Report and accounts for the first quarter of 2011

Minimum items required by IAS 34 in accordance with Art. 10, Reg. 5/2008 of the CVM

(Portuguese Stock Exchange Commission)

Unofficial Translation

This is an unofficial translation of the announcement made below and it has been prepared for information purposes only. In the case of any discrepancy between this translation and the Portuguese version, the Portuguese version will prevail.

REN Group Consolidated Report

March 31st 2011

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

TABLE OF CONTENTS

1 Directors' Report

Main financial data at first quarter of 2011

Net income grew by 10% to €34.4M, an increase of 37.3% versus 1Q10 (this amount includes a provision of €6.2M to cover the contingent liability arising from the dispute with Amorim Energia). In 2011, recurrent net income (which was the same as net income) grow by 9.9%.

EBITDA increased by 10.5% YoY to €115.5M, mainly due to the expansion in the regulatory asset base, the better weighted average rate of return, the new indexation of hydro land remuneration, and the improvement in operational efficiency (operational costs decreased by 19.3% or €-6.2M).

Despite the difficulties that Portuguese corporate sector is facing in financial markets, net debt decreased by 0.9% to €2,163M.

MAIN INDICATORS [Million euros]	**1ºQ 2010**	**1ºQ 2011**	**Change %**
EBITDA	104.5	115.5	10.5%
Net Financial Income	-19.8	-20.8	4.8%
Net Income	25.0	34.4	37.3%
Recurrent Net Income	31.3	34.4	9.9%
CAPEX	52.7	60.1	14.0%
Average RAB	2,842.5	3,035.5	6.8%
Net Debt (end of period)	2,182.2	2,162.9	-0.9%

Results analysis

EBITDA grew by €11.0M (+10.5%) YoY, reaching €115.5M. The mainly reasons are:

- An increase in RAB and in the weighted average rate of return, leading return on RAB to grow by 11.1% (€5.4M), and depreciation recovery by 6.4% (+€2.4M);
- The change in the indexation of hydro land remuneration (from inflation rate to midswap +50 bps) resulted in a gain of €2.6M in 1Q11, versus a loss of €0.3M in 1Q10;
- The gains in hedging contracts of +€0.8M (shown in "Other operational revenues");
- A decrease in REN's OPEX of €6.2M (-18.3%) reaching €27.7M. External services decreased by 31.2% and personnel costs by 10.2%. These decreases reflect the continued effort to raise the company's operational efficiency as well as the changes in the consolidation method of natural gas transmission companies.

Despite the rise in financial revenues associated with increased bank deposits (+€0.8M, +196%), financial results were €-20.8M (an increase of 4.8% YoY). Taking into account the difficulties that the Portuguese corporate sector is facing in financial markets, the average cost of debt grew by only 35 bps (reaching 4.24%).

Average RAB and CAPEX

Average RAB increased 6.8% YoY to €3.036M. Entries into operation were reduced in the quarter; totaling €1.7M (€0.2M in the electricity segment and €1.5M in the gas segment).

CAPEX reached €60M in the quarter, an increase of 14.0% versus 1Q10. The electricity's segment decreased by 2.2%. Partly as a result of the ongoing project to upgrade REN's LNG Terminal, investment in the gas segment grew by 47.9%.

	1ºQ 2010	1ºQ 2011	Change %
Total average RAB	**2,842.5**	**3,035.5**	**6.8%**
Electricity	1,532.0	1.664.6	8.7%
Hydro-land	354.6	340.0	-4.1%
Gas	955.9	1,030.9	7.8%
Capital expenditure	**52.7**	**60.1**	**14.0%**
Electricity	35.7	34.9	-2.2%
Gas	17.0	25.2	47.9%
Other	0.03	0.04	63.1%

2 Condensed consolidated financial statements

Consolidated statements of financial position

(Amounts expressed in thousands of euros - tEuros)

	Note	As of 31 March 2011	As of 31 March 2010
ASSETS			
Non-current assets			
Tangible fixed Assets	5	1.137	1.201
Goodwill	5	3.774	3.774
Other intangible fixed assets	5	3.735.896	3.720.857
Deferred tax assets	6	64.944	60.802
Available-for-sale financial assets	7	93.334	84.301
Derivative financial instruments	11	15.463	20.699
Other investments		7.310	7.119
Trade and other receivables	8	67.047	66.505
		3.988.904	**3.965.257**
Current assets			
Inventories		3.796	4.047
Trade and other receivables	8	274.428	275.796
Current income tax recoverable		361	361
Guarantee deposits	20	95.201	74.234
Derivative financial instruments	11	1.675	2.212
Cash and cash equivalents		129.965	138.598
		505.425	**495.248**
Total assets		**4.494.330**	**4.460.505**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	534.000	534.000
Treasury shares	9	(10.728)	(10.728)
Other reserves		223.643	211.582
Retained earnings		280.746	170.453
Profit for the year attributable to equity holders of the Company		34.378	110.265
		1.062.039	**1.015.572**
Minority interest		526	6.329
Total equity		**1.062.565**	**1.021.901**
LIABILITIES			
Non- current liabilities			
Borrowings	10	2.026.327	1.910.650
Deferred tax liabilities	6	67.699	71.551
Retirement and other benefits obligations	12	65.410	66.031
Trade and other payables		458.799	451.940
Derivative financial instruments	11	1.218	2.875
Provisions	13	4.611	4.611
		2.624.064	**2.507.659**
Current liabilities			
Borrowings	10	277.576	347.134
Trade and other payables		334.828	432.807
Provisions	13	12.470	-
Income tax payable		83.704	59.925
Derivative financial instruments	11	3.922	4.375
Guarantee deposits	20	95.201	74.234
		807.700	**918.475**
Total liabilities		**3.431.764**	**3.426.134**
Total equity and liabilities		**4.494.330**	**4.448.033**

The notes on pages 11 to 44 form an integral part of the condensed consolidated financial statements.

Consolidated statements of profit and loss for the three month periods ended 31 March 2011 and 2010

(Amounts expressed in thousands of euros - tEuros)

	Note	Period ended March 2011	March 2010
Sales	4	88	471
Services provided	4	128.281	185.069
		60.105	52.724
Other operating income		7.839	6.365
Share of (loss)/profit of joint ventures		-	2.577
Operating income		**196.313**	**247.206**
Cost of goods sold		(19)	(204)
		(53.127)	(46.815)
External supplies and services		(11.392)	(16.567)
Employee compensation and benefit expense		(12.076)	(13.435)
Depreciation and impairment charges	5	(45.454)	(41.779)
Provisions	13	-	(6.235)
Other expenses	21	(4.212)	(65.694)
Operating costs		**(126.279)**	**(190.728)**
Operating results	4	**70.034**	**56.478**
Financial costs		(23.502)	(21.590)
Financial income		1.188	401
Investment income - dividends		1.541	1.368
Financial results		**(20.772)**	**(19.820)**
Profit before income taxes		**49.261**	**36.658**
Income tax expense	14	(14.862)	(11.613)
Profit for the year		**34.400**	**25.046**
Attributable to:			
Equity holders of the Company		34.378	25.045
Minority interest		21	0
		34.400	**25.046**
Earnings per share attributable to the equity holders of the company during the year (expressed in euro per share)			
- basic		0,06	0,05
- diluted		0,06	0,05

The notes on pages 11 to 44 form an integral part of the condensed consolidated financial statements.

Consolidated statements of comprehensive income for the three month periods ended 31 March 2011 and 2010

(Amounts expressed in thousands of euros - tEuros)

		Period ended	
	Note	March 2011	March 2010
Net Profit for the period		34.400	25.046
Other income and cost recorded in equity:			
Increase/(decrease) in hedging reserves - derivative financial instruments		4.265	(962)
Gain/(loss) on available-for-sale assets - gross amount	7	9.033	3.835
Other variations		27	-
Tax effect on items recorded directly in equity	6	(1.236)	(253)
Comprehensive income for the period		46.488	27.666
Attributable to:			
Equity holders of the company		46.467	27.666
Minority interests		21	0
		46.488	**27.666**

The notes on pages 11 to 44 form an integral part of the condensed consolidated financial statements.

