



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

Consolidated Financial Statements  
30 June 2016

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

# **Consolidated financial statements**

**30 June 2016**

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## 1 FINANCIAL PERFORMANCE IN THE 1<sup>ST</sup> HALF 2016

### 1.1 Results

In the first half of 2016, net income reached 40.5 million euros, a decrease of 22.0 million euros when compared to the previous year, affected by the 2015 non-recurring gain with the sale of REN's stake in Enagas (-16.1 million euros in net income) and, also in 2015, a one-off effect of 9.9 million euros related to the recovery of taxes linked to re-valuation of assets, partially compensated by the good performance of financial results in 2016. It should be noted that, similarly to the previous year, the results for the first half of 2016 reflect the continuation of the Extraordinary Levy on the Energy Sector (25.9 million euros in 2016 and 25.4 million euros in 2015).

Excluding non-recurring effects, net income grew 4.5% (+2.9 million euros).

Financial results increased 7.1% (+3.2 million euros) when compared to the first half of 2015, reflecting the 0.5p.p. reduction in the average cost of debt to 3.5% (4.0% in the first half of 2015), despite the 1.3% increase in net debt to 2,526.5 million euros.

Capex reached 37.6 million euros and transfers to RAB were 11.7 million euros, a decrease of 61.1 million euros and 64.3 million euros, respectively, when compared to the first half of 2015. The average RAB decreased 36.0 million euros (-1.0%), reaching 3,522.8 million euros.

<b>Main Indicators</b> (millions of euros)	<b>June 2016</b>	<b>June 2015</b>	<b>Var.%</b>
EBITDA	240.2	254.3	-5.5%
Financial income <sup>1</sup>	-41.7	-44.8	7.1%
Net income <sup>2</sup>	40.5	62.6	-35.2%
Recurrent net income	66.5	63.6	4.5%
Total Capex	37.6	98.8	-61.9%
Transfers to RAB (at historic costs) <sup>3</sup>	11.7	76.0	-84.6%
Average RAB (at reference costs)	3,522.8	3,558.8	-1.0%
Net debt	2,526.5	2,494.0	1.3%
Average cost of debt	3.5%	4.0%	-0.5p.p.

<sup>1</sup> Financial charges of 0.5 million euros in June of 2016 and revenues of 0.2 million euros in June of 2015 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.

<sup>2</sup> The value for 2015 was restated (see note 3 of Report and Accounts)

<sup>3</sup> Includes direct acquisitions (RAB related).

## OPERATIONAL RESULTS - EBITDA

EBITDA reached 240.2 million euros, a decrease of 5.5% (-14.0 million euros) as compared to the same period of the previous year.

<b>EBITDA</b> (millions of euros)	<b>June 2016</b>	<b>June 2015</b>	<b>Var.%</b>
<b>1) Revenues from assets</b>	<b>226.8</b>	<b>220.4</b>	<b>2.9%</b>
RAB remuneration	110.3	108.0	2.1%
Smoothing differences (gas)	-1.4	-1.8	18.5%
Hydro land remuneration	0.1	0.1	-4.5%
Lease revenues from hydro protection zone	0.4	0.4	-1.2%
Remuneration of fully depreciated assets	9.9	9.3	7.1%
Recovery of depreciation (net of investment subsidies)	98.5	95.5	3.2%
Depreciation of investment subsidies	9.1	8.9	1.2%
<b>2) Revenues from OPEX</b>	<b>46.8</b>	<b>45.7</b>	<b>2.5%</b>
<b>3) Other revenues</b>	<b>7.4</b>	<b>30.3</b>	<b>-75.4%</b>
<b>4) Own works (capitalised in investment)</b>	<b>7.4</b>	<b>7.7</b>	<b>-3.6%</b>
<b>5) Earnings on Construction – Concession assets (excl. own works capitalised in investment)</b>	<b>30.3</b>	<b>91.0</b>	<b>-66.7%</b>
<b>6) OPEX</b>	<b>48.0</b>	<b>49.4</b>	<b>-2.8%</b>
Personnel costs <sup>1</sup>	25.3	26.3	-4.0%
External costs	22.7	23.1	-1.4%
<b>7) Construction costs – Concession assets</b>	<b>30.3</b>	<b>91.0</b>	<b>-66.7%</b>
<b>8) Provisions/ (reversal)</b>	<b>0.3</b>	<b>-0.2</b>	<b>n.m</b>
<b>9) Impairments /(reversal)</b>	<b>-0.1</b>	<b>0.6</b>	<b>n.m</b>
<b>10) EBITDA (1+2+3+4+5-6-7-8-9)</b>	<b>240.2</b>	<b>254.3</b>	<b>-5.5%</b>

This evolution was explained mostly by the 2015 non-recurring gain with the sale of REN's stake in Enagas (-20.1 million euros in EBITDA), slightly offset by the growth of regulated asset base revenues and the increase in the group's operational efficiency.

Regarding the evolution of the regulated asset base revenues, the main positive effects were:

- The evolution of revenues from recovery of depreciation (+3.0 million euros), in line with the increase in the gross asset base;
- The increase in RAB remuneration<sup>2</sup> (+2.6 million euros), reflecting mostly (i) the increase in the rate of return of regulated assets, in line with the growth in the 10Y Portuguese Government Bond yields, and (ii) the effect of the acquisition of the underground storage

<sup>1</sup> Includes costs with training and seminars and provisions for staff costs

<sup>2</sup> Includes NG smoothing effect

assets to Galp, settled in May 2015. These effects were slightly offset by the decrease in the average RAB. Regarding the evolution of the rates of return: in the electricity segment the rate of return for assets with efficiency premium increased from 6.74% to 6.85%, while for assets without efficiency premium the rate of return increased from 5.99% to 6.10%; In natural gas the rate of return increased from 7.33% to 7.35%.

Additionally, REN's efforts to constantly improve its efficiency were also reflected in operational results, with the group's opex reducing 1.4 million euros (-2.8%).

### Net income

In the first half of 2016, net income reached 40.5 million euros, a decrease of 22.0 million euros (-35.2%) as compared to the previous year, affected essentially by the 14.0 million euros reduction in EBITDA due to the 2015 non-recurring gain with the sale of Enagas (-20.1 million euros in EBITDA; -16.1 million euros in net income), and the increase in income tax expenses, reflecting the positive one-off effect related to the recovery of taxes linked to re-valuation of assets (-€9.9M; -€9,7M net of associated costs and after taxes) in 2015 results.

On the other hand, financial results increased (+3.2 million euros, +7.1%), driven by the 0,5p.p. decrease in the average cost of debt, from 4.0% to 3.5%, despite the 1.3% increase in net debt to 2,526.5 million euros.

When adjusted for non-recurring items, Recurring Net Income grew 4.5% (+2.9 million euros). Non-recurring items considered in the first half of 2016 and 2015 are as follows:

- i) In 2016: i) Extraordinary Levy on the Energy Sector in the State Budget for 2016 (25.9 million euros)
- ii) In 2015: i) cost of carry of the European Investment Bank escrow account (1.9 million euros; 1.4 million euros post tax); ii) Extraordinary Levy on the Energy Sector in the State Budget for 2015 (25.4 million euros); iii) Capital gains with the sale of the stake in Enagás (-20.1 million euros; -16.1 million euros post tax); and iv) a one-off effect related to the recovery of taxes linked to re-valuation/impairment of assets (-€9.9M; -€9,7M net of associated costs and after taxes).

<b>NET INCOME</b> (millions of euros)	<b>June 2016</b>	<b>June 2015</b>	<b>Var.%</b>
<b>EBITDA</b>	<b>240.2</b>	<b>254.3</b>	<b>-5.5%</b>
Amortizations	107.0	104.1	2.8%

<b>NET INCOME</b> (millions of euros)	<b>June 2016</b>	<b>June 2015</b>	<b>Var.%</b>
Financial income <sup>1</sup>	-41.7	-44.8	7.1%
Income tax expenses	25.1	17.3	44.6%
Extraordinary levy on the energy sector	25.9	25.4	1.9%
<b>Net income</b>	<b>40.5</b>	<b>62.6</b>	<b>-35.2%</b>
Non-recurring items	25.9	1.1	n.m.
<b>Recurrent net income</b>	<b>66.5</b>	<b>63.6</b>	<b>4.5%</b>

## 1.2 Average RAB and investment

### CAPEX AND AVERAGE RAB

In the first half of 2016, capex reached 37.6 million euros, a 61.1 million euros decrease (-61.9%) when compared to the same period of the previous year, and transfers to RAB were 11.7 million euros, a decrease of 64.3 million euros when compared to the first half of 2015. These reductions were explained by the evolution in the natural gas segment, affected by the acquisition of the NG underground storage assets to Galp in May 2015 (71.4 million euros in capex, and 70.5 million euros in transfers to RAB).

In electricity, the investment in the first half was 34.6 million euros, with relevant projects such as the Line Pedralva - Ponte de Lima (6.0 million euros), part of the new axis at 400kV between Porto and Minho regions, the remodeling of Carregado (3.5 million euros) and Porto Alto substations (2.4 million euros), and the line Terras Altas Fafe-Riba D'Ave (2.7 million euros). In the first half of 2016, REN concluded the line Terras Altas Fafe-Riba D'Ave, with the project total amount reaching 6.7 million euros.

The average RAB decreased 36.0 million euros (-1.0%), reaching 3,522.8 million euros. This decrease reflects the reduction of 3.3% in natural gas (-37.9 million euros) and -4.5% in lands (-12.9 million euros), partially offset by the increase of 0.7% in electricity (+14.8 million euros).

## 1.3 Main events in the 1<sup>st</sup> Half 2016

- The company The Capital Group Companies, Inc. acquired, on 31 March 2016, a qualified shareholding of 2,0711% of REN's share capital.

<sup>1</sup> Financial charges of 0.5 million euros in June of 2016 and revenues of 0.2 million euros in June of 2015 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.



- The company Gestmin and Mr. Manuel Champalimaud sold, on 31 March and on 1, 4 and 5 April 2016, the shareholding held on the share capital of REN, reducing their qualified shareholding. As a consequence of such sale, qualified shareholding of Gestmin has been altered to 2,72% of REN's share capital and Mr. Manuel Champalimaud sold all the shareholding held on the share capital of REN. On 2 May 2016, Gestmin held a shareholding of 2,35% of REN's share capital and voting rights.
- Mr. Manuel Champalimaud presented to the Chairman of the Board of Directors, on 13 April 2016, its resignation as director of REN's Board of Directors.
- The company The Capital Group Companies, Inc. altered its shareholding held on the share capital of REN, on 3 May 2016, to, directly and indirectly, a qualified shareholding of 5,0173%. Such shareholding modification occurred also as a consequence of the acquisition, on the same date, by the fund SMALLCAP World Fund, Inc. of a qualified shareholding on REN's share capital of 2,6404%, which is directly held by the fund but is included in the qualified shareholding indirectly held by The Capital Group Companies, Inc..
- REN invited the notes holders issued under REN's €5,000,000,000 *Euro Medium Term Note Programme*, to tender such notes for purchase for cash: (i) €300,000,000 4.125 per cent. Notes due 2018 (ISIN: PTRELBOE0017) (the "2018 Notes"), issued by REN, on 31 January 2013 and admitted to trading on the London Stock Exchange; and (ii) €400,000,000 4.750 per cent. Notes due 2020 (ISIN: XS0982774399) (the "2020 Notes" and together with the 2018 Notes, the "Notes"), issued by the subsidiary REN Finance B.V., on 17 October 2013 and admitted to trading on the London Stock Exchange. The offers were addressed exclusively to the holders of the Notes which are qualified as investors and the offer period expired at 5.00 p.m (CET) on 23 May 2016. The operation is part of the liabilities management and capital structure of REN group.
- The Offeror accepted all valid tenders of Notes received in full with no pro rata scalling, corresponding to: (i) €137.200.000 in aggregate principal amount of the "2018 Notes"; and (ii) €132.245.000 in aggregate principal amount of the "2020 Notes". Moreover, REN Finance B.V. issued new notes - the €550,000,000 1.750 per cent. Notes due 2023 - under the same Programme in the nominal aggregate amount of €550,000,000, with a maturity of seven years and an interest rate of 1.821%, corresponding to 7 years mid swap accrued of a spread of 1.58%.

- The term of the financing granted by the Bank of China to REN and its wholly owned subsidiary REN Finance BV has been, on 16 July 2016, extended until 2021 and the maximum commitment under the facility agreement has been increased to 250 million euros.
- REN's 2015 Annual Report received honours in the category of "Best Annual Report - Non Financial-Sector" in the award ceremony of the Investor Relations & Governance Awards (IRGA) 2016, which took place in Convento do Beato, on the 5th of July.
- REN was awarded the Grand Prix for Best Overall Investor Relations in the Small-Cap category at the IR Magazine Awards - Europe, having also been placed in the short list for the Best Use of Multimedia, in the IR category, due to the REN app by investors and the media.
- The company was placed first in the "Most Attractive Employers in Portugal" 2016 ranking that reveals which companies are most attractive to university students starting their careers.
- REN has launched an APP for mobile devices directed to investors and media, enabling access to all information regarding the company within a single platform, including the real-time share price, financial events calendar, corporate presentations and also receive alerts and notifications of calendar updates or official market announcements. The REN App was awarded Best in the "Mobile Media /app" category at the Questar Awards 2016.
- REN's 2014 Annual Report was awarded with Silver in the 2016 Creative Club Festival in Portugal, in the category of "Digital and Interactive". Thus, REN is again awarded after having been awarded in 2013 with the Bronze in the category of best institutional website.
- The first cargo of liquefied natural gas (GNL) from North America destined to Europe arrived, on 26 April, to REN Atlântico facilities located in Sines, on board of Creole Spirit that carried 170.000 m3 of GNL. The quantity of GNL carried on board corresponds to one week of gas consumption in Portugal or to two per cent of the annual consumption.

