



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

Consolidated Financial Statements
30 June 2015

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

Consolidated financial statements

30 June 2015

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1. FINANCIAL PERFORMANCE

1.1 1st Half 2015 results

MAIN INDICATORS

EBITDA increased €2.1M in the first half of 2015, to €254.3M. This increase reflects essentially the capital gains with the sale of REN's 1% stake in Enagás (€20.1M), partially offset by the negative impact of the changes to electricity regulated revenues.

Financial results grew 13.3% (+€6.9M) when compared with June of 2014, reflecting the reduction of 0.8 p.p. in the cost of debt, to 4.0%. On the other hand, Net debt increased 1.7% (+€41.5M), to €2,494.0M, which resulted mainly from the payment of the NG underground storage assets acquired from Galp.

Net income increased €17.0M (+29.2%), to €75.3M, as a result of the good performance of operational and financial results, and a one-off effect of €9.9M related to the tax recovery of asset impairment generated in the spin-off of EDP Group.

Capex was €62.7M above the 1st half of 2014, at €98.7M, reflecting the acquisition of Galp's NG underground storage assets (€71.4M). Also reflecting this effect, transfers to RAB increased €65.9M, to €76.0M, and average RAB grew €78.2M, reaching €3,558.8M.

| Main indicators [Million euros] | June 2015 | June 2014 | Var.% |
|---|--------------|--------------|-----------|
| EBITDA | 254.3 | 252.2 | 0.8% |
| Financial income ¹ | -44.8 | -51.7 | 13.3% |
| Net income | 75.3 | 58.3 | 29.2% |
| Recurrent net profit | 63.6 | 72.3 | -12.0% |
| Total capex | 98.7 | 36.0 | 174.1% |
| Transfers to RAB (at historical costs) ² | 76.0 | 10.1 | 649.8% |
| Average RAB (at reference costs) | 3,558.8 | 3,480.6 | 2.2% |
| Net debt | 2,494.0 | 2,452.5 | 1.7% |
| Average debt cost | 4.0% | 4.8% | -0.8 p.p. |

¹ Excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (0,2 M€) - known as FTR (Financial Transaction Rights), that were reclassified to Revenues.

² Includes RAB related direct acquisitions

OPERATIONAL RESULTS - EBITDA

In the first half of 2015, EBITDA grew €2.1M (+0.8%), when compared with the same period of 2014, to €254.3M.

The main positive effects were:

- **The capital gains with the sale of the stake in Enagás (+€20.1M);**
- **The positive evolution in recovery of depreciations (+€3.5M)**, consistent with the increase in the regulated asset base;
- **Other effects of +4,9M€** resulting from the performance improvement recognized in the changes introduced in the new regulatory period of the electricity sector, namely the incentive to maintain in operation assets fully depreciated as to avoid replacement investments.

These effects were partially offset by:

- **The decrease of €21.4M in electricity RAB remuneration**, resulting from the decrease in the rate of return from 7.80% to 5.99% in assets without efficiency premium and from 9.30% to 6.74% in assets with efficiency premium. The main changes introduced with the new regulatory period concerning the remuneration of electricity regulated assets were: i) in the RoR index, which is now the arithmetic average of the daily quote of the Portuguese Republic 10 year sovereign bonds, and in the starting point for the base RoR which was set at 6.4% (compared to 9.0% in the previous period) ii) and the reduction in the premium rate for efficient investments from 1.5% to 0.75%.
- **Decrease of €3.2M (-6.5%) in revenues from Opex**, of which -€4.5M resulted from changes made to opex remuneration parameters of the Electricity Transmission activity in the new regulatory period;
- **Reduction of €2.4M in own works**, of which -€1.5M in management own works and -€0.9M in financial own works.

External costs increased €0.7M (+2.9%), given the occurrence of costs associated with a bond issuance in the first quarter of 2015, which did not happen in the first half of 2014.

| EBITDA [Million euros] | June 2015 | June 2014 | Var.% |
|--|--------------|--------------|---------------|
| 1) Revenues of assets | 220.4 | 232.2 | -5.0% |
| Return on RAB | 108.0 | 129.8 | -16.8% |
| Smoothing differences and neutrality effect (gas) | -1.8 | -3.3 | 46.9% |
| Hydro land remuneration | 0.1 | 0.1 | 69.0% |
| Lease revenues from hydro protection zone | 0.4 | 0.4 | -1.2% |
| Incentive for asset life extension | 9.3 | 4.3 | 114.4% |
| Recovery of depreciation (net from subsidies) | 95.5 | 92.0 | 3.8% |
| Subsidies depreciation | 8.9 | 8.9 | 0.6% |
| 2) Revenues from Opex | 45.7 | 48.8 | -6.5% |
| 3) Other revenues | 30.3 | 10.2 | 195.9% |
| 4) Own works (capitalised in investment) | 7.7 | 10.1 | -23.9% |
| 5) Earnings on Construction (excl. own works) – Concession assets | 91.0 | 26.0 | 250.5% |
| 6) OPEX | 49.4 | 48.9 | 1.1% |
| Personnel costs | 26.3 | 26.4 | -0.5% |
| External costs | 23.1 | 22.4 | 2.9% |
| 7) Construction costs – Concession assets | 91.0 | 26.0 | 250.5% |
| 8) Provisions/ (reversal) | -0.2 | 0.2 | n.m |
| 9) Impairments/ (reversal) | 0.6 | 0.0 | n.m |
| 10) EBITDA (1+2+3+4+5-6-7-8-9) | 254.3 | 252.2 | 0.8% |

NET INCOME

In the 1st half of 2015, net income reached €75.3M, which represents a 29.2% (+€17.0M) increase compared with the same period of the previous year. This increase reflects: (i) the positive evolution in the group's financial results, which increased €6.9M (+13.3%) driven essentially by the reduction in the average cost of debt, which dropped from 4.8% to 4.0%, (ii) the good performance of EBITDA, which increased 0.8% (+€2.1M), and (iii) a one-off effect of €9.9M related to the tax recovery of asset impairment generated in the spin-off of EDP Group.

When adjusted for non-recurring items, Recurrent Net Income decreased by 8.7% (-€12,0M), driven essentially by the changes in electricity regulation which had a negative impact in electricity regulated revenues. Non-recurring items considered in the first half of both 2014 and 2015 were the following:

- i) In 2015: i) cost of carry of European Investment Bank escrow account of €1.9M (€1.4M after taxes); ii) Energy sector extraordinary levy, as established in 2015 State budget law (€12.7M), iii) capital gains with the sale of the group's stake in Enagas (-€20.1M; -€16.1M after taxes); and iv) a one-off effect related to the tax recovery of asset

impairment generated in the spin-off of EDP Group (-€9.9M; -€9,7M net of associated costs and after taxes);

- ii) In 2014: i) cost of carry of European Investment Bank escrow account of €2.2M (€1.5M after taxes), and ii) Energy sector extraordinary levy, as established in 2015 State budget law (€12.5M)

| Net income [Million euros] | June 2015 | June 2014 | Var. % |
|-------------------------------|--------------|--------------|---------------|
| EBITDA | 254.3 | 252.2 | 0.8% |
| Depreciations | 104.1 | 100.9 | 3.2% |
| Financial income | -44.8 | -51.7 | 13.3% |
| Income tax expenses | 17.3 | 28.7 | -39.6% |
| Energy sector levy | 12.7 | 12.5 | 1.5% |
| Net income | 75.3 | 58.3 | 29.2% |
| Non-recurring items | -11.7 | 14.0 | -183.2% |
| Recurrent Net Income | 63.6 | 72.3 | -12.0% |

1.2 Average RAB and investment

CAPEX AND AVERAGE RAB

Capex reached €98.7M in the 1st half of the year, an increase of €62.7M when compared with the same period of 2014, reflecting essentially the acquisition of Galp's natural gas underground storage assets (€71.4M).

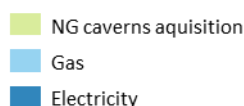
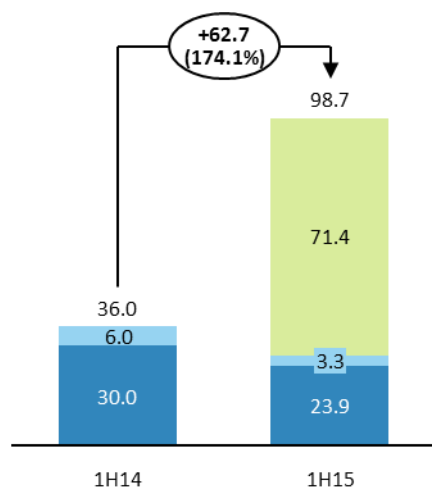
Key investments in the electricity sector in the first half of 2015 include €2.7 M in the 400/60kV substation of Vila Nova de Famalicão and €2.1M in the opening of the 400kV Recarei-Vermoim 4 line to Vila Nova de Famalicão, both projects part of the new axis at 400kV between Porto and Minho regions.

Transfers to RAB increased €65.9M to €76.0M, of which +€70.1M in Gas, due to the acquisition of Galp's assets referred above. This effect was partially offset by the decrease of €4.2M in electricity, explained by the transfers in the 1st quarter of 2014 of investments linked to Feira Substation and the conclusion of the 4th phase of the remodeling of Vermoim Substation 220kV park.

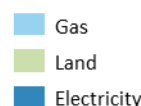
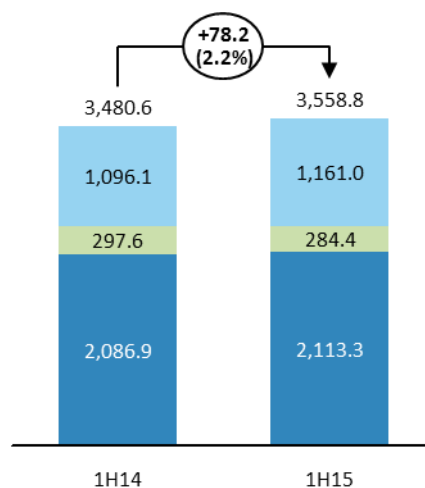
Similarly, the average RAB grew 2.2% (+€78.2M) to €3,558.8M when compared with the first half of 2014. In Electricity, the regulated asset base increased €13.3M (+0.6%). In Natural Gas the average RAB increased €64.9M (+5.9%), resulting from an increase of €102.5M in REN Armazenagem, influenced by the acquisition of Galp's cavities and by the conclusion in

December of 2014 of the NG underground storage cavity RENC-6, partially offset by lower investment levels in REN Gasodutos (-€21.4M) and REN Atlântico (-€16.2M).

INVESTMENT (M€)



AVERAGE RAB (M€)



1.3 Main events in the 1st Half 2015

- In the General Shareholders Meeting of April 17, 2015, the members of the REN's corporate bodies have been elected for the term-of-office corresponding to the three-year-period 2015/2017. Rodrigo Costa has been appointed as Chairman of the Board of Directors of REN.
- After the General Shareholders Meeting, a meeting of the Board of Directors was held that has appointed a new Executive Committee, led by Rodrigo Costa. The directors João Faria Conceição and Gonçalo Morais Soares have remained as members of such Executive Committee.
- REN updated its strategic plan for the period 2015-2018, which is based on three fundamental pillars: maintaining the national operation as a priority commitment; explore international opportunities and consolidate the financial results.
- REN completed, prior to the deadline set out by the Regulator, the implementation of the measures necessary to the Certification of REN Eléctrica and REN Gasodutos

(Transmission System Operator) defined in September of 2014 by ERSE, in a full ownership unbundling.

- REN sold during the first half of the year, the shareholding of 1% held on the share capital of Enagás S.A., the natural gas transmission operator in Spain, resulting in a capital gain that has contributed to the increase of the EBITDA of the company.
- The company REN Armazenagem S.A. acquired to Transgás Armazenagem, S.A. two natural gas underground storages (TGC15 and TGC2), as well as the rights for the construction and exploitation of two additional ones. Such acquisition allows REN to pursue its objectives and continue the strategy as a transmission infrastructures' operator for natural gas, owning the totality of the underground storage infrastructures currently in operation in the national territory.
- REN, through its concessionaires of National Electricity Transport Network (REN Eléctrica) and National Natural Gas Transport Network (REN Gasodutos), delivered to the Grantor the Plans of Development of the Infrastructures of the Transport Network (PDIRT-E and PDIR-GN), in which the investment projects proposed for the next 10 years are presented, in accordance with the objectives of the Strategic Plan of the company.
- REN Finance has agreed the terms of an issue in the Euro Bonds market, in an amount of 300 million euros, pursuant to the respective EMTN (European Medium Term Notes) programme, with a maturity of 10 years and an interest rate equal to 10 years' mid swap rate, accrued of 1.82%. This issue aims to further diversify REN's funding sources as well as to strengthen the Company's liquidity profile.
- Following the tax assessment notice of the extraordinary contribution over the energy sector ("CESE") relating to 2014 received by REN - Rede Eléctrica Nacional, S.A., REN - Gasodutos, S.A. and REN - Armazenagem, S.A., those companies have paid such contribution within the established deadline, in full with their responsibilities as tax payers. However, those companies will challenge the CESE, using the applicable legal mechanisms, since they have justified reasons to doubt the lawfulness of such contribution.
- REN reached an agreement with all the trade unions representing REN's employees regarding the new collective labor agreement ("ACT"), that has entered into force on

February 1, 2015 covering nine companies 100% owned by REN SGPS, S.A. This document will establish a system of collective labor relations covering all workers in the group's companies, increasing internal equality and ensuring more efficient human resource management. The new ACT will also foster adjustments to current practices within the group on matters such as the organization of work, remuneration, social benefits and occupational health and safety. It will also ensure compliance with the new legal framework on labor matter.

- R&D Nester and Enondas/Ocean Plug have received their first certification and are now members of REN's Integrated Quality, Environment and Safety Management System (SIGQAS). Extension of the SIGQAS certification was confirmed in late December by APCER-Associação Portuguesa de Certificação (Portuguese Certification Association), which also renewed the existing certification of the other REN Group companies for three more years.
- The company Fidelidade - Companhia de Seguros, S.A. informed REN of the acquisition of a qualified shareholding of 5.008% of REN's share capital (currently has a shareholding of 5.3%).
- The company EGF - Gestão e Consultoria Financeira, S.A. informed REN of the decrease on the global shareholding attributable to the company to below 2% of the share capital of REN.
- The rating agency Fitch maintained the outlook of REN's 'rating' as stable and kept the rating in BBB, above the evaluation of the Portuguese Republic. The credit rating agency Standard & Poor's raised the outlook of REN's 'rating' from stable to positive and maintained its rating of BB+, above the evaluation of the Portuguese Republic.

1.4 Main risks and uncertainties for the 2nd Half 2015

- Due to the regulated nature of most of the businesses conducted by REN, its financial performance is strictly related to the remuneration of its regulated assets, being the remuneration of such assets indexed to the evolution of the 10-year treasury bonds. Therefore, since the cost of the Portuguese public debt is not completely stable, the evolution of such bonds may lead to changes in the financial results of REN. However, it must be pointed out that the decrease of the public debt risk is usually accompanied by

the reduction of the interest rates, being foreseen that, in the event of a decrease of the risk of the public debt, a decrease of the average cost of the financial debt shall also occur, giving rise to an increase of the financial results.

- The outcome of the process of challenging the liquidation of the CESE related to 2014 is an uncertainty that may affect positively the financial situation of REN. Since REN have paid the CESE, a favorable outcome of the process underway will imply the reimbursement of the amounts paid to the Tax Authorities.
- REN is facing the challenge of internationalization, seeking the execution of its first international investment, and therefore to diversify the portfolio of its business. The Latin American and African markets are still within REN's priorities, in which opportunities will be evaluated in a selective way, but the effective investment in such markets is still an uncertainty.