Consolidated statements of changes in equity for the three month periods ended 31 March 2011 and 2010

(Amounts expressed in thousands of euros - tEuros)

	Attributable to shareholders									
	Share capital	Treasury shares	Legal Reserve	Fair Value reserve	Hedging reserves	Other reserves	Retained earnings	Profit for the year	Minority interests	Total
At 1 January 2010	**534.000**	**(10.728)**	**67.221**	**(3.247)**	**(5.553)**	**103.218**	**177.067**	**134.107**	**514**	**996.599**
Net profit of the period and other comprehensive income	-	-	-	3.327	(707)	-	-	25.045	-	27.665
Distribution of dividends	-	-	-	-	-	-	(89.178)	-	-	(89.178)
Transfer to other reserves	-	-	7.224	-	-	48.091	78.792	(134.107)	-	-
At 31 March 2010	**534.000**	**(10.728)**	**74.445**	**80**	**(6.260)**	**151.309**	**166.681**	**25.045**	**514**	**935.085**

	Attributable to shareholders									
	Share capital	Treasury shares	Legal Reserve	Fair Value reserve	Hedging reserves	Other reserves	Retained earnings	Profit for the year	Minority interests	Total
At 1 January 2011	**534.000**	**(10.728)**	**74.445**	**(9.861)**	**(1.141)**	**148.138**	**170.453**	**110.265**	**6.329**	**1.021.901**
Net profit of the period and other comprehensive income	-	-	-	9.033	3.028	-	27	34.378	21	46.488
Minority interests resulting from changes in consolidation perimeter	-	-	-	-	-	-	-	-	(5.814)	(5.814)
Other adjustments	-	-	-	-	-	-	-	-	(11)	(11)
Distribution of dividends	-	-	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	-	-	-	110.265	(110.265)	-	-
At 31 March 2011	**534.000**	**(10.728)**	**74.445**	**(828)**	**1.887**	**148.138**	**280.746**	**34.378**	**526**	**1.062.565**

The notes on pages 11 to 44 form an integral part of the condensed consolidated financial statements.

Consolidated statements of cash flows for the three month periods ended 31 March 2011 and 2010

(Amounts expressed in thousands of euros - tEuros)

	Period ended	
	March 2011	March 2010
Cash flow from operating activities		
Cash receipts from customers	674.733	575.725
Cash paid to suppliers	(547.400)	(461.597)
Cash paid to employees	(13.203)	(12.952)
Income tax received/paid	(312)	231
Other payments/receipts relating to operating activities	(1.957)	2.285
Net flows from operating activities	**111.861**	**103.692**
Cash flow from investing activities		
Receipts related to:		
Interests and other similar income	838	206
Dividends	796	692
Payments related to:		
Tangible fixed assets	(80)	(31)
Intangible assets	(124.051)	(127.654)
Interests and other similar expense	-	-
Net cash used in investing activities	**(151.497)**	**(126.787)**
Cash flow from financing activities		
Receipts related to:		
Borrowings	2.407.000	3.599.489
Interests and other similar income	175	7
Payments related to:		
Borrowings	(2.351.368)	(3.551.853)
Interests and other similar expense	(6.934)	(4.276)
Net cash (used in)/from financing activities	**48.874**	**43.367**
Net (decrease)/increase in cash and cash equivalents	9.238	20.272
Cash and cash equivalents at de begining of the year	101.871	24.576
Cash and cash equivalents at the end of the period	**111.109**	**44.849**

Detail of cash and cash equivalents		
Cash	36	-
Bank overdrafts	(18.857)	(22.692)
Bank deposits	129.929	67.540
	111.109	**44.849**

The notes on pages 11 to 44 form an integral part of the condensed consolidated financial statements.

3 Notes to the condensed consolidated financial statements

1 General information

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Group"), with head office in Avenida Estados Unidos da América, 55 - Lisbon, was founded 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 Electricity Supply System (PES).

Up to 26 September 2006 the operations of the REN Group were concentrated on the electricity business through REN – Rede Eléctrica Nacional, SA. As a result of the unbundling process of the natural gas business, on 26 September 2006 the Group underwent a significant change with the acquisition of the assets and participations relating to the transport, storage and re-gasification operations of natural gas, this becoming a new business.

In the beginning of 2007 the Company was transformed into the Group's holding company and, after transfer of the electricity business to the new company founded on 26 September 2006, REN – Serviços de Rede, S.A., was renamed REN – Rede Eléctrica Nacional, S.A.

The Group presently has two main business areas, Electricity and Gas, and two secondary businesses in the areas of Telecommunications and Management of the Electricity Derivatives Market.

The Electricity business includes the following companies:

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

b) REN Trading, S.A., which was founded on 13 June 2007, the main operations of which are the management of energy acquisition contracts (contratos de aquisição de energia - CAE) of Turbogás and Tejo Energia, which did not terminate on 30 June 2007, date of the entry into force of the new CMEC contracts (Contracts for the Maintenance of the Contractual Equilibrium). The operations of the company include the trading of the electricity produced and of the installed production capacity, with domestic and international distributors.

The Gas business includes the following companies:

a) REN Gasodutos, S.A.

This company was founded on 26 September 2006, the capital of which was paid up through integration of the gas transport infrastructures (network; connections; compression);

b) REN Armazenagem, S.A.

This company was founded on 26 September 2006, the capital of which was paid up through integration of the underground gas storage assets;

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

This company was acquired under the acquisition of the gas business, previously called "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of the company consist of the supply, reception, storage and re-gasification of natural liquefied gas through the GNL maritime terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures.

The operations of these companies are carried out under three concession contracts granted separately for periods of 40 years as from 2006.

In addition, REN Gasodutos, S.A. has participations in two companies founded under joint venture with the Spanish gas transporter, Enagás, to which REN Gasodutos, S.A. ceded the transport rights to specific gas pipelines (Braga-Tuy and Campo Maior - Leiria – Braga).

These joint ventures were created with the objective of jointly managing the transport capacity of some sectors of REN Gasodutos, S.A. gas pipelines with the allocation to each of the partners of a transport capacity so as to ensure maximum utilization of its capacity. The profitability of these companies was ensured by the two partners (REN and Enagás) through the fixing of an annual price payable for each natural gas unit transported.

On 17 December 2010 a contract was entered into between REN Gasodutos, S.A. and Enagás, S.A. relating to the release of Enagás, S.A. from the joint project of natural gas supply to Portugal and Spain. The project establishes the transmission by Enagás to the benefit of REN Gasodutos, of its utilization rights of the gás pipeline capacity, through the payment by REN Gasodutos of the amount of 29 000 thousand Euros. In addition, the contract establishes the settlement of all the amounts due between the transport companies (Gasoduto Campo Maior Leiria Braga, S.A. and Gasoduto Braga-Tuy, S.A.) and Enagás and the amortization of the shares held by Enagás in the capital of these transport companies, becoming REN holder of the control of the operating policies of the transport companies as from 31 December 2010.

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

Management of the Electricity Derivatives Market is carried out by OMIP – Operador do Mercado Ibérico de Energia (Pólo Português), S.A. This entity was founded to organize the Portuguese division of MIBEL, providing management of MIBEL's Derivatives Market together with OMIclear (Clearing Agent for the Energy Market), a company founded and fully owned by OMIP, which role is to be the clearing agent and central counterparty for operations realized in the term market. OMIP started operating on 3 July 2006.

Following the Santiago Agreements, the company OMIP SGPS, S.A. was founded and started operating on 16 September 2010 with the corporate objective of managing participations in other companies as an indirect form of carrying out economic activities. The company became holder of the shares in OMIP – Operador do Mercado Ibérico de Energia (Pólo português), S.A.

