# Report and accounts

# for the first nine months of 2011

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

(Portuguese Stock Exchange Commission)

# Consolidated financial statements

# 30 September 2011

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

## Contents

# 1. Directors' report

## 1.1 Results for the first nine months of 2011

Net profit for the 3rd quarter of 2011 was approximately 95.6 M€, which exceeds that for the 3rd quarter of 2010 by 20.7%.

Net Recurring Profit, i.e. net profit excluding the provision for the contingency relating to litigation with Amorim Energia (12.5 M€), extraordinary amortization of the gas subsidy (4.2 M€) recorded in 2010 and income tax of 3.6 M€ relating to prior years recorded in 2011, increased 11.8%.

EBITDA increased 9.6%, totaling 350.2 M€. The increase is due mainly to the increase in the regulated assets base, increase of average RAB of 6.7% in relation to the same period in 2010, change in the formula for remunerating hydro land, remuneration passing from of -1.0 M€ in September 2010 to 9.4 M€ in 2011, improvement in the Group's operating performance and change in its consolidation perimeter, resulting in a decrease of 22.5% in OPEX (-24.3 M€).

Net borrowings increased 6.8% to 2,322 M€. Despite the difficult market environment, marked by the significant increase in sovereign yields, the average cost of borrowings was around 4.54% (63 bps above 2010).

| Main indicators (million euros) | Jan - Sep 2010 | Jan - Sep 2011 | Change % |
|---|---|---|---|
| EBITDA | 319.5 | 350.2 | 9.6% |
| Net financial income | -61.0 | -71.4 | 17.1% |
| Net income | 79.2 | 95.6 | 20.7% |
| Recurrent net income | 88.7 | 99.2 | 11.8% |
| CAPEX | 204.9 | 229.0 | 11.8% |
| Average RAB [(1)] | 2,866.7 | 3,058.6 | 6.7% |
| Net debt | 2,173.1 | 2,321.6 | 6.8% |

[(1)] Values of 2010 at historical costs and 2011 at reference costs

## 1.2 Review of results

EBITDA increased 30.6 M€ (+9.6%) in relation to 2010, totalling 350.2 M€. The following main items affected EBITDA:

- Increase in the regulated assets base (RAB), especially infrastructures with a greater remuneration rate resulted in significant increases in the captions "RAB remuneration" (+15.8 M€, +10.7 M€) and "recovery of depreciation" (+7.9 M€, + 7.1 %);

- Revision of the remuneration formula for hydro land (which stopped being related to inflation and started being calculated based on the interbank swap rate for terms closer to the legal depreciation period of the land in question, plus 0.5%), which resulted in income of 9.4 M€ in September 2011, rather than a loss of 1.0 M€ in the same period for 2010.

- Decrease of 24.3 M€ in REN's OPEX (-22.5%) to 83.8 M€ with the external supplies and services and personnel components decreasing 38.5% and 7%, respectively. The decrease reflects a significant effort to decrease the REN Group's costs, as well as the effect of fully consolidating the transmission companies of GN in the REN Group.

Net financial costs to September 2011 were -71.4 M€ reflecting an increase of 17.1% in relation to 2010. Despite the difficult market conditions during the year, marked by the significant increase in sovereign debt yields, the average cost of REN's borrowings for the third quarter was 4.54% (63 bps above 2010):

### 1.3 Average RAB and investment

Average RAB increased 6.7% in relation to September 2010, totaling 3,058.6 M€.

CAPEX to September totalled approximately 229.0 M€, representing an increase of 11.8% in relation to the same period for 2010. In the electricity segment there was an increase of 11.0% and in the gas segment there was an increase of 16.4%.

| (Million euros) | Jan - Sep 2010 | Jan - Sep 2011 | Change % |
|---|---|---|---|
| **Total average RAB** (1) | **2,866.8** | **3,058.6** | **6.7%** |
| Electricity | **1,544.4** | **1,701.4** | **10.2%** |
| Hydro land | **350.9** | **336.6** | **-4.1%** |
| Gas | **971.5** | **1,020.7** | **5.1%** |
| **Capital expenditure** | **204.9** | **229.0** | **11.8%** |
| **Electricity** | **151.7** | **168.4** | **11.0%** |
| **Gas** | **51.9** | **60.4** | **16.4%** |
| **Other** | **1.3** | **0.2** | **-88.3%** |

(1) Values of 2010 at historical costs and 2011 at reference costs

## 1.4 Quarterly statements of profit and loss and cash flows

In compliance with the requirements of CMVM's (Stock Exchange Commission) Circular of 17 July 2009, following are the statements of profit and loss and cash flows for the periods from 1 July to 30 September 2011 and 2010 (unaudited information).

(Amounts expressed in thousands of euros -tEuros)

### Condensed consolidated statement of profit and loss

| | 2011 3rd Quarter | 2010 (restated) 3rd Quarter | |
|---|---|---|---|
| Sales | 216 | 91 | |
| Services provided | 129,017 | 124,782 | b) |
| Revenue from construction of concession assets | 89,210 | 80,741 | a) |
| Other operating income | 4,986 | 7,123 | |
| Share of (loss)/profit of joint ventures | - | 2,503 | |
| **Operating income** | **223,429** | **215,240** | |
| Cost of goods sold | (747) | (1,017) | |
| Cost with construction of concession assets | (80,520) | (73,340) | a) |
| External supplies and services | (11,823) | (19,171) | a) |
| Employee compensation and benefit expense | (12,138) | (13,220) | a) |
| Depreciation and amortizations | (45,410) | (42,986) | a) |
| Provisions | - | (6,235) | |
| Other expenses | (3,574) | (3,448) | |
| **Operating costs** | **(154,211)** | **(159,417)** | b) |
| **Operating results** | **69,218** | **55,823** | |
| Financial costs | (28,667) | (22,765) | |
| Financial income | 438 | 531 | a) |
| Investment income - dividends | 2,998 | 2,421 | |
| **Financial results** | **(25,231)** | **(19,813)** | |
| **Profit before income taxes** | **43,987** | **36,010** | |
| Income tax expense | (16,679) | (13,381) | |
| **Profit for the year** | **27,309** | **22,629** | |
| **Attributable to:** | | | |
| Equity holders of the Company | 27,321 | 22,628 | |
| Non-controlled interest | (12) | - | |
| | **27,309** | **22,628** | |
| **Earnings per share attributable to the equity holders of the company during the year** (expressed in euro per share) | | | |
| - basic | 0.05 | 0.04 | |
| - diluted | 0.05 | 0.04 | |

a) These amounts were restated in relation to those previously published as the statements of profit and loss started taking into consideration income and costs from the construction of conceded assets resulting from the adoption of IFRIC 12 – service concession agreements (Note 3.1).

b) These amounts were restated in relation to those previously published, as explained in Note 3.1.

(Amounts expressed in thousands of euros -tEuros)

## Condensed consolidated statements of cash flows

| | 2011<br>3rd Quarter | 2010<br>3rd Quarter |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Cash receipts from customers | 497,749 | 546,579 |
| Cash paid to suppliers | (371,829) | (353,998) |
| Cash paid to employees | (13,815) | (14,677) |
| Income tax received/(paid) | (53,812) | 1,494 |
| Other receipts/ (payments) relating to operating activities | 1,940 | (5,348) |
| **Net flows from operating activities (1)** | **60,233** | **174,049** |
| **Cash flow from investing activities:** | | |
| Receipts related to: | | |
| Grants related to assets | 1,022 | 8,662 |
| Interests | 962 | 223 |
| Dividends | 2,998 | 2,421 |
| Payments related to: | | |
| Fixed assets | - | (37) |
| Interests | (60,389) | (79,995) |
| **Net cash used in investing activities (2)** | **(55,407)** | **(68,725)** |
| **Cash flow from financing activities:** | | |
| Receipts related to: | | |
| Borrowings | 2,132,000 | 2,281,563 |
| Interests | 110 | 73 |
| Payments related to: | | |
| Borrowings | (2,159,266) | (2,408,875) |
| Interests | (8,439) | (4,611) |
| **Net cash used in financing activities (3)** | **(35,595)** | **(131,850)** |
| **Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)** | (30,769) | (26,525) |
| Cash and cash equivalents at the begining of the year | 83,083 | 51,422 |
| **Cash and cash equivalents in the end of the period** | **52,314** | **24,896** |
| **Detail of cash and cash equivalents** | | |
| Cash | 30 | 29 |
| Bank overdrafts | (35,527) | (35,653) |
| Bank deposits | 2,912 | 60,521 |
| Other apllications of cash | 84,900 | - |
| | **52,314** | **24,896** |

