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

Consolidated Financial Statements
31 March 2014

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

Consolidated financial statements

31 March 2014

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

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1. FINANCIAL PERFORMANCE

1.1 First quarter 2014 results

MAIN INDICATORS

EBITDA reached 126.5M€ in the 1st quarter of 2014, a slight decrease when compared to the same period of 2013 (-0.9M€; -0.7%). This evolution was essentially driven by the decrease in hydro land remuneration (-2.0M€), due to regulatory changes in the calculation methodology of the rate of return, partially offset by the reduction achieved in operational costs.

Financial results increased by 4.8M€ (+14.2%), reflecting the evolution of net debt, which decreased from 2,473.0M€ to 2,366.7M€ (-106.4M€; -4.3%), as well as in the average cost of debt, which dropped 94 b.p., from 5.74% to 4.80%.

Despite the positive evolution of earnings before taxes, net income fell 2.8M€ (-9.6%) to 26.3M€, when compared to the first quarter of 2013, penalized by the accrual of the energy sector extraordinary levy in 2014 (6.2M€). Excluding extraordinary effects, recurrent net income increased 11.4% (+3.4M€).

Capex stood at 9.5M€, a decrease of 10.8M€ (-53.2%), due to a higher investment activity in the 1st quarter of 2013. On the other hand, transfers to RAB grew 3.8M€, ending the period at 6.2M€. Additionally, average RAB increased by 1.8% (+63.2M€), driven by the increase in the electricity sector (+74.6M€; +3.2%).

Main indicators [Millions of Euros]	**1Q14**	**1Q13**	**Change %**
EBITDA	126.5	127.4	-0.7%
Net financial income[1]	-29.3	-34.2	+14.2%
Net income	26.3	29.1	-9.6%
Recurrent net income	33.3	29.9	11.4%
Total Capex	9.5	20.3	-53.2%
Transfers to RAB[2] (at historic costs)	6.2	2.4	156.7%
Average RAB (at reference costs)	3,499.8	3,436.6	1.8%
Net debt	2,366.6	2,473.0	-4.3%
Average cost of debt	4.80%	5.74%	-0.9 p.p.

[1] 1st Quarter2014 excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (0,5M€) – known as FTR (Financial Transaction Rights), that were reclassified to Revenues.

[2] Includes direct acquisitions RAB related.

OPERATIONAL RESULTS – EBITDA

In the 1st quarter of 2014, EBITDA stood at 126.5M€, a slight decrease versus the same period of 2013 (-0.9M€, -0.7%).

The main negative contributions to EBITDA evolution were:

- The reduction of 2.0M€ (-98.1%) in hydro land remuneration, explained by the regulatory changes to the calculation methodology of the rate of return. In 2013, the rate of return was calculated based on the interbank mid-swap rate with the term closest to the hydro land legal amortization period. The new legislation establishes a 0.06% transitory rate of return for 2014, and a variable rate of return from 2015 onwards, being subject to the evaluation of REN's performance regarding its responsibilities as system operator;
- The reduction of 1.5M€ (-6.0%) in revenues from opex, reflecting the group's operational costs reduction;
- The decrease in revenues from hedging operations in the energy derivatives market (-0.9M€);
- The negative evolution of own works (-0.9M€, -17.0%), essentially in financial own works, due to the drop in the average value of assets under construction (-45.2%) and the reduction in the average cost of debt (-94 b.p.).

These effects were partially offset by:

- The reduction in the group's opex (-3.4M€), of which -2.6M€ in external costs and -0.7M€ in personnel costs. The reduction achieved in external costs is a result of: i) decrease of 0.7M€ in pass-through costs, and ii) efforts towards reduction of external services;
- The increase of 0.8M€ (+1.8%) in depreciation recovery (net from subsidies), consistent with the asset base increase.

EBITDA [Millions of Euros]	**1Q14**	**1Q13**	**Change %**
1) Revenues of Assets	**117.5**	**117.2**	**0.2%**
Return on RAB	66.7	65.9	1.2%
Smoothing differences and neutrality effect (gas)	-2.0	-2.9	-33.4%
Hydro land remuneration	0.0	2.1	-98.1%
Lease revenues from hydro protection zone	0.2	0.2	-1.1%
Remuneration of fully depreciated assets	2.2	2.1	3.3%
Recovery of depreciation (net from subsidies)	45.9	45.1	1.8%
Subsidies depreciation	4.4	4.8	-7.0%
2) Revenues from Opex	**24.2**	**25.8**	**-6.0%**
3) Other revenues	**3.1**	**5.1**	**-39.2%**
4) Own works (capitalised in Investment)	**4.6**	**5.6**	**-17.0%**
5) Construction revenues (ex. Own works)	**4.9**	**14.7**	**-66.7%**
6) OPEX	**23.0**	**26.3**	**-12.8%**
Personnel costs[1]	13.1	13.9	-5.3%
External Costs	9.8	12.5	-21.1%
7) Construction costs	**4.9**	**14.7**	**-66.7%**
8) Impairment	**0.0**	**0.0**	**n.m**
EBITDA (1+2+3+4+5-6-7-8)	**126.5**	**127.4**	**-0.7%**

[1] 1st Quarter 2013 includes reclassification of training, seminar and staff fuel costs, from external costs to staff costs (0.13M€).

NET INCOME

In the 1st quarter of 2014, Net Income stood at 26.3M€, -9.6% versus the same period of 2013, reflecting essentially: i) the increase in 2014 taxes, result of the accrual of the extraordinary levy to the energy sector established in 2014's State Budget Law (+6.2M€); ii) the slight decrease in EBITDA (-0.9M€, -0.7%); and iii) the slight increase in depreciations (+0.4M€, +0.8%). These negative effects were partially offset by the improvement in the group's financial results, which increased 4.8M€ (+14.2%) driven by the reduction of both average cost of debt, which dropped from 5.74% to 4.80%, and net debt, which stood at 2,366.6M€ (-106.4M€;-4.3%).

When adjusted of nonrecurring items, Recurrent Net Income increased by 11.4% (+3.4M€). The non-recurring items considered in the first quarter of both 2013 and 2014 were the following:

i) In 2014: i) cost of carry of European Investment Bank escrow account of 1.1M€ (0.7M€ after taxes); and ii) Energy sector extraordinary levy, as established in 2014 State budget law (6.2M€)

ii) In 2013: i) cost of carry of European Investment Bank escrow account of 1.2M€ (0.8M€ after taxes);

Net Income [Millions of Euros]	1Q14	1Q13	Change %
EBITDA	**126.5**	**127.4**	**-0.7%**
Depreciations	50.4	50.0	0.8%
Net financial income	-29.3	-34.2	+14.2%
Income tax expenses	20.4	14.1	47.7%
Net income	**26.3**	**29.1**	**-9.6%**
Nonrecurring items	**7.0**	**0.8**	
Recurrent Net Income	**33.3**	**29.9**	**11.4%**

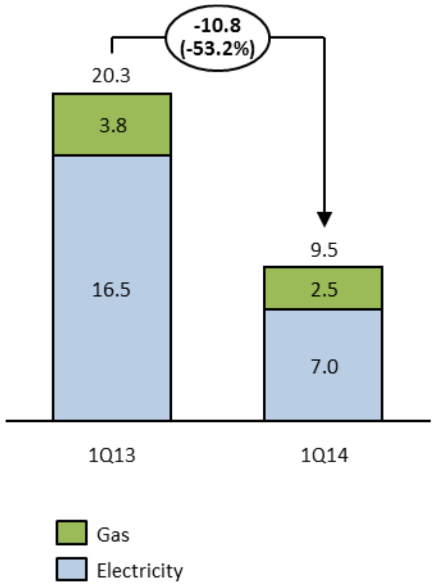
1.2 Average RAB and CAPEX

CAPEX AND AVERAGE RAB

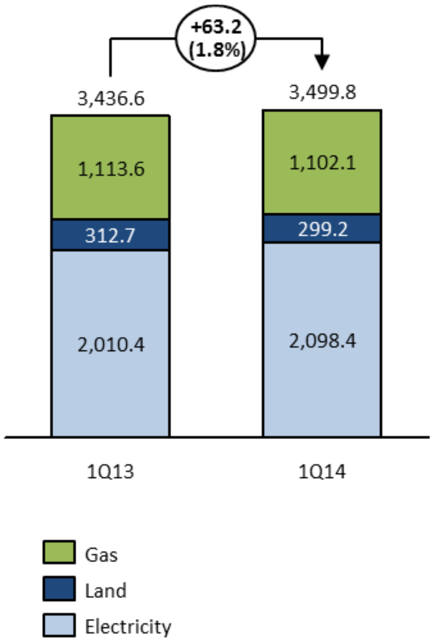
Capex decreased 10.8M€ in the first quarter of 2014 to 9.5M€, when compared to the same period of 2013 (-9.5M€ in electricity and -1.3M€ in natural gas). This reduction is explained by a higher investment activity in the first quarter of 2013. In 2014 we highlight the natural gas underground storage cavern C6, and the substation of Vermoim and Fafe. On the other hand, transfers to RAB increased 3.8M€, essentially driven by the electricity segment.

Average RAB increased 63.2M€ (+1.8%), to 3,499.8M€. In electricity, the growth of 74.6M€ resulted from an increase of 130.9M€ in assets with premium and a decrease of 56.3M€ in assets without premium, while in natural gas average RAB decreased by 11.4M€ (-1.0%), driven by a lower investment activity in REN Atlântico which resulted in a 19.8M€ (-6.9%) decrease in its average RAB.