REN Serviços, S.A. started operating in January 2008, its operations consist of the rendering of any general administrative, financial, regulating, personnel management, salary processing, management and maintenance of non-fixed assets and fixed assets, negotiation and supply of consumables or services and in general any other services of that type, usually known as back-office services, being remunerated for theses, both for the related group companies and any third parties.

On 15 December 2010, the corporate objective of REN Serviços, S.A. was changed becoming: the Company has the objective of rendering services in the energy area and general services in the support and development of the business, being remunerated, by related companies or by third parties, as well as the management of investments that the company has in other companies.

Enondas, Energia das Ondas, S.A. was founded on 14 October 2010, its capital is fully held by REN - Redes Energéticas Nacionais, S.A, and its main activity is manage the concession to operate a pilot area for the production of electric energy from ocean waves.

1.1. Approval of the condensed consolidated financial statements

These condensed consolidated financial statements were approved by the Board of Directors at a meeting held on 5 May 2011. The Board of Directors believes that these condensed consolidated financial statements fairly reflect the REN Group's operations, as well as its financial position and financial performance and its cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union.

2 Basis of preparation

The financial statements for the period ended 31 March 2011 were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, for interim financial reporting (IAS 34). The condensed financial statements should be read in conjunction with the annual financial statements issued for the year ended 31 December 2010 considering the matters referred to in Note 3.1 below.

The financial statements are presented in thousands of euros.

3 Main accounting policies

The condensed consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis, at historical cost, except for the derivative financial instruments and available-for-sale financial assets, which are recorded at fair value, as from the books and accounting records of the companies included in the consolidation, maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements conform to International Financial Reporting Standards as endorsed by the European Union, in force for the years starting on 1 January 2010. It is understood that 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 are considered as being part of these standards. The standards and interpretations are hereinafter referred generically to as IFRS.

Except for the matters explained below (Note 3.1), the accounting policies used to prepare the condensed 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 2010, as explained in the notes to the consolidated financial statements for 2010. These policies were applied on a consistent basis for the periods presented.

a) The following standards, interpretations, amendments and revisions endorsed by the European Union, with mandatory application for financial years beginning on or after 1 January 2010, were adopted for the first time in the year ended 31 December 2010:

- IFRS 1 - First time adoption of International Financial Reporting Standard´(change) – This standard was revised so as to group the various alterations which occurred since its first version. The change considered a series of additional exemptions from retrospective application in terms of assets resulting from the exploitation of mineral resources, decommissioning responsibilities and application of the requirements of IFRIC 4. This change had no effect on the REN Group's consolidated financial statements.

- IFRS 2 – Share based payments (amendment). The changes introduced clarified the following matters: (i) that an entity should not apply this IFRS to transactions in which the entity acquires assets as part of the net assets acquired in a concentration of business activities as defined in IFRS 3 – Concentration of Business Activities (as amended in 2008), in a concentration of entities or business activities under common control; and (ii) the accounting treatment of share based payments in shares of the Group in the non-consolidated financial statements of an entity which receives goods or services, when that entity is not required to make the payment in shares. These changes did not have any impact on the REN Group's consolidated financial statements.

- IFRS 3 – Concentration of business activities / IAS 27 – Consolidated and separate financial statements (as revised in 2008) – This revision introduced some changes in terms of the recording of business combinations as regards: (a) measurement of interests without control (formerly known as minority interests); (b) recognition and subsequent measurement of contingent payments; (c) the treatment of direct costs relating to concentrations; (d) the recording of the purchase of interests in entities already controlled and the sale of interests that do not result in loss of control of the entity; and (e) calculation of the result of the sale of a participation with loss of control and the need to re-measure the interest retained in the participation sold. This change had no effect on the REN Group's consolidated financial statements.

- IAS 28 'Investments in associates' (2008 revision) – The principles described above for IAS 27 (2008 revision) regarding determination the result of a sale is extended to IAS 28. This change had no effect on the REN Group's consolidated financial statements.

- IAS 39 ‘Financial instruments: Recognition and measurement (change). This clarifies the application of hedge accounting to the inflation component of financial instruments and options contracts, when used as hedging instruments. This change did not have a significant effect on the REN Group’s consolidated financial statements.

- IFRIC 12 ‘Service Concession Agreements’ – IFRIC 12 determines how concession service operators apply the rules for recognizing and measuring the rendering of infrastructure construction and operation services by the private entity when signing a concession contract. This interpretation is applicable to the REN Group’s operations and the impact of its adoption is explained below.

- IFRIC 15 ‘ Contracts for the construction of real estate’ – This interpretation covers the form of determining if a real estate construction contract is within the scope of IAS 11 ‘Construction contracts’ or IAS 18 ‘Income’ and how the income should be recognized. This change had no impact on the consolidated financial statements of REN.

- IFRIC 16 ‘Hedging of a Net Investment in a Foreign Operating Unit’ (change) – This interpretation provides guidelines on hedge accounting for net investments in foreign operations. This change had no impact on the consolidated financial statements of REN.

- IFRIC 17 ‘Non cash distribution to owners’ – This interpretation provides guidance on the correct accounting for non-cash distributions to shareholders as dividends. This change had no impact on the consolidated financial statements of REN.

- IFRIC 18 ‘Transfer of assets received from clients’ – This interpretation provides guidelines on the accounting by operators of tangible fixed assets received from clients. This interpretation is significant for the utilities sector as it establishes the accounting treatment applicable to agreements in which the entity providing the service receives an asset from a client that will be used to connect the client or other clients to the service network or that enables the client to have access to the service network. This interpretation did not have a significant impact on the consolidated financial statements of REN.

- Improvements in international financial reporting standards – 2009. This process involved the revision of 12 accounting standards.

b) Up to the date of approval of these financial statements the following standards, interpretations, amendments and revisions, with mandatory application in future financial years have been endorsed by the European Union:

- IFRS 1 'First time adoption of International Financial Reporting Standards' (change) (to be applied for years starting on or after 1 July 2010) – This standard defines the limited exemption from the requirement to present comparative disclosures in accordance with IFRS 7 for those opting for the first time to simplify the requirements to disclose comparatives regarding financial instruments in the first time adoption of IFRS. This change will have no impact on the consolidated financial statements of REN.

- IAS 24 'Disclosure of Related Parties' (2009 revision) (to be applied for years starting on or after 1 January 2011) – This revision introduced some clarifications relating to the disclosures to be made of related parties, especially as regards entities connected to the public administration. This change did not result in a significant impact on the financial statements of REN.

- IAS 32 'Financial Instruments : Presentation' (change) (to be applied for years starting on or after 1 February 2010) – This change clarified under what conditions rights issued can be classified as equity instruments. This change will have no impact on the consolidated financial statements of REN.

- IFRIC 14 'Prepayment of a minimum financing requirement' (change) (to be applied for years starting on or after 1 January 2011) – This change eliminated an unintentional consequence resulting from the treatment of prepayments of future contributions in circumstances in which a minimum financing requirement is applicable. This change will have no impact on the consolidated financial statements of REN.

- IFRIC 19 'Extinction of financial liabilities through equity instruments'(to be applied for years starting on or after 1 July 2010). This interpretation provides guidelines on the accounting for transactions in which the terms of a financial liability are renegotiated and result in the issuance by an entity of equity instruments in favor of its creditor with the resulting extinction of the full amount or part of the liability. This change will have no impact on the consolidated financial statements of REN.

These standards although endorsed by the European Union, have not been adopted by the Group as their adoption is not yet mandatory.

3.1 Adoption of IFRIC 12 – Service Concession agreements

The Group has: (i) four concessions for operating and developing of the National Transmission Network, for the overall management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the underground storage of natural gas and overall management of the natural gas system and (ii) a concession to exploit a pilot area to produce electric energy from ocean waves. The assets acquired / constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 – Service Concession Agreements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. It was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls:

- The services to be rendered by the concessionaire (through utilization of the infrastructure), to whom and at what price; and
- Any residual interest over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- constructed or acquired by the operator from third parties;
- already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

(i) the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Trading, S.A., REN Atlântico, Terminal de GNL, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

(ii) the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas and lines, stations and substations in the case of electricity;

(iii) the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE;

(iv) the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and defines the following models:

(i) Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding.