# 2. Consolidated Financial Statements

## Consolidated statements of financial position

(Amounts expressed in thousands of euros -tEuros)

| | Note | As of 30 September 2011 | As of 31 December 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed Assets | 5 | 1,050 | 1,201 |
| Goodwill | 5 | 3,774 | 3,774 |
| Other intangible assets | 5 | 3,814,513 | 3,720,857 |
| Deferred tax assets | 6 | 60,428 | 60,802 |
| Available-for-sale financial assets | 7 | 80,335 | 84,301 |
| Derivative financial instruments | 11 | 21,839 | 20,699 |
| Other investments | | 6,866 | 7,119 |
| Trade and other receivables | 8 | 56,172 | 66,505 |
| | | **4,044,979** | **3,965,255** |
| **Current assets** | | | |
| Inventories | | 5,435 | 4,047 |
| Trade and other receivables | 8 | 189,641 | 275,796 |
| Current income tax recoverable | | 4,626 | 361 |
| Guarantee deposits | 20 | 100,053 | 74,234 |
| Derivative financial instruments | 11 | 1,247 | 2,212 |
| Cash and cash equivalents | | 87,843 | 138,598 |
| | | **388,845** | **495,248** |
| **Total assets** | | **4,433,824** | **4,460,503** |
| **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 | | 217,790 | 211,582 |
| Retained earnings | | 169,905 | 170,453 |
| Profit for the year attributable to equity holders of the Company | | 95,572 | 110,265 |
| | | **1,006,539** | **1,015,572** |
| Non-controlled interest | 23 | 517 | 6,329 |
| **Total equity** | | **1,007,056** | **1,021,901** |
| **LIABILITIES** | | | |
| **Non- current liabilities** | | | |
| Borrowings | 10 | 2,298,085 | 1,910,650 |
| Deferred tax liabilities | 6 | 58,416 | 71,551 |
| Retirement and other benefits obligations | 12 | 70,259 | 66,031 |
| Trade and other payables | 14 | 385,652 | 451,940 |
| Derivative financial instruments | 11 | 10,492 | 2,875 |
| Provisions | 13 | 4,611 | 4,611 |
| | | **2,827,515** | **2,507,659** |
| **Current liabilities** | | | |
| Borrowings | 10 | 134,768 | 347,134 |
| Trade and other payables | 14 | 350,331 | 432,807 |
| Provisions | 13 | 12,470 | 12,470 |
| Income tax payable | 15 | 657 | 59,925 |
| Derivative financial instruments | 11 | 974 | 4,375 |
| Guarantee deposits | 20 | 100,053 | 74,234 |
| | | **599,252** | **930,945** |
| **Total liabilities** | | **3,426,768** | **3,438,603** |
| **Total equity and liabilities** | | **4,433,824** | **4,460,503** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statements of profit and loss for the nine month periods ended 30 September 2011 and 2010

(Amounts expressed in thousands of euros -tEuros)

| | Note | Period ended September 2011 | Period ended September 2010 | |
|---|---|---|---|---|
| Sales | 4 | 648 | 664 | |
| Services provided | 4 | 387,985 | 373,588 | b) |
| Revenue from construction of concession assets | | 228,811 | 203,332 | a) |
| Other operating income | | 20,781 | 30,490 | |
| Share of (loss)/profit of joint ventures | | - | 7,546 | |
| **Operating income** | | **638,225** | **615,621** | |
| Cost of goods sold | | (1,205) | (1,366) | |
| Cost with construction of concession assets | | (204,255) | (183,784) | a) |
| External supplies and services | 22 | (34,928) | (56,754) | a) |
| Employee compensation and benefit expense | | (36,417) | (39,165) | a) |
| Depreciation and amortizations | 5 | (134,905) | (127,043) | a) |
| Provisions | 13 | - | (12,470) | |
| Other expenses | 21 | (11,252) | (10,807) | b) |
| **Operating costs** | | **(422,962)** | **(431,390)** | |
| **Operating results** | 4 | **215,263** | **184,231** | |
| Financial costs | | (78,794) | (66,883) | a) |
| Financial income | | 2,762 | 2,090 | |
| Investment income - dividends | | 4,596 | 3,790 | |
| **Financial results** | | **(71,436)** | **(61,004)** | |
| **Profit before income taxes** | | **143,827** | **123,227** | |
| Income tax expense | 15 | (48,243) | (44,041) | |
| **Profit for the year** | | **95,584** | **79,185** | |
| **Attributable to:** | | | | |
| Equity holders of the Company | | 95,572 | 79,185 | |
| Non-controlled interest | | 12 | - | |
| | | **95,584** | **79,185** | |
| **Earnings per share attributable to the equity holders of the company during the year** (expressed in euro per share) | | | | |
| - basic | | 0.18 | 0.15 | |
| - diluted | | 0.18 | 0.15 | |

c) These amounts were restated in relation to those previously published as the statements of profit and loss started taking into consideration income and costs from the construction of conceded assets resulting from the adoption of IFRIC 12 – service concession agreements (Note 3.1).

a) These amounts were restated in relation to those previously published, as explained in Note 3.1.

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statements of comprehensive income for the nine month periods ended 30 September 2011 and 2010

(Amounts expressed in thousands of euros –tEuros)

| | Note | Period ended September 2011 | Period ended September 2010 |
|---|---|---|---|
| **Net Profit for the period** | | 95,584 | 79,185 |
| **Other income and cost recorded in equity:** | | | |
| Increase/(decrease) in hedging reserves - derivative financial instruments | | (10,410) | 2,443 |
| Actuarial gains and losses - gross of tax | 12 | (5,938) | - |
| Gain/(loss) on available-for-sale assets | 7 | (3,965) | (7,486) |
| Other variations | | 27 | - |
| Tax effect on items recorded directly in equity | 6 | 4,741 | (735) |
| **Comprehensive income for the period** | | 80,039 | 73,406 |
| **Attributable to:** | | | |
| Equity holders of the company | | 80,027 | 73,406 |
| Non-controlled interest | | 12 | - |
| | | **80,039** | **73,406** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated statements of changes in equity for the nine month periods ended 30 September 2011 and 2010

(Amounts expressed in thousands of euros –tEuros)

| | Note | Attributable to shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Treasury shares | Legal Reserve | Fair Value reserve | Hedging reserves | Other reserves | Retained earnings | Profit for the year | Non-controlled interest | 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** | | - | - | - | (6,354) | 1,923 | (3,171) | 1,823 | 79,185 | - | 73,406 |
| Distribution of dividends | | - | - | - | - | - | - | (88,530) | - | - | (88,530) |
| Transfer to other reserves | | - | - | 7,224 | - | - | 48,092 | 78,791 | (134,107) | - | - |
| **At 30 September 2010** | | **534,000** | **(10,728)** | **74,445** | **(9,601)** | **(3,630)** | **148,138** | **169,151** | **79,185** | **514** | **981,475** |

| | Note | Attributable to shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Treasury shares | Legal Reserve | Fair Value reserve | Hedging reserves | Other reserves | Retained earnings | Profit for the year | Non-controlled interest | 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** | | - | - | - | (3,965) | (7,391) | - | (4,189) | 95,572 | 12 | 80,039 |
| Effect of the acquisition of minority interests arising from the transport companies | 23 | - | - | - | - | - | - | - | - | (5,814) | (5,814) |
| Other adjustments | | - | - | - | - | - | - | - | - | (11) | (11) |
| Distribution of dividends | 17 | - | - | - | - | - | - | (89,060) | - | - | (89,060) |
| Transfer to other reserves | | - | - | 5,364 | - | - | 12,201 | 92,701 | (110,265) | - | - |
| **At 30 September 2011** | | **534,000** | **(10,728)** | **79,809** | **(13,827)** | **(8,532)** | **160,339** | **169,905** | **95,572** | **517** | **1,007,056** |

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated statements of cash flows for the nine month periods ended 30 September 2011 and 2010

(Amounts expressed in thousands of euros – tEuros)

| | Note | Period ended September 2011 | Period ended September 2010 | |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Cash receipts from customers | | 1,670,465 | 1,511,198 | a) |
| Cash paid to suppliers | | (1,301,055) | (1,086,671) | a) |
| Cash paid to employees | | (42,964) | (45,359) | |
| Income tax received/paid | | (116,183) | 1,678 | |
| Other payments/receipts relating to operating activities | | (2,475) | (1,307) | |
| **Net flows from operating activities** | | **207,788** | **379,540** | |
| **Cash flow from investing activities** | | | | |
| Receipts related to: | | | | |
| Grants related to assets | | 1,129 | 9,927 | |
| Interests and other similar income | | 2,770 | 7,551 | |
| Dividends | | 3,851 | 3,114 | |
| Payments related to: | | | | |
| Tangible fixed assets | | (146) | (88) | |
| Intangible assets | | (267,484) | (265,813) | |
| **Net cash used in investing activities** | | **(259,880)** | **(245,309)** | |
| **Cash flow from financing activities** | | | | |
| Receipts related to: | | | | |
| Borrowings | | 6,900,000 | 8,242,434 | |
| Interests and other similar income | | 285 | 81 | |
| Payments related to: | | | | |
| Borrowings | | (6,776,871) | (8,259,202) | |
| Interests and other similar expense | | (31,819) | (28,693) | |
| Dividends | 17 | (89,060) | (88,530) | |
| **Net cash (used in)/from financing activities** | | **2,535** | **(133,910)** | |
| **Net (decrease)/increase in cash and cash equivalents** | | (49,557) | 320 | |
| Cash and cash equivalents at de begining of the year | | 101,871 | 24,576 | |
| **Cash and cash equivalents at the end of the period** | | **52,314** | **24,896** | |
| **Detail of cash and cash equivalents** | | | | |
| Cash | | 30 | 29 | |
| Bank overdrafts | | (35,527) | (35,653) | |
| Bank deposits | | 87,812 | 60,521 | |
| | | **52,314** | **24,896** | |

a) These amounts include payments and receipts relating to operations in which the Company acts as agent, such income and costs being reversed in the consolidated statements of profit and loss.