CAPEX



AVERAGE RAB



CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of 31 March 2014 and 31 December 2013

(Amounts expressed in thousands of Euros – tEuros)

	Note	31 March 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	831	934
Goodwill		3,774	3,774
Intangible assets	5	3,836,600	3,877,420
Investments in associates and joint ventures	6	12,191	12,155
Available-for-sale financial assets	9	178,555	156,886
Derivative financial instruments	11	3,190	-
Other financial assets	12	102,261	102,274
Trade and other receivables	10	117,478	81,588
Deferred tax assets	7	77,404	67,800
		4,332,285	**4,302,831**
Current assets			
Inventories		1,862	1,880
Trade and other receivables	10	337,264	565,923
Other financial assets	12	74,899	22,728
Cash and cash equivalents	12	54,838	167,987
		468,864	**758,518**
Total assets	4	**4,801,149**	**5,061,349**
EQUITY			
Shareholders equity:			
Share capital	13	534,000	534,000
Own shares	13	(10,728)	(10,728)
Reserves	13	287,497	271,634
Retained earnings		284,660	163,356
Net profit for the period		26,293	121,303
Total equity		**1,121,722**	**1,079,566**
LIABILITIES			
Non- current liabilities			
Borrowings	14	2,229,544	2,430,159
Liability for retirement benefits and others	15	125,683	126,231
Derivative financial instruments	11	26,651	34,320
Provisions	16	4,690	4,690
Trade and other payables	17	381,948	370,298
Deferred tax liabilities	7	90,617	73,956
		2,859,133	**3,039,654**
Current liabilities			
Borrowings	14	308,071	250,325
Provisions	16	1,073	1,213
Trade and other payables	17	453,207	642,973
Income tax payable	7	55,731	44,935
Derivative financial instruments	11	2,212	2,683
		820,294	**942,129**
Total liabilities	4	**3,679,427**	**3,981,783**
Total equity and liabilities		**4,801,149**	**5,061,349**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 March 2014.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of profit and loss for the three month periods ended 31 March 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

	Note	31 March 2014	31 March 2013 (a)
Sales	4 and 18	21	56
Services rendered	4 and 18	139,996	140,747
Revenue from construction of concession assets	4 and 19	9,524	20,307
Gains from associates and joint ventures	6	36	45
Other operating income	20	5,296	7,260
Operating income		**154,874**	**168,415**
Cost of goods sold		(54)	(40)
Cost with construction of concession assets	19	(4,901)	(14,739)
External supplies and services	21	(6,683)	(9,125)
Personnel costs	22	(13,058)	(13,729)
Depreciation and amortizations	5	(50,417)	(50,011)
Impairments	-	(28)	-
Other expenses	23	(3,162)	(3,428)
Operating costs		**(78,302)**	**(91,072)**
Operating results		**76,572**	**77,343**
Financial costs	24	(32,529)	(35,964)
Financial income	24	2,685	1,810
Financial results		**(29,844)**	**(34,153)**
Profit before income taxes		**46,728**	**43,190**
Income tax	7	(14,217)	(14,120)
Extraordinary contribution on energy sector	25	(6,217)	-
Net Profit for the period		**26,293**	**29,070**
Attributable to:			
Equity holders of the Company		26,293	29,070
Non-controlled interest		-	-
Consolidated profit for the period		**26,293**	**29,070**
Earnings per share (expressed in euro per share)	26	0.05	0.05

(a) not audited

The accompanying notes form an integral part of the consolidated statement of profit and loss for the three month period ended 31 March 2014.

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THE BOARD OF DIRECTORS

Consolidated statements of comprehensive income for the three month periods ended 31 March 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

	Notes	31 March 2014	31 March 2013 (a)
Net Profit for the year		**26,293**	**29,070**
Other income and cost recorded in equity:		-	-
Items that will be reclassified subsequently to profit or loss:			
Increase/(decrease) in hedging reserves - derivative financial instruments	11	(967)	4,952
Tax effect on hedging reserves	7 and 11	222	(1,199)
Gain/(loss) in fair value reserve - available-for-sale assets	9	21,569	7,475
Tax effect on fair value reserves	7 and 9	(4,961)	-
Comprehensive income for the year		**42,157**	**40,298**
Attributable to:			
Shareholders of the company		42,157	40,298
Non-controlling interests		-	-
		42,157	**40,298**

(a) not audited

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the three month period ended 31 March 2014.

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Consolidated statements of changes in equity for the three month periods ended 31 March 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

		Attributable to shareholders								
Changes in the period	**Notes**	**Share capital**	**Own shares**	**Legal Reserve**	**Fair Value reserve (Note 9)**	**Hedging reserves (Note 11)**	**Other reserves**	**Retained earnings**	**Profit for the period**	**Total**
At 1 January 2013		**534,000**	**(10,728)**	**85,437**	**(4,093)**	**(26,612)**	**177,022**	**148,671**	**123,892**	**1,027,589**
Net profit of the period and other comprehensive income		-	-	-	7,475	3,753	-	-	29,070	40,298
Transfer to other reserves		-	-	-	-	-	-	123,892	(123,892)	-
At 31 March 2013 (a)		**534,000**	**(10,728)**	**85,437**	**3,382**	**(22,860)**	**177,022**	**272,563**	**29,070**	**1,067,887**
At 1 January 2014		**534,000**	**(10,728)**	**91,492**	**20,886**	**(17,989)**	**177,245**	**163,356**	**121,303**	**1,079,566**
Net profit of the period and other comprehensive income		-	-	-	16,608	(744)	-	-	26,293	42,157
Transfer to other reserves		-	-	-	-	-	-	121,303	(121,303)	-
At 31 March 2014		**534,000**	**(10,728)**	**91,492**	**37,494**	**(18,733)**	**177,245**	**284,659**	**26,293**	**1,121,722**

(a) not audited

The accompanying notes form an integral part of the consolidated statement of changes in equity for the three month period ended 31 March 2014.

THE ACCOUNTANT

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Consolidated statements of cash flow for the three month periods ended 31 March 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

	Note	31 March 2014	2013 (a)
Cash flow from operating activities:			
Cash receipts from customers		1,060,148 (b)	657,686 (b)
Cash paid to suppliers		(860,736) (b)	(497,283) (b)
Cash paid to employees		(14,060)	(13,422)
Income tax received/(paid)		(1,223)	211
Other receipts/(payments) relating to operating activities		(21,246)	(26,455)
Net flows from operating activities		**162,884**	**120,736**
Cash flow from investing activities:			
Receipts related to:			
Other financial assets		5,000	-
Grants related to assets		177	-
Interests and other similar income		4,287	1,260
Dividends		980	916
Payments related to:			
Other financial assets		(57,172)	(201,690)
Available-for-sale	9	(100)	-
Property, plant and equipment		(1)	(476)
Intangible assets		(40,638)	(45,242)
Net cash used in investing activities		**(87,467)**	**(245,233)**
Cash flow from financing activities:			
Receipts related to:			
Borrowings		1,723,000	853,151
Interests and other similar income		65	8
Payments related to:			
Borrowings		(1,876,222)	(671,228)
Interests and other similar expense		(34,611)	(26,886)
Net cash (used in)/from financing activities		**(187,768)**	**155,046**
Net (decrease)/increase in cash and cash equivalents		(112,351)	30,548
Cash and cash equivalents at de beginning of the year	12	167,126	61,246
Cash and cash equivalents at the end of the period	12	54,775	91,794
Detail of cash and cash equivalents			
Cash	12	21	22
Bank overdrafts	12	(64)	(273)
Bank deposits	12	54,817	92,045
		54,775	**91,794**

(a) not audited

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the three month period ended 31 March 2014.

THE ACCOUNTANT

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

(Translation of notes originally issued in Portuguese – Note 30)

1 GENERAL INFORMATION

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

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

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

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

The Electricity business includes the following companies:

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

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

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

The Gas business includes the following companies:

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

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

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

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

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

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

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

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

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

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

As of 31 March 2014 REN has also:

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

b) 10% interests in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole operator;

c) Two participations of 1% each, in the share capital of Enagás, S.A. and Red Electrica Corporation, S.A. ("REE");

d) One participation representing 5.45% of the share capital in Medgrid, SAS; and 7.5% participation in Hidroeléctrica de Cahora Bassa, S.A. (“HCB”).

1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 31 March 2014 and 31 December 2013:

Designation / adress	Activity	31 de março de 2014 % Owned		31 de dezembro de 2013 % Owned	
		Group	Individual	Group	Individual
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiaries:					
Electricity segment:					
REN - Rede Electrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Av. Estados Unidos da América, 55 - Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
Telecommunications segment:					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
Other segments:					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
Natural gas segment:					
REN Atlântico , Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
REN Finance, B.V. Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	-	-
Owned by REN Gas, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-

There were no changes in the consolidation perimeter in 2014 with respect to what was reported on 31 December 2013.

1.2. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 8 May 2014. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

2 BASIS OF PRESENTATION

The consolidated financial statements for the three month period ended 31 March 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as endorsed by the European Union (IAS 34), therefore do not include all information required for annual financial statements so should be read in conjunction with the annual financial statements issued for the year ended 31 December 2013.

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

3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in Portugal, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2014.

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

The accounting policies used to prepare these consolidated financial statements are consistent in all material respects, with the policies used to prepare the consolidated financial statements for the year ended 31 December 2013, as explained in the notes to the consolidated financial statements for 2013, except in what concern to the adoption of the new standards, interpretations, amendments and revisions endorsed by the European Union with mandatory application in the year beginning on or after 1 January 2014:

- IFRS 10 “Consolidated Financial Statements” (new) - This standard establishes the grounds for presenting consolidated financial statements, replacing on these matters IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation – Special Purpose Entities. This standard introduces as well new rules for determining control and consolidation perimeter.

- IFRS 11 “Joint Arrangements” (new) - This standard supersedes IAS 31 and SIC 13 – Jointly Controlled Entities and mainly address: (i) the definition of “jointly arrangements” empathizing the rights and obligations instead of its legal form; (ii) reduces the types of jointly agreements prevailing the following: “joint operations” and “joint ventures”; and (iii) eliminates the possibility of using the proportional consolidation model for “joint ventures”.

- IFRS 12 “Disclosure of interests in other entities” (new) - This standard provides expanded disclosures requirements relating to entity’s interests in subsidiaries, associates and joint arrangements.