(ii) The intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset.

(iii) Mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the type of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its situation is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

This situation and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant up to 31 December 2010.

For purposes of amortization of the assets relating to the concession, the REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: “ A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method and production unit method. The method used is selected based on the expected consumption model of future economic benefits included in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits”. Therefore considering this, REN considers that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in 2009, with reference to 1 January 2009, the REN Group made a retrospective adjustment to the rate of amortization of the conceded assets that prior to the adoption of IFRIC 12 the assets relating to the concession were already being amortized in accordance with the expected model of consumption of future benefits, which is in accordance with IFRIC 12; therefore the adoption of IFRIC 12 did not affect profit for 2009 and 2010 resulting from change in the rate of amortization.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN’s tariffs, the remuneration base is determined considering each conceded asset specifically which assumes the need to componentize the right. Consequently, in the case of REN’s concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established. Therefore the intangible asset is: (i) increased as the various projects relating to the concession are concluded, being recorded based on cost; and (ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation. This notwithstanding, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12.

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds recoverable value, any difference being recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Land relating to the electricity producing centres are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on their amortization, not being dissociable, as such from the other assets of the concession, being an integral part of a common cash generating unit. Such assets were classified as investment properties prior to 1 January 2009, REN, consequently, not considering them to be related to a common cash generating unit. As a result of the adjustments made in measuring and classifying these assets in 2009, with effect as of 1 January 2009, as a result of adopting IFRIC 12 there were no impacts in the consolidated financial statements relating to these assets, except for their reclassification as an integral part of the rights inherent in the concessions – Conceded intangible assets.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 mentions that: “Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to arrive at the book value of the asset”. Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, the effects resulting from the adoption of IFRC 12 for the first time on 1 January 2010 in the REN Group’s accounts consist on the reclassification the balance of regulated assets relating to the electricity and gas businesses, from tangible assets to intangible assets. Intangible assets are amortized over the concession period in accordance with the method described above. On the other hand, the consolidated statement of profit and loss, started to consider the costs of constructing conceded assets and the related construction revenue, without including margin.

4 Segment Information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and benefits that are different from those of other business segments. A geographical segment is engaged in providing products or services, within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The REN Group only discloses segment information by business segment, since the Group operates only in Portugal. The transactions of the group company OMIclear, although referring essentially to the sale of future contracts within MIBEL, are not material for the presentation of geographical segment information.

REN identified the Executive Committee as the entity responsible for making operating decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources. Determination of the segments was made based on the information analysed by the Executive Committee, which did not result in new segments in relation to those previously reported.

The REN Group is organized in two main business segments: Electricity and Gas and two secondary segments: telecommunications and management of the electricity derivatives market. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal and underground storage of natural gas.

The other segments (telecommunications and management of the electricity derivatives market) are also presented separately although they do not qualify for disclosure.

The results by segment for the three month period ended 31 March 2010 were as follows:

	Electricity	Gas	Telecom.	Electricity Market Operator	Others	Total
Total sales and services rendered	213.469	44.882	1.582	896	6.326	267.155
Inter-segment sales and services rendered	(74.837)	(19)	(160)	(273)	(6.326)	(81.615)
Sales and services provided	**138.632**	**44.863**	**1.422**	**623**	**-**	**185.540**
Operating result by segment	38.408	25.279	1.106	(212)	(10.712)	53.869
Financial costs	(14.023)	(3.039)	-	(1)	(1.918)	(18.981)
Financial income	91	160	-	4	1.515	1.770
Profit before income tax						36.658
Income tax expense						(11.613)
Net profit for the period						**25.045**
Other expenses:						
Depreciation	29.776	11.797	3	50	22	41.648
Provisions	-	-	-	-	6.235	6.235

The results by segment for the three month period ended 31 March 2011 were as follows:

	Electricity	Gas	Telecom.	Electricity Market Operator	Others	Total
Total sales and services rendered	84.356	49.537	1.278	969	-	136.139
Inter-segment sales and services rendered	(208)	(7.236)	(170)	(156)	-	(7.770)
Sales and services rendered	84.148	42.301	1.108	813	-	128.369
Operating result by segment	49.079	25.807	946	157	(5.955)	70.034
Financial costs	(14.660)	(3.725)	(79)	(2)	(5.036)	(23.502)
Financial income	1	108	-	42	2.579	2.730
Profit before income tax						49.262
Income tax expense						(14.862)
Net profit for the period						**34.400**
Other expenses:						
Depreciation	31.413	13.938	3	55	44	45.454

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

Assets and liabilities by segment at 31 December 2010 as well as capital expenditure for the year then ended were as follows:

	Electricity	Gas	Telecom.	Electricity Market Operator	Others	Total
Assets	2.825.686	1.336.634	3.548	79.257	215.378	4.460.503
Liabilities	843.265	358.815	472	75.471	2.160.579	3.438.602
Capital expenditure - tangible assets	4	-	-	367	339	710
Capital expenditure - intangible assets	293.856	148.473	-	-	-	442.330
Capital expenditure - total	**293.861**	**148.473**	**-**	**367**	**339**	**443.040**

Assets and liabilities by segment at 31 March 2011 as well as capital expenditure for the period then ended were as follows:

	Electricity	Gas	Telecom.	Electricity Market Operator	Others	Total
Assets	2.840.263	1.349.662	3.724	101.951	224.017	4.519.617
Liabilities	740.309	315.415	537	96.746	2.257.291	3.410.298
Capital expenditure - tangible assets	-	-	-	1	42	43
Capital expenditure - intangible assets	34.862	25.243	-	-	-	60.105
	34.862	25.243	-	1	42	60.148

Assets by segment consist primarily of assets of the concession, classified under the captions other intangible fixed assets and trade and other receivables. Liabilities by segment include operating liabilities, except for liabilities of the parent company and borrowings not contracted for the operating activities at the period ended 31 March 2011, included under the liability caption “Others”.

Capital expenditure comprises additions to tangible and intangible fixed assets (Note 5).

5 Tangible and intangible assets

The changes in tangible and intangible fixed assets in the period from 1 January 2010 to 30 March 2010 were as follows:

Changes in tangible and intangible fixed assets – March 2010

	January 2010 - Restated			Changes					March 2010		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and w rite-offs	Transfers	Depreciation charge	Depreciation - disposals and w rite-offs	Cost	Accumulated depreciation	Net book value
Tangible Assets											
Land	-	-	-	-	-	-	-	-	-	-	-
Buildings and other constructions	-	-	-	-	-	-	-	-	-	-	-
Transmission and electronic equipment	103	(45)	58	-	-	-	(3)	-	103	(48)	54
Transport equipment	500	(218)	282	-	-	-	(29)	-	500	(247)	252
Tools	-	-	-	-	-	-	-	-	-	-	-
Office equipment	3.111	(2.725)	386	3	-	-	(47)	-	3.114	(2.772)	342
Fixed assets in progress	159	-	159	25	-	-	-	-	184	-	184
	3.872	**(2.988)**	**884**	**29**	**-**	**-**	**(80)**	**-**	**3.900**	**(3.067)**	**833**

	January 2010 - Restated			Changes					March 2010		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and w rite-offs	Transfers	Depreciation charge	Depreciation - disposals and w rite-offs	Cost	Accumulated depreciation	Net book value
Intangible Assets											
Concession Assets	5.414.778	(2.272.589)	3.142.189	159	(146)	8.809	(41.698)	122	5.423.600	(2.314.166)	3.109.434
Concession assets in progress	308.803	-	308.803	52.587	-	(8.809)	-	-	352.581	-	352.581
Goodw ill	3.774	-	3.774	-	-	-	-	-	3.774	-	3.774
	5.727.355	**(2.272.589)**	**3.454.766**	**52.745**	**(146)**	**-**	**(41.698)**	**122**	**5.779.955**	**(2.314.166)**	**3.465.789**