1.5 Quarterly statements of profit and loss and comprehensive income for the periods from 1 April 2015 to 30 June 2015 and 2014

Consolidated statements of profit and loss (unaudited information)

(Amounts expressed in thousands of euros - tEuros)

| | 01.04.2015 to 30.06.2015 | 01.04.2014 to 30.06.2014 |
|--|-----------------------------|-----------------------------|
| Sales | 338 | 39 |
| Services rendered | 132,630 | 140,437 |
| Revenue from construction of concession assets | 90,262 | 26,485 |
| Gains from associates and joint ventures | 184 | 189 |
| Operating subsidiaries | - | 2 |
| Other operating income | 5,548 | 5,662 |
| Operating income | 228,962 | 172,814 |
| Cost of goods sold | (320) | (208) |
| Cost with construction of concession assets | (86,286) | (21,056) |
| External supplies and services | (9,541) | (9,092) |
| Employee compensation and benefit expense | (13,702) | (13,221) |
| Depreciation and amortizations | (52,176) | (50,495) |
| Provisions | 245 | (227) |
| Impairments | (600) | - |
| Other expenses | (2,897) | (3,377) |
| Operating costs | (165,278) | (97,676) |
| Operating results | 63,684 | 75,137 |
| Financial costs | (27,135) | (30,756) |
| Financial income | 2,846 | 2,239 |
| Investment income - dividends | 4,036 | 6,200 |
| Financial results | (20,254) | (22,317) |
| Profit before income taxes | 43,430 | 52,820 |
| Income tax expense | (1,182) | (14,521) |
| Extraordinary contribution on energy sector (CESE) | (6,363) | (6,315) |
| Net profit for the period | 35,885 | 31,985 |
| Attributable to: | | |
| Equity holders of the Company | 35,885 | 31,985 |
| Consolidated profit for the period | 35,885 | 31,985 |
| Earnings per share (expressed in euro per share) | 0.07 | 0.06 |

Consolidated statements of comprehensive income (unaudited information)

(Amounts expressed in thousands of euros - tEuros)

| | 01.04.2015 to 30.06.2015 | 01.04.2014 to 30.06.2014 |
|--|-----------------------------|-----------------------------|
| Net Profit for the year | 35,885 | 31,985 |
| Other income and cost recorded in equity: | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Actuarial gains / (losses) | 739 | 551 |
| Tax effect on actuarial gains / (losses) | (214) | (171) |
| Other changes in equity | 30 | - |
| <i>Items that will be reclassified subsequently to profit or loss:</i> | | |
| Increase/(decrease) in hedging reserves - cash flow derivatives | 20,671 | (111) |
| Tax effect on hedging reserves | (4,341) | 26 |
| Gain/(loss) in fair value reserve - available-for-sale assets | (1,138) | 13,114 |
| Tax effect on fair value reserves | 1,097 | (3,211) |
| Comprehensive income for the year | 52,729 | 42,182 |
| Attributable to: | | |
| Shareholders of the company | 52,729 | 42,182 |
| | 52,729 | 42,182 |

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2015

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of 30 June 2015 and 31 December 2014

(Amounts expressed in thousands of Euros - tEuros)

| | Notes | Jun 2015 | Dec 2014 |
|--|----------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 692 | 682 |
| Goodwill | | 3,774 | 3,774 |
| Intangible assets | 5 | 3,832,847 | 3,838,228 |
| Investments in associates and joint ventures | 6 | 12,971 | 12,575 |
| Available-for-sale financial assets | 9 | 146,130 | 144,443 |
| Derivative financial instruments | 11 | 33,029 | 21,970 |
| Other financial assets | 8 | 93,469 | 93,482 |
| Trade and other receivables | 10 | 118,393 | 86,182 |
| Deferred tax assets | 7 | 68,744 | 65,982 |
| | | <u>4,310,050</u> | <u>4,267,320</u> |
| Current assets | | | |
| Inventories | | 1,552 | 1,779 |
| Trade and other receivables | 10 | 289,351 | 459,785 |
| Available-for-sale financial assets | 9 | - | 62,530 |
| Current income tax recoverable | 7 | 11,155 | 10,219 |
| Other financial assets | 8 | 8,864 | 8,864 |
| Cash and cash equivalents | 12 | 67,991 | 114,258 |
| | | <u>378,913</u> | <u>657,435</u> |
| Total assets | 4 | <u>4,688,963</u> | <u>4,924,755</u> |
| EQUITY | | | |
| Shareholders' equity: | | | |
| Share capital | 13 | 534,000 | 534,000 |
| Treasury shares | 13 | (10,728) | (10,728) |
| Other reserves | 13 | 320,791 | 315,621 |
| Retained earnings | | 201,235 | 183,896 |
| Other changes in equity | | 30 | - |
| Net profit for the period | | 75,275 | 112,777 |
| Total equity | | <u>1,120,603</u> | <u>1,135,567</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 14 | 2,309,285 | 2,207,514 |
| Liability for retirement benefits and others | 15 | 124,788 | 126,617 |
| Derivative financial instruments | 11 | 29,939 | 24,581 |
| Provisions | 16 | 5,220 | 4,947 |
| Trade and other payables | 17 | 338,787 | 328,228 |
| Deferred tax liabilities | 7 | 86,523 | 92,270 |
| | | <u>2,894,543</u> | <u>2,784,157</u> |
| Current liabilities | | | |
| Borrowings | 14 | 321,476 | 396,952 |
| Provisions | 16 | 1,725 | 2,369 |
| Trade and other payables | 17 | 324,926 | 605,710 |
| Income tax payable | 7 | 25,690 | - |
| | | <u>673,818</u> | <u>1,005,031</u> |
| Total liabilities | 4 | <u>3,568,360</u> | <u>3,789,188</u> |
| Total equity and liabilities | | <u>4,688,963</u> | <u>4,924,755</u> |

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 June 2015.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of profit or loss for the six month periods ended 30 June 2015 and 2014

(Amounts expressed in thousands of Euros - tEuros)

| | Notes | Jun 2015 | Jun 2014 |
|---|----------|------------------|------------------|
| Sales | 4 and 18 | 400 | 59 |
| Services rendered | 4 and 18 | 264,634 | 280,433 |
| Revenue from construction of concession assets | 4 and 19 | 98,632 | 36,009 |
| Gains / (losses) from associates and joint ventures | 6 | 396 | 226 |
| Operating subsidies | | - | 2 |
| Other operating income | 20 | 30,863 | 10,959 |
| Operating income | | 394,926 | 327,688 |
| Cost of goods sold | | (425) | (262) |
| Cost with construction of concession assets | 19 | (90,979) | (25,957) |
| External supplies and services | 21 | (16,666) | (15,776) |
| Employee compensation and benefit expense | 22 | (26,233) | (26,279) |
| Depreciation and amortizations | 5 | (104,103) | (100,912) |
| Provisions | 16 | 245 | (227) |
| Impairments | 9 | (600) | (28) |
| Other expenses | 23 | (6,218) | (6,539) |
| Operating costs | | (244,979) | (175,979) |
| Operating results | | 149,947 | 151,709 |
| Financial costs | 24 | (55,105) | (63,285) |
| Financial income | 24 | 6,467 | 4,924 |
| Investment income - dividends | 9 | 4,036 | 6,200 |
| Financial results | | (44,602) | (52,161) |
| Profit before income tax | | 105,345 | 99,548 |
| Income tax expense | 7 | (17,348) | (28,738) |
| Energy sector extraordinary contribution | 25 | (12,722) | (12,532) |
| Net profit for the period | | 75,275 | 58,278 |
| Attributable to: | | | |
| Equity holders of the Company | | 75,275 | 58,278 |
| Non-controlled interest | | - | - |
| Consolidated profit for the period | | 75,275 | 58,278 |
| Earnings per share (expressed in euro per share) | 26 | 0.14 | 0.11 |

The accompanying notes form an integral part of the consolidated statement of profit or loss for the six month period ended 30 June 2015.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of comprehensive income for the six month periods ended 30 June 2015 and 2014

(Amounts expressed in thousands of Euros - tEuros)

| | Notes | 30 June | |
|--|----------|---------------|---------------|
| | | 2015 | 2014 |
| Net Profit for the period | | 75,275 | 58,278 |
| Other income and cost recorded in equity: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Actuarial gains / (losses) | 15 | 739 | 551 |
| Tax effect on actuarial gains / (losses) | 7 | (214) | (171) |
| Other changes in equity | | 30 | - |
| <i>Items that will be reclassified subsequently to profit or loss:</i> | | | |
| Increase/(decrease) in hedging reserves - cash flow derivatives | 11 | 16,099 | (1,078) |
| Tax effect on hedging reserves | 7 and 11 | (3,381) | 248 |
| Gain/(loss) in fair value reserve - available-for-sale assets | 9 | 3,035 | 34,683 |
| Tax effect on fair value reserves | 7 and 9 | 221 | (8,172) |
| <i>Reclassification adjustments:</i> | | | |
| Gain/(loss) in fair value reserve - available-for-sale assets | 9 | (20,083) | - |
| Tax effect on fair value reserves | 7 and 9 | 3,966 | - |
| Comprehensive income for the period | | 75,686 | 84,339 |
| Attributable to: | | | |
| Shareholders of the company | | 75,686 | 84,339 |
| Non-controlling interests | | - | - |
| | | 75,686 | 84,339 |

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the six month period ended 30 June 2015.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of changes in equity for the six month periods ended 30 June 2015 and 2014

(Amounts expressed in thousands of Euros - tEuros)

| Changes in the period | Notes | Attributable to shareholders | | | | | | | | Profit for the period | Total |
|---|-------|------------------------------|-----------------|----------------|-----------------------------|----------------------------|----------------|-------------------------|-------------------|-----------------------|------------------|
| | | Share capital | Own shares | Legal Reserve | Fair Value reserve (Note 9) | Hedging reserves (Note 11) | Other reserves | Other changes in equity | Retained earnings | | |
| At 1 January 2014 | | 534,000 | (10,728) | 91,492 | 20,886 | (17,989) | 177,245 | - | 163,356 | 121,303 | 1,079,566 |
| Net profit of the period and other comprehensive income | | - | - | - | 26,511 | (830) | - | - | 380 | 58,278 | 84,339 |
| Distribution of dividends | 27 | - | - | - | - | - | - | - | (90,650) | - | (90,650) |
| Transfer to other reserves | | - | - | 5,804 | - | - | - | - | 115,500 | (121,303) | - |
| At 30 June 2014 | | 534,000 | (10,728) | 97,295 | 47,397 | (18,819) | 177,245 | - | 188,586 | 58,278 | 1,073,254 |
| At 1 January 2015 | | 534,000 | (10,728) | 97,295 | 60,313 | (19,468) | 177,482 | - | 183,896 | 112,777 | 1,135,567 |
| Net profit of the period and other comprehensive income | | - | - | - | (12,861) | 12,718 | - | 30 | 525 | 75,275 | 75,686 |
| Distribution of dividends | 27 | - | - | - | - | - | - | - | (90,650) | - | (90,650) |
| Transfer to other reserves | | - | - | 5,313 | - | - | - | - | 107,464 | (112,777) | - |
| At 30 June 2015 | | 534,000 | (10,728) | 102,608 | 47,452 | (6,750) | 177,482 | 30 | 201,235 | 75,275 | 1,120,603 |

The accompanying notes form an integral part of the consolidated statement of changes in equity for the six month period ended 30 June 2015.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of cash flow for the six month periods ended 30 June 2015 and 2014

(Amounts expressed in thousands of Euros - tEuros)

| | <u>Notes</u> | <u>Jun 2015</u> | <u>Jun 2014</u> |
|--|--------------|-------------------------|-------------------------|
| Cash flow from operating activities: | | | |
| Cash receipts from customers | | 1,097,928 a) | 1,575,624 a) |
| Cash paid to suppliers | | (867,671) a) | (1,229,067) a) |
| Cash paid to employees | | (31,446) | (32,464) |
| Income tax received/(paid) | | (588) | (45,507) |
| Other receipts/(payments) relating to operating activities | | (53,278) | (42,189) |
| Net cash flows from operating activities (1) | | <u>144,946</u> | <u>226,397</u> |
| Cash flow from investing activities: | | | |
| Receipts related to: | | | |
| Available-for-sale | 9 | 63,278 | - |
| Other financial assets | | - | 13,864 |
| Grants related to assets | | - | 177 |
| Interests and other similar income | | 122 | 5,057 |
| Dividends | 9 | 1,203 | 2,837 |
| Payments related to: | | | |
| Other financial assets | | - | (57,172) |
| Available-for-sale | | - | (100) |
| Property, plant and equipment | | (2) | (1) |
| Intangible assets - Concession assets | | (150,984) | (67,533) |
| Net cash flows used in investing activities (2) | | <u>(86,383)</u> | <u>(102,870)</u> |
| Cash flow from financing activities: | | | |
| Receipts related to: | | | |
| Borrowings | | 1,151,000 | 2,624,450 |
| Interests and other similar income | | - | 75 |
| Payments related to: | | | |
| Borrowings | | (1,113,896) | (2,719,357) |
| Interests and other similar expense | | (50,219) | (59,439) |
| Dividends | 27 | (90,650) | (90,650) |
| Net cash flows from/(used in) financing activities (3) | | <u>(103,765)</u> | <u>(244,922)</u> |
| Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3) | | (45,203) | (121,395) |
| Cash and cash equivalents at the beginning of the year | 12 | 112,599 | 167,126 |
| Cash and cash equivalents at the end of the period | 12 | <u>67,397</u> | <u>45,731</u> |
| Detail of cash and cash equivalents | | | |
| Cash | 12 | 22 | 17 |
| Bank overdrafts | 12 | (594) | (542) |
| Bank deposits | 12 | 67,969 | 46,257 |
| | | <u>67,397</u> | <u>45,731</u> |

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 six month period ended 30 June 2015.

THE ACCOUNTANT

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

1 GENERAL INFORMATION

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

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

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

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

The Electricity business includes the following companies:

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

b) REN Trading, S.A., founded on 13 June 2007, the main function of which is the management of power purchase agreements (“PPA”) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Maintenance of Contractual Equilibrium Contracts (Contratos para a Manutenção do Equilíbrio Contratual - CMEC). The

operations of this company include the trading of electricity produced and of the installed production capacity, with national and international distributors;

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

The Gas business includes the following companies:

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

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

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

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

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

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

REN SGPS also has the wholly owned subsidiary REN - Serviços, S.A., which has the objective of rendering services in the energetic areas and general services on the support of the business

development, for related companies and third parties, receiving remuneration for these services, as well as the management of participations the company has in other companies.

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

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

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

As of 30 June 2015 REN has also:

- a) 40% interests in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (“OMIP SGPS”), having as its corporate object the management of participations in other companies as an indirect way of exercising economic activities. The company became the shareholder of OMIP - Operador do Mercado Ibérico de Energia (Portuguese Pole), which function is the management of the derivatives market in MIBEL and Omiclear - Sociedade de Compensação de Mercados de Energia, S.A. a company owned by the OMIP and which has the corporate object of clearing futures and options operations;
- b) 10% interests in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole operator;
- c) One participation of 1% in the share capital of Red Electrica Corporación, S.A. (“REE”), entity responsible for managing the electric network in Spain;

d) One participation representing 6.66% of the share capital in Medgrid, SAS and 7.5% participation in Hidroeléctrica de Cahora Bassa, S.A. (“HCB”).