The accompanying notes form an integral part of these consolidated financial statements.

# 3. Notes to the consolidated financial statements as of 30 September 2011

## 1 General information

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as “REN” or “the Company” and together with its subsidiaries as “the Group” or “the REN 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 overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP).

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 currently 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 (Sistema Eléctrico de Abastecimento Público - SEP);

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, the date on which the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual - CMEC) came into force. The operations of the company include commercialization of the electricity produced and the installed production capacity, with national and international distributors.

c) Enondas, Energia das Ondas, S.A., which was founded on 14 October 2010 as a fully owned subsidiary of REN - Redes Energéticas Nacionais, SGPS, S.A., operates in the management and concession of the operation of a pilot area for the production and of electricity from ocean waves.

The Gas business includes the following companies:

a) REN Gás, S.A., which was founded on 29 March 2011 to promote the development and realization of projects and developments in the natural gas area, as well as to define the overall strategy and coordination of the companies in which it has a participation;

b) REN Gasodutos, S.A., which was founded on 26 September 2006, its capital having been paid up through incorporation of the gas transport infrastructure (network; connections and compression);

c) REN Armazenagem, S.A., which was founded on 26 September 2006, its capital having been paid up through incorporation of the underground gas storage assets;

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

The operations of the companies referred to in paragraphs b) to d) are carried out under three concession contracts granted separately, for a period of 40 years as from 2006.

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

These companies were founded with the objective of jointly managing the transport capacity of some sectors of REN Gasodutos, S.A.'s gas pipelines with the allocation to each of the partners of a share of the 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 natural gas supply project to Portugal and Spain. The contract established the transmission by Enagás for the benefit of REN Gasodutos, of its utilization rights of the gas pipeline capacity, through the payment by REN Gasodutos of the amount of 29 000 thousand euros. In addition, the contract established that all the amounts due between the transport companies (Gasoduto Campo Maior Leira Braga, S.A. and Gasoduto Braga-Tuy, S.A.) and Enagás be settled and the shares held by Enagás in the capital of these transport companies be sold, REN having control of the operating policies of the transport companies as from 31 December 2010. The acquisition of the shares in these companies and full settlement of the balances outstanding with Enagás at 31 December 2010 was realized in the first half of 2011.

The telecommunications business is managed by RENTELECOM Comunicações, S.A., its operations being the establishment, management and utilization of the telecommunication systems and infrastructures, providing communication services, taking advantage of the excess capacity of the REN Group's fibre optics and installations.

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, the role of which 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 consisting 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 nature, usually known as back-office services, both for group companies and any third parties, being remunerated for these services.

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 support services to the development of the business to related companies or to third parties, being remunerated, as well as the management of investments that the company has in other companies.

## 1.1. Companies included in the consolidation

The following companies are included in the consolidation as of 30 September 2011:

| Designation / adress | Activity | % Owned | |
|---|---|---|---|
| | | Group | Individual |
| **Electricity sector:** | | | |
| REN - Rede Electrica Nacional, S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Operator of the very high tension national network of transmission lines | 100.00% | 100.00% |
| REN Trading, S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Purchase and sale, import and export of electricity and natural gas | 100.00% | 100.00% |
| Enondas-Energia das Ondas, S.A.<br>Mata do Urso - Guarda Norte - Carriço- Pombal | Management of the concession to operate a pilot area for the production of electric energy from ocean waves | 100.00% | 100.00% |
| **Operator Energy Market Sector:** | | | |
| OMIP - SGPS, S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Management of participations | 90.00% a) | 90.00% |
| Owned by OMIP, SGPS, S.A.:<br>OMIP - Operador do Mercado Ibérico de Energia, S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Management of transactions within the MIBEL | 90.00% a) | - |
| OMI CLEAR - Sociedade de Compensação de Mercados de Energia, S.A.<br>Av. Estados Unidos da América, 55 -12º - Lisboa | Clearing house for future purchase contracts of electricity | 90.00% a) | - |
| **Telecommunications Sector:** | | | |
| RENTELECOM - Comunicações S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Telecommunications network operation | 100.00% | 100.00% |
| **Other sectors:** | | | |
| REN - Serviços, S.A.<br>Av. Estados Unidos da América, 55 - Lisboa | Back Office and Management of participations | 100.00% | 100.00% |
| ***Natural Gas Sector:*** | | | |
| REN Atlântico , Terminal de GNL, S.A.<br>Terminal de GNL - Sines | Liquified Natural Gas Terminal maintenance and regasification operation | 100.00% | 100.00% |
| Owned by Ren Serviços, S.A.:<br>REN Gás, S.A.<br>Av. Estados Unidos da América, 55 -12º - Lisboa | Management of projects and ventures in the natural gas sector | 100.00% | - |
| Owned by Ren Gas, S.A.:<br>REN - Armazenagem, S.A.<br>Mata do Urso - Guarda Norte - Carriço- Pombal | Underground storage developement, maintenance and operation | 100.00% | - |
| REN - Gasodutos, S.A.<br>Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas | RNTGN operator and Natural Gas overall manager | 100.00% | - |
| Owned by REN Gasodutos, S.A: | | | |
| Gasoduto Braga Tuy, S.A.<br>Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas | Gas transmission | 100.00% | - |
| Gasoduto Campo Maior - Leiria - Braga,S.A.<br>Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas | Gas transmission | 100.00% | - |

a) See subsquent event mentioned in note 25.

## Changes in the consolidation perimeter in 2011 in relation to 2010

Companies founded: On 29 March 2011 the company REN Gás, S.A. was founded, being fully owned by REN Serviços, which acquired the shares which REN - Redes Energéticas Nacionais, SGPS, S.A. had in REN Gasodutos and REN Armazenagem.

### 1.2. Approval of the consolidated financial statements as of 30 September 2011

The consolidated financial statements were approved by the Board of Directors at a meeting held on 3 November 2011. The Board of Directors believes that these consolidated financial statements fairly reflect the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, consolidated changes in their equity and their consolidated cash flows in conformity with International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

## 2 Basis of preparation

The consolidated financial statements for the nine month period ended 30 September 2011 were prepared in conformity with the International Financial Reporting Standards for interim financial reporting as endorsed by the European Union, (IAS 34). The financial statements should be read in conjunction with the annual financial statements issued for the year ended 31 December 2010.

The financial statements are presented in thousands of euros.

## 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 Portugal, adjusted in the consolidation process so that the financial statements are presented in accordance with the International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2011. The International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective 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. These 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 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.

**Adoption of new standards and interpretations and amendments or revisions**

The following standards, interpretations, amendments and revisions were endorsed by the European Union and must be applied for financial years beginning on or after 1 January 2011:

- IAS 24 'Disclosure of Related Parties' (2009 Revision) – This revision introduced some clarifications relating to disclosures to be made of related parties, especially regarding entities relating to public administration. This change did not result in a significant impact on REN's consolidated financial statements as of 30 September 2011.

- IAS 32 'Financial Instruments : Presentation' (amendment) (to be applied for years beginning on or after 1 February 2010) – This change clarified under what conditions rights issued can be classified as equity instruments. This change had no impact on REN's consolidated financial statements as of 30 September 2011.

- IFRS 1 First time adoption of International Financial Reporting Standards (amendment) (to be applied for years beginning on or after 1 July 2010). This amendment defined the limited exemption from the requirement to present comparatives in accordance with IFRS 7 for first time adopters and simplifies the requirement to disclose comparatives relating to financial instruments in the first time adoption of IFRS. This change had no impact on REN's consolidated financial statements as of 30 September 2011.

- IFRIC 14 'Prepayment of a minimum financing requirement' (amendment) – 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 had no impact on REN's consolidated financial statements as of 30 September 2011.

- IFRIC 19 'Extinction of financial liabilities through equity instruments' (applicable to years beginning 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 favour of its creditor with the resulting extinction of the full amount or part of the liability. This change had no impact on REN's consolidated financial statements as of 30 September 2011.

- Improvements to International Financial Reporting Standards – May 2010. This process involved the revision of five accounting standards to be applied to years beginning on or after 1 January 2011. In addition, eight accounting standards to be adopted in years beginning on or after 30 June 2010 were also revised.

