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

Consolidated Financial Statements
31 March 2017

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

Index

1. FINANCIAL PERFORMANCE IN THE 1ST QUARTER 2017

1.1. 1st quarter results

In the 1st quarter of 2017, REN's net income was 13.5 million euros, 7.4 million euros (+121.5%) higher than the same period of the prior year, reflecting the strong performance of the financial results strong performance (+7.9 million euros, +33.9%), and higher operational results (+ 2.6 million euros, +2.1%).

In the current year, REN acquired for 169 million euros a 42.5% stake in Electrogas, a company that offers natural gas transportation services in Chile, which represents already 1.7 million euros in EBITDA.

Similarly to the previous years, the results for 2017 reflect the continuation of the Extraordinary Levy on the Energy Sector (25.8 million euros in March 2017, and 25.9 million euros in March 2016[1]).

Investment was 13.2 million euros, a 16.5% y.o.y increase (+1.9 million euros), and transfers to RAB reached 1.1 million euros, a 20.8% increase (+0.2 milion euros) over the same period of the prior year. In contrast, average RAB dropped by 46.8 million euros (-1.3%) to 3,495.3 million euros, reflecting the decrease in the natural gas sector.

Financing conditions improved, with average cost of debt decreasing from 3.7%, in the first quarter of 2016, to 2.6%, in the first quarter of 2017, while net debt increase 2.8% (+70.3 million euros) reflecting essentially the acquisition of the Electrogas stake.

MAIN INDICATORS (MILLIONS OF EUROS)	March 2017	March 2016	VAR.%
EBITDA	123.7	121.1	2.1%
Financial income[2]	-15.5	-23.4	33.9%
Net income[1]	13.5	6.1	121.5%
Recurrent net income	39.3	32.0	22.6%
Total Capex	13.2	11.3	16.5%
Transfers to RAB[3] (at historic costs)	1.1	0.9	20.8%
Average RAB (at reference costs)	3,495.3	3,542.1	-1.3%
Net debt	2,543.5	2,473.2	2.8%
Average cost of debt	2.6%	3.7%	-1.1p.p.

[1]The full amount of the levy was recognized in the 1st quarter of 2017 and 2016.
2The revenues of 0.1 million euros in 1Q16 and 0,3 million euros in 1Q17 from electricity interconnection capacity auctions between Spain and Portugal - referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.
3 Includes direct acquisitions (RAB related).

OPERATIONAL RESULTS – EBITDA

In March 2017, EBITDA was 123.7 million euros, a 2.1% increase over the same period of the previous year (2.6 million euros).

EBITDA (MILLIONS OF EUROS)	March 2017	March 2016	VAR.%
1) Revenues from assets	114.7	113.4	1.2%
RAB remuneration	54.2	55.1	-1.6%
Smoothing differences (gas)	0.2	-0.8	122.5%
Hydro land remuneration	0.1	0.1	-4.7%
Lease revenues from hydro protection zone	0.2	0.2	-1.2%
Remuneration of fully amortized assets	5.4	5.0	6.4%
Recovery of amortizations (net of investment subsidies)	50.3	49.3	1.9%
Amortization of investment subsidies	4.5	4.5	-0.2%
2) Revenues from OPEX	25.0	23.1	8.5%
3) Other revenues	6.8	4.0	68.7%
4) Own works (capitalised in investment)	3.1	3.5	-11.8%
5) Earnings on Construction (excl. own works capitalised in investment) – Concession assets	10.1	7.9	27.9%
6) OPEX	25.8	22.8	13.3%
Personnel costs[4]	12.3	12.5	-1.5%
External costs	13.6	10.4	31.0%
7) Construction costs - Concession assets	10.1	7.9	27.9%
8) Provisions	-0.1	0.0	n.m
9) Impairments	0.1	0.0	n.m
10) EBITDA (1+2+3+4+5-6-7-8-9)	123.7	121.1	2.1%

[4] Includes costs for training and seminars and provisions for staff costs

The increase in EBITDA reflects essentially:

- Increase in revenues from opex (+1.9 million euros), in line with opex increase;
- Revenues with the 42.5% stake in Electrogas, acquired in the first quarter of 2017 (1.7 million euros);
- Higher REN Trading's allowed incentive (+1.3 million euros);
- Positive evolution of amortizations recovery (+1.0 million euros), in line with the increase in gross assets.

These effects were partially offset by the 3.0 million euros increase in the Group opex (+13.3%),which reflected the increase of (i) 0.8 million euros in non-core external costs (pass-through), and (ii) 2.4 million euros in core external costs, due to additionnal costs incurred with Electrogas acquisition, partially compensated by a 0.2 million euros reduction in personnel costs (-1.5%).

NET INCOME

In the first quarter of 2017, net income delivered strong growth, reaching 13.5 million euros, a 7.4 million euros (121.5%) increase over the same period of the prior year. This growth reflected:

- The increase in EBITDA (+2.6 million euros), which was positively impacted by Electrogas stake results of 1.7 million euros;
- Better financial results (+7.9 million euros, +33.9%), driven by a lower cost of debt, which dropped to 2.6% (from 3.7% in March 2016), despite the increase in net debt of 2.8% (+70.3 million euros) to 2,543.5 million euros, reflecting the acquisition of Electrogas (169 million euros).

Excluding non-recurring items, Net Income grew 7.3 million euros (+22.6%). Non-recurring items considered in the first quarter of 2017 and 2016 are as follows:

i) In 2017: i) Extraordinary Levy on the Energy Sector laid down in the State Budget for 2017 (25.8 million euros)[5]

ii) In 2016: i) Extraordinary Levy on the Energy Sector laid down in the State Budget for 2016 (25.9 million euros)[5]

[5] The full amount of the levy was recognized in the 1st quarter of 2017 and 2016.

NET INCOME (MILLION EUROS)	March 2017	March 2016	VAR.%
EBITDA	123.7	121.1	2.1%
Depreciations and amortizations	54.4	53.6	1.6%
Financial income	-15.5	-23.4	33.9%
Income tax expenses	14.5	12.1	20.0%
Extraordinary levy on the energy sector[5]	25.8	25.9	-0.5%
Net income	13.5	6.1	121.5%
Non-recurring items	25.8	25.9	-0.5%
Recurrent net income	39.3	32.0	22.6%

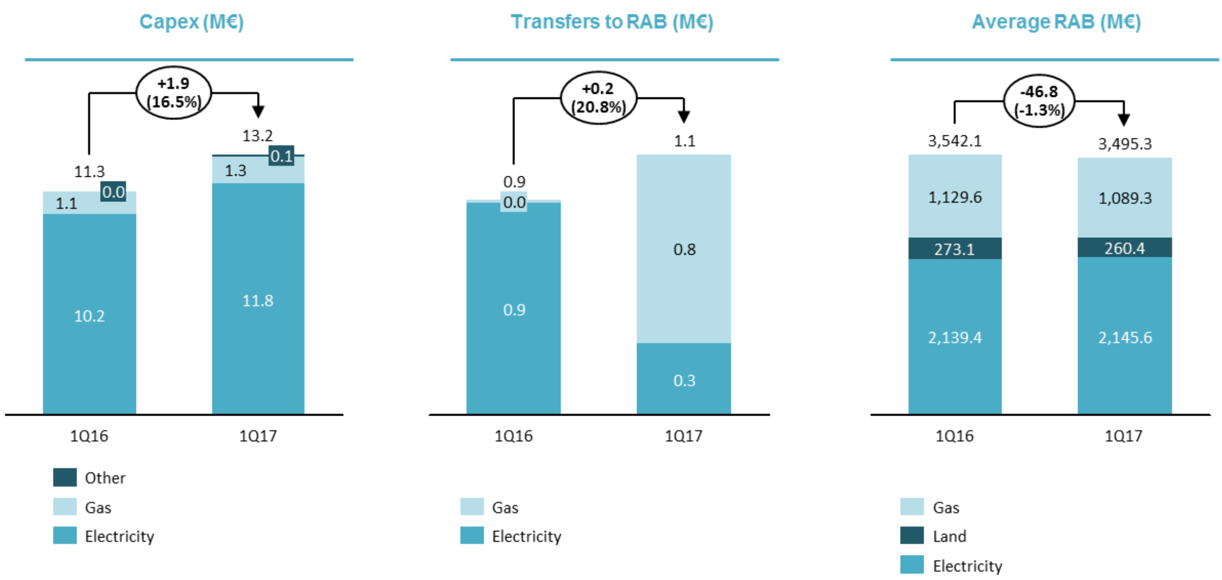
1.2. Average RAB and Capex

In the first quarter of 2017, investment was 13.2 million euros and transfers to RAB reached 1.1 million euros, 17% (+1.9 million euros) and 21% (+0.2 million euros) higher than the same period of the prior year, respectively.

In electricity, investment grew 1.5 million euros (+15.1%), to 11.8 million euros. Main projects include: (i) new injector 400/60 kV in Alcochete (2.0 million euros), to feed the consumption in the regions of Montijo and Alcochete, (ii) power line Foz Tua – Armamar 400 kV (1.8 million euros), to connect Foz Tua hydroelectric power plant, and (iii) reinforcement of the 400 kV axis Lavos-Rio Maior (1.1 million euros). Transfers to RAB dropped 0.6 million euros (-66.3%).