1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 30 June 2015 and 31 December 2014:

| Designation / adress | Activity | 30 june 2015 | | 31 december 2014 | |
|---|---|--------------|------------|------------------|------------|
| | | % Owned | | % Owned | |
| | | Group | Individual | Group | Individual |
| PARENT COMPANY: | | | | | |
| REN - Redes Energéticas Nacionais, SGPS, S.A. | Holding company | - | - | - | - |
| SUBSIDIARIES: | | | | | |
| Electricity segment: | | | | | |
| REN - Rede Electrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa | National electricity transmission network operator (high and very high tension) | 100% | 100% | 100% | 100% |
| REN Trading, S.A. Praça de Alvalade, nº7 - 12º Dto, Lisboa | Purchase and sale, import and export of electricity and natural gas | 100% | 100% | 100% | 100% |
| Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Cariço- Pombal | Management of the concession to operate a pilot area for the production of electric energy from ocean waves | 100% | 100% | 100% | 100% |
| Telecommunications segment: | | | | | |
| RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa | Telecommunications network operation | 100% | 100% | 100% | 100% |
| Other segments: | | | | | |
| REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa | Back office and management of participations | 100% | 100% | 100% | 100% |
| REN Finance, B.V. De Cuberstraat 93, Unit 205 1081 CN Amsterdam | Participate, finance, collaborate, conduct management of companies related to REN Group. | 100% | 100% | 100% | 100% |
| Natural gas segment: | | | | | |
| REN Atlântico , Terminal de GNL, S.A. Terminal de GNL - Sines | Liquefied Natural Gas Terminal maintenance and regasification operation | 100% | 100% | 100% | 100% |
| Owned by REN Serviços, S.A.: | | | | | |
| REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa | Management of projects and ventures in the natural gas sector | 100% | - | 100% | - |
| Owned by REN Gas, S.A.: | | | | | |
| REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Cariço- Pombal | Underground storage development, maintenance and operation | 100% | - | 100% | - |
| REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas | National Natural Gas Transport operator and natural gas overall manager | 100% | - | 100% | - |

There were no changes in the consolidation perimeter in 2015 with respect to what was reported on 31 December 2014.

1.2. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 31 July 2015. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

2 BASIS OF PRESENTATION

The consolidated financial statements for the six month period ended 30 June 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as endorsed by the European Union (IAS 34), therefore do not include all information required for annual financial statements so should be read in conjunction with the annual financial statements issued for the year ended 31 December 2014.

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

3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in the respective countries, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2015.

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

The accounting policies used to prepare these consolidated financial statements are consistent in all material respects, with the policies used to prepare the consolidated financial statements for the year ended 31 December 2014, as explained in the notes to the consolidated financial statements for 2014. These policies were applied consistently in the presented periods.

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in the economic exercises beginning on or after 1 January 2015:

- Annual improvements to IFRS (2010-2012 cycle) (amendment) - Cyclically are introduced improvements which aim to clarify and simplify the application of international standards. The amendments of the 2010-2012 cycle focused on the review, namely of, IAS 16 (clarifies the accounting treatment to apply when the entity adopts the revaluation method in the subsequent measurement of property, plant and equipment), IFRS 3 (clarification of some aspects in the record of a contingent payment included in a business combination) and IFRS 8 (introduces new disclosure requirements: (i) management judgment for aggregation of operating segments, and (ii) reconciliation of segment assets and the assets of the company).

From this amendment no significant impacts occurred on the consolidated financial statements of REN.

- Annual improvements to IFRS (2011-2013 cycle) (amendment) - As part of the cyclical review carried out for the period 2011-2013 the following standards have been changed: IAS 40 (clarifies the need to apply separately IFRS 3 and IAS 40 to determine whether the acquisition of an investment property is an acquisition of an asset or group of assets or a business combination); IFRS 3 (excludes from the scope of IFRS 3 the initial accounting for a Joint Agreement under IFRS 11 in its own financial statements); and IFRS 13 (clarifies that the exception to the fair value measurement set out in paragraph 48 should be applied to all financial assets, financial liabilities and other contracts covered by IAS 39, either fulfil or not the financial asset and financial liability definitions contained in IAS 32).

From this amendment no significant impacts occurred on the consolidated financial statements of REN.

- IAS 19 "Employee Benefits" (amendment) - This amendment clarifies the circumstances under which employee contributions for post-employment benefit plans reduce the costs with short-term benefits.

From this amendment no significant impacts occurred on the consolidated financial statements of REN.

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

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

| Standard | Applicable for financial years beginning on or after | Resume |
|--|--|--|
| IFRS 9 - Financial instruments | 01-jan-18 | This standard sets out requirements for the classification and mensuration of financial instruments and for the application of hedge accounting. |
| IFRS 14 - Regulatory deferral accounts | 01-jan-16 | IFRS 14 establish the requirements for reporting by entities adopting IFRS for the first time the normative applicable to regulatory items, allowing the continuation of previous generally accepted accounting principle for the recognition, measurement, impairment, and derecognition of regulatory deferral balances. IFRS requires the presentation of regulatory deferral balances recognized separately from other assets and liabilities as well as expenses and income. |
| IFRS 15-Revenue from Contracts with Customers | 01-jan-17 | This standard intended to replace the revenue standards (IAS 11 and IAS 18) and clarifies the principles of revenue recognition, consistently making its application to various transactions and economic activities. |
| Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of investments in other entities and IAS 28 - Investments in associates and joint ventures | 01-jan-16 | These amendments include the clarification of several aspects related to the application of the exception consolidation by investment entities. |
| Amendments to IAS 1 - Presentation of financial statements | 01-jan-16 | This amendment is part of an extensive project to reform the principles and requirements of presentation and disclosure of financial reporting (disclosure initiative), in which this review consists the first step. Consequently, this amendment changes a set of disclosures contained in IAS 1 |
| Annual improvements to IFRS (2012 - 2014 cycle) | 01-jan-16 | These improvements involve the revision of several standards, including IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting |
| Amends to IFRS 10 - Consolidated financial statements and IAS 28 - Investments in associates and joint ventures | 01-jan-16 | The amendments results from an inconsistency between the requirements in IFRS 10 and IAS 28 (2011) in recognition of the gain from sale of a subsidiary (with loss of control) to an acquirer which is simultaneously an associated company or joint venture of the investor. This amendment establish that the gain should, on one hand, be recognized in full when the assets transferred meet the definition of a Business, under IFRS 3, and on the other hand, recognize only the partial gain resulting from the sale or contribution of assets that do not constitute a business. |
| Amends to IAS 27 - Separated financial statements | 01-jan-16 | This amendment aims to reestablish the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in a separated financial statements of na entity that presents consolidated financial statements. |
| Amends to IAS 16 - Property, plant and equipment and IAS 41 - Agriculture | 01-jan-16 | This amendment intends to change measurement of bearer plants. Under the proposal, bearer plants would be in the scope of IAS 16 allowing the use of the cost method instead of fair value. Nevertheless, the produce growing on bearer plants would continue to be measured at fair value less costs to sell under IAS 41. |
| Amends to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets | 01-jan-16 | The amendments clarify which methods of depreciation and amortization of tangible fixed assets and intangible assets that are allowed. |
| Amends to IFRS 11 - Joint arrangements | 01-jan-16 | This amendment require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) (i) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11, and (ii) disclose the information required by IFRS 3 and other IFRSs for business combinations. |

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 30 June 2015.

4 SEGMENT REPORTING

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

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

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

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

The results by segment for the six month period ended 30 June 2015 were as follows:

| | Electricity | Gas | Telecommunications | Others | Eliminations | Consolidated |
|---|-----------------|-----------------|--------------------|-----------------|-----------------|-----------------|
| Sales and services provided | 176,173 | 86,042 | 2,863 | 19,072 | (19,115) | 265,034 |
| Inter-segments | 300 | 306 | 35 | 18,474 | (19,115) | - |
| Revenues from external customers | 175,873 | 85,736 | 2,828 | 597 | - | 265,034 |
| Revenue from construction of concession assets | 23,873 | 74,760 | - | - | - | 98,632 |
| Cost with construction of concession assets | (17,385) | (73,594) | - | - | - | (90,979) |
| Gains from associates and joint ventures | - | - | - | 396 | - | 396 |
| External supplies and services | (19,507) | (11,651) | (849) | (9,324) | 24,666 | (16,666) |
| Employee compensation and benefit expense | (12,021) | (3,774) | (136) | (10,303) | - | (26,233) |
| Other expenses and operating income | 8,384 | 984 | (223) | 20,625 | (5,550) | 24,220 |
| Operating cash flow | 159,517 | 72,768 | 1,655 | 20,466 | - | 254,405 |
| Investment income - dividends | - | - | - | 4,036 | - | 4,036 |
| Non reimbursable expenses | | | | | | |
| Depreciation and amortizations | (75,309) | (28,676) | (6) | (111) | - | (104,103) |
| Provisions | (67) | 345 | - | (33) | - | 245 |
| Impairments | - | - | - | (600) | - | (600) |
| Financial results | | | | | | |
| Financial income | 46 | 8,834 | 47 | 87,668 | (90,127) | 6,467 |
| Financial costs | (36,997) | (17,314) | (0) | (90,920) | 90,127 | (55,105) |
| Profit before income tax | 47,189 | 35,956 | 1,695 | 20,506 | - | 105,345 |
| Income tax expense | (3,774) | (9,651) | (394) | (3,530) | - | (17,348) |
| Energy sector extraordinary contribution | (9,102) | (3,621) | - | - | - | (12,722) |
| Profit for the year | 34,314 | 22,684 | 1,302 | 16,975 | - | 75,275 |

Results by segment for the six month period ended 30 June 2014 were as follows:

| | Electricity | Gas | Telecommunications | Others | Eliminations | Consolidated |
|---|-----------------|-----------------|--------------------|-----------------|-----------------|-----------------|
| Sales and services provided | 194,354 | 83,682 | 2,692 | 19,284 | (19,519) | 280,492 |
| Inter-segments | 475 | - | 30 | 19,014 | (19,519) | - |
| Revenues from external customers | 193,879 | 83,682 | 2,661 | 270 | - | 280,492 |
| Revenue from construction of concession assets | 29,986 | 6,023 | - | - | - | 36,009 |
| Cost with construction of concession assets | (21,578) | (4,378) | - | - | - | (25,957) |
| Gains from associates and joint ventures | - | - | - | 226 | - | 226 |
| External supplies and services | (19,346) | (11,128) | (1,021) | (9,242) | 24,961 | (15,776) |
| Employee compensation and benefit expense | (12,028) | (3,757) | (110) | (10,384) | - | (26,279) |
| Other expenses and operating income | 8,589 | 820 | (6) | 198 | (5,442) | 4,159 |
| Operating cash flow | 179,976 | 71,262 | 1,555 | 82 | - | 252,875 |
| Investment income - dividends | - | - | - | 6,200 | - | 6,200 |
| Non reimbursable expenses | | | | | | |
| Depreciation and amortizations | (73,052) | (27,719) | (6) | (136) | - | (100,912) |
| Provisions | (188) | - | - | (39) | - | (227) |
| Impairment of trade receivables | (22) | (5) | - | - | - | (28) |
| Financial results | | | | | | |
| Financial income | 1,243 | 7,836 | 78 | 86,756 | (90,990) | 4,924 |
| Financial costs | (38,324) | (18,500) | (1) | (97,449) | 90,990 | (63,285) |
| Profit before income tax | 69,634 | 32,874 | 1,626 | (4,585) | - | 99,549 |
| Income tax expense | (21,411) | (9,156) | (394) | 2,222 | - | (28,738) |
| Energy sector extraordinary contribution | (8,970) | (3,562) | - | - | - | (12,532) |
| Profit for the year | 39,253 | 20,156 | 1,231 | (2,363) | - | 58,278 |

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

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

Assets and liabilities by segment as well as capital expenditures for the six month period ended 30 June 2015 were as follows:

| | Electricity | Gas | Telecommunications | Others | Eliminations | Consolidated |
|--|------------------|------------------|--------------------|------------------|--------------------|------------------|
| Segment assets | | | | | | |
| Group investments held | - | 521,013 | - | 1,444,393 | (1,965,405) | - |
| Property, plant and equipment and intangible assets | 2,599,325 | 1,233,604 | 7 | 603 | - | 3,833,539 |
| Other assets | 408,158 | 548,386 | 6,268 | 4,409,779 | (4,517,167) | 855,424 |
| Total assets | 3,007,483 | 2,303,003 | 6,276 | 5,854,774 | (6,482,572) | 4,688,963 |
| Total liabilities | 2,438,966 | 1,122,079 | 3,618 | 4,520,865 | (4,517,167) | 3,568,360 |
| Capital expenditure - total | 23,940 | 74,760 | - | 76 | - | 98,776 |
| Capital expenditure - property, plant and equipment (Note 5) | 74 | - | - | 76 | - | 150 |
| Capital expenditure - intangible assets (Note 5) | 23,866 | 74,760 | - | - | - | 98,626 |
| Investments in associates (Note 6) | - | - | - | 10,928 | - | 10,928 |
| Investments in joint ventures (Note 6) | - | - | - | 2,044 | - | 2,044 |

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2014 were as follows:

| | Electricity | Gas | Telecommunications | Others | Eliminations | Consolidated |
|--|------------------|------------------|--------------------|------------------|--------------------|------------------|
| Segment assets | | | | | | |
| Group investments held | - | 533,578 | - | 1,474,138 | (2,007,716) | - |
| Property, plant and equipment and intangible assets | 2,650,718 | 1,187,541 | 13 | 638 | - | 3,838,910 |
| Other assets | 511,054 | 441,173 | 6,357 | 4,001,118 | (3,873,857) | 1,085,844 |
| Total assets | 3,161,773 | 2,162,292 | 6,370 | 5,475,894 | (5,881,573) | 4,924,755 |
| Total liabilities | 2,559,108 | 959,718 | 2,655 | 4,141,563 | (3,873,857) | 3,789,188 |
| Capital expenditure - total | 137,411 | 25,776 | - | 64 | - | 163,251 |
| Capital expenditure - property, plant and equipment (Note 5) | 1 | - | - | 64 | - | 65 |
| Capital expenditure - intangible assets (Note 5) | 137,410 | 25,776 | - | - | - | 163,186 |
| Investments in associates (Note 6) | - | - | - | 10,828 | - | 10,828 |
| Investments in joint ventures (Note 6) | - | - | - | 1,747 | - | 1,747 |

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

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

5 TANGIBLE AND INTANGIBLE ASSETS

During the six month period ended 30 June 2015, the changes in tangible and intangible assets in the period were as follows:

| | 1 January 2015 | | | Changes | | | | | 30 June 2015 | | |
|---|------------------|--------------------------|------------------|---------------|--------------------------|-----------|---------------------|--|------------------|--------------------------|------------------|
| | Cost | Accumulated depreciation | Net book value | Additions | Disposals and write-offs | Transfers | Depreciation charge | Depreciation - disposals, write-offs and other reclassifications | Cost | Accumulated depreciation | Net book value |
| Property, plant and equipment | | | | | | | | | | | |
| Transmission and electronic equipment | 103 | (100) | 2 | - | - | - | (2) | - | 103 | (102) | 0 |
| Buildings, halls and construction | - | - | - | 27 | - | - | (1) | - | 27 | (1) | 26 |
| Transport equipment | 1,330 | (746) | 585 | 72 | (185) | - | (101) | 185 | 1,217 | (662) | 555 |
| Office equipment | 257 | (162) | 95 | 51 | (20) | - | (29) | 13 | 288 | (178) | 110 |
| | 1,690 | (1,008) | 682 | 150 | (204) | - | (133) | 197 | 1,635 | (944) | 692 |
| | | | | | | | | | | | |
| | 1 January 2015 | | | Changes | | | | | 30 June 2015 | | |
| | Cost | Accumulated amortization | Net book value | Additions | Disposals and write-offs | Transfers | Amortization charge | Amortization - disposals, write-offs and other reclassifications | Cost | Accumulated amortization | Net book value |
| Intangible assets: | | | | | | | | | | | |
| Concession assets | 6,982,322 | (3,197,824) | 3,784,498 | 71,017 | (1,377) | 5,154 | (103,970) | 1,339 | 7,057,116 | (3,300,455) | 3,756,662 |
| Concession assets in progress | 53,730 | - | 53,730 | 27,609 | - | (5,154) | - | - | 76,185 | - | 76,185 |
| | 7,036,052 | (3,197,824) | 3,838,228 | 98,626 | (1,377) | - | (103,970) | 1,339 | 7,133,302 | (3,300,455) | 3,832,847 |
| Total of property, plant and equipment and intangible assets | 7,037,742 | (3,198,832) | 3,838,910 | 98,776 | (1,581) | - | (104,103) | 1,536 | 7,134,937 | (3,301,398) | 3,833,539 |

