REN

B—O—U
N—D—L
E—S—S

CONNECTIONS

ANUAL
REPORT ‘16

A YEAR OF ENERGY IN NUMBERS

ELECTRICITY

49.3 TWh
ELECTRICAL POWER CONSUMPTION

46.7 TWh
ENERGY TRANSMITTED BY NATIONAL TRANSMISSION SYSTEM

0.34'
INTERRUPTOR TIME (MINUTES)

9,140 MW
MAXIMUS POWER ENERGY TRANSMITTED

NATURAL GAS

55.8 TWh
NATURAL GAS CONSUMPTION

56.7 TWh
GAS TRANSMITTED BY THE NACIONAL NATURAL GAS TRANSMISSION SYSTEM

6.9 %
AN INCREASE CONSUMPTION OF NATURAL GAS

11.6 GWh
MAXIMUM HOURLY CONSUMPTION

FINANCIAL INDICATORS

476.0 M€
EBITDA

171.5 M€
INVESTMENT

100.2 M€
NET INCOME

3,537.1 M€
AVERAGE RAB

PERFORMANCE INDICATORS

27,009
HOURS OF TRAINING

107,353
TREES PLANTED

608
EMPLOYEES

INDEX

From left to right:

GONÇALO MORAIS SOARES
CFO and member of the Executive Committee

RODRIGO COSTA
Chairman of the Board of Directors and the Executive Committee

JOÃO FARIA CONCEIÇÃO
COO and member of the Executive Committee

01 ___ MESSAGE FROM THE CHAIRMAN

IN 2016, WORK CONTINUED TO IMPLEMENT THE PLANS PRESENTED TO THE PUBLIC THE PREVIOUS YEAR.

Certain that our approach remains up to date, I'd like to start by recalling the three main pillars of our strategy:

1. Retain focus on operations, managing our concessions for the transmission of electricity and transmission and storage of natural gas with the highest standards of safety and efficiency;
2. Maintain solid financial discipline based on conservative policies which aim to safeguard our investment level rating, while also maintaining a steady and sustainable dividend policy;
3. Seek opportunities for growth in markets where economic stability and policy match our low risk profile, and which are compatible with our medium and long-term financial goals.

This strategy is built on our core values:

To manage human capital positively by investing in training and development, to lead in technological innovation and processes and to act in a responsible and demanding manner both socially and ethically.

To employ corporate governance which is defined in accordance with the strictest standards of transparency and fully respects the rights of our shareholders in general, complying with all legal requirements.

To ensure our commitment to the communities we serve through an active policy of social and environmental sustainability, and finally, to work with the aim of meeting our responsibilities, including the creation of long-term value and sustainability for the company.

2016 WAS ONCE AGAIN A YEAR WHERE WE WERE SUCCESSFUL IN ACHIEVING OUR GOALS

Recalling our strategy and the premises on which our work and culture are based is useful as it brings them to mind in our day-to-day endeavours and helps us maintain a steady course.

2016 was once again a year where we were successful in achieving those goals. This report sets out the information required to confirm that we met targets in operations as well as in administrative and support areas.

It is important to remember that 2016 was not a year entirely free of difficulties with regard to planning and investment. These difficulties mainly centered on several important projects which did not go ahead due to lack of approval from public bodies.

We achieved a positive financial balance and the cost of our debt fell from 4.1% to 3.2%, reflecting our solidity and financial stability. Our rating also continues to be at investment grade at the three largest international agencies.

REN can be justifiably proud of the responsible and efficient manner in which concessions are managed. Unbiased corroboration can be found by comparing key indicators for our work with those of our European and international counterparts. For example, the results of the most recent ITOMS (International Transmission Operations and Maintenance Study), an independent benchmarking study on the operation and maintenance of electrical power transmission systems, places REN as one of the best Transmission System Operators (TSOs) in the world when it comes to "Costs vs. Performance".

A further milestone was seen last year in the international investment we made. In line with the strategy defined in 2015, REN acquired a 42.5% stake in Electrogas, Chile. This company owns a natural gas (NG) pipeline connecting the terminal at the country's main port to Santiago do Chile, and supplies NG to several energy production plants as well as numerous residential areas of the capital. The investment was around 180 million USD will allow REN's asset base to continue to grow and provide stable and suitable earnings for our field of work until the end of the concession. This investment was also an excellent fit for the investment opportunities REN believes it should explore.

In 2016, we successfully repeated a range of initiatives we organize every year under the umbrella of our social responsibility programme. Highlights include another REN Award event, which for over 20 years has distinguished the best Masters' theses in energy at Portuguese universities and the Agir Award, which supports and promotes initiatives helping resolve social issues in communities all over Portugal. Defence of the principles set out in the United Nations Global Compact was also seen in 2016 through our ongoing commitment to this initiative.

When this message is read, we'll already be in the second quarter of 2017, and experiencing the responsibilities of wanting to continue to comply with our mission.

Our expectations for 2017 are in line with events of recent years.

Our work is technically complex and highly critical, and power generation systems are evolving towards ever greater incorporation of renewable sources. This in turn gives rise to new challenges in the management of the energy system. REN has always been at the forefront of renewable energy integration and we feel that we are well prepared to face the upcoming challenges. We will continue to invest in engineering with the aim of always being able to provide the best solutions in terms of planning, operations and safety.

We have a highly competent organization which is prepared to meet its responsibilities both today and in the future. We understand the evolution of our industry and are aware of the opportunities as well as the difficulties which will no doubt arise, without ever ceasing to maintain our level of exceptional quality at every level.

We are ready to provide the answer and a positive contribution both with regard to the challenges we will face in the national energy market and in relation to the international projects we are involved in, the Cahora Bassa dam in Mozambique and Electrogas in Chile.

I'd like to conclude by expressing my thanks to all those who work at REN, the public entities in the energy sector in Portugal, our partners and shareholders and our Board of Directors.

My very best thanks

Rodrigo Costa

02 ___ APPROACH (TO REPORT)

This report brings together the information required to meet our commitments and legal financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders. It also deals with corporate governance and ethics during 2016. Since 2010, REN has combined financial and sustainability reporting in a single document issued every year.

The consolidated and individual financial statements were approved by the Board of Directors at their meeting of 30 March 2017.
The remainder of this report was also generally approved by the Board in 2017. It is the Board of Directors' opinion that the information in this report accurately reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its present situation, policies, organization, practices and operating results in areas of sustainability considered to be most relevant in compliance with the reference Standards and Directives as implemented.

This report is complemented by the following publicly available information :

- Sustainability brochure 2016
- Company website[1]

FINANCIAL REPORTING

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 1 January 2016. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC), and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standard Interpretation Committee (SIC), which have been implemented in the EU should be understood as forming part of those standards.

[1] www.ren.pt

The attached financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 July and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2016.

For further information on the principles and rules followed for financial information, please see Chapter 6.

The accounts were audited by Deloitte & Associados, SROC S.A.

SUSTAINABILITY REPORTING

This report, as with previous reports, was drawn up in accordance with GRI (Global Reporting Initiative) guidelines, the international standard for the development of sustainability models. The G4 version of the guidelines has been adopted for the second time and in accordance with the conformity option "broad based". Following GRI guidelines, an analysis was conducted of the materially relevant areas which provided the focus of the report on social, environmental and economic issues.

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures. This report is also the vehicle for this information and as such, the correspondence table between the content of this report and the GRI and UNGC references is included. Further information on the UNGC initiative can be consulted on the REN website[2].

It is REN's aim to meet the principles set out in Standard AA1000APS (inclusion, materiality and relevance). This report also demonstrates how these principles are incorporated into the management of our business, more specifically with regard to the information in Chapter 5.

The sustainability information in this report was subject to independent external verification by Deloitte & Associados, SROC S.A., in accordance with the principles of Standard ISAE 3000 (International Standard on Assurance Engagements 3000). Deloitte also took into consideration Standard AA1000AS (Accountability 1000 Assurance Standard - 2008), GRI G4 and the Standard AA1000APS (Accountability Principles Standard - 2008). This check provides a limited guarantee level of reliability.

[2] www.ren.pt

COVERAGE

This report covers the financial and sustainability performance of all REN Group companies from 1 January 2016 to 31 December 2016.

MATERIAL AREAS

In accordance with GRI G4 requirements, this report focuses mainly on the issues identified as relevant in the materiality analysis. In line with GRI recommendations, REN listened to its stakeholders and took into consideration other external and internal factors such as peer sustainability references and reports. This material was used to sample materially relevant topics for purposes of sustainability management. This resulted in a new sustainability strategy for the 2014-2016 period based on three pillars - economic, environmental and social. These pillars provided the basis for determining the areas of sustainability seen as relevant for the purposes of this report.

Material topics were considered to be environmental policy/environmental management systems, safety, reliability, quality and supply security, health and safety at work, impact on communities, prevention of climate change and the management of human capital and diversity. Other topics included were economic performance, respect for human rights - control tools and demand management.

Further information on this process is available in the chapter on sustainability and in the GRI Table in this report, where material areas are also duly identified and addressed.

REN material areas for reporting purposes which do not correspond directly to any of the priority areas of the REN sustainability strategy, although they may partially overlap some of these areas:

- Economic Performance
- Respect for human rights – control tools
- Demand management

REN material areas for management purposes (priority areas of the REN sustainability strategy):

- Safety, reliability, quality and supply security
- Management of human capital and diversity
- Health and safety at work
- Environmental policy/ Environmental management systems
- Prevention of climate change
- Impact on communities

REN material areas for sustainability reporting purposes:

- Safety, reliability, quality and supply security
- Management of human capital and diversity
- Health and safety at work
- Environmental policy/ Environmental management systems
- Prevention of climate change
- Impact on communities
- Economic Performance
- Respect for human rights – control tools
- Demand management

CONTACTS

For further information please contact:
sustentabilidade@ren.pt e ir@ren.pt.

03 ___ REN AT A GLANCE

3.1. › REN PROFILE

REN's core business is energy transmission and the management of energy transmission systems and we are present in the electricity and natural gas markets. We are one of the few operators in Europe with this characteristic:

- in electricity, REN works in the transmission of very high voltage (VHV) and the overall technical management (OTM) of the national electricity system, under a 50-year public concession, which REN – Rede Eléctrica Nacional, S.A., a company wholly owned by REN, has held since 2007;
- in natural gas, through the high pressure (HP) transmission of gas and the OTM of the national natural gas system, from the reception, storage and regasification of liquefied natural gas to the underground storage of gas, under the 40-year public concessions held by the REN Group companies REN Gasodutos, S.A., REN Atlântico – Terminal de GNL, S.A. and REN Armazenagem, S.A. (respectively), since 2006.

Through REN Trading, S.A., REN manages the energy to be acquired from two electrical power plants, as part of energy acquisition contracts which were not subject to early cancellation.

Since 2002, REN has also been present in the telecommunications sector through RENTELECOM – Comunicações, S.A., established with the aim of using the surplus capacity of the telecommunications networks which are vital to electricity and natural gas transmission.

In November 2010, the Portuguese state awarded Enondas, Energia das Ondas, S.A., a company wholly owned by REN, a concession for wave energy production in a pilot area to the north of São Pedro de Moel. The concession has been granted for a period of 45 years and includes authorization to build the infrastructures required to connect to the public power grid.

Group business functions are conducted by REN Serviços, S.A. (REN Serviços), more specifically, this includes support functions for the concession holders and with regard to the back-office. In addition to this support work, REN Serviços also operates as a commercial extension of REN, providing consultancy and/or engineering services to third parties within the energy sector.

CORPORATE HOLDINGS

At the end of 2016, REN finalized one of its medium and long-term goals by signing a contract to acquire a 42.5% stake in the capital of Electrogas, S.A.[1], a Chilean company operating an important gas pipeline in central Chile. This operation was a key milestone in REN's internationalization. The operation took place through a company with registered office in Chile (Aerio Chile SpA), which is wholly owned by REN through its subsidiary REN Serviços, S.A.

REN has the following relevant holdings:

a) Further to the agreement between Portugal and Spain on the forming of an Iberian electricity market, REN has:

   i. Holdings of 40% in the capital of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. (which in turn holds (i) 10% of the share capital of OMEL – Operador del Mercado Ibérico de Energia, Polo Español, S.A., (ii) 50% of the capital of OMIP – Operador do Mercado Ibérico de Energia (Pólo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. and (iii) 50% of OMI – Pólo Español, S.A. (OMIE)

   The company OMIP - Operador do Mercado Ibérico de Energia (Pólo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. in turn holds 50% of OMI CLEAR – Sociedade de Compensação de Mercados de Energia, S.G.C.C.C.C., S.A.; and

   ii. Holdings of 10% in the capital of OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., the Spanish law company which is the counterpart of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. These companies hold also a stake (direct and indirect) of 21% and 12%, respectively, in the share capital of MIBGÁS, S.A..

   OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., in turn, holds (i) 10% of the share capital of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A., (ii) 50% of the share capital of OMIP – Operador do Mercado Ibérico de Energia (Pólo Português), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A., and (iii) 50% of OMI – Polo Español S.A. (OMIE).

[1] In December 2016, REN signed a contract for the acquisition of this stake, which was finalized in February 2017.

Through these holdings REN works in the development of the Iberian Peninsula energy market.

b) MIBGÁS, S.A., a company which is the Organised Gas Market Operator or gas *hub* on the Iberian Peninsula, in which REN, through its subsidiary REN Gasodutos, S.A., has a stake of 6.67%;

c) Coreso, S.A., operator of the Regional Security Coordination Initiative (RSCI), which collaborates with several European TSOs and other RSCI, in which REN – Rede Eléctrica Nacional, S.A., held from the end of 2015, a stake of 10% and with the entry of the Spanish TSO (REE – Red Eléctrica de España, S.A.U.) at the end of October 2016, REN now holds 8.317%, through its subsidiary REN Rede Eléctrica Nacional, S.A.;

d) Hidroeléctrica de Cahora Bassa, S.A., a concessionaire of the Cahora Bassa, Mozambique, hydroelectric plant, and in general, of the production, transmission and sale of electrical power, including import and export, where REN has direct holdings of 7.5%;

e) Red Eléctrica Corporación, S.A., a company operating the Spanish electricity transmission network, where REN Serviços, S.A., a subsidiary of REN, holds a 1% stake.

3.2. › CORPORATE BODIES, DEPARTMENTS AND OTHER MANAGERS (31.12.2016)

CORPORATE BODIES

Board of the General Meeting
Pedro da Maia, *chairman*
Francisco Santos Costa, *vice-chairman*

Board of Directors
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
Guangchao Zhu, v*ice-chairman*[2]
Mengrong Cheng, *member*
Longhua Jiang, *member*
Omar Al-Wahaibi, *member*
Manuel Champalimaud, *member*[3]
Jorge Magalhães Correia, *member*
José Luis Arnaut, *member*
Manuel Sebastião, *member*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*

Executive Committee
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*

Audit Committee
Manuel Sebastião, *chairman*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*

Remunerations Committee
Paulo Pimenta de Araújo, *chairman*
Manuel Lancastre, *member*
Fernando Neves de Almeida, *member*

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[2] Representing State Grid International Development Limited
[3] Resigned on 13 April 2016, continued duties until 31 May 2016.