### 3.1 Comparability of the Financial Statements

The impact on the statement of profit and loss for the 3rd quarter of 2010 resulting from the adoption of IFRIC 12, with effect as from 1 January 2010, and reversal of income and costs relating to the excess cost of the Energy Acquisition Contracts (CAE) was as follows:

| | 30.09.2010 | Adoption of IFRIC 12 (i) | Excess costs of the CAE not terminated (ii) | 30.09.2010 (restated) |
|---|---|---|---|---|
| Sales | 664 | - | - | 664 |
| Services provided | 559,633 | - | (186,045) | 373,588 |
| Revenue from construction of concession assets | - | 202,408 | - | 202,408 |
| Other operating income | 30,490 | - | - | 30,490 |
| Share of (loss)/profit of joint ventures | 7,546 | - | - | 7,546 |
| **Operating income** | **598,333** | **202,408** | **(186,045)** | **614,696** |
| Cost of goods sold | (442) | - | - | (442) |
| Cost with construction of concession assets | - | (183,784) | - | (183,784) |
| External supplies and services | (53,256) | (3,498) | - | (56,754) |
| Employee compensation and benefit expense | (33,420) | (5,745) | - | (39,165) |
| Depreciation and amortizations | (126,663) | (381) | - | (127,043) |
| Provisions | (12,470) | - | - | (12,470) |
| Other expenses | (196,778) | (74) | 186,045 | (10,807) |
| **Operating costs** | **(423,029)** | **(193,482)** | **186,045** | **(430,466)** |
| **Operating results** | 175,305 | 8,926 | - | 184,231 |
| Financial costs | (57,957) | (8,926) | - | (66,883) |
| Financial income | 2,090 | - | - | 2,090 |
| Investment income - dividends | 3,790 | - | - | 3,790 |
| **Financial results** | **(52,078)** | **(8,926)** | **-** | **(61,004)** |
| **Profit before income taxes** | **123,227** | **-** | **-** | **123,227** |
| Income tax expense | (44,041) | - | - | (44,041) |
| **Profit for the year before non-controlled interests** | **79,186** | **-** | **-** | **79,185** |
| **Attributable to:** | | | | |
| Equity holders of the Company | 79,185 | - | - | 79,185 |
| Non-controlled interest | - | - | - | - |
| **Profit for the year** | **79,185** | **-** | **-** | **79,185** |

(i) Adoption of IFRIC 12 – The consolidated statement of profit and loss started to include construction costs of conceded assets and related construction income, without a margin.

(ii) Excess CAE costs – Adoption of the procedure to reverse the excess cost captions of the Energy Acquisition Contracts (Contratos de Aquisição de Energia - CAE) in other operating costs and in the caption sales and services rendered as they are "pass through" amounts (Note 21).

## 4 Segment reporting

A business segment is a group of assets and operations involved in the supply of products and services subject to risks and benefits that are different from other business segments. A geographic segment is a group of assets and operations committed to the supply of products and services in a particular economic environment which is subject to different risks and benefits from those that affect segments that operate in other economic environments.

The REN Group only presents business segment information as it only operates in Portugal. Transactions of the group company Omiclear, although corresponding essentially to the sale of futures contracts in MIBEL, are not significant for geographic segment purposes.

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 analyzed 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 and management of energy acquisition contracts ("CAE") not terminated on 30 June 2007. The gas segment includes the transport of very high pressure gas and overall management of the national natural gas supply system, as well as operation of the LNG re-gasification terminal and the 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 column "Others" includes the operations of REN SGPS and REN Serviços.

The results by segment for the nine month period ended 30 September 2010 were as follows:

| | Electricity | Gas | Telecom. | Electricity Market Operator | Others | Total |
|---|---|---|---|---|---|---|
| **Revenue from construction of concession assets** | **151,674** | **51,659** | **-** | **-** | **-** | **203,332** |
| Total sales and services rendered | 447,808 | 134,490 | 4,863 | 2,797 | - | 589,957 |
| Inter-segment sales and services rendered | (214,294) | (29) | (533) | (849) | - | (215,705) |
| **Sales and services provided** | **233,514** | **134,461** | **4,330** | **1,948** | **-** | **374,252** |
| Operating result by segment | 119,683 | 82,103 | 3,326 | (759) | (20,122) | 184,231 |
| Financial costs | (49,226) | (11,624) | (2) | (5) | (6,026) | (66,883) |
| Financial income | 216 | 875 | 15 | 1 | 4,771 | 5,879 |
| **Profit before income tax** | | | | | | 123,227 |
| Income tax expense | | | | | | (44,041) |
| **Net profit for the period** | | | | | | **79,185** |
| **Other expenses:** | | | | | | |
| Depreciation and amortizations | (90,707) | (36,086) | (10) | (21) | (219) | (127,043) |

The results by segment for the nine month period ended 30 September 2011 were as follows:

| | Electricity | Gas | Telecom. | Electricity Market Operator | Others | Total |
|---|---|---|---|---|---|---|
| **Revenue from construction of concession assets** | **168,413** | **60,398** | **-** | **-** | **-** | **228,811** |
| Total sales and services rendered | 255,086 | 147,758 | 4,075 | 1,991 | 23,093 | 432,003 |
| Inter-segment sales and services rendered | (812) | (19,841) | (535) | (84) | (22,098) | (43,370) |
| **Sales and services rendered** | 254,274 | 127,917 | 3,540 | 1,907 | 995 | 388,633 |
| Operating result by segment | 146,545 | 81,751 | 2,666 | (51) | (15,649) | 215,263 |
| Financial costs | (47,156) | (14,458) | (1) | (5) | (17,176) | (78,794) |
| Financial income | 250 | 2,695 | 81 | 260 | 4,073 | 7,359 |
| **Profit before income tax** | | | | | | 143,827 |
| Income tax expense | | | | | | (48,243) |
| **Net profit for the period** | | | | | | 95,584 |
| **Other expenses:** | | | | | | |
| Depreciation and amortizations | (95,184) | (39,404) | (12) | (168) | (137) | (134,905) |

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

Assets and liabilities by segment as well as investment in tangible and intangible fixed assets for the period ended 31 December 2010 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 | 3,438,603 |
| 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, as well as fixed assets for the period ended 30 September 2011, were as follows:

| | Electricity | Gas | Telecom. | Electricity Market Operator | Others | Total |
|---|---|---|---|---|---|---|
| **Assets** | 2,780,691 | 1,345,368 | 2,811 | 106,363 | 198,591 | 4,433,824 |
| **Liabilities** | 689,322 | 311,312 | 353 | 101,193 | 2,324,587 | 3,426,768 |
| Capital expenditure - tangible assets | - | - | 37 | 16 | 102 | 154 |
| Capital expenditure - intangible assets | 168,413 | 60,398 | - | - | - | 228,811 |
| **Capital expenditure - total** | **168,413** | **60,398** | **37** | **16** | **102** | **228,965** |

Assets by segment consist mainly of assets of the concession, classified under the caption other intangible assets and trade and other receivables. Liabilities by segment include operating liabilities, except for the holding company's borrowings and borrowings contracted for non-operating activities at 30 September 2011, included under the column "Others".

Investments in tangible and intangible fixed assets correspond to additions during the period (Note 5).

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## 5 Tangible fixed assets and intangible assets

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

### Changes in tangible and intangible fixed assets - September 2010

| | January 2010 - Restated | | | Changes | | | | | September 2010 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Additions | Disposals and write-offs | Transfers | Amortization charge | Amortization-disposals and write-offs | Cost | Accumulated amortization | Net book value |
| **Tangible Assets** | | | | | | | | | | | |
| Transmission and electronic equipment | 103 | (45) | 58 | - | - | - | (10) | - | 103 | (55) | 48 |
| Transport equipment | 500 | (218) | 282 | 212 | (103) | - | (99) | 99 | 609 | (218) | 391 |
| Office equipment | 3,111 | (2,725) | 386 | 293 | - | - | (151) | - | 3,403 | (2,876) | 527 |
| Fixed assets in progress | 159 | - | 159 | 886 | - | - | - | - | 1,044 | - | 1,044 |
| | **3,871** | **(2,988)** | **884** | **1,391** | **(103)** | **-** | **(260)** | **99** | **5,160** | **(3,149)** | **2,011** |

| | January 2010 - Restated | | | Changes | | | | | September 2010 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 5,414,778 | (2,272,589) | 3,142,189 | 433 | (521) | 165,558 | (126,783) | 484 | 5,580,249 | (2,398,888) | 3,181,360 |
| Concession assets in progress | 308,803 | - | 308,803 | 202,899 | - | (165,558) | - | - | 346,144 | - | 346,144 |
| | **5,723,581** | **(2,272,589)** | **3,450,992** | **203,332** | **(521)** | **-** | **(126,783)** | **484** | **5,926,393** | **(2,398,888)** | **3,527,504** |
| Goodwill | **3,774** | **-** | **3,774** | **-** | **-** | **-** | **-** | **-** | **3,774** | **-** | **3,774** |
| Total tangible and intangible assets | **5,731,227** | **(2,275,577)** | **3,455,650** | **204,723** | **(624)** | **-** | **(127,043)** | **583** | **5,935,326** | **(2,402,037)** | **3,533,289** |