During the year ended 31 December 2014, the changes in tangible and intangible assets in the year were as follows:

| | 1 January 2014 | | | Changes | | | | | 31 December 2014 | | |
|---|------------------|--------------------------|------------------|----------------|--------------------------|-----------|---------------------|--|------------------|--------------------------|------------------|
| | Cost | Accumulated depreciation | Net book value | Additions | Disposals and write-offs | Transfers | Depreciation charge | Depreciation - disposals, write-offs and other reclassifications | Cost | Accumulated depreciation | Net book value |
| Property, plant and equipment | | | | | | | | | | | |
| Transmission and electronic equipment | 103 | (96) | 6 | - | - | - | (4) | - | 103 | (100) | 2 |
| Transport equipment | 1,386 | (579) | 806 | 57 | (112) | - | (233) | 67 | 1,330 | (746) | 585 |
| Office equipment | 231 | (131) | 100 | 7 | (3) | 22 | (34) | 3 | 257 | (162) | 95 |
| Property, plant and equipment in progress | 21 | - | 21 | 1 | - | (22) | - | - | - | - | - |
| | <u>1,740</u> | <u>(806)</u> | <u>934</u> | <u>65</u> | <u>(115)</u> | <u>-</u> | <u>(272)</u> | <u>70</u> | <u>1,690</u> | <u>(1,008)</u> | <u>682</u> |
| | | | | | | | | | | | |
| | 1 January 2014 | | | Changes | | | | | 31 December 2014 | | |
| | Cost | Accumulated amortization | Net book value | Additions | Disposals and write-offs | Transfers | Amortization charge | Amortization - disposals, write-offs and other reclassifications | Cost | Accumulated amortization | Net book value |
| Intangible assets | | | | | | | | | | | |
| Concession assets | 6,789,675 | (2,997,317) | 3,792,358 | 3,883 | (1,870) | 190,634 | (202,357) | 1,849 | 6,982,322 | (3,197,824) | 3,784,498 |
| Concession assets in progress | 85,062 | - | 85,062 | 159,303 | - | (190,634) | - | - | 53,730 | - | 53,730 |
| | <u>6,874,737</u> | <u>(2,997,317)</u> | <u>3,877,420</u> | <u>163,186</u> | <u>(1,870)</u> | <u>-</u> | <u>(202,357)</u> | <u>1,849</u> | <u>7,036,052</u> | <u>(3,197,824)</u> | <u>3,838,228</u> |
| Total of property, plant and equipment and intangible assets | 6,876,477 | (2,998,123) | 3,878,354 | 163,251 | (1,985) | - | (202,628) | 1,919 | 7,037,742 | (3,198,832) | 3,838,910 |

During the six month period ended 30 June 2015, the additions recorded are related essentially to the acquisition to Galp, through its subsidiary Transgás Armazenagem, S.A., of natural gas underground storage assets in the amount of 71.451 thousand Euros and the rights over the investments on construction/renovation and expansion of electrical grid.

The main additions verified in the periods ended 30 June 2015 and 31 December 2014 are made up as follows:

| | Jun 2015 | Dec 2014 |
|---|---------------|----------------|
| Electricity segment | | |
| Power line construction (220 KV) | 3,378 | 11,046 |
| Power line construction (400 KV) | 1,830 | 37,003 |
| Other power line constructions | 372 | 12,930 |
| Construction of new substations | 4,581 | 20,779 |
| Substation Expansion | 9,834 | 40,806 |
| Other renovations in substations | 800 | 5,185 |
| Telecommunications and information system | 1,908 | 5,290 |
| Pilot zone construction - wave energy | - | 299 |
| Buildings related to concession | 408 | 1,106 |
| Other assets | 829 | 2,966 |
| Gas segment | | |
| Expansion and improvements to gas transmission network | 1,404 | 6,987 |
| Construction project of cavity underground storage of natural gas in Pombal | 1,471 | 16,842 |
| Assets of natural gas underground storage in Pombal | 71,451 | - |
| Construction project and operating upgrade - LNG facilities | 434 | 1,947 |
| Others segment | | |
| Other assets | 76 | 65 |
| Total of additions | 98,776 | 163,251 |

The main transfers that were concluded and began activity during the periods ended 30 June 2015 and 31 December 2014 are made up as follows:

| | Jun 2015 | Dec 2014 |
|---|--------------|----------------|
| Electricity segment | | |
| Power line construction (220 KV) | 1,703 | 11,033 |
| Power line construction (400 KV) | - | 36,841 |
| Other power line constructions | - | 12,255 |
| Construction of new substations | 190 | 19,421 |
| Substation Expansion | 688 | 50,662 |
| Other renovations in substations | 753 | 4,251 |
| Telecommunications and information system | 578 | 7,775 |
| Other assets under concession | 562 | 1,135 |
| Other assets | - | 22 |
| Gas segment | | |
| Expansion and improvements to natural gas transmission network | 680 | 7,260 |
| Construction project of cavity underground storage of natural gas in Pombal | - | 38,166 |
| Construction project and operating upgrade - LNG facilities | - | 1,835 |
| Total of transfers | 5,154 | 190,656 |

The intangible assets in progress as of 30 June 2015 and 31 December 2014 are as follows:

| | Jun 2015 | Dec 2014 |
|---|---------------|---------------|
| Electricity segment | | |
| Power line construction (150KV/220KV e 400KV) | 21,009 | 17,132 |
| Substation Expansion | 22,183 | 13,078 |
| New substations projects | 15,750 | 11,359 |
| Other projects | 3,618 | 1,889 |
| Buildings related to concession | 2,200 | 2,353 |
| Gas segment | | |
| Expansion and improvements to natural gas transmission network | 6,750 | 6,018 |
| Construction project of cavity underground storage of natural gas in Pombal | 3,996 | 1,598 |
| Construction project and operating upgrade - LNG facilities | 680 | 303 |
| Total of assets in progress | 76,185 | 53,730 |

Financial costs capitalized in intangible assets in progress in the period ended 30 June 2015 amounted to 1,139 thousand Euros (2,064 thousand Euros as of 30 June 2014), while overhead and management costs capitalized amounted to 6,514 thousand Euros (7,988 thousand Euros as of 30 June 2014) (Note 19).

As of 30 June 2015 and 31 December 2014, the net book value of the intangible assets financed through lease contracts was as follows:

| | Jun 2015 | Dec 2014 |
|---|--------------|--------------|
| Cost | 4,719 | 4,656 |
| Accumulated depreciation and amortization | (1,456) | (1,149) |
| Net book value | 3,264 | 3,507 |

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 30 June 2015 and 31 December 2014, the financial information regarding the financial investments in associates and joint ventures held is as follows:

| | | Financial information | | | | | | | | | Interest owned | | | |
|-----------------------|---|------------------------|----------------|--------------------|---------------------|-------------------------|----------|-------------------|----------------------------|----------------------------|----------------|-----------------|--------------------------------|-----|
| | | 30 June 2015 | | | | | | | | | | | | |
| | Activity | Head office | Current assets | Non current assets | Current Liabilities | Non current Liabilities | Revenues | Net profit/(loss) | Other comprehensive income | 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 | 1,413 | 28,907 | 350 | 1,863 | 492 | 325 | - | 325 | 40 | 10,928 | 99 |
| Joint venture | | | | | | | | | | | | | | |
| | Centro de Investigação em Energia REN - STATE GRID, S.A. | Research & Development | Lisbon | 7,830 | 158 | 3,890 | 11 | 1,417 | 593 | - | 593 | 50 | 2,044 | 297 |
| | | | | | | | | | | | | 12,971 | 396 | |
| | | Financial information | | | | | | | | | Interest owned | | | |
| | | 31 December 2014 | | | | | | | | | | | | |
| | Activity | Head office | Current assets | Non current assets | Current Liabilities | Non current Liabilities | Revenues | Net profit/(loss) | Other comprehensive income | 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 | 436 | 29,349 | 259 | 1,667 | 1,066 | 546 | - | 546 | 40 | 10,829 | 218 |
| Joint venture | | | | | | | | | | | | | | |
| | Centro de Investigação em Energia REN - STATE GRID, S.A. | Research & Development | Lisbon | 8,873 | 36 | 5,401 | 13 | 2,229 | 405 | - | 405 | 50 | 1,747 | 202 |
| | | | | | | | | | | | | 12,575 | 421 | |

Associates

The changes in the caption “Investments in associates” during the period ended 30 June 2015 were as follows:

| Associates | |
|---|---------------|
| At 1 January 2015 | 10,829 |
| Effect of applying the equity method | 99 |
| At 30 June 2015 | 10,928 |

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

Joint ventures

The movement in the caption “Investments in joint ventures” during the period ended 30 June 2015 was as follows:

| Joint ventures | |
|--------------------------------------|-------|
| At 1 January 2015 | 1,747 |
| Effect of applying the equity method | 297 |
| At 30 de June 2015 | 2,044 |

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

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

As of 30 June 2015 and 31 December 2014, the financial information regarding the joint venture held is as follows:

| | Other financial information | | | | | | |
|--|-----------------------------|-------------------|-------------|-------------------|------------------|-----------------|--------------------------|
| | 30 June 2015 | | | | | | |
| | Cash and cash | Current financial | Non-current | Depreciations and | Financial income | Financial costs | Income tax-(cost)/income |
| Joint venture | | | | | | | |
| Centro de Investigação em Energia REN - STATE GRID, S.A. | 7,801 | 6 | 10 | (10) | 7 | (1) | (26) |

| | Other financial information | | | | | | |
|--|-----------------------------|-------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------|
| | 31 December 2014 | | | | | | |
| | Cash and cash equivalents | Current financial liabilities | Non-current financial liabilities | Depreciations and amortizations | Financial income | Financial costs | Income tax-(cost)/income |
| Joint venture | | | | | | | |
| Centro de Investigação em Energia REN - STATE GRID, S.A. | 3,695 | 6 | 13 | (9) | 47 | (3) | (128) |

7 INCOME TAX

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

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

The Company’s Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 30 June 2015.

In 2015, in accordance with Law n. 82-B/2014, December 31, the Group is taxed at a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3.0% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros,(ii) an additional 5.0% of taxable profit between 7,500 thousand Euros and 35,000 thousand Euros and (iii) 7.0% over the taxable profit in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

The tax rate used in the valuation of temporary taxable and deductible differences as of 30 June 2015, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the six months period ended on 30 June 2015 and 2014 is detailed as follows:

| | Jun 2015 | Jun 2014 |
|--|---------------|---------------|
| Current income tax | 26,197 | 20,752 |
| Adjustments of income tax from previous year | (932) | (1,044) |
| Deferred income tax | (7,917) | 9,030 |
| Income tax | 17,348 | 28,738 |

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

| | Jun 2015 | Jun 2014 |
|---|----------------|---------------|
| Consolidated profit before income tax | 105,345 | 99,548 |
| Permanent differences | | |
| Positive/(negative) net worth variation | 30 | (4) |
| Non deductible costs | 1,210 | 583 |
| Non taxable income | (7,749) | (2,617) |
| Timing differences | | |
| Tariff deviations | (9,047) | (33,333) |
| Provisions and impairments | 273 | 52 |
| Revaluations | 2,589 | 2,323 |
| Pension, healthcare assistance and life insurance plans | (1,089) | (1,049) |
| Others | 639 | - |
| Taxable income | 92,200 | 65,503 |
| Tax rate | 19,362 | 15,117 |
| State surcharge tax | 4,924 | 4,091 |
| Municipal surcharge | 1,514 | 1,280 |
| Autonomous taxation | 396 | 264 |
| Current income tax | 26,197 | 20,752 |
| Deferred income tax | (7,917) | 9,030 |
| Deferred income tax | (7,917) | 9,030 |
| Adjustments of estimated tax in previous years | (932) | (1,044) |
| Income tax | 17,348 | 28,738 |
| Effective tax rate | 16.47% | 28.87% |

Income tax

The caption “Income tax” payable and receivable as of 30 June 2015 and 31 December 2014 is detailed as follows:

| | Jun 2015 | Dec 2014 |
|--|---------------|---------------|
| Corporate income tax - estimated tax | - | (46,859) |
| Corporate income tax - payments on account | - | 53,301 |
| Income withholding tax by third parties | - | 3,837 |
| Income payable from the previous year | 11,155 | (60) |
| Income tax receivable | 11,155 | 10,219 |
| Corporate income tax - estimated tax | 26,197 | - |
| Corporate income tax - payments on account | (55) | - |
| Income withholding tax by third parties | (452) | - |
| Income tax payable | 25,690 | - |

Deferred taxes

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

| | <u>Jun 2015</u> | <u>Jun 2014</u> |
|---|---------------------|------------------------|
| <u>Impact on the statement of profit and loss</u> | | |
| Deferred tax assets | 6,357 | 5,499 |
| Deferred tax liabilities | 1,560 | (14,529) |
| | <u>7,917</u> | <u>(9,030)</u> |
| <u>Impact on equity</u> | | |
| Deferred tax assets | (3,595) | 77 |
| Deferred tax liabilities | 4,187 | (8,172) |
| | <u>592</u> | <u>(8,095)</u> |
| Net impact of deferred taxes | <u>8,509</u> | <u>(17,125)</u> |

The changes in deferred tax by nature is as follows:

Change in deferred tax assets - June 2015

| | Provisions /Impairments | Pensions | Tariff deviations | Derivative financial instruments | Impairment of revalued assets | Others | Total |
|------------------------------------|----------------------------|---------------|----------------------|--|-------------------------------------|------------|---------------|
| At 1 January 2015 | 1,818 | 36,715 | 22,275 | 5,175 | - | - | 65,982 |
| Increase/decrease through reserves | - | (214) | - | (3,381) | - | - | (3,595) |
| Reversal through profit and loss | - | (316) | (4,270) | - | - | - | (4,586) |
| Increase through profit and loss | 76 | - | - | - | 10,681 | 185 | 10,943 |
| Change in the period | <u>76</u> | <u>(531)</u> | <u>(4,270)</u> | <u>(3,381)</u> | <u>10,681</u> | <u>185</u> | <u>2,762</u> |
| At 30 June 2015 | <u>1,894</u> | <u>36,184</u> | <u>18,005</u> | <u>1,794</u> | <u>10,681</u> | <u>185</u> | <u>68,744</u> |

Change in deferred tax assets - December 2014

| | Provisions /Impairments | Pensions | Tariff deviations | Derivative financial instruments | Others | Total |
|------------------------------------|----------------------------|----------------|----------------------|--|------------|----------------|
| At 1 January 2014 | 1,749 | 39,128 | 21,548 | 5,373 | 2 | 67,800 |
| Increase/decrease through reserves | - | (1,658) | - | (198) | - | (1,856) |
| Reversal through profit and loss | (48) | (755) | - | - | (2) | (806) |
| Increase through profit and loss | 117 | - | 727 | - | - | 844 |
| Change in the period | <u>69</u> | <u>(2,413)</u> | <u>727</u> | <u>(198)</u> | <u>(2)</u> | <u>(1,818)</u> |
| At 31 December 2014 | <u>1,818</u> | <u>36,715</u> | <u>22,275</u> | <u>5,175</u> | <u>-</u> | <u>65,982</u> |

Deferred tax assets at 30 June 2015 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

During the six month period ended 30 June 2015, following the favourable decision of tax recovery of asset impairment generated in the spin-off of EDP Group, the Company recognized an amount of 10,681 thousand Euros, related to deferred tax assets.