Corporate Governance Committee
José Luis Arnaut, *chairman*
Jorge Magalhães Correia, *member*
Longhua Jiang, *member*

Nominations and Appraisals Committee
Manuel Sebastião, *chairman*
Longhua Jiang, *member*
Omar Al-Wahaibi, *member*
Rodrigo Costa, *member*

Statutory Auditor
Deloitte & Associados, SROC, S.A.,
Carlos Melo Loureiro, ROC, *alternate*

Company Secretary
Marta Almeida Afonso, *effective*
Guilherme von Cupper, *alternate*[4]
Diogo Macedo Graça, *alternate*[5]

DEPARTMENTS AND OTHER MANAGERS

Internal audit: Gil Vicente
Chief Technical Officer: Zhang Xin[6]
Institutional Relations Directors:
Maria José Clara
Victor Baptista

Concessions Support Services
Studies and Regulation: Pedro Furtado
Operational Services: Isabel Figueira
European Energy Agenda: Maria José Clara

Support Functions
Investor Relations: Ana Fernandes
Business Development: Hugo Domingos
Communication and Sustainability: Margarida Ferreirinha
Planning and Management Control: Joana Freitas
Human Resources: Elsa Carvalho
Information Systems: Tiago Azevedo
Legal Services: Marta Almeida Afonso
Financial Management: Nuno Rosário
Accounts and General Services: Brígida Palma
Procurement: João Botelho

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[4] Resigned with effect of 22 April 2016.
[5] Appointment on 28 July 2016.
[6] Appointment on 29 January 2016.

Electricity Unit

Planning and Engineering: João Afonso
Investment: Nuno Ribeiro
Operation: Albertino Meneses
System Management: Albino Marques

Natural Gas Unit

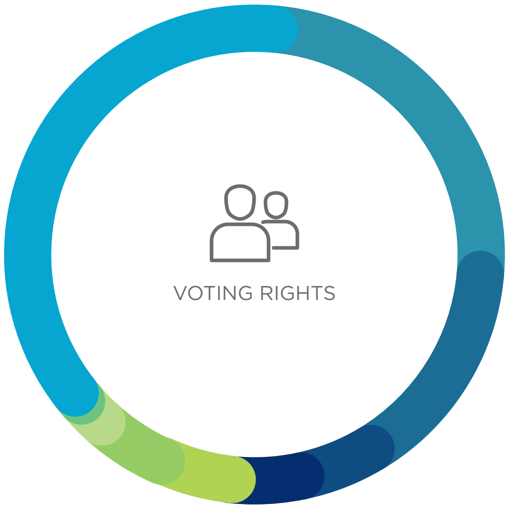
Asset Planning and Management: Rui Marmota
Investment and Operation: Paulo Ferreira
System Management: Rui Marmota
LNG Terminal: Paulo Mestre

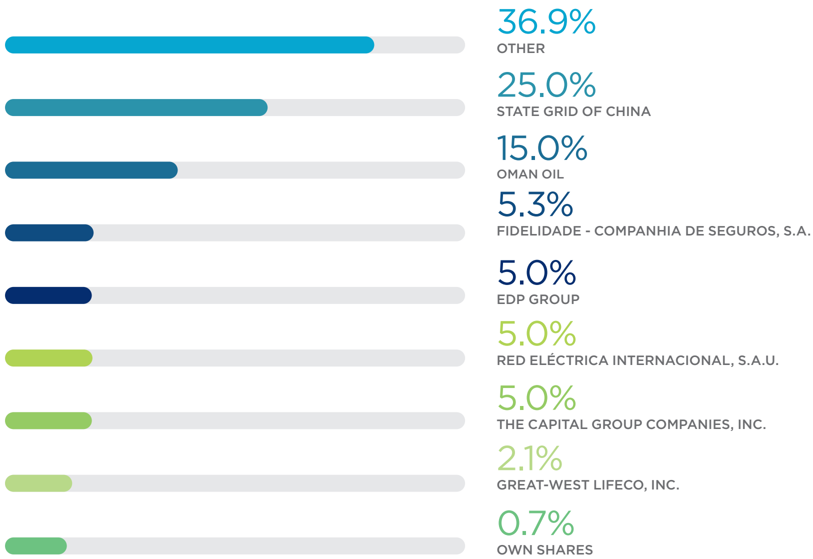
Other Business

ENONDAS: Victor Baptista
REN Trading: Nelson Cardoso
RENTELECOM: Rui Franco
Research and Development: Nuno Souza e Silva

In 2016, a reorganization process was concluded for the functional units of REN Group companies along with the redistribution of responsibilities in operating areas and concessions support. The main aim was to improve the efficiency and complementarity of competences in areas with common objectives. Effects of this reorganization are expected in early 2017.

3.3. › SHAREHOLDER STRUCTURE





3.4. › MILESTONES IN 2016

MAIN REN GROUP EVENTS

January	• REN launches app for investors and the media which facilitates access to all company information combined on a single platform, allowing real-time monitoring of company performance.
February	• REN hosts the CIGRÉ Portugal Annual Meeting which was attended by Konstantin Staschus, General-Secretary of ENTSO-E, João Torres, Chairman of EDSO, and Pablo Rodríguez Herrerías, Secretary of CIGRÉ Spain.
March	• Mr. Manuel Champalimaud sends the Chairman of the REN Audit Committee a request to temporarily suspend his duties as a director, and at an extraordinary meeting of the Audit Committee, Mr. Manuel Champalimaud's duties as a member of the REN Board of Directors were duly suspended with immediate effect.
April	• Lifting of the temporary suspension of duties on Mr. Manuel Champalimaud as member of the REN Board of Directors, given that the incompatibility with rules relating to the unbundling of electricity and natural gas transmission had been overcome. • The Capital Group Companies, Inc. acquired a qualified position corresponding to 2.0711% of REN share capital. • The company Gestmin and Mr. Manuel Champalimaud sell their holdings in REN. With this sale, Gestmin's qualified holdings now correspond to 2.72% of REN SGPS capital and Mr. Manuel Champalimaud disposes of all the shares he held in REN. • Mr. Manuel Champalimaud submits his resignation as a member of the REN Board of Directors to the Chairman. • REN's Sines Terminal becomes first in Europe to receive North American liquefied natural gas (LNG).
May	• The company reaches first place in the rankings for the "Most Attractive Employers in Portugal" 2016. This ranking shows which companies are most attractive to university students setting out on their careers. • The Capital Group Companies, Inc. reaches direct and indirect holdings in REN corresponding to 5.0173% of share capital and voting rights. • Gestmin now holds 2.35% of REN share capital and voting rights. • REN plants approximately 54,000 native trees in an area of 190 ha in the Castelo Branco district, in line with the company's sustainability strategy. • REN once again appears among the best TSOs worldwide in the 2015 edition of ITOMS (International Transmission Operations and Maintenance Study).

June

- REN issued a new bond issue in the amount of 550 million euros with an associated coupon of 1.750% and maturity in 2023. This issue allowed the refinancing through an Exchange Offer, of around 137.2 million euros of the total issue of 300 million euros with maturity in 2018 and an associated coupon of 4.125% and 132.2 million euros of the total issue of 400 million euros with maturity in 2020 and an associated coupon of 4.750%.
- The 2014 REN Annual Report wins the silver award at the Festival of the Creative Club of Portugal 2016, in the "Digital and Interactive" category.
- REN continues with its reforesting programme with a series of actions, planting around 21,000 native trees in the Braga and Viana do Castelo districts.
- The REN app for investors and the media wins first place in the "Mobile Media/App" category at the Questar Awards 2016.
- At the National Natural Gas Dispatch Centre, REN hosts the visit of the Moroccan delegation which included the Moroccan Minister of Energy, Mines, Water and Environment, Mr. Abdelkader Amara, the Secretary-General of the Ministry of Energy, Mines, Water and Environment, Mr. Abderrahim El Hafidi, the Director-General of the National Office of Electricity and Drinking Water, Mr. Ali Fassi Fihri, and the Secretary of State for Energy from the Portuguese government, Mr. Jorge Seguro Sanches.
- REN wins Grand Prix for best overall investor relations in the category of small cap, at the IR Magazine Awards - Europe. REN also short-listed in the category of "Best Use of Multimedia for IR" for the REN app for investors and the media.
- Facility agreement granted by the Bank of China to REN extended to 2021 and the maximum commitment is increased to 250 million euros.
- The Energy Services Regulator (ERSE) publishes the final document on the allowed revenues for the gas year of 2016-2017 and regulatory parameters for the gas period of 2016-2017 to 2018-2019 for regulated companies in the natural gas sector.
- REN among the best European TSOs participating in the GTBI (Gas transmission Benchmarking Initiative), falling within the best indicators in the 1st quartile.
- REN Asset Management wins the ITOMS award for "Best Presentation" for its work on the "Asset Status Indicator".

July

- The 2015 REN Annual Report receives an honourable mention at the Investor Relations & Governance Awards (IRGA) 2016, in the category of "Best Report and Accounts - Non-Financial Sector".
- The REN Initiative "Heróis de Toda a Espécie", which aims to raise awareness among young people about the importance of protecting biodiversity, preserving Portuguese forests and animals and plants, receives an honourable mention in the "Community" category at the APEE awards for Recognition of Social Responsibility Practices (RSRP).

	• Gestmin, SGPS, S.A. no longer has a qualified shareholding in REN share capital, having disposed of 656,713 ordinary REN shares, representing 0.12% of share capital. Gestmin's holdings are now 10,230,922 shares representing 1.92% of REN voting rights and REN share capital.
August	• REN attends the 52nd edition of the Maputo International Trade Fair (FACIM).
September	• REN wins silver at the Best in Biz Awards, in the "Best Place to Work" category. • The REN app for investors and the media nominated as "Best in Class", in the "Investor Relations" category at the Interactive Media Awards. • R&D Nester, an R&D Centre created by REN and the State Grid Corporation of China, attends the second edition of the Photovoltaic Fair in Morocco. • REN attends the Global Energy Interconnection Forum held in Beijing, with a view to promoting the development of global energy interconnections. • R&D Nester joins the "SusCity project: Modelling of urban systems to promote creative and sustainable transitions" under the MIT Portugal Programme.
October	• Great-West Lifeco, Inc. reaches indirect qualified holdings in REN corresponding to 2.056% of share capital and voting rights. • REN issues 200 million euros in euro bonds, corresponding to the 2nd phase of the bond issue started in February 2015. As with the 1st phase, this phase matures on 12 February 2025, with an interest rate corresponding to the mid swap rate for the maturity period, plus 1.35%. • REN considered one of the best companies to work for in Portugal, in the study "Most Attractive Employers in Portugal", conducted by the School of Economy and Management at the University of Minho and the Spark Agency. • MSCI ESG Research, one of the most important research centres for institutional investors worldwide, gives REN a rating of A in environmental, social, and governance performance (ESG). • REN chairman part of Portuguese Prime Minister's delegation to China on 9 and 10 October.
November	• REN wins Gold for online Annual Report, Silver for the Sustainability Report and Bronze for the app for investors and the media at the iNOVA Awards. • REN hosts the final meeting, in Bucelas, of European natural gas TSOs in the GTBI (Gas Transmission Benchmarking Initiative), where REN Gasodutos once again features among the best TSOs in Europe in 2016.

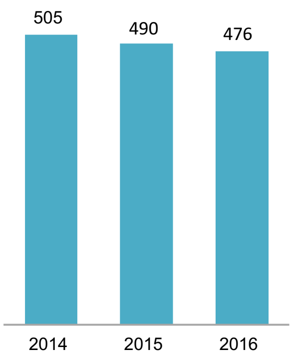
	• REN hosts the 53rd IESOE meeting (Electricity Interconnection in South-Western Europe), in Lisbon. • The 21st edition of the REN Award attended by Mr. Dominique Ristori, Director-General of Energy at the European Commission, as a guest of honour to talk on the subject of "Energy: The new challenges for Europe".
December	• At the APCE 2016 Grand Prix, REN wins awards for Best Intranet and Best Annual Report as well as the FEIEA (European Association for Internal Communication) Grand Prix Award, while also reaching second place with the Intranet in the category of "Best Internal Communication Strategy". • REN signs agreement with ENEL Generación Chile S.A, to acquire holdings of 42.5% in Electrogas SA, a natural gas transmission company in Chile. • REN wins 2nd place at the Healthy Workplaces Awards in the "Major Company" category. • The REN 2015 Annual Report wins bronze at the Lusophone Creativity Awards in the "Digital" category. • REN renews its commitment to the Company Forum for Sex Equality (IGEN), where the company has been a member since 2014.

3.5. › MAIN PERFORMANCE INDICATORS

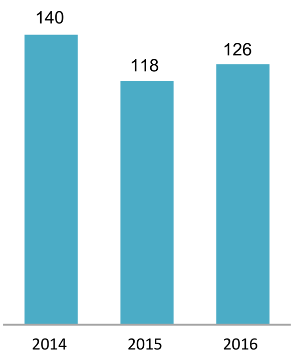
3.5.1. FINANCIAL INDICATORS

OPERATING PROFITS [MILLIONS EUROS]	2012	2013	2014	2015	2016	Δ% 2016-2015
EBITDA	511.6	521.5	505.2	489.7	476.0	-3%
EBIT	314.2	320.3	302.6	280.4	261.3	-7%
Financial profits	-136.0	-142.2	-113.8	-98.8	-79.9	19%
Pre-tax profits	178.2	178.0	188.8	181.5	181.4	0%
Net profit	123.6	121.3	112.8	116.1	100.2	-14%
Recurrent net income	120.2	120.7	140.3	118.1	126.1	7%

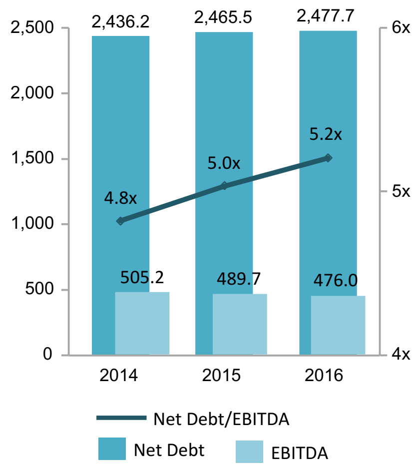
EBITDA, M€



RECURRENT NET INCOME, M€



NET DEBT/EBITDA, M€



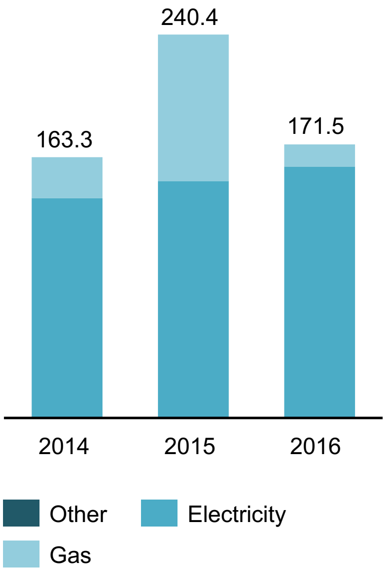
ASSETS, INVESTMENT AND DEBT [MILLIONS EUROS]	2012	2013	2014	2015	2016	Δ% 2016-2015
RAB average rate of return, %	8.79%	7.97%	7.47%	6.16%	6.10%	-0.1p.p.
Investment (capex), millions of euros	201.1	187.8	163.3	240.4	171.5	-29%
Net debt, million euros	2,512.4	2,402.3	2,436.2	2,465.5	2,477.7	0%
Net debt/EBITDA, x	4.91 x	4.61 x	4.82 x	5.04 x	5.20 x	0.17 x