- IAS 27 “Separate financial statements” (amendement) - This amendment was reviewed following the emission of IFRS 10, and contains the recording principles and disclosures for investments in associates in the separate financial statements.

- IAS 28 “Investments in associates and joint ventures” (amendement) - IAS 28 was reviewed following the issue of IFRS 11 and IFRS 12 and provides guidance on accounting for interests in associates and joint ventures in accordance with equity method.

- IAS 32 ‘Financial Instruments: Presentation’ (amended) This amendment clarifies the requirements that could allow an Entity to compensate financial assets and liabilities in the statement of financial position.

- IFRS 10, IFRS 11 and IFRS 12 (amendment) - Amendments to IFRS 10, IFRS 11 and IFRS 12 to clarify the rules of the transition to those standards.

- IFRS 10, IFRS 12 and IAS 27 (amendment) - Amendment to IFRS 10 clarifies, on one hand, the business model of investment entities ("Investment Entities") and, on the other hand, requires that its subsidiaries are measured at fair value through profit or loss, thereby creating an exception to the application of consolidation procedures. Consequently, IAS 27 and IFRS 12 standards are changed accordingly, being eliminated the option to measure at cost or fair value (established in IAS 27) and created a set of specific disclosures for investment entities (through IFRS 12).

- IAS 36 "Impairment of assets" (amendment) - This amendment eliminates the disclosure requirements of the recoverable amount of a cash-generating unit with goodwill or intangible assets with indefinite useful lives to periods when it was not recorded any impairment loss or reversal of impairment. Introduces additional disclosure requirements for assets for which it was recorded an impairment loss or reversal of impairment and the recoverable amount of these aids has determined based on fair value less costs to sell.

- IAS 39 " Financial Instruments: Recognition and Measurement " (amendment) - This amendment will allow, under certain circumstances, the continuation of hedge accounting when a derivative designated as a hedging instrument is modified.

From this standards did not result significant impacts on the consolidated financial statements as of 31 March 2014. Nevertheless, the description of the accounting policies listed in section 3 of the notes to the financial statements as of 31 December 2013 are amended as follows:

a) Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the REN has cumulatively i) the ability to manage the relevant activities (activities that significantly affect the investee's results); ii) exposure, or rights, to variable results of investee; and iii) the ability to affect these results through the power it exercise, normally associated with direct or indirect control of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

REN reassesses the power of a subsidiary if there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.
Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption “Non-controlling interests”.

The comprehensive income is attributable to the company’s shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for them to be consistent with Group’s accounting policies. Transactions (including unrealized gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 1.1.

b) Investments and joint-ventures

Investments in joint ventures (joint agreement whereby the parties that have joint control hold rights to the net assets of the agreement. Conceptually, joint control is the agreed sharing of control over an agreement which exists only when decisions about the relevant activities require the unanimous consent of the parties) are included in the consolidated financial statements by the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 6.

Standards, interpretations, amendments and revisions not endorsed by the European Union

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

Standard	Applicable for financial years beginning on or after	Resume
IFRS 9 - Financial instruments	nd	This standard sets out requirements for the classification and mensuration of financial instruments.
Annual improvements to IFRS (2010 - 2012 cycle)	Several (01-Jul-14)	These improvements involve the revision of several standards, including IAS 16, IFRS 3 and IFRS 8.
Annual improvements to IFRS (2011 - 2013 cycle)	Several (01-Jul-14)	These improvements involve the revision of several standards, including IAS 40, IFRS 1 and IFRS 13.
IFRIC 21 - 'Levies'	01-Jan-14	Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.
IAS 19 - Employee benefits (Defined benefit plans: employee contributions)	01-Jul-14	This amendment clarifies the circumstances on which employee contribution plans for post-employment benefits are a reduction in the cost of short-term benefits.
IFRS 14 - Regulatory deferral accounts	01-Jan-16	IFRS 14 is an interim standard (waiting completion of the project on rate-regulated activities), applicable to entities adopting IFRS for the first time. It permits such entities to continue to apply their existing generally accepted accounting principles for the recognition, measurement , impairment, and derecognition of regulatory deferral balances. IFRS requires the presentation of regulatory deferral balances recognized separately from other assets and liabilities as well as expenses and income.

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 31 March 2014.

4 SEGMENT REPORTING

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

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

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

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

The results by segment for the three month period ended 31 March 2014 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**97,645**	**41,335**	**1,272**	**9,359**	**(9,594)**	**140,017**
Inter-segments	241	-	37	9,317	(9,594)	-
Revenues from exernal customers	97,404	41,335	1,236	42	-	140,017
Revenue from construction of concession assets	7,008	2,516	-	-	-	9,524
Cost with construction of concession assets	(3,244)	(1,657)	-	-	-	(4,901)
Gains/(losses) from associates and joint ventures	-	-	-	36	-	36
External supplies and services	(8,663)	(5,740)	(495)	(4,150)	12,365	(6,683)
Employee compensation and benefit expense	(5,944)	(1,927)	(54)	(5,133)	-	(13,058)
Other expenses and operating income	4,192	456	(3)	151	(2,770)	2,025
Operating cash flow	90,994	34,983	720	263	-	126,961
Non reimbursurable expenses						
Depreciation and amortizations	(36,479)	(13,865)	(3)	(69)	-	(50,417)
Impairments	22	5	-	-	-	28
Financial results						
Financial income	466	3,927	41	43,240	(44,988)	2,685
Financial costs	(19,376)	(9,227)	(1)	(48,914)	44,988	(32,529)
Profit before income tax	**35,627**	**15,824**	**757**	**(5,480)**	**-**	**46,728**
Income tax expense	(11,001)	(4,380)	(187)	1,350	-	(14,217)
Extraordinary contribution on energy sector	(4,485)	(1,733)	-	-	-	(6,217)
Profit for the year	**20,141**	**9,711**	**571**	**(4,130)**	**-**	**26,293**

Results by segment for the three month period ended 31 March 2013 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**97,254**	**42,382**	**1,291**	**8,865**	**(8,989)**	**140,803**
Inter-segments	219	66	37	8,668	(8,989)	-
Revenues from exernal customers	97,035	42,316	1,255	197	-	140,803
Revenue from construction of concession assets	16,537	3,770	-	-	-	20,307
Cost with construction of concession assets	(11,922)	(2,817)	-	-	-	(14,739)
Gains from associates	-	-	-	45	-	45
External supplies and services	(9,979)	(5,517)	(436)	(4,344)	11,152	(9,125)
Employee compensation and benefit expense	(6,493)	(2,202)	(58)	(4,976)	-	(13,729)
Other expenses and operating income	4,703	731	(3)	522	(2,163)	3,791
Operating cash flow	90,100	36,347	794	113	-	127,354
Non reimbursurable expenses						
Depreciation and amortizations	(35,189)	(14,763)	(5)	(54)	-	(50,011)
Financial results						
Financial income	118	4,182	52	35,618	(38,160)	1,810
Financial costs	(15,351)	(9,221)	(0)	(49,551)	38,160	(35,964)
Profit before income tax	**39,678**	**16,545**	**841**	**(13,874)**	**-**	**43,190**
Income tax expense	(12,677)	(4,845)	(224)	3,626	-	(14,120)
Profit for the year	**27,002**	**11,699**	**617**	**(10,248)**	**-**	**29,070**

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

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

Assets and liabilities by segment as well as capital expenditures for the three month period ended 31 March 2014 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	549,954	-	1,506,224	(2,056,178)	-
Property, plant and equipment and intangible assets	2,630,631	1,206,004	21	775	-	3,837,431
Other assets	524,375	461,436	6,467	3,963,649	(3,992,208)	963,718
Total assets	**3,155,006**	**2,217,393**	**6,488**	**5,470,648**	**(6,048,386)**	**4,801,149**
Total liabilities	**2,510,247**	**987,394**	**2,214**	**4,171,780**	**(3,992,208)**	**3,679,427**
Capital expenditure - total	**7,008**	**2,516**	**-**	**-**	**-**	**9,524**
Capital expenditure - property, plant and equipment (note 5)	-	-	-	-	-	-
Capital expenditure - intangible assets (note 5)	7,008	2,516	-	-	-	9,524
Investments in associates	-	-	-	10,636	-	10,636
Investments in joint ventures	-	-	-	1,555	-	1,555

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2013 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	541,564	-	1,456,412	(1,997,976)	-
Property, plant and equipment and intangible assets	2,660,102	1,217,353	24	875	-	3,878,354
Other assets	621,027	448,016	5,505	3,931,271	(3,822,824)	1,182,994
Total assets	**3,281,129**	**2,206,933**	**5,529**	**5,388,558**	**(5,820,800)**	**5,061,349**
Total liabilities	**2,656,583**	**995,035**	**1,825**	**4,151,164**	**(3,822,824)**	**3,981,783**
Capital expenditure - total	**157,584**	**29,883**	**-**	**374**	**-**	**187,841**
Capital expenditure - property, plant and equipment (note 5)	3	-	-	374	-	377
Capital expenditure - intangible assets (note 5)	157,581	29,883	-	-	-	187,464
Investments in associates	-	-	-	10,610	-	10,610
Investments in joint ventures	-	-	-	1,545	-	1,545

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

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

5 TANGIBLE AND INTANGIBLE ASSETS

During the three month period ended 31 March 2014, the changes in tangible and intangible assets in the period were as follows:

	1 January 2014			Changes					31 March 2014		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(96)	6	-	-	-	(1)	-	103	(97)	5
Transport equipment	1,386	(579)	806	-	(41)	-	(63)	10	1,345	(632)	713
Office equipment	231	(131)	100	-	(3)	-	(8)	3	228	(136)	91
Property, plant and equipment in progress	21	-	21	-	-	-	-	-	21	-	21
	1,740	(806)	934	-	(44)	-	(73)	13	1,697	(866)	831