#### 1.4 Main risks and uncertainties for the 2<sup>nd</sup> Half 2016

- Due to the regulated nature of most of the businesses conducted by REN, its financial performance is strictly related to the remuneration of its regulated assets, being the remuneration of such assets indexed to the evolution of the 10-year treasury bonds. Therefore, the evolution of such bonds may lead to changes in the financial results of

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REN. However, it must be pointed out that the decrease of the public debt risk is usually accompanied by the reduction of the interest rates, being foreseen that, in the event of a decrease of the risk of the public debt, a decrease of the average cost of the financial debt shall also occur, giving rise to an increase of the financial results.

- The outcome of the process of challenging the liquidation of the CESE related to 2014 and 2015 is an uncertainty that may affect positively the financial situation of REN. Since REN have paid the CESE, a favorable outcome of the process underway will imply the reimbursement of the amounts paid to the Tax Authorities.
- REN is facing the challenge of internationalization, seeking the execution of its first international investment, and therefore to diversify the portfolio of its business. The Latin American and African markets are still within REN's priorities, in which opportunities will be evaluated in a selective way, but the effective investment in such markets is still an uncertainty.

## 1.5 Quarterly statements of profit and loss and comprehensive income for the periods from 1 April 2016 to 30 June 2016 and 2015

### Consolidated statements of profit and loss (unaudited information)

(Amounts expressed in thousands of euros - tEuros)

	<b>01.04.2016 to 30.06.2016</b>	<b>01.04.2015 to 30.06.2015</b>
Sales	59	338
Services rendered	135.247	132.630
Revenue from construction of concession assets	26.315	90.262
Gains from associates and joint ventures	429	184
Other operating income	5.197	5.548
<b>Operating income</b>	<b>167.248</b>	<b>228.962</b>
Cost of goods sold	(93)	(320)
Cost with construction of concession assets	(22.400)	(86.286)
External supplies and services	(9.351)	(9.541)
Employee compensation and benefit expense	(12.631)	(13.702)
Depreciation and amortizations	(53.477)	(52.176)
Provisions	(322)	245
Impairments	120	(600)
Other expenses	(3.100)	(2.897)
<b>Operating costs</b>	<b>(101.253)</b>	<b>(165.278)</b>
<b>Operating results</b>	<b>65.995</b>	<b>63.684</b>
Financial costs	(24.209)	(27.135)
Financial income	1.381	2.846
Investment income - dividends	4.260	4.036
<b>Financial results</b>	<b>(18.567)</b>	<b>(20.254)</b>
<b>Profit before income taxes</b>	<b>47.428</b>	<b>43.430</b>
Income tax expense	(12.982)	(1.182)
<b>Net profit for the period</b>	<b>34.446</b>	<b>42.247</b>
<b>Attributable to:</b>		
Equity holders of the Company	34.446	42.247
<b>Consolidated profit for the period</b>	<b>34.446</b>	<b>42.247</b>
Earnings per share (expressed in euro per share)	0,06	0,07

## Consolidated statements of comprehensive income (unaudited information)

(Amounts expressed in thousands of euros - tEuros)

	<b>01.04.2016 to 30.06.2016</b>	<b>01.04.2015 to 30.06.2015</b>
<b>Net Profit for the year</b>	<b>34.446</b>	<b>42.247</b>
<b>Other income and cost recorded in equity:</b>		
<i><b>Items that will not be reclassified subsequently to profit or loss:</b></i>		
Actuarial gains / (losses)	(87)	739
Tax effect on actuarial gains / (losses)	25	(214)
Other changes in equity	-	30
<i><b>Items that will be reclassified subsequently to profit or loss:</b></i>		
Increase/(decrease) in hedging reserves - cash flow derivatives	(1.908)	20.671
Tax effect on hedging reserves	401	(4.341)
Gain/(loss) in fair value reserve - available-for-sale assets	5.920	(1.138)
Tax effect on fair value reserves	(1.243)	1.097
<b>Comprehensive income for the year</b>	<b>37.554</b>	<b>59.092</b>
<b>Attributable to:</b>		
Shareholders of the company	37.554	59.092
	<b>37.554</b>	<b>59.092</b>

# **CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2016**

## 2. CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated statements of financial position as of 30 June 2016 and 31 December 2015

(Amounts expressed in thousands of Euros - tEuros)

ASSETS	Notes	Jun 2016	Dec 2015
<b>Non-current assets</b>			
Property, plant and equipment	5	541	695
Goodwill		3,774	3,774
Intangible assets	5	3,799,765	3,869,085
Investments in associates and joint ventures	6	15,314	14,588
Available-for-sale financial assets	9	159,981	154,862
Derivative financial instruments	11	35,933	10,157
Other financial assets	8	10	7
Trade and other receivables	10	99,988	133,676
Deferred tax assets	7	67,389	65,838
		<b>4,182,695</b>	<b>4,252,682</b>
<b>Current assets</b>			
Inventories		2,913	2,985
Trade and other receivables	10	361,225	263,766
Current income tax recoverable	7	6,240	5,358
Other financial assets	8	1,345	1,510
Cash and cash equivalents	12	68,405	63,652
		<b>440,128</b>	<b>337,271</b>
<b>Total assets</b>	4	<b>4,622,822</b>	<b>4,589,953</b>
<b>EQUITY</b>			
<b>Shareholders' equity:</b>			
Share capital	13	534,000	534,000
Treasury shares	13	(10,728)	(10,728)
Other reserves	13	320,753	325,619
Retained earnings		217,463	196,253
Other changes in equity		30	30
Net profit for the period		40,530	116,115
<b>Total equity</b>		<b>1,102,049</b>	<b>1,161,289</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	2,097,355	1,891,245
Liability for retirement benefits and others	15	126,838	129,217
Derivative financial instruments	11	19,980	8,426
Provisions	16	6,014	5,717
Trade and other payables	17	323,673	332,232
Deferred tax liabilities	7	86,853	88,249
		<b>2,660,714</b>	<b>2,455,086</b>
<b>Current liabilities</b>			
Borrowings	14	539,644	650,755
Provisions	16	912	1,171
Trade and other payables	17	288,162	315,735
Income tax payable	7	28,309	-
Derivative financial instruments	11	3,033	5,918
		<b>860,060</b>	<b>973,579</b>
<b>Total liabilities</b>	4	<b>3,520,773</b>	<b>3,428,664</b>
<b>Total equity and liabilities</b>		<b>4,622,822</b>	<b>4,589,953</b>

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 June 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

## Consolidated statements of profit or loss for the six month periods ended 30 June 2016 and 2015

(Amounts expressed in thousands of Euros - tEuros)

	Notes	Jun 2016	Jun 2015
Sales	4 and 18	154	400
Services rendered	4 and 18	270,405	264,634
Revenue from construction of concession assets	4 and 19	37,640	98,632
Gains / (losses) from associates and joint ventures	6	726	396
Other operating income	20	10,262	30,863
<b>Operating income</b>		<b>319,188</b>	<b>394,926</b>
Cost of goods sold		(207)	(425)
Cost with construction of concession assets	19	(30,260)	(90,979)
External supplies and services	21	(16,047)	(16,666)
Employee compensation and benefit expense	22	(25,075)	(26,233)
Depreciation and amortizations	5	(107,038)	(104,103)
Provisions	16	(322)	245
Impairments	9 and 10	120	(600)
Other expenses	23	(6,665)	(6,218)
<b>Operating costs</b>		<b>(185,494)</b>	<b>(244,979)</b>
<b>Operating results</b>		<b>133,693</b>	<b>149,947</b>
Financial costs	24	(50,763)	(55,105)
Financial income	24	4,368	6,467
Investment income - dividends	9	4,260	4,036
<b>Financial results</b>		<b>(42,135)</b>	<b>(44,602)</b>
<b>Profit before income tax</b>		<b>91,559</b>	<b>105,345</b>
Income tax expense	7	(25,091)	(17,348)
Energy sector extraordinary contribution	25	(25,938)	(25,445) (a)
<b>Net profit for the period</b>		<b>40,530</b>	<b>62,552</b>
<b>Attributable to:</b>			
Equity holders of the Company		40,530	62,552
Non-controlled interest		-	-
<b>Consolidated profit for the period</b>		<b>40,530</b>	<b>62,552</b>
Earnings per share (expressed in euro per share)	26	0.08	0.12

(a) Amount restated (Note 3)

The accompanying notes form an integral part of the consolidated statement of profit or loss for the six month period ended 30 June 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS



## Consolidated statements of comprehensive income for the six month periods ended 30 June 2016 and 2015

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30 June	
		2016	2015
<b>Net Profit for the period</b>		<b>40,530</b>	<b>62,552</b> (a)
<b>Other income and cost recorded in equity:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gains / (losses)	15	(87)	739
Tax effect on actuarial gains / (losses)	7	25	(214)
Other changes in equity		-	30
<b>Items that will be reclassified subsequently to profit or loss:</b>			
Increase/(decrease) in hedging reserves - cash flow derivatives	11	(13,976)	16,099
Tax effect on hedging reserves	7 and 11	2,935	(3,381)
Gain/(loss) in fair value reserve - available-for-sale assets	9	4,824	3,035
Tax effect on fair value reserves	7 and 9	(2,841)	221
<b>Reclassification adjustments:</b>			
Gain/(loss) in fair value reserve - available-for-sale assets	9	-	(20,083)
Tax effect on fair value reserves	7 and 9	-	3,966
<b>Comprehensive income for the period</b>		<b>31,411</b>	<b>62,964</b>
<b>Attributable to:</b>			
Shareholders of the company		31,411	62,964
Non-controlling interests		-	-
		<b>31,411</b>	<b>62,964</b>

(a) Amount restated (Note 3)

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the six month period ended 30 June 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

## Consolidated statements of changes in equity for the six month periods ended 30 June 2016 and 2015

(Amounts expressed in thousands of Euros - tEuros)

Changes in the period	Notes	Attributable to shareholders									Total
		Share capital	Own shares	Legal Reserve	Fair Value reserve (Note 9)	Hedging reserves (Note 11)	Other reserves	Other changes in equity	Retained earnings	Profit for the period	
<b>At 1 January 2015</b>		534,000	(10,728)	97,295	60,313	(19,468)	177,482	-	183,896	112,777	1,135,567
Net profit of the period and other comprehensive income (a)		-	-	-	(12,861)	12,718	-	30	525	62,552	62,964
Distribution of dividends	27	-	-	-	-	-	-	-	(90,650)	-	(90,650)
Transfer to other reserves		-	-	5,313	-	-	-	-	107,464	(112,777)	-
<b>At 30 June 2015</b>		<b>534,000</b>	<b>(10,728)</b>	<b>102,608</b>	<b>47,452</b>	<b>(6,750)</b>	<b>177,482</b>	<b>30</b>	<b>201,235</b>	<b>62,552</b>	<b>1,107,881</b>
<b>At 1 January 2016</b>		534,000	(10,728)	102,608	54,489	(8,960)	177,482	30	196,253	116,115	1,161,289
Net profit of the period and other comprehensive income		-	-	-	1,983	(11,041)	-	-	(62)	40,530	31,411
Distribution of dividends	27	-	-	-	-	-	-	-	(90,650)	-	(90,650)
Transfer to other reserves		-	-	4,192	-	-	-	-	111,922	(116,115)	-
<b>At 30 June 2016</b>		<b>534,000</b>	<b>(10,728)</b>	<b>106,800</b>	<b>56,472</b>	<b>(20,001)</b>	<b>177,482</b>	<b>30</b>	<b>217,463</b>	<b>40,530</b>	<b>1,102,049</b>

(a) Amount restated (Note 3)

The accompanying notes form an integral part of the consolidated statement of changes in equity for the six month period ended 30 June 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

## Consolidated statements of cash flow for the six month periods ended 30 June 2016 and 2015

(Amounts expressed in thousands of Euros - tEuros)

	<u>Notes</u>	<u>Jun 2016</u>	<u>Jun 2015</u>
<b>Cash flow from operating activities:</b>			
Cash receipts from customers		902,689 a)	1,097,928 a)
Cash paid to suppliers		(685,652) a)	(867,671) a)
Cash paid to employees		(31,173)	(31,446)
Income tax received/(paid)		(673)	(588)
Other receipts/(payments) relating to operating activities		(28,732)	(53,278)
<b>Net cash flows from operating activities (1)</b>		<b>156,460</b>	<b>144,946</b>
<b>Cash flow from investing activities:</b>			
Receipts related to:			
Available-for-sale	9	-	63,278
Grants related to assets		100	-
Interests and other similar income		4	122
Dividends	9	2,326	1,203
Payments related to:			
Available-for-sale	9	(202)	-
Property, plant and equipment		(17)	(2)
Intangible assets - Concession assets		(81,966)	(150,984)
<b>Net cash flows used in investing activities (2)</b>		<b>(79,755)</b>	<b>(86,383)</b>
<b>Cash flow from financing activities:</b>			
Receipts related to:			
Borrowings		2,863,000	1,151,000
Payments related to:			
Borrowings		(2,759,489)	(1,113,896)
Interests and other similar expense		(86,822)	(50,219)
Dividends	27	(90,650)	(90,650)
<b>Net cash flows from/(used in) financing activities (3)</b>		<b>(73,961)</b>	<b>(103,765)</b>
Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)		2,744	(45,203)
Cash and cash equivalents at the beginning of the year	12	63,539	112,599
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>66,283</b>	<b>67,397</b>
<b>Detail of cash and cash equivalents</b>			
Cash	12	21	22
Bank overdrafts	12	(2,121)	(594)
Bank deposits	12	68,384	67,969
		<b>66,283</b>	<b>67,397</b>

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the six month period ended 30 June 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

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### 3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

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

#### 1 GENERAL INFORMATION

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

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

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

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

The Electricity business includes the following companies:

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

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

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

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

The Gas business includes the following companies:

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

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

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

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

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

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

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

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

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

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

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

As of 30 June 2016 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) Two participations of 10% each: (i) interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator; and (ii) interest in the share capital of Coreso, S.A. (“Coreso”), entity that assists the European Transmission System Operators (“TSO”) in coordination and security activities to ensure the safety of electricity supply in Europe;

- c) Participation in share capital of: (i) Medgrid, SAS, participation of 8%; (ii) Hidroeléctrica de Cahora Bassa, S.A. (“HCB”), participation of 7.5%; and (iii) MIBGAS, S.A., participation of 6.67%; and
- d) One participation of 1% in the share capital of Red Electrica Corporación, S.A. (“REE”), entity responsible for managing the electric network in Spain;

## 1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 30 June 2016 and 31 December 2015:

Designation / adress	Activity	30 June 2016		31 December 2015	
		% Owned Group	% Owned Individual	% Owned Group	% Owned Individual
<b>PARENT COMPANY:</b>					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
<b>SUBSIDIARIES:</b>					
<b>Electricity segment:</b>					
REN - Rede Electrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, nº7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
<b>Telecommunications segment:</b>					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
<b>Other segments:</b>					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuberstraat 93, Unit 205 1081 CN Amsterdam	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
<b>Natural gas segment:</b>					
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquefied Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
<b>Owned by REN Serviços, S.A.:</b>					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
<b>Owned by REN Gas, S.A.:</b>					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage development, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-

There were no changes in the consolidation perimeter in 2016 with respect to what was reported on 31 December 2015.

