approval of the Tariff Regulation of the Natural Gas Sector.

Regulation no. 224/2018 (ERSE), of 16 April, Official Journal no. 74, 2nd Series

First amendment to the Commercial Relations Regulation of the Natural Gas Sector.

Regulation no. 385/2018 (ERSE), of 21 June, Official Journal no. 118, 2nd Series

Amendment to the Tariff Regulation of the Natural Gas Sector.

Regulation no. 387/2018 (ERSE), of 22 June, Official Journal no. 119, 2nd Series

Second amendment to the Commercial Relations Regulation of the Natural Gas Sector.

Directive no. 9/2018 (ERSE), of 22 June, Official Journal no. 119, 2nd Series

Approval of the Tariffs and Prices of Natural Gas for gas-year 2018-2019.[1]

Decree-law no. 57-A/2018, of 13 July, Official Journal no. 134, 1st Series

Amendment to the Energy Services Regulatory Authority's Bylaws, extending the latter's regulatory functions to the liquified petroleum gas sectors - in all its categories - , to fuels deriving from petroleum and to biofuels.

Directive no. 13/2018 (ERSE), of 6 August, Official Journal no. 150, 2nd Series

Approval of the natural gas consumption profiles, as well as average daily consumption for gas-year 2018-2019.

Decree-Law no. 69/2018, of 27 August, Official Journal no. 164, 1st Series

Restructuring of the National Entity for the Fuel Market, E. P. E. (ENMC, E. P. E.), of the Directorate General of Energy and Geology (DGEG) and of the National Laboratory of Energy and Geology, I. P. (LNEG, I. P.), in order to concentrate all supervisory competences of the energy sector in one single entity, as well as to modify the coordination competences with regard to the process for the verification of the biofuels' sustainability criteria, as well as to the field of exploration and exploitation of hydrocarbons.

[1] Declaration of Rectification no. 573/2018 (ERSE), of 16 August, Official Journal no. 157, 2nd Series- rectifies Directive no. 9/2018, of 22 June.

Decree-Law no. 109-A/2018, of 7 December, Official Journal no. 236, 1st Series

Amendment of Articles 4 and 7 of Decree-Law no. 55/2014, of 9 April, which creates the Fund for Systemic Sustainability of the Energy Sector.

Directive no. 15/2018 (ERSE), of 10 December, Official Journal no. 237, 2nd Series

Sets out the procedures for switching suppliers in the electricity and natural gas sectors.

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FINANCIAL GLOSSARY

ACRONYMS

CAPEX
Capital expenditure on acquisitions andupgrades of tangible fixed assets

DEBT TO EQUITY RATIO
Net debt/equity

NET DEBT
Short and long-term financial debt – cash balances

DIVIDEND PER SHARE
Ordinary dividend/total number of shares outstanding

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation (operating profit, excluding amortisation and depreciation)

OPEX
Operational expenditure

PAYOUT RATIO
Ordinary dividend/net profit

RAB
Regulated Asset Base

RCCP
Current ROE

RETURN ON ASSETS (ROA)
EBIT/total assets

RETURN ON EQUITY (ROE)
Net profit/Equity

TURNOVER
Sales plus services provided

VAB
Value Added Tax

TECHNICAL GLOSSARY

ACRONYMS

AA
Environmental Assessment

AA1000
Assurance Standard 2008

AA1000APS
Accountability Principles Standard

AA1000SES
Stakeholder Engagement Standard

AAE
Strategic Environmental Assessment

ACER
Agency for the Cooperation of Energy Regulators

ACT
Collective Bargaining Agreement

AGC
Agreement on the Management of Natural Gas Consumption

AGSI
Aggregated Gas Storage Inventory

APA
Portuguese Environment Agency

APAI
Portuguese Association for Impact Assessment

BCSD
Business Council for Sustainable Development

BV
Block Valve Station

BTN
Normal Low Voltage

CAE
Energy Emission Contracts

CDP
Carbon Disclosure Project

CELE
European Union Emission Trading Scheme

CEM
Electric and Magnetic Fields

CEO
Chief Executive Officer

CER
Certified Emissions Reductions

CESUR
Power Purchase Agreements for the Supplier of Last Resort

CIGRÉ
International Council on Large Electric Systems

CIT
Individual Employment Contract

CMVM
Portuguese Securities Market Regulator

CO
Certificates of Origin

CO_2
Carbon dioxide (greenhouse gas)