Evolution of deferred tax liabilities - June 2015

| | Tariff deviations | Revaluations | Fair value of Available-for-sale financial assets | Total |
|----------------------------------|-------------------|---------------|---|----------------|
| At 1 January 2015 | 54,246 | 26,659 | 11,365 | 92,270 |
| Increase/decrease through equity | - | - | (4,187) | (4,187) |
| Reversal trough profit and loss | (2,432) | (741) | - | (3,174) |
| Increase through profit and loss | - | 1,614 | - | 1,614 |
| Change in the period | (2,432) | 872 | (4,187) | (5,747) |
| At 30 June 2015 | 51,814 | 27,531 | 7,178 | 86,523 |

Evolution of deferred tax liabilities - December 2014

| | Tariff deviations | Revaluations | Fair value of Available-for-sale financial assets | Total |
|----------------------------------|-------------------|----------------|---|---------------|
| At 1 January 2014 | 44,666 | 28,486 | 805 | 73,956 |
| Increase/decrease through equity | - | (237) | 10,560 | 10,323 |
| Reversal trough profit and loss | 9,581 | - | - | 9,581 |
| Increase through profit and loss | - | (1,591) | - | (1,591) |
| Change in the period | 9,581 | (1,828) | 10,560 | 18,313 |
| At 31 December 2014 | 54,246 | 26,659 | 11,365 | 92,270 |

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 n° 430/78 | Decree-Law n° 140/2006 |
| Decree-Law n° 399-G/81 | |
| Decree-Law n° 219/82 | |
| Decree-Law n° 171/85 | |
| Decree-Law n° 118-B/86 | |
| Decree-Law n° 111/88 | |
| Decree-Law n° 7/91 | |
| Decree-Law n° 49/91 | |
| Decree-Law n° 264/92 | |

8 FINANCIAL ASSETS AND LIABILITIES

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

June 2015

| | Notes | Credits and other receivables | Fair value - hedging derivative financial instruments | Fair value - Negotiable derivatives | Available-for-sale | Fair value - through profit and loss | Other financial assets/liabilities | Total carrying amount | Fair value |
|-------------------------------------|-------|-------------------------------|---|-------------------------------------|--------------------|--------------------------------------|------------------------------------|-----------------------|------------------|
| Assets | | | | | | | | | |
| Cash and cash equivalents | 12 | - | - | - | - | - | 67,991 | 67,991 | 67,991 |
| Trade and other receivables | 10 | 407,744 | - | - | - | - | - | 407,744 | 407,744 |
| Other financial assets | | - | - | - | - | 2,895 | 99,438 | 102,333 | 102,333 |
| Available-for-sale financial assets | 9 | - | - | - | 146,130 | - | - | 146,130 | 146,130 |
| Income tax receivable | 7 | - | - | - | - | - | 11,155 | 11,155 | 11,155 |
| Derivative financial instruments | 11 | - | 31,211 | 1,818 | - | - | - | 33,029 | 33,029 |
| Total financial assets | | 407,744 | 31,211 | 1,818 | 146,130 | 2,895 | 178,583 | 768,382 | 768,382 |
| Liabilities | | | | | | | | | |
| Borrowings | 14 | - | - | - | - | - | 2,630,762 | 2,630,762 | 2,594,176 |
| Trade and other payables | 17 | - | - | - | - | - | 352,377 | 352,377 | 352,377 |
| Income tax payable | 7 | - | - | - | - | - | 24,947 | 24,947 | 24,947 |
| Derivative financial instruments | 11 | - | 29,939 | - | - | - | - | 29,939 | 29,939 |
| Total financial liabilities | | - | 29,939 | - | - | - | 3,008,086 | 3,038,025 | 3,001,440 |

December 2014

| | Notes | Credits and other receivables | Fair value - hedging derivative financial instruments | Fair value - Negotiable derivatives | Available-for-sale | Fair value - through profit and loss | Other financial assets/liabilities | Total carrying amount | Fair value |
|-------------------------------------|-------|-------------------------------|---|-------------------------------------|--------------------|--------------------------------------|------------------------------------|-----------------------|------------------|
| Assets | | | | | | | | | |
| Cash and cash equivalents | 12 | - | - | - | - | - | 114,258 | 114,258 | 114,258 |
| Trade and other receivables | 10 | 545,967 | - | - | - | - | - | 545,967 | 545,967 |
| Other financial assets | | - | - | - | - | 2,910 | 99,436 | 102,346 | 102,346 |
| Available-for-sale financial assets | 9 | - | - | - | 206,973 | - | - | 206,973 | 206,973 |
| Income tax receivable | 7 | 10,219 | - | - | - | - | - | 10,219 | 10,219 |
| Derivative financial instruments | 11 | - | 21,970 | - | - | - | - | 21,970 | 21,970 |
| Total financial assets | | 556,186 | 21,970 | - | 206,973 | 2,910 | 213,694 | 1,001,734 | 1,001,734 |
| Liabilities | | | | | | | | | |
| Borrowings | 14 | - | - | - | - | - | 2,604,466 | 2,604,466 | 2,730,714 |
| Trade and other payables | 17 | - | - | - | - | - | 618,679 | 618,679 | 618,679 |
| Derivative financial instruments | 11 | - | 24,581 | - | - | - | - | 24,581 | 24,581 |
| Total financial liabilities | | - | 24,581 | - | - | - | 3,223,145 | 3,247,726 | 3,373,974 |

The caption “Fair value through profit and loss”, in the amount of 2,895 thousand Euros corresponds to the Group’s investment in the closed fund “Luso Carbon Fund” with a maturity of 10 years.

The caption “Other Financial Assets” includes a pledge bank deposit given to the EIB (European Investment Bank) of 99,435 thousand Euros (at 31 December 2014 was 99,435 thousand Euros).

Loans obtained, as mentioned in Note 3.6, of the consolidated financial statements for the year ended 2014, are measured initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 11) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption “Borrowings”, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

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

The range of market rates used to calculate the fair value ranges between -0.118% and 1.550% (maturities of one day, and fifteen years, respectively).

The borrowings fair value contracted by the Group at 30 June 2015 is 2,594,176 thousand Euros (at 31 December 2014 was 2,730,714 thousand Euros), of which 700,333 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from interest rates changes (at 31 December 2014 was 421,906 thousand Euros).

Estimated fair value - assets measured at fair value

The following table discloses the Group’s assets and liabilities measured at fair value at 30 June 2015 in accordance with the following hierarchy levels of fair value:

- Level 1: the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;

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

| | | Level 1 | Level 2 | Level 3 | Total |
|--|------------------------------|----------------|----------------|----------|----------------|
| Assets: | | | | | |
| Available-for-sale financial assets | Shares | 97,304 | 45,660 | - | 142,964 |
| Financial assets at fair value | Cash flow hedge derivatives | - | 10,287 | - | 10,287 |
| Financial liabilities at fair value | Fair value hedge derivatives | - | 20,925 | - | 20,925 |
| Financial assets at fair value through profit and loss | Negotiable derivatives | - | 1,818 | - | 1,818 |
| Other investments | Treasury funds | 2,895 | - | - | 2,895 |
| | | 100,199 | 78,689 | - | 178,888 |
| Liabilities: | | | | | |
| Financial liabilities at fair value | Loans | - | 700,333 | - | 700,333 |
| Financial liabilities at fair value | Cash flow hedge derivatives | - | 16,201 | - | 16,201 |
| Financial liabilities at fair value | Fair value hedge derivatives | - | 13,738 | - | 13,738 |
| | | - | 730,273 | - | 730,273 |

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

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

Financial risk management

From the last annual report period until 30 June 2015, there were no significant changes in the financial risk management of the Company compared to the risks disclosed in the consolidated financial statements as of 31 December 2014. A description of the risks can be found in Section 4 - Financial Risk Management of the consolidated financial statements for the year ended 2014.

9 ASSETS AVAILABLE FOR SALE

The assets recognized in this caption as of 30 June 2015 and 31 December 2014 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

| | Head office | | | Book value | |
|--|-------------|------------|---------|----------------|----------------|
| | City | Country | % owned | Jun 2015 | Dec 2014 |
| OMEL - Operador del Mercado Ibérico de Energía (Polo Espanhol) | Madrid | Spain | 10.00% | 3 167 | 3 167 |
| Red Electrica Corporacion, S.A. ("REE") | Madrid | Spain | 1.00% | 97 304 | 99 104 |
| Enagás, S.A. | Madrid | Spain | 1.00% | - | 62 530 |
| Med Grid SAS | Paris | France | 6.66% | 600 | 600 |
| Hidroeléctrica de Cahora Bassa | Maputo | Mozambique | 7.50% | 45 660 | 41 572 |
| | | | | <u>146 730</u> | <u>206 973</u> |
| Impairment | | | | | |
| Med Grid SAS | | | | (600) | - |
| | | | | <u>146 130</u> | <u>206 973</u> |

The changes in this caption were as follows:

| | OMEL | Med Grid | HCB | REE | ENAGAS | Total |
|----------------------------|--------------|------------|---------------|---------------|---------------|----------------|
| At 1 January 2014 | 3,167 | 500 | 42,205 | 65,654 | 45,360 | 156,886 |
| Acquisitions | - | 100 | - | - | - | 100 |
| Fair value adjustments | - | - | (633) | 33,450 | 17,170 | 49,987 |
| At 31 December 2014 | 3,167 | 600 | 41,572 | 99,104 | 62,530 | 206,973 |
| At 1 January 2015 | 3,167 | 600 | 41,572 | 99,104 | 62,530 | 206,973 |
| Fair value adjustments | - | - | 4,087 | (1,800) | 748 | 3,035 |
| Disposals | - | - | - | - | (63,278) | (63,278) |
| Impairment loss | - | (600) | - | - | - | (600) |
| At 30 June 2015 | 3,167 | - | 45,660 | 97,304 | - | 146,130 |

The interests held in REE are recorded at fair value determined based on the shares closing quotations as of 30 June 2015.

Red Eléctrica Corporación, S.A. ("REE") is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid's index IBEX 35-Spain and the financial asset was recorded on the statement of financial position at the market price on 30 June 2015.

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

Enagás is the transmission system operator of natural gas in Spain, being a listed company in Madrid's index IBEX-35. The investment was valued at fair value by the Group until its sale based on its share price.

The Group holds 6.66% of the share capital in Medgrid S.A.S. This project consists in an international partnership to promote and develop the Mediterranean interconnection electric network, allowing the transportation of clean electricity produced in Africa to Europe.

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

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

As there are no available market price for the above referred investments (MedGrid and OMEL), and as it is not possible to determine the fair value of the period using comparable transactions, these shares are recorded at its acquisition cost deducted of impairment losses as described in Note 3.6 of the consolidated financial statements for the year ended 2014.

The last General Meeting realized by Medgrid, SAS shareholders, decided the dissolution of this organization in 2015, having 30 September 2015 as reference date. This fact, according to REN's assessment, is an objective evidence of impairment of this asset whereas it creates uncertainty about its recovery, being recognized, in the six months ended 30 June 2015, an impairment loss in the amount of 600 thousand Euros, determined by the difference between the carrying amount and the estimated value of cash flows discounted.

Regarding the investment held in OMEL there are no impairment evidence at the reporting date.

The adjustments to fair value of available-for-sale financial assets are recognized in the equity caption “Fair value reserve” that as of 30 June 2015 and 31 December 2014 had the following amounts:

| | Fair value reserve (Note 13) |
|-------------------------|---|
| 1 January 2014 | 20,886 |
| Changes in fair value | 49,987 |
| Tax effect | (10,560) |
| 31 December 2014 | 60,313 |
| 1 January 2015 | 60,313 |
| Changes in fair value | 3,035 |
| Disposals | (20,083) |
| Tax effect | 4,187 |
| 30 June 2015 | 47,452 |

In the six month periods ended 30 June 2015 and 2014 the dividends attributable to the Group are as follows:

| | Jun 2015 | Jun 2014 |
|--|-----------------|-----------------|
| Red Eléctrica Corporación, S.A. (“REE”) | 2,934 | 2,462 |
| Enagás, S.A. | - | 1,824 |
| OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol) | 76 | 57 |
| Hidroeléctrica de Cahora Bassa | 1,026 | 1,858 |
| | 4,036 | 6,200 |

These amounts were recognized in the consolidated statement of profit and loss in the caption “Financial income” being received 1,203 thousand Euros in the first half of 2015 (2,387 thousand Euros in the first half of 2014).

10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 30 June 2015 and 31 December 2014 are made up as follows:

| | Jun 2015 | | | Dec 2014 | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| Trade receivables | 197,203 | 155 | 197,359 | 326,935 | 155 | 327,090 |
| Impairment of trade receivables | (844) | - | (844) | (844) | - | (844) |
| Trade receivables net | <u>196,359</u> | <u>155</u> | <u>196,514</u> | <u>326,090</u> | <u>155</u> | <u>326,246</u> |
| Tariff deviations | 82,357 | 118,238 | 200,595 | 120,538 | 86,027 | 206,565 |
| State and Other Public Entities | 10,635 | - | 10,635 | 13,157 | - | 13,157 |
| Trade and other receivables | <u>289,351</u> | <u>118,393</u> | <u>407,744</u> | <u>459,785</u> | <u>86,182</u> | <u>545,967</u> |

The most significant amounts in trade receivables are the receivables from (i) EDP - Distribuição de Energia, S.A. in the amount of 54,526 thousand Euros (216,736 thousand Euros as of 31 December 2014), (ii) Galp in the amount of 14,892 thousand Euros (19,304 thousand Euros as of 31 December 2014), and (iii) a deferral asset in the amount of 12,722 thousand Euros related to the extraordinary contribution on energy sector (Note 25).

The balance of trade receivables includes as well an unissued invoicing related to the Market Management activity (MIBEL - Mercado Ibérico de Eletricidade), in the amount of 17,705 thousands of Euros (22.336 thousands of Euros in 31 December of 2014).

As of 31 December 2014, the receivables from EDP - Distribuição de Energia, S.A. includes a billing adjustment related to CMEC invoices in the amount of 128,676 thousand Euros, which are also reflected in the trade and other payables caption (Note 17) due to EDP Gestão da Produção de Energia, S.A. invoicing. This transaction consists in a pass-through, being off set in the Group consolidated financial statement of profit and loss.