## **1.2. Approval of the consolidated financial statements**

These consolidated financial statements were approved by the Board of Directors at a meeting held on 28 July 2016. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

## **2 BASIS OF PRESENTATION**

The consolidated financial statements for the six month period ended 30 June 2016 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 2015.

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

## **3 MAIN ACCOUNTING POLICIES**

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in the respective countries, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2016.

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 2015, as explained in the notes to the consolidated financial statements for 2015. These policies were applied consistently in the presented periods.

***IFRIC 21 - Levies***

IFRIC 21 - Levies is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and provides guidance on the timing of the recognition of a liability for a levy imposed by a government as a result of a specific event, when the payment is not made as result of the rendering of services or the sale of goods.

As a result of an accounting standard of the market regulator - Comissão do Mercado de Valores Mobiliários ("CMVM") regarding the accounting treatment of the Energy Sector Extraordinary Contribution ("ESEC"), REN has recognized in the consolidated income statement the total expenditure and respective liability, in 1 of January, instead of deferring these recognition during the year.

Consequently, the consolidated financial statements for the six month period ended 30 June 2015, presented for comparative purposes, have been restated to include the same recognition criteria, having as effect an increase in the caption "Energy sector extraordinary contribution" (and therefore a decrease in the net profit for the six month period ended 30 June 2015), against the caption of "Deferrals", amounting to 12,723 thousand Euros.

It is important to note that the application of this interpretation does not affect the amounts reported in the annual consolidated financial statements, but only the interim consolidated financial statements.

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

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in the economic exercises beginning on or after 1 January 2016:

- Annual improvements to IFRS (2010-2012 cycle) (amendment) - cyclically are introduced improvements which aim to clarify and simplify the application of international standards.

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

From the adoption of these amendments no significant impacts on REN's consolidated financial statements occurred.

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

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

- IAS 1 - Presentation of financial statements (amendment) - This amendment is part of an ample reform project of the principles and requirements of presentation and disclosure of financial reporting (Disclosure initiative), being this review the first step of this project. Therefore, this amendment shall amend a set of disclosures contained in IAS 1.

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

- Annual improvements to IFRS (2012-2014 cycle) (amendment) - Improvements to clarify and simplify the international financial reporting are introduced cyclically. As part of the cyclical review carried out for the period 2012-2014 the following standards have been changed: IFRS 5 (clarifies that the reclassification of Assets for distribution to owners to Assets held for sale, or otherwise, does not qualify as an amendment to the initial plan to sell); IFRS 7 (this amendment inserts additional information on the concept of continued involvement); IAS 19 (clarifies the discount rate calculation, specifying that the calculation must be determined by reference to high quality bonds); and IAS 34 (clarifies how disclosures should be presented in the interim financial reporting).

From the adoption of these amendments no significant impacts on REN's consolidated financial statements occurred.

- IAS 27 - Separate Financial Statements (amendment) - This amendment intends to restore the equity method as an investment accounting option in subsidiaries, joint ventures and associates in the separate financial statements of an entity that presents consolidated financial statements.

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

- IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture (amendment) - This amendment will change the method of measurement of biological assets, specifically those used in the production of agricultural products. In this sense, it is allowed the option to measure these biological assets under IAS 16 using the cost method to the detriment of fair value.

From the adoption of these amendments no significant impacts on REN's consolidated financial statements occurred.

- IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets (amendment) - The amendments clarify which methods of depreciation of property, plant and equipment and intangible assets are allowed.

From the adoption of these amendments no significant impacts on REN's consolidated financial statements occurred.

- IFRS 11 - Joint Arrangements (amendment) - This amendment requires the purchaser of an interest in a joint operation, in which the operation is a business (as defined in IFRS 3 - Business combinations): (i) apply all the accounting principles in business combination set out in IFRS 3 and other IFRS, with the exception of principles that conflict with the guidance of IFRS 11 and (ii) disclose the information required by IFRS 3 and other IFRS for business combinations.

From the adoption of these amendments no significant impacts on REN's consolidated financial statements occurred.

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

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

Standard	Applicable for financial years beginning on or after	Resume
IFRS 9 - Financial instruments	01-Jan-18	This standard sets out requirements for the classification and mensuration of financial instruments and for the application of hedge accounting.
IFRS 14 - Regulatory deferral accounts	-	IFRS 14 establish the requirements for reporting by entities adopting IFRS for the first time the normative applicable to regulatory items, allowing the continuation of previous generally accepted accounting principle for the recognition, measurement, impairment, and derecognition of regulatory deferral balances. IFRS requires the presentation of regulatory deferral balances recognized separately from other assets and liabilities as well as expenses and income.
IFRS 15 - Revenue from Contracts with Customers	01-Jan-18	This standard intended to replace the revenue standards (IAS 11 and IAS 18) and clarifies the principles of revenue recognition, consistently making its application to various transactions and economic activities.
IFRS 16 - Leases	01-Jan-19	This standard intended to replace the leases standards (IAS 17, IFRIC 4, SIC-15 and SIC-27) and clarifies the principles of recognition, measurement, presentation and disclosure.
Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of investments in other entities and IAS 28 - Investments in associates and joint ventures	01-Jan-16	These amendments include the clarification of several aspects related to the application of the exception consolidation by investment entities.
Amends to IFRS 10 - Consolidated financial statements and IAS 28 - Investments in associates and joint ventures	-	The amendments results from an inconsistency between the requirements in IFRS 10 and IAS 28 (2011) in recognition of the gain from sale of a subsidiary (with loss of control) to an acquirer which is simultaneously an associated company or joint venture of the investor. This amendment establish that the gain should, on one hand, be recognized in full when the assets transferred meet the definition of a Business, under IFRS 3, and on the other hand, recognize only the partial gain resulting from the sale or contribution of assets that do not constitute a business.
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	01-Jan-17	The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.
Amendments to IAS 7 - Statement of Cash Flows	01-Jan-17	The objective of the amendments, which is part of an extensive project to reform the principles and requirements of presentation and disclosure of financial reporting (disclosure initiative), is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. For this purpose, the amendment establishes additional requirements for disclosure for financing activities.
Clarifications to IFRS 15 - Revenue from contracts with customers	01-Jan-18	The amendments intend to clarify how the principles set up in IFRS 15 should be applied.
Amendments to IFRS 2 - Share-based payment	01-Jan-18	The amendment clarifies certain definitions, such as definition of vesting condition and market condition, in order to ensure consistency in classification of the share-based payments.

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 30 June 2016.

## 4 SEGMENT REPORTING

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

national natural gas supply system, as well as the operation of regasification at the LNG Terminal and the underground storage of natural gas.

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

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

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

The results by segment for the six month period ended 30 June 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Sales and services provided</b>	<b>182,045</b>	<b>85,860</b>	<b>2,632</b>	<b>16,706</b>	<b>(16,683)</b>	<b>270,559</b>
Inter-segments	384	218	31	16,050	(16,683)	-
Revenues from external customers	181,661	85,642	2,601	655	-	270,559
<b>Revenue from construction of concession assets</b>	<b>34,583</b>	<b>3,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,640</b>
Cost with construction of concession assets	(28,212)	(2,048)	-	-	-	(30,260)
<b>Gains from associates and joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>726</b>	<b>-</b>	<b>726</b>
<b>External supplies and services</b>	<b>(18,202)</b>	<b>(10,454)</b>	<b>(803)</b>	<b>(6,593)</b>	<b>20,004</b>	<b>(16,047)</b>
<b>Employee compensation and benefit expense</b>	<b>(10,428)</b>	<b>(4,034)</b>	<b>(122)</b>	<b>(10,492)</b>	<b>-</b>	<b>(25,075)</b>
<b>Other expenses and operating income</b>	<b>5,492</b>	<b>954</b>	<b>(109)</b>	<b>778</b>	<b>(3,725)</b>	<b>3,391</b>
<b>Operating cash flow</b>	<b>165,279</b>	<b>73,334</b>	<b>1,599</b>	<b>1,125</b>	<b>(404)</b>	<b>240,933</b>
<b>Investment income - dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,260</b>	<b>-</b>	<b>4,260</b>
<b>Non reimbursable expenses</b>						
Depreciation and amortizations	(77,101)	(29,821)	-	(116)	-	(107,038)
Provisions	(319)	(3)	-	-	-	(322)
Impairment	28	-	-	92	-	120
<b>Financial results</b>						
Financial income	5	7,297	17	81,509	(84,460)	4,368
Financial costs	(36,506)	(17,270)	(1)	(81,850)	84,864	(50,763)
<b>Profit before income tax</b>	<b>51,386</b>	<b>33,537</b>	<b>1,615</b>	<b>5,021</b>	<b>-</b>	<b>91,559</b>
Income tax expense	(14,815)	(8,847)	(361)	(1,068)	-	(25,091)
Energy sector extraordinary contribution	(18,302)	(7,635)	-	-	-	(25,938)
<b>Profit for the year</b>	<b>18,269</b>	<b>17,054</b>	<b>1,254</b>	<b>3,953</b>	<b>-</b>	<b>40,530</b>

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

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Sales and services provided</b>	<b>176,173</b>	<b>86,042</b>	<b>2,863</b>	<b>19,072</b>	<b>(19,115)</b>	<b>265,034</b>
Inter-segments	300	306	35	18,474	(19,115)	-
Revenues from external customers	175,873	85,736	2,828	597	-	265,034
<b>Revenue from construction of concession assets</b>	<b>23,873</b>	<b>74,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,632</b>
<b>Cost with construction of concession assets</b>	<b>(17,385)</b>	<b>(73,594)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90,979)</b>
<b>Gains from associates and joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>396</b>	<b>-</b>	<b>396</b>
<b>External supplies and services</b>	<b>(19,507)</b>	<b>(11,651)</b>	<b>(849)</b>	<b>(9,324)</b>	<b>24,666</b>	<b>(16,666)</b>
<b>Employee compensation and benefit expense</b>	<b>(12,021)</b>	<b>(3,774)</b>	<b>(136)</b>	<b>(10,303)</b>	<b>-</b>	<b>(26,233)</b>
<b>Other expenses and operating income</b>	<b>8,384</b>	<b>984</b>	<b>(223)</b>	<b>20,625</b>	<b>(5,550)</b>	<b>24,220</b>
<b>Operating cash flow</b>	<b>159,517</b>	<b>72,768</b>	<b>1,655</b>	<b>20,466</b>	<b>-</b>	<b>254,405</b>
<b>Investment income - dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,036</b>	<b>-</b>	<b>4,036</b>
<b>Non reimbursable expenses</b>						
Depreciation and amortizations	(75,309)	(28,676)	(6)	(111)	-	(104,103)
Provisions	(67)	345	-	(33)	-	245
Impairments	-	-	-	(600)	-	(600)
<b>Financial results</b>						
Financial income	46	8,834	47	87,668	(90,127)	6,467
Financial costs	(36,997)	(17,314)	(0)	(90,920)	90,127	(55,105)
<b>Profit before income tax</b>	<b>47,189</b>	<b>35,956</b>	<b>1,695</b>	<b>20,506</b>	<b>-</b>	<b>105,345</b>
Income tax expense	(3,774)	(9,651)	(394)	(3,530)	-	(17,348)
Energy sector extraordinary contribution	(18,203)	(7,242)	-	-	-	(25,445)
<b>Profit for the year</b>	<b>25,212</b>	<b>19,063</b>	<b>1,302</b>	<b>16,975</b>	<b>-</b>	<b>62,552</b>

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

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

Assets and liabilities by segment as well as capital expenditures for the six month period ended 30 June 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Segment assets</b>						
Group investments held	-	518,270	-	1,377,308	(1,895,578)	-
Property, plant and equipment and intangible assets	2,605,294	1,194,521	-	491	-	3,800,306
Other assets	525,350	532,312	5,981	4,765,764	(5,006,891)	822,516
<b>Total assets</b>	<b>3,130,645</b>	<b>2,245,103</b>	<b>5,981</b>	<b>6,143,563</b>	<b>(6,902,469)</b>	<b>4,622,822</b>
<b>Total liabilities</b>	<b>2,574,642</b>	<b>1,063,638</b>	<b>3,244</b>	<b>4,886,139</b>	<b>(5,006,891)</b>	<b>3,520,773</b>
<b>Capital expenditure - total</b>	<b>34,499</b>	<b>3,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,645</b>
Capital expenditure - property, plant and equipment (Note 5)	5	-	-	-	-	5
Capital expenditure - intangible assets (Note 5)	34,494	3,146	-	-	-	37,640
<b>Investments in associates (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,711</b>	<b>-</b>	<b>12,711</b>
<b>Investments in joint ventures (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,603</b>	<b>-</b>	<b>2,603</b>