CODEMO
Portuguese Code for Market Research and Opinion Studies

CRH
Human Resources Committee

CT
Term Contracts

CTS
Custody Transfer Station

DACF
Day Ahead Congestion Forecast

DGEG
Department of Energy and Geology

DR
Diário da República [Portuguese official journal]

DRS
Disaster Recovery System

DWDM
Dense Wavelength Division Multiplexing

EC
European Commission

ECS
Environmental Framework Studies

ECSI
European Customer Satisfaction Index

ECX
European Climate Exchange

EDP
Energias de Portugal, S.A.

EEGO
Issuing Entity for Cogeneration Guarantees of Origin

EGIG
European Gas pipeline Incident Data Group

EIA
Environmental Impact Assessment

EIB
European Investment Bank

EINCA
Study of Environmental Incidences

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

ELECPOR
Portuguese Association of Companies in the Electricity Sector

EMTN
Euro Medium Term Notes

ENAAC
National Strategy for Adaptation to Climate Changes

ENF
Energia Não Fornecida [Non Supplied Energy]

ENTOS-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

ERGEG
European Regulators Group for Electricity and Gas

ERSE
Energy Services Regulatory Authority

ESOMAR
European Society for Opinion and Marketing Research Association

ETA
Electricity Transmission Activity

ETS
Emissions Trading Scheme

ETSO
European Transmission System Operators

EU
European Union

EUA
European Unit Allowances

EURELECTRIC
European Union of Electricity Companies

FAI
Innovation Support Fund

FBF
Firefly Bird Flapper

FEUP
School of Economics, University of Porto

FP7
7th Framework Program of the European Community on research, technological development and demonstration activities

FSR
Florence School of Regulation

GDP
Gás de Portugal, SGPS, S.A.

GDP
Gross Domestic Product

GGS
Global System Management

GHG
Greenhouse gases

GNL
Liquefied Natural Gas

GNR
Guarda Nacional Republicana [Portuguese National Guard]

GO
Guarantees of Origin

GPEARI
Planning, Strategy, Evaluation and International Relations Office

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSE
Gas Storage Europe

GVA
Gross Value Added

HICP
Harmonised Index of Consumer Prices

HIV
Human Immunodeficiency Virus

HV
High Voltage

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICNF
Institute for Conservation of Nature and Forests

IDAD
Institute for the Environment and Development of the University of Coimbra

IEA
International Energy Agency

IES
Independent Electricity System

IFRS
International Financial Reporting Standards

IGU
Independent Gasification Units

INE
Portuguese Institute of Statistics

INESC
Institute of Systems and Computer Engineering

IOPS
Official Social Welfare Institutions

IP
Internet Protocol

IPCTN09
Survey of the National Scientific and Technological Potential, 2009

IPSS
Private Institutions of Social Solidarity

IRC
Corporate Income Tax

ISAE
3000 International Standard on Assurance Engagements 3000

ISDA
International Swap and Derivatives Association

ISO
International Organization for Standardization

ISQ
Welding and Quality Institute

IST
Higher Technical Institute

ITELSA
Innovative Tools for Electrical System security within Large Areas

IUCN
International Union for conservation of Nature

JCT
Junction Station

KPI
Key Performance Indicator

LABELEC
Research, Development and Laboratory Activities

LBG
London Benchmarking Group

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied natural gas

LPN
League for the Protection of Nature

MBA
Master of Business Administration

MC
Market Committee

MEC
Portuguese Ministry of Science and Education

MEDGRID
Consortium with the goal of promoting the development of electrical interconnections between the North, South and East Mediterranean