	1 January 2014			Changes					31 March 2014		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets:											
Concession assets	6,806,422	(3,014,064)	3,792,358	189	(549)	6,022	(50,344)	549	6,812,085	(3,063,859)	3,748,226
Concession assets in progress	85,062	-	85,062	9,335	-	(6,022)	-	-	88,375	-	88,375
	6,891,483	(3,014,064)	3,877,420	9,524	(549)	-	(50,344)	549	6,900,459	(3,063,859)	3,836,600
Total of property, plant and equipment and intangible assets	**6,893,224**	**(3,014,870)**	**3,878,354**	**9,524**	**(592)**	**-**	**(50,417)**	**562**	**6,902,156**	**(3,064,725)**	**3,837,431**

During the year ended 31 December 2013, the changes in tangible and intangible assets in the year were as follows:

	1 January 2013			Changes					31 December 2013		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(83)	19	-	-	-	(13)	-	103	(96)	6
Transport equipment	1,170	(502)	668	358	(142)	-	(219)	142	1,386	(579)	806
Office equipment	222	(102)	120	18	(10)	-	(38)	9	231	(131)	100
Property, plant and equipment in progress	20	-	20	1	-	-	-	-	21	-	21
	1,515	(688)	827	377	(151)	-	(270)	151	1,740	(806)	934

	1 January 2013			Changes					31 December 2013		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets											
Concession assets	6,563,836	(2,814,944)	3,748,892	4,454	(2,389)	240,521	(200,973)	1,854	6,806,422	(3,014,064)	3,792,358
Concession assets in progress	142,572	-	142,572	183,011	-	(240,521)	-	-	85,062	-	85,062
	6,706,408	(2,814,944)	3,891,464	187,464	(2,389)	-	(200,973)	1,854	6,891,483	(3,014,064)	3,877,420
Total of property, plant and equipment and intangible assets	**6,707,923**	**(2,815,632)**	**3,892,291**	**187,841**	**(2,541)**	**-**	**(201,242)**	**2,004**	**6,893,224**	**(3,014,870)**	**3,878,354**

The additions registered in three month period ended 31 March 2014 refer essentially to rights over the investments on construction/renovation and expansion of electrical and gas transportation grid.

The main additions verified in the periods ended 31 March 2014 and 31 December 2013 are made up as follows:

	Mar 2014	Dec 2013
Electricity segment		
Power line construction (220 KV)	324	64,462
Power line construction (400 KV)	1,210	708
Other power line constructions	361	6,072
Construction of new substations	1,889	19,011
Substation Expansion	2,079	53,918
Other renovations in substations	266	3,363
Improvements to telecommunications and information system	506	6,949
Pilot zone construction - wave energy	54	394
Improvements in buildings related to concession	79	1,172
Other assets	240	1,534
Gas segment		
Expansion and improvements to gas transmission network	698	23,288
Construction project of cavity underground storage of natural gas in Pombal	1,575	5,645
Construction project and operating upgrade - LNG facilities	244	950
Others segment		
Other assets	-	374
Total of additions	**9,524**	**187,841**

The main transfers that were concluded and began activity during the periods ended 31 March 2014 and 31 December 2013 are made up as follows:

	Mar 2014	Dec 2013
Electricity segment		
Power line construction (220 KV)	-	71,044
Power line construction (400 KV)	-	289
Other power line constructions	-	6,652
Construction of new substations	-	32,576
Substation Expansion	5,541	71,762
Other renovations in substations	2	6,226
Other assets	15	5,090
Gas segment		
Expansion and improvements to natural gas transmission network	453	44,920
Construction project of cavity underground storage of natural gas in Pombal	11	1,273
Construction project and operating upgrade - LNG facilities	-	689
Total of transfers	**6,022**	**240,521**

The intangible assets in progress at 31 March 2014 and 31 December 2013 are as follows:

	Mar 2014	Dec 2013
Electricity segment		
Power line construction (150KV/220KV e 400KV)	18,229	16,281
Substation Expansion	18,720	22,000
New substations projects	11,890	10,001
Other projects	4,975	4,411
Improvements in buildings related to concession	2,260	2,046
Gas segment		
Expansion and improvements to natural gas transmission network	7,351	7,172
Construction project of cavity underground storage of natural gas in Pombal	24,489	22,925
Construction project and operating upgrade - LNG facilities	460	226
Total of assets in progress	**88,375**	**85,062**

Financial costs capitalized in intangible assets in progress in the period ended 31 March 2014 amounted to 964 thousand Euros (1,907 thousand Euros as of 31 March 2013), while overhead and management costs capitalized amounted to 3,660 thousand Euros (3,661 thousand Euros as of 31 March 2013) (Note 19).

As of 31 March 2014 and 31 December 2013, the net book value of the intangible assets financed through lease contracts was as follows:

	Mar 2014	Dec 2013
Cost	3,671	4,270
Accumulated depreciation and amortization	(1,204)	(1,750)
Net book value	**2,467**	**2,521**

6 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

At 31 March 2014 and 31 December 2013, the financial information regarding the financial interest held is as follows:

			Financial information 31 March 2014								Interest owned		
Company	Activity	Head office	Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Other comprehensive income	total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	671	29,564	270	2,587	150	65	-	65	40	10,636	26
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	7,177	23	4,072	18	272	21	-	21	50	1,555	10
												12,191	**36**

			Financial information 31 December 2013								Interest owned		
Company	Activity	Head office	Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Other comprehensive income	total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	868	29,450	680	2,292	1,356	744	557	1,301	40	10,610	(405)
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	7,599	-	4,509	-	841	90	-	90	50	1,545	45
												12,155	**(361)**

Associates

The changes in the caption “Investments in associates” during the period ended 31 March 2014 was as follows:

	Associates
At 1 January 2014	**10,610**
Effect of aplying the equity method	26
At 31 March 2014	**10,610**

Joint ventures

The movement in the caption “Investments in joint ventures” during the period ended 31 March 2014 was as follows:

Joint ventures	
At 1 January 2014	**1,545**
Effect of aplying the equity method	10
At 31 March 2014	**1,555**

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

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

At 31 March 2014 and 31 December 2013, the financial information regarding the joint venture held is as follows:

	Other financial information					
	31 March 2014					
Company	Cash and cash equivalents	Current financial	Depreciations and	Financial income	Financial costs	Income tax-(cost)/income
Joint venture						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,056	4,072	(1)	4	(1)	(8)

	Other financial information					
	31 December 2013					
Company	Cash and cash equivalents	Current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture						
Centro de Investigação em Energia REN - STATE GRID, S.A.	2,966	4,509	-	-	-	(32)

7 INCOME TAX

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

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

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 March 2014.

In 2014, in accordance Law 2/2014, January 16, the Group is taxed at a Corporate Income Tax rate of 23%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros,(ii) an additional 5% of taxable profit between 7,500 thousand Euros and 35,000 thousand Euros and (iii) 7% over the taxable profit in excess of 35,000 thousand Euros.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 March 2014, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the three months period ended on 31 March 2014 and 31 December 2013 is detailed as follows:

	mar 2014	mar 2013
Current income tax	12,026	23,364
Adjustaments of income tax from previous year	(126)	(506)
Deferred tax	2,318	(8,739)
Income tax	**14,217**	**14,120**

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

	mar 2014	mar 2013
Consolidated profit before income tax	**46,728**	**43,189**
Permanent differences:		
Positive net worth variation	(2)	(33)
Non deductible costs	549	85
Non taxable income	(299)	(320)
Temporary differences:		
Tariff deviations	(10,185)	27,820
Provisions	(140)	1
Revaluations	905	1,669
Pension, medical assistence and life insurance plans	(548)	12
Fair value of financial instruments	-	(41)
Taxable income	37,007	72,383
Tax rate	8,543	18,096
State surcharge tax- taxable income	2,472	3,840
Municipal surcharge	841	1,314
Autonomous taxation	170	115
Current income tax	12,026	23,364
Deferred tax	2,318	(8,739)
Deferred tax	2,318	(8,739)
Adjustments of estimated tax in previous years	(126)	(506)
Income tax	**14,217**	**14,120**
Effective tax rate	**30.43%**	**32.69%**

Income tax

The caption “Income tax” payable and receivable as of 31 March 2014 and 31 December 2013 is detailed as follows:

	Mar 2014	Dec 2013
Income tax:		
Corporate income tax - of the period	(79,906)	(67,941)
Corporate income tax - advance payments	20,055	19,987
Income withholding tax by third parties	4,120	3,020
Income tax payable	**(55,731)**	**(44,935)**

Deferred taxes

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

	mar 2014	mar 2013
Impact on the statement of profit and loss		
Deferred tax assets	9,382	4,555
Deferred tax liabilities	(11,700)	4,184
	(2,318)	8,739
Impact on equity		
Deferred tax assets	222	(1,199)
Deferred tax liabilities	(4,961)	-
	(4,738)	(1,199)
Net impact of deferred taxes	**(7,056)**	**7,540**

The changes in deferred tax by nature was as follows:

Change in deferred tax assets – March 2014

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Others	Total
At 1 January 2014	**1,749**	**39,128**	**21,548**	**5,373**	**2**	**67,800**
Increase/decrease through reserves	-	-	-	222	-	222
Reversal through profit and loss	(41)	(170)	-	-	(1)	(211)
Increase through profit and loss	-	-	9,593	-	-	9,593
Change in the period	(41)	(170)	9,593	222	(1)	9,604
At 31 March 2014	**1,708**	**38,958**	**31,141**	**5,596**	**2**	**77,404**

Change in deferred tax assets – December 2013

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Others	Total
At 1 January 2013	**3,483**	**30,684**	**18,185**	**8,858**	**5**	**61,215**
Increase/decrease through reserves	-	8,955	-	(3,445)	-	5,509
Reversal through profit and loss	(1,775)	(1,519)	(726)	(39)	(2)	(4,062)
Increase through profit and loss	41	1,009	4,088	-	-	5,138
Change in the period	(1,735)	8,444	3,362	(3,484)	(2)	6,585
At 31 December 2013	**1,749**	**39,128**	**21,548**	**5,373**	**2**	**67,800**

Deferred tax assets at 31 March 2014 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