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2015 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Segment assets</b>						
Group investments held	-	536,982	-	1,495,291	(2,032,272)	-
Property, plant and equipment and intangible assets	2,647,770	1,221,372	-	637	-	3,869,780
Other assets	454,256	508,041	6,891	4,162,452	(4,411,466)	720,173
<b>Total assets</b>	<b>3,102,026</b>	<b>2,266,396</b>	<b>6,891</b>	<b>5,658,379</b>	<b>(6,443,739)</b>	<b>4,589,953</b>
<b>Total liabilities</b>	<b>2,513,407</b>	<b>1,050,103</b>	<b>2,991</b>	<b>4,273,631</b>	<b>(4,411,466)</b>	<b>3,428,664</b>
<b>Capital expenditure - total</b>	<b>148,181</b>	<b>91,887</b>	<b>-</b>	<b>295</b>	<b>-</b>	<b>240,364</b>
Capital expenditure - property, plant and equipment (Note 5)	67	-	-	295	-	362
Capital expenditure - intangible assets (Note 5)	148,114	91,887	-	-	-	240,002
<b>Investments in associates (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,395</b>	<b>-</b>	<b>12,395</b>
<b>Investments in joint ventures (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,193</b>	<b>-</b>	<b>2,193</b>

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

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

## 5 TANGIBLE AND INTANGIBLE ASSETS

During the six month period ended 30 June 2016, the changes in tangible and intangible assets in the period were as follows:

	1 January 2016			Changes					30 June 2016		
	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
<b>Property, plant and equipment</b>											
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	0
Buildings, halls and construction	27	(4)	23	-	-	-	(3)	-	27	(6)	21
Transport equipment	1,038	(469)	569	-	(90)	-	(105)	55	948	(519)	429
Office equipment	302	(201)	102	5	(4)	-	(16)	4	304	(213)	91
	<b>1,470</b>	<b>(776)</b>	<b>695</b>	<b>5</b>	<b>(94)</b>	<b>-</b>	<b>(123)</b>	<b>58</b>	<b>1,381</b>	<b>(841)</b>	<b>541</b>
	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
<b>Intangible assets:</b>											
Concession assets	7,212,146	(3,404,818)	3,807,329	334	(563)	11,401	(106,915)	518	7,223,318	(3,511,215)	3,712,104
Concession assets in progress	61,756	-	61,756	37,306	-	(11,401)	-	-	87,661	-	87,661
	<b>7,273,902</b>	<b>(3,404,818)</b>	<b>3,869,085</b>	<b>37,640</b>	<b>(563)</b>	<b>-</b>	<b>(106,915)</b>	<b>518</b>	<b>7,310,979</b>	<b>(3,511,215)</b>	<b>3,799,764</b>
<b>Total of property, plant and equipment and intangible assets</b>	<b>7,275,373</b>	<b>(3,405,593)</b>	<b>3,869,779</b>	<b>37,645</b>	<b>(657)</b>	<b>-</b>	<b>(107,038)</b>	<b>576</b>	<b>7,312,360</b>	<b>(3,512,055)</b>	<b>3,800,305</b>



During the year ended 31 December 2015, the changes in tangible and intangible assets in the year were as follows:

	1 January 2015			Changes					31 December 2015		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
<b>Property, plant and equipment</b>											
Transmission and electronic equipment	103	(100)	2	-	-	-	(2)	-	103	(103)	-
Buildings and other construction	-	-	-	27	-	-	(4)	-	27	(4)	23
Transport equipment	1,330	(746)	585	267	(559)	-	(217)	493	1,038	(469)	569
Office equipment	257	(162)	95	68	(23)	-	(54)	15	302	(201)	102
Property, plant and equipment in progress	-	-	-	-	-	-	-	-	-	-	-
	<u>1,690</u>	<u>(1,008)</u>	<u>682</u>	<u>362</u>	<u>(582)</u>	<u>-</u>	<u>(276)</u>	<u>508</u>	<u>1,470</u>	<u>(776)</u>	<u>695</u>
<b>Intangible assets</b>											
								Amortization - disposals, write-offs and other reclassifications			
Concession assets	6,982,322	(3,197,824)	3,784,498	75,512	(2,151)	156,464	(209,026)	2,033	7,212,146	(3,404,818)	3,807,329
Concession assets in progress	53,730	-	53,730	164,489	-	(156,464)	-	-	61,756	-	61,756
	<u>7,036,052</u>	<u>(3,197,824)</u>	<u>3,838,228</u>	<u>240,002</u>	<u>(2,151)</u>	<u>-</u>	<u>(209,026)</u>	<u>2,033</u>	<u>7,273,902</u>	<u>(3,404,818)</u>	<u>3,869,085</u>
<b>Total of property, plant and equipment and intangible assets</b>	<u>7,037,742</u>	<u>(3,198,832)</u>	<u>3,838,910</u>	<u>240,364</u>	<u>(2,733)</u>	<u>-</u>	<u>(209,303)</u>	<u>2,541</u>	<u>7,275,373</u>	<u>(3,405,593)</u>	<u>3,869,779</u>

The additions registered in six month period ended 30 June 2016 refer essentially to rights over the investments on construction/renovation and expansion of electrical and natural gas grid.

The main additions verified in the periods ended 30 June 2016 and 31 December 2015 are made up as follows:

	Jun 2016	Dec 2015
<b>Electricity segment</b>		
Power line construction (220 KV)	329	18,661
Power line construction (400 KV)	6,823	49,865
Other power line constructions	3,559	6,555
Construction of new substations	2,554	18,735
Substation Expansion	16,485	38,499
Other renovations in substations	399	3,764
Improvements to telecommunications and information system	2,449	6,427
Pilot zone construction - wave energy	101	317
Improvements in buildings related to concession	1,273	3,334
Other assets	521	2,023
<b>Gas segment</b>		
Expansion and improvements to gas transmission network	2,430	7,374
Construction project of cavity underground storage of natural gas in Pombal	312	10,763
Assets of natural gas underground storage in Pombal	-	71,451
Construction project and operating upgrade - LNG facilities	404	2,299
<b>Others segment</b>		
Other assets	5	295
<b>Total of additions</b>	<b>37,645</b>	<b>240,364</b>

The main transfers that were concluded and began activity during the periods ended 30 June 2016 and 31 December 2015 are made up as follows:

	Jun 2016	Dec 2015
<b>Electricity segment</b>		
Power line construction (220 KV)	-	16,869
Power line construction (400 KV)	-	41,184
Other power line constructions	6,664	403
Construction of new substations	-	25,552
Substation Expansion	750	35,736
Other renovations in substations	434	5,877
Telecommunications and information system	491	6,605
Buildings related to concession	2,235	3,689
Other assets under concession	101	1,292
<b>Gas segment</b>		
Expansion and improvements to natural gas transmission network	726	6,262
Construction project of cavity underground storage of natural gas in Pombal	-	10,467
Construction project and operating upgrade - LNG facilities	-	2,530
<b>Total of transfers</b>	<b>11,401</b>	<b>156,464</b>

The intangible assets in progress as of 30 June 2016 and 31 December 2015 are as follows:

	Jun 2016	Dec 2015
<b>Electricity segment</b>		
Power line construction (150KV/220KV e 400KV)	34,866	30,819
Substation Expansion	29,432	13,731
New substations projects	7,096	4,541
Other projects	3,360	1,215
Improvements in buildings related to concession	1,037	1,999
<b>Gas segment</b>		
Expansion and improvements to natural gas transmission network	8,284	6,580
Construction project of cavity underground storage of natural gas in Pombal	3,179	2,868
Construction project and operating upgrade - LNG facilities	407	2
<b>Total of assets in progress</b>	<b>87,661</b>	<b>61,756</b>

Financial costs capitalized in intangible assets in progress in the period ended 30 June 2016 amounted to 1,263 thousand Euros (1,139 thousand Euros as of 30 June 2015), while overhead and management costs capitalized amounted to 6,117 thousand Euros (6,514 thousand Euros as of 30 June 2015) (Note 19).

As of 30 June 2016 and 31 December 2015, the net book value of the intangible assets financed through lease contracts was as follows:

	Jun 2016	Dez 2015
Cost	5,037	5,153
Accumulated depreciation and amortization	(2,183)	(1,749)
Net book value	<b>2,854</b>	<b>3,404</b>

## 6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 30 June 2016 and 31 December 2015, the financial information regarding the financial investments in associates and joint ventures held is as follows:

Financial information												Interest owned		
30 June 2016												%	Carrying amount	Group share of profit / (loss)
Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Other comprehensive income	Total comprehensive income				
<b>Equity method:</b>														
<b>Associate:</b>														
OMP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	1,370	29,582	958	811	830	573	-	573	40	12,711	316
<b>Joint venture</b>														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	7,607	1,355	3,752	4	1,702	819	-	819	50	2,603	409
												<b>15,314</b>	<b>726</b>	
Financial information												Interest owned		
31 December 2015												%	Carrying amount	Group share of profit / (loss)
Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Other comprehensive income	Total comprehensive income				
<b>Equity method:</b>														
<b>Associate:</b>														
OMP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	834	29,464	245	1,661	1,186	610	-	610	40 (a)	12,395	322
<b>Joint venture</b>														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	9,692	1,237	6,542	7	2,988	892	-	892	50	2,193	446
												<b>14,588</b>	<b>768</b>	

### Associates

The changes in the caption “Investments in associates” during the period ended 30 June 2016 were as follows:

Investments in associates	
<b>At 1 January 2015</b>	<b>10,829</b>
Effect of applying the equity method	322
Others	1,244
<b>At 31 December 2015</b>	<b>12,395</b>
Effect of applying the equity method	316
<b>At 30 June 2016</b>	<b>12,711</b>

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

## Joint ventures

The movement in the caption “Investments in joint ventures” during the period ended 30 June 2016 was as follows:

<b>Joint ventures</b>	
<b>At 1 January 2015</b>	<b>1,747</b>
Effect of applying the equity method	446
<b>At 31 December 2015</b>	<b>2,193</b>
Effect of applying the equity method	409
<b>At 30 June 2016</b>	<b>2,603</b>

As of 30 June 2016 and 31 December 2015, the financial information regarding the joint venture held is as follows:

	Informação financeira						
	30 de junho de 2016						
	Caixa e equivalentes de caixa	Passivos financeiros correntes	Passivos financeiros não correntes	Depreciações e amortizações	Rendimentos de juros	Gastos de juros	(Gasto)/rendimento do imposto sobre o rendimento
<b>Empreendimento conjunto</b>							
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,231	6	4	(240)	-	(1)	(237)

	Informação financeira						
	31 de dezembro de 2015						
	Caixa e equivalentes de caixa	Passivos financeiros correntes	Passivos financeiros não correntes	Depreciações e amortizações	Rendimentos de juros	Gastos de juros	(Gasto)/rendimento do imposto sobre o rendimento
<b>Empreendimento conjunto</b>							
Centro de Investigação em Energia REN - STATE GRID, S.A.	6,479	6	7	(93)	7	(2)	(108)

## 7 INCOME TAX

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

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

The Company’s Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 30 June 2016.

In 2016, in accordance with Law n. 7-A/2015, December 30, the Group is taxed at a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3.0% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros,(ii) an additional 5.0% of taxable profit between 7,500 thousand Euros and 35,000 thousand Euros and (iii) 7.0% over the taxable profit in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

The tax rate used in the valuation of temporary taxable and deductible differences as of 30 June 2016, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the six months period ended on 30 June 2016 and 2015 is detailed as follows:

	Jun 2016	Jun 2015
Current income tax	28,188	26,197
Adjustments of income tax from previous year	(270)	(932)
Deferred income tax	(2,827)	(7,917)
<b>Income tax</b>	<b>25,091</b>	<b>17,348</b>

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

	Jun 2016	Jun 2015
<b>Consolidated profit before income tax</b>	<b>91,559</b>	<b>105,345</b>
Permanent differences		
Positive/(negative) net worth variation	-	30
Non deductible costs	455	1,210
Non taxable income	(11,928)	(7,749)
Timing differences		
Tariff deviations	12,160	(9,047)
Provisions and impairments	38	273
Revaluations	2,890	2,589
Pension, healthcare assistance and life insurance plans	(2,466)	(1,089)
Derivative financial instruments	10,125	639
Others	(29)	-
<b>Taxable income</b>	<b>102,804</b>	<b>92,200</b>
Tax rate	21,589	19,362
State surcharge tax	4,747	4,924
Municipal surcharge	1,473	1,514
Autonomous taxation	378	396
<b>Current income tax</b>	<b>28,188</b>	<b>26,197</b>
Deferred income tax	(2,827)	(7,917)
<b>Deferred income tax</b>	<b>(2,827)</b>	<b>(7,917)</b>
Adjustments of estimated tax in previous years	(270)	(932)
<b>Income tax</b>	<b>25,091</b>	<b>17,348</b>
<b>Effective tax rate</b>	<b>27.4%</b>	<b>16.5%</b>

### Income tax

The caption "Income tax" payable and receivable as of 30 June 2016 and 31 December 2015 is detailed as follows:

	Jun 2016	Dec 2015
Corporate income tax - estimated tax	-	(42,978)
Corporate income tax - payments on account	-	43,175
Income withholding tax by third parties	-	5,162
Income payable from the previous year	6,240	-
<b>Income tax receivable</b>	<b>6,240</b>	<b>5,358</b>
Corporate income tax - estimated tax	28,188	-
Corporate income tax - payments on account	(30)	-
Income withholding tax by third parties	151	-
<b>Income tax payable</b>	<b>28,309</b>	<b>-</b>

## Deferred taxes

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

	<u>Jun 2016</u>	<u>Jun 2015</u>
<u>Impact on the statement of profit and loss</u>		
Deferred tax assets	(1,410)	6,357
Deferred tax liabilities	4,237	1,560
	<u>2,827</u>	<u>7,917</u>
<u>Impact on equity</u>		
Deferred tax assets	2,960	(3,595)
Deferred tax liabilities	(2,841)	4,187
	<u>119</u>	<u>592</u>
<b>Net impact of deferred taxes</b>	<b><u>2,946</u></b>	<b><u>8,509</u></b>

The changes in deferred tax by nature is as follows:

### Change in deferred tax assets - June 2016

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Impairment of revalued assets	Others	Total
At 1 January 2016	1,873	37,462	13,761	2,382	10,182	178	65,838
Increase/decrease through reserves	-	25	-	2,935	-	-	2,960
Reversal through profit and loss	-	(715)	(414)	-	(297)	(8)	(1,435)
Increase through profit and loss	19	-	-	6	-	-	25
<b>Change in the period</b>	<u>19</u>	<u>(690)</u>	<u>(414)</u>	<u>2,941</u>	<u>(297)</u>	<u>(8)</u>	<u>1,550</u>
At 30 June 2016	<u>1,892</u>	<u>36,773</u>	<u>13,347</u>	<u>5,323</u>	<u>9,884</u>	<u>170</u>	<u>67,389</u>