MEFF
Spanish Futures and Options Exchange

MERGE
Mobile Energy Resources for Grids of Electricity

METSO
Mediterranean Transmission System Operators

MIBEL
Iberian Electricity Market

MLT
Medium- and Long-Term

MODPEHS
Modular Development of a pan-European Electricity Highway System

MTSP
Municipal Tax on Sale of Property

NATO
North Atlantic Treaty Organization

NG
Natural Gas

OECD
Organisation for Economic Co-operation and Development

OHS
Occupational Health and Safety

OHSAS
Occupational Health and Safety Advisory Services

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMI
Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energía (Pólo Português), S.A. [Portuguese Cluster]

PAPI
Pen and Paper Interview

PDIR
Development and Investment Plan of the Electricity Transmission Network

PDIR
Development and Investment Plan of the RNTIAT

PEGASE
Pan European Grid Advanced Simulation and State Estimation

PNALE
Portuguese Emission Licence Award Plan

PNBEPH
Portuguese Plan for High Hydraulic Potential Dams

PNDI
Natural Park of International Douro

PNLE II
Portuguese Emission Licence Award Plan

POC
Portuguese Official Accounting Plan

PPA
Power Purchase Agreements

PPDA
Environmental Performance Promotion Plan

PPEC
Plan for the Promotion of the Efficient Use of Electricity

PRE
Subsidised producers

PREN
Plan for the Rationalization of Energy Consumption

PRV
Variable Remuneration Program

PSP
Portuguese Police Force

QAS
Quality, Environment and Safety

QP
Permanent Staff

QSR
Quality of Service Regulation

QUERCUS
National Association for Nature Conservation

R&D
Research & Development

RDC
Research and Development Committee

RDI
Industrial Data Network

RDI
Research, Development & Innovation

RECAPE
Environmental Compliance Report on the Execution Project

RECS
Renewable Energy Certificate System

REIVE
Power lines with Smart Electric Vehicles

REN
TELECOM REN TELECOM – Comunicações, S.A.

RES
Renewable Energy Sources Directive

RH
Human Resources

RNDGN
National Natural Gas Distribution Network

RNT
National Electricity Transmission Network

RNTGN
National Natural Gas Transmission Network

RNTIAT
National Natural Gas Transmission Network, Storage Infrastructure and LNG Terminals

SAP
Systems of applications and products for data processing

SDC
System Development Committee

SDH
Synchronous Digital Hierarchy

SEN
National Electricity System

SEP
Public Electricity Supply System

SGCIE
Intensive Energy Consumption Management System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding Company

SGRI
South Gas Region Initiative

SIFIDE
System of Tax Incentives for Research and Development

SIGQAS
Integrated Management System for Quality, Environment and Safety

SNGN
National Natural Gas System

SOC
System Operations Committee

SRPV
Service of Private Voice Networks

SS
Substation

SSSV
Safety Valves on Surface

TEE
Transmission of Electrical Power

TEN
Trans-European Networks

TSO
Transmission System Operators

TYNDP
Ten-Year Network Development Plan

UGS
Tariff of Global Use of the System

URT
Tariff of Use of the Transmission Network

VHV
Very High Voltage

VHVL
Very High Voltage Lines

ZCA
Hunting Area

ZPE
Special Protection Areas

UNITS

bcm	109 cubic metres
cent	Euro cents
CO_2	carbon dioxide
EUR	Euro
€	Euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt/hour
k€	thousand of Euro
km	kilometre
kV	kilovolt
kWh	kilowatt /hour
m^3	cubic metre
m^3(n)	normal cubic metre (volume of gas measured at 0º Celsius and at the pressure of 1 atmosphere)
M€	million Euros
mEuros	thousand of Euro
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt/hour
p.p.	percentage points
s	second
t	tonne
tcm	1012 cubic metres
tCO_2eq	Tonne of CO_2 equivalent
TWh	terawatt/hour

beyond
energy
transmission

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