CAPEX [MILLIONS EUROS]	2012	2013	2014	2015	2016
Electricity	155.5	157.6	137.4	148.2	157.5
Gas	45.0	29.9	25.8	91.8	13.8
Other	0.5	0.4	0.1	0.4	0.2
Total investment	**201.1**	**187.8**	**163.3**	**240.4**	**171.5**

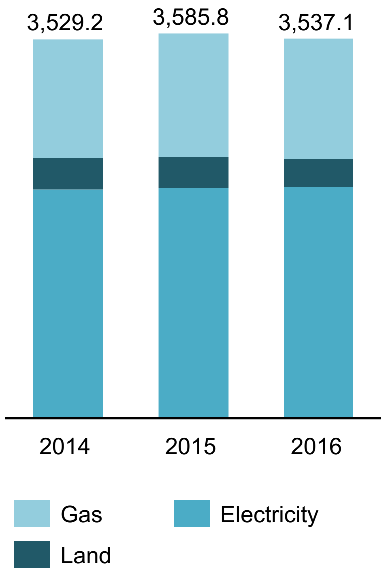
AVERAGE RAB [MILLIONS EUROS]	2012	2013	2014	2015	2016
Electricity	1,973.6	2,069.1	2,128.0	2,149.4	2,152.6
Land	321.2	307.6	294.3	281.2	268.3
Gas	1 086.9	1,114.1	1,107.0	1,155.2	1,116.1
Total average RAB	**3,381.6**	**3,490.8**	**3,529.2**	**3,585.8**	**3,537.1**

Includes the value of Enondas regulated asset base, which was considered materially relevant since 2014. For comparison purposes, the values for the previous year were adjusted accordingly

CAPEX, M€



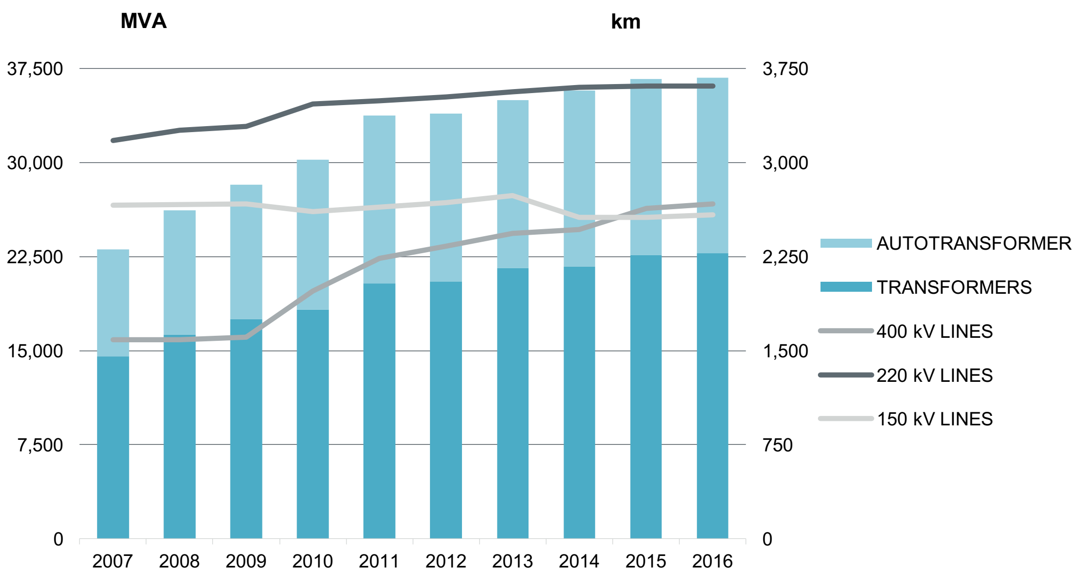
AVERAGE RAB, M€



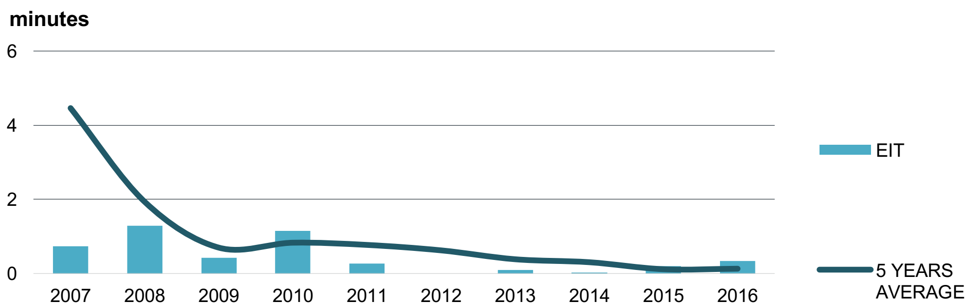
3.5.2. ELECTRICITY INDICATORS

TECHNICAL INDICATORS - ELECTRICITY	2012	2013	2014	2015	2016
Consumption, TWh	49.1	49.2	48.8	49.0	49.3
Annual variaton in electricity consumption, %	-2.9%	0.2%	-0.7%	0.3%	0.6%
Installed capacity, MW	18,429	17,705	17,790	18,563	19,513
Power transmitted on the RNT, TWh	41.0	41.5	41.9	43.0	46.7
Length of lines, km	8.534	8,733	8,630	8,805	8,863
Transformer capacity, MVA	33.915	34.984	35,754	36,673	36,636
Energy transmission losses, %	1.62%	1.75%	1.86%	1.56%	1.72%
Supply interruption duration per offtake (SIDO), minutes/offtake	0.00	0.09	0.02	0.21	0.34

LINE LENGTH AND TRANSFORMATION POWER

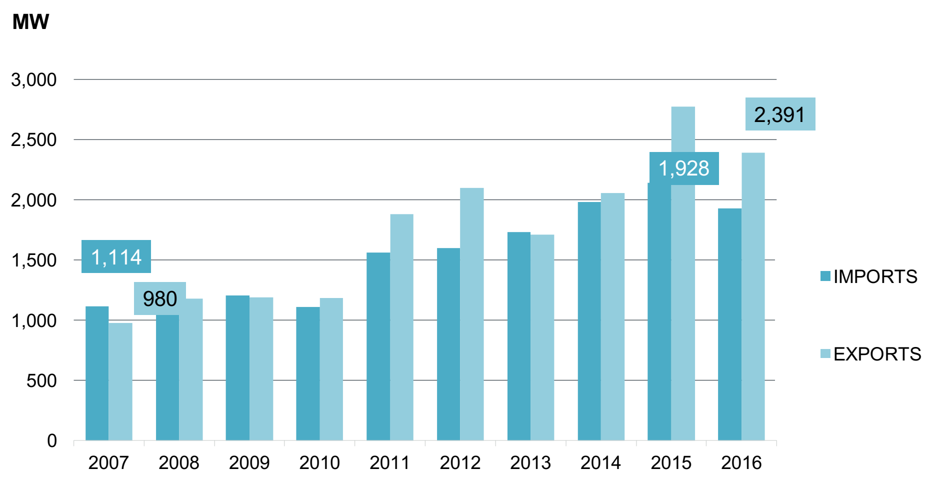


EVOLUTION OF EQUIVALENT INTERRUPTION TIME (EIT), MINUTES



Excludes interruptions by fortuitous or force majeure and exceptional events

AVERAGE IMPORT AND EXPORT CAPACITY, MW

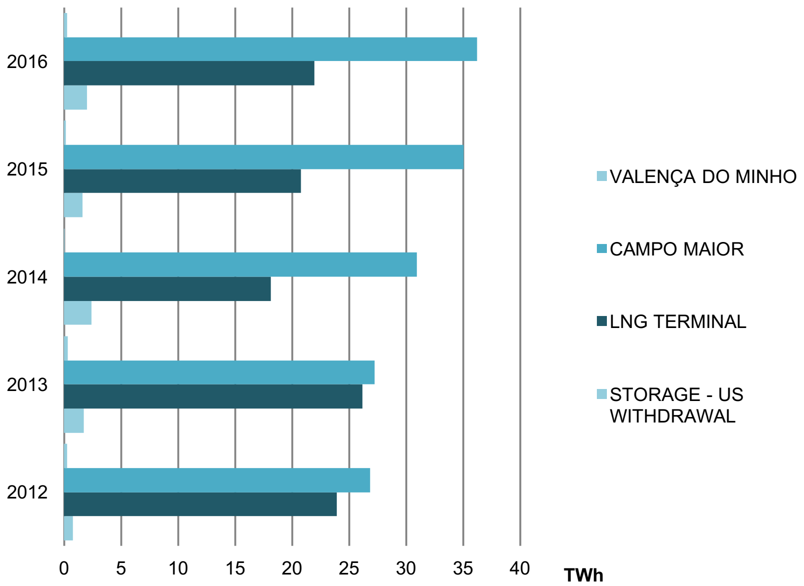


3.5.3. NATURAL GAS INDICATORS

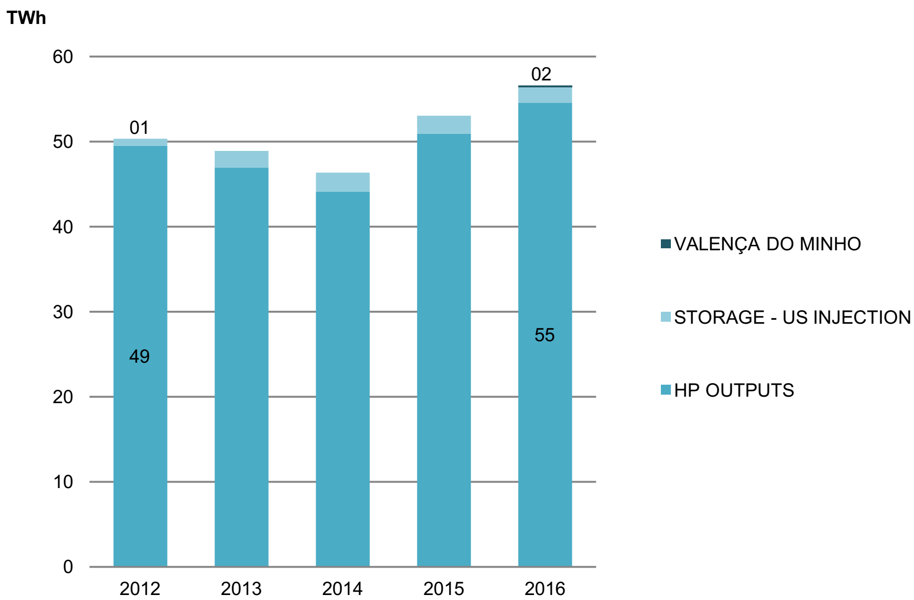
TECHNICAL INDICATORS – NATURAL GAS	2012	2013	2014	2015	2016
Consumption, TWh	50,2	47,9	45,3	52,2	55,8
Annual variaton in natural gas consumption, %	-12,7%	-4,6%	-5,4%	15,3%	6,9%
Outputs from RNTGN, TWh	50,3	48,8	46,2	53,1	56,7
Length of high-pressure gas pipelines, km	1 298	1 375	1 375	1 375	1 375
Underground gas storage capacity, Mm^3(*)	132,7	138,0	170,3	300,0	300,0
Supply interruption duration per offtake (sido), minutes/offtake	0,00	0,00	0,07	0,00	0,00

(*)The volume indicated expresses the maximum capacity available for commercial purposes, which is conditioned by the specific thermodynamics of high-pressure, natural gas storage in salt caverns.

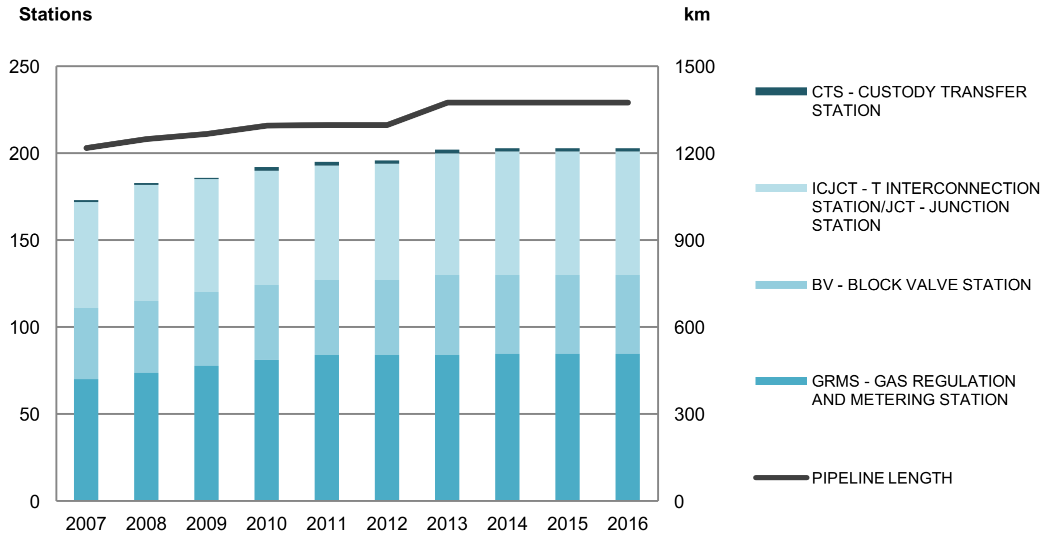
INPUTS TO RNTGN, TWh



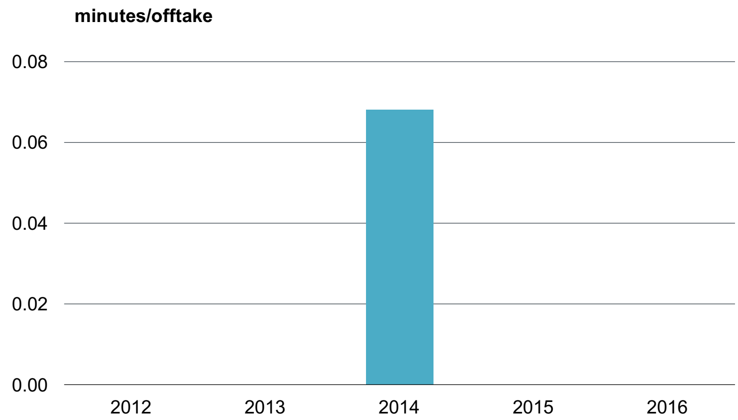
OUTPUTS FROM RNTGN, TWh



RNTGN – INFRASTRUCTURES



SUPPLY INTERRUPTION DURATION PER OFFTAKE (SIDO), [MINUTES/OFFTAKE]



3.5.4. SOCIAL AND ENVIRONMENTAL INDICATORS

The three axes of the REN social programme are Balance, Equality and Inclusion. 29 initiatives were carried out under the NÓS Programme for the promotion of internal well-being, involving 174 employees.