### Change in deferred tax assets - December 2015

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Impairment of revalued assets	Others	Total
At 1 January 2015	1,818	36,715	22,275	5,175	-	-	65,982
Increase/decrease through reserves	-	1,821	-	(2,793)	-	-	(972)
Reversal through profit and loss	(117)	(1,683)	(8,749)	-	-	-	(10,550)
Increase through profit and loss	173	610	235	-	10,182	178	11,378
<b>Change in the period</b>	<u>56</u>	<u>747</u>	<u>(8,514)</u>	<u>(2,793)</u>	<u>10,182</u>	<u>178</u>	<u>(144)</u>
At 31 December 2015	<u>1,873</u>	<u>37,462</u>	<u>13,761</u>	<u>2,382</u>	<u>10,182</u>	<u>178</u>	<u>65,838</u>

Deferred tax assets at 30 June 2016 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 - June 2016

	Tariff deviations	Revaluations	Derivative financial instruments	Fair value of Available-for- sale financial assets	Total
At 1 January 2016	52,930	26,645	9	8,665	88,249
Increase/decrease through equity	-	-	-	2,841	2,841
Reversal trough profit and loss	(3,101)	(1,126)	(9)	-	(4,237)
<b>Change in the period</b>	<b>(3,101)</b>	<b>(1,126)</b>	<b>(9)</b>	<b>2,841</b>	<b>(1,396)</b>
At 30 June 2016	<b>49,829</b>	<b>25,519</b>	<b>-</b>	<b>11,506</b>	<b>86,853</b>

## Evolution of deferred tax liabilities - December 2015

	Tariff deviations	Revaluations	Derivative financial instruments	Fair value of Available-for- sale financial assets	Total
At 1 January 2015	54,246	26,659	-	11,365	92,270
Increase/decrease through equity	-	-	-	(2,700)	(2,700)
Reversal trough profit and loss	(1,316)	(14)	-	-	(1,330)
Increase through profit and loss	-	-	9	-	9
<b>Change in the period</b>	<b>(1,316)</b>	<b>(14)</b>	<b>9</b>	<b>(2,700)</b>	<b>(4,021)</b>
At 31 December 2015	<b>52,930</b>	<b>26,645</b>	<b>9</b>	<b>8,665</b>	<b>88,249</b>

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

The legal documents that establish these revaluations were the following:

### Legislation (Revaluation)

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

## 8 FINANCIAL ASSETS AND LIABILITIES

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

### June 2016

	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
<b>Assets</b>									
Cash and cash equivalents	12	-	-	-	-	-	68,405	68,405	68,405
Trade and other receivables	10	461,213	-	-	-	-	-	461,213	461,213
Other financial assets		-	-	-	-	1,345	10	1,355	1,355
Available-for-sale financial assets	9	-	-	-	159,981	-	-	159,981	159,981
Income tax receivable	7	-	-	-	-	-	6,240	6,240	6,240
Derivative financial instruments	11	-	35,933	-	-	-	-	35,933	35,933
<b>Total financial assets</b>		<b>461,213</b>	<b>35,933</b>	<b>-</b>	<b>159,981</b>	<b>1,345</b>	<b>74,655</b>	<b>733,127</b>	<b>733,127</b>
<b>Liabilities</b>									
Borrowings	14	-	-	-	-	-	2,636,998	2,636,998	2,724,276
Trade and other payables	17	-	-	-	-	-	308,991	308,991	308,991
Income tax payable	7	-	-	-	-	-	28,309	28,309	28,309
Derivative financial instruments	11	-	21,170	1,842	-	-	-	23,013	23,013
<b>Total financial liabilities</b>		<b>-</b>	<b>21,170</b>	<b>1,842</b>	<b>-</b>	<b>-</b>	<b>2,974,299</b>	<b>2,997,312</b>	<b>3,084,589</b>

### December 2015

	Notas	Clientes e outras contas a receber	Justo valor - Instrumentos financeiros derivados de cobertura	Justo valor - derivados de negociação	Ativos financeiros disponíveis para venda	Ativos financeiros ao justo valor por via de resultados	Outros ativos/passivos financeiros	Quantia escriturada	Justo valor
<b>Ativos</b>									
Caixa e equivalentes de caixa	12	-	-	-	-	-	63.652	63.652	63.652
Clientes e outras contas a receber	10	397.442	-	-	-	-	-	397.442	397.442
Outros ativos financeiros		-	-	-	-	1.510	7	1.517	1.517
Ativos financeiros disponíveis para venda	9	-	-	-	154.862	-	-	154.862	154.862
Imposto sobre o rendimento a receber	7	5.358	-	-	-	-	-	5.358	5.358
Instrumentos financeiros derivados	11	-	9.284	872	-	-	-	10.157	10.157
<b>Total ativos financeiros</b>		<b>402.800</b>	<b>9.284</b>	<b>872</b>	<b>154.862</b>	<b>1.510</b>	<b>63.659</b>	<b>632.988</b>	<b>632.988</b>
<b>Passivos</b>									
Empréstimos obtidos	14	-	-	-	-	-	2.542.000	2.542.000	2.610.072
Fornecedores e outras contas a pagar	17	-	-	-	-	-	337.701	337.701	337.701
Instrumentos financeiros derivados	11	-	14.344	-	-	-	-	14.344	14.344
<b>Total passivos financeiros</b>		<b>-</b>	<b>14.344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.879.700</b>	<b>2.894.044</b>	<b>2.962.117</b>

The caption “Fair value through profit and loss”, in the amount of 1,345 thousand Euros corresponds to the Group’s investment in the closed fund “Luso Carbon Fund” with a maturity of 10 years, beginning in 2006.

Loans obtained, as mentioned in Note 3.6 of the consolidated financial statements for the year ended 2015, 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 -0.293% and 0.746% (maturities of one day, and fifteen years, respectively).

The borrowings fair value contracted by the Group at 30 June 2016 is 2,724,276 thousand Euros (at 31 December 2015 was 2,610,072 thousand Euros), of which 416,146 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from interest rates changes (at 31 December 2015 was 396,964 thousand Euros).

### Estimated fair value - assets measured at fair value

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

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

		Level 1	Level 2	Level 3	Total
<b>Assets:</b>					
Available-for-sale financial assets	Shares	108,526	47,786	-	156,312
Financial assets at fair value	Cash flow hedge derivatives	-	17,034	-	17,034
Financial liabilities at fair value	Fair value hedge derivatives	-	18,898	-	18,898
Other investments	Treasury funds	1,345	-	-	1,345
		<b>109,871</b>	<b>83,719</b>	<b>-</b>	<b>193,590</b>
<b>Liabilities:</b>					
Financial liabilities at fair value	Loans	-	416,146	-	416,146
Financial liabilities at fair value	Cash flow hedge derivatives	-	21,170	-	21,170
Financial liabilities at fair value through profit and loss	Trading derivatives	-	1,842	-	1,842
		<b>-</b>	<b>439,159</b>	<b>-</b>	<b>439,159</b>
		<b>109,871</b>	<b>(355,440)</b>	<b>-</b>	<b>(245,569)</b>

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

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

## Financial risk management

From the last annual report period until 30 June 2016, there were no significant changes in the financial risk management of the Company compared to the risks disclosed in the consolidated financial statements as of 31 December 2015. A description of the risks can be found in Section 4 - Financial Risk Management of the consolidated financial statements for the year ended 2015.

## 9 ASSETS AVAILABLE FOR SALE

The assets recognized in this caption as of 30 June 2016 and 31 December 2015 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	Jun 2016	Dec 2015
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%	108,526	104,384
Med Grid SAS	Paris	France	6.66%	600	600
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	47,786	47,104
Coreso, S.A.	Brussels	Belgium	10.00%	208	208
MIBGAS, S.A.	Madrid	Spain	6.67%	202	-
<b>Impairment</b>					
Med Grid SAS				(508)	(600)
				<b>159,981</b>	<b>154,862</b>

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	REE	ENAGAS	Coreso	MIBGAS	Total
<b>At 1 January 2015</b>	<b>3,167</b>	<b>600</b>	<b>41,572</b>	<b>99,104</b>	<b>62,530</b>	-	-	<b>206,973</b>
Acquisitions	-	-	-	-	-	208	-	208
Fair value adjustments	-	-	5,532	5,279	748	-	-	11,559
Disposals	-	-	-	-	(63,278)	-	-	(63,278)
Impairment loss	-	(600)	-	-	-	-	-	(600)
<b>At 31 December 2015</b>	<b>3,167</b>	<b>-</b>	<b>47,104</b>	<b>104,384</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>154,862</b>
<b>At 1 January 2016</b>	<b>3,167</b>	<b>-</b>	<b>47,104</b>	<b>104,384</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>154,862</b>
Acquisitions	-	-	-	-	-	-	202	202
Fair value adjustments	-	-	682	4,142	-	-	-	4,824
Impairment loss	-	92	-	-	-	-	-	92
<b>At 30 June 2016</b>	<b>3,167</b>	<b>92</b>	<b>47,786</b>	<b>108,526</b>	<b>-</b>	<b>208</b>	<b>202</b>	<b>159,981</b>

Red Eléctrica Corporación, S.A. ("REE") is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by

the Portuguese and Spanish Governments. REE is a listed company in Madrid's index IBEX 35-Spain and the financial asset was recorded on the statement of financial position at the market price on 30 June 2016.

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

The Group holds 8% 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.

REN Company holds a financial stake in the Coreso's share capital, a Company which is also hold by other important European TSO's which, as initiative of the Coordination of Regional Security (CRS), assists the TSO's in the safely supply of electricity in Europe. In this context, Coreso develops and implements operational planning activities involving the analysis and coordination of the European regional electricity network, focusing on services coordination, ranging from coordination with several days in advance to near real time.

As of 30 June 2016, REN is also the holder of 6,67%, acquired during the first half of 2016, of an investment in MIBGAS, S.A., management company for the organized gas market, which is responsible for development activities of the natural gas operator in the Iberian Peninsula.

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

As there are no available market price for the investments in MedGrid, OMEL, Coreso and MIBGAS, 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 2015.

As of 30 June 2016, is recognized an impairment loss, related to Medgrid, S.A.S investment, in the amount of 508 thousand Euros, due the fact this entity is in process of dissolution.

There is no evidence of impairment loss regarding the investments of OMEL, Coreso and MIBGAS at the reporting date.

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

The adjustments to fair value of available-for-sale financial assets are recognized in the equity caption "Fair value reserve" that as of 30 June 2016 and 31 December 2015 had the following amounts:

	<b>Fair value reserve (Note 13)</b>
<b>1 January 2015</b>	<b>60,313</b>
Changes in fair value	11,559
Disposals	(20,083)
Tax effect	2,700
<b>31 December 2015</b>	<b>54,489</b>
<b>1 January 2016</b>	<b>54,489</b>
Changes in fair value	4,824
Tax effect	(2,841)
<b>30 June 2016</b>	<b>56,472</b>

In the six month periods ended 30 June 2016 and 2015 the dividends attributable to the Group are as follows:

	<b>Jun 2016</b>	<b>Jun 2015</b>
Red Eléctrica Corporación, S.A. ("REE")	3,140	2,934
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	41	76
Hidroeléctrica de Cahora Bassa	1,079	1,026
	<b>4,260</b>	<b>4,036</b>

These amounts were recognized in the consolidated statement of profit and loss in the caption “Financial income” being received 2,326 thousand Euros in the first half of 2016 (1,203 thousand Euros in the first half of 2015).

## 10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 30 June 2016 and 31 December 2015 are made up as follows:

	Jun 2016			Dec 2015		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	257,905	155	258,060	184,253	155	184,409
Impairment of trade receivables	(843)	-	(843)	(927)	-	(927)
Trade receivables net	<u>257,062</u>	<u>155</u>	<u>257,217</u>	<u>183,326</u>	<u>155</u>	<u>183,482</u>
Tariff deviations	92,864	99,833	192,697	72,302	133,521	205,823
State and Other Public Entities	11,299	-	11,299	8,137	-	8,137
<b>Trade and other receivables</b>	<b><u>361,225</u></b>	<b><u>99,988</u></b>	<b><u>461,213</u></b>	<b><u>263,766</u></b>	<b><u>133,676</u></b>	<b><u>397,442</u></b>

The most significant amounts in trade receivables are the receivables from: (i) EDP - Distribuição de Energia, S.A. in the amount of 67,281 thousand Euros (57,787 thousand Euros as of 31 December 2015); (ii) Galp in the amount of 19,102 thousand Euros (11,248 thousand Euros as of 31 December 2015); and (iii) the amount of 75,000 thousand Euros, as stated by the regulator ERSE in the context of sustainability measures of the National Electric System.

In the trade and other receivables also stands out the not invoicing of the activity of the Market Manager (MIBEL - Mercado Ibérico de Electricidade), in the amount of 11,257 thousand Euros (20,235 at 31 December 2015) and the amount still to invoice to EDP - Distribuição de Energia, S.A., of 5,664 thousand Euros (5,922 thousand Euros at 31 December 2015) regarding the CMEC. This transaction consists in a pass-through, being off set in the Group consolidated financial statement of profit and loss.