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

## Changes in tangible and intangible fixed assets - September 2011

| | January 2011 | | | Changes | | | | | September 2011 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Additions | Disposals and write-offs | Transfers | Amortization charge | Amortization-disposals and write-offs | Cost | Accumulated amortization | Net book value |
| **Tangible Assets** | | | | | | | | | | | |
| Transmission and electronic equipment | 103 | (58) | 45 | - | - | - | (10) | - | 103 | (67) | 35 |
| Transport equipment | 677 | (261) | 416 | 132 | 29 | 72 | (154) | (7) | 910 | (422) | 488 |
| Office equipment | 3,534 | (2,924) | 610 | 23 | - | (72) | (164) | - | 3,485 | (3,088) | 397 |
| Assets in progress | 130 | - | 130 | - | - | - | - | - | 130 | - | 130 |
| | **4,443** | **(3,243)** | **1,200** | **154** | **29** | **-** | **(327)** | **(7)** | **4,627** | **(3,577)** | **1,050** |

| | January 2011 | | | Changes | | | | | September 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 | 799 | (3,820) | 101,789 | (134,577) | 3,243 | 5,920,503 | (2,572,084) | 3,348,419 |
| Concession assets in progress | 339,872 | - | 339,872 | 228,012 | - | (101,789) | - | - | 466,095 | - | 466,095 |
| | **6,161,607** | **(2,440,750)** | **3,720,857** | **228,811** | **(3,820)** | **-** | **(134,577)** | **3,243** | **6,386,598** | **(2,572,084)** | **3,814,513** |
| Goodwill | **3,774** | **-** | **3,774** | **-** | **-** | **-** | **-** | **-** | **3,774** | **-** | **3,774** |
| Total tangible and intangible assets | **6,169,824** | **(2,443,993)** | **3,725,831** | **228,966** | **(3,791)** | **-** | **(134,905)** | **3,236** | **6,394,999** | **(2,575,661)** | **3,819,337** |

Additions in the period ended 30 September 2011 correspond essentially to rights underlying the operation of substations and lines of the National Transmission Network (Rede Nacional de Transporte - "RNT"), the electricity segment and, in the case of the gas segment, to the rights underlying the operation of the construction project of the 3rd tank in the Sines Terminal.

The increase in other intangible assets comparing the period ended 30 September 2010 with the period ended 30 September 2011 refers essentially to realization of the Group's conceded assets investment plan.

Financial costs capitalized in intangible assets in progress in the period ended 30 September 2011 amounted to 13,357 thousand euros (8,926 thousand euros at 30 September 2010) while overhead and management costs amounted to 10,624 thousand euros (9,716 thousand euros at 30 September 2010).

The net amount of tangible and intangible fixed assets financed through finance lease contracts at 30 September 2011 and 31 December 2010 was as follows:

| | 30.09.2011 | 31.12.2010 |
|---|---|---|
| Acquisition cost | 6,971 | 5,846 |
| Accumulated depreciation and amortization | (4,677) | (2,616) |
| **Net book value** | **2,294** | **3,230** |

## 6 Deferred taxes

Deferred taxes recognized in the consolidated financial statements were as follows:

| | Period ended | |
|---|---|---|
| | 30.09.2011 | 30.09.2010 |
| Impact on the statement of profit and loss (Note 15) | | |
| Deferred tax assets | (4,652) | 6,530 |
| Deferred tax liabilities | 12,672 | 9,567 |
| | 8,020 | 16,097 |
| Impact on equity | | |
| Deferred tax assets | 4,279 | 4,381 |
| Deferred tax liabilities | 462 | (5,116) |
| | 4,741 | (735) |
| **Net impact of deferred taxes** | **12,761** | **15,362** |

The changes in deferred taxes, by nature, were as follows:

### Changes in deferred tax assets - September 2010

| | Provisions | Loss carried forward | Pensions | Tariff deviations | Available-for-sale financial | Derivative financial instruments | Others | Total |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2010** | **1,402** | **1,051** | **18,509** | **14,243** | **496** | **-** | **1,925** | **37,627** |
| Increase/decrease through reserves | - | - | 1,823 | - | 1,132 | 3,428 | (2,002) | 4,381 |
| Reversal through profit and loss | (261) | - | (1,808) | - | - | (20) | (88) | (2,176) |
| Increase through profit and loss | 108 | - | - | 7,695 | - | 730 | 173 | 8,706 |
| **Change in the period** | **(153)** | **-** | **15** | **7,695** | **1,132** | **4,138** | **(1,917)** | **10,910** |
| **At 30 September 2010** | **1,249** | **1,051** | **18,524** | **21,938** | **1,628** | **4,138** | **8** | **48,537** |

### Changes in deferred tax assets - September 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** |
| Increase/decrease through reserves | - | - | 1,719 | - | 2,557 | 3 | 4,279 |
| Reversal through profit and loss | - | - | (794) | (3,625) | (492) | (42) | (4,954) |
| Increase through profit and loss | - | - | 301 | - | - | - | 301 |
| **Change in the period** | **-** | **-** | **1,226** | **(3,625)** | **2,065** | **(39)** | **(373)** |
| **At 30 September 2011** | **1,337** | **1,244** | **20,375** | **32,976** | **3,590** | **906** | **60,428** |

Deferred tax assets at 30 September 2011 refer mainly to employee benefit plan liabilities and tariff deviations to be adjusted in tariffs in the following years.

### Changes in deferred tax liabilities - September 2010

| | Tariff deviations | Revaluation | Derivative financial instruments | Total |
|---|---|---|---|---|
| **At 1 January 2010** | **47,973** | **33,613** | **-** | **81,586** |
| Increase/decrease through reserves | - | 3,171 | 1,945 | 5,116 |
| Increase through profit and loss | 8,369 | - | 815 | 9,184 |
| Reversal trough profit and loss | (16,755) | (1,997) | - | (18,752) |
| **Change in the period** | **(8,385)** | **1,173** | **2,760** | **(4,452)** |
| **At 30 September 2010** | **39,588** | **34,786** | **2,760** | **77,134** |

### Changes in deferred tax liabilities - September 2011

| | Tariff deviations | Revaluation | Derivative financial instruments | Total |
|---|---|---|---|---|
| **At 1 January 2011** | **36,089** | **34,359** | **1,103** | **71,551** |
| Increase/decrease through reserves | - | - | (462) | (462) |
| Increase through profit and loss | 7,881 | - | - | 7,882 |
| Reversal trough profit and loss | (18,093) | (1,819) | (642) | (20,554) |
| **Change in the period** | **(10,212)** | **(1,819)** | **(1,103)** | **(13,134)** |
| **At 30 September 2011** | **25,877** | **32,539** | **-** | **58,416** |

Deferred tax liabilities relating to revaluations result from legal revaluations carried out in previous years, included in the cost considered for intangible assets as of the date of transition to IFRS. These deferred taxes reflect the non tax deductibility of 40% of the depreciation recognized.

## 7 Available-for-sale assets

This caption includes the following participations:

| | % owned | Entity | 30.09.2011 | 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. ("REE") | 1% | REN, SGPS | 46,324 | 47,651 |
| Enagás | 1% | REN, SGPS | 32,978 | 35,617 |
| **Total** | | | **80,335** | **84,301** |

The changes recognized in this caption were as follows:

| | OMEL | REE | ENAGAS | Total |
|---|---|---|---|---|
| **At 1 January 2010** | 1,033 | 52,551 | 36,835 | 90,419 |
| Fair value adjustments | - | (4,900) | (1,218) | (6,118) |
| **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 | - | (1,327) | (2,639) | (3,966) |
| **At 30 September 2011** | **1,033** | **46,324** | **32,978** | **80,335** |

The participation in OMIP, SGPS is recorded at cost as OMEL has a specific activity and is not a listed company. No adjustment has been made as of 30 September 2011 as there are no indications of loss of value.

The participations of REN SGPS in REE and Enagás are recorded at fair value, determined based on stock exchange listings of the companies as of 30 September 2011.

The adjustments to fair value of the available-for-sale financial assets are reflected in the equity caption, fair value reserve.

| | Fair value adjustments |
|---|---|
| Fair value adjustment | (3,966) |
| **Net adjustment in equity** | **(3,966)** |

## 8 Trade and other receivables

Trade and other receivables at 30 September 2011 and 31 December 2010 are made up as follows:

| | 30.09.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Current | Non current | Total | Current | Non current | Total |
| Trade receivables (i) | 150,067 | 155 | 150,222 | 212,696 | 65 | 212,760 |
| Impairment of trade receivables | (822) | - | (822) | (844) | - | (844) |
| Trade receivables net | 149,245 | 155 | 149,400 | 211,852 | 65 | 211,916 |
| Tariff deviations | 33,276 | 56,017 | 89,293 | 58,066 | 66,441 | 124,507 |
| State and Other Public Entities | 7,120 | - | 7,120 | 5,878 | - | 5,878 |
| **Trade and other receivables** | **189,641** | **56,172** | **245,813** | **275,796** | **66,505** | **342,301** |

(i) The most significant amount in trade receivables is the receivable from EDP – Distribuição de Energia, S.A. in the amount of 64,994 thousand euros (79,344 thousand euros at 31 December 2010).

Decree-Law 87/2011, published on 18 July 2011, formalized the treatment of tariff deviations in the gas segment subjecting them to the treatment established in Decree-Law 237B/2006 for electricity deviations.

## 9 Share capital

At 30 September 2011 REN's fully subscribed for and paid up share capital was made up of 534,000,000 shares of 1 euro each.