In natural gas, investment was 1.3 million euros, a 0.2 million euros (+21.7%) increase, and transfers to RAB were 0.8 million euros.

Average RAB was 3,495.3 million euros, a 46.8 million euros reduction (-1.3%) over the first quarter of 2016. In electricity, average RAB (excl. lands) was 2,145.6 million euros (+6.2 million euros, +0.3%), of which 1,115.0 million euros in assets remunerated at a premium rate of return, while lands reached 260.4 million euros (-12.8 million euros, -4.7%). In natural gas, average RAB was 1,089.3 million euros (-40.3 million euros, -3.6%).



CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of 31 March 2017 and 31 December 2016

(Amounts expressed in thousands of Euros – tEuros)

	Notes	Mar 2017	Dec 2016
ASSETS			
Non current assets			
Property, plant and equipment	5	593	578
Goodwill		3,302	3,397
Intangible assets	5	3,784,464	3,825,712
Investments in associates and joint ventures	6	177,427	14,657
Available-for-sale financial assets	9	150,524	150,118
Derivative financial instruments	11	19,605	20,425
Other financial assets	8	17	14
Trade and other receivables	10	11,050	10,145
Deferred tax assets	7	67,706	62,825
		4,214,689	**4,087,871**
Current assets			
Inventories		1,200	1,028
Trade and other receivables	10	403,600	448,826
Other financial assets	8	-	1,317
Cash and cash equivalents	12	28,237	10,783
		433,037	**461,954**
Total assets	4	**4,647,726**	**4,549,825**
EQUITY			
Shareholders equity:			
Share capital	13	534,000	534,000
Own shares	13	(10,728)	(10,728)
Reserves	13	322,397	319,204
Retained earnings		316,836	216,527
Other changes in equity		30	30
Net profit for the period		13,475	100,183
Total equity		**1,176,011**	**1,159,217**
LIABILITIES			
Non current liabilities			
Borrowings	8 and 14	2,103,818	2,298,543
Liability for retirement benefits and others	15	124,315	125,673
Derivative financial instruments	11	9,515	12,212
Provisions	16	6,562	6,154
Trade and other payables	8 and 17	343,222	318,126
Deferred tax liabilities	7	63,091	73,027
		2,650,523	**2,833,735**
Current liabilities			
Borrowings	8 and 14	493,779	216,594
Provisions	16	-	801
Trade and other payables	8 and 17	270,722	311,539
Income tax payable	7 and 8	55,972	26,875
Derivative financial instruments	11	719	1,063
		821,192	**556,873**
Total liabilities	4	**3,471,715**	**3,390,608**
Total equity and liabilities		**4,647,726**	**4,549,825**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 March 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of profit and loss for the three month periods ended 31 March 2017 and 2016

(Amounts expressed in thousands of Euros – tEuros)

	Note	Mar 2017	Mar 2016 (a)
Sales	18	15	95
Services rendered	18	139,445	135,159
Revenue from construction of concession assets	19	13,112	11,325
Gains from associates and joint ventures	6	1,826	297
Other operating income	20	5,496	5,065
Operating income		**159,894**	**151,940**
Cost of goods sold		(46)	(114)
Cost with construction of concession assets	19	(10,056)	(7,860)
External supplies and services	21	(9,688)	(6,697)
Personnel costs	22	(12,162)	(12,445)
Depreciation and amortizations	5	(54,399)	(53,561)
Provisions	-	67	-
Impairments	-	(94)	-
Other expenses	23	(3,951)	(3,565)
Operating costs		**(90,330)**	**(84,242)**
Operating results		**69,564**	**67,698**
Financial costs	24	(18,708)	(26,555)
Financial income	24	2,944	2,987
Financial results		**(15,765)**	**(23,568)**
Profit before income taxes		**53,799**	**44,131**
Income tax	7	(14,526)	(12,109)
Energy sector extraordinary contribution	25	(25,798)	(25,938)
Net Profit for the period		**13,475**	**6,084**
Attributable to:			
Equity holders of the Company		13,475	6,084
Non-controlled interest		-	-
Consolidated profit for the period		**13,475**	**6,084**
Earnings per share (expressed in euro per share)	26	0.03	0.01

(a) - financial information that has not been subject to audit or limited review.

The accompanying notes form an integral part of the consolidated statement of profit and loss for the three month period ended 31 March 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of comprehensive income for the three month periods ended 31 March 2017 and 2016

(Amounts expressed in thousands of Euros – tEuros)

	Notes	Mar 2017	Mar 2016 (a)
Net Profit for the year		**13,475**	**6,084**
Other income and cost recorded in equity:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax	15	177	-
Tax effect on actuarial gains ((losses)	7	(52)	-
Items that will be reclassified subsequently to profit or loss:			
Currency exchange differences (Associates)		(252)	-
Increase/(decrease) in hedging reserves - derivative financial instruments	11	3,906	(12,068)
Tax effect on hedging reserves	7 and 11	(616)	2,534
Gain/(loss) in fair value reserve - available-for-sale assets	9	406	(1,096)
Tax effect on fair value reserves	7 and 9	(252)	(1,598)
Comprehensive income for the year		**16,791**	**(6,144)**
Attributable to:			
Shareholders of the company		16,791	(6,144)
Non-controlling interests		-	-
		16,791	**(6,144)**

(a) - financial information that has not been subject to audit or limited review.

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the three month period ended 31 March 2017.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated statements of changes in equity for the three month periods ended 31 March 2017 and 2016

(Amounts expressed in thousands of Euros – tEuros)

		Attributable to shareholders									
Changes in the period	**Notes**	**Share capital**	**Own shares**	**Legal Reserve**	**Fair Value reserve (Note 9)**	**Hedging reserves (Note 11)**	**Other reserves**	**Other changes in equity**	**Retained earnings**	**Profit for the period**	**Total**
At 1 January 2016		**534,000**	**(10,728)**	**102,608**	**54,489**	**(8,960)**	**177,482**	**30**	**196,253**	**116,115**	**1,161,288**
Net profit of the period and other comprehensive income		-	-	-	(2,694)	(9,533)	-	-	-	6,084	(6,144)
Transfer to other reserves		-	-	-	-	-	-	-	116,115	(116,115)	-
At 31 March 2016 (a)		**534,000**	**(10,728)**	**102,608**	**51,795**	**(18,493)**	**177,482**	**30**	**312,367**	**6,084**	**1,155,145**
At 1 January 2017		**534,000**	**(10,728)**	**106,800**	**48,781**	**(13,858)**	**177,482**	**30**	**216,527**	**100,183**	**1,159,217**
Net profit of the period and other comprehensive income		-	-	-	154	3,290	(252)	-	125	13,475	16,791
Transfer to other reserves		-	-	-	-	-	-	-	100,183	(100,183)	-
At 31 March 2017		**534,000**	**(10,728)**	**106,800**	**48,935**	**(10,568)**	**177,230**	**30**	**316,836**	**13,475**	**1,176,011**

(a) - financial information that has not been subject to audit or limited review.

The accompanying notes form an integral part of the consolidated statement of changes in equity for the three month period ended 31 March 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of cash flow for the three month periods ended 31 March 2017 and 2016

(Amounts expressed in thousands of Euros – tEuros)

	Note	Mar 2017	Mar 2016 (b)
Cash flow from operating activities:			
Cash receipts from customers		634,639 (a)	415,581 (a)
Cash paid to suppliers		(433,442) (a)	(317,002) (a)
Cash paid to employees		(14,633)	(14,232)
Income tax received/(paid)		(1,192)	(47)
Other receipts/(payments) relating to operating activities		(2,567)	(9,410)
Net flows from operating activities (1)		**182,805**	**74,890**
Cash flow from investing activities:			
Receipts related to:			
Other financial assets		1,309	-
Interests and other similar income		-	3
Dividends		1,290	1,206
Payments related to:			
Investments in associates and joint ventures	6	(168,618)	-
Property, plant and equipment		(143)	(58)
Intangible assets		(68,730)	(60,711)
Net cash used in investing activities (2)		**(234,893)**	**(59,560)**
Cash flow from financing activities:			
Receipts related to:			
Borrowings		1,112,500	1,150,000
Interests and other similar income		8	-
Payments related to:			
Borrowings		(1,022,841)	(1,118,335)
Interests and other similar expense		(22,244)	(34,032)
Net cash (used in)/from financing activities (3)		**67,423**	**(2,367)**
Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)		15,335	12,963
Effect of exchange rates		1,710	-
Cash and cash equivalents at the beginning of the year	12	10,680	63,539
Cash and cash equivalents at the end of the period	12	27,725	76,502
Detail of cash and cash equivalents			
Cash	12	21	21
Bank overdrafts	12	(512)	(584)
Bank deposits	12	28,217	77,065
		27,725	**76,502**

(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.

(b) Financial information that has not been subject to audit or limited review.

The accompanying notes form an integral part of the consolidated statement of cash flow for the three month period ended 31 March 2017.