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

	Jun 2016	Dec 2015
<b>Beginning balance</b>	<b>(927)</b>	<b>(844)</b>
Increases	-	(83)
Utilization	56	-
Reversal	28	-
<b>Ending balance</b>	<b><u>(843)</u></b>	<b><u>(927)</u></b>

## 11 DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 June 2016 and 31 December 2015 the REN Group has the following derivative financial instruments contracted:

	Notional	31 June 2016			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	569,231 tEUR	-	-	3,033	18,137
Interest rate and currency swaps	10,000,000 tJPY	-	17,034	-	-
		-	17,034	3,033	18,137
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	18,898	-	-
		-	18,898	-	-
Trading derivatives	60,000 tEUR	-	-	-	1,842
<b>Derivative financial instruments</b>		-	<b>35,933</b>	<b>3,033</b>	<b>19,980</b>

	Notional	31 December 2015			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	569,231 tEUR	-	2,728	5,918	2,409
Interest rate and currency swaps	10,000,000 tJPY	-	1,068	-	-
		-	3,796	5,918	2,409
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	5,489	-	6,017
		-	5,489	-	6,017
Trading derivatives	60,000 tEUR	-	872	-	-
		-	872	-	-
<b>Derivative financial instruments</b>		-	<b>10,157</b>	<b>5,918</b>	<b>8,426</b>

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

The amount recorded in this caption relates to interest rate swaps, cross currency swap, contracted by the Group to hedge the market risk of future interest and/or foreign exchange rates, whose counterpart are financial foreign and national entities with a solid credit rating.

The above amounts include the accrued receivable or payable interest at 30 June 2016 relating to these derivatives financial instruments, netting a receivable amount of 1,663 thousand Euros (receivable amount of 1,497 thousand Euros at 31 December 2015).



The main features of the derivatives financial instruments contracted associated with financing operations at 30 June 2016 and 31 December 2015 are:

	Reference value	Currency	REN's payments	REN's receipts	Maturity	Fair value at Jun 2016	Fair value at Dec 2015
<b>Cash flow hedge:</b>							
Interest rate swaps	569 231 tEuros	EUR	[1.89%;2.77%]	[-0.26%;0.00%]-floating rates	[Dec-2016; Dec-2024]	(21,170)	(5,599)
Interest rate and currency swaps	10 000 000 tJPY / 72 899 tEuros	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	17,034	1,068
						<b>(4,136)</b>	<b>(4,531)</b>
<b>Fair value hedge:</b>							
Interest rate swaps	400 000 tEuros	EUR	[-0.11%;0.20%]-floating rates	[0.61%;1.72%]	[Oct-2020; Feb-2025]	18,898	(529)
						<b>18,898</b>	<b>(529)</b>
<b>Trading:</b>							
Interest rate swaps	60 000 tEuros	EUR	future floating rates	[0.00%;0.99%]	2024	(1,842)	872
						<b>(1,842)</b>	<b>872</b>
					<b>Total</b>	<b>12,920</b>	<b>(4,187)</b>

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

The detail of the notional reference of cash flows and fair value hedge derivatives as of 30 June 2016 and 31 December of 2015 is disclosed in the following table:

### June 2016

	2016	2017	2018	2019	2020	Following years	Total
Interest rate swap (cash flow hedge)	205,769	63,462	-	-	-	300,000	569,231
Interest rate and currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	-	100,000	300,000	400,000
Interest rate swap (trading)	-	-	-	-	-	60,000	60,000
<b>Total</b>	<b>205,769</b>	<b>63,462</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>732,899</b>	<b>1,102,130</b>

### December 2015

	2016	2017	2018	2019	2020	Following years	Total
Interest rate swap (cash flow hedge)	205,769	63,462	-	-	-	300,000	569,231
Interest rate and currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	-	-	400,000	400,000
Interest rate swap (trading)	-	-	-	-	-	60,000	60,000
<b>Total</b>	<b>205,769</b>	<b>63,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>832,899</b>	<b>1,102,130</b>

### Swaps:

#### Cash flow hedges

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

As of 30 June 2016 the total amount of cash flow hedge is 569,231 thousand Euros (569,231 thousand Euros at 31 December 2015). These hedges the interest rate risk on variable rate interest changes on recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest relates to. This hedging goal is to convert loans at variable interest rates to fixed interest rates, the credit risk not being hedged. The fair value of the interest rate swaps at 30 June 2016 was 21,170 thousand Euros negative (5,599 thousand Euros negative at 31 December 2015).

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. Changes in the hedging instrument fair value are also recognized in hedging reserves. As from June 2019 the swap will be to hedge exposure to JPY and the interest rate risk, changing the hedging instrument into a fair value hedge, hence the changes in hedged debt fair value will be 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 cross currency swap fair value at 30 June 2016 was 17,034 thousand Euros positive (1,068 thousand Euros positive at 31 December 2015).

The (borrowing) underlying exchange variation was negative at 30 June 2016, amounted 11,386 thousand Euros, and was offset by a similar variation in the hedging instrument in the statement of profit and loss (a negative variation of 4,131 thousand Euros as at 30 June 2015).

On the second quarter of 2016 the ineffective component variation recorded in the statement of profit and loss is 6,757 thousand Euros (3,792 thousand Euros at 31 December 2015).

The amount recorded in the hedging reserve relating to the above mentioned cash flow hedges was 25,317 thousand Euros (11,342 thousand Euros in December 2015).

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

	Fair value	Deferred taxes	Hedging reserves
<b>1 January 2015</b>	<b>(24,644)</b>	<b>5,175</b>	<b>(19,468)</b>
Changes in fair value and ineffectiveness	13,302	(2,793)	10,509
<b>31 December 2015</b>	<b>(11,342)</b>	<b>2,382</b>	<b>(8,960)</b>
<b>1 January 2016</b>	<b>(11,342)</b>	<b>2,382</b>	<b>(8,960)</b>
Changes in fair value and ineffectiveness	(13,976)	2,935	(11,041)
<b>30 June 2016</b>	<b>(25,317)</b>	<b>5,317</b>	<b>(20,001)</b>

### Fair value hedge

The Group hedges the interest rate risk of debt issued at a fixed rate by contracted interest rate swaps which pays variable and receives a fixed rate.

The fair value of these interest rate swaps with a notional amount of 400,000 thousand Euros (400,000 thousand Euros at 31 December 2015). The covered risk is the change in the debt fair value due to interest rate fluctuations. The objective of this hedging is to convert loans at a fixed interest rate into variable interest rates. The credit risk is not hedged. At 30 June 2016 was 18,898 thousand Euros positive (529 thousand Euros negative at 31 December 2015).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in profit and loss to offset changes in the fair value of the hedged instrument also recorded in profit and loss. As of 30 June 2016, the debt fair value changes related to the interest rates risk, recorded in profit and loss was 19,183 thousand Euros negative (21,573 thousand Euros positive at 30 June 2016), resulting in an ineffective component of 98 thousand Euros positive (at 30 June 2016 was 2,716 thousand Euros positive).

### Trading Swap

The Group has a forward start interest rate swap on which it pays a fixed rate and receives a variable rate. This swap will begin in 2019 and will mature in 2024.

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

On 30 June 2016, the trading swap notional amount was 60,000 thousand Euros (at 31 December 2015 was 60,000 thousand Euros). This swap hedge the interest rate risk related to

future variable interest rate payments of recognized financial liabilities. The covered risk is the variable rate index to which the borrowing interest coupons are related. The objective of this hedge is to convert cash flows from variable interest rates to a fixed interest rate. The credit risk is not hedged. On 30 June 2016 the trading derivative fair value was negative 1,842 thousand Euros negative (at 31 December 2015 was 872 thousand Euros positive).

The changes on the trading swap fair value are recognized in the statement of profit or loss. The loss recorded in the period related to the trading swap fair value was 2,715 thousand Euros (at 30 June 2015 was recorded an income of 1,818 thousand Euros).

## 12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 30 June 2016 and 31 December 2015 are made up as follows:

	Jun 2016	Dec 2015
Cash	21	-
Bank deposits	68,384	63,652
<b>Cash and cash equivalents in the statement of financial position</b>	<b>68,405</b>	<b>63,652</b>
Bank overdrafts (Note 14)	(2,121)	(113)
<b>Cash and cash equivalents in cash flow statement</b>	<b>66,283</b>	<b>63,539</b>

## 13 EQUITY INSTRUMENTS

### Share capital

REN's subscribed and paid up share capital as of 30 June 2016 and 31 December 2015 was made up of 534,000,000 shares of 1 Euro each.

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

### Own shares

As of 30 June 2016 REN SGPS had the following own shares:

	Número de ações	Percentagem de capital social	Valor
Ações próprias	3,881,374	0.73%	(10,728)

No own shares were acquired or sold during the six month period ended 30 June 2016.

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

### **Reserves and retained earnings**

The caption “Reserves” in the amount of 320,753 thousand Euros includes:

- Legal reserve: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. The reserve can only be used to cover losses or to increase capital. At 30 June 2016 this caption amounts to 106,800 thousand Euros;
- Fair value reserves: includes changes in the fair value of available for sale financial assets (56,472 thousand Euros positive), as detailed in Note 9;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 20,001 thousand Euros) as detailed in Note 11;
- Free reserves: This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders, except for the limitation set by the Companies Code in respect of own shares (free reserves), and (ii) changes in equity of associates registered under the equity method. At 30 June 2016, this caption amounts to 177,482 thousand Euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognised as a result of the equity method can only be distributed to shareholders when paid-up. Portuguese legislation establishes that the difference between the equity method income and the amount of paid or deliberated dividends is equivalent to legal reserve.

## 14 BORROWINGS

The borrowing segregation between current and non-current and as well as by nature, as of 30 June 2016 and 31 December 2015 is as follows:

	Jun 2016			Dec 2015		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	330,000	1,485,546	1,815,546	330,000	1,205,719	1,535,719
Bank Borrowings	58,084	546,494	604,577	57,860	560,627	618,487
Commercial Paper	133,000	99,500	232,500	236,000	129,000	365,000
Bank overdrafts (note 17)	2,121	-	2,121	113	-	113
Finance Lease	1,118	1,429	2,547	1,183	1,883	3,066
	<b>524,323</b>	<b>2,132,969</b>	<b>2,657,292</b>	<b>625,156</b>	<b>1,897,229</b>	<b>2,522,385</b>
Accrued interest	23,148	-	23,148	29,860	-	29,860
Prepaid interest	(7,827)	(35,615)	(43,441)	(4,262)	(5,984)	(10,246)
<b>Borrowings</b>	<b>539,644</b>	<b>2,097,355</b>	<b>2,636,998</b>	<b>650,755</b>	<b>1,891,245</b>	<b>2,542,000</b>

At 30 June 2016 borrowings settlement plan is as follows:

	2016	2017	2018	2019	2020	2021	Following years	Total
Debt - Non current	-	34,727	242,264	179,052	382,660	87,752	1,206,500	2,132,956
Debt - Current	480,203	44,133	-	-	-	-	-	524,336
	<b>480,203</b>	<b>78,861</b>	<b>242,264</b>	<b>179,052</b>	<b>382,660</b>	<b>87,752</b>	<b>1,206,500</b>	<b>2,657,292</b>

Detailed information regarding bond issues as of 30 June 2016 is as follows:

Jun 2016					
Emission date	Maturity	Amount	Interest rate	Periodicity of interest payment	
<b>REN SGPS private emission</b>					
<b>'Euro Medium Term Notes' programme emissions</b>					
26-06-2009	26-06-2024	TJPY 10.000.000 (i)	Fixed rate (ii)	Bi-Annual	
21-09-2012	21-09-2016	TEUR 300.000	Fixed rate EUR 6,25%	Bi-Annual	
16-01-2013	16-01-2020	TEUR 150.000 (i)	Floating rate	Quarterly	
31-01-2013	31-01-2018	TEUR 300.000	Fixed rate EUR 4,125%	Annual	
17-10-2013	16-10-2020	TEUR 400.000	Fixed rate EUR 4,75% (ii)	Annual	
12-02-2015	12-02-2025	TEUR 300.000	Fixed rate EUR 2,50% (ii)	Annual	
01-06-2016	01-06-2023	TEUR 550.000	Fixed rate EUR 1,75%	Annual	

(i) These emissions correspond to private placements.

(ii) These emissions have interest currency rate swaps associated

The Group has five active commercial paper programmes, in the amount of 1,000,000 thousand Euros, of which 767,500 thousand Euros are available. From the total amount of commercial paper programs, 600,000 thousand Euros have a subscription guarantee.

The bank loans are mainly (540,259 thousand Euros) represented by EIB loans.

In June 2016, under the Euro Medium Term Programme, the Group issued a new bond in the amount of 550,000 thousand Euros with an associated coupon of 1.750%, with maturing date

in June 2023. This issue allowed the refinancing through an Exchange Offer, of the following bond issues:

- approximately 137,200 thousand Euros of the total issue of 300,000 thousand Euros, maturing date in January 2018 issued in January 2013 with an associated coupon of 4.125%;
- approximately 132,245 thousand Euros of the total issue of 400,000 thousand Euros, maturing date in October 2020 issued in October 2013 with an associated coupon of 4,750%.

The refinancing of the bond issues' amounts above was not accounted as a derecognition of financial liabilities in so far as the terms of the new issue have not been substantially modified.

On the first half of 2016, the Group proceeded to the total disbursement of the borrowing with Bank of China in the amount of 10,000 thousand Euros. Additionally, in June 2016 the Group agreed a credit line with Bank of China in the amount of 250,000 thousand Euros.

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

As a result of the fair value hedge related to the debt emission in the amount of 400,000 thousand Euros (Note 11), fair value changes concerning interest rate risk were recognised directly in statement of profit and loss, in a negative amount of 19,183 thousand Euros (21,573 thousand Euros negative as of 30 June 2015).

The REN financial liabilities have the following main types of covenants: *Cross default*, *Pari Passu*, *Negative Pledge*, *Gearing* (ratio of total consolidated equity with the total consolidated regulated assets). The Group's gearing ratio comfortably meets the limits contractually set, thus being on 30 June 2016 above the limit by 57%.

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

The Group and its subsidiaries are a part of certain financing agreements and debt issues, which include change of 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 due to legal restriction in the ownership of REN's shares.

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.

### Leases

The financial leases minimum payments and the present value of the financial leases liabilities at 30 June 2016 and 31 December 2015 are as follows:

	Jun 2016	Dec 2015
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,159	1,245
Later than 1 year and no later than 5 years	1,451	1,927
	<u>2,610</u>	<u>3,172</u>
Future finance charges on finance leases	(63)	(106)
Present value of finance lease liabilities	<u><b>2,547</b></u>	<u><b>3,066</b></u>

	Jun 2016	Dec 2015
The present value of finance lease liabilities is as follows		
No later than 1 year	1,118	1,183
Later than 1 year and no later than 5 years	1,429	1,883
	<u><b>2,547</b></u>	<u><b>3,066</b></u>

## 15 POST-EMPLOYMENT BENEFITS AND OTHER BENEFITS

REN - Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as "Other benefits"). Long services bonuses were extended to the remaining Group companies.