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

At 30 September 2011 REN SGPS had the following treasury shares:

| | Number of shares | Proportion | Amount |
|---|---|---|---|
| **Own shares** | 3,881,374 | 0.7268% | (10,728) |
| **As of 30 September 2011** | **3,881,374** | **0.7268%** | **(10,728)** |

## 10 Borrowings

The segregation of borrowings between current and non-current at 30 September 2011 and 31 December 2010 was as follows:

| | 30.09.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Non current** | **Total** | **Current** | **Non current** | **Total** |
| Commercial Paper | - | 499,000 | 499,000 | 260,000 | 227,000 | 487,000 |
| Bonds | - | 1,096,712 | 1,096,712 | - | 942,039 | 942,039 |
| Bank Borrowings | 40,999 | 701,381 | 742,379 | 40,828 | 739,381 | 780,209 |
| Bank overdrafts | 35,527 | - | 35,527 | 36,727 | - | 36,727 |
| Finance Lease | 1,169 | 992 | 2,161 | 1,260 | 1,743 | 3,003 |
| | 77,695 | 2,298,085 | 2,375,780 | 338,814 | 1,910,162 | 2,248,976 |
| Accrued interest | 61,775 | - | 61,775 | 12,098 | 488 | 12,586 |
| Prepaid interest | (4,703) | - | (4,703) | (3,778) | - | (3,778) |
| **Borrowings** | **134,768** | **2,298,085** | **2,432,853** | **347,134** | **1,910,650** | **2,257,784** |

The increase in the caption borrowings at 30 September 2011 in relation to 31 December 2010 is due basically to the bond issues in April and July 2011 in the amounts of 100,000 thousand euros and 50,000 thousand euros, respectively, and increase in the utilization of the commercial paper programs. The extension of all the terms of the commercial paper programs resulted in the classification of all such borrowings as non-current.

The REN Group's financial liabilities have the following main covenants: Cross default, Pari Passu, Negative Pledge, Gearing (compliance with this ratio is only applicable when the rating attributed to REN is lower than a specific level, which was not the case at 30 September 2011), change in shareholder control (change in shareholder control is not in itself sufficient reason to cause early maturity of the contract, there having to be a series of supplementary and cumulative conditions).

## 11 Derivative financial instruments

The REN Group had contracted the following derivative financial instruments at 30 September 2011 and 31 December 2010:

| Derivatives designated as cash flow hedges | 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | Nocional | Assets | | Liabilities | |
| | | Current | Non current | Current | Non current |
| Interest rate swaps | 384.000 TEUR | - | - | 2,803 | 2,875 |
| Interest rate swaps | 200.000 TEUR | - | 1,553 | - | - |
| Interest rate and currency swaps | 10.000.000 TJPY | - | 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 | 30 September 2011 | | | | |
|---|---|---|---|---|---|
| | Nocional | Assets | | Liabilities | |
| | | Current | Non current | Current | Non current |
| Interest rate swaps | 334.000 TEUR | - | - | 718 | 3,039 |
| Interest rate swaps | 200.000 TEUR | - | - | - | 7,453 |
| Interest rate and currency swaps | 10.000.000 TJPY | - | 21,839 | - | - |
| Trading derivatives | | 1,247 | - | 256 | - |
| **Total derivatives designated as cash flow hedges** | | **1,247** | **21,839** | **974** | **10,492** |

<u>Swaps:</u>

### Cash flow hedges

In June 2011 the Group contracted two new interest rate swaps and in July 2011 another interest rate swap to hedge the coupons of the bonds issued in April 2011 and July 2011. One of the swaps held at 31 December 2010 matured in April 2011.

Therefore, the Group's interest rate swaps at 30 September 2011 hedging part of the future payment of interest on loans and bonds had a notional value of 334,000 thousand euros (384,000 thousand euros at 31 December 2010). The fair value of the interest rate swaps at 30

September 2011 was 3,757 thousand euros negative (5,678 thousand euros negative at 31 December 2010).

This is a hedging of the interest rate risk on payments of interest at variable rates on recognized financial liabilities. The risk covered is the indexer of the variable rate to which the interest on the borrowings relates. The object of this hedging is to transform loans at variable interest rates to fixed rates, the credit risk not being hedged.

The Group contracted two interest rate forward start swaps starting in 2012, with the objective of hedging the risk of interest rate fluctuation on emissions of commercial paper the Group believes will be contracted. The instruments have a notional value of 200,000 thousand euros at 30 September 2011 (200,000 euros at 31 December 2010), REN paying a fixed rate and receiving a variable rate. The risk hedged is the indexer of the variable rate to which the loan interest relates. 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 30 September 2011 was 7,453 thousand euros negative (1,553 thousand euros positive at 31 December 2010).

In addition, REN hedges its exposure to cash flow risk on its issuance of 10,000 million JPY resulting from exchange 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 interest rate risk of the bond issue through the forward start swap component which will only start in June 2019. The variations in the fair value of the hedging instrument are also deferred in hedging reserves, in the case of exchange rate risk, being transferred to the statement of profit and loss as the instrument covered has an effect on results.

The credit risk is not hedged. The fair value of the cross-currency swap at 30 September 2011 was 21,839 thousand euros positive (19,146 thousand euros positive at 31 December 2010).

The exchange variation of 4,310 thousand euros positive on the underlying loan at 30 September 2011 (19,146 thousand euros negative at 31 December 2010), was recorded in the statement of profit and loss for the year, net of the effect of the hedging instrument.

The amount recorded in reserves relating to the above mentioned cash flow hedges was 8,532 thousand euros at 30 September 2011 (1,141 thousand euros at 31 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, when the hedged instrument had 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 $CO_2$ 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 and benefit of REN SGPS, thus ensuring a 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 a purely financial activity and the mere financial management of assets, not being confused with the regulated activity of Commercial Agent.
The fair value of the futures energy contracts and CO2 licences at 30 September 2011 and 31 December 2010 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 | 588 | - |
| Financial contracts in the energy market for 2012 | 136 | - |
| Financial contracts in the energy market for 2013 | 342 | - |
| CO2 licences | - | 175 |
| Carbon financial contracts for 2011 | - | 81 |
| Carbon financial contracts for 2012 | 182 | - |
| **Fair vale at 30 September 2011** | **1,247** | **256** |

## 12 Liability for retirement benefits and others

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 provide their employees life assurance plans. There have been no changes, in relation to 31 December 2010, in the benefits granted to the employees.

The overall impact of the benefits granted on the consolidated financial statements as of 30 September 2011 and 31 December 2010 was as follows:

| | 30.09.2011 | 31.12.2010 |
|---|---|---|
| **Liability on the balance sheet** | | |
| Pension plan | 37,420 | 33,966 |
| Medical assistence plan and others | 32,735 | 31,959 |
| Life insurance plan | 103 | 106 |
| | **70,259** | **66,031** |

The changes in the liability of the pension plan is due to devaluation of 5,938 thousand euros in the value of the fund's assets. The effect, net of tax, is reflected in retained earnings.

The amount recognized in personnel costs was as follows:

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| **Expenses on the statement of profit and loss** | | |
| Pension plan | 1,622 | 2,122 |
| Medical assistence plan and others | 775 | 786 |
| Life insurance plan | 10 | 9 |
| | **2,407** | **2,917** |

The amounts reported as of 30 September 2011 result from the projection of the actuarial valuation as of 31 December 2010 for the nine month period ended 30 September 2011, considering the estimated increase in salaries for 2011.

The main assumptions used in the above actuarial calculation at 30 September 2011 and 31 December 2010 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 (between 55 and 59 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 Provision for other risks and charges

The changes in provisions during the periods considered were as follows:

### Evolution of the provisions

| | 30.09.2011 | 31.12.2010 |
|---|---|---|
| **At 1 January** | 17,081 | 5,288 |
| Increases | - | 12,774 |
| Decreases | - | (981) |
| **At 30 September** | **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 30 September 2011 corresponds essentially to: (i) estimate of the payments to be made by REN resulting from litigation in process for damage caused to third parties ( 4,611 thousand euros); (ii) estimate to cover the contingency relating to litigation with Amorim Energia over dividends received from GALP Energia in 2006, which was recorded in 2010 following notification of the decision of the Arbitration Court of the International Chamber of Commerce (ICC) of Paris on 16 March 2010 and corresponding addendum of 8 July 2010, requiring REN to pay 20.3 M€, equivalent to half of 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 this process (12,470 thousand euros) (Note 24).