The changes in tangible and intangible fixed assets in the period from 1 January 2011 to 30 March 2011 were as follows:

Changes in tangible and intangible fixed assets – March2011

	January 2011			Changes					March 2011		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals and write-offs	Cost	Accumulated depreciation	Net book value
Tangible Assets											
Land	-	-	-	-	-	-	-	-	-	-	-
Buildings and other constructions	-	-	-	-	-	-	-	-	-	-	-
Transmission and electronic equipment	103	(58)	45	-	-	-	(3)	-	103	(61)	42
Transport equipment	677	(261)	416	39	-	-	(47)	-	716	(308)	408
Tools	-	-	-	-	-	-	-	-	-	-	-
Office equipment	3.534	(2.924)	610	3	-	-	(56)	-	3.537	(2.980)	558
Assets in progress	130	-	130	-	-	-	-	-	130	-	130
	4.444	**(3.243)**	**1.201**	**43**	**-**	**-**	**(106)**	**-**	**4.486**	**(3.349)**	**1.137**

	January 2011			Changes					March 2011		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals and write-offs	Cost	Accumulated depreciation	Net book value
Intangible Assets											
Concession Assets	5.821.735	(2.440.750)	3.380.985	426	(3.010)	1.227	(44.522)	2.467	5.820.379	(2.482.805)	3.337.573
Concession assets in progress	339.872	-	339.872	59.678	-	(1.227)	-	-	398.323	-	398.323
Goodwill	3.774	-	3.774	-	-	-	-	-	3.774	-	3.774
	6.165.381	**(2.440.750)**	**3.724.631**	**60.105**	**(3.010)**	**-**	**(44.522)**	**2.467**	**6.222.476**	**(2.482.805)**	**3.739.670**

The balances of the accounts at 31 March 2010 were restated due to the adoption of IFRIC 12 – Note 3.1.

The additions in the year ended 31 March 2011 refer essentially to rights underlying the operation of the substations of the National Transmission Network in the electricity segment, the right underlying the operation of the construction project of the 3rd underground chamber of the Sines Terminal in the gas segment and connections to new clients.

Financial costs capitalized in fixed assets in progress at 31 March 2011 amounted to 3,801 thousand Euros (2,602 thousand Euros in 2010), while overhead and management costs amounted to 3,176 thousand Euros (3,307 thousand Euros in 2010).

The net book value of the assets acquired through finance lease at 31 March 2011 was as follows:

	30.03.2011	31.12.2010
Acquisition cost	5.509	5.846
Accumulated depreciation	(2.660)	(2.616)
Net book value	**2.849**	**3.230**

6 Deferred tax assets and liabilities

The amounts of deferred tax recognised in the consolidated statement of financial position as of 31 March 2011 was as follows.

	Period ended	
	31.03.2011	31.03.2010
Impact on the statement of profit and loss		
Deferred tax assets	4.405	3.562
Deferred tax liabilities	4.824	(1.923)
	9.229	1.639
Impact on equity		
Deferred tax assets	(263)	(241)
Deferred tax liabilities	(972)	(12)
	(1.236)	(253)
Net impact of deferred taxes	**7.993**	**1.386**

The changes in the deferred tax asset and liability captions for the periods presented were as follows:

Changes in deferred tax assets - March 2010

	Provisions	Loss carried forward	Pensions	Tariff deviations	Available-for-sale financial	Others	Total
At 1 January 2010	**1.402**	**1.051**	**18.509**	**14.243**	**496**	**1.926**	**37.627**
Credit/debit to equity	-	-	-	-	(496)	255	(241)
Credit to the statement of profit and loss	(260)	-	(513)	-	-	(13)	(786)
Charge to the statement of profit and loss	-	-	-	4.088	-	260	4.348
Movement of the period	**(260)**	**-**	**(513)**	**4.088**	**(496)**	**502**	**3.321**
At 31 March 2010	**1.142**	**1.051**	**17.996**	**18.331**	**-**	**2.428**	**40.948**

Changes in deferred tax assets - March 2011

	Provisions	Loss carried forward	Pensions	Tariff deviations	Derivative financial instruments	Others	Total
At 1 January 2011	**1.337**	**1.244**	**19.149**	**36.602**	**1.525**	**945**	**60.802**
Credit/debit to equity	-	-	(3)	-	(263)	3	(263)
Credit to the statement of profit and loss	-	-	(177)	-	(468)	(15)	(660)
Charge to the statement of profit and loss	-	-	-	5.065	-	-	5.065
Movement of the period	**-**	**-**	**(180)**	**5.065**	**(731)**	**(11)**	**4.142**
At 31 March 2011	**1.337**	**1.244**	**18.969**	**41.667**	**794**	**933**	**64.944**

Deferred tax assets at 31 March 2011 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations to be given to subsequent year tariffs.

Changes in deferred tax liabilities - March 2010

	Tariff deviations	Revaluation	Others	Total
At 1 January 2010	**47.973**	**33.613**	**-**	**81.586**
Period ended 31 March				
Credit/charged to equity	-	-	**12**	12
Charged to the statement of profit and loss	2.532	-	-	2.532
Credit to the statement of profit and loss	-	(609)	**-**	(609)
Movement of the period	**2.532**	**(609)**	**12**	**1.935**
At 31 March 2010	**50.505**	**33.004**	**12**	**83.521**

Changes in deferred tax liabilities - March 2011

	Tariff deviations	Revaluation	Derivative financial instruments	Total
At 1 January 2011	**36.089**	**34.359**	**1.103**	**71.551**
Period ended 31 March				
Credit/charged to equity	-	(1)	973	972
Charged to the statement of profit and loss	1.945	-	-	1.945
Credit to the statement of profit and loss	(5.522)	(605)	(642)	(6.769)
Movement of the period	**(3.578)**	**(606)**	**332**	**(3.851)**
At 31 March 2011	**32.511**	**33.753**	**1.435**	**67.699**

The tax revaluations result from updating the value of assets in accordance with the Portuguese legislation. The impact on deferred income tax reflects the non-tax deductibility of 40% of the revaluation.

7 Available for sale financial assets

The assets recognised in this caption refers to the following participations:

	% owned	Entity	31.03.2011	31.12.2010
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	10%	OMIP, SGPS	1.033	1.033
Red Electrica de España, S.A.	1%	REN, SGPS	54.283	47.651
Enagás	1%	REN SGPS	38.017	35.617
Total			**93.334**	**84.301**

The changes in this caption were as follows:

	OMEL	REE	ENAGAS	Total
At 1 January 2010	1.033	52.551	36.835	90.419
Acquisitions	-	-	-	-
Fair value adjustments	-	(4.900)	(1.218)	(6.118)
Disposals	-	-	-	-
At 31 December 2010	**1.033**	**47.651**	**35.617**	**84.301**
At 1 January 2011	1.033	47.651	35.617	84.301
Fair value adjustments	-	6.633	2.400	9.033
At 31 March 2011	**1.033**	**54.283**	**38.017**	**93.334**

The investment of OMIP, SGPS in OMEL is recorded at cost, as OMEL has a specific activity, it is not a quoted company and its shares have not been traded recently in the market. No adjustment was made at 31 March 2011 as there are no indications of impairment

The investments in REN SGPS, REE and ENAGÁS are recorded at fair market value determined based on the closing listed stock exchange price of the companies at 31 March 2011.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption “Fair value reserve”:

	Fair value adjustments
Fair value adjustment	9.033
Effect of deferred taxes	-
Net adjustment in equity	**9.033**

8 Trade and other receivables

Trade and other receivables at 31 March 2011 and 31 December 2010 are made up as follows:

	31.03.2011			31.12.2010		
	Current	Non current	Total	Current	Non current	Total
Trade receivables (i)	226.097	-	226.097	212.696	65	212.760
Impairment of trade receivables	(822)	-	(822)	(844)	-	(844)
Trade receivables net	225.275	-	225.275	211.852	65	211.916
Tariff deviations	45.122	67.047	112.169	58.066	66.441	124.507
State and Other Public Entities	4.031	-	4.031	5.878	-	5.878
Trade and other receivables	**274.428**	**67.047**	**341.475**	**275.796**	**66.505**	**342.301**

i) The most significant amount in trade receivables is the receivable from EDP – Distribuição de Energia, SA in the amount of 72,792 thousand Euros (79,344 thousand Euros in 2010).