As of 30 June 2016 and 31 December 2015 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	Jun 2016	Dec 2015
<b>Liability on the statement of financial position</b>		
Pension plan	84,554	86,890
Healthcare plan and other benefits	42,284	42,327
	<b>126,838</b>	<b>129,217</b>

During the six month period ended 30 June 2016 and 30 June 2015 the following operating expenses were recorded regarding benefit plans with employees:

	Jun 2016	Jun 2015
<b>Charges to the statement of profit and loss (Note 22)</b>		
Pension plan	2,411	2,325
Healthcare plan and other benefits	322	1,729
Life assurance plan	401	9
	<b>3,134</b>	<b>4,063</b>

The amounts reported to 30 June 2016 result from the projection of the actuarial valuation as of 31 December 2015 for the six month period ended 30 June 2016, considering the estimated increase in salaries for 2016.

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

	Jun 2016	Dec 2015
Annual discount rate	2.00%	2.00%
Expected percentage of serving employees eligible for early retirement (more than 60 years of age and 36 years in Service) by Collective Work Agreement	20.00%	20.00%
Expected percentage of serving employees eligible for early retirement - Management act	20.00%	20.00%
Rate of salary increase	2.80%	2.80%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	0.00%	0.00%
Inflation rate	1.50%	1.50%
Medical trend	3.50%	3.50%
Management costs (per employee/year)	238 €	238 €
Expenses medical trend	1.50%	1.50%
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:

	Jun 2016	Dec 2015
<b>Beginning balance</b>	<b>6,888</b>	<b>7,316</b>
Increases	322	1,444
Reversing	-	(1,746)
Utilization	(284)	(126)
<b>Ending balance</b>	<b>6,926</b>	<b>6,888</b>
Current provision	912	1,171
Non-current provision	6,014	5,717
	<b>6,926</b>	<b>6,888</b>

As of 30 June 2016 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 416 thousand Euros, related to the Group’s restructuring plan in course.

## 17 TRADE AND OTHER PAYABLES

The caption “Trade and other payables” as of 30 June 2016 and 31 December 2015 was made up as follows:

	Jun 2016			Dec 2015		
	Current	Non current	Total	Current	Non current	Total
<b>Trade payables</b>						
Current suppliers (Note 8)	125,279	-	125,279	122,467	-	122,467
<b>Other creditors</b>						
Other creditors (Note 8)	64,105	30,025	94,130	45,106	30,293	75,400
Tariff deviations (Note 8)	18,120	8,916	27,036	18,327	9,676	28,002
Fixed assets suppliers (Note 8)	44,989	-	44,989	96,471	-	96,471
<b>Tax payables (Note 8) (i)</b>	12,961	-	12,961	10,683	-	10,683
<b>Deferred income</b>						
Grants related to assets	18,112	284,732	302,844	18,004	292,263	310,267
<b>Accrued costs</b>						
Holidays and holidays subsidies (Note 8)	4,596	-	4,596	4,677	-	4,677
<b>Trade and other payables</b>	<b>288,162</b>	<b>323,673</b>	<b>611,836</b>	<b>315,735</b>	<b>332,232</b>	<b>647,967</b>

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

The caption “Trade and other payables” includes: (i) the amount of 40,055 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (38,363 thousand Euros at 31 December 2015); (ii) the amount of 22,971 thousand Euros of investment projects not yet invoiced (31,277 thousand Euros at 31 December 2015); (iii) the amount of 11,257 thousand Euros (20,325 thousand Euros at 31 December 2015) from the activity of the Market Manager

(MIBEL - Mercado Ibérico de Electricidade); and (iv) the amount to invoice to EDP - Gestão da Produção de Energia, S.A., of 50,664 thousand Euros (5,522 thousand Euros at 31 December 2015) regarding the CMEC, which was also reflected in the caption of “Trade and other receivables” (Note 10). This last transaction sets a pass-through in the consolidated income statement of REN.

In the six month period ended 30 June 2016 the caption “Other creditors” include the Energy Sector Extraordinary Contribution (“ESEC”), in the amount of 25,938 thousand Euros (Note 25) (25,445 thousand Euros at 30 June 2015).

## 18 SALES AND SERVICES RENDERED

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

	Jun 2016	Jun 2015
Goods:		
Domestic market	154	400
	<u>154</u>	<u>400</u>
Services:		
Electricity transmission and overall systems management	179,797	174,178
Natural gas transmission	54,546	59,319
Regasification	19,081	15,741
Underground gas storage	12,015	10,590
Telecommunications network	2,448	2,515
Trading	1,662	1,512
Others	857	781
	<u>270,405</u>	<u>264,634</u>
<b>Total sales and services rendered</b>	<b><u>270,559</u></b>	<b><u>265,034</u></b>

## 19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers.

Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets for the six month periods ended 30 June 2016 and 30 June 2015 is the following:

	Jun 2016	Jun 2015
<b><u>Revenue from construction of concession assets</u></b>		
- Acquisitions	30,260	90,979
- Own work capitalised :		
Financial expenses (Note 5)	1,263	1,139
Overhead and management costs (Note 5)	6,117	6,514
	<u>37,640</u>	<u>98,632</u>
<b><u>Cost of construction of concession assets</u></b>		
- Acquisitions	30,260	90,979
	<u>30,260</u>	<u>90,979</u>

## 20 OTHER OPERATING INCOME

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

	Jun 2016	Jun 2015
Recognition of investment subsidies	9,056	8,946
Supplementary income	784	739
Capital gain on disposal of Enagás investment (Note 9)	-	20,083
Others	422	1,095
	<u>10,262</u>	<u>30,863</u>

## 21 EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the six month periods ended 30 June 2016 and 2015 is made up as follows:

	Jun 2016	Jun 2015
Gas transport subcontracts	1,647	1,735
Maintenance costs	2,713	3,007
Fees relating to external entities i)	3,806	4,558
Cross border interconnection costs ii)	582	-
Electric energy costs	2,052	2,114
Insurance costs	1,597	1,634
Security and surveillance	829	825
Travel and transportation costs	598	460
Advertising and communication costs	452	365
Other (less than 500 thousand Euros)	1,771	1,967
<b>External supplies and services</b>	<b>16,047</b>	<b>16,666</b>

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.

## 22 PERSONNEL COSTS

Personnel costs are made up as follows:

	Jun 2016	Jun 2015
<b>Remuneration</b>		
Board of directors	1,191	1,215
Personnel	16,330	16,135
	<u>17,521</u>	<u>17,350</u>
<b>Social charges and other expenses</b>		
Post-employment and other benefits cost (Note 15)	3,134	4,063
Charges on remuneration	3,601	3,610
Social support costs	45	20
Other	775	1,190
	<u>7,555</u>	<u>8,883</u>
<b>Total personnel costs</b>	<b>25,075</b>	<b>26,233</b>

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

## 23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

	Jun 2016	Jun 2015
ERSE operating costs i)	4,870	4,605
Donations	70	33
Taxes	515	409
Quotizations	744	808
Others	467	363
	<b>6,665</b>	<b>6,218</b>

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

## 24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

	Jun 2016	Jun 2015
<b>Financial costs</b>		
Interest cost	47,189	53,264
Derivative financial instruments	2,715	1,627
Other financial investments	165	15
Other financial costs	695	199
	<b>50,763</b>	<b>55,105</b>
<b>Financial income</b>		
Interest income	3,072	1,914
Derivative financial instruments	1,296	4,553
	<b>4,368</b>	<b>6,467</b>

## 25 ENERGY SECTOR EXTRAORDINARY CONTRIBUTION

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy field, called Energy Sector Extraordinary Contribution (“ESEC”), which was extended by Law No. 82-B/2014, of 31 December, and Law No. 15–C/2015, of 30 December, for the year of 2015 and 2016, respectively.

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. Are subject to this regime, among others, the entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ESEC is levied on the value of the assets with reference to the first day of the financial year 2016 (1 January 2016) that include cumulatively, the property, plant and equipment, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ESEC is levied on the value of regulated assets (i.e. the amount recognised by ERSE in the calculation of the allowed income with reference to 1 January 2016) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded a liability in the amount of 25,938 thousand Euros (Note 17) (for the six months period ended 30 June 2015 was 25,445 thousand Euros) against a cost in the statement of profit and loss.

## 26 EARNINGS PER SHARE

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

		Jun 2016	Jun 2015
Consolidated net profit used to calculate earnings per share	(1)	40,530	62,552
Number of ordinary shares outstanding during the period (Note 13)	(2)	534,000,000	534,000,000
Effect of treasury shares (Note 13) (average number of shares)		3,881,374	3,881,374
<b>Number of shares in the period</b>	(3)	<u>530,118,626</u>	<u>530,118,626</u>
<b>Basic earnings per share (euro per share)</b>	<b>(1)/(3)</b>	<b>0.08</b>	<b>0.12</b>

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 13 April 2016, the shareholders approved the distribution of dividends with respect to the net profit of 2015, 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, having been paid to the shareholders an amount of 90,650 thousand Euros.

The distribution of dividends with respect to the net profit of 2014 amounted to 91,314 thousand Euros (0,171 Euros per share). From this amount, 664 thousand Euros were attributable to own shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

## 28 GUARANTEES GIVEN

As of 30 June 2016 and 31 December 2015 the REN Group had given the following guarantees:

Beneficiary	Scope	Jun 2016	Dec 2015
European Investment Bank (EIB)	To guarantee loans	302,304	310,419
General Directorate of Energy and Geology	To guarantee compliance with the obligations assumed in the public service concession	20,500	20,500
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Municipal Council of Seixal	Guarantee for litigation	2,152	2,152
Electricity Iberian Market (OMI)	To guarantee payments resulting from trading participation as purchaser in the Spanish market	-	2,000
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Social Security Institution	Ensure compliance with obligations	511	511
Municipal Council of Silves	Guarantee for expropriation processes	352	352
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	205	205
NORSCUT - Concessionária de Auto-estradas, SA	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
European Union	To comply with the contractual requirements of the grant agreement	177	177
Labour Court of Lisbon	Guarantee for litigation	153	153
Municipal Council of Aveiro	Guarantee for litigation	87	87
EP - Estradas de Portugal	To guarantee compliance with the obligations assumed	79	84
GSE - Georgian State Electrosystem JSC	Providing services contract	-	28
Câmara Municipal de Lisboa	Guarantee the suspension of municipal tax	9	-
Câmara Municipal de Vila Nova de Gaia	Guarantee the suspension of process nº 412/13	2	2
Alrisa - Sociedade Imobiliária, S.A.	Urban lease contract	-	15
		<b>333,398</b>	<b>343,553</b>

## 29 RELATED PARTIES

### Main shareholders and shares held by corporate bodies

As of 30 June 2016 and 31 December 2015, the shareholder structure of Group REN was as follows:

	Jun 2016		Dec 2015	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	133,500,000	25.00%	133,500,000	25.00%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	15.00%	80,100,000	15.00%
Fidelidade - Companhia de Seguros, S.A.	28,370,665	5.31%	28,370,665	5.31%
The Capital Group Companies, Inc.	26,792,304	5.02%	-	-
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Gestmin, SGPS, S.A.	26,700,000	5.00%	26,700,000	5.00%
Red Eléctrica Internacional, S.A.U.	12,540,285	2.35%	32,040,000	6.00%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free float	195,408,037	36.59%	202,700,626	37.96%
	<b>534,000,000</b>	<b>100.00%</b>	<b>534,000,000</b>	<b>100.00%</b>



## Transaction over REN shares by the Board of Directors

In the first half of 2016, the company Gestmin, SGPS, S.A. (Gestmin), holder of a qualified holding and being a related party with Manuel Champalimaud, member of REN's Board of Directors until 31<sup>st</sup> May 2016, informed the disposal of a total of 19,499,175 shares.

Additionally, Jorge Magalhães Correia, member of REN's Board of Directors, due to the exercising of the duties of member of the management bodies of the company Fidelidade - Companhia de Seguros, S.A. (Fidelidade), holder of a qualified holding, and of its affiliate company Multicare - Seguros de Saúde, S.A. (Multicare), informed on the transaction acquisition of 200,000 bonds, through Fidelidade, and the disposal of 600,000 and 53,500,000 bonds through Multicare and Fidelidade, respectively.

Besides the events mentioned above, no other cases of transactions made by board members, compared to the consolidated financial statements of REN, on 31 December 2015, were made.

## Remuneration of the Board of Directors

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

Remuneration of the Board of Directors of REN, SGPS in the six month period ended 30 June 2016 amounted to 1,191 thousand Euros (1,215 thousand Euros on 30 June 2015), as shown in the following table:

	Jun 2016	Jun 2015
Remuneration and other short term benefits	1,191	1,215
	<b>1,191</b>	<b>1,215</b>

## 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 2015) in the consolidated financial statements.

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

### Balances and transactions held with associates and other related parties

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

#### Revenue

	Jun 2016	Jun 2015
<b><u>Sales and services rendered</u></b>		
Invoicing issued- EDP	619,750	470,705
Invoicing issued- OMIP	31	165
Invoicing issued - REE	767	1,673
Invoicing issued - Centro de Investigação em Energia REN - State Grid	196	120
<b><u>Dividends received</u></b>		
REE	3,140	2,934
	<b><u>623,884</u></b>	<b><u>475,598</u></b>

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

#### Costs

	Jun 2016	Jun 2015
<b><u>External supplies and services</u></b>		
Invoicing received-EDP	262,368	199,622
Invoicing received-OMIP	-	173
Invoicing received - REE	3,671	2,260
Invoicing received - CMS Rui Pena & Arnaut <sup>1</sup>	43	38
	<b><u>266,082</u></b>	<b><u>202,093</u></b>

<sup>1</sup> Entity related to the Board member José Luis Arnaut.