Evolution of deferred tax liabilities – March 2014

	Tariff deviations	Revaluation	Total
At 1 January 2014	**44,666**	**28,486**	**73,956**
Reversal trough profit and loss	-	(275)	(275)
Increase through profit and loss	11,975	-	11,975
Change in the period	11,975	(275)	16,661
At 31 March 2014	**56,640**	**28,211**	**90,617**

Evolution of deferred tax liabilities – December 2013

	Tariff deviations	Revaluation	Fair value of Available-for-sale financial assets	Total
At 1 January 2013	**52,373**	**30,424**	**-**	**82,797**
Increase/decrease through equity	-	-	805	805
Increase through profit and loss	(7,708)	(1,937)	-	(9,645)
Change in the period	(7,708)	(1,937)	805	(8,840)
At 31 December 2013	**44,666**	**28,486**	**805**	**73,956**

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

The legal documents that establish these revaluations were the following:

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

8 FINANCIAL ASSETS AND LIABILITIES

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

March 2014

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	54,838	-	-	-	-	-	54,838	54,838
Trade and other receivables	10	454,742	-	-	-	-	-	454,742	454,742
Other financial assets		-	-	-	-	2,826	174,334	177,160	177,160
Available-for-sale financial assets	9	-	-	-	178,555	-	-	178,555	178,555
Income tax receivable	7	-	-	-	-	-	-	-	-
Derivative financial instruments	11	-	3,190	-	-	-	-	3,190	3,190
Total financial assets		**509,581**	**3,190**	**-**	**178,555**	**2,826**	**174,334**	**868,486**	**868,486**
Liabilities									
Borrowings	14	-	-	-	-	-	2,537,615	2,537,615	2,698,832
Trade and other payables	17	-	-	-	-	-	507,525	507,525	383,952
Income tax payable	7	-	-	-	-	-	55,731	55,731	-
Drivative financial instruments	11	-	28,521	342	-	-	-	28,863	28,769
Total financial liabilities		**-**	**28,521**	**342**	**-**	**-**	**3,100,871**	**3,129,734**	**3,111,553**

December 2013

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	167,987	-	-	-	-	-	167,987	167,987
Trade and other receivables	10	647,510	-	-	-	-	-	647,510	647,510
Other financial assets		-	-	-	-	2,839	122,163	125,002	125,002
Available-for-sale financial assets	9	-	-	-	156,886	-	-	156,886	156,886
Income tax receivable	7	-	-	-	-	-	-	-	-
Derivative financial instruments	11	-	-	-	-	-	-	-	-
Total financial assets		**815,498**	**-**	**-**	**156,886**	**2,839**	**122,163**	**1,097,386**	**1,097,386**
Liabilities									
Borrowings	14	-	-	-	-	-	2,680,483	2,680,483	2,807,253
Trade and other payables	17	-	-	-	-	-	681,371	681,371	681,371
Income tax payable	7	-	-	-	-	-	44,935	44,935	44,935
Drivative financial instruments	11	-	36,661	342	-	-	-	37,003	37,003
Total financial liabilities		**-**	**36,661**	**342**	**-**	**-**	**3,406,790**	**3,443,793**	**3,570,563**

The caption “Fair value through profit and loss”, in the amount of 2,826 thousand Euros corresponds to the Group’s investment in the closed fund “Luso Carbon Fund” with a maturity of 10 years.

The caption "Financial Assets" includes a pledge bank deposit given to the EIB of 108,299 thousand Euros and a bank deposit with maturity over 3 months, amounting to 66,035 thousand Euros.

Loans obtained, as mentioned in Note 3.6, of the consolidated financial statements for the year ended 2013, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 11) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

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

The range of market rates used to calculate the fair value ranges between 0.688 % and 2.508 % (maturities of one day and twenty years, respectively).

The fair value of borrowings contracted by the Group at 31 March 2014 is 2,698,832 thousand Euros (at 31 December 2013 was 2,807,253 thousand Euros), of which 401,705 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from movements in interest rates.

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2014 in accordance with the following hierarchy levels of fair value:

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

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	132,583	42,205	-	174,788
Financial liabilities at fair value	Fair value hedge derivatives	-	3,190	-	3,190
Other investments	Treasury funds	2,826	-	-	2,826
		135,409	**45,395**	**-**	**180,804**
Liabilities:					
Financial liabilities at fair value	Loans	-	401,705	-	401,705
Financial liabilities at fair value	Cash flow hedge derivatives	-	28,521	-	28,521
Financial liabilities at fair value through profit and loss	Negotiable derivatives	342	-	-	342
		342	**430,226**	**-**	**430,568**

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

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

9 ASSETS AVAILABLE FOR SALE

The assets recognised in this caption as of 31 March 2014 and 31 December 2013 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office		% owned	Book value	
	City	Country		Mar 2014	Dec 2013
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Electrica Corporacion, S.A. ("REE")	Madrid	Spain	1.00%	79,868	65,654
Enagás, S.A.	Madrid	Spain	1.00%	52,715	45,360
Med Grid SAS	Paris	France	5.45%	600	500
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	42,205	42,205
				178,555	**156,886**

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	REE	ENAGAS	Total
At 1 January 2013	**3,167**	**400**	**38,400**	**50,493**	**38,542**	**131,002**
Acquisitions	-	100	-	-	-	100
Fair value adjustments	-	-	3,805	15,161	6,818	25,784
At 31 December 2013	3,167	500	42,205	65,654	45,360	156,886
At 1 January 2014	**3,167**	**500**	**42,205**	**65,654**	**45,360**	**156,886**
Acquisitions	-	100	-	-	-	100
Fair value adjustments	-	-	-	14,214	7,355	21,569
At 31 March 2014	**3,167**	**600**	**42,205**	**79,868**	**52,715**	**178,555**

The interests held in REE and Enagás are recorded at fair value determined based on the shares closing quotations as of 31 March 2014.

Red Eléctrica de España (“REE”) is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 March 2014.

ENAGÁS is the transmission system operator of natural gas in Spain. REN, SGPS acquired a 1% stake in Enagás as part of a strategic partnership agreement. Enagás is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 March 2014.

The Group increase holds 5,45% of the share capital in Medgrid S.A.S. This project consists in an international partnership to promote and develop the Mediterranean interconnection electric network, allowing the transportation of clean electricity produced in Africa to Europe.

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

Within the scope of the creation of a sole operator in the electricity Iberian market (OMI), in 2011 and as agreed between the Portuguese republic and the Rein of Spain regarding the creation of the Iberian electrical energy market, the Group acquired 10% of the share capital of OMEL, Operador del Mercado Ibérico de Energia, S.A., in the amount of 3,167 thousand Euros.

As there are no available market price for the above referred investments (MedGrid and OMEL), and as it is not possible to determine the fair value of the period using comparable transactions, these shares are recorded at its acquisition cost deducted of impairment losses as described in Note 3.6 of the consolidated financial statements for the year ended 2013, being REN understanding that there is no evidence of impairment loss of these investments on 31 March 2014.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption “Fair value reserve” that as of 31 March 2014 and 31 December 2013 had the following amounts:

	Fair value reserve (Note 13)
1 January 2013	**(4,093)**
Changes in fair value	25,784
Tax effect	(805)
31 December 2013	**20,886**
1 January 2014	**20,886**
Changes in fair value	21,569
Tax effect	(4,961)
31 March 2014	**37,494**

10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 31 March 2014 and 31 December 2013 are made up as follows:

Trade and other receivables

	Mar 2014			Dec 2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	251,477	155	251,633	488,794	155	488,949
Impairment of trade receivables	(844)	-	(844)	(822)	-	(822)
Trade receivables net	250,633	155	250,788	487,972	155	488,127
Tariff deviations	78,299	117,323	195,622	74,631	81,432	156,063
Impairment of other receivables	-	-	-	-	-	-
State and Other Public Entities	8,332	-	8,332	3,320	-	3,320
Trade and other receivables	**337,264**	**117,478**	**454,742**	**565,923**	**81,588**	**647,510**

The most significant amounts in trade receivables are the receivables from EDP – Distribuição de Energia, S.A. in the amount of 81,783 thousand Euros (398,712 thousand Euros as of 31 December 2013) and Galp in the amount of 9,414 thousand Euros (20,216 thousand Euros as of 31 December 2013).

In addition the caption "Trade and other receivables", as of 31 March 2014, includes the accruals of the adjustments made to "CMEC´s" from 2012, which will be invoiced to EDP - Energy Distribution in the amount of 80,290 thousand Euros.

As of 31 December 2013, the receivables from EDP - Distribuição de Energia, S.A. includes a billing adjustment related to CMEC invoices issued in 2012 in the amount of 299,917 thousand Euros, which are also reflected in the trade and other payables caption (Note 17) due to EDP Gestão da Produção de Energia, S.A. invoicing. This transaction consists in a pass-through, being off set in the Group consolidated financial statement of profit and loss.

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

	Mar 2014	Dec 2013
Begining balance	**(822)**	**(6,118)**
Increases	(22)	-
Reversal	-	5,296
Ending balance	**(844)**	**(822)**

During the year ended 31 December 2013, Group REN reversed the impairment loss related to the tariff deficit interests recorded in the period of 2008, in the amount of 5,296 thousand Euros, due to the commitment of the Portuguese Estate for the liquidation the above mentioned receivable. REN Group received this amount on 3 January 2014.

11 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 March 2014 and 31 December 2013 the REN Group had the following derivative financial instruments contracted:

		31 March 2014			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	425,000 TEUR	-	-	1,870	16,251
Interest rate and currency swaps	10,000,000 TJPY	-	-	-	10,400
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	3,190	-	-
		-	3,190	1,870	26,651
Negotiable derivatives		-	-	342	-
Derivative financial instruments		**-**	**3,190**	**2,212**	**26,651**

		31 December 2013			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	425.000 TEUR	-	-	2,341	15,997
Interest rate and currency swaps	10.000.000 TJPY	-	-	-	10,847
Derivatives designated as fair value hedges					
Interest rate swaps	400.000 TEUR	-	-	-	7,476
		-	-	2,341	34,320
Negotiable derivatives		-	-	342	-
Derivative financial instruments		**-**	**-**	**2,683**	**34,320**

The valuation of the derivatives financial instruments portfolio is based on fair value valuations made by external specialized entities.