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(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”, “REN SGPS, S.A.”, “REN SGPS” 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, resulted 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 went through 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 incorporated on 26 September 2006, renamed REN – Serviços de Rede, S.A., changed its name to REN – Rede Eléctrica Nacional, S.A.

The Group presently has two main business segments, Electricity and Gas, and a secondary business of Telecommunications.

The Electricity business includes the following companies:

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

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

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

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate purpose 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 it has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground 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 comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures.

The operations of REN Gasodutos, S.A., REN Armazenagem S.A. and REN Atlântico S.A. are made in accordance with the three concession contracts separately granted for periods of 40 years starting 2006.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

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

The purpose of this company is to implement a Research and Development centre 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.

On 14 December 2016, Aério Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations.

As of 31 March 2017 REN has also:

a) 42.5% interest in the share capital of the Chilean company Electrogas, S.A., whose corporate purpose is to provide transportation services for natural gas and other fuels. This participation was acquired on February 7, 2017;

b) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities.

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

d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. ("REE"), entity in charge of the electricity network management in Spain;

e) 8.3% interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European transmission system operators ("TSO"), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. ("HCB") – 7.5%; and (ii) MIBGÁS, S.A.- 6.67%.

1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 31 March 2017 and 31 December 2016:

Designation / adress	Activity	Mar 2017 % Owned Group	Mar 2017 % Owned Individual	Dec 2016 % Owned Group	Dec 2016 % Owned Individual
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiaries:					
Electricity segment:					
REN - Rede Eléctrica 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, nº 7 - 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%
Telecommunications segment:					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
Other segments:					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
Natural Gas segment:					
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55, 12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Owned by REN Gas, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-

There were no changes in the consolidation perimeter in 2017 with respect to what was reported on 31 December 2016.

1.2. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 11 May 2017. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

2 BASIS OF PRESENTATION

The consolidated financial statements for the three month period ended 31 March 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 2016.

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

3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in Portugal, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2017.

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 2016, as explained in the notes to the consolidated financial statements for 2016. These policies were applied consistently in the presented periods.

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- IFRS 9 Financial Instruments (replacement of IAS 39) (to be applied for periods beginning on or after 1 January 2018) - This standard establishes the requirements for the classification and measurement of financial instruments and for the application of hedge accounting rules. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers (amendment to be applied for periods beginning on or after 1 January 2018) - These amendments clarify how the principles set out in the standard should be applied.
  The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not apply any of these standards in advance in the financial statements for the three-month period ended March 31, 2017.

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 14 - Regulatory Deferral Accounts	-	This standard establish the reporting requirements, by entities adopting IFRS for the first time, to regulated assets, allowing the maintenance of the accouting policies of the previous reporting requirements regarding the recognition, measurement, derecognition and impairment. IFRS sets for the presentation of regulated items recognized separately from the other assets and liabilities as well as expenses and income.
IFRS 16 - Leases	01-jan-19	This standard is intended to replace the actual standards of leases (IAS 17, IFRIC 4, SIC-15 and SIC-27) and clarifies the recognition, measurement, presentation and disclosure principles of leases.
Amendments to IFRS 10 - Consolidated financial statements and IAS 28 - Investment in Associates and Joint Ventures	-	These amendments include clarification of various aspects related to the application of the exception for consolidation by investment entities.
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	01-jan-17	The purpose of this amendment is to clarify the accounting of a deferred tax asset on an unrealized loss, in a debt instrument measured at fair value.
Amendments to IAS 7 - Statement of Cash Flows	01-jan-17	The purpose of this amendment, which is part of an ample reform project of the principles and requirements of presentation and disclosure of financial reporting (disclosure initiative) is to enable users of financial statements to evaluate changes resulting from financing activities. To this purpose, this amendment establishes additional disclosure requirements regarding financing activities.
IFRS 15 - Revenue from Contracts with Customers	01-jan-18	These amendments clarify how the principles set out in IFRS 15 should be applied.
Amendments to IFRS 2 - Share-based payment	01-jan-18	This amendment clarifies certain definitions, namely the definition of acquisition conditions and market conditions, in order to ensure consistency in the classification of share-based payments.
Amendments to IFRS 4 - Insurance contracts: Application of IFRS 9 with IFRS 4	01-jan-18	This amendment clarifies the accounting impacts of the different effective dates of application of IFRS 4 and IFRS 9.
Annual improvements to IFRS (2014-2016 cycle)	01-jan-17 and 01-jan-18	Cyclical improvements are introduced to clarify and simplify the application of international normative. The changes introduced in the 2014-2016 cycle focused on the revision of: (i) IFRS 1 (elimination of short-term exemptions that are no longer applicable); (ii) IFRS 12 (clarifies that disclosure requirements of IFRS 12 apply to all investments - referred to in paragraph 5 - even if classified as held for sale, for distribution to owners or discontinued operations in accordance with IFRS 5); and (iii) IAS 28 (clarifies that the option to measure an investment in an associate or joint venture held by an entity that is a venture capital organization or other qualified entity is available on an individual basis).
Amendments to IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01-jan-18	This interpretation clarifies that relevant date for the recognition of an asset, expense or income relating to a foreign currency transaction for which an entity receives or pays in advance an amount in a foreign currency, is the date of the transaction.
Amendments to IAS 40 - Investment Property	01-jan-18	This amendment clarifies that a transfer of assets from or to the investment property caption should only be carried out when there is evidence of a change of use. Additionally, it is clarified that the change of intention to use is not evidence of a change of use.

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 31 March 2017.

4 SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas, and one secondary segment. 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 complementary services to same users, it was considered that it is subject to the same risks and benefits.

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

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

The results by segment for the three month period ended 31 March 2017 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Sales and services provided	**96 768**	**41 451**	**1 284**	**7 797**	**(7 780)**	**139 460**
Inter-segments	183	101	15	7 481	(7 780)	-
Revenues from exernal customers	96 586	41 349	1 269	256	-	139 460
Revenue from construction of concession assets	11 774	1 338	-	-	-	13 112
Cost with construction of concession assets	(9 110)	(946)	-	-	-	(10 056)
Gains/(losses) from associates and joint ventures	-	-	-	1 826	-	1 826
External supplies and services	(8 694)	(5 990)	(351)	(3 984)	9 331	(9 688)
Employee compensation and benefit expense	(5 042)	(1 773)	(63)	(5 285)	-	(12 162)
Other expenses and operating income	2 510	468	(10)	82	(1 551)	1 499
Operating cash flow	88 207	34 548	860	376	-	123 992
Non reimbursursable expenses						
Depreciation and amortizations	(39 309)	(15 034)	(2)	(54)	-	(54 399)
Impairments	-	-	-	(94)	-	(94)
Financial results						
Financial income	184	3 475	9	43 732	(44 456)	2 944
Financial costs	(17 512)	(7 835)	-	(37 818)	44 456	(18 708)
Profit before income tax	**31 570**	**15 155**	**866**	**6 209**	**-**	**53 799**
Income tax expense	(9 186)	(4 026)	(195)	(1 119)	-	(14 526)
Extraordinary contribution on energy sector	(18 362)	(7 435)	-	-	-	(25 798)
Profit for the year	**4 021**	**3 694**	**671**	**5 090**	**-**	**13 475**

Results by segment for the three month period ended 31 March 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Sales and services provided	**90 712**	**42 945**	**1 374**	**8 135**	**(7 913)**	**135 253**
Inter-segments	183	101	15	7 614	(7 913)	-
Revenues from exernal customers	90 529	42 844	1 358	522	-	135 253
Revenue from construction of concession assets	10 226	1 099	-	-	-	11 325
Cost with construction of concession assets	(7 184)	(676)	-	-	-	(7 860)
Gains/(losses) from associates and joint ventures	-	-	-	297	-	297
External supplies and services	(8 145)	(5 079)	(385)	(2 499)	9 411	(6 697)
Employee compensation and benefit expense	(5 270)	(1 963)	(59)	(5 152)	-	(12 445)
Other expenses and operating income	2 682	344	(57)	(85)	(1 498)	1 386
	-	-	-	-	-	
Operating cash flow	83 020	36 671	872	696	-	121 259
Non reimbursursable expenses						
Depreciation and amortizations	(38 586)	(14 915)	(0)	(59)	-	(53 561)
Financial results						
Financial income	4	3 687	10	42 127	(42 842)	2 987
Financial costs	(18 263)	(8 711)	(1)	(42 421)	42 842	(26 555)
Profit before income tax	**26 175**	**16 731**	**882**	**343**	**-**	**44 131**
Income tax expense	(7 521)	(4 445)	(199)	56	-	(12 109)
Extraordinary contribution on energy sector	(18 302)	(7 635)	-	-	-	(25 938)
Profit for the year	**352**	**4 651**	**683**	**398**	**-**	**6 084**

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, consultancy and *back office* to Group entities as well as third parties.