In the axis for stakeholder involvement and satisfaction, numerous activities were held during 2016. Highlights included the third REN AGIR Award, dedicated to the fight against poverty and social exclusion, which received 176 applications. The highest number since the award was started in 2013.

The number of applications to the 21st REN Award, the oldest scientific award in Portugal, almost doubled over last year. The winning fields were electricity storage, the integration of renewable energies and the uncertainty of wind production.

The Share Programme, the REN corporate volunteer programme, saw an increase of 12% in the number of volunteers to 104 employees. In addition to this figure were 43 relatives of REN employees who also participated. There was also an increase of 24% in the number of volunteer work hours over 2015 to 705 employee hours and 170 employee family member hours.
This programme consists of different initiatives such as entrepreneurism for young people run by Junior Achievement Portugal (http://www.japortugal.org), Cleaning of the Mafra forest, collection of food for the Food Bank and support for initiatives fighting early school leaving run by the EPIS – Business People for Social Inclusion (http://www.epis.pt).

Of note in relation to environment protection was the REN Chair:
In 2016, REN Chair researchers captured a young white stork in the Castro Verde area. Under the biodiversity pillar of the REN chair, the aim was to attach a solar powered transmitter to the young stork to follow its movements. The Heróis de Toda a Espécie (Heroes of Every Kind) project also continued in 2016: Heroes of Every Kind started in 2016 with a series of programmes at primary schools from Northern to Southern of Portugal with technical support from the environmental organization Quercus, as a complement to school curricula.

Confirming the importance of this REN initiative, in 2016, Heroes of Every Kind earned an honourable mention in the "Community" category at the awards for the Recognition of Social Responsibility Practices run by the Portuguese Business Ethics Association (APEE). These awards distinguish the implementation of good governance policies and models at non-profit and for profit public and private sector organizations demonstrating good social responsibility.

DESCRIPTION OF HUMAN RESOURCES

NUMBER OF EMPLOYEES	2014	2015	2016
Full time employees	627	609	593
Fixed term contracts (fixed, Unspecified duration and commission)	13	11	12
Interns	1	0	3
Total	**641**	**620**	**608**

ROTATION RATE	2014	2015	2016
Men	6.2%	5.3%	4.5%
Women	0.3%	1.3%	1.9%
Total	**6.5%**	**6.6%**	**6.5%**

DIVERSITY	2014	2015	2016
Men	492	470	461
Women	149	150	147
Total	**641**	**620**	**608**

TRAINING	2014	2015	2016
No of hours of training	29,939.	18,644	27,009
No of participants	2,883	3,031	2,792
No of hours of training per employee	45.4	29.3	43.8
Average No of employees	659	637	617

AREA OF TRAINING (NO OF PARTICIPANTS)	2014	2015	2016
Behavioural	340	125	605
Technical	1,762	2,086	1,434
Quality, Environment and Safety	242	562	420
Management	539	258	333
Total	**2,883**	**3,031**	**2,792**

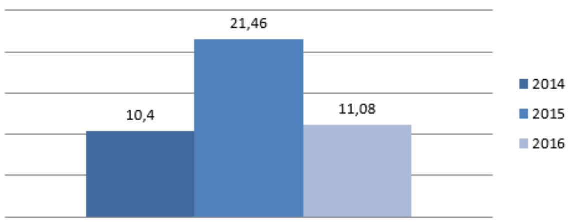
	2014	2015	2016
% Staff who are union members	45.1%	42.4%	41.0%
% Full-time ACT workers	52.0%	99.2%	98.5%
Staff who are union members	289	263	249
ACT Employees	333	615	599

	2014	2015	2016
Absenteeism rate	2.6%	2.3%	2.1%

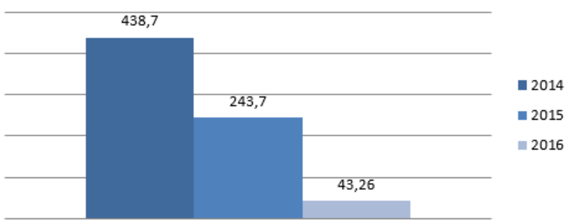
NÓS PROGRAMME INDICATORS	2016
No of Initiatives	29
No of participations	174

INCIDENCE AND SEVERITY INDEXES - REN

INCIDENCE INDEX



SEVERITY INDEX



Note: The total severity index for 2016 was 204.3.

	2014	2015	2016
Environmental impact assessment processes	4	2	5
Environmental impact post-assessment processes	2	0	0
Environmental impact statements issued	3	4	2
Environmental project studies	0	0	0
Environmental impact studies (EIA)	0	5	3
Environmental compliance report on the execution project (RECAPE)	2	1	0

ENERGY CONSUMPTION AT REN (GJ)	2014	2015	2016
Electrical energy of infrastructure and buildings	236,446	219,760	236,895
Natural gas (boilers, pilots and controlled flares)	344,137	281,663	430,447
Propane gas	172	121	76
Natural gas	9,361	9,025	2,522
Fuel (diesel and petrol)	25,302	28,592	27,805
Losses in the electricity transmission network	2,814,536	2,404,706	2,898,594
Losses in the gas transmission network (purges)	9,106	1,327	2,085
Total energy consumption at REN	**3,441,074**	**2,945,197**	**3,598,424**

GREENHOUSE GAS EMISSIONS (T CO_2eq)	2014	2105	2016
Scope 1	**25,849**	**19,905**	**28,354**
Natural gas purges (CH_4)	4,296	626	984
Flare burn	6,393	2,277	11,214
Own consumption by boilers	12,269	13,213	13,149
Sulphur hexafluoride (SF_6)	460	1,152	765
Natural gas (buildings)	530	511	177
Propane gas (buildings)	11	8	5
Diesel Equipment and Fleet	1.890	2,118	2,060
Scope 2	**118,742**	**135,256**	**111,249**
Electricity	9,149	11,326	10,260
Electricity losses in the network	108,906	123,930	100,989
Scope 3	**687**	**662**	**752,48**
Air travel	687	662	752,48

In 2016, a total of 107.353 trees were planted in an area of approximately 395 hectares. The main species are as follows:

- Stone pines: 28 380 planted
- Oak: 54 131 planted
- Cork oak: 3 618 planted
- Chestnut/Walnut: 15 049 planted
- Olive trees 4 337 planted
- Strawberry trees: 1 032 planted

IUCN CLASSIFICATION	2014	2015	2016
Number of platforms installed	178	349	144
Number of anti-perching devices installed	600	642	313
Number of nests transferred	250	221	135

3.6. › REGULATED ASSETS

3.6.1. ELECTRICITY

ELECTRICITY BUSINESS

Through its fully owned company REN - Rede Eléctrica Nacional, S.A., REN works in two regulated areas: General System Management (GGS) and Electricity Transmission (TEE). The allowed revenues from GGS and TEE activities is received by applying two regulated tariffs: the tariff for the General Use of the System (UGS) and the tariff for the Use of the Transmission Network (URT).

Both tariffs are defined annually by the Energy Services Regulatory Authority (ERSE) based on demand, costs, revenues and investments.

In 2015, a new regulatory period was started and while no changes were made to the actual regulation model, its regulatory parameters were updated. The efficiency factor applied to electricity transmission operating costs changed to 1.5% (applicable to 2016 and 2017) and the remuneration rate was indexed to the annual arithmetic mean (1 Oct n-1 to 30 Sep n) of the 10-year Portuguese Republic Treasury Bonds, with a floor of 5.65% and a cap of 9.15%.

ACTIVITIES REGULATION

The General System Management activity is regulated by a remuneration rate applied to the assets allocated to it, net of amortization, subsidies, plus accepted operating costs.

The Electricity Transmission activity is regulated by incentives: (i) incentive to efficient investment in the transmission network; (ii) incentive to efficiency in operating costs by establishing a maximum limit for these costs that include a cost component based on the level of activity; (iii) incentive to maintain in operation equipment at the end of its working life; and (iv) incentive to the availability of the elements of the National Transmission System (RNT).

The aim of the investment incentive is to reward, as additional remuneration, the efficiency obtained in investments subjected to reference costs that comply with a defined set of parameters.

The value of operating costs set for the first year of the regulatory period evolves in subsequent years in line with the variation rate of GDP Implicit Price Index, and with an efficiency target determined by ERSE, which for 2016 and 2017 was set at 1.5%. This amount is added by the change in the Opex as a result of the annual growth in the transmission network (in kilometres of lines and in the number of panels at substations), calculated with the related incremental costs, set by ERSE.

The aim of the incentive to maintain equipment in service which has reached the end of its working life is to stimulate continuity in service of assets which are still technically viable but fully amortized, thus delaying replacement investment. In 2016, the asset base in this condition had a gross value of approximately 590 million euros.

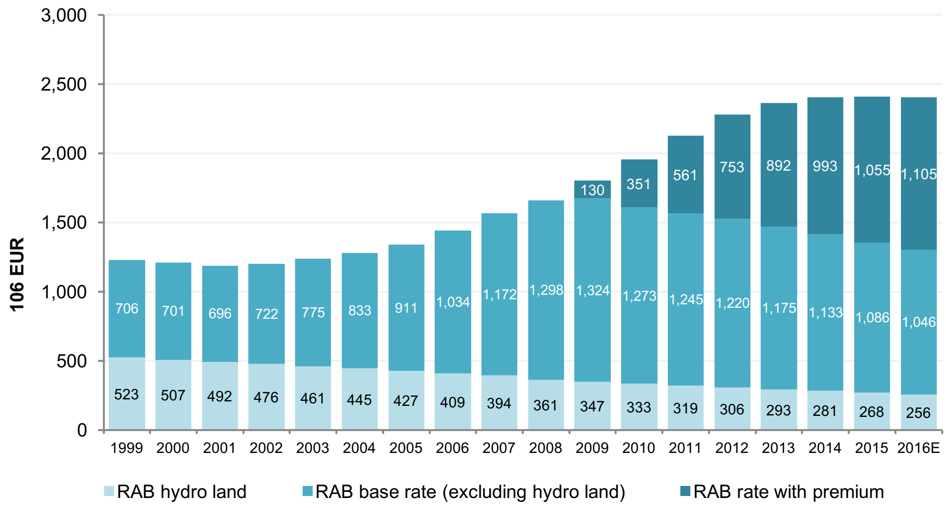
The electricity regulated asset base (RAB) consists of the assets net of amortizations and subsidies allocated to the activities of Electricity Transmission and General System Management.

With regard to Electricity Transmission, with the aim of promoting a more efficient behaviour by the transmission system operator in investment, a reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with retroactive application to investments transferred to operation in 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January. Therefore, in 2016, the average RAB with a premium rate of 6.88%, was 1.105 billion euros, while the remaining RAB of 1.006 billion euros has the base rate of 6.13%.

In the General System Management activity, the principle of RAB valuation is based on historical costs. In this case, the remuneration rate of 6.13% is applied. In 2016, the average RAB for the activity of General Management of the System stood at 39 million euros. Assets used in this activity also include land in the public water domain used by the hydro power plants and whose remuneration, in accordance with Ministerial Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder. The rate may vary between -1.5% and +1.5%. For 2016, the provisional value indicated by ERSE of 0.1% was applied to a sum of 256 million euros.

The following graph shows the RAB for the different asset groups:

EVOLUTION OF THE REGULATED ASSET BASE



The tariffs set by ERSE also reflect tariff deviations which, after two years, reconcile the forecast and real values of income and costs (to the extent they are justified and accepted by ERSE), as well as differences in demand.

The adjustments arising from the differences are recovered or returned two years after they have occurred. This amount is remunerated at a regulated rate equal to the 12 months Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2016, the tariff deviation's amount was 80 million Euros, to be recovered by REN Rede Eléctrica Nacional, S.A.

REN TRADING

REN Trading places production from non-terminated Power Purchase Agreements (PPA) relating to the Tejo Energia and Turbogás thermal power plants on the market (MIBEL).

The difference between the contract cost within the scope of the CAE and the income from the market sale of power and system services supplied by the respective power plants, plus the incentives to optimise their management and the efficient management of the CO_2 emission licences, is incorporated into the global system use tariff borne by energy users.

REN Trading income derives from incentives defined by ERSE which have an underlying sharing with electricity consumers of the benefits of the optimized management of supply in these power plants. The final value of the incentives is a result of the company management, both through the optimization of energy sales from the power plants, and by minimizing acquisition costs for fuel and CO_2 emission licences.

In 2016, the balance of the tariff's deviation account from the purchase and sale of electrical power, within the scope of CAE management, was 27 million euros to be recovered in the tariffs.

3.6.2. NATURAL GAS

NATURAL GAS BUSINESS

The natural gas activities listed below are subject to economic regulation by ERSE:

- The high-pressure transmission of natural gas – through REN Gasodutos, S.A.
- General technical management of the SNGN – through REN Gasodutos, S.A.
- Reception, storage and regasification of LNG – through REN Atlântico Terminal de GNL, S.A.
- Underground storage of natural gas – through REN Armazenagem, S.A.
- Management of the supplier switching process – provisionally through REN Gasodutos, S.A.

In July 2016, a new three-year regulatory period started which will end in the first semester of 2019.

The main changes introduced by the regulator were: (i) continuation of the remuneration rate indexing to the yield of 10-year Portuguese Republic Treasury Bonds, with the introduction of boundaries to the remuneration rate variation of 5.90% (floor) and 9.00% (cap) and indexing referenced to the calendar year; (ii) broadening of the mechanism to attenuate tariff adjustments to NG storage (already applied for the reception, storage and regasification of LNG), with the aim of reducing the impact of these adjustments on annually defined tariffs, (iii) extension of incentive regulation to the global use of the system (limited to intra-group operations costs) in a similar manner as incentive regulation applied for the high-pressure transmission of natural gas, the reception, storage and regasification of LNG and the storage of NG and (iv) end of the smoothing mechanism implemented in the reception, storage and regasification of LNG, with effect from the 2nd semester of 2017.

Currently, the level of operating costs accepted for calculating revenue on activities subject to incentives regulation has an allowed value which includes a fixed component and one or more variable components dependent on considered cost drivers for each infrastructure as defined by the regulator.

The value approved for OPEX in the first year of the current regulatory period evolves, in following years, in line with the efficiency targets set and published by ERSE for these years and with the variation rate of the Implicit Price Index of Gross Domestic Product (GDP). The variable associated with the consumption of electricity at the LNG terminal (energy component) evolves in line with the average annual variation in the price of electricity on the futures market, published by OMIP, and with the efficiency target set by ERSE.

The efficiency targets for the current regulatory period vary between 2% and 3% per year.