9 Capital

REN’s subscribed and paid up share capital at 31 March 2011 is made up of 534,000,000 shares of 1 euro each.

Share capital at 31 March 2011 is made up as follows:

	Number of shares	Share Capital
	534.000.000	534.000
Share Capital	**534.000.000**	**534.000**

At 31 March 2011 REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Treasury shares	3.881.374	0,7268%	(10.728)
At 31 March 2011	**3.881.374**	**0,7268%**	**(10.728)**

10 Borrowings

The segregation of borrowings between current and non-current and by nature, at 31 March 2011 and 31 December 2010 was as follows:

	Current	Non current	Total	Current	Non current	Total
Commercial Paper	193.000	350.000	543.000	260.000	227.000	487.000
Bonds	-	935.474	935.474	-	942.039	942.039
Bank Borrowings	40.828	739.381	780.209	40.828	739.381	780.209
Bank overdrafts	18.857	-	18.857	36.727	-	36.727
Finance Lease	1.230	1.473	2.703	1.260	1.743	3.003
	253.914	2.026.327	2.280.242	338.814	1.910.162	2.248.976
Accrued interest	28.304	-	28.304	12.098	488	12.586
Prepaid interest	(4.642)	-	(4.642)	(3.778)	-	(3.778)
Borrowings	**277.576**	**2.026.327**	**2.303.904**	**347.134**	**1.910.650**	**2.257.784**

11 Derivative financial instruments

At 31 March 2011 and 31 December 2010 the REN Group had the following derivative financial instruments contracted:

Swaps:

Derivatives designated as cash flow hedges	Nocional	December 2010 Activo Corrente	December 2010 Activo Não corrente	December 2010 Passivo Corrente	December 2010 Passivo Não corrente
Interest rate swaps	384.000.000 EUR	-	-	2.803	2.875
Interest rate swaps	200.000.000 EUR	-	1.553	-	-
Interest rate and currency swaps	10.000.000.000 JPY	-	19.146	-	-
Trading derivatives		2.212	-	1.572	-
Total derivatives designated as cash flow hedges		**2.212**	**20.699**	**4.375**	**2.875**

Derivatives designated as cash flow hedges	Nocional	March 2011 Activo Corrente	March 2011 Activo Não corrente	March 2011 Passivo Corrente	March 2011 Passivo Não corrente
Interest rate swaps	384.000.000 EUR	-	-	3.215	1.218
Interest rate swaps	200.000.000 EUR	-	4.895	-	-
Interest rate and currency swaps	10.000.000.000 JPY	-	10.567	-	-
Trading derivatives		1.675	-	706	-
Total derivatives designated as cash flow hedges		**1.675**	**15.463**	**3.922**	**1.218**

Cash flow hedges:

The Group hedges part of the future payments of interest on borrowings, bonds issued and commercial paper through the designation of interest rate swaps in which it pays a fixed rate and receives a variable rate, with a notional value of 384 000 thousand Euros (384 000 Euros in December 2010). This is an interest rate risk hedge on interest payable at variable rates on recognized financial liabilities. The risk hedged is the indexer of the variable rate to which the loan interest coupons relate. The objective of the hedge is to transform the borrowings at variable interest rates into fixed interest rates, the credit risk not being covered. The fair value of the interest rate swaps at 31 March 2011 was 4,434 thousand Euros negative (4,125 thousand Euros negative at 31 December 2010).

In 2010 the Group contracted two interest rate forward start swaps starting in 2012 with the objective of hedging the risk of interest rate fluctuation on future emissions of commercial paper the Management believes will be contracted. The instruments have a notional value of 200,000 thousand Euros, REN paying a fixed rate and receiving a variable rate. The risk hedged is the indexer of the variable rate which is related to loan interest coupons. The objective of the hedge is to transform the borrowings at a variable interest rate into a fixed interest rate, the credit risk not being covered. The fair value of the interest rate swaps at 31 March 2011 is 4,895 thousand Euros positive (1,533 thousand Euros positive in December 2010).

In addition, REN is carrying out a hedge of its exposure to cash flow risk on its bond issue of 10,000 million JPY, resulting from exchange risk, through a cross currency swap the main features of which are equivalent to the loan. The same hedge instrument is used to hedge the fair value of the interest rate risk of the bond issue through the forward start component of the swap which will only start in June 2019.The variations in fair value of the hedging instrument are also being deferred in hedging reserves, being, in the case of the exchange hedge, transferred to profit and loss for the year as the instrument covered generates an impact on profit and loss.

As from June 2019 the objective will be to hedge exposure to JPY and the interest rate risk, transforming the operation into a fair value hedge, the changes in fair value of the debt issued resulting from the risks covered, being recorded in results. The credit risk is not hedged. The fair value of the cross currency swap at 31 March 2011 was 10,567 thousand Euros positive (19,146 thousand Euros positive in December 2010)

The exchange variation on the underlying loan at March 2011, in the amount of approximately 7,066 thousand Euros, was recorded net of the effect of the hedging instrument in the statement of profit and loss for the year.

The amount recorded in reserves relating to the above mentioned cash flow hedges was 1,887 thousand Euros in March 2011 (1,141 thousand Euros in December 2010).

Fair value hedges:

In February 2009 the Group contracted an interest rate swap to hedge the fair value of an issue of 300 thousand Euros. The hedge was discontinued in November 2009, and at this date the hedged instrument has a fair value adjustment resulting from the hedge of 677 thousand Euros. This amount will be amortized to profit and loss, in accordance with the effective interest rate method during the maturity of the hedged instrument.

Futures:

REN – Redes Energéticas Nacionais, SGPS, S.A., through its subsidiary REN Trading, S.A. has carried out some financial operations in the futures energy market, coal and CO2 emission licences, through contracts standardized by International Swaps and Derivatives Association Inc. ("ISDA") and through participation in futures trading exchanges.

REN SGPS and REN Trading signed an agreement under which REN Trading manages these derivative financial contracts for account of REN SGPS, thus ensuring clear and transparent separation between these businesses, always on a previously defined basis, continuously monitored with low exposure to risk.

This contracting of financial derivatives in the futures market does not require any physical settlement of the underlying assets, being an activity of a purely financial nature and the mere financial management of assets, not being confused with the regulated activity of the Commercial Agent.

The fair value of the futures energy contracts and CO_2 licences at 31 March 2011 was as follows:

	Current assets	Current liabilities
Financial contracts in the energy market for 2011	1.941	-
CO2 licences	271	-
Carbon financial contracts	-	1.572
Fair vale at 31 December 2010	**2.212**	**1.572**

	Current assets	Current liabilities
Financial contracts in the energy market for 2011	1.111	-
Financial contracts in the energy market for 2012	-	9
CO2 licences	564	-
Carbon financial contracts	-	697
Fair vale at 31 March 2011	**1.675**	**706**

12 Retirement and other benefit obligations

REN – Rede Eléctrica Nacional, S.A. grants supplementary 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. The companies in the gas business grant their employees life insurance plans. There have been no changes, in relation to the preceding year, in the benefits granted to the employees.

The overall impact of the benefits granted on the consolidated financial statements was as follows:

	31.03.2011	31.12.2010
Liability on the balance sheet		
Pension plan	33.095	33.966
Medical assistence plan and others	32.218	31.959
Life insurance plan	97	106
	65.410	**66.031**

The amount recognized in employee compensation and other benefits expense is as follows:

	31.03.2011	31.3.2010
Charges to the statement of profit and loss		
Pension plan	541	710
Medical assistence plan and others	257	264
Life insurance plan	3	3
	801	**977**

The amounts reported at 31 March 2011 result from the projection of the actuarial valuation of 31 December 2010 for the three month period ended 31 March 2011, considering the estimated increase in salaries for 2011.