Assets and liabilities by segment as well as capital expenditures for the three month period ended 31 March 2017 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Segment assets						
Group investments held	-	513,270	-	1,612,549	(2,125,819)	-
Property, plant and equipment and intangible assets	2,623,236	1,161,895	37	517	(628)	3,785,057
Other assets	542,682	473,506	7,565	5,282,721	(5,443,805)	862,668
Total assets	**3,165,918**	**2,148,670**	**7,602**	**6,895,788**	**(7,570,252)**	**4,647,726**
Total liabilities	**2,571,353**	**1,008,883**	**5,320**	**5,336,912**	**(5,450,753)**	**3,471,715**
Capital expenditure - total	**11,777**	**1,338**	**-**	**85**	**-**	**13,199**
Capital expenditure - property, plant and equipment (note 5)	-	-	-	85	-	85
Capital expenditure - intangible assets (note 5)	11,777	1,338	-	-	-	13,114
Investments in associates	-	-	-	174,427	-	174,427
Investments in joint ventures	-	-	-	3,000	-	3,000

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Segment assets						
Group investments held	-	533,685	-	1,453,960	(1,987,645)	-
Property, plant and equipment and intangible assets	2,650,536	1,175,219	-	535	-	3,826,290
Other assets	575,485	441,059	6,998	4,891,800	(5,191,807)	723,535
Total assets	**3,226,022**	**2,149,964**	**6,998**	**6,346,295**	**(7,179,452)**	**4,549,825**
Total liabilities	**2,635,831**	**933,642**	**2,973**	**5,009,973**	**(5,191,808)**	**3,390,608**
Capital expenditure - total	**157,494**	**13,753**	**-**	**214**	**-**	**171,461**
Capital expenditure - property, plant and equipment (note 8)	-	-	-	214	-	214
Capital expenditure - intangible assets (note 8)	157,494	13,753	-	-	-	171,247
Investments in associates	-	-	-	11,666	-	11,666
Investments in joint ventures	-	-	-	2,991	-	2,991

The liabilities included in the segment "Others" are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, B.V. 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 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the three month period ended 31 March 2017, the changes in intangible assets and property, plant and equipment in the period were as follows:

	1 January 2017			Changes					31 March 2017		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	0
Buildings and other construction	931	(453)	479	-	-	-	-	-	931	(453)	479
Transport equipment	299	(217)	81	45	(65)	-	(51)	55	279	(213)	65
Office equipment	27	(9)	18	40	(3)	-	(9)	3	64	(15)	49
	1,360	(782)	578	85	(68)	-	(60)	58	1,377	(784)	593

	1 January 2017			Changes					31 March 2017		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets											
Concession assets	7,365,215	(3,618,333)	3,746,882	89	(163)	969	(54,339)	141	7,366,110	(3,672,531)	3,693,579
Concession assets in progress	78,831	-	78,831	13,025	-	(969)	-	-	90,886	-	90,886
	7,444,045	(3,618,333)	3,825,712	13,114	(163)	-	(54,339)	141	7,456,996	(3,672,531)	3,784,464
Total of property, plant and equipment and intangible assets	**7,445,405**	**(3,619,115)**	**3,826,290**	**13,199**	**(231)**	**-**	**(54,399)**	**199**	**7,458,373**	**(3,673,315)**	**3,785,057**

During the year ended 31 December 2016, the changes in intangible assets and property, plant and equipment in the year were as follows:

	1 January 2016			Changes					31 December 2016		
Property, plant and equipment	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
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	-
Buildings and other construction	1,038	(469)	569	206	(313)	-	(205)	221	931	(453)	479
Transport equipment	302	(201)	102	8	(12)	-	(29)	12	299	(217)	81
Office equipment	27	(4)	23	-	-	-	(5)	-	27	(9)	18
	1,470	**(776)**	**695**	**214**	**(325)**	**-**	**(239)**	**233**	**1,360**	**(782)**	**578**

	1 January 2016			Changes					31 December 2016		
Intangible assets	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
Concession assets	7,212,146	(3,404,818)	3,807,329	2,524	(1,104)	151,648	(214,524)	1,009	7,365,215	(3,618,333)	3,746,882
Concession assets in progress	61,756	-	61,756	168,723	-	(151,648)	-	-	78,831	-	78,831
	7,273,902	(3,404,818)	3,869,085	171,247	(1,104)	-	(214,524)	1,009	7,444,045	(3,618,333)	3,825,712
Total of property, plant and equipment and intangible assets	**7,275,373**	**(3,405,593)**	**3,869,779**	**171,461**	**(1,429)**	**-**	**(214,763)**	**1,241**	**7,445,405**	**(3,619,115)**	**3,826,290**

The additions registered in three month period ended 31 March 2017 refer essentially to rights over the investments on construction/renovation and expansion of electrical and gas transportation grid.

The main additions verified in the periods ended 31 March 2017 and 31 December 2016 are made up as follows:

	Mar 2017	Dec 2016
Electricity segment		
Power line construction (150 KV, 220 KV and others)	1,007	9,674
Power line construction (400 KV)	3,433	39,982
Construction of new substations	2,314	10,313
Substation Expansion	3,046	78,351
Other renovations in substations	336	5,094
Improvements to telecommunications and information system	719	8,607
Pilot zone construction - wave energy	46	210
Improvements in buildings related to concession	789	3,530
Other assets	87	1,735
Gas segment		
Expansion and improvements to gas transmission network	928	10,281
Construction project of cavity underground storage of natural gas in Pombal	184	1,629
Construction project and operating upgrade - LNG facilities	225	1,842
Others segment		
Other assets	85	214
Total of additions	**13,199**	**171,461**

The main transfers during the periods ended 31 March 2017 and 31 December 2016 are made up as follows:

	Mar 2017	Dec 2016
Electricity segment		
Power line construction (150 KV, 220 KV and others)	-	11,505
Power line construction (400 KV)	-	39,829
Substation Expansion	-	68,929
Other renovations in substations	-	4,744
Telecommunications and information system	-	8,992
Buildings related to concession	-	4,402
Other assets under concession	207	34
Gas segment		
Expansion and improvements to natural gas transmission network	708	9,640
Construction project of cavity underground storage of natural gas in Pombal	54	2,275
Construction project and operating upgrade - LNG facilities	-	1,298
Total of transfer	**969**	**151,648**

The intangible assets in progress at 31 March 2017 and 31 December 2016 are as follows:

	Mar 2017	Dec 2016
Electricity segment		
Power line construction (150KV/220KV e 400KV)	33,582	29,142
Substation Expansion	26,785	23,502
New substations projects	17,168	14,854
Other projects	1,485	1,127
Improvements in buildings related to concession	1,915	1,086
Gas segment		
Expansion and improvements to natural gas transmission network	6,935	6,459
Construction project of cavity underground storage of natural gas in Pombal	2,350	2,220
Construction project and operating upgrade - LNG facilities	667	441
Total of assets in progress	**90,886**	**78,831**

Financial costs capitalized in intangible assets in progress in the period ended 31 March 2017 amounted to 486 thousand Euros (2.951 thousand Euros as of 31 December 2016), while overhead and management costs capitalized amounted to 2,571 thousand Euros (13,079 thousand Euros as of 31 December 2016) (Note 19).

As of 31 March 2017 and 31 December 2016, the net book value of the intangible assets financed through lease contracts was as follows:

	Mar 2017	Dec 2016
Cost	6,257	6,153
Accumulated depreciation and amortization	(2,552)	(2,506)
Net book value	**3,705**	**3,647**

6 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

At 31 March 2017 and 31 December 2016, the financial information regarding the financial interest held is as follows:

			Financial information									Capital owned		
				31 March 2017										
Company	Activity	Head office	Current assets	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	Total comprehensive	%	Carrying amount	Group share of profit / (loss)
Equity method:														
Associate:														
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	461	30,627	1,199	208	334	244	29,681	244	40	11,763	98
Electrogas, S.A.	Transport Gas	Chile	19,892	18,188	55,756	25,271	19,387	8,109	4,047	29,286	4,047	42.5	162,664	1,720
													174,427	1,818
Joint venture														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	5,886	966	847	-	465	17	6,006	17	50	3,000	8
													177,427	**1,826**

			Financial information									Capital owned		
				31 December 2016										
Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	Total comprehensive	%	Carrying amount	Group share of profit / (loss)
Equity method:														
Associate:														
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	680	30,302	1,092	208	1,638	1,070	29,681	30,752	40	11,666	515
Joint venture														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,409	1,109	1,527	1	3,902	1,603	5,989	7,592	50	2,991	798
(a) The company granted an option to sell of 5% of this participation.													**14,657**	**1,314**

Associates

The changes in the caption “Investments in associates” during the period ended 31 March 2017 was as follows:

Investments in associates	
At 1 January 2016	**12,395**
Effect of aplying the equity method	515
Others	(1,244)
At 31 December 2016	**11,666**
Effect of aplying the equity method	1,818
Dividends allocation	(7,422)
Acquisition of interest of Electrogas	168,618
Conversion of financial statements into foreign currency	(252)
At 31 March 2017	**174,427**

On February 7, 2017, the Group acquired an interest of 42.5% in the capital of the chilean company - Electrogas S.A., by USD 180,000,000 (168,618 thousand Euros). This company owns a gas pipeline in the central zone of Chile and its social object is the transport of natural gas and other fuel.