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

| | Jun 2015 | Dec 2014 |
|-----------------------|---------------------|---------------------|
| Beginning balance | (844) | (822) |
| Increases | - | (22) |
| Ending balance | <u>(844)</u> | <u>(844)</u> |

11 DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 June 2015 and 31 December 2014 the REN Group has the following derivative financial instruments contracted:

| | | 30 June 2015 | | | |
|---|---|--------------|---------------|-------------|---------------|
| | | Assets | | Liabilities | |
| | Notional | Current | Non-current | Current | Non-current |
| Derivatives designated as cash flow hedges: | | | | | |
| Interest rate swaps | 575 000 mEuros | - | 10,287 | - | 11,133 |
| Interest rate and currency swaps | 10 000 000 mJPY / 72 899 mEuros | - | - | - | 5,068 |
| | | - | 10,287 | - | 16,201 |
| Derivatives designated as fair value hedges: | | | | | |
| Interest rate swaps | 700 000 mEuros | - | 20,925 | - | 13,738 |
| | | - | 20,925 | - | 13,738 |
| Trading derivatives | 60.000 TEUR | - | 1,818 | - | - |
| | | - | 1,818 | - | - |
| | Derivative financial instruments | - | 33,029 | - | 29,939 |

| | | 31 December 2014 | | | |
|--|---|------------------|---------------|-------------|---------------|
| | | Assets | | Liabilities | |
| | Notional | Current | Non-current | Current | Non-current |
| Derivatives designated as cash flow hedges | | | | | |
| Interest rate swaps | 275.000.000 EUR | - | - | - | 14,282 |
| Interest rate and currency swaps | 10.000.000.000 JPY | - | - | - | 10,300 |
| | | - | - | - | 24,581 |
| Derivatives designated as fair value hedges | | | | | |
| Interest rate swaps | 400.000.000 EUR | - | 21,970 | - | - |
| | | - | 21,970 | - | - |
| | Derivative financial instruments | - | 21,970 | - | 24,581 |

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

The amount recorded in this caption relates to interest rate swaps, cross currency swap and a trading derivative, contracted by the Group to hedge the market risk of future interest rates and/or foreign exchange rates.

The above amounts include the accrued receivable or payable interest at 30 June 2015 relating to these derivatives financial instruments, netting a receivable amount of 4,707 thousand Euros (payable amount of 614 thousand Euros at 31 December 2014).

The main features of the derivatives financial instruments contracted associated with financing operations at 30 June 2015 and 31 December 2014 are:

| | Reference value | Currency | REN's payments | REN's receipts | Maturity | Fair value at 30-06-2015 | Fair value at 31-12-2014 |
|----------------------------------|---------------------------------------|----------|---|------------------------------------|-------------------------|--------------------------|--------------------------|
| Cash flow hedge: | | | | | | | |
| Interest rate swaps | 575 000 TEUROS | EUR | [0,75%;2,77%] | [-0,14%;0,00%] (floating rates) | [dec-2016; dec-2024] | (847) | (14,282) |
| Interest rate and currency swaps | 10 000 000 000 JPY / 72 899 TEUROS | EUR/JPY | 5,64% (floating rate starting 2019) | 2,71% | 2024 | (5,068) | (10,300) |
| | | | | | | (5,914) | (24,581) |
| Fair value hedge: | | | | | | | |
| Interest rate swaps | 700 000 TEUROS | EUR | [0,13%;0,48%] - floating rates | [0,61%;1,72%] | [oct-2020; feb-2025] | 7,186 | 21,970 |
| | | | | | | 7,186 | 21,970 |
| Trading: | | | | | | | |
| Interest rate swaps | 60 000 TEuros | EUR | floating rates, to be determined in future | [0,00%;0,99%] | 2024 | 1,818 | - |
| | | | | | | 1,818 | - |
| | | | | | Total | 3,090 | (2,611) |

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

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

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Following years | Total |
|---|--------------|----------------|---------------|----------|----------|----------------|-----------------|------------------|
| Interest rate swap (cash flow hedge) | 5,769 | 205,769 | 63,462 | - | - | - | 300,000 | 575,000 |
| Interest rate and currency swap (cash flow hedge) | - | - | - | - | - | - | 72,899 | 72,899 |
| Interest rate swap (fair value hedge) | - | - | - | - | - | 400,000 | 300,000 | 700,000 |
| Interest rate swap (trading) | - | - | - | - | - | - | 60,000 | 60,000 |
| Total | 5,769 | 205,769 | 63,462 | - | - | 400,000 | 732,899 | 1,407,899 |

| | 2015 | 2016 | 2017 | 2018 | 2019 | Following years | Total |
|---|--------------|----------------|---------------|----------|----------|-----------------|----------------|
| Interest rate swap (cash flow hedge) | 5,769 | 205,769 | 63,462 | - | - | - | 275,000 |
| Interest rate and currency swap (cash flow hedge) | - | - | - | - | - | 72,899 | 72,899 |
| Interest rate swap (fair value hedge) | - | - | - | - | - | 400,000 | 400,000 |
| Total | 5,769 | 205,769 | 63,462 | - | - | 472,899 | 747,899 |

Swaps:

Cash flow hedges

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

As of 30 June 2015 the notional amount of cash flow hedge is 575,000 thousand Euros (275,000 thousand Euros at 31 December 2014). These hedges the interest rate risk on variable rate interest changes on recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest relates to. This hedging goal is to convert loans at variable interest rates to fixed interest rates. The credit risk is not hedged. The fair value of the interest rate swaps at 30 June 2015 was 847 thousand Euros negative (14,282 thousand Euros negative at 31 December 2014).

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

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

The cross currency swap fair value at 30 June 2015 was 5,068 thousand Euros negative (10,300 thousand Euros negative at 31 December 2014).

The (borrowing) underlying foreign exchange variation was negative on the first half of 2015 in the amount of 4,131 thousand Euros was offset by a similar variation in the hedging instrument in profit and loss (negative variation of 3,135 thousand Euros at 30 June 2014).

In the first half of 2015, the ineffective component variation recorded in profit and loss is 2,880 thousand Euros (4,463 thousand Euros at 31 December 2014).

The amount recorded in other comprehensive income relating to the above mentioned cash flow hedges was 8,545 thousand Euros (24,644 thousand Euros at 31 December 2014).

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

| | Fair value | Deferred taxes impact | Hedging reserves |
|---|-----------------|-----------------------|------------------|
| 1 January 2014 | (23,362) | 5,373 | (17,989) |
| Changes in fair value and ineffectiveness | (1,282) | (198) | (1,480) |
| 31 December 2014 | (24,644) | 5,175 | (19,468) |
| 1 January 2015 | (24,644) | 5,176 | (19,468) |
| Changes in fair value and ineffectiveness | 16,099 | (3,381) | 12,718 |
| 30 June 2015 | (8,545) | 1,795 | (6,750) |

Fair value hedge

The Group hedges the interest rate risk of debt issued at a fixed rate. The covered risk is the change in the debt fair value due to interest rate fluctuations. The objective of this hedging is to convert loans at a fixed interest rate into variable interest rates. The credit risk is not hedged.

During the first half of 2015, the Group issued debt in the amount of 300,000 thousand Euros at a fixed rate. To manage the fair value changes of this issue the group contracted interest rate swaps on which REN pays a variable rate and receives a fixed rate, with a notional amount of 300,000 thousand Euros.

The fair value of these interest rate swaps with a notional amount of 700,000 thousand Euros (400,000 thousand Euros at 31 December 2014) at 30 June 2015 was 7,186 thousand Euros positive (21,970 thousand Euros positive at 31 December 2014).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in profit and loss to offset changes in the fair value of the hedged instrument also recorded in profit and loss. On the semester ended 30 June 2015, the debt fair value changes related to the interest rates risk, recorded in profit and loss was 21,573 thousand Euros (positive) (18,915 thousand Euros negative at 30 June 2014), resulting in an ineffective component of 2.716 thousand Euros positive (at 30 June 2014 was 163 thousand Euros negative).

Trading Swap

During the first half of 2015, the Group traded a forward start interest rate swap on which it pays a fixed rate and receives a variable rate. This swap will begin in 2019 and will mature in 2024.

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

On June 30 2015, the trading swap notional amount was 60,000 thousand Euros. This swap hedge the interest rate risk related to future variable interest rate payments of recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest coupons are related. The objective of this hedge is to convert cash flows at a variable interest rates to a fixed interest rate. The credit risk is not hedged. On June 30 2015 the trading derivative fair value was positive 1,818 thousand Euros.

The changes on the trading swap fair value are recognized in the statement of profit or loss. The amount recorded in the period related to the trading swap fair value was 1,818 thousand Euros.

12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 30 June 2015 and 31 December 2014 are made up as follows:

| | Jun 2015 | Dec 2014 |
|---|---------------|----------------|
| Cash | 22 | - |
| Bank deposits | 67,969 | 114,258 |
| Cash and cash equivalents in the statement of financial position | 67,991 | 114,258 |
| Bank overdrafts (Note 14) | (594) | (1,659) |
| Cash and cash equivalents in cash flow statement | 67,397 | 112,599 |

13 EQUITY INSTRUMENTS

Share capital

REN's subscribed and paid up share capital as of 30 June 2015 and 31 December 2014 was made up of 534,000,000 shares of 1 Euro each.

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

Own shares

As of 30 June 2015 REN SGPS had the following own shares:

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

No own shares were acquired or sold during the six month period ended 30 June 2015.

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

Reserves and retained earnings

The caption "Reserves" in the amount of 320,791 thousand Euros includes:

- Legal reserve: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. The reserve can only be used to cover losses or to increase capital. At 30 June 2015 this caption amounts to 102,608 thousand Euros;
- Fair value reserves: includes changes in the fair value of available for sale financial assets (47,452 thousand Euros positive), as detailed in Note 9;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 6,750 thousand Euros) as detailed in Note 11;

- Free reserves: This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders, except for the limitation set by the Companies Code in respect of own shares (free reserves), and (ii) changes in equity of associates registered under the equity method. At 30 June 2015, this caption amounts to 177,482 thousand Euros.

In accordance to the legislation in place in Portugal, increase in capital as a result of the incorporation of fair value (fair value reserves and hedging reserves) can only be disbursed to shareholders when the assets that gave place to its fair values have been sold, exercised, extinct, settled or used.

14 BORROWINGS

The borrowing segregation between current and non-current and as well as by nature, as of 30 June 2015 and 31 December 2014 is as follows:

| | 30 June 2015 | | | 31 December 2014 | | |
|---------------------------|----------------|------------------|------------------|------------------|------------------|------------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| Bonds | 80,000 | 1,493,321 | 1,573,321 | 113,500 | 1,240,762 | 1,354,262 |
| Bank Borrowings | 113,142 | 722,077 | 835,219 | 111,654 | 747,388 | 859,042 |
| Commercial Paper | 100,000 | 102,000 | 202,000 | 150,000 | 227,000 | 377,000 |
| Bank overdrafts (note 17) | 594 | - | 594 | 1,659 | - | 1,659 |
| Finance Lease | 1,051 | 1,893 | 2,943 | 1,049 | 2,231 | 3,280 |
| | <u>294,786</u> | <u>2,319,290</u> | <u>2,614,077</u> | <u>377,862</u> | <u>2,217,381</u> | <u>2,595,243</u> |
| Accrued interest | 32,476 | - | 32,476 | 25,787 | - | 25,787 |
| Prepaid interest | (5,786) | (10,005) | (15,791) | (6,697) | (9,867) | (16,564) |
| Borrowings | 321,476 | 2,309,285 | 2,630,762 | 396,952 | 2,207,514 | 2,604,466 |

At 30 June 2015 borrowings settlement plan is as follows:

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Following years | Total |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|------------------|
| Debt - Non current | - | 356,244 | 101,708 | 446,238 | 193,896 | 502,372 | 718,832 | 2,319,290 |
| Debt - Current | 238,836 | 55,950 | - | - | - | - | - | 294,786 |
| | <u>238,836</u> | <u>412,194</u> | <u>101,708</u> | <u>446,238</u> | <u>193,896</u> | <u>502,372</u> | <u>718,832</u> | <u>2,614,077</u> |

Detailed information regarding bond issues as of 30 June 2015 is as follows:

| 30 June 2015 | | | | |
|---|------------|---------------------|---------------------------|---------------------------------|
| Emission date | Maturity | Amount | Interest rate | Periodicity of interest payment |
| REN SGPS private emission | | | | |
| 'Euro Medium Term Notes' programme emissions | | | | |
| 26-06-2009 | 26-06-2024 | TJPY 10,000,000 (i) | Fixed rate (ii) | Bi-Annual |
| 21-09-2012 | 21-09-2016 | TEUR 300,000 | Fixed rate EUR 6.25% | Bi-Annual |
| 28-09-2012 | 28-09-2015 | TEUR 50,000 (i) | Fixed rate | Annual |
| 16-01-2013 | 16-01-2020 | TEUR 150,000 (i) | Floating rate | Quarterly |
| 31-01-2013 | 31-01-2018 | TEUR 300,000 | Fixed rate EUR 4.125% | Annual |
| 17-10-2013 | 16-10-2020 | TEUR 400,000 (ii) | Fixed rate EUR 4.75% (ii) | Annual |
| 12-02-2015 | 12-02-2025 | TEUR 300,000 | Fixed rate EUR 2,50% (ii) | Annual |

(i) These emissions correspond to private placements.

(ii) These emissions have interest currency rate swaps associated

The Group has five active commercial paper programmes, in the total amount of 900,000 thousand Euros, of which 698,000 thousand Euros are available. From the total amount of commercial paper programs, 600,000 thousand Euros have a subscription guarantee.

On the first half of 2015, the following financial agreements were made:

- The Group issued a bond in the amount of 300,000 thousand Euros at a fixed rate; and
- As part of the financing agreement, signed in 2010 with EIB to finance projects on the electricity area, a second tranche of the loan, in the amount of 75,000 thousand Euros, was disbursed.

The bank loans are mainly (591,427 thousand Euros) represented by EIB loans.

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

As a result of the fair value hedge related to debt issues in the amount of 700,000 thousand Euros (Note 11) fair value changes, concerning interest rate risk, were recognized directly in profit or loss in the amount of 21,573 thousand Euros positive (18,915 thousand Euros negative at 30 June 2014).

REN financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity with the total consolidated regulated assets). The Group's Gearing ratio comfortably meets the limits contractually set,

thus being on 30 June 2015 above the limit by 94% (on 31 December 2014 was 97% above the limit).

EIB borrowings include rating covenants. In the event of REN rating falling below specified levels, REN can be called to provide a guarantee acceptable by EIB.

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

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

Leases

The financial leases minimum payments and the present value of the financial leases liabilities at 30 June 2015 and 31 December 2014 are as follows:

| | Jun 2015 | Dec 2014 |
|--|--------------|--------------|
| Finance lease liabilities - minimum lease payments | | |
| No later than 1 year | 1,085 | 1,133 |
| Later than 1 year and no later than 5 years | 1,979 | 2,309 |
| | <u>3,064</u> | <u>3,442</u> |
| Future finance charges on finance leases | (121) | (162) |
| Present value of finance lease liabilities | <u>2,943</u> | <u>3,280</u> |
| | | |
| | Jun 2015 | Dec 2014 |
| The present value of finance lease liabilities is as follows | | |
| No later than 1 year | 1,026 | 1,049 |
| Later than 1 year and no later than 5 years | 1,918 | 2,231 |
| | <u>2,943</u> | <u>3,280</u> |

15 POST-EMPLOYMENT BENEFITS AND OTHER BENEFITS

REN - Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and

pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as “other benefits”). The Group also grants their employees life assurance plans.

On November 2012, the REN Group denounced the Collective Labor Agreement (“CLA”) which covered only part of the employees (about 50%), presenting a new proposal to the several unions for a global CLA that covers each company of REN Group. This new agreement proposal aimed the integration in a single document off all regulations dispersed in the several companies, being adjusted to the current needs of the REN Group.

On 30 January 2015, the REN Group reached an agreement with all representative employees unions for the negotiation of the new CLA with effect from 1 February 2015.

Due to the change in long-term benefits arising from new CLA a new actuarial study were prepared for the period ended on 30 June 2015, incorporating the following changes in the future responsibilities:

- Medical Plan, were considered the new reimbursements limits;
- Other Benefits Plan, inclusion of Electricity benefit.