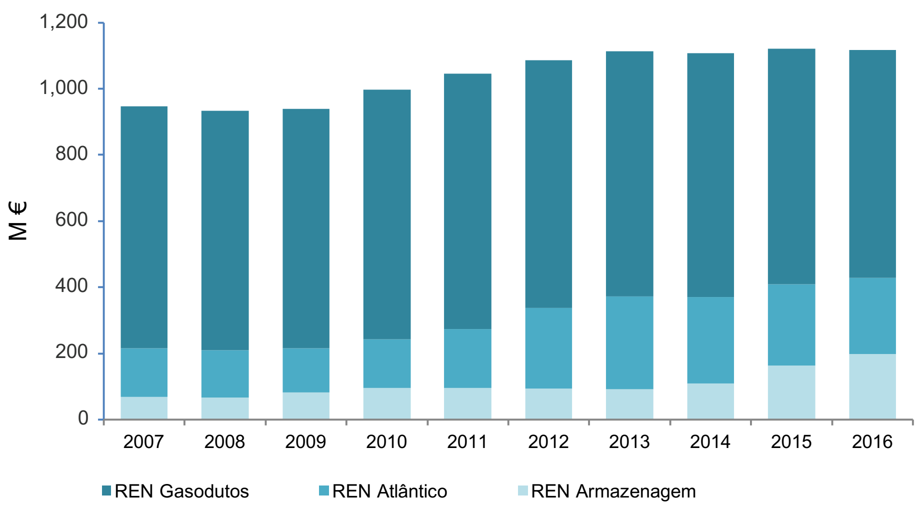
General Use of the System (excluding intra-group costs) and management of the supplier switching process are not subject to efficiency targets. This is also the case with some expenditure considered outside company control.

REGULATION OF ACTIVITIES

Income relating to invested capital stems from the return on fixed assets in operation, net of amortizations and subsidies (RAB), at a remuneration rate set by the Regulator at the start of every regulatory period, as described before, plus the related amortizations.

Up to the end of 2016, the RAB for the natural gas companies had the following evolution:

EVOLUTION OF THE REGULATED ASSET BASE



Tariffs are set based on estimates of quantities and total allowed revenue as calculated for each activity. They include remuneration on assets, the recovery of the value of amortizations and established operating costs, by activity. Tariff adjustments from previous years are also included.

The adjustments are recovered or returned on a transitional basis every year based on estimates. The real final value of the adjustments arising from these differences is recovered or returned two years after they have occurred, based on the comparison with actual costs and previous provisional adjustments. This sum is remunerated at a regulated rate equal to the 12-month Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2016, the balance of these differences was 9 million euros to be recovered by REN.

3.7. › TECHNICAL INFRASTRUCTURES

3.7.1. ELETRICITY

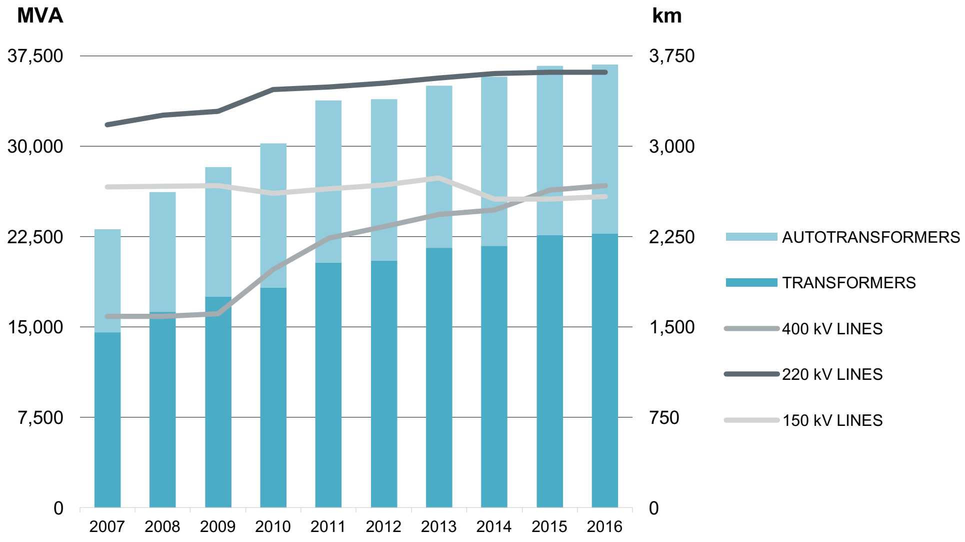
At the end of 2016, the RNT (national transmission system) consisted of 8,863 kilometres in lines and 66 transformer substations and 15 step down, switching and transition substations.

THE NATIONAL ELECTRICITY TRANSMISSION NETWORK

	2016-12-31	2015-12-31	CHANGE
Length of lines in service (km)	**8,863**	**8,805**	**0,7%**
400 kV	2,670	2,632	1,4%
220 kV	3,611	3,611	0,0%
150 kV	2,582	2,562	0,8%
Transformation power in service (MVA)	**36,636**	**36,673**	**-0,1%**
Autotransformation (MVA)	**13,890**	**14,040**	**-1,1%**
400/220 kV	7,200	7,200	0,0%
400/150 kV	5,990	5,990	0,0%
220/150 kV	700	700	0,0%
150/130 kV	0	150	-100,0%
Transformation (MVA)	**22,746**	**22,633**	**0,5%**
400/60 kV	3,910	3,910	0,0%
220/60 kV	12,448	12,209	1,9%
150/60 kV	5,928	6,054	-2,1%
150/130 kV	140	140	0,0%
220/30 kV	**320**	**320**	**0,0%**

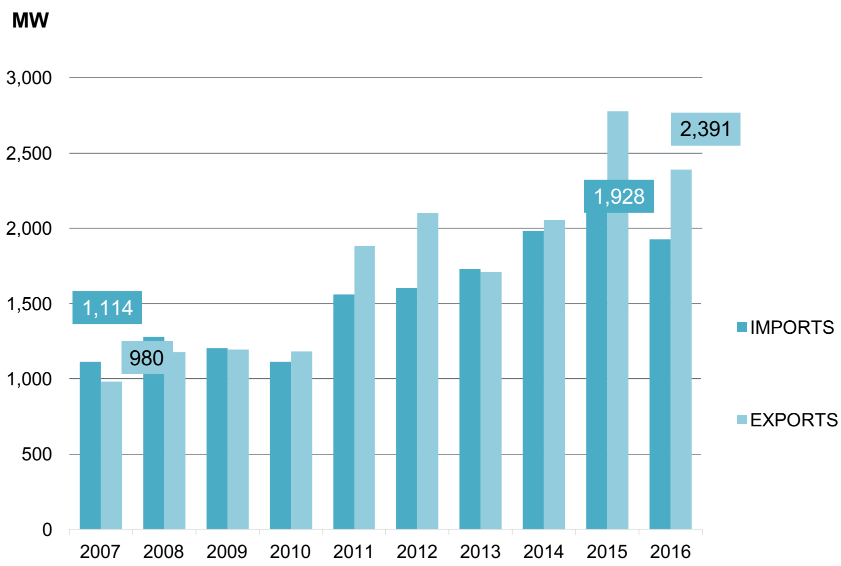
The RNT ensures the flow of electrical power from power plants to the transformer sub-stations where connections exist directly to VHV consumers and at 60 kV between the national transmission system and the national distribution network.

LINE LENGTH AND TRANSFORMATION POWER



The RNT also connects to the European transmission system through ten interconnection points (nine lines at 220 and 400 kV and one at 130 kV) with the Spanish transmission network. This interconnection is provided by three 220 kV lines at International Douro and by six 400 kV lines, two between Minho and Galicia, one at International Douro, one at International Tejo, one between the Alentejo and Extremadura and one between the Algarve and Andalusia. Furthermore, in exceptional cases for regional support for the distribution network, a 130 kV line is established between Minho and Galicia.

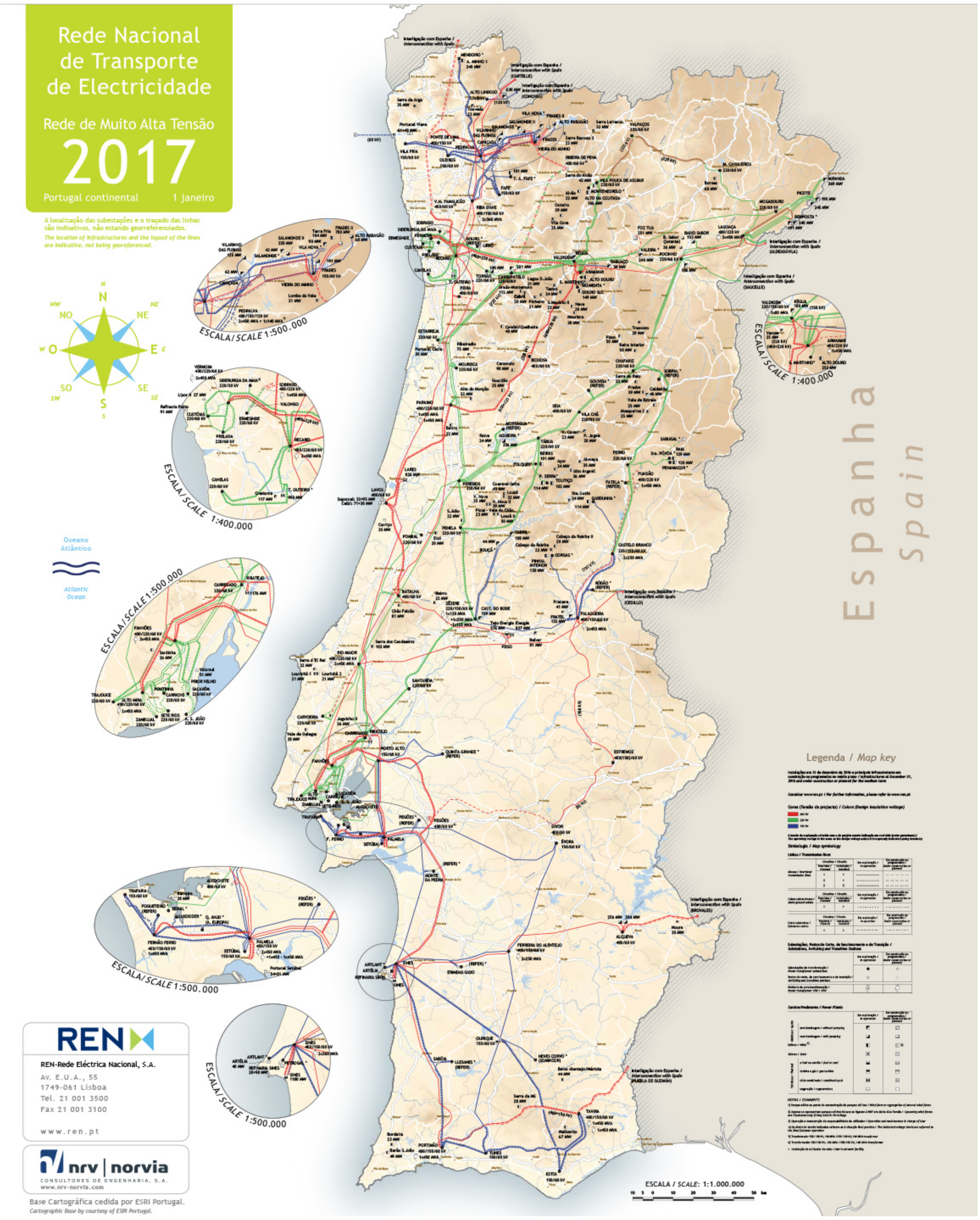
AVERAGE IMPORT AND EXPORT CAPACITY, MW



The National Dispatch Centre in Sacavém (Loures) coordinates general operations and ensures balance in the national electricity system. the network Operations Centre in Vermoim (Maia) is responsible for the monitoring and remote operation of all national transmission system equipment.

The safety telecommunications network, largely supported by very high voltage infrastructure (fibre-optic and hertzian beams) is used to provide data transmission services, both for real time monitoring and the transmission of control commands to network elements and the communications facilities required for operating the RNT.

NATIONAL ELECTRICITY TRANSMISSION NETWORK



3.7.2. NATURAL GAS

REN's natural gas infrastructures include:

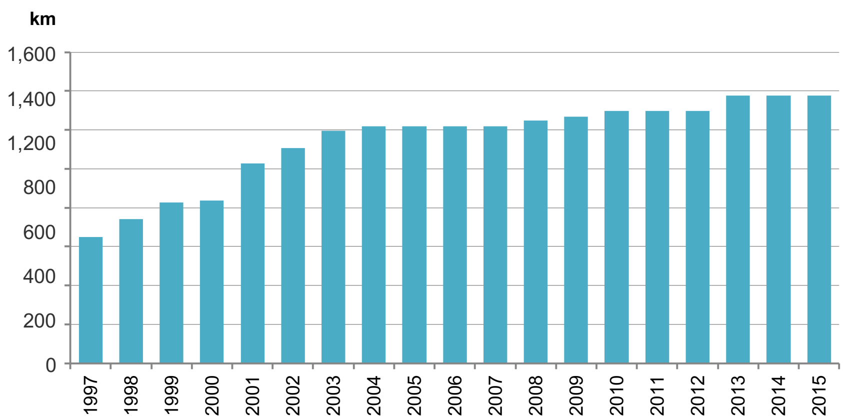
- the National Natural Gas Transmission Network (RNTGN);
- the Sines Natural Gas Liquefaction terminal (NGL);
- the Carriço natural gas underground storage facilities (six caverns and one surface station).

Therefore, at the end of 2016, the RNTGN consisted of the following infrastructures:

- 1,375 km of high-pressure gas pipelines;
- 66 junction stations for pipeline branching;
- 45 block valve stations;
- 5 T-branch interconnection stations;
- 85 gas pressure regulating and metering stations;
- 2 custody transfer stations.