Joint ventures

The movement in the caption “Investments in joint ventures” during the period ended 31 March 2017 was as follows:

Investments	
At 1 January 2016	**2,193**
Effect of aplying the equity method	798
At 31 December 2016	**2,991**
Effect of aplying the equity method	8
At 31 March 2017	**3,000**

At 31 March 2017 and 31 December 2016, the financial information regarding the joint venture held is as follows:

	Other financial information 31 March 2017						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture							
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,500	6	-	(143)	-	-	(5)

	Other financial information 31 December 2016						
	Cash and cash equivalents	Current financial liabilities	Non-current financial	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/inco
Joint venture							
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,166	6	1	(522)	-	(1)	209

7 INCOME TAX

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

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or 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 31 March 2017.

In the year of 2017, 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.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 March 2017, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the three months period ended on 31 March 2017 and 2016 is detailed as follows:

	Mar 2017	Mar 2016
Current income tax	30,263	16,200
Adjustaments of income tax from previous year	-	(176)
Deferred tax	(15,737)	(3,914)
Income tax	**14,526**	**12,109**

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

	Mar 2017	Mar 2016
Consolidated profit before income tax	**53,799**	**44,131**
Permanent differences:		
Positive net worth variation	-	-
Non deductible costs	188	58
Non taxable income	(355)	(1,189)
Timing differences:		
Tariff deviations	58,345	13,705
Provisions and impairments	(423)	(58)
Revaluations	107	1,876
Impairment of revalued assets	-	-
Pension, helthcare assistence and life insurance plans	(1,179)	(1,145)
Derivative financial instruments	347	76
Others	(14)	(14)
Taxable income	110,816	57,439
Tax rate	22,857	12,062
State surcharge tax- taxable income	5,593	3,047
Municipal surcharge	1,649	858
Autonomous taxation	163	233
Current income tax	30,263	16,200
Deferred tax	(15,737)	(3,914)
Deferred tax	(15,737)	(3,914)
Adjustments of estimated tax in previous years	-	(176)
Income tax	**14,526**	**12,109**
Effective tax rate	**27.0%**	**26.1%**

Income tax

The caption “Income tax” payable and receivable as of 31 March 2017 and 31 December 2016 is detailed as follows:

	Mar 2017	Dez 2016
Income tax:		
Corporate income tax - estimated tax	58,193	67,566
Corporate income tax - payments on account	(2,213)	(40,648)
Income withholding tax by third parties	(8)	(43)
Income tax payable	**55,972**	**26,875**

Deferred taxes

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

	Mar 2017	Dez 2016
Impact on the statement of profit and loss		
Deferred tax assets	5,548	(4,722)
Deferred tax liabilities	10,188	16,018
	15,737	11,296
Impact on equity		
Deferred tax assets	(667)	1,709
Deferred tax liabilities	(252)	(796)
	(919)	913
Net impact of deferred taxes	**14,818**	**12,209**

The changes in deferred tax by nature was as follows:

Change in deferred tax assets - March 2017

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Impairment of revalued assets	Others	Total
At 1 January 2017	**1,901**	**36,433**	**11,679**	**3,687**	**8,962**	**162**	**62,825**
Increase/decrease through reserves	-	(52)	-	(616)	-	-	(667)
Reversal through profit and loss	(87)	(342)	-	(2)	(148)	(4)	(583)
Increase through profit and loss	-	-	6,132	-	-	-	6,132
Change in the period	(87)	(394)	6,132	(618)	(148)	(4)	4,881
At 31 March 2017	**1,814**	**36,039**	**17,811**	**3,069**	**8,814**	**158**	**67,706**

Change in deferred tax assets - December 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	-	407	-	1,302	-	-	1,709
Reversal through profit and loss	-	(1,436)	(2,082)	-	(1,219)	(16)	(4,754)
Increase through profit and loss	28	-	-	3	-	-	31
Change in the period	28	(1,029)	(2,082)	1,306	(1,219)	(16)	(3,013)
At 31 December 2016	**1,901**	**36,433**	**11,679**	**3,687**	**8,962**	**162**	**62,825**

Deferred tax assets at 31 March 2017 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

Evolution of deferred tax liabilities - March 2017

	Tariff deviations	Revaluation	Derivative financial instruments	Available-for-sale (fair value)	Total
At 1 January 2017	**38,878**	**24,688**	**-**	**9,461**	**73,027**
Increase/decrease through equity	-	-	-	252	252
Reversal trough profit and loss	(10,014)	(174)	-	-	(10,188)
Change in the period	(10,014)	(174)	-	252	(9,936)
At 31 March 2017	**28,864**	**24,514**	**-**	**9,713**	**63,091**

Evolution of deferred tax liabilities - December 2016

	Tariff deviations	Revaluation	Derivative financial instruments	Available-for-sale (fair value)	Total
At 1 January 2016	**52,930**	**26,645**	**9**	**8,665**	**88,249**
Increase/decrease through equity	-	-	-	796	796
Reversal trough profit and loss	(14,052)	(1,957)	(9)	-	(16,018)
Increase through profit and loss	-	-	-	-	-
Change in the period	(14,052)	(1,957)	(9)	796	(15,222)
At 31 December 2016	**38,878**	**24,688**	**-**	**9,461**	**73,027**

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

The legal documents that establish these revaluations were the following:

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

8 FINANCIAL ASSETS AND LIABILITIES

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

March 2017

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	-	-	-	-	-	28,236	28,236	28,236
Trade and other receivables	10	414,650	-	-	-	-	-	414,650	414,650
Other financial assets		-	-	-	-	-	17	17	17
Available-for-sale financial assets	9	-	-	-	150,524	-	-	150,524	150,524
Derivative financial instruments	11	-	19,605	-	-	-	-	19,605	19,605
Total financial assets		**414,650**	**19,605**	**-**	**150,524**	**-**	**28,253**	**613,032**	**613,032**
Liabilities									
Borrowings	14	-	-	-	-	-	2,597,597	2,597,597	2,648,784
Trade and other payables	17	-	-	-	-	-	319,401	319,401	319,401
Income tax payable	7	-	-	-	-	-	55,972	55,972	55,972
Drivative financial instruments	11	-	9,348	886	-	-	-	10,234	10,234
Total financial liabilities		**-**	**9,348**	**886**	**-**	**-**	**2,972,971**	**2,983,205**	**3,034,391**

December 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
Assets									
Cash and cash equivalents	12	-	-	-	-	-	10,783	10,783	10,783
Trade and other receivables	10	458,971	-	-	-	-	-	458,971	458,971
Other financial assets		-	-	-	-	1,317	14	1,331	1,331
Available-for-sale financial assets	9	-	-	-	150,118	-	-	150,118	150,118
Derivative financial instruments	11	-	20,425	-	-	-	-	20,425	20,425
Total financial assets		**458,971**	**20,425**	**-**	**150,118**	**1,317**	**10,797**	**641,628**	**641,628**
Liabilities									
Borrowings	14	-	-	-	-	-	2,515,137	2,515,137	2,570,554
Trade and other payables	17	-	-	-	-	-	332,091	332,091	332,091
Income tax payable	7	26,875	-	-	-	-	-	26,875	26,875
Drivative financial instruments	11	-	13,275	-	-	-	-	13,275	13,275
Total financial liabilities		**26,875**	**13,275**	**-**	**-**	**-**	**2,847,228**	**2,887,378**	**2,942,796**

Loans obtained, as mentioned in Note 3.6, are initially measured at fair value and subsequently at amortized cost, except for those which it has been contracted a fair value hedge derivative (Note 11) which are measured at fair value. Nevertheless, REN proceeds to the fair value disclosure 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 is calculated by the discounted cash flows method, using the interest rate curve 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 -0.355% and 1.181% (maturities of one day and fifteen years, respectively).

The fair value of borrowings contracted by the Group at 31 March 2017 is 2,648,784 thousand Euros (at 31 December 2016 was 2,570,554 thousand Euros), of which 405,891 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from interest rates changes (at 31 December 2016 was 408,664 thousand Euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2017 in accordance with the following hierarchy levels of fair value:

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

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	97,466	49,516	-	146,982
Financial assets at fair value	Cash flow hedge derivatives	-	11,681	-	11,681
Financial liabilities at fair value	Fair value hedge derivatives	-	7,924	-	7,924
		97,466	**69,121**	**-**	**166,587**
Liabilities:					
Financial liabilities at fair value	Loans	-	405,891	-	405,891
Financial liabilities at fair value	Cash flow hedge derivatives	-	9,348	-	9,348
Financial liabilities at fair value through profit and loss	Negotiable derivatives	-	886	-	886
		-	**416,125**	**-**	**416,125**

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

Since the last annual report period until 31 March 2017, 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 2016. A description of the risks can be found in Note 4 - Financial Risk Management of the consolidated financial statements for the year ended 2016.