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

## Balances

As of 30 June 2016 and 31 December 2015 the balances resulting from transactions with related parties were as follows:

	Jun 2016	Dec 2015
<b><u>Trade and other receivables</u></b>		
EDP - Trade receivables	105,988	71,637
EDP - Guarantees	155	155
EDP - Other receivables	2,404	1,416
OMIP - Trade receivables	20	-
OMIP - Other receivables	18	-
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	-	116
Centro de Investigação em Energia REN - State Grid - Trade receivable	7	8
REE - Trade receivables	245	148
	<b><u>108,839</u></b>	<b><u>73,481</u></b>
<b><u>Trade and other payables</u></b>		
EDP - Trade payables	30,476	8,945
Centro de Investigação em Energia REN - State Grid - Other payables	94	2
CMS - Rui Pena & Arnaut - Trade payables <sup>1</sup>	12	6
REE - Trade payables	203	1,188
	<b><u>30,785</u></b>	<b><u>10,141</u></b>

<sup>1</sup> Entity related to the Board member José Luis Arnaut.

## 30 SUBSEQUENT EVENTS

After the date of the statement of financial position, there were no events that give rise to additional adjustments or disclosures in the consolidated financial statements of the Company for the six months ended in 30 June 2016.

## 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

Susana Neves

## The Board of Directors

**Rodrigo Costa**  
(Chairman of the Board of Directors and of the Executive Committee)

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

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

**Jorge Magalhães Correia**  
(Member of the Board of Directors)

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

**José Luís Arnaut**  
(Member of the Board of Directors)

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

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

**Mengrong Cheng**  
(Member of the Board of Directors)

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

**Longhua Jiang**  
(Member of the Board of Directors)

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

Note - The remaining pages of this Report and Accounts (1st half of 2016) were initialled by the Company Secretary, Marta Almeida Afonso, and the Accountant, Susana Neves.

## 4. APPENDIX

### 4.1 Declaration of Conformity

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

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

*“I hereby declare, pursuant to and for the purposes specified in Article 246, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions that I am entrusted with, based on the information made available to me, that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and of the companies included in its scope of consolidation, and that the management report relating to the first semester of 2016 faithfully describes the evolution of the business, the performance and position of those companies, also containing a description of the main future risks and uncertainties.*

*Lisbon, 28<sup>th</sup> July 2016”*

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

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

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

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

Mengrong Cheng (Member of the Board of Directors)

Longhua Jiang (Member of the Board of Directors)

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

Jorge Magalhães Correia (Member of the Board of Directors)

José Luis Arnaut (Member of the Board of Directors)

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

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

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

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<sup>1</sup> The original of the mentioned individual statements are available, for consultation, in the Company's head office.

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

List of Holders of Qualified Shareholdings (at 30.06.2016)	No of Shares	Capital (%)	Voting Rights (%)
State Grid Corporation of China	133,500,000 <sup>1</sup>	25.0%	25.00%
Oman Oil Company SAOC	80,100,000 <sup>2</sup>	15.0%	15.00%
Fidelidade - Companhia de Seguros, S.A.	28,370,665 <sup>3</sup>	5.3%	5.31%
EDP - Energias de Portugal, S.A.	26,707,335 <sup>4</sup>	5.0%	5.00%
Red Eléctrica Corporación, S.A.	26,700,000 <sup>5</sup>	5.0%	5.00%
The Capital Group Companies, Inc.	26,792,304 <sup>6</sup>	5.0%	5.02%
Gestmin, SGPS, S.A.	12,540,285	2.3%	2.35%

Therefore, pursuant to article 20 of the Portuguese Securities Code, as of 30 June 2016 and following the information provided by the shareholders and/or by the directors, the qualifying holdings of shareholders to which voting rights corresponding to, at least, 2% of the voting rights inherent to REN's share capital were attributable, are as follows:

	Nr. of Shares	% Voting rights
State Grid Corporation of China (through State Grid Europe Limited)	133,500,000	25.00%
Oman Oil Company SAOC (through Mazoon B.V.)	80,100,000	15.00%
Fidelidade - Companhia de Seguros, S.A. (including 95,816 shares held by Via Directa, 30,000 shares held by CPR, 78,907 shares held by Fidelidade Assistência and 50,726 shares held by Multicare)	28,370,665	5.31%
EDP - Energias de Portugal, S.A. (including 8,017,335 shares held by EDP Pension Fund)	26,707,335	5.00% <sup>7</sup>
Red Eléctrica Corporación, S.A. (through Red Eléctrica Internacional, S.A.U.)	26,700,000	5.00%
The Capital Group Companies, Inc. (through Capital Research and Management Company, a fund management company, and includes 14,099,780 shares held through SMALLCAP World Fund, Inc.)	26,792,304	5.02%
Gestmin, SGPS, S.A.	12,540,285	2.35% <sup>8</sup>

<sup>1</sup> Through State Grid Europe Limited (SGEL), which is controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China.

<sup>2</sup> Through Mazoon B.V., which is controlled by Oman Oil Holding Europe B.V. which is controlled by Oman Oil Company SAOC.

<sup>3</sup> These qualified holdings of Fidelidade – Companhia de Seguros, S.A. (Fidelidade) comprise (i) 28,115,216 shares held directly by Fidelidade, (ii) 95,816 shares held by Via Direta – Companhia de Seguros, S.A. (Via Direta), (iii) 30,000 shares held by CPR – Companhia Portuguesa de Resseguros, S.A. (CPR), companies wholly owned by Fidelidade, (iv) 78,907 shares held by Fidelidade Assistência – Companhia de Seguros, S.A. (Fidelidade Assistência) and (v) 50,726 shares held by Multicare – Seguros de Saúde, S.A. (Multicare) which are controlled by the common shareholder LongRun Portugal, SGPS, SA (Longrun). 84.98% of the share capital and voting rights of Fidelidade are held by LongRun, which is in turn wholly owned by Millennium Gain Limited, which is 100% owned by Fosun Financial Holdings Limited, which is in turn wholly owned by Fosun International Limited, companies to which the abovementioned holdings are attributable.

<sup>4</sup> EDP - Energias de Portugal, S.A. (EDP) holds directly 18,690,000 shares and 8,017,335 shares through EDP Pension Fund, a company in a group relation with EDP.

<sup>5</sup> Through Red Eléctrica Internacional, S.A.U., which is controlled by Red Eléctrica Corporación, S.A..

<sup>6</sup> Through Capital Research and Management Company, a fund management company, which is controlled by the Capital Group Companies, Inc.. These shares are not held directly but on behalf of the participants of the funds in discretionary management. Includes 14,099,780 shares held through SMALLCAP World Fund, Inc..

<sup>7</sup> In accordance with article 12, nr. 12 of REN's by-laws, EDP is prevented from exercising any shareholder political rights in the general shareholders' meeting of REN, due to the performance of the activity of electricity and natural gas supplying.

<sup>8</sup> In accordance with article 12, nr. 12 of REN's by-laws, Gestmin, SGPS, S.A. is prevented from exercising any shareholder political rights in the general shareholders' meeting of REN, due to the performance of the activity of electricity and natural gas supplying by its affiliate company OZ Energia Gás S.A..

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

##### Board of Directors as per composition at 30.06.2016

	Board of Directors	Acquisitions	Encumbrances	Disposals	Nr. of shares at 30.06.2016
Executive Committee	Rodrigo Costa	-	-	-	0 (zero)
	João Faria Conceição	-	-	-	500
	Gonçalo Morais Soares	-	-	-	0 (zero)
	Guangchao Zhu - designated by State Grid International Development Limited	-	-	-	133,500,000 <sup>9</sup>
	Mengrong Cheng	-	-	-	0 (zero)
	Longhua Jiang	-	-	-	0 (zero)
	Omar Al-Wahaibi	-	-	-	0 (zero)
Audit Committee	Jorge Magalhães Correia	-	-	-	28,370,665 <sup>10</sup>
	José Luís Arnaut	-	-	-	7,587 <sup>11</sup>
	Manuel Sebastião	-	-	-	5,000
	Gonçalo Gil Mata	-	-	-	0 (zero)
	Maria Estela Barbot	-	-	-	0 (zero)

At 30<sup>th</sup> June 2016, the members of REN's management and supervisory bodies held the following bonds issued by REN:

	Board of Directors	Acquisitions	Encumbrances	Disposals	Nr. of bonds at 30.06.2016
	Jorge Magalhães Correia	-	-	-	1,209,000 <sup>12</sup>

<sup>9</sup> Guangchao Zhu is Chairman, CEO and member of the Board of Directors of State Grid International Development Limited and Chairman of State Grid Europe Limited, which has qualified holdings corresponding to 133,500,000 REN shares.

<sup>10</sup> Corresponding to shares attributable to Fidelidade Companhia de Seguros, S.A., which are attributable to him pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of Vice-President of the Board of Directors and CEO of that company.

<sup>11</sup> Holds 480 shares in his own name and 7,107 shares through the company Platinumdetail – Consultoria e Investimentos, Lda., company where he holds the majority of the capital and is a manager.

<sup>12</sup> The total amount of bonds comprises 9,000 bonds in his own name and 1,200,000 bonds held by Fidelidade – Companhia de Seguros, S.A., company where Jorge Magalhães Correia is Chairman and CEO.

During the 1<sup>st</sup> semester of 2016, REN was informed of the following transactions performed during the period to which this report relates regarding REN's shares and bonds, which are relevant for the purposes of article 14 of CMVM's Regulation 5/2008 and of article 447 of the Portuguese Securities Code:

- a) Jorge Magalhães Correia, member of REN's Board of Directors, due to the exercising of the duties of member of the management bodies of the company Fidelidade - Companhia de Seguros, S.A. (Fidelidade), holder of a qualified holding, and of its affiliate company Multicare - Seguros de Saúde, S.A. (Multicare), informed on the transaction of bonds issued by REN:

Name	Type of transaction	Type of Bonds	Place	Amount	Price <sup>(1)</sup>	Transaction date
Fidelidade	Acquisition	REN, 1.75%, 01/06/2013, CORP	Lisbon	200,000	99.54	27-05-2016
Multicare	Sale	REN, 4.125%, 31/01/2018, CORP	Lisbon	600,000	106.886	31-05-2016
Fidelidade	Sale	REN, 4.125%, 31/01/2018, CORP	Lisbon	53,500,000	106.886	31-05-2016

<sup>(1)</sup> per transaction

- b) The company Gestmin, SGPS, S.A. (Gestmin), holder of a qualified holding and being a related party with Manuel Champalimaud, member of REN's Board of Directors until 31<sup>st</sup> May 2016, informed on the transaction of REN's shares:

Name	Type of transaction	Place	Amount	Price	Transaction date
Gestmin	Sale	OTC	8,054,108	2.860	31-03-2016
Gestmin	Sale	Euronext Lisbon	860,000	2.885	31-03-2016
Manuel Champalimaud	Sale	Euronext Lisbon	280,000	2.885	01-04-2016
Gestmin	Sale	Euronext Lisbon	4,600,000	2.900	04-04-2016
Gestmin	Sale	Euronext Lisbon	3,705,607	2.870	05-04-2016
Gestmin	Sale	Euronext Lisbon	2,000,000	2.690	02-05-2016



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

##### LIMITED REVIEW REPORT

To the Board of Directors  
of REN – Redes Energéticas Nacionais, S.G.P.S., S.A.

##### **Introduction**

1. We have performed a limited review of the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (“the Company”), which comprise the Consolidated Statement of Financial Position as of 30 June 2016 that presents a total of 4,622,822 thousand Euros and consolidated shareholders’ equity of 1,102,049 thousand Euros, including a consolidated net profit of 40,530 thousand Euros, the Consolidated Statements of Profit or Loss, of Other Comprehensive Income, Changes in Equity and Cash Flows for the six month period then ended and the corresponding notes.

##### **Board of Directors’ Responsibility for the Consolidated Financial Statements**

2. Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### **Auditor’s Responsibility**

3. Our responsibility is to express a conclusion on these consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.
4. A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of Board of Directors and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.
5. The procedures performed in a review are substantially less in scope than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.
6. Our work also included verifying that the consolidated financial information included in section Economic and Financial Performance are in accordance with the remaining documents referred to above.

Page 2 of 2

**Conclusion**

7. Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements referred to in paragraph 1 above do not present fairly, in all material respects, the consolidated financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of 30 June 2016, the consolidated results and comprehensive income from their operations, the consolidated changes in their equity and their consolidated cash flows for the six month period then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, for interim financial report (IAS 34).

Lisbon, 28 July 2016

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

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

##### **Report and opinion of the Audit Committee in respect of the consolidated half year information** (regarding the six month period ended 30<sup>th</sup> June 2016)

(Translation of a report originally issued in Portuguese)

Within the scope of the responsibilities attributed, the Audit Committee, during the first semester of 2016, accompanied the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A. and its participated companies, ensured compliance with the law, regulations and articles of association, oversaw the fulfillment of the accounting policies and practices and supervised the process of preparation and disclosure of the financial information, the effectiveness of the internal control systems, the management of risk and also the independence and activity of the Statutory Auditor and the External Auditor.

The Audit Committee examined the consolidated financial information included in the section Financial Performance and the condensed consolidated financial statements for the half year ended June 30, 2016 of REN – REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A., which comprise the Consolidated Statement of Financial Position (that reflects total assets of 4,622,822 thousand Euros and total equity of 1,102,049 thousand Euros, including a consolidated net profit of 40,530 thousand Euros), the Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the half year then ended and the corresponding Notes.

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

In the light of the above, the Audit Committee is of the opinion that consolidated financial information for the half year ended on June 30, 2016, is in accordance with the applicable accounting, legal and articles of association provisions.

Lisbon, 28<sup>th</sup> July 2016

Manuel Ramos de Sousa Sebastião

Estela de Magalhães Barbot

Gonçalo Gil Mata

## 4.6 Contacts

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

### Investor Relations Office

Ana Fernandes - Head of Office  
[ana.fernandes@ren.pt](mailto:ana.fernandes@ren.pt)

Alexandra Martins  
[alexandra.martins@ren.pt](mailto:alexandra.martins@ren.pt)

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### Communication and Sustainability

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