## 14 Trade and other payables

The caption "Trade and other payables" at 30 September 2011 and 31 December 2010 was made up as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | current | Non current | Total | | Non current | Total |
| **Trade payables** | | | | | | |
| Current suppliers | 143,501 | - | 143,501 | 184,478 | - | 184,478 |
| **Other creditors** | | | | | | |
| Other creditors | 36,278 | 13,607 | 49,885 | 70,494 | 9,704 | 80,198 |
| Tariff deviations | 58,184 | 58,368 | 116,552 | 8,435 | 120,618 | 129,053 |
| Fixed assets suppliers | 83,057 | - | 83,057 | 133,892 | - | 133,892 |
| **Tax payables** (i) | 3,158 | - | 3,158 | 7,060 | - | 7,060 |
| **Deferred income** | | | | | | |
| Grants related to assets | 19,896 | 313,677 | 333,573 | 23,673 | 321,617 | 345,291 |
| **Accrued costs** | | | | | | |
| Holidays and holidays subsidies | 6,257 | - | 6,257 | 4,774 | - | 4,774 |
| **Trade and other payables** | **350,331** | **385,652** | **735,983** | **432,807** | **451,940** | **884,746** |

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

## 15 Income tax

Income tax for the nine month periods ended 30 September 2011 and 30 September 2010 includes current tax and deferred tax, as follows:

### Income tax

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| Current income tax | 50,739 | 57,351 |
| Correction of estimated tax in the previous year | 5,524 | 2,787 |
| Deferred income tax (Note 6) | (8,020) | (16,097) |
| **Income tax** | **48,243** | **44,041** |

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:

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| Consolidated profit before income tax | 143,827 | 123,227 |
| **Permanent differences** | | |
| Non deductible costs | 3,330 | 23,932 |
| Non taxable income | (486) | (12,085) |
| **Timing differences** | | |
| Tariff deviations | 22,712 | 65,126 |
| Revaluations | 6,269 | 6,887 |
| Fair value of financial instruments | 516 | (890) |
| Pension, medical assistence and life insurance plans | 1,339 | (3,859) |
| Others | (137) | (0) |
| Taxable income | 177,370 | 202,338 |
| Tax rate - 25% | 43,419 | 49,360 |
| State surcharge tax - 1,5% | 2,796 | 3,002 |
| State surcharge tax - 2,5% | 4,238 | 4,660 |
| Autonomous taxation | 285 | 329 |
| Correction of estimated tax in the previous year | 5,524 | 2,787 |
| **Current income tax** | **56,263** | **60,138** |
| Deferred income tax | (8,020) | (18,620) |
| Effect of state surcharge tax updating on deferred tax assets and liabilities | - | 2,523 |
| **Deferred income tax** | **(8,020)** | **(16,097)** |
| **Income tax** | **48,243** | **44,041** |
| **Effective tax rate** | **33.54%** | **35.74%** |

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

**Rates of current tax**

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| Tax rates | 25.00% | 25.00% |
| Municipal surcharge | 1.50% | 1.50% |
| State surcharge tax | 2.50% | 2.50% |
| | **29.00%** | **29.00%** |

The caption income tax at 30 September 2011 and 31 December 2010 is made up as follows:

| | 30.09.2011 | 31.12.2010 |
|---|---|---|
| **Income tax** | | |
| Corporate income tax - estimated tax | (47,982) | (94,495) |
| Corporate income tax - payments on account | 51,304 | 33,626 |
| Income tax withheld by third parties | 1,304 | 943 |
| **Income tax receivable / (payable) -Special taxation regime for company groups** | **4,626** | **(59,925)** |
| Corporate income tax - estimated tax | (2,756) | (72) |
| Corporate income tax - payments on account | 2,072 | 400 |
| Income tax withheld by third parties | 27 | 32 |
| **Income tax receivable / (payable)** | **(657)** | **361** |

## 16 Earnings per share

Earnings per share attributable to holders of the Group's capital were calculated as follows:

| | | 30.09.2011 | 30.09.2010 |
|---|---|---|---|
| Consolidated net profit used to calculate earnings per share | (1) | 95,572 | 79,185 |
| Number of ordinary shares outstanding during the period (Note 9) | (2) | 534,000,000 | 534,000,000 |
| Efect of treasury shares (Note 10) | | 3,881,374 | 3,881,374 |
| | (3) | 530,118,626 | 530,118,626 |
| Basic earnings per share (euro per share) | (1)/(3) | 0.18 | 0.15 |

## 17 Dividends per share

Dividends granted during the period ended 30 September 2011 refer to net profit for 2010, 89 million euros having been paid (0.167 euros per share).

## 18 Guarantees given

At 30 September 2011 and 31 December 2010 the Group had guarantees given to the following entities:

| Beneficiary | Purpose | Begining | 30.09.2011 | 31.12.2010 |
|---|---|---|---|---|
| European Community | To comply with the contractual requirements of the loan contract | 05-12-2007 | 3 | 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 | 04-08-2006 | 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 | 25-09-2006 | 20,000 | 20,000 |
| Municipal Council of Seixal | To guarantee processes in progress | 02-11-2006 | 3,853 | 3,853 |
| BEI | To guarantee loans | 26-06-2006 | 402,164 | 364,671 |
| Lisboa Financial Services | Guarantee of failure in a process of litigation | 31-03-2005 | - | 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.) | 19-04-2011 | 1,000 | 2,000 |
| EP - Estradas de Portugal - Delegação Regional do Porto | Installation of gas infrastrutures by drilling - Natural Gas Trasport Network Leça Industrial bra | 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 |
| Direcção Geral de Impostos | Guarantee of failure in the process of litigation on VAT | 23-09-2010 | - | 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 | - |
| EP - Estradas de Portugal | To guarantee compliance with the obligations assumed resulting from the contract relating to the construction of a pipeline on Mangualde/Celorico/Guarda- EN 330 | 25/08/2011 | 5 | - |
| EP - Estradas de Portugal | To guarantee compliance with the obligations assumed resulting from the contract relating to the construction of a pipeline on Mangualde/Celorico/Guarda- EN 221 | 25/08/2011 | 5 | - |
| EP - Estradas de Portugal | To guarantee compliance with the obligations assumed resulting from the contract relating to the construction of a pipeline on Mangualde/Celorico/Guarda- EN 234 | 25/08/2011 | 5 | - |
| EP - Estradas de Portugal | To guarantee compliance with the obligations assumed resulting from the contract relating to the construction of a pipeline on Mangualde/Celorico/Guarda- EN 232 | 25/08/2011 | 5 | - |
| EP - Estradas de Portugal | Related to the following work: connecting the Valongo Post - SE Ermesinde to 220kV - double-circuit underground cable (208Km EN 12 770 + 13 to + 280 km | 02/09/2011 | 37 | - |
| | | | 436,334 | 401,527 |

## 19 Related party transactions

At 30 September 2011 the REN Group was listed in the Euronext – Lisbon stock exchange, 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.
- Portgás, S.A.
- EDP Gás.Com, S.A.
- EDP Gás, SGPS, S.A.
- O&M Serviços, S.A.
- Sãvida, S.A.
- Labelec, S.A.

**CGD Group**

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

**Others**

- Red Eléctrica Corporación, S.A.
- Capitalpor – Participações Portuguesas, SGPS, S.A.
- Gestmin, SGPS, S.A.
- EGF - Gestão e Consultoria Financeira, 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:

## 19.1 Sale of goods and services

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| **Sale of goods** | | |
| Electricity - EDP | 1,075,595 | 1,039,211 |
| | **1,075,595** | **1,039,211** |
| **Services rendered** | | |
| Gains on applications | 1,213 | - |
| Other services - EDP | 3,059 | 7,043 |
| | **4,272** | **7,043** |

The amounts shown as sale of goods in the caption “Trade and other receivables” are due to REN’s role as agent in the purchase and sale of electricity.

## 19.2 Purchase of goods and services

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| **Purchase of goods** | | |
| Electricity - EDP | 507,262 | 441,913 |
| | **507,262** | **441,913** |
| **Purchase of services** | | |
| Other services - EDP | 5,664 | 5,755 |
| Interests on Commercial paper - CGD | 879 | 1,872 |
| Borrowings fees - CGD | 122 | 485 |
| Other interests - CGD | 31 | - |
| | **6,696** | **8,112** |

The amounts shown as goods purchased are recognized in the caption “Trade and other receivables”, as a result of REN’s intermediation role in the purchase and sale of electricity.

## 19.3 Balances with related parties

Balances resulting from transactions with related parties at 30 September 2011 and 31 December 2010 are as follows:

| | 30.09.2011 | 31.12.2010 |
|---|---|---|
| **Clients and other debtors** | | |
| EDP - Trade receivables | 71,260 | 84,467 |
| EDP - Other debtors | 1,366 | 802 |
| | **72,626** | **85,269** |
| **Cash and cash equivalents** | | |
| Other aplications of cash | 41,100 | 63,100 |
| Bank deposits | 655 | 1,527 |
| | **41,755** | **64,627** |
| **Creditors** | | |
| EDP - Trade payables | 9,866 | 7,674 |
| EDP - Other payables | 65 | 234 |
| CDG - Trade payables | - | 36 |
| **Borrowings** | | |
| CGD - Borrowings (Commercial paper) | - | 27,000 |
| CGD - Overdraft | 32,170 | - |
| CGD - finance lease | 438 | 131 |
| | **42,539** | **35,075** |

## 19.4 Management remuneration

Remuneration of the Board of Directors of REN, SGPS in the nine month period ended 30 September 2011 amounted to 1,136 thousand Euros (1,367 thousand euros in the period ended 30 September 2010) as follows:

| | 30.09.2011 | 30.09.2010 |
|---|---|---|
| Remuneration and other short term benefits | 1,136 | 1,367 |
| | **1,136** | **1,367** |

The amounts shown refer only to fixed remuneration and meal allowance, as the Board of Directors does not receive any other remuneration listed in item 17 of IAS 24.