9 ASSETS AVAILABLE FOR SALE

The assets recognised in this caption as of 31 March 2017 and 31 December 2016 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	Mar 2017	Dec 2016
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Electrica Corporacion, S.A. ("REE")	Madrid	Spain	1.00%	97,466	97,060
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Moçambique	7.50%	49,516	49,516
Coreso, S.A.	Bruxelas	Bélgica	8.30%	173	173
MIBGAS, S.A.	Madrid	Espanha	6.67%	202	202
				150,524	**150,118**

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	REE	Coreso	MIBGÁS	Total
At 1 January 2016	**3,167**	**600**	**47,104**	**104,384**	**208**	**-**	**154,862**
Acquisitions	-	-	-	-	-	202	202
Fair value adjustments	-	-	2,412	(7,324)	-	-	(4,912)
Disposals	-	-	-	-	(35)	-	(35)
Impairment	-	(600)	-	-	-	-	-
At 31 December 2016	**3,167**	**-**	**49,516**	**97,060**	**173**	**202**	**150,118**
At 1 January 2017	**3,167**	**-**	**49,516**	**97,060**	**173**	**202**	**150,118**
Acquisitions	-	-	-	406	-	-	406
Fair value adjustments	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairment	3,167	-	49,516	97,466	173	202	150,524
At 31 March 2017	**3,167**	**-**	**49,516**	**97,466**	**173**	**202**	**150,524**

Red Eléctrica de España ("REE") is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 March 2017.

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.

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

As there are no available market price for the above referred investments (OMEL, MIBGAS and Coreso), 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 2016.

There is no evidence of impairment loss regarding the investments of OMEL, MIBGAS and Coreso at 31 March 2017.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve" that as of 31 March 2017 and 31 December 2016 had the following amounts:

	Fair value reserve (Note 13)
1 January 2016	**54,489**
Changes in fair value	(4,912)
Tax effect	(796)
31 December 2016	**48,781**
1 January 2017	**48,781**
Changes in fair value	406
Tax effect	(252)
31 March 2017	**48,935**

10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 31 March 2017 and 31 December 2016 are made up as follows:

	Mar 2017			Dec 2016		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	274,420	155	274,575	290,505	355	290,860
Impairment of trade receivables	(843)	-	(843)	(843)	-	(843)
Trade receivables net	273,577	155	273,732	289,662	355	290,017
Tariff deviations	92,001	10,895	102,896	129,007	9,790	138,797
State and Other Public Entities	38,022	-	38,022	30,157	-	30,157
Trade and other receivables	**403,600**	**11,050**	**414,650**	**448,826**	**10,145**	**458,971**

The most significant amounts in trade receivables are the receivables from: (i) EDP – Distribuição de Energia, S.A. in the amount of 78,128 thousand Euros (74,397 thousand Euros as of 31 December 2016); (ii) Galp in the amount of 12,472 thousand Euros (22,751 thousand Euros as of 31 December 2016); and (iii) the amount of 95,000 thousand Euros (95,000 thousand Euros as of December 2016), 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 21,099 thousand Euros

(26,534 at 31 December 2016) and the amount still to invoice to EDP – Distribuição de Energia, S.A., of 5,623 thousand Euros (5,788 thousand Euros at 31 December 2016) 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:

	Mar 2017	Dec 2016
Begining balance	**(843)**	**(927)**
Increases	-	-
Utilization (i)	-	56
Reversing	-	28
Ending balance	**(843)**	**(843)**

11 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2017 and 31 December 2016 the REN Group had the following derivative financial instruments contracted:

		31 March 2017			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	363 462 tEuros	-	-	719	8 629
Interest rate and currency swaps	10.000 MJPY / 72.899 tEUR	-	11 681	-	-
		-	11 681	719	8 629
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	7 924	-	-
		-	7 924	-	-
Trading derivatives	60,000 tEUR	-	-	-	886
Derivative financial instruments		**-**	**19 605**	**719**	**9 515**

		31 December 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	363 462 tEuros	-	-	1 063	11 072
Interest rate and currency swaps	10.000 MJPY / 72.899 tEUR	-	8 673	-	-
		-	8 673	1 063	11 072
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	11 753	-	-
		-	11 753	-	-
Trading derivatives					
Trading derivatives	60,000 tEUR	-	-	-	1 139
		-	-	-	1 139
Derivative financial instruments		**-**	**20 425**	**1 063**	**12 212**

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

The amount recorded in this caption relates to interest rate and cross currency swaps, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates, whose counterpart are financial foreign and domestic entities financial entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 31 March 2017 relating to these derivatives financial instruments, in the total net amount receivable of 350 thousand Euros (1,950 thousand Euros receivable as of 31 December 2016).

The main features of the derivatives financial instruments contracted associated with financing operations at 31 March 2017 and 31 December 2016 are detailed as follows:

	Reference value	Currency	REN's payments	REN's receipts	Maturity	Fair value at Mar 2017	Fair value at Dec 2016
Cash flow hedge:							
Interest rate swaps	363 462 TEuros	EUR	[0,75%;1,89%]	[-0.33%;0.00%] - floating rates	[sep-2017;dec-2024]	(9,348)	(12,136)
Interest rate and currency swaps	10 000 000 TJPY / 72 899 TEuros	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	11,681	8,673
						2,333	**(3,463)**
Fair value hedge:							
Interest rate swaps	400 000 TEuros	EUR EUR	[-0,24%;0,13%] - floating rates	[0.61%;1.72%]	[oct-2020;feb-2025]	7,924	11,753
						7,924	**11,753**
Trading:							
Interest rate swaps	60 000 TEuros	EUR	future floating rates	[0.00%;0.99%]	2024	(886)	(1,139)
						(886)	**(1,139)**
					Total	**9,371**	**7,150**

The schedule of the cash flows of the derivative financial instruments portfolio is quarterly for cash flow hedge agreements and semi-annual and annual basis for derivative designated as a fair value hedge and semi-annual for the trading derivative.

The maturity schedule of cash flows and fair value hedge derivatives notional is shown in the following table:

	2017	2018	2019	2020	2021	2022	Following years	Total
Interest rate swap (cash flow hedge)	63,462	-	-	-	-	-	300,000	363,462
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
Total	**63,462**	**-**	**-**	**100,000**	**-**	**-**	**732,899**	**896,361**

<u>Swaps:</u>

Cash flow hedges

The Group hedges part of its future payments of interests on borrowings and bond issues through the designation of interest rate swaps, on which REN pays a fixed rate and receives a variable rate.

As of 31 March 2017 the total amount of cash flow hedge is 363,462 thousand Euros (363,462 thousand Euros as of 31 December 2016). This refer to a hedge of the interest rate risk associated with variable interest payments arising from recognized financial liabilities. The hedged risk is the index of the variable rate to which the interest of the financing is associated. The objective of this hedge is to convert loans at floating interest rates into fixed interest rate, the credit risk is not being hedged. The fair value of interest rate swaps at 31 March 2017 is negative 9,348 thousand Euros (at 31 December 2016, 12,136 thousand Euros negative).

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

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

The fair value of the cross currency swap at 31 March 2017 was 11,681 thousand Euros positive (8,673 thousand Euros positive at 31 December 2016).

The underlying (borrowing) foreign exchange change for 31 March 2017, 2,610 thousand Euros negative (1,891 as of 31 March 2016 negative), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The ineffective component of the fair value hedge amounted at 31 March 2017 to 5,938 thousand Euros positive (6,196 thousand Euros positive at 31 December 2016). The effect recorded in the consolidated income statement for the three-month period ended March 31, 2017 amounts to Euro 258 thousand.

The amount recorded in reserves relating to the above mentioned cash flow hedge was 13,636 thousand Euros (17,542 thousand Euros at 31 December 2016).The changes in this caption (Note 13) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2016	**(11,342)**	**2,382**	**8,960**
Changes in fair value and ineffectiveness	(6,200)	1,302	(4,898)
31 December 2016	**17,542**	**(3,684)**	**13,858**
1 January 2017	**17,542**	**(3,684)**	**13,858**
Changes in fair value and ineffectiveness	(3,906)	616	(3,290)
31 March 2017	**13,636**	**(3,068)**	**10,568**

Fair value hedge

To manage the fair value changes of debt issues, the Group trades interest rate swaps on which it pays a variable interest rate and receives a fixed interest rate.

As of 31 March 2017 the notional amount of fair value hedge derivatives reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2016). The covered risk is the fixed rate index to debt issued. The covered risk is the fair value changes of debt issues related to interest rate fluctuations. The objective of this hedging is to convert debt at fixed interest rates into variable interest rate, the credit risk is not being hedged.

The fair value of these interest rate swaps at 31 March 2017 was 7,924 thousand Euros positive (11,753 thousand Euros positive as of 31 December 2016).

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in the statement of profit and loss in order to offset changes in the fair value of the hedge instrument recorded in the statement of profit and loss.

As of 31 March 2017, the fair value change of the 400,000 thousand Euros debt related with interest rate risk amounted to 2,773 thousand Euros positive (13,545 thousand Euros negative as of 31 March 2016), causing an ineffective component of 80 thousand Euros (positive) (5 thousand Euros positive as of 31 March 2016).

Trading Swap

REN has an interest rate forward start swap with a start date on 2019 and maturity on 2024, on which pays a fixed rate and receives a variable rate.