The changes arising from the new CLA in retirement benefits are, in accordance with IAS 19, an amendment to the plan, recognized in the income statement.

As of 30 June 2015 and 31 December 2014 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

| | Jun 2015 | Dec 2014 |
|---|----------------|----------------|
| Liability on the statement of financial position | | |
| Pension plan | 83,610 | 86,465 |
| Healthcare plan and other benefits | 41,013 | 39,996 |
| Life assurance plan | 165 | 157 |
| | 124,788 | 126,617 |

During the six month period ended 30 June 2015 and 30 June 2014 the following operating expenses were recorded regarding benefit plans with employees:

| | Jun 2015 | Jun 2014 |
|--|--------------|--------------|
| Charges to the statement of profit and loss (Note 22) | | |
| Pension plan | 2,325 | 2,857 |
| Healthcare plan and other benefits | 1,729 | 832 |
| Life assurance plan | 9 | 8 |
| | 4,063 | 3,697 |

The amounts recognized on “Personnel costs” related to post-employment benefits in the amount of 4,063 thousand Euros includes the effect of the plan amendments resulting from the new Collective Labor Agreement: (i) positive 5,435 thousands of Euros from Medical Plan; and ii) negative 6,493 thousands of Euros from Other Benefits.

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

| | Jun 2015 | Dec 2014 |
|---|----------|----------|
| Annual discount rate | 2.00% | 2.00% |
| Expected percentage of serving employees eligible 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 eligible for early retirement - Management act | 20.00% | 20.00% |
| Rate of salary increase | 2.70% | 2.70% |
| Pension increase | 1.20% | 1.20% |
| Future increases of Social Security Pension amount | 0.00% | 0.00% |
| Inflation rate | 1.20% | 1.20% |
| Medical trend | 3.50% | 3.50% |
| Management costs (per employee/year) | 223 € | 223 € |
| Expenses medical trend | 1.20% | 1.20% |
| Retirement age (number of years) | 66 | 66 |
| Rate of return on assets | 0.00% | 0.00% |
| Mortality table | TV 88/90 | TV 88/90 |

16 PROVISIONS

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

| | Jun 2015 | Dec 2014 |
|--------------------------|--------------|--------------|
| Beginning balance | 7,316 | 5,903 |
| Increases | 273 | 1,449 |
| Reversing | (519) | - |
| Utilization | (126) | (35) |
| Ending balance | 6,945 | 7,316 |
| | | |
| Current provision | 1,725 | 2,369 |
| Non-current provision | 5,220 | 4,947 |
| | 6,945 | 7,316 |

As of 30 June 2015 the caption “Provisions” corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision in the amount of 1,213 thousand Euros, related to the Group’s restructuring plan in course.

17 TRADE AND OTHER PAYABLES

The caption “Trade and other payables” as of 30 June 2015 and 31 December 2014 was made up as follows:

| | Jun 2015 | | | Dec 2014 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Current | Non current | Total | Current | Non current | Total |
| Trade payables | | | | | | |
| Current suppliers (Note 8) | 114,955 | - | 114,955 | 263,608 | - | 263,608 |
| Other creditors | | | | | | |
| Other creditors (Note 8) | 107,808 | 29,746 | 137,554 | 145,500 | 27,788 | 173,288 |
| Tariff deviations (Note 8) | 28,013 | 15,597 | 43,609 | 55,650 | 2,975 | 58,625 |
| Fixed assets suppliers (Note 8) | 38,226 | - | 38,226 | 99,813 | - | 99,813 |
| Tax payables (Note 8) (i) | 13,328 | - | 13,328 | 18,615 | - | 18,615 |
| Deferred income | | | | | | |
| Grants related to assets | 17,892 | 293,445 | 311,336 | 17,795 | 297,465 | 315,259 |
| Accrued costs | | | | | | |
| Holidays and holidays subsidies (Note 8) | 4,705 | - | 4,705 | 4,729 | - | 4,729 |
| Trade and other payables | 324,926 | 338,787 | 663,713 | 605,710 | 328,228 | 933,938 |

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

As of 30 June 2015 the caption "Other creditors" includes mainly, (i) the amount of 31,093 thousand Euros relating to an amount received by the Portuguese State, on January 3, 2014,

to be returned to the National Electric System for the purposes of the tariff deficit reduction and mitigation of the impact of tariff costs to energy policy, in accordance with applicable law; and (ii) the recognition in 2015 of the entire obligation for the extraordinary contribution on energy sector in the amount of 25,445 thousand Euros (Note 25).

For this balance also contributes the an unissued invoicing related to the Market Management activity (MIBEL - Mercado Ibérico de Eletricidade), in the amount of 17,705 thousands of Euros (22.336 thousands of Euros in 31 December of 2014).

As of 31 December 2014, the caption "Current suppliers " includes the correction of the "CMEC" invoiced by EDP - Gestão da Produção de Energia, S.A., in the amount of 128,676 thousand Euros, also reflected under caption "Trade and other receivables "(Note 10) through the invoice issued to EDP - Distribuição de Energia, S.A. This transaction sets a pass-through in the consolidated income statement of REN, which is the reason of being compensated in that statement.

18 SALES AND SERVICES RENDERED

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

| | Jun 2015 | Jun 2014 |
|---|-----------------------|-----------------------|
| Goods: | | |
| Domestic market | 400 | 59 |
| | <u>400</u> | <u>59</u> |
| Services: | | |
| Electricity transmission and overall systems management | 174,178 | 191,721 |
| Natural gas transmission | 59,319 | 61,196 |
| Regasification | 15,741 | 16,234 |
| Underground gas storage | 10,590 | 6,193 |
| Telecommunications network | 2,515 | 2,661 |
| Trading | 1,512 | 1,977 |
| Others | 781 | 451 |
| | <u>264,634</u> | <u>280,433</u> |
| Total sales and services rendered | <u>265,034</u> | <u>280,492</u> |

19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets for the six month periods ended 30 June 2015 and 30 June 2014 is the following:

| | Jun 2015 | Jun 2014 |
|--|---------------|---------------|
| <u>Revenue from construction of concession assets</u> | | |
| - Acquisitions | 90,979 | 25,957 |
| - Own work capitalised : | | |
| Financial expenses (Note 5) | 1,139 | 2,064 |
| Overhead and management costs (Note 5) | 6,514 | 7,988 |
| | <u>98,632</u> | <u>36,009</u> |
| <u>Cost of construction of concession assets</u> | | |
| - Acquisitions | 90,979 | 25,957 |
| | <u>90,979</u> | <u>25,957</u> |

20 OTHER OPERATING INCOME

The caption “Other operating income” is made up as follows:

| | Jun 2015 | Jun 2014 |
|-------------------------------------|---------------|---------------|
| Recognition of investment subsidies | 8,946 | 8,895 |
| Supplementary income | 739 | 842 |
| Capital gain from Enagás (Note 9) | 20,083 | - |
| Others | 1,095 | 1,222 |
| | <u>30,863</u> | <u>10,959</u> |

21 EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the six month periods ended 30 June 2015 and 2014 is made up as follows:

| | Jun 2015 | Jun 2014 |
|---------------------------------------|---------------|---------------|
| Gas transport subcontracts | 1,735 | 1,431 |
| Maintenance costs | 3,007 | 3,413 |
| Fees relating to external entities i) | 4,558 | 3,611 |
| Electric energy costs | 2,114 | 1,857 |
| Insurance costs | 1,634 | 1,399 |
| Security and surveillance | 825 | 748 |
| Travel and transportation costs | 460 | 560 |
| Advertising and communication costs | 365 | 444 |
| Other (less than 500 thousand Euros) | 1,967 | 2,311 |
| External supplies and services | 16,666 | 15,776 |

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

22 PERSONNEL COSTS

Personnel costs are made up as follows:

| | Jun 2015 | Jun 2014 |
|---|----------------------|----------------------|
| <u>Remuneration</u> | | |
| Board of directors | 1,215 | 1,145 |
| Personnel | 16,135 | 16,470 |
| | <u>17,350</u> | <u>17,615</u> |
| <u>Social charges and other expenses</u> | | |
| Post-employment and other benefits cost (Note 15) | 4,063 | 3,697 |
| Charges on remuneration | 3,610 | 3,687 |
| Social support costs | 20 | 165 |
| Other | 1,190 | 1,115 |
| | <u>8,883</u> | <u>8,664</u> |
| Total personnel costs | <u>26,233</u> | <u>26,279</u> |

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

23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

| | Jun 2015 | Jun 2014 |
|-------------------------|--------------|--------------|
| ERSE operating costs i) | 4,605 | 4,498 |
| Donations | 33 | 62 |
| Taxes | 409 | 495 |
| Quotizations | 808 | 913 |
| Others | 363 | 571 |
| | 6,218 | 6,539 |

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

24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

| | Jun 2015 | Jun 2014 |
|----------------------------------|---------------|---------------|
| Financial costs | | |
| Interest cost | 53,264 | 62,389 |
| Derivative financial instruments | 1,627 | 67 |
| Other financial investments | 15 | - |
| Other financial costs | 199 | 829 |
| | 55,105 | 63,285 |
| Financial income | | |
| Interest income | 1,914 | 2,301 |
| Derivative financial instruments | 4,553 | 2,582 |
| Other financial investments | - | 41 |
| | 6,467 | 4,924 |

25 ENERGY SECTOR EXTRAORDINARY CONTRIBUTION

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

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff

deficit. Are subject to this regime, among others, the entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the amount to be paid in the case of regulated companies is levied on the higher of value of regulated assets and net assets, as of 1 January 2015, on which is applied the rate of 0.85%.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded liabilities in the amount of 25,445 thousand Euros (Note 17), a deferral asset in the amount of 12,722 thousand Euros and the related expense for the six months period ended 30 June 2015 in the amount of 12,722 thousand Euros.

26 EARNINGS PER SHARE

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

| | | Jun 2015 | Jun 2014 |
|---|----------------|--------------------|--------------------|
| Consolidated net profit used to calculate earnings per share | (1) | 75,275 | 58,278 |
| Number of ordinary shares outstanding during the period (Note 13) | (2) | 534,000,000 | 534,000,000 |
| Effect of treasury shares (Note 13) (average number of shares) | | 3,881,374 | 3,881,374 |
| Number of shares in the period | (3) | 530,118,626 | 530,118,626 |
| Basic earnings per share (euro per share) | (1)/(3) | 0.14 | 0.11 |

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

27 DIVIDENDS PER SHARE

During the General Shareholders Meeting held on 17 April 2015, the shareholders approved the distribution of dividends with respect to the net profit of 2014, in the amount of 91,314 thousand Euros, corresponding to a gross dividend amount of 0.171 Euros per share, which include 664 thousand Euros attributable to treasury shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

The distribution of dividends with respect to the net profit of 2013 amounted to 91,314 thousand Euros (0.171 Euros per share). From this amount, 664 thousand Euros were attributable to treasury shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

28 GUARANTEES GIVEN

As of 30 June 2015 and 31 December 2014 the REN Group had given the following guarantees:

| Beneficiary | Scope | Jun 2015 | Dec 2014 |
|---|---|----------------|----------------|
| European Investment Bank (EIB) | To guarantee loans | 329,493 | 272,404 |
| General Directorate of Energy and Geology | To guarantee compliance with the obligations assumed in the public service concession | 20,500 | 20,500 |
| Judge of District Court | Guarantee for expropriation processes | 5,549 | 5,549 |
| Municipal Council of Seixal | Guarantee for litigation | 2,152 | 4,079 |
| Electricity Iberian Market (OMI) | To guarantee payments resulting from trading participation as purchaser in the Spanish market | 2,000 | 2,000 |
| Municipal Council of Odivelas | Guarantee for litigation | 1,119 | 1,119 |
| Social Security Institution | Ensure compliance with obligations | 511 | 511 |
| Municipal Council of Silves | Guarantee for expropriation processes | 352 | 352 |
| Tax Authority and Customs | Ensure the suspension of tax enforcement proceedings | 205 | 205 |
| NORSCUT - Concessionária de Auto-estradas, SA | To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization | 200 | 200 |
| European Union | To comply with the contractual requirements of the grant agreement | 177 | 177 |
| Labour Court of Lisbon | Guarantee for litigation | - | 153 |
| Municipal Council of Aveiro | Guarantee for litigation | 87 | 43 |
| EP - Estradas de Portugal | To guarantee compliance with the obligations assumed | 84 | 84 |
| Alrisa - Sociedade Imobiliária, S.A. | Urban Lease Contract | 15 | - |
| Municipal Council of Vila Nova de Gaia | Guarantee the suspension of the process | 2 | 2 |
| | | 362,446 | 307,377 |

29 RELATED PARTIES

Main shareholders and shares held by corporate bodies

As of 30 June 2015 and 31 December 2014, the shareholder structure of Group REN was as follows:

| | Jun 2015 | | Dec 2014 | |
|---|--------------------|----------------|--------------------|----------------|
| | Number of shares | % | Number of shares | % |
| State Grid Europe Limited (Group State Grid) | 133,500,000 | 25.00% | 133,500,000 | 25.00% |
| Mazoon B.V. (Group Oman Oil Company S.A.O.C.) | 80,100,000 | 15.00% | 80,100,000 | 15.00% |
| Gestmin, SGPS, S.A. | 31,326,951 | 5.87% | 31,326,951 | 5.87% |
| Fidelidade - Companhia de Seguros, S.A. | 28,371,417 | 5.31% | 26,421,424 | 4.95% |
| EDP - Energias de Portugal, S.A. | 26,707,335 | 5.00% | 26,707,335 | 5.00% |
| Oliren, SGPS, S.A. | 26,700,000 | 5.00% | 26,700,000 | 5.00% |
| Red Eléctrica Corporación, S.A. | 26,700,000 | 5.00% | 26,700,000 | 5.00% |
| EGF - Gestão e Consultoria Financeira, S.A. | - | - | 15,667,174 | 2.93% |
| Own shares | 3,881,374 | 0.73% | 3,881,374 | 0.73% |
| Free float | 176,712,923 | 33.09% | 162,995,742 | 30.52% |
| | 534,000,000 | 100.00% | 534,000,000 | 100.00% |

Transaction over REN shares by the Board of Directors

In the period ended 30 June 2015 did not occur any transactions carried out by Corporate Bodies in relation to the consolidated financial statements as of 31 December 2014.

Remuneration of the Board of Directors

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

Remuneration of the Board of Directors of REN, SGPS in the six month period ended 30 June 2015 amounted to 1,215 thousand Euros (1,145 thousand Euros on 30 June 2014), as shown in the following table:

| | Jun 2015 | Jun 2014 |
|--|--------------|--------------|
| Remuneration and other short term benefits | 1,215 | 1,145 |
| | <u>1,215</u> | <u>1,145</u> |

Transactions with group or dominated companies

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

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2 of the notes to the consolidated financial statements as of 31 December 2014) in the consolidated financial statements.