## 20 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.

## 21 Other operating costs

The decrease in this caption in relation to the amounts published in the notes to the financial statements as of 30 September 2010 relates to the procedure in 2011 of reversing the caption of excess costs on Energy Acquisition Contracts (Contratos de Aquisição de Energia - CAE) in other operating costs and in the caption sales and services rendered as they are "pass through" amounts, totalling 224,879 thousand euros in the nine month period ended 30 September 2011 (186,045 thousand euros in the nine month period ended 30 September 2010).

## 22 External supplies and services

The caption "External supplies and services" for the nine month periods ended 30 September 2011 and 2010 is made up as follows:

| | **30.09.2011** | **30.09.2010** |
|---|---|---|
| Gas transport subcontracts | 2,334 | 17,578 |
| Maintenance costs | 9,694 | 13,677 |
| Fees relating to external entities ii) | 5,927 | 8,188 |
| Cross border interconnection costs | 2,419 | 2,473 |
| Electric energy costs | 3,664 | 3,417 |
| Insurance costs | 2,203 | 2,054 |
| Reserve capacity costs i) | 979 | 1,260 |
| Publicity costs | 1,361 | 1,801 |
| Security and surveillance | 1,459 | 1,478 |
| Other (less than 1,000 thousand Euros) | 4,890 | 4,827 |
| **External supplies and services** | **34,928** | **56,754** |

i) The reserve capacity costs correspond to REN's costs relating to available production capacity required from producers to maintain the system operational at all times. These costs are recognized in REN, S.A.'s Global Management of the System in accordance with the current regulation model.

ii) Commission paid to external entities refers to “specialized work” and fees paid by REN for contracted services rendered and specialized studies.

The change in the caption “gas transport subcontracts” results from the inclusion of the transport companies Gasoduto Campo Maior – Leiria – Braga and Gasoduto Braga –Tuy in the Group’s consolidation perimeter as from December 2010.

## 23 Non- controlled interests

The variation in non controlled interests (517 thousand euros at 30 September 2011 compared to 6,329 thousand euros at 31 December 2010) results from REN Gasodutos, S.A.’s acquisition of all the share capital of Gasoduto Campo-Maior-Leiria-Braga and Gasoduto Braga-Tuy.

The outstanding balances of the transport companies were settled in the first half of 2011.

## 24 Other matters

### Disagreement with Amorim Energia B.V.

In December 2007, as duly informed to the market, REN – Redes Energéticas Nacionais, SGPS, S.A. (REN) was notified of an arbitration process with the International Chamber of Commerce (“ICC”) brought against it by Amorim Energia B.V. regarding a matter concerning the “Shareholders Agreement relating to GALP ENERGIA, SGPS, S.A.” signed on 29 December 2005, between REN, AMORIM and ENI PORTUGAL INVESTMENT, S.p.A. (“Shareholder Agreement”), especially with respect to dividends distributed by Galp Energia, SGPS, S.A. out of profits for 2005.

Previously, in 2006 REN and Amorim Energia B.V. had a disagreement as to whom the amount corresponding to the Dividends belonged, and on 15 June 2006 the Arbitration Court, especially called for the purpose by agreement between the parties, issued its decision, with one contrary vote, considering the action brought by Amorim Energia B.V. as unfounded, definitively recognizing REN’s right to maintain the Dividends.

In the second arbitration, carried out by the ICC, Amorim Energia B.V., based largely on different facts, requested that REN be required to pay an indemnity in the amount of the Dividends.

On 16 March 2010 REN was notified of the arbitration decision, with one vote in disagreement, which condemned it to pay 20,334,883.91 euros to Amorim Energia B.V., equivalent to half of the amount requested by it and corresponding to half of the amount of the Dividends, plus accrued interest as from the date of the decision at the legal rate in force.

Following the request for clarification made by REN, on 8 July 2010 the Arbitration Court notified the Company of an addendum to the Judgement.

After analysis of the arbitration decision and its fundamentals, as well as the related addendum, it was considered that there are possibilities of reacting, which at this time lead the Company to believe, based on known facts, that there is still a significant possibility of REN's position prevailing.

Therefore, REN believes, based on a legal analysis of the arbitration decision and related addendum, that the provision of 12,470 thousand euros at 30 September 2011 is sufficient to cover the risks of the process and corresponds to the best estimate of the costs to be incurred by REN with this process.

Following the introduction of an annulment process of the above mentioned arbitration decision, the corresponding procedures were started, it being expected that a final decision regarding the process could be issued in 2011.

## New members of the Board of Directors

In mid March 2011 the Directors Gonçalo Oliveira, Luis Atienza, Manuel Champalimaud and Filipe de Botton presented to the President of the Board of Directors their resignations as members of the Board of Directors, being substituted at the Annual General Meeting held on 15 April by the following entities:

Logoplaste, Gestão e Consultoria Financeira, S.A. (now called EGF, Gestão e Consultoria Financeira, S.A.), Gestmin, SGPS, S.A., Oliren, SGPS, S.A. and Red Electrica Corporación, S.A..

In compliance with the provisions of item 4, article 390 of the Commercial Company Code (Código das Sociedades Comerciais) these entities appointed the following individuals to carry out the functions of Member of the Board of Directors in their own name:

Luis Guedes da Cruz Almeida (assigned on 27/07/2011);

José Manuel Félix Morgado (appointed on 14/09/2011);

Gonçalo Xavier de Araújo (appointed on 14/09/2011);

Luis Atienza (appointed on 14/09/2011).

## 25 Subsequent events

Under the process to create the Sole Operator of the Iberian Electricity Market (Mercado Ibérico de Electricidade - OMI) and in conformity with the provisions of an Agreement between the Republic of Portugal and the Kingdom of Spain regarding the creation of an Iberian electric energy market, in October 2011 REN sold for 8,321,140 euros, 50% of the share capital of OMIP, Operador do Mercado Ibérico (Portugal), SGPS, S.A., through transmission of 5% lots of shares in the company, becoming holder of 40% of the capital of the company. In this transaction supplementary capital contributions of 4,132,000 euros were also transferred.

At the same time REN acquired 10% of the capital of OMEL, Operador del Mercado Ibérico de Energia, S.A., the Spanish Sole Operator, for 3,166,800 euros.

In conformity with the Iberian Agreement, REN must also sell an additional 30% of the capital of OMIP, Operador do Mercado Ibérico (Portugal), SGPS, S.A. under the same conditions as the above mentioned operations, so that the final participation of REN in that company is 10%.

## 26 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**

Rui Manuel Janes Cartaxo
(President)

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
(Administrator)

José Luís Alvim Marinho
(President of the Audit Commission)

José Frederico Vieira Jordão
(Member of the Audit Commission)

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

Luis Guedes da Cruz Almeida
(Director appointed by EGF, Gestão e Consultoria Financeira, S.A. on 27/07/2011)

Luis Maria Atienza Serna
(Director appointed by Red Eléctrica Corporación, S.A. on 14/09/2011)

Gonçalo Xavier de Araújo
(Director appointed by Oliren, SGPS, S.A. on 14/09/2011)

José Manuel Félix Morgado
(Director appointed by Gestmin, SGPS, S.A. on 14/09/2011)

Note – The remaining pages of this Report and Accounts (3rd quarter of 2011) were initialled by the Company Secretary, Pedro Cabral Nunes and the Accountant, Maria Teresa Martins.

# 4. APPENDIX

## 4.1 Limited review report prepared by an auditor registered at the stock exchange commission (Comissão do Mercado de Valores Mobiliários) on the consolidated information for the nine month period ended 30 september 2011

(Translation of a report originally issued in Portuguese – see Note 26)

(Amounts expressed in thousands of Euros – tEuros)

**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 nine month period ended 30 September 2011, included in the: Directors' Report; Consolidated Statement of Financial Position (that reflects total assets of 4,433,824 thousand Euros and equity of 1,007,056 thousand Euros, including a consolidated net profit attributable to the Group of 95,572 thousand Euros), Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the nine month period then ended and the corresponding Notes.

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, to conform to International Financial Reporting Standards as endorsed 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 endorsed by the European Union, and that it is complete, true, timely, clear, objective and licit as required by the Portuguese 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 examine the financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent moderate assurance report on that consolidated financial information, based on our examination.

**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 distortion. 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 circumstanmces 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 Portuguese Securities Market Code.

6. Our work also included verifying the consistency of the consolidated financial information included in the Directors' Report with the other documents referred to above.

7. We believe that our work provides a reasonable basis for issuing this Limited Review Report on the consolidated financial information for the nine month period ended 30 September 2011.

**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. for the nine month period ended 30 September 2011, referred to in paragraph 1 above, is not exempt from material distortions that affect its conformity with International Financial Reporting Standards as endorsed 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.

**Emphasis**

9. The Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the nine month period ended 30 September 2010, presented for comparative purposes, were not subjected to our limited review.

Lisbon, 3 November 2011

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

## 4.1 Contacts

REN's policy being to make direct access to the Group's various corporate entities easier, following are the corresponding electronic addresses:

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