The amount recorded in this caption relates to eight interest rate swaps and one cross currency swap contracted by REN SGPS to hedge the risk of fluctuation of future interest and foreign exchange rates

The amounts presented above include the amount of interest receivable or payable at 31 March 2014 relating to these derivatives financial instruments, in the total net amount payable of 566 thousand Euros (payable amount of 1,781 thousand Euros at 31 December 2013)

The main features of the derivatives financial instruments contracted associated with financing operations at 31 March 2014 and 31 December 2013 is detailed as follows:

	Reference value	Currency	REN's payments	REN's receipts	Maturity	Fair value at 31/03/2014	Fair value at 31/12/2013
Cash flow hedge:							
Interest rate swaps	425 000 mEuros	EUR	[1,89%; 2,77%]	[0,28%;0,34%] - floating rates	[Jul-2014; Sept-2017]	(18,121)	(18,338)
Interest rate and currency swaps	10 000 000 000 JPY / 72 899 mEuros	EUR/JPY	5,64% (floating rate starting 2019)	2.71%	2024	(10,400)	(10,847)
						(28,521)	**(29,185)**
Fair value hedge:							
Interest rate swaps	400 000 mEuros	EUR	[0,67%;0,74%] - floating rates	1.72%	2020	3,190	(7,476)
						3,190	**(7,476)**
					Total	**(25,331)**	**(36,661)**

The periodicity of paid and received flows of the derivative financial instruments portfolio is quarterly and half-yearly contracts to the cash flow hedge contracts and semi-annual and annual basis for derivative designated as a fair value hedge.

Swaps:

Cash flow hedges

The Group hedges part of its future payments of interests on borrowings and bond issues through the designation of interest rate swaps, on which REN pays a fixed rate and receives a variable rate with a total notional amount of 425,000 thousand Euros (425,000 thousand Euros at 31 December 2013). This is the hedging of the interest rate risk on payments of interest at variable rates on recognized financial liabilities. The risk covered is the variable rate indexer to which the borrowing interest coupons relates. The objective of this hedging is to convert loans at variable interest rates to fixed interest rates, the credit risk not being hedged. The fair value of the interest rate swaps at 31 March 2014 was 18,121 thousand Euros negative (18,338 Euros negative at 31 December 2013).

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

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

The fair value of the cross currency swap at 31 March 2014 was 10,400 thousand Euros negative (10,847 thousand Euros negative at 31 December 2013).
The underlying exchange variation (borrowing) for the first quarter of 2014, in the amount of 1,116 thousand Euros, was offset by a similar variation in the hedging instrument in the statement of profit and loss (5.287 thousand Euros in 31 March 2013).

As of 31 March 2014 the inefficient component of the fair value hedge amounted to 349 thousand Euros positive (926 thousand Euros negative at 31 December 2013).

The amount recorded in reserves relating to the above mentioned cash flow hedges was 24,329 thousand Euros (23,362 thousand Euros in December 2013).

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

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2013	**(35,431)**	**8,819**	**(26,612)**
Changes in fair value and ineffectiveness	12,069	(3,445)	8,624
31 December 2013	**(23,362)**	**5,373**	**(17,989)**
1 January 2014	**(23,362)**	**5,374**	**(17,989)**
Changes in fair value and ineffectiveness	(967)	222	(744)
31 March 2014	**(24,329)**	**5,596**	**(18,733)**

Fair value hedge

During the year 2013, the company issued debt in the amount of 400,000 thousand Euros at a fixed rate. To manage the fair value floating of this issue debt, the company contracted two swaps on which REN pays a variable rate and receives a fixed rate, with a notional amount of

400,000 thousand Euros. The risk covered is the fixed rate index to debt issued. The covered risk is related with fair value floating of the debt issues according to the interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates to variable interest rates, the credit risk not being hedged. The fair value of these interest rate swaps at 31 March 2014 was 3,190 thousand Euros positive (7,476 thousand Euros negative in 31 December 2013).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in the income statement to offset changes in the fair value of the hedge instrument recorded in the income statement. In the first quarter of 2014, the debt fair value changes related to the interest rates risk recorded in the income statement was 9,864 thousand Euros, resulting in an inefficient component of 174 thousand Euros.

Futures:

REN – Redes Energéticas Nacionais, SGPS, S.A., through its subsidiary REN Trading, S.A. has carried out some financial operations in the futures market of energy, coal and CO_2 emission licences, through contracts standardized by the 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 on behalf of REN SGPS, thus ensuring clear and transparent separation between these businesses, always on a previously defined basis, continuously monitored with low exposure to risk.

These financial derivatives contracts in the futures market do not imply any physical liquidation of the underlying assets, being an activity of a purely financial nature, in a framework of financial management of assets, not being viewed as a regulated activity of the Commercial Agent.

As of 31 March 2014, the caption "negotiable derivatives" in current liabilities, include the fair value of the futures on carbon licences maturing December 31 in the amount of 342 thousand Euros (342 thousand Euros at 31 December 2013).

12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 31 March 2014 and 31 December 2013 are made up as follows:

	Mar 2014	Dec 2013
Cash	21	-
Bank deposits	54,817	167,987
Cash and cash equivalents in the statement of financial position	**54,838**	**167,987**
Bank overdrafts (Note 14)	(64)	(861)
Cash and cash equivalents in cash flow statement	**54,775**	**167,126**

13 EQUITY INSTRUMENTS

Share capital

REN's subscribed and paid up share capital as of 31 March 2014 and 31 December 2013 was made up of 534,000,000 shares of 1 euro each.

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

Own shares

As of 31 March 2014 REN SGPS had the following own shares:

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

No own shares were acquired or sold in the three month period ended 31 March 2014.

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

Reserves and retained earnings

The caption “Reserves” includes:

- Legal reserves, in the amount of 91,492 thousand Euros: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. The reserve can only be used to cover losses or to increase capital.

- Fair value reserves includes changes in the fair value of held for sale assets (37,494 thousand Euros), as detailed in Note 9;

- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 18,733 thousand Euros) as detailed in Note 11.

- Other reserves, in the amount of 177,245 thousand Euros: This caption is used for: (i) applying the year end net profit. The amount included in this caption can be disbursed to shareholders with the exception imposed by the Commercial Company Code regarding own shares (Reservas livres); and (ii) changes in equity of investees, recorded by the equity method.

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

14 BORROWINGS

The segregation of borrowings between current and non-current and by nature, as of 31 March 2014 and 31 December 2013 was as follows:

	March 2014			December 2013		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	233,500	1,371,920	1,605,420	150,000	1,444,440	1,594,440
Bank Borrowings	71,194	784,042	855,236	71,194	784,042	855,236
Commercial Paper	5,000	72,000	77,000	30,000	200,000	230,000
Bank overdrafts (Note 12)	64	-	64	861	-	861
Finance Lease	713	1,582	2,295	719	1,676	2,395
	310,471	2,229,544	2,540,015	252,774	2,430,159	2,682,933
Accrued interest	22,490	-	22,490	24,778	-	24,778
Prepaid interest	(24,890)	-	(24,890)	(27,227)	-	(27,227)
Borrowings	**308,071**	**2,229,544**	**2,537,615**	**250,325**	**2,430,159**	**2,680,483**

Detailed information regarding bond issues as of 31 March 2014 is as follows:

31 March 2014				
Emission date	**Maturity**	**Amount**	**Interest rate**	**Periodicity of interest payment**
REN SGPS private emission				
27/04/2011	27/10/2014	EUR 100,000 (i)	Floating rate (ii)	Bi-Annual
12/07/2011	12/07/2014	EUR 50,000 (i)	Floating rate (ii)	Bi-Annual
14/03/2012	14/03/2015	EUR 20,000 (i)	Floating rate	Bi-Annual
"Euro Medium Term Notes" programme emissions				
26/06/2009	26/06/2024	JPY 10,000,000 (i)	Fixed rate (ii)	Bi-Annual
08/03/2012	09/03/2015	EUR 63,500 (i)	Fixed rate	Bi-Annual
21/09/2012	21/09/2016	EUR 300,000	Fixed rate EUR 6,25%	Bi-Annual
28/09/2012	28/09/2015	EUR 50,000 (i)	Fixed rate	Annual
10/12/2012	10/12/2015	EUR 100,000 (i)	Fixed rate	Bi-Annual
16/01/2013	16/01/2020	EUR 150,000 (i)	Floating rate	Quarterly
31/01/2013	31/01/2018	EUR 300,000	Fixed rate EUR 4,125%	Annual
17/10/2013	16/10/2020	EUR 400,000	Fixed rate EUR 4,75% (ii)	Annual

(i) These emissions correspond to private placements.
(ii) These emissions have associated interest rate swaps and/or cross currency swaps

The Group has five active commercial paper programmes, in the amount of 675,000 thousand Euros, of which 598,000 thousand Euros are available. From the total amount of commercial paper programs, 575,000 thousand Euros have subscription guarantee.

The bank loans are mainly (609,239 thousand Euros) represented by EIB loans.

Following the strategic partnership made with State Grid International Development Ltd, under de scope of the second phase of the re-privatization of REN, the conditions for the financing of the irreversible amount of 800,000 thousand Euros were agreed to (amount corresponding to 80% of the global commitment amount of 1,000,000 thousand Euros). This financing will be paid in two batches, of 400,000 thousand Euros each, the first batch was signed in 2013 (having already been used 100,000 thousand Euros) and the second batch was in the process of conclusion as of 31 March 2014.

In 2013 the Group also agreed a credit line with the Industrial and Commercial Bank of China in the amount of 160,000 thousand Euros, having already disbursed 10,000 thousand Euros.

The Group has also credit lines negotiated and not used in the amount of 81,500 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not terminated in the contractually specified period for that purpose).