This derivative despite not being considered as a hedging instrument in accordance with IAS 39, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 31 March 2017 the notional amount of this trading derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2016). This is an hedging of interest rate risk of future variable interest rate cash flows associated with the Group finance liabilities. The hedged risk is a variable rate index to which the debt interests are associated. The objective of this hedging is to convert cash flows at a variable rate into a fixed rate, the credit risk is not hedged. The fair value of this negotiation derivative as of 31 March 2017 amounts to 886 thousand Euros negative (1,139 thousand Euros negative as of 31 December 2016).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 31 March 2017 the amount related with the fair value of the trading derivative was an income of 254 thousand Euros (expense of 1,775 thousand Euros as of 31 March 2016).

12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 31 March 2017 and 31 December 2016 are made up as follows:

	Mar 2017	Dec 2016
Cash	21	1
Bank deposits	28,217	10,782
Cash and cash equivalents in the statement of financial position	**28,237**	**10,783**
Bank overdrafts (Note 14)	(512)	(103)
Cash and cash equivalents in cash flow statement	**27,725**	**10,680**

13 EQUITY INSTRUMENTS

Share capital

REN's subscribed and paid up share capital as of 31 March 2017 and 31 December 2016 was made up of 534,000,000 shares of 1 Euro each.

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

Own shares

As of 31 March 2017 REN SGPS had the following own shares:

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

No own shares were acquired or sold in the three month period ended 31 March 2017.

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

Reserves and retained earnings

The caption “Reserves” in the amount of 322,397 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 31 March 2017 this caption amounts to 106,800 thousand Euros;

- Fair value reserves: includes changes in the fair value of available for sale financial assets (48,935 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 10,568 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 31 March 2017, this caption amounts to 177,230 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 segregation of borrowings between current and non-current and by nature, as of 31 March 2017 and 31 December 2016 was as follows:

	Mar 2017			Dec 2016		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	192 800	1 476 506	1 669 306	30 000	1 670 110	1 700 110
Bank Borrowings	46 730	495 349	542 078	61 730	495 349	557 078
Commercial Paper	238 000	150 000	388 000	101 000	152 000	253 000
Bank overdrafts (Note 12)	512	-	512	103	-	103
Finance Lease	1 260	1 551	2 811	1 400	1 818	3 218
	479 302	2 123 406	2 602 708	194 232	2 319 277	2 513 510
Accrued interest	33 467	-	33 467	42 174	-	42 174
Prepaid interest	(18 990)	(19 588)	(38 578)	(19 812)	(20 734)	(40 546)
Borrowings	**493 779**	**2 103 818**	**2 597 597**	**216 594**	**2 298 543**	**2 515 137**

At 31 March 2017 borrowings settlement plan was as follows:

	2017	2018	2019	2020	2021	2022	Following years	Total
Debt - Non current	-	47,805	228,050	381,002	73,545	48,886	1,344,119	2,123,406
Debt - Current	286,502	192,800	-	-	-	-	-	479,302
	286,502	**240,605**	**228,050**	**381,002**	**73,545**	**48,886**	**1,344,119**	**2,602,708**

Detailed information regarding bond issues as of 31 March 2017 is as follows:

31 March 2017					
Emission date	**Maturity**	**Inicial amount**	**Outstanding amount**	**Interest rate**	**Periodicity of interest payment**
'Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	TEUR JPY 10.000.000 (i)	TEUR JPY 10.000.000	Fixed rate (ii)	Semi-Annual
16/01/2013	16/01/2020	TEUR 150.000 (i)	TEUR 90.000	Floating rate	Quarterly
31/01/2013	31/01/2018	TEUR 300.000	TEUR 162.800	Fixed rate EUR 4,125%	Annual
17/10/2013	16/10/2020	TEUR 400.000 (ii)	TEUR 267.755	Fixed rate EUR 4,75%	Annual
12/02/2015	12/02/2025	TEUR 300.000 (ii)	TEUR 500.000	Fixed rate EUR 2,50%	Annual
01/06/2016	01/06/2023	TEUR 550.000	TEUR 550.000	Fixed rate EUR 1,75%	Annual

(i) These issues correspond to private placements.
(ii) These issues have interest currency rate swaps associated

As of 31 March 2017, the Company has five commercial paper programs in the amount of 1,050,000 thousand Euros, of which 662,000 thousand Euros are available for utilization. Of the total amount, 650,000 thousand Euros have a subscription guarantee.

Bank loans are mainly agreed with the European Investment Bank (EIB), which at 31 March 2017 amounted to 497,078 thousand Euros (at 31 December 2016 it was 497,078 thousand Euros).

The Company has also credit facilities 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, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 2,773 thousand Euros (positive) (at 31 March 2016 was 13,545 thousand Euros (negative)).

The Company’s financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Leverage ratios and Gearing (ratio of total consolidated equity to the amount of the Group’s total concession assets). The Gearing ratio comfortably meets the limits defined being 71% above the minimum.

Banks loans with EIB also include covenants relating to rating and other financial ratios in which the Group may be required to provide an acceptable guarantee to the EIB in the event of verification of the ratios or rating below the stipulated levels.

REN 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 of control as a result of takeover bids) and essential to the realization of such transactions on applicable market context. In any case, the practical application of these clauses is limited considering the legal restrictions of REN shares ownership.

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 minimum payments of the financial leases and the actual value of the financial leases passive at 31 March 2017 and 31 December 2016 are as follows:

	Mar 2017	Dec 2016
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,272	1,439
Later than 1 year and no later than 5 years	1,585	1,844
	2,857	3,283
Future finance charges on finance leases	(46)	(65)
Present value of finance lease liabilities	**2,811**	**3,218**

	Mar 2017	Dec 2016
Present value of finance lease liabilities		
No later than 1 year	1,260	1,400
Later than 1 year and no later than 5 years	1,551	1,818
	2,811	**3,218**

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 31 March 2017 and 31 December 2016 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	Mar 2017	Dez 2016
Liability on the Balance Sheet		
Pension plan	82,449	83,871
Healthcare plan and other benefits	41,866	41,802
	124,315	**125,673**

During the three month period ended 31 March 2017 and 31 March 2016 the following operating expenses were recorded regarding benefit plans with employees:

	Mar 2017	Mar 2016
Charges to the statement of profit and loss (note 22)		
Pension plan	1,125	1,205
Healthcare plan and other benefits	324	371
	1,449	**1,576**

The amounts reported to 31 March 2017 and 2016 result from the projection of the actuarial valuation as of 31 December 2016 and 2015, for the three month period ended 31 March 2017 and 2016, considering the estimated increase in salaries for 2017 and 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:

	Dec 2016	Dec 2015
Annual discount rate	1.80%	2.00%
Expected percentage of serving employees elegíble 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 elegíble for early retirement - by Management act	20.00%	20.00%
Rate of salary increase	2.50%	2.80%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	0.50%	-
Inflation rate	1.50%	1.50%
Medical trend	2.50%	3.50%
Management costs (per employee/year)	242	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:

	Mar 2017	Dec 2016
Begining balance	**6,955**	**6,888**
Increases	-	1,012
Reversing	(67)	(496)
Utilization	(326)	(449)
Ending balance	**6,562**	**6,955**
Current provision	-	801
Non-current provision	6,562	6,154
	6,562	**6,955**

As of 31 March 2017 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, in the amount of 5.891 thousand Euros, and the restructuring provision in the amount of 671 thousand Euros, related to the Group’s restructuring plan in course.

17 TRADE AND OTHER PAYABLES

The caption “Trade and other payables” as of 31 March 2017 and 31 December 2016 was made up as follows:

	Mar 2017			Dec 2016		
	Current	Non current	Total		Non current	Total
Trade payables						
Current suppliers	113,153	-	113,153	127,388	-	127,388
Other creditors						
Other creditors	54,063	29,680	83,743	31,561	29,884	61,445
Tariff deviations	7,064	37,094	44,158	12,923	8,792	21,715
Fixed assets suppliers	45,735	-	45,735	104,230	-	104,230
Tax payables (Note 12) (i)	27,076	-	27,076	12,793	-	12,793
Deferred income						
Grants related to assets	18,096	276,447	294,543	18,124	279,450	297,574
Accrued costs						
Holidays and holidays subsidies	5,536	-	5,536	4,520	-	4,520
Trade and other payables	**270,722**	**343,222**	**613,944**	**311,539**	**318,126**	**629,664**

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

The caption “Trade and other payables” includes: (i) the amount of 41,268 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (46,102 thousand Euros at 31 December 2016); (i) the amount of 26,865 thousand Euros of investment projects not yet invoiced (34,707 thousand Euros at 31 December 2016); (iii) the amount of 21,099 thousand Euros (26,534 thousand Euros at 31 December 2016) 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 5,623 thousand Euros (5,788 thousand Euros at 31 December 2016) regarding the CMEC, which was also reflected in the caption of “Trade and other receivables” (Note 10).

This transaction sets a pass-through in the consolidated income statement of REN.

As of March 31, 2017, the caption "Other creditors" includes the responsibility for the extraordinary contribution on the energy sector in the amount of 25,798 thousand Euros (at March 31, 2016 was 25,938 thousand Euros).