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

Balances and transactions held with associates and other related parties

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

Revenue

| | Jun 2015 | Jun 2014 |
|---|-----------------------|-----------------------|
| <u>Sales and services rendered</u> | | |
| Invoicing issued- EDP | 470,705 | 791,737 |
| Invoicing issued- OMIP | 165 | 455 |
| Invoicing issued - North China International Power (State Grid Group) | - | 140 |
| Invoicing issued - REE | 1,673 | - |
| Invoicing issued - Centro de Investigação em Energia REN - State Grid | 120 | 54 |
| <u>Dividends received</u> | | |
| REE | 2,934 | 2,462 |
| | <u>475,598</u> | <u>794,848</u> |

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

Costs

| | Jun 2015 | Jun 2014 |
|--|-----------------------|-----------------------|
| <u>External supplies and services</u> | | |
| Invoicing received-EDP | 199,622 | 409,266 |
| Invoicing received-OMIP | 173 | 36 |
| Invoicing received - REE | 2,260 | 472 |
| Invoicing received - Norfin - Serviços, S.A. ¹ | - | 3 |
| Invoicing received - Fidelidade - Companhia de Seguros, S.A. | - | 1 |
| Invoicing received - CMS Rui Pena & Arnaut ² | 38 | 61 |
| | <u>202,093</u> | <u>409,838</u> |

¹ Entities related to EGF - Gestão e Consultoria Financeira, S.A. Group.

² Entity related to the Board member José Luis Arnaut.

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

Balances

As of 30 June 2015 and 31 December 2014 the balances resulting from transactions with related parties were as follows:

| | Jun 2015 | Dec 2014 |
|--|---------------|----------------|
| Trade and other receivables | | |
| EDP - Trade receivables | 68,926 | 227,448 |
| EDP - Guarantees | 155 | 1,633 |
| EDP - Other receivables | 1,057 | - |
| OMIP - Trade receivables | - | 2 |
| OMIP - Other receivables | 3 | 700 |
| OMIP - Guarantees | 256 | 1 |
| Oman Oil - Other receivables | 1 | 1 |
| Centro de Investigação em Energia REN - State Grid - Other receivables | 150 | 211 |
| Centro de Investigação em Energia REN - State Grid - Trade receivable | 7 | 15 |
| Fidelidade - Companhia de Seguros, S.A. | 1 | - |
| REE - Trade receivables | 251 | 35 |
| | 70,807 | 230,044 |
| Trade and other payables | | |
| EDP - Trade payables | 7,887 | 132,979 |
| EDP - Other payables | 92 | - |
| OMIP - Other payables | 186 | 183 |
| OMIP - Guarantees | 27 | 27 |
| Centro de Investigação em Energia REN - State Grid - Other payables | 3 | 7 |
| Norfin Sociedade Gestora de Fundos - Guarantees ¹ | - | 9 |
| CMS - Rui Pena & Arnaut - Trade payables ² | 15 | 20 |
| REE - Trade payables | 395 | 248 |
| | 8,605 | 133,472 |

¹ Entities related to EGF - Gestão e Consultoria Financeira, S.A. Group.

² Entity related to the Board member José Luis Arnaut.

30 SUBSEQUENT EVENTS

After the date of the statement of financial position, there were no events that give rise to additional adjustments or disclosures in the consolidated financial statements of the Company for the six months ended in 30 June 2015.

31 EXPLANATION ADDED FOR TRANSLATION

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

The Accountant

Maria Teresa Martins

The Board of Directors

Rodrigo Costa

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

Manuel Champalimaud

(Member of the Board of Directors)

João Faria Conceição

(Member of the Board of Directors and of the Executive Committee)

Jorge Magalhães Correia

(Member of the Board of Directors)

Gonçalo Morais Soares

(Member of the Board of Directors and of the Executive Committee)

Francisco João Oliveira

(Member of the Board of Directors)

Guangchao Zhu

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

José Luis Arnaut

(Member of the Board of Directors)

Mengrong Cheng

(Member of the Board of Directors)

Manuel Sebastião

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

Longhua Jiang

(Member of the Board of Directors)

Gonçalo Gil Mata

(Member of the Board of Directors and of the Audit Committee)

Omar Al Wahaibi

(Member of the Board of Directors)

Maria Estela Barbot

(Member of the Board of Directors and of the Audit Committee)

Note - The remaining pages of this Report and Accounts (1st half of 2015) were initialled by the Company Secretary and by the Accountant.

4. APPENDIX

4.1 Declaration of Conformity

*DECLARATION PROVIDED IN THE ARTICLE 246 (1) (C)
OF THE PORTUGUESE SECURITIES CODE*

In accordance with and for the purposes of article 246 (1) (c) of the Portuguese Securities Code, each one of the members of the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A., nominally identified below has underwritten the declaration transcribed hereafter ¹:

“I hereby declare, in accordance with and for the purposes of article 246 (1) (c) of the Portuguese Securities Code that, as far as I know, acting in the capacity and within the scope of the functions that I am entrusted with and based on the information that was made available to me within the Board of Directors and/or the Executive Committee, depending on the case, the consolidated financial statements were prepared in accordance with the applicable accounting rules and do reflect a true and appropriate image of the assets and liabilities, financial situation and results of REN – Redes Energéticas Nacionais, SGPS, S.A. and of the companies included in its consolidation perimeter, and that the management report relating to the financial 1st semester of 2015 faithfully reflects the relevant events occurred during that period and the impact on the respective financial statements and contains as well a description of the main risks and uncertainties for next semester.”

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

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

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

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

Mengrong Cheng (Member of the Board of Directors)

Longhua Jiang (Member of the Board of Directors)

Omar Al-Wahaibi (Member of the Board of Directors)

Manuel Champalimaud (Member of the Board of Directors)

Jorge Magalhães Correia (Member of the Board of Directors)

Francisco João Oliveira (Member of the Board of Directors)

José Luis Arnaut (Member of the Board of Directors)

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

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

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

Lisbon, 31st July 2015

¹ The original of the referred individual statements are available, for consultation, at the Company's Head Office.

4.2 List of qualifying holdings [Item c) of no. 1 of Article 9 of CMVM'S Regulation no. 5/2008]

| List of Holders of Qualified Shareholdings (at 30.06.2015) | No of Shares | Capital (%) | Voting Rights (%) |
|---|--------------------------|----------------|-------------------|
| State Grid of China | 133 500 000 ¹ | 25.0% | 25.0% |
| Oman Oil | 80 100 000 ² | 15.0% | 15.0% |
| Gestmin, SGPS, S.A. | 31 326 951 ³ | 5.9% | 5.9% |
| EDP-Energias de Portugal, S.A. | 26 707 335 ⁴ | 5.0% | 5.0% |
| Olíren, SGPS, S.A. | 26 700 000 | 5.0% | 5.0% |
| Red Eléctrica Corporation, S.A. | 26 700 000 | 5.0% | 5.0% |
| Fidelidade – Companhia de Seguros, S.A. | 28 371 417 ⁵ | 5.3% | 5.3% |

Therefore, pursuant to article 20 of the Portuguese Securities Code, as of 30 June 2015, the qualifying holdings of shareholders to which voting rights corresponding to, at least, 2% of the voting rights inherent to REN's share capital were attributable, are as follows:

| | No. of Shares | % Votes |
|---|---------------|---------|
| State Grid | 133,500,000 | 25,0% |
| Oman Oil | 80,100,000 | 15,0% |
| Gestmin, SGPS, S.A. | 31,326,951 | 5,9% |
| EDP - Energias de Portugal, S.A. | 26 707 335 | 5,0% |
| Olíren, SGPS, S.A. | 26,700,000 | 5,0% |
| Red Eléctrica Corporación, S.A. | 26,700,000 | 5,0% |
| Fidelidade - Companhia de Seguros, S.A. | 28,371,417 | 5,3% |

¹ These qualified holdings are attributable to the companies (i) State Grid Europe Limited ("SGEL"), as a direct owner, (ii) State Grid International Development Limited ("SGID"), as the controlling shareholder of SGEL and, finally, (iii) State Grid Corporation of China, as the company which wholly controls SGEL.

² These qualified holdings are attributable to the companies (i) Mazoon B.V., as a direct owner and (ii) Oman Oil Company SAOC, as the company which wholly controls Mazoon, B.V..

³ These qualified holdings of Gestmin, SGPS, S.A. ("Gestmin"), comprising (i) 31.046.951 shares held directly by Gestmin and (ii) 280.000 shares held by Mr. Manuel Carlos de Melo Champalimaud, while majority shareholder of that company and Chairman of the Board of Directors.

⁴ EDP - Energias de Portugal, S.A. holds 18 690 000 shares directly and 8 017 335 shares indirectly through the EDP Pension Fund, a company in a group relation with EDP.

⁵ These qualified holdings of Fidelidade – Companhia de Seguros, S.A. (Fidelidade) comprising (i) 28 115 968 shares held directly by Fidelidade, (ii) 95 816 shares held by Via Direta – Companhia de Seguros, S.A. and (iii) 30 000 shares held by Companhia Portuguesa de Resseguros, S.A., companies wholly owned by Fidelidade. The voting rights inherent to the REN shares held by Fidelidade are also attributable to the company Longrun Portugal, SGPS, S.A., holder of 84.90% of Fidelidade capital, company wholly owned by the company Millenium Gain Limited, which is wholly owned by the company Fosun Holdings Limited, which is wholly owned by the company Fosun International Limited. The company Longrun Portugal, SGPS, S.A. also holds 80% of the share capital of the companies Cares – Companhia de Seguros, S.A. and Multicare – Seguros de Saúde, S.A., holders of, respectively, 78 907 and 50 726 REN's shares.

4.3 Securities held by the members of the corporate bodies [Item a) of no. 1 of Article 9 of CMVM'S Regulation no. 5/2008]

Board of Directors as per composition at 30.06.2015

| | Board of Directors | Acquisitions | Encumbrances | Disposals | Nr. of Shares at 30.06.2015 |
|---------------------|---|--------------|--------------|-----------|-----------------------------|
| Executive Committee | Rodrigo Costa | - | - | - | 0 (zero) |
| | João Faria Conceição | - | - | - | 500 |
| | Gonçalo Morais Soares | - | - | - | 0 (zero) |
| | Guangchao Zhu – Representing State Grid International Development Limited | - | - | - | 133,500,000 ¹ |
| | Mengrong Cheng | - | - | - | 0 (zero) |
| | Haibin Wan | - | - | - | 0 (zero) |
| | Omar Al Wahaibi | - | - | - | 0 (zero) |
| | Manuel Champalimaud | - | - | - | 31,326,951 ² |
| | Francisco João Oliveira | - | - | - | 26,700,000 ³ |
| | Jorge Magalhães Correia | - | - | - | 28,371,417 ⁴ |
| Audit Committee | José Luís Arnaut | - | - | - | 0 (zero) |
| | Manuel Sebastião | - | - | - | 1,000 |
| | Gonçalo Gil Mata | - | - | - | 0 (zero) |
| | Maria Estela Barbot | - | - | - | 0 (zero) |

¹ Guangchao Zhu is Chairman, CEO and member of the Board of Directors of State Grid International Development Limited and Director of State Grid Europe Limited, which has qualified holdings corresponding to 133 500 000 REN shares.

² Comprises 280 000 shares held directly and 31 046 951 shares held by Gestmin SGPS, S.A. ("Gestmin"), representing 5.9% of capital and corresponding to voting rights in REN, and which, due to the exercising of the duties of Chairman of the management body of that company and the majority holding of the respective capital is attributable to him.

³ Corresponds to the shares held by Oliren, SGPS, S.A., which are attributable pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of Member of the management body of this company.

⁴ Corresponds to the shares held by Fidelidade – Companhia de Seguros, S.A., which are attributable pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of CEO and Member of the management body of this company.

4.4 Limited review Report prepared by an auditor registered at the stock exchange commission (Comissão do Mercado de Valores Mobiliários) on the half year consolidated information

LIMITED REVIEW REPORT PREPARED BY AN AUDITOR REGISTERED AT THE STOCK
EXCHANGE COMMISSION (COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS)
AS OF AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015
CONSOLIDATED INFORMATION

(Translation of a report originally issued in Portuguese)

Introduction

1. We present our Limited Review Report on the consolidated financial information of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (“the Company”) for the six months period ended 30 June 2015, included in the: Consolidated Statement of Financial Position (that reflects total assets of 4,688,963 thousand Euros and total equity of 1,120,603 thousand Euros, including a consolidated net profit for the period of 75,275 thousand Euros), Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the six months period then ended and the corresponding Notes and in the section Financial Performance.
2. The amounts in the financial statements, as well as the additional financial information, are those reflected in the accounting records of the companies included in the consolidation, subsequently adjusted, in the consolidation process, in accordance with International Financial Reporting Standards as adopted by the European Union.

Responsibilities

3. The Company’s Board of Directors is responsible: (i) for preparing consolidated financial information that fairly presents the financial position of the companies included in the consolidation, their consolidated comprehensive income, consolidated changes in equity and consolidated cash flows; (ii) that the historical financial information is prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and that it is complete, true, timely, clear, objective and licit as required by the Securities Market Code (Código dos Valores Mobiliários); (iii) for the adoption of adequate accounting policies and criteria; (iv) for the maintenance of appropriate systems of internal control; and (v) for the disclosure of any significant facts that have influenced its operations and those of the companies included in the consolidation, their financial position or their comprehensive income.
4. Our responsibility is to verify the financial information contained in the documents referred to in above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent moderate assurance report on that consolidated financial information, based on our work.

Scope

5. Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatements. Our work, which was performed in accordance with the auditing standards (“Normas Técnicas e Directrizes de Revisão/Auditoria”) issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), was planned in accordance with that objective and consisted mainly of inquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies used, considering the circumstances and their consistent application; (iii) application or not of the going concern concept; (iv) presentation of the financial information; and (v) if, in all material respects, the consolidated financial information is complete, true, timely, clear, objective and licit as required by the Securities Market Code.
6. Our work also included verifying the consistency of the consolidated financial information included in the section Financial Performance with the other documents referred to above.
7. We understand that our work provides a reasonable basis for issuing this Limited Review Report on the consolidated financial information as of and for the six months period ended 30 June 2015.

Opinion

8. Based on our work, which was performed with a view to obtaining moderate assurance, nothing came to our attention that led us to conclude that the consolidated financial information of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of and for the six months period ended 30 June 2015, referred to in paragraph 1 above, is not exempt from material distortions that affect its compliance with International Financial Reporting Standards as adopted by the European Union for purposes of interim financial reporting (IAS 34), and that in the terms and definitions included in the guidelines referred to in paragraph 5 above, is not complete, true, timely, clear, objective and licit.

Lisbon, 31 July 2015

Deloitte & Associados, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

4.5 Report and opinion of the Audit Committee in respect of the consolidated half year information

(regarding the six month period ended 30th June 2015)

(Translation of a report originally issued in Portuguese)

Within the scope of the responsibilities attributed, the Audit Committee, during the first semester of 2015, accompanied the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A. and its participated companies, ensured compliance with the law, regulations and articles of association, oversaw the fulfillment of the accounting policies and practices and supervised the process of preparation and disclosure of the financial information, the effectiveness of the internal control systems, the management of risk and also the independence and activity of the Statutory Auditor and the External Auditor.

The Audit Committee examined the consolidated financial information included in the section Financial Performance and the condensed consolidated financial statements for the half year ended June 30, 2015 of REN – REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A., which comprise the Consolidated Statement of Financial Position (that reflects total assets of 4,688,963 thousand Euros and total equity of 1,120,603 thousand Euros, including a consolidated net profit of 75,275 thousand Euros), the Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the half year then ended and the corresponding Notes.

The Audit Committee also examined and agreed with the Limited Review Report on the above mentioned consolidated half year information prepared by the Statutory Auditor and by the External Auditor.

In the light of the above, the Audit Committee is of the opinion that consolidated financial information for the half year ended on June 30, 2015, is in accordance with the applicable accounting, legal and articles of association provisions.

Lisbon, 31st July 2015

Manuel Ramos de Sousa Sebastião

Estela de Magalhães Barbot

Gonçalo Gil Mata

4.6 Contacts

At REN we are happy to pursue a policy of facilitating direct access to the Group's corporate bodies. Feel free to contact us at the following addresses/numbers/emails:

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