As a result of the fair value hedge related to the debt emission made in 2013, in the amount of 400,000 thousand Euros, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in a positive amount of 1,705 thousand Euros negative (8,159 thousand Euros positive at 31 December 2013).

REN obtained a bank loan providing its share capital stakes in Red Eléctrica Corporación and in Enagás as collateral. REN mantains in full the rights inherent to such shareholdings, including voting rights and dividends.

The REN financial liabilities have the following main types of covenants: *Cross default, Pari Passu, Negative Pledge, Gearing* (ratio of total consolidated equity to the amount of the Group's total conceded assets). The Group's gearing ratio comfortably fulfils the contractually defined limits, being 95% above the minimum level (as of 31 December 2013 it was 86% above such level).

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

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

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

15 POST-EMPLOYMENT BENEFITS AND OTHER BENEFITS

REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as "other benefits"). The Group also grants their employees life assurance plans. There were no changes in relation to 31 December 2013 in the benefits granted to the employees.

As of 31 March 2014 and 31 December 2013 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	Mar 2014	Dec 2013
Liability on the Balance Sheet		
Pension plan	89,987	90,579
Healthcare plan and other benefits	35,553	35,514
Life assurance plan	142	138
	125,683	**126,231**

During the three month period ended 31 March 2014 and 31 March 2013 the following operating expenses were recorded regarding benefit plans with employees:

	Mar 2014	Mar 2013
Charges to the statement of profit and loss (note 22)		
Pension plan	1,429	1,186
Healthcare plan and other benefits	416	236
Life assurance plan	4	4
	1,848	**1,426**

The amounts reported to 31 March 2014 result from the projection of the actuarial valuation as of 31 December 2013 for the three month period ended 31 March 2014, considering the estimated increase in salaries for 2014.

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

	Mar 2014	Dec 2013
Annual discount rate	3.25%	3.25%
Expected percentage of serving employees elegible for early retirement (more than 60 years of age and 36 years in Service) by Collective Work Agreement	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement - Management act	20.00%	20.00%
Rate of salary increase	3.30%	3.30%
Pension increase	1.70%	1.70%
Future increases of Social Security Pension amount	-	-
Inflation rate	2.00%	2.00%
Medical trend	3.50%	3.50%
Management costs (per employee/year)	219 €	219 €
Expenses medical trend	2.00%	2.00%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

16 PROVISIONS

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

	Mar 2014	Dec 2013
Begining balance	**5,903**	**7,220**
Increases	-	226
Reversing	-	(438)
Utilization	(140)	(1,105)
Ending balance	**5,762**	**5,903**
Current provision	1,073	1,213
Non-current provision	4,690	4,690
	5,762	**5,903**

As of 31 March 2014 the caption “Provisions” corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision in the amount of 1,073 thousand Euros, related to the Group’s restructuring plan in course.

17 TRADE AND OTHER PAYABLES

The caption “Trade and other payables” as of 31 March 2014 and 31 December 2013 was made up as follows:

	Mar 2014			Dec 2013		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 8)	188,630	-	188,630	436,441	-	436,441
Other creditors						
Other creditors (Note 8)	135,757	27,887	163,643	50,456	28,058	78,514
Tariff deviations (Note 8)	37,879	44,219	82,098	23,265	29,459	52,724
Fixed assets suppliers (Note 8)	47,097	-	47,097	83,065	-	83,065
Tax payables (Note 8) (i)	20,264	-	20,264	25,898	-	25,898
Deferred income						
Grants related to assets	17,787	309,843	327,630	19,119	312,781	331,901
Accrued costs						
Holidays and holidays subsidies (Note 8)	5,793	-	5,793	4,728	-	4,728
Trade and other payables	**453,207**	**381,948**	**835,155**	**642,973**	**370,298**	**1,013,272**

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

As of 31 March 2014 the caption "Other creditors" includes mainly the amount of 57,172 thousand euros relating to an amount received by the Portuguese State, on January 3, 2014, which should be applied by REN and later returned to the National Electric System for the purposes of the tariff deficit reduction and mitigation of the impact of tariff costs to energy policy, in accordance with applicable law, and also the recognition of the entire obligation for the extraordinary contribution on energy sector in the amount of 24,870 thousand euros (Note 25).

As of 31 December 2013, the caption "Current suppliers " includes the correction of the "CMEC" of 2012 invoiced by EDP – Gestão da Produção de Energia, S.A., in the amount of 299,917 thousand Euros, also reflected under caption "Trade and other receivables "(Note 10) through the invoice issued to EDP – Distribuição de Energia, S.A. This transaction sets a pass-through in the consolidated income statement of REN.

18 SALES AND SERVICES RENDERED

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

	Mar 2014	Mar 2013
Goods:		
Domestic market	21	56
	21	56
Services:		
Electricity transmission and overall systems management	96,324	96,213
Natural gas transmission	30,811	29,823
Regasification	7,250	9,245
Underground gas storage	3,252	3,209
Telecommunications network	1,236	1,237
Trading	989	682
Others	134	337
	139,996	140,747
Total sales of goods and services	**140,017**	**140,803**

19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets for the three month periods ended 31 March 2014 and 31 March 2013 is the following:

	Mar 2014	Mar 2013
Revenue from construction of concession assets		
- Acquisitions	4,901	14,739
- Own work capitalised :		
Financial expenses (Note 5)	964	1,907
Overhead and management costs (Note 5)	3,660	3,661
	9,524	**20,307**
Cost of construction of concession assets		
- Acquisitions	4,901	14,739
	4,901	**14,739**
	4,901	**14,739**

20 OTHER OPERATING INCOME

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

	Mar 2014	Mar 2013
Recognition of investment subsidies	4,447	4,781
Supplementary income	450	440
Financial contracts	-	867
Others	400	1,171
	5,296	**7,260**

The caption “Hedging” refers to gains on financial operations in the futures market for energy, coal, and carbon emission licences, through contracts standardized by the International Swaps and Derivatives Association Inc. (“ISDA”), as well as through participation in futures trading exchanges. The operations are merely financial not involving physical deliveries.

21 EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the three month periods ended 31 March 2014 and 31 March 2013 is made up as follows:

	Mar 2014	Mar 2013
Gas transport subcontracts	944	857
Maintenance costs	893	1,183
Fees relating to external entities i)	1,313	2,066
Cross border interconnection costs ii)	-	656
Electric energy costs	981	1,155
Insurance costs	698	715
Advertising and communication costs	224	241
Security and surveillance	415	419
Other (less than 400 thousand Euros)	1,214	1,834
External supplies and services	**6,683**	**9,125**

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

ii) The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity. The variation registered in March 2014, when compared with the same period of last year reflects the inexistence of electricity import flows.

22 PERSONNEL COSTS

Personnel costs are made up as follows:

	Mar 2014	Mar 2013
Remuneration		
Board of directors	549	622
Personnel	8,194	8,711
	8,744	9,333
Social charges and other expenses		
Post-employement and other benefits cost (Note 15)	1,848	1,426
Social contribution costs	1,853	2,104
Social support costs	8	12
Other	605	853
	4,314	4,396
Total personnel costs	**13,058**	**13,729**

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

23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

	Mar 2014	Mar 2013
ERSE operating costs i)	2,249	2,190
Taxes	280	400
Quotizations	594	664
Others	39	174
	3,162	**3,428**

i) The caption “ERSE operating costs” corresponds to ERSE’s operating costs, to be recovered through electricity and gas tariffs.

24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

	Mar 2014	Mar 2013
Financial costs		
Interest cost	31,791	35,423
Derivative financial instruments	-	177
Losses on other financial assets	203	364
Other financial costs	535	-
	32,529	**35,964**
Financial income		
Interest income	1,376	1,704
Derivative financial instruments	1,310	106
	2,685	**1,810**

25 EXTRAORDINARY CONTRIBUTION ON ENERGY SECTOR

In accordance Law 83-C/2013, December 31, energy operators has to make an extraordinary payment in 2014, which is calculated, in the case of regulated companies, focusing over the highest value between the value of the regulated assets and the net book value, as of 1st January 2014, over which is applied the rate of 0.85%.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded liabilities in the amount of 24,870 thousand euros (Note 17), a deferral asset in the amount of 18,653 thousand euros and the related expense for the three months period ended 31 March 2014 in the amount of 6,217 thousand euros.

26 EARNINGS PER SHARE

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

		Mar 2013	Mar 2012
Consolidated net profit used to calculate earnings per share	(1)	26,293	29,070
Number of ordinary shares outstanding during the period (Note 13)	(2)	534,000,000	534,000,000
Effect of own shares (Note 13)		3,881,374	3,881,374
Number of shares in the period	(3)	530,118,626	530,118,626
Basic earnings per share (euro per share)	**(1)/(3)**	**0.05**	**0.05**

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

27 DIVIDENDS PER SHARE

During the General Shareholders Meeting held on 3 April 2014, the shareholders approved the distribution of dividends with respect to the net profit of 2013, in the amount of 91,314 thousand Euros, corresponding to a gross dividend amount of 0.171 Euros per share, which include 664 thousand Euros attributable to own shares.

The distribution of dividends with respect to the net profit of 2012 amounted to 90,780 thousand Euros (0,17 Euros per share). From this amount, 660 thousand Euros were attributable to own shares, having been paid to the shareholders an amount of 90,120 thousand Euros.