18 SALES AND SERVICES RENDERED

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

	Mar 2017	Mar 2016
Goods:		
Domestic market	15	95
	15	95
Services:		
Electricity transmission and overall systems management	94,326	89,365
Natural gas transmission	30,127	27,308
Regasification	7,801	9,415
Underground gas storage	3,388	6,120
Telecommunications network	1,254	1,264
Trading	2,128	1,063
Others	422	623
	139,445	135,159
Total sales of goods and services	**139,460**	**135,253**

19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets for the three month periods ended 31 March 2017 and 2016 is the following:

	Mar 2017	Mar 2016
Revenue from construction of concession assets		
- Acquisitions	10,056	7,860
- Own work capitalised :		
Financial expenses (Note 5)	486	563
Overhead and management costs (Note 5)	2,571	2,902
	13,112	**11,325**
Cost of construction of concession assets		
- Acquisitions	10,056	7,860
	10,056	**7,860**

20 OTHER OPERATING INCOME

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

	Mar 2017	Mar 2016
Recognition of investment subsidies	4,524	4,533
Supplementary income	343	393
Others	629	139
	5,496	**5,065**

21 EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the three month periods ended 31 March 2017 and 2016 is made up as follows:

	Mar 2017	Mar 2016
Gas transport subcontracts	827	1,067
Maintenance costs	987	905
Fees relating to external entities i)	2,656	1,156
Electric energy costs	1,876	1,130
Insurance costs	798	799
Advertising and communication costs	222	223
Security and surveillance	417	412
Other (less than 400 thousand Euros)	1,905	1,005
External supplies and services	**9,688**	**6,697**

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

22 PERSONNEL COSTS

Personnel costs are made up as follows:

	Mar 2017	Mar 2016
Remuneration		
Board of directors	580	595
Personnel	7,932	7,958
	8,512	8,552
Social charges and other expenses		
Post-employement and other benefits cost (Note 15)	1,449	1,576
Social contribution costs	1,734	1,767
Social support costs	26	23
Other	442	526
	3,650	3,892
Total personnel costs	**12,162**	**12,445**

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

23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

	Mar 2017	Mar 2016
ERSE operating costs i)	2,435	2,302
Taxes	183	290
Donations and contributions	773	721
Others	560	252
	3,951	**3,565**

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

24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

	Mar 2017	Mar 2016
Financial costs		
Interest on bonds issued	12,461	17,449
Interest on commercial paper issued	1,049	1,374
Other borrowing interests	3,502	5,557
Derivative financial instruments	258	1,775
Other financing expenditure	1,438	400
	18,708	**26,555**
Financial income		
Interest income	8	7
Derivative financial instruments	975	2,980
Other financial investments	1,961	-
	2,944	**2,987**

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. 15—C/2015, of 30 December, and Law 42/2016, for the year of 2016 and 2017, 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 2017 (1 January 2017) 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 2017) 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 liabilities in the amount of 25,798 thousand Euros (Note 17) (for the three months period ended 31 March 2016 was 25,938 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:

		Mar 2017	Mar 2016
Consolidated net profit used to calculate earnings per share	(1)	13,475	6,084
Number of ordinary shares outstanding during the period (Note 13)	(2)	534,000,000	534,000,000
Effect of own shares (Note 13)		3,881,374	3,881,374
Number of shares in the period	(3)	530,118,626	530,118,626
Basic earnings per share (euro per share)	**(1)/(3)**	**0.03**	**0.01**

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 11 May 2017, the shareholders approved the distribution of dividends with respect to the net profit of 2016, 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.

28 GUARANTEES GIVEN

As of 31 March 2017 and 31 December 2016 the REN Group had given the following guarantees:

Beneficiary	Scope	Mar 2017	Dec 2016
European Investment Bank (EIB)	To guarantee loans	270,430	278,033
General Directorate of Energy and Geology	To guarantee compliance with the obligations assumed resulting from the contract relating to the public service concession	20,500	20,500
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Court of the District of Lisbon	Ensure suspension of the continuation of the pending enforcement process	5,530	5,530
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	2,312	2,312
Municipal Council of Seixal	Guarantee for litigation	2,152	2,152
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Silves	Guarantee for expropriation processes	352	352
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 on a financing 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	79
GSE - Georgian State Electrpsystem JSC	Providing services contract	57	57
Social Security Institution	Ensure compliance with obligations	15	15
Câmara Municipal de Lisboa	Guarantee the suspension of municipal tax	9	9
Câmara Municipal de Vila Nova de Gaia	Guarantee the suspension of process nº 412/13	2	2
		308,724	**316,327**

29 RELATED PARTIES

Main shareholders and shares held by corporate bodies

As of 31 March 2017 and 31 December 2016, the shareholder structure of Group REN was as follows:

	Mar 2017		Dec 2016	
	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.	28,368,817	5.31%	28,370,665	5.31%
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Internacional, S.A.U.	26,700,000	5.00%	26,700,000	5.00%
The Capital Group Companies, Inc.	25,365,000	4.75%	26,792,304	5.02%
Great-West Lifeco, Inc.	10,980,987	2.06%	10,980,987	2.06%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free float	331,896,487	37.15%	196,967,335	36.89%
	534,000,000	**100.00%**	**534,000,000**	**100.00%**

Transaction over REN shares by the Board of Directors

There were no transactions made by board members, compared to the consolidated financial statements of REN, on 31 December 2016, 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 three month period ended 31 March 2017 amounted to 580 thousand Euros (595 thousand Euros on 31 March 2016), as shown in the following table:

	Mar 2017	Mar 2016
Remuneration and other short term benefits	366	381
Management bonuses	214	214
	580	**595**

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 in the consolidated financial statements (Note 3.2 of the notes to the consolidated financial statements as of 31 December 2016).

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

Balances and transactions held with associates and other related parties

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

Revenue

	Mar 2017	Mar 2016
Sales and services provided		
Invoicing issued - EDP	397,061	277,550
Invoicing issued - REE	814	319
Invoicing issued - Centro de Investigação em Energia REN - State Grid	32	32
	397,907	**277,900**

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

Costs

	Mar 2017	Mar 2016
External supplies and services		
Invoicing received - EDP	121,794	85,704
Invoicing received - REE	4,113	2,347
Invoicing received - CMS Rui Pena & Arnaut[1]	20	23
	125,927	**88,074**

[1] Entity related to the Administrator José Luis Arnaut

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

Balances

As of 31 March 2017 and 31 December 2016 the balances resulting from transactions with related parties were as follows:

	Mar 2017	Dec 2016
Trade and other receivables		
EDP - Trade receivables	92,969	93,820
EDP - Guarantees	155	155
EDP - Other receivables	2,650	4,813
OMIP - Trade receivables	-	2,976
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	9	78
Centro de Investigação em Energia REN - State Grid - Trade receivable	-	8
REE - Trade receivables	162	160
	95,946	**102,011**
Trade and other payables		
EDP - Trade payables	10,547	4,761
Centro de Investigação em Energia REN - State Grid - Other payables	-	78
REE - Trade payables	1,062	678
CMS - Rui Pena & Arnaut - Trade payables [1]	18	16
	11,626	**5,533**

[1] Entity related to the Administrator José Luis Arnaut

30 SUBSEQUENT EVENTS

On April 7, the Group, informs to the market and the general public that its subsidiary REN Gás, S.A. entered into a purchase agreement with EDP Iberia, S.L.U. for the acquisition of the entire share capital of EDP Gás, S.G.P.S., S.A. (“EDP Gás”) and its subsidiaries, EDP Gás Distribuição, S.A. and EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A.. As per the agreement, the acquisition is subject to certain conditions precedent, including customary regulatory approvals. The agreed transaction does not include any natural gas supply activities, in particular, due to regulatory restrictions. For this reason, the natural gas last resort supplier – EDP Gás, Serviço Universal, S.A. – will be carved out of the current EDP Gás perimeter before completion.

The Board of Directors has approved a funding structure for the transaction, which consists of credit facilities and a share capital increase via new cash contributions, subject to the approval by REN´s relevant corporate bodies.

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 Chief Executive Officer)

Omar Al Wahaibi
(Member of the Board of Directors)

João Faria Conceição
(Member of the Board of Directors and Chief Operational Officer)

Jorge Magalhães Correia
(Member of the Board of Directors)

Gonçalo Morais Soares
(Member of the Board of Directors and Chief Financial Officer)

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

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

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

Mengrong Cheng
(Member of the Board of Directors)

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

Longhua Jiang
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

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REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Introduction

We have reviewed the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the Entity) and of its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2017 (that presents a total of 4,647,726 thousand euros and equity of 1,176,011 thousand euros, including a net profit of 13,475 thousand euros), the consolidated statement of profit and loss by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three month period then ended, and the accompanying notes to the consolidated financial statements.

Management's Responsibility

Management is responsible for the preparation of consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards requires us to perform our review in order to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of 31 March 2017, are not prepared, in all materials respects, in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

Lisbon, 22 May 2017

Deloitte & Associados, SROC S.A.
Represented by Pedro Miguel Gonçalves Carreira Mendes, ROC