The main assumptions used in the above actuarial calculation were as follows:

Annual discount rate	4,54%
Expected percentage of serving employees elegíble for early retirement (more than 60 years of age)	10,00%
Expected percentage of serving employees elegíble for early retirement (less than 60 years of age)	5,00%
Annual salary growth rate	1,30%
Annual pension growth rate	1,00%
Annual growth rate of social security pensions	2,00%
Inflation rate	2,00%
Annual growth rate of heath costs	4,00%
Management costs (per employee/year)	175 €
Growth rate of the management costs	2,20%
Rate of return on assets	5,32%
Mortality table	TV 88/90

13 Provisions

The changes in provisions during the periods were as follows:

	31.03.2011	31.12.2010
At 1 January	17.081	5.288
Increases	-	12.774
Decreases	-	(981)
At 31 March	**17.081**	**17.081**
Current provision	12.470	12.470
Non-current provision	4.611	4.611
	17.081	**17.081**

The caption "Provisions" at 31 March 2011 corresponds essentially to: (i) estimate of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties (4,611 thousand Euros); (ii) provision (12,470 thousand Euros) to cover the contingency relating to litigation with Amorim Energia regarding dividends received from Galp Energia in 2006, which was recognized in 2010 following notification of the Decision of the Arbitration Court of the International Chamber of Commerce in Paris on 16 March 2010 and related addenda on 8 July 2010, condemning REN to pay 20,300 thousand Euros, equivalent to half the amount claimed by Amorim Energia, plus interest. REN believes, based on a legal analysis of the Arbitration Decision, that the provision recorded is adequate to cover the risk resulting from the process, corresponding to the best expectation of cost to be incurred by REN in the process.

14 Income tax

Income tax for the period ended 31 March 2011 includes current tax and deferred tax, as follows:

	31.03.2011	31.03.2010
Current income tax	24.090	13.251
Deferred income tax	(9.229)	(1.638)
Income tax	**14.862**	**11.613**

Reconciliation between the amount of income tax calculated at the nominal tax rate and income tax recognized in the statement of profit and loss is as follows:

	31.03.2011	31.03.2010
Consolidated profit before income tax	49.261	36.658
Tax rate	26,5%	26,5%
	13.054	9.714
State surcharge tax - 2,5%	1.380	
	14.434	9.714
Non deductible costs	10.808	2.694
Non taxable income	(10.478)	(915)
Autonomous taxation	98	120
Income Tax	14.862	11.613
Current income tax	24.090	13.251
Deferred income tax	(9.229)	(1.638)
Income tax	14.862	11.613
Effective tax rate	**30,2%**	**31,7%**

The calculation of income tax for the period was updated in accordance with Law 12-A/2010 of 30 June that defined that the state surcharge corresponds to application of an additional rate of 2.5% over the part of the profit of companies exceeding 2 million euros.

The rate of income tax used to reconcile the amount of tax in the consolidated financial statements was calculated as follows:

	31.03.2011	31.03.2010
Tax rates	25,00%	25,00%
Municipal surcharge	1,50%	1,50%
State surcharge tax	2,50%	-
	29,00%	**26,50%**

15 Earnings per share

Earnings per share for the periods ended 31 March 2011 and 2010 were calculated as follows:

		31.03.2011	31.03.2010
Consolidated net profit used to calculate earnings per share	(1)	34.378	25.045
Number of ordinary shares outstanding during the period (Note 10)	(2)	534.000.000	534.000.000
Efect of treasury shares		3.881.374	3.881.374
	(3)	530.118.626	530.118.626
Basic earnings per share (euro per share)	(1)/(3)	0,06	0,05

16 Guarantees given

At 31 March 2011 the REN Group had given the following bank guarantees:

Beneficiário	Objecto	Início	2011	2010
European Community	To comply with the contractual requirements of the loan contract	16-12-2003	591	692
Viseu Municipal Court	Guarantee relating to expropriation of 63 plots for the Bodiosa substation	22-10-2004	206	206
Braga and C.Branco Municipal Courts	Guarantee relating to expropriation of plots for the Pedralva and C. Branco substations	15-02-2006	800	800
Municipal Council of Silves	Guarantee for works in Tunes	04-05-2006	352	352
Anadia Municipal Courts	Guarantee for the expropriation of 111 plots for the Paraimo substation	26-04-2005	432	432
Gondomar Municipal Courts	Guarantee for the process 1037/2001	09-11-2005	150	150
Penela e Ansião Municipal Court	Guarantee for the expropriation of 83 plots for the Penela substation	30-01-2006	703	703
Vieira do Minho Municipal Court	Guarantee for the expropriation of 29 plots for the Frades substation	3-08-2006	558	558
Torres Vedras Municipal Court	Guarantee for the expropriation of 11 plots for the Carvoeira substation	13-12-2006	297	297
Macedo de Cavaleiros Municipal Court	Guarantee for the expropriation of plots for the Olmos substation	14-02-2007	190	190
Direcção Geral de Geologia e Energia	Concession of the gas transport operations	26-09-2006	20.000	20.000
Municipal Council of Seixal	To guarantee processes in progress	-	3.853	3.853
EIB	To guarantee loans	-	289.671	364.671
Lisboa Financial Services	To guarantee a process in progress	-	-	1.080
Tabua Municipal Court	Expropriation of plots of land		171	171
Vila Pouca de Aguiar Municipal Court	Expropriation of plots of land		81	81
OMEL - Operador del Mercado Español de Electricidad	To guarantee payments resulting from trading participation as purchaser in the Spanish market	26-06-2007	2.000	2.000
Lisbon Municipal Court	To guarantee processes in progress	10-12-2008	115	115
Armamar Municipal Court	Expropriation of plots of land	03-11-2008	732	732
Ministry of the Economy and Innovation	To guarantee settlement of executing debt nº 7873/2006	30-12-2008	1	1
Fortia	Financial contract under the ISDA contract (International Swaps and Derivatives Association, Inc.)	17-06-2009	2.000	2.000
EP - Estradas de Portugal - Delegação Regional do Porto	Installation of gas infrastrutures by drilling - Natural Gas Trasport Network Leça Industrial branch	15-07-2009	5	5
Mogadouro Municipal Court	To guarantee coverage of the cost of acquiring land to expand the Mogadouro substation	30-07-2009	18	18
EP - Estradas de Portugal - Delegação Regional de Santarém	Natural Gas Transport Network - CCC pego - connection to the Thermoelectric plant of Tejo Energia (Pego). Crossing over EN 118 - Km 142,295	25-08-2009	5	5
Tavira Municipal Court	To guarantee expropriation of 38 plots of land in the parish of Cacho, municipaly of Tavira to build the Tavira substation	24-09-2009	163	163
NORSCUT - Concessionária de Auto-estradas, SA	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	08-01-2010	200	200
EUROSCUT NORTE - Sociedade Concessionária da SCUT do Norte Litoral, S.A.	Ensure compliance with the obligations assumed resulting from the contract relating to the instalation of a gas pipeline in the concede area of EUROSCUT NORTE.	25-01-2010	250	250
Tax Services	Guarantee of failure in the process of litigation on VAT	23-09-2010	688	688
Director of DAGEF from Municipal Council of Seixal	To guarantee settlement of executing debt nº 3500/2010 a aps. - nº 35800/2010, 35801/2010,35802/2010 and 35803/2010	21-12-2010	616	616
Direcção Geral de Geologia e Energia	To guarantee compliance with the obligations assumed resulting from the contract relating to the public service concession of the pilot area identified in Decree Laws 5/2008, of 8 January, and utilization of the public hydro water resources necessary to produce electric energy from ocean waves	19-10-2010	500	500
Santa Maria da Feira Municipal Court	Expropriation of 35 plots of land - Louredo e Romariz, Concelho de Sta Maria da Feira to build substation	14-01-2011	590	-
Valongo Municipal Court	To guarantee coverage of the cost of acquiring land to construct valongo Post	15-02-2011	125	-
			326.060	**401.527**

17 Transactions with related parties

At 31 March 2011 the REN Group was listed in Euronext – Lisbon, having as reference shareholders, with recorded transactions, the following entities: EDP and Caixa Geral de Depósitos.