28 GUARANTEES GIVEN

As of 31 March 2014 and 31 December 2013 the REN Group had given the following guarantees:

Beneficiary	Scope	mar 2014	dez 2013
EP - Estradas de Portugal	To guarantee compliance with the obligations assumed	84	84
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	205	205
NORSCUT - Concessionária de Auto-estradas, SA	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
Fortia - Energia para Grandes Consumidores	Financial contract under the ISDA contract (International Swaps and Derivatives Association, Inc.)	-	1,000
OMEL - Operador del Mercado Español de Electricidad	To guarantee payments resulting from trading participation as purchaser in the Spanish market	-	2,000
Municipal Council of Silves	Guarantee for expropriation processes	352	352
Municipal Council of Odivelas	Guarantee for expropriation processes	1,119	1,119
Municipal Council of Aveiro	Guarantee for expropriation processes	43	43
Municipal Council of Seixal	Guarantee for expropriation processes	4,079	4,079
Municipal Council of Vila Nova de Gaia	Guarantee for expropriation processes	2	2
Judge of District Court	Guarantee the suspension of process nº 412/13	5,549	5,549
Direcção Geral de Geologia e Energia	To guarantee compliance with the obligations assumed resulting from the contract relating to the public service concession	20,500	20,500
European Investment Bank	To guarantee loans	318,225	318,225
Labour Court	Process nº 1609/13.8TTLSB	35	-
		350,394	**353,359**

29 RELATED PARTIES

Main shareholders and shares held by corporate bodies

As of 31 March 2014 and 31 December 2013, the shareholder structure of Group REN was as follows:

	Mar 2014		Dec 2013	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (State Grid Group)	133,500,000	25.00%	133,500,000	25.00%
Mazoon B.V. (Oman Oil Company S.A.O.C. Group)	80,100,000	15.00%	80,100,000	15.00%
EGF - CGF, S.A.	45,019,666	8.43%	45,019,666	8.43%
Parpublica - Participações Públicas (SGPS), S.A.	52,871,340	9.90%	52,871,340	9.90%
Gestmin, SGPS, S.A.	31,326,951	5.87%	31,326,951	5.87%
Oliren, SGPS, S.A.	26,700,000	5.00%	26,700,000	5.00%
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Corporación, S.A.	26,700,000	5.00%	26,700,000	5.00%
Caixa Geral de Depósitos, S.A.	6,114,877	1.15%	6,290,967	1.18%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free Float	101,078,457	18.93%	100,902,367	18.90%
	534,000,000	**100.00%**	**534,000,000**	**100.00%**

Transaction over REN shares by the Board of Directors

In the period ended 31 March 2014 didn’t occur any transactions carried out by Corporate Bodies in relation to the consolidated financial statements as of 31 December 2013.

Remuneration of the Board of Directors

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

Remuneration of the Board of Directors of REN, SGPS in the three month period ended 31 March 2014 amounted to 549 thousand Euros (622 thousand Euros on 31 March 2013), as shown in the following table:

	Mar 2014	Mar 2013
Remuneration and other short term benefits	549	622
	549	**622**

Transactions with group or dominated companies

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

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2 of the notes to the consolidated financial statements as of 31 December 2013) in the consolidated financial statements.

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

Balances and transactions held with associates and other related parties

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

Revenue

	mar 2014	mar 2013
Sales and services provided		
Invoicing issued- EDP	457,341	434,199
Invoicing issued- OMIP	-	4
Invoicing issued - REE	305	-
Invoicing issued - Centro de Investigação em Energia REN - State Grid	37	-
Financial income		
Interest on financial aplications-CGD	139	-
	457,823	**434,204**

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

Costs

	mar 2014	mar 2013
External supplies and services		
Invoicing received-EDP	247,257	185,185
Invoicing received - CMS Rui Pena & Arnaut[1]	11	-
Financial costs		
Interests on Commercial paper - CGD	16	95
Borrowings fees - CGD	231	430
Derivative financial instruments	840	753
	248,354	**186,462**

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

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

Balances

As of 31 March 2014 and 31 December 2013 the balances resulting from transactions with related parties were as follows:

	mar 2014	dec 2013
Trade and other receivables		
EDP - Trade receivables	89,861	408,798
EDP - Other receivables	1,461	1,429
OMIP - Other receivables	55	915
OMIP - Guarantees	1,374	1,173
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	127	186
Centro de Investigação em Energia REN - State Grid - Trade receivable	255	301
REE - Trade receivables	-	3
Other financial assets		
CGD - Financial aplications>3 months	57,172	-
Cash and cash equivalents		
CGD - Bank deposits	952	1,710
	151,258	**414,517**
Trade and other payables		
EDP - Trade payables	3,700	304,178
OMIP - Other payables	154	1,128
OMIP - Guarantees	27	27
Centro de Investigação em Energia REN - State Grid - Other payables	-	15
Norfin Sociedade Gestora de Fundos - Guarantees[1]	9	9
Norfin Serviços, S.A.[1]	-	5
CMS - Rui Pena & Arnaut - Trade payables[2]	19	27
REE - Trade payables	4	-
Borrowings		
CGD - Borrowings (Commercial paper)	5,000	30,000
CGD-Overdrafts	2	-
CGD - Finance lease	1,663	1,841
	10,578	**337,230**

[1] Entities related to the Board member Filipe Maurício de Botton

[2] Entity related to the Board member José Luis Arnaut

30 SUBSEQUENT EVENTS

Credit facility agreement

In 1st April 2014, REN signed a facility agreement with Bank of China with a total amount of 200,000 thousand euros and 5-years maturity. This agreement will allow REN to refinance its debt as well as to reduce its financial costs and to improve the Company's liquidity position.

Changes to the composition of the governing bodies

During the first quarter of 2014, on the 5th of March, the Chairman of the Board of Directors and Chief Executive Officer, Mr. Rui Cartaxo, presented his resignation to all functions exercised in the company, and was replaced on all those functions until the end of the ongoing 2012-2014 term of office by Mr. Emílio Rui Vilar, following the Annual General Meeting held on the 3rd of April. For that reason, Mr. Emílio Rui Vilar also presented his resignation to his position as a member of REN's Audit Committee on the 6th of March 2014, and was replaced in that position until the end of the ongoing 2012-2014 term of office following the Annual General Meeting on the 3rd of April, on behalf of Parpública – Participações Públicas (SGPS), S.A., Prof. Aníbal Santos.

In the General Meeting was also appointed Mr. Luís Amado da Silva as non-executive Director of REN until the end of the ongoing 2012-2014 term of office.

On the 21st of April 2014, the non-executive Director, Mr. Filipe de Botton jointly with the entity which has appointed him, EGF - Gestão e Consultoria Financeira S.A., presented his resignation to the position of member of the Board of Directors of REN.

31 EXPLANATION ADDED FOR TRANSLATION

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

The Accountant

Maria Teresa Martins

The Board of Directors

Emílio Rui Vilar
(President of the Board of Directors and of the Executive Committee)

José Folgado Blanco
(Member of the Board of Directors designated by Red Eléctrica Corporación, S.A.)

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

Francisco João Oliveira
(Member of the Board of Directors designated by OLIREN, SGPS, S.A.)

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

José Luis Arnaut
(Member of the Board of Directors)

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

Luís Amado da Silva
(Member of the Board of Directors)

Mengrong Cheng
(Member of the Board of Directors)

José Luís Alvim
(Member of the Board of Directors and President of the Audit Committee)

Haibin Wan
(Member of the Board of Directors)

José Frederico Jordão
(Member of the Board of Directors and of the Audit Committee)

Hilal Al-Kharusi
(Member of the Board of Directors)

Aníbal Durães dos Santos
(Member of the Board of Directors and of the Audit Committee designated by Parpública – Participações Públicas (SGPS), S.A.)

Manuel Champalimaud
(Member of the Board of Directors designated by Gestmin, SGPS, S.A.)

Note – The remaining pages of this Report and Accounts (1st Quarter 2014) were initialed by the Company Secretary, Pedro Cabral Nunes, and the Accountant, Maria Teresa Martins.

LIMITED REVIEW REPORT PREPARED BY AN AUDITOR REGISTERED AT THE STOCK EXCHANGE COMMISSION (COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS) AS OF AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014 CONSOLIDATED INFORMATION

(Translation of a report originally issued in Portuguese)

Introduction

1. We present our Limited Review Report on the consolidated financial information of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Company") for the three months period ended 31 March 2014, included in the: section Financial Performance, Consolidated Statement of Financial Position (that reflects total assets of 4,801,149 thousand Euros and equity of 1,121,722 thousand Euros, including a consolidated net profit of 26,293 thousand Euros), Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the three months 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, in accordance with International Financial Reporting Standards as adopted by the European Union.

Responsibilities

3. The Company's Board of Directors is responsible: (i) for preparing consolidated financial information that fairly presents the financial position of the companies included in the consolidation, their consolidated comprehensive income, consolidated changes in equity and consolidated cash flows; (ii) that the historical financial information is prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and that it is complete, true, timely, clear, objective and licit as required by the Securities Market Code (Código dos Valores Mobiliários); (iii) for the adoption of adequate accounting policies and criteria; (iv) for the maintenance of appropriate systems of internal control; and (v) for the disclosure of any significant facts that have influenced its operations and those of the companies included in the consolidation, their financial position or their comprehensive income.

4. Our responsibility is to examine the financial information contained in the documents referred to in above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent moderate assurance report on that consolidated financial information, based on our work.

Scope

5. Our work was performed with the objective of obtaining moderate assurance as to whether the financial information referred to above is free of material misstatements. Our work, which was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), was planned in accordance with that objective and consisted mainly of inquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies used, considering the 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 Securities Market Code.

6. Our work also included verifying the consistency of the consolidated financial information included in the section Financial Performance with the other documents referred to above.

7. We understand that our work provides a reasonable basis for issuing this Limited Review Report on the consolidated financial information as of and for the three months period ended 31 March 2014.

Opinion

8. Based on our work, which was performed with a view to obtaining moderate assurance, nothing came to our attention that led us to conclude that the consolidated financial information of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of and for the three months period ended 31 March 2014, referred to in paragraph 1 above, is not exempt from material distortions that affect its accordance with International Financial Reporting Standards as adopted by the European Union for purposes of interim financial reporting (IAS 34), and that in the terms and definitions included in the guidelines referred to in paragraph 5 above, is not complete, true, timely, clear, objective and licit.

Opinion

9. The Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the three months period ended 31 March 2013, presented for comparative purposes, were not subject to our limited review.

Lisbon, 8 May 2014

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