Since the start of operations in 1997, the high-pressure (HP) natural gas transmission network has undergone the following developments:

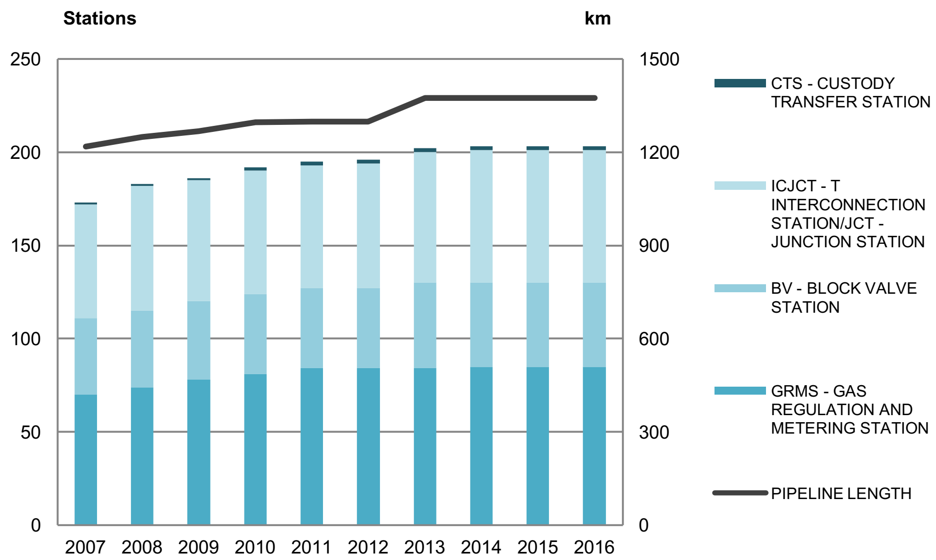
LENGTH OF THE HP TRANSMISSION NETWORK



THE NATIONAL NATURAL GAS TRANSMISSION NETWORK

		Ø (MM)	KM
Batch 1	Setúbal – Leiria	700	173
Batch 2	Leiria – Gondomar	700	164
	Gondomar – Braga	500	50
Batch 3	Campo Maior – Leiria	700	220
Batch 4	Braga – Valença	500	74
Batch 5	Monforte – Guarda	300	184
Batch 6	Mealhada – Viseu	500	68
Batch 7	Sines – Setúbal	800	87
Batch 8	Mangualde-Celorico-Guarda	700/300	76
High-pressure lines		150-700	278
Total			**1,375**

RNTGN - INFRASTRUCTURES



IN 2016, the maximum values of available capacities for commercial purposes at the relevant points of the RNTGN were as follows:

AVAILABLE CAPACITY FOR COMMERCIAL PURPOSES OF RELEVANT POINTS	GWH PER DAY	$MM^3(n)$ PER DAY
Input		
Sines	193	16
Carriço (withdrawal US)	85	7
VIP - Iberian(*)	144	12
Output		
Sines	143	12
Carriço (injection US)	24	2
VIP - Iberian(*)	80	7
Delivery points (total)	**655**	**55**

(*) VIP – Iberian: virtual interconnection point between the Portuguese and Spanish gas systems which includes the capacities of both the existing physical interconnections, more specifically Badajoz / Campo Maior and Valença do Minho / Tuy.

Supervised from a state-of-the-art National Dispatch Centre using redundant fibre-optic technology telecommunication systems, the RNTGN connects the gas pipeline stations with the Sines LNG Terminal and the Carriço underground storage facility in Carriço, Pombal. All systems are equipped with digital communication, especially with regard to the reading of network input and output flows. This allows for the best practices to be adopted both in relation to information quality and supervision response.

In 2016, the LNG Terminal only undertook small investment projects.

As such, the LNG Terminal maintained its main operating capacities:

- Annual natural gas regasification capacity of 8 bcm;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTGN of 1,350,000 $m^3(n)/h$;
- Tanker loading capacity: 36 tankers/day.

Gas is stored at great depth in underground salt caverns which connect to a gas station allowing the management of gas stored by injection through natural gas compressors and withdrawal through natural gas dehydration systems for subsequent injection into the transmission network.

At the end of 2016, the natural gas underground storage facilities were as follows:

- Six operational caverns;
- Maximum capacity: 3,967 TWh <> 333 Mm^3(n);
- Nominal capacities of the surface station:
  - Injection: 84,000 m^3(n)/h (24 GWh/day);
  - Withdrawal: 300,000 m^3(n)/h (85 GWh/day);
- REN Armazenagem is responsible for the operation of the surface station.

NATIONAL NATURAL GAS TRANSMISSION NETWORK

3.8. › SUPPLY CHAIN

SUPPLY CHAIN

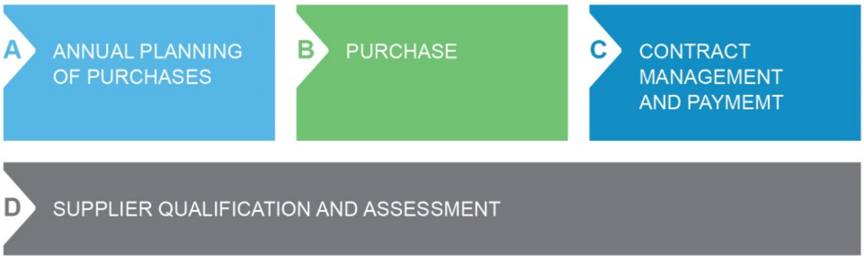
In the compliance of its public service mission in the national energy sector, the REN Group is committed to the defence and promotion of the principles of sustainable development, seeking to create value on an ongoing basis for shareholders and stakeholders.

The Group has a centralized Purchasing Department which deals with the purchase of all needs for goods and services and construction work for the different companies in the REN Group.

The mission of the Purchasing Department is to ensure that goods, services and contract work are acquired under optimized conditions in terms of price, quality and service. As well as contributing to the generating of value for the Group, this approach also guarantees clarity and transparency in purchasing procedures based on the principles of ethics and sustainability. Work by this department is supported by specific I.T. systems to register suppliers, their qualification, the assessment of their performance and manage the purchasing process life cycle.

With a view to ensuring the suitability of suppliers in meeting REN's needs, REN has a single Supplier Qualification and Assessment System, which is common to all Group companies.

The main activities of the supply chain are as follows:



A. ANNUAL PLANNING OF PURCHASES

Consists of the identification and planning of REN Group company purchasing needs with the aims of defining acquisition strategies for every category of purchase, creating acquisition volume, identifying potential synergies and generating savings for the Group.

B. PURCHASE

1 DEFINITION OF REQUIREMENTS

• Consists of defining the functional and technical needs of the goods, service or contract work to be acquired in line with requirements and standard levels of service and market conditions which ensure compliance with regulations and environmental legislation and health and safety at work.

2 MARKET CONSULTATION

• This stage is the responsibility of the Purchasing Department where consultation documents are prepared based on functional and technical requirements. The type of procedure to be implemented is defined in line with the specificities of the purchase and legislation. Suppliers are selected to submit bids.

3 ANALYSIS OF PROPOSALS, NEGOTIATION AND AWARD

• Proposals received from competitors are analysed from a technical and commercial viewpoint in line with the REN segregation and responsibilities model. Should proposals be considered technically valid, the Purchasing Department will deal with the process, notifying competitors which were not considered technically valid and negotiating, should the procedure so provide for, with the remaining competitors.

4 AWARD PROPOSAL

• Based on the results of the negotiation, technical and commercial analysis and previosluy defined award criteria, the Purchasing Department will propose award to the entity competent for the purpose.

In 2016, the Purchasing Department had a total volume of purchases of 150 million euros, corresponding to 281 purchasing processes.

The procedures governing the purchasing process have remained stable in recent years, as a result of its maturity and the stability of public procurement legislation.

C. CONTRACT MANAGEMENT AND PAYMENT

After approval of the award proposal, the requesting area is responsible for the management of the contract under the terms and conditions agreed with the suppliers, and for the acceptance of the goods or services which will allow the suppliers to issue their respective invoices. These invoices will then be paid within the contractually agreed times by the REN department with payment responsibility.

D. SUPPLIER QUALIFICATION AND ASSESSMENT

REN operates a Supplier Management Model which deals with supplier qualification and the performance assessment.

The qualification system allows candidates which qualify as REN Group suppliers to be invited to submit bids to tender requests launched by REN.
This in turn allows such suppliers to establish a relationship of cooperation and partnership with the Group which is governed by demanding professional and ethical standards as well as strict compliance with legislation and in line with exacting medium and long-term sustainability policies.

The principles of this model are the principles of competition, equal treatment and opportunities for all potential Group suppliers, based on clear and objective rules and criteria with the aim of gauging the real capacity of every potential Group supplier.

The solidity behind REN's approach is based not only on its own conduct but also on the conduct of those with whom it works. For this reason, REN seeks to work with suppliers which share these values and principles.

As REN is a member of the United Nations Global Compact, it has drawn up a Code of Conduct for suppliers which sets out the 10 fundamental principles of the Compact which address human rights, labour practices, environmental protection measures and anti-corruption and are derived from universally accepted declarations.

The qualification system consists of the following steps:

REN mainly establishes contracts for energy sector related equipment and products and with the architects, contractors and service providers who work in the construction of overhead power cables and gas pipelines and who can meet the specific business needs of the REN Group and who are directly involved with the development of the concession infrastructure.

REN suppliers are grouped as follows:

- **Specific goods and services of the business**

Example: bare cables for mhv lines and sub-stations; control and protection systems (CPS); construction contracts, remodelling and maintenance of MHV power lines; tubes, conduits and accessories; contracts for the construction of saline cavities for NG Storage; contracts for the construction of high-pressure NG infrastructure(HP); etc.

- **Corporate goods and services**

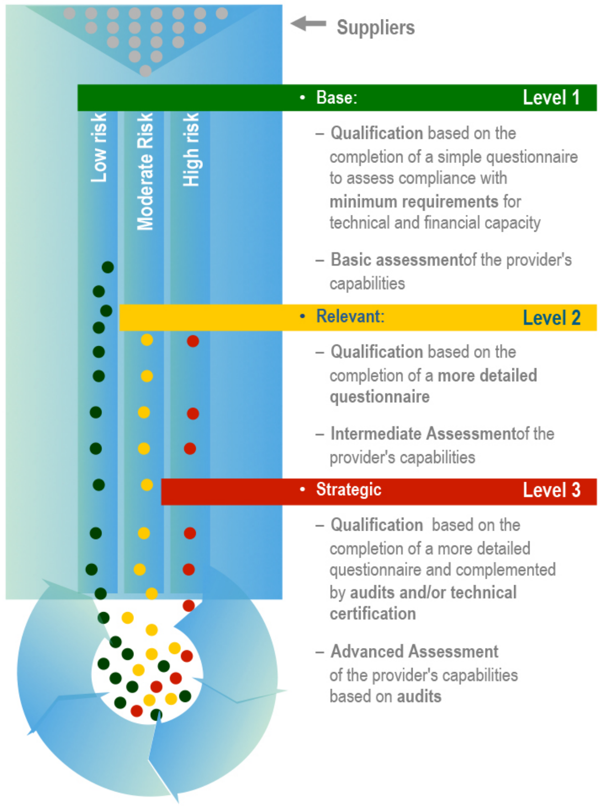
Example: environmental impact studies; catering, vending; micro I.T.and I.T. consumables; etc.

With the aim of ensuring the capacity and suitability of suppliers for needs, three levels of qualification have been created based on the complexity, criticality and representation of expenditure, in accordance with the following approach:

LOW RISK – this purchasing category **has no impact on** the **operation** or **safety** of the transmission infrastructure and has minimum representation in annual expenditure (e.g.: Professional Consultancy)

MODERATE RISK – this purchasing category **may impact on the safety** and **operation** of the infrastructure and/or represent **a high annual** expenditure (e.g.: Specific Construction Projects)

HIGH RISK – this purchasing category **may impact on the safety** and **operation** of the infrastructure, has **high technical complexity** and/or represents **a high annual** expenditure (e.g.: Power Transformers; Control and Protection Systems)



Suppliers are broken down as follows, based on type, size and geographical organization:

TYPE AND GEOGRAPHIC ORIGIN OF SUPPLIERS	LEVEL 1	LEVEL 2	LEVEL 3
Goods suppliers	Small national companies supplying standardized, low-value goods	Medium and large European companies supplying standardized goods or goods with customer specific requirements of medium or high value	Multinationals supplying complex goods of very high value
Service providers	Small national companies providing standardized, low-value services	Small and medium-sized national companies providing specific, medium or high value services	Medium and large European companies providing complex high value services
Contractors	Small national building companies with a single speciality, low value	Medium and large national construction companies with multiple specialities, medium or high value	Large Iberian construction companies with multiple specialities of very high-value and complexity (turnkey)

SUPPLIER BREAKDOWN IN 2016:

GEOGRAPHY OF SUPPLIERS	% VOLUME OF EXPENDITURE (280M€)	% NUMBER (1,131)
Extra-Community	2	3
Intra-Community	9	10
Domestic	89	87

After the contracts have been concluded, the contract managers, based on objective criteria and through comparison with contractual arrangements, assess supplier performance, gauging their capacity for compliance with contracts signed with REN, thus contributing to more efficient management.

SIGNIFICANT CHANGES IN THE ORGANIZATION OR SUPPLY CHAIN

In 2016, the annual process of supplier requalification started, in line with the rules set out in the REN Group supplier qualification system.

The number of qualified suppliers rose substantially, but without any significant changes in geographical origin.

Merger, acquisition and relocaction processes continue to occur without any impact on either the supplier portfolio or the level of competition and capacity of supply.

The overall perception of the economic-financial ratios of qualified suppliers improved in 2016.

PROPORTION OF EXPENDITURE AT LOCAL SUPPLIERS IN IMPORTANT OPERATIONAL UNITS

Bearing in mind Community and national legislation requirements, the sector and REN's position as public service concession holder, the specificity and technical and technological complexity of REN purchases and the geographical location of main suppliers, no policy exists for working with preferential suppliers. Nevertheless, around 89% of all REN Group company suppliers are Portuguese as a result of the maturity of the domestic market and use of intensive labour in construction work. The remaining 11% relates mainly to European companies and some Asian countries.

In 2016, the weighting of national suppliers in the total of REN Group purchases rose slightly.


REN
MANAGEMENT REPORT 04
C—O—M—M—I
T—M—E—N—T
CONNECTED TO THE FUTURE

04 ___ MANAGEMENT REPORT

4.1. › ENVIRONMENT

4.1.1 ECONOMIC ENVIRONMENT

WORLD ECONOMY[1]

The world economy is expected to grow +3.0% (vs. 3.1% in 2015), continuing the recovery trend in the last years. Underlying this recovery are different growth rates among developed and emerging economies.

Developed economies are forecasted to grow +1.7% in 2016 (vs. +2.2% in 2015), slowing down the growth recorded in the last years. Contributing to this performance was the deceleration in the European Union, where growth is expected to reach +1.8% in 2016 (vs. +2.2% in 2015). Despite the slowdown seen in most EU countries, these performances are counterbalanced with some increases in economic growth, as is the case with Germany (+1.9% in 2016 vs. +1.7% in 2015). Outside the EU, the USA is also expected to decelerate its economic recovery (growth rate of +1.6% in 2016 vs. +2.6% in 2015). This resulted from a drop in investment in several different sectors, notably the energy sector, the continued strength of the dollar and weak external demand. In Japan, a slight increase is expected in the growth rate (+0.7% in 2016 vs. +0,5 in 2015), sustained by the recovery in internal demand and the implementation of macro-economic development policies.

In contrast to developed economies, emerging economies are expected to accelerate its growth (+4.0% in 2016 vs. +3.8% in 2015). However, individual growth performances varied greatly. The increase in commodity prices provided the basis for the development of most exporting countries, including Russia (-1.0% in 2016 vs. -3.7% in 2015) and Brazil (-3.1% in 2016 vs. -3.8% in 2015), where some normalisation of the political situation also contributed to a growth improvement. Furthermore, many emerging countries benefited from a positive outlook by investors, recovery in capital input, an increase in the price of shares and stronger exchange rates. At the same time, in some regions, notably the Middle East and Northern Africa (+2.6% in 2016 vs. +2.2% in 2015) and in Sub-Saharan Africa (+2.1% in 2016 vs. +3.5% in 2015), a slowdown in growth was a result of the deterioration in internal and geopolitical problems, including armed conflicts and extensive budget consolidation in order to offset the steep drop in oil income.

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[1] Source: European Commission: European Economic Forecast, Autumn 2016

EURO ZONE[2]

The Euro Zone continued to grow at a moderate rate in 2016 (+1.7% vs. +2.0% in 2015). Growth in the Euro Zone was grounded on factors such as the fall in the price of commodities, the drop in value of the euro and expansionist monetary policies led by the European Central Bank. However, weak growth in world trade led to a slowdown of the economy in the Euro Zone and a feeling of deep uncertainty persists with regard to the future.

Private consumption continued to grow in 2016 (+1.7% in 2016 vs. +1.8% in 2015), benefiting from the improvement in employment which helped cancel out the negative impact of inflation on the purchasing power of families. The factors which in recent years have led to post crisis growth in investment continued in 2016 (+3.3% in 2016 vs. +3.2% in 2015) and investment in construction is expected to grow for the first time since the crisis began. For the UK, the fragility of international trade and the decline in exports, together with the drop in value of the pound, are factors limiting exports' growth (+2.7% in 2016 vs. +6.5% in 2015). Unemployment rates continued to fall (+10.1% in 2016 vs. +10.9% in 2015) and the increase in oil prices led to a slight rise in inflation in the Euro Zone (+0.3% in 2016 vs. 0.0% in 2015).

INTEREST RATES[3]

The full implementation of monetary policy measures in recent years continued to reduce pressure on bank loans and bond rates. The European Central Bank's asset purchase programme under the CSPP (Corporate Sector Purchases-Programme) started in June 2016 and led to continued improvement in financing conditions for non-financial companies. At the same time, the effects of the ECB deposit interest rate on the money markets and financing conditions were strengthened by the growth in surplus liquidity brought about by asset purchases.

During 2016, the European Central Bank reference rate fell from +0.05% (an historic low going back to September 2014) to 0.00%. Euribor rates for 3, 6 and 12 months stood at -0.319% (vs. -0.131% at the end of 2015), -0.221% (vs. -0.040%) and -0.082% (vs. +0.060%), respectively.

THE PORTUGUESE ECONOMY[4]

Electricity consumption 49.3 TWh
In 2016, electrical power supplied through the public network

Economic recovery continued in 2016 (+0.9% vs. +1.6% in 2015), although at a modest rate, driven by private consumption (+1.8% in 2016 vs. +2.6% in 2015) but slowed down by poor investment (-1.4% in 2016 vs. +4.5% in 2015). In fact, the modest growth in private consumption was in line with the more stable consumption of durables, the increase in oil prices and the continued high level of debt among Portuguese families. Although investment in machinery and equipment has improved, investment in construction contracted.

Domestic demand contributed +1.1 p.p. to growth in GDP, while net exports accounted for -0.2 p.p. Imports increased, although at a slower pace than last year (+3.3% in 2016 vs. +8.2% in 2015), while growth in exports fell by half (+2.8% in 2016 vs. +6.1% in 2015).

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[2] Source: European Commission: European Economic Forecast, Autumn 2016 – Euro Zone
[3] Source: ECB reference rates (www.ecb.int)
[4] Source: European Commission: European Economic Forecast, Autumn 2016

With regard to public accounts, efforts continued to reduce the public deficit to below levels allowed by the European Union Stability and Growth Pact (3%). The deficit expected for 2016 is around 2.7% of GDP, a figure which is lower than the 4.4% in 2015. The weight of public debt in GDP is expected to rise slightly over 2015, increasing from 129% in 2015 to 130.3% in 2016.

The unemployment rate continued to fall, and is expected to drop to 11.1% in 2016 vs. 12.6% in 2015.

4.1.2 SECTORAL ENVIRONMENT

ELECTRICITY DEMAND AND PRODUCTION

In 2016, electricity consumption supplied by the public network grew over figures for the previous year by 0.6%, or 0.4% when corrections relating to temperature effects and the number of working days are taken into consideration. Total consumption was 49.3 TWh. This consumption is the highest since 2011 but still 5.6% below the historic maximum recorded in 2010.

Consumption in 2016 was negatively affected by the change in the remuneration system for one large-scale co-generation plant impacting on the calculation of consumption. At this plant, only energy actually injected into the public grid is now calculated, when previously all consumption was accounted for. It is estimated that, without this effect, consumption would have risen by 1.1%.

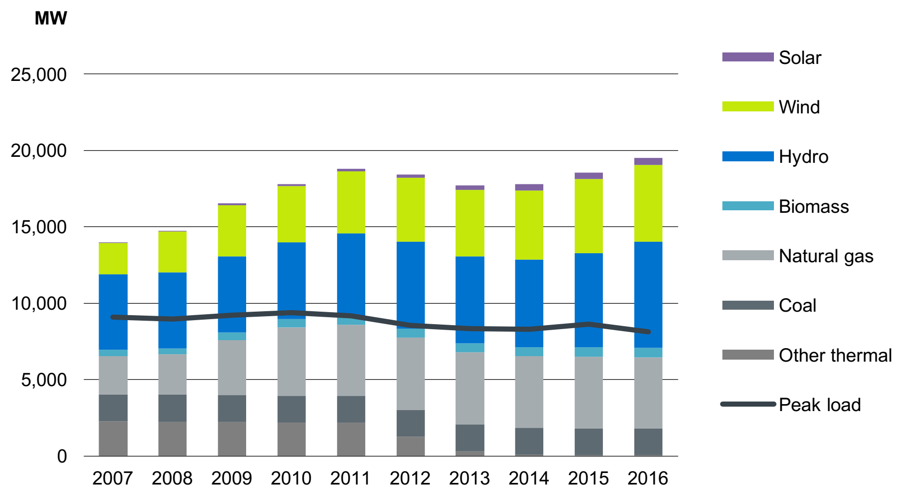
TWh	CONSUMPTION	VARIATION	CORRECTED
2012	49.1	-2.9%	-3.6%
2013	49.2	0.2%	0.0%
2014	48.8	-0.7%	0.0%
2015	49.0	0.3%	0.1%
2016	**49.3**	**0.6%**	**0.4%**

The national production peak exceeded the previous historic maximum recorded in 2015. On 18 February at 20:00 it reached 11,488 MW. At this time, the national system supplied national consumption and also exported around 3,400 MW. Peak national consumption of 8,141 MW was on 17 February at 19:30, 480 MW below last year's maximum.

11,488 Nw
HISTORIC MAXIMUN
THE NATIONAL PRODUCTION

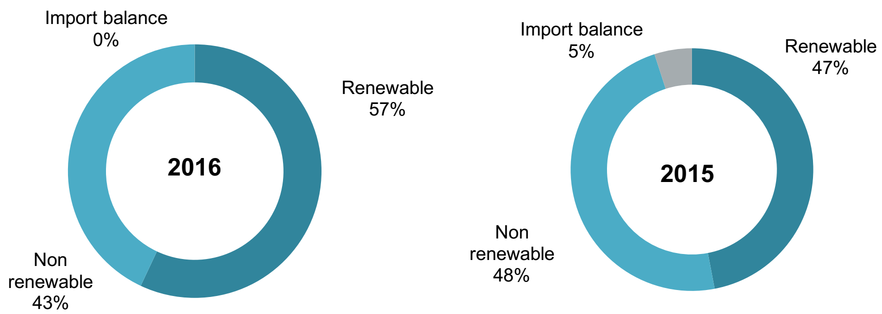
Installed power in the national electricity system, as well as the number of power stations connected to the public grid continued to grow. At the end of 2016, the total was 19,518 MW, with 14,504 MW connected to the transmission network and 5,015 MW connected to the distribution network, an increase of 950 MW over last year. Of note among new entries into operation in 2016, was the new Frades II plant, part of the Venda Nova/Frades reversible hydro plant, with 780 MW, increasing the national system's hydropower to 6,945 MW, 2,437 MW with pumping. With regard to other renewable technologies, of note was the additional 200 MW in wind farming, 149 MW of which is from the Douro Sul farm, while in photovoltaic power, a small increase was seen, reversing the trend of recent years.

EVOLUTION OF INSTALLED POWER



In 2016, renewable production supplied 57% of consumption (including the export balance), as against 47% for last year. Considering only the national scenario, renewable production would account for 63% of consumption. Under average weather conditions, renewable production currently accounts for around 55% of national consumption.

RENEWABLE AND NON-RENEWABLE PRODUCTION

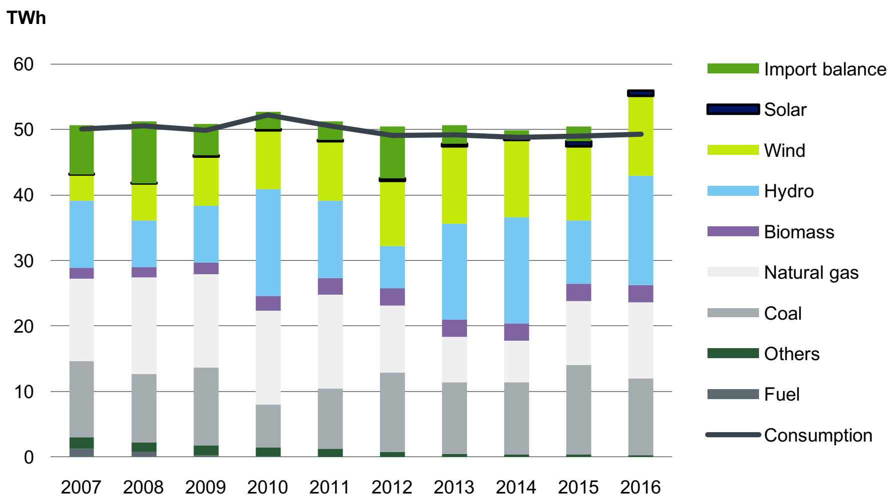


The high levels of renewable energy seen this year were due to particularly favourable hydro conditions, which were around 33% above normal values. This was the second highest figure seen in the hydraulicity index since records began (1971), only exceeded by figures for 2003. Conditions for wind farming in 2016 were average.

In 2016, hydro-power plants supplied 28% of consumption while wind farms supplied 22%, biomass plants, including standard and cogeneration plants 5% and photovoltaic plants 1.4%. With regard to non-renewable sources, coal-fired plants provided 21% of consumption while natural gas, including combined cycle and co-generation, also supplied 21%.

Despite the relatively steady consumption seen in recent years, national production of 55.9 TWh reached its highest figure ever in 2016, 12% above the previous maximum of 2010, due to the high export balance. This export balance, the first since 1999, is the highest ever and equivalent to 10% of national consumption.

MEETING DEMAND



NATURAL GAS DEMAND AND SUPPLY

In 2016, consumption of natural gas rose to 55.8 TWh, an increase of 6.9% compared to the previous year. This recovery in consumption is now in its second year and was once again driven by the the increase in electricity production. In 2016, natural gas consumption was the highest since 2011 and 3.4% less than the recorded maximum in 2010.

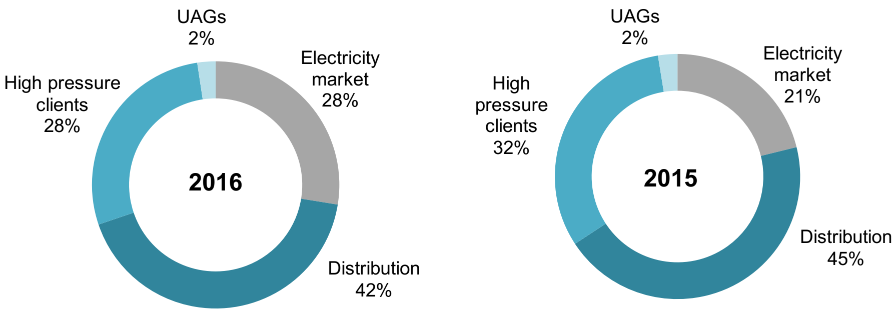
55.8 TWh
CONSUMPTION OF NATURAL GAS
DEMAND FOR NATURAL GAS IN 2016

TWh	CONVENTIONAL MARKET	VARIATION	ELECTRICITY MARKET	VARIATION	TOTAL CONSUMPTION	VARIATION
2012	38.3	5.7%	11.9	-44.0%	50.2	-12.7%
2013	44.5	16.3%	3.4	-71.3%	47.9	-4.6%
2014	42.1	-5.4%	3.2	-5.5%	45.3	-5.4%
2015	41.2	-2.1%	11.0	241.6%	52.2	15.3%
2016	**40.5**	**-1.8%**	**15.4**	**39.3%**	**55.8**	**6.9%**

Despite the growth in renewable electricity production in 2016, the healthy export balance seen throughout the year led to higher use of combined cycle plants, with its consumption reaching 15.4 TWh, the highest figure since 2011. Therefore, consumption by electrical power stations represented 28% of the total consumption of natural gas, as against 21% last year.

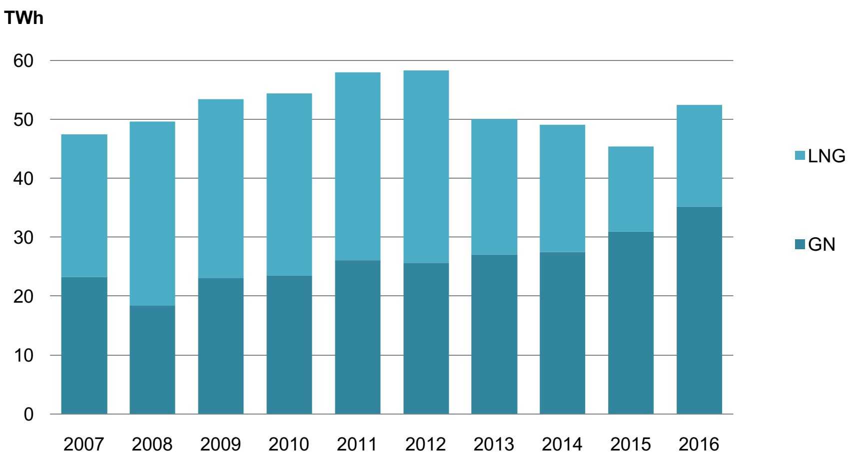
In the conventional segment, consumption of 40.5 TWh was recorded, falling 1.8% over last year. This situation is a repeat of recent years due to the reduction in activity of large co-generation plants. This segment represented 72% of total natural gas consumption

CONSUMPTION



With the growth seen in consumption in 2016, increases were seen both in the gas received at the Sines LNG terminal (+11%) as well as through the Campo Maior and Valença interconnections (+4%). With regard to interconnections where inputs of 36.5 TWh were seen, the highest movement since 2002 was recorded. Interconnections accounted for two thirds of the national system supply, with gas coming mainly from Algeria. The Sines LNG terminal provided one thirsd with gas mainly from Nigeria.

SUPPLY



4.1.3 REGULATORY ENVIRONMENT

EUROPEAN ENERGY POLICY

In February 2016, under the strategy for the "Energy Union", the European Commission (EC) launched new proposals with the aim of ensuring natural gas supply security (COM (2016) 52 final) and guaranteeing improved coordination and support among European Union countries in the event of supply shortages.

Proposals on strengthening intergovernmental energy agreements between member states and third-countries (COM (2016) 53) and the establishing of a strategy to reinforce energy security through the storage of gas and LNG (COM (2016) 49 final) were also published on the same date.

Also as part of this initiative, the EC published a communication on European strategy for heating and cooling (COM (2016) 51 final) which explores the potential of energy efficiency and the use of renewable energies.

EC Decision (2016/C 94/02) of 9 March set up a Commission expert group on electricity interconnection targets to provide the Commission with technical advice on how best to:

- achieve the 10% target, identify risks that could lead to the target not being met by 2020, and to propose solutions to the Commission to overcome any implementation bottlenecks, related in particular to the financing of projects and the permit granting procedures, and
- with regard to a methodology conceptualising the 15% interconnection target into regional, country and/or border level targets to be achieved by 2030 while taking into account the cost aspects and the potential of commercial exchanges in the relevant regions.

On 7 April, the second stage of information reporting was started under European regulations on wholesale natural gas and electricity market integrity and transparency (REMIT) which sets out a series of prohibitions and obligations on all market participants, consisting essentially of four aspects:

- Prohibition of insider trading and market manipulation;
- Obligation to publically disclose privileged information which could affect the market (inside information);
- Obligation to report all transactions to a central system to allow ACER, in collaboration with National Regulators (NRs), to monitor the market effectively;
- Situations of non-compliance analysed by NRs which could also apply sanctions.

In mid 2016, results were presented on the study conducted under the High Level Group into interconnections in Southwest Europe. The aim was to assess the costs and benefits of reinforcing the electricity interconnection to overcome the isolation of the Iberian Peninsula. It concluded that these projects would bring positive benefits.

On 30 November, the EC presented a new "Winter Package" to preserve the competitiveness of the European Union, in light of the fact that the transition to clean energies internationally is changing energy markets. The proposals presented have three main aims: to prioritise energy efficiency, to achieve international leadership in energy from renewable sources and to establish equal footing for all consumers.

These legislative proposals cover energy efficiency, energy from renewable sources, the configuration of the electricity market, electricity supply security and rules of governance for the Energy Union.

DOMESTIC ENERGY POLICY

Council of Ministers Resolution No 33-A/2016 of 9 June establishes the conditions for the automatic application of the social tariff for electricity and natural gas.

The Official Order issued by the Office of the Secretary of State for Energy (SEE) on 13 October provides for the review of the power guarantee incentive award mechanism.

In accordance with the State Budget for 2017 (OE 2017), as of 1 January 2017, the power guarantee incentive award was suspended, as provided for in Article 2(1)(a) of Ministerial Implementing Order No 251/2012 of 20 August, which will be replaced by a market mechanism which exclusively remunerates availability services to be created by the government.

Also published on the same date was Ministerial Implementing Order No 268-A/2016 of 13 October which lays down eligibility criteria for purposes of remunerating interruptibility.

With respect to renewable energies, Ministerial Implementing Order No 268-B/2016 of 13 October approves the obligation of the Last-Resort Supplier (SLR) to deduct the duplicated amounts for electrical power produced under the special regime which benefits from guaranteed remuneration, of the sums received by power plants from support for the promotion and development of renewable energies through other public aid.

Development and investment plans for the electricity and natural gas transmission and distribution networks are now to be discussed in the Portuguese Parliament, in accordance with complementary legislation to be defined, as per the amendments to Decree-Laws Nos 29/2006 and 30/2006 of 15 February, as set out in the 2017 State Budget.

Also further to the publication of the 2017 State Budget, the government is authorized to set up, under the national natural gas and electricity systems, a logistics operator to change supplier (OLMC), without increased costs for end users.

LIBERALIZED MARKET IN PORTUGAL

In accordance with State Budget (Law 42/2018 of 28 December), in 2017, the government is to extend the deadline for abolishing transitional tariffs for the supply of electricity to normal low voltage end users, planned for 31 December 2017, in accordance with that set out in Article 5 of Ministerial Implementing Order No 97/2015 of 30 March, setting 31 December 2020 as the new date.

4.2. › ELECTRICITY

4.2.1 RNT OPERATION

USE OF TRANSMISSION SYSTEM

In 2016, energy transmitted by the National Transmission System (RNT) saw a significant increase of 8.6% over the previous year, standing at the highest ever figure of 46.7 TWh. This figure exceeds the previous annual maximum of 2005 by 4.8%. Maximum power transmitted stood at 9,140 MW, equalling the highest ever value recorded for the RNT. This peak is around 700 MW above the maximum recorded last year, and around 300 MW higher than the previous maximum high registered in 2007.

Despite the slowdown seen in recent years, and the increase in injection from small-scale producers with regard to the distribution network, the Iberian market saw strong exports throughout the year, leading to the highest values ever in terms of power transmitted by the RNT.

Network losses, which stood at 801 GWh, increased from 1.56% to 1.72% of transmitted energy. In addition to more intensive use of the network, this increase is largely related to the considerable increase in the production of renewable energies, with greater concentration in the north of Portugal.

TWh	2016	2015
Energy intake into the network	**46.7**	**43.0**
Power plants	39.6	33.0
Interconnections	4.6	8.1
Distribution Network	2.5	1.9
Energy output by the network	**45.9**	**42.3**
Power plants / Direct customers	3.3	3.3
Interconnections	9.7	5.8
Distribution network	32.9	33.2
Own consumption	0.0	0.0
Losses	0.8	0.7

The interconnection capacities offered to the market stood at 1,950 MW for import and 2,400 MW for export. With the national system exporting significantly throughout year, congestion in the Portugal-Spain direction was seen in 7% of periods, while in the Spain-Portugal direction, interconnection saw congestion in only 1% of periods.

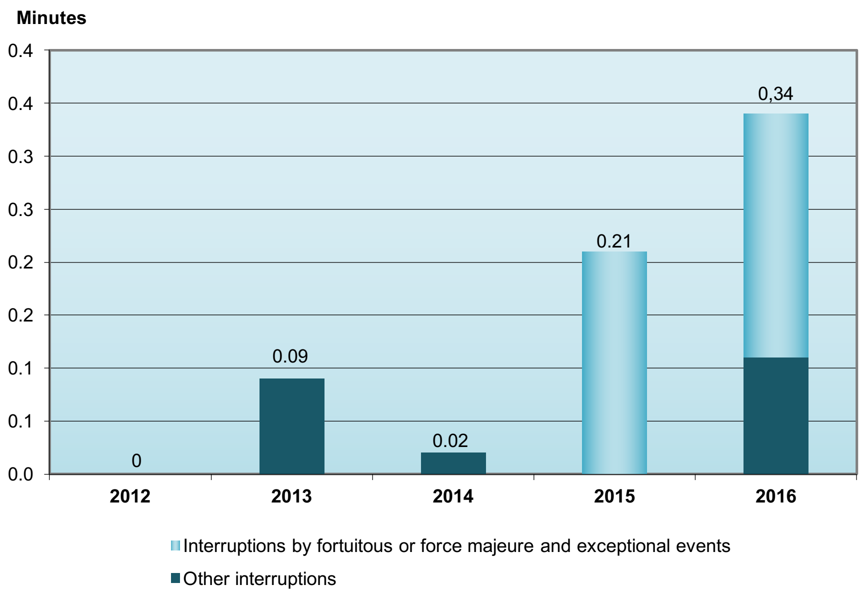
QUALITY OF SERVICE

The quality of technical service provided - understood as being security and continuity of supply of electrical power with the necessary technical characteristics - achieved suitable levels. The trend observed in previous years towards a gradual and sustained improvement in the performance of the National Transmission System (RNT) was consolidated.

With regard to continuity of service, the six general indicators set out in the Quality of Service Regulations (ENS, EIT, SAIFI, SAIDI, SARI and MAIFI) recorded good positive values. It can thus be seen that the policies and strategies implemented by the RNT concessionaire for electrical power transmission are both suitable and efficient in network operation (attributes which are confirmed by comparative analysis studies of technical-economic performance among electricity TSOs).

The Equivalent Interruption Time (EIT), an indicator of overall performance commonly used by electrical utility firms, was 20.4 seconds. This is the value directly attributable to REN, and corresponds to energy not supplied of 31.8 MWh.This figure represents what would be a practically uninterrupted supply of electrical power (at 99.99994% of the time, i.e. 999 hours, 59 minutes and 58 seconds in every 1,000 hours) to a single "equivalent" consumer, for the entire country, with power and energy which would represent all the different delivery points to the national distribution network and consumers directly connected to the RNT.

EVOLUTION OF EQUIVALENT INTERRUPTION TIME - EIT

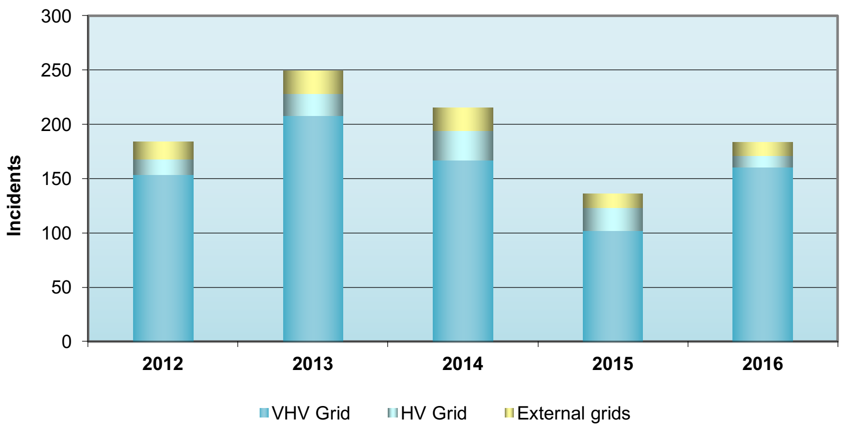


In 2016, the monitoring of voltage waveform quality continued at delivery and interconnection points on the RNT

The measurements carried out continued to show results that, with a limited number of exceptions in individual and localized cases, match the figures recommended in the quality of service regulations.

The overall level of the electrical energy quality depends on the number of incidents recorded or which impact on the transmission grid. In 2016, there were 183 incidents and interruptions (35% more than in 2015), 160 of which originated in the Extra High Voltage Network (EHV), 11 in the High Voltage Network (HV) and 12 in other networks but impacting on the REN EHV and HV networks. Only six incidents (3% of the total) actually caused interruptions to the supply of electricity to customers, having caused six interruptions at delivery points.

EVOLUTION IN THE NUMBER OF INCIDENTS



NETWORK BEHAVIOUR

During 2016, the major congestions that occurred in the RNT were associated with grid element outages, which were solved through the generation of network constraints and the introduction of topological changes to the network. In this regard, of particular note were outages which occurred due to the capacity increase in 150 and 400 kV lines in the Portuguese central interior which required special topological measures. These measures sought to minimize restrictions on power generation and maximize the commercial capacity of the interconnection with Spain. Moreover, outages also occurred due to the remodelling of protection, automation and control systems at the Torrão and Évora substations which required special topological measures. These measures sought to minimize restrictions on power generation and maximize supply security for consumption.

In 2016, despite the slight rise in the consumption of electricity in mainland Portugal, the number of RNT lines which had to be shut down as a last-resort solution to control voltage fell substantially. This reduction was mainly due to greater availability of means to manage relative energy with the entry into service of new equipment, shunt reactances, in line with development and investment plans for the transmission system.

SYSTEM OPERATION

For the first time ever, in 2016 the Portuguese electricity system had a positive annual export balance of 5 TWh. Several maximum historic figures were achieved:

- Combined cycle production: Power = 3 344 MW;
- Large hydro production: Power = 5,547 MW; Energy = 114.6 GWh;
- Wind production: Power = 4,453 MW;
- Photovoltaic production: Power = 390 MW; Energy = 3.5 GWh;
- Pumped storage hydroelectric: Power = 1933 MW; Energy = 18.9 GWh;
- Exports: Power = 3,529 MW.

In conclusion, the growth in renewable energy production and market operation led to several maximums in the use of the transmission network, although consumption itself did not change significantly.

MARKET OPERATION

In 2016, seven new market agents started and one market agent closed in the National Electricity System (SEN). At the end of the year, there were 39 market agents, three of which are producers.

In August 2016, REN joined the IGCC project (International Grid Control Cooperation). The IGCC is a key project to implement the Imbalance Netting process. This process seeks to improve cooperation between TSOs (Transmission System Operators) for real-time offsetting of imbalances among the different electricity systems involved. The aim is to reduce the mobilization of secondary regulation power, thus helping improve the efficiency of the services required to operate the SEN with suitable levels of supply security.

At the end of 2016, REN started initial testing on connectivity between the REN IT platform and the XBID platform (Cross-Border Intraday Initiative). The XBID platform is managed by DBAG (Deutsche Börse AG) and seeks to ensure the interaction of the IT platforms of project members so as to create an integrated intraday market throughout Europe. When XBID starts operation, orders made by market participants can be continuously met in any other participating country the project, provided that interconnection capacity is available.

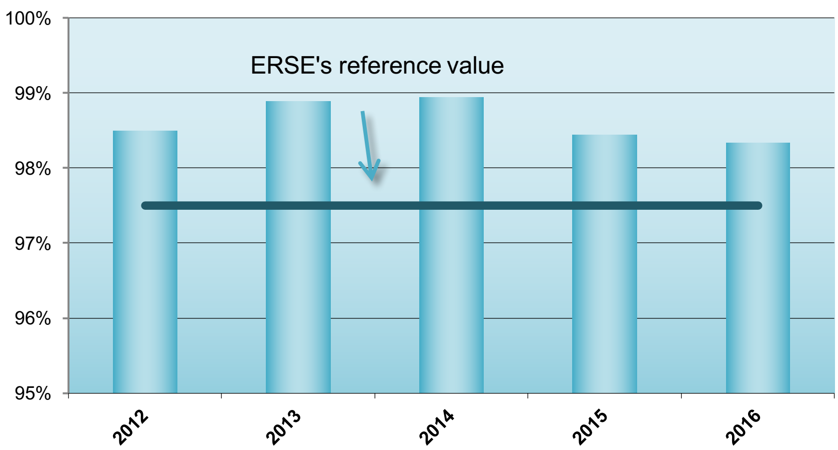
Of note in terms of international developments:

- In July 2016, as part of the Market Regional Coupling project, coupling was successfully started on the Austria-Slovenia border.
- On 27 September, Regulation (EU) No 2016/1719, which provides guidelines on forward capacity allocation, was published.
- On 17 November 2016, the Agency for the Cooperation of the Energy Regulators (ACER) communicated its decision for the determination of the capacity calculation regions.

PERFORMANCE OF TRANSMISSION SYSTEM ASSETS