The following are related entities:

EDP Group

- EDP, Energias de Portugal, S.A.
- EDP Distribuição- Energia, S.A.
- EDP Serviços Universal, S.A
- EDP Valor – Gestão Integrada de Serviços, S.A.
- EDP Gestão da Produção da Energia, S.A.
- SÃvida, S.A.
- Labelec, S.A.
- Portgás, S.A
- EDP Gás.Com, S.A.
- EDP Gás, SGPS,S.A.
- O&M Serviços, S.A.
- EDP – Energias de Portugal, S.A
- EDP – Distribuição – Energia, S.A.
- EDP Serviços Universal, S.A.
- EDP Valor – Gestão Integrada de Serviços, S.A.
- EDP Gestão da Produção da Energia, S.A.
- Sãvida, S.A.
- Labelec, S.A.

CGD Group

- Caixa Geral de Depósitos, S.A.
- Caixa BI

Others:

- Red Eléctrica Corporacion, S.A.

- Capitalpor – Participações Portuguesas, SGPS, S.A.
- Gestmin, SGPS, S.A.
- Logoplaste Gestão Consult Financ, S.A.
- Oliren, SGPS, S.A.
- Parpública – Participações Públicas, SGPS, S.A.

During the period the REN Group had the following transactions with these related parties:

17.1 Sale of goods and services

	31.03.2011	31.03.2010
Sale of goods		
Electricity - EDP	483.918	442.562
	483.918	**442.562**
Services rendered		
Gains on applications	831	-
Other services - EDP	565	833
	1.396	**833**

The amounts shown as sales refer to energy recognized in "Trade and other receivables" due to the role of REN as agent in the purchase and sale of electricity.

17.2 Purchase of products and services

	31.03.2011	31.03.2010
Purchase of goods		
Electricity - EDP	262.192	251.749
	262.192	**251.749**
Purchase of services		
Other services - EDP	1.416	1.260
Interests on Commercial paper - CGD	290	274
Borrowings fees - CGD	30	75
Other interests - CGD	2	2
	1.738	**1.611**

The amounts shown as products purchased are recognized in the caption "Trade and other receivables", as a result of the intermediation role of REN in the purchase and sale of electricity.

17.3 Debtor and creditor balances

The balances at 31 March 2011 and December 2010 resulting from transactions with related parties are as follows:

	31.03.2011	31.12.2010
Clients and other debtors		
EDP - Trade receivables	76.847	84.467
EDP - Other debtors	-	802
	76.847	**85.269**
Cash and cash equivalents		
Other aplications of cash	59.000	63.100
Bank deposits	1.084	1.527
	60.084	**64.627**
Creditors		
EDP - Trade payables	4.210	7.674
EDP - Other payables	-	234
CDG - Trade payables	6	36
Borrowings		
CGD - Borrowings (Commercial paper)	-	27.000
CGD - finance lease	368	131
	4.583	**35.075**

17.4 Management remuneration

Remuneration of the Board of Directors of REN in the period ended 31 March 2011 amounted to 383 thousand Euros (490 thousand Euros in the period ended 31 March 2010) as follows:

	31.03.2011	31.03.2010
Remuneration and other short term benefits	383	490
	383	**490**

The amounts indicated refer only to fixed remuneration and meal allowance, as the Board of Directors does not receive any other income listed by paragraph 16 of IAS 24.

18 Guarantee deposits

The increase/decrease in the amount of guarantees is due to changes in the value of open positions on the stock exchange, plus monthly remuneration on the guarantees.

19 Other operating expenses

The decrease of operating costs was related to the procedure adopted in the current year of remove the amounts of the excess cost of the CAE not terminated, in this caption and in the “Sales of Goods and Services” since there are “pass through” values. These amounts were 74,960 thousand Euros in the three month period ended 31 March 2011 (62,015 thousand Euros in the three month period ended 31 March 2010).

20 Other matters

Disagreement Amorim Energia B.V.

In December 2007, as explained to the market, REN was notified of the presentation to the International Chamber of Commerce, of an arbitration request by Amorim Energia BV against REN, under which REN is accused of violating emerging obligations or related to the “Shareholders Agreement relating to GALP ENERGIA, SGPS, S.A.” entered into on 29 December 2005 between REN, AMORIM and ENI PORTUGAL INVESTMENT, S.p.A., especially regarding dividends distributed by Galp Energia, SGPS, SA relating to profit for 2005.

Earlier, in 2006 REN and Amorim Energia BV had a difference regarding to whom the amount corresponding to dividends belonged and on 15 June 2006 the Arbitration Court especially convened for the purpose in accordance with an agreement between the parties, issued a decision, with one vote against, judging the action brought by Amorim Energia BV without merit recognizing definitively REN’s right to maintain the dividends.

In the second arbitration, realized under the International Chamber of Commerce, Amorim Energia B.V., allegedly basing itself on different facts, requested condemnation of REN to pay an indemnity equal to the amount of the dividends.

On 16 March 2010 REN was notified of the arbitration decision which, with one vote against, condemned it to pay 20,334,883.91 Euros to Amorim Energia B.V., equivalent to half the amount requested by the latter, and corresponding to half the amount of the dividends plus interest.

Following a request for clarification made by REN, on 8 July 2010 the Arbitration Court notified the Company of addenda to the Decision.

Under these conditions, after analysing the arbitration decision and its bases, as well as the addenda, REN considered that there are ways of reacting which currently permit the understanding, based on the facts known, that there is a significant probability for the Company to make its position prevail.

Therefore, REN, based on a legal analysis of the arbitration decision and related addenda believes that the provision of 12,470 thousand Euros recorded in the period ended at 31 March 2011 is sufficient to cover the risk inherent in the process and corresponds to the best estimate of the cost to be incurred with the process.

21 Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2010. In the event of discrepancies, the Portuguese language version prevails.

Lisbon May 2nd 2011

The Board of Directors

Rui Manuel Janes Cartaxo (Chairman)

Aníbal Durães dos Santos (Executive Director)

João Caetano Carreira Faria Conceição (Executive Director)

João Manuel de Castro Plácido Pires (Executive Director)

João Nuno de Oliveira Jorge Palma (Executive Director)

José Isidoro de Oliveira Carvalho Netto (Director)

José Luís Alvim Marinho (Chairman of the Audit Commission)

José Frederico Viera Jordão (Member of the Audit Commission)

Fernando António Portela Rocha de Andrade (Member of the Audit Commission)

Gonçalo José Zambrano de Oliveira (Director)

Luís Maria Atienza Serna (Director until 04.15.2011)

Manuel Carlos Mello Champalimaud (Director until 04.15.2011)

Filipe Maurício de Botton (Director until 04.15.2011)

4 Appendix

4.1. 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:

Investor Relations Office

Ana Fernandes – Head of Office
ana.fernandes@ren.pt

Alexandra Martins
alexandra.martins@ren.pt

Telma Mendes
telma.mendes@ren.pt

REN - Redes Energéticas Nacionais, SGPS, S.A.
Gabinete de Relações com o Investidor
Avenida dos Estados Unidos da América, 55
1749-061 LISBOA - Portugal

Telephone: +351 21 001 35 46
Telefax: +351 21 001 31 50
E-mail: ir@ren.pt

Communication Office

Margarida Ferreirinha
margarida.ferreirinha@ren.pt

REN - Redes Energéticas Nacionais, SGPS, S.A.
Gabinete de Comunicação
Avenida dos Estados Unidos da América, 55
1749-061 LISBOA - Portugal

Telephone: +351 21 001 35 00
Telefax: +351 21 001 31 50
E-mail: comunicacao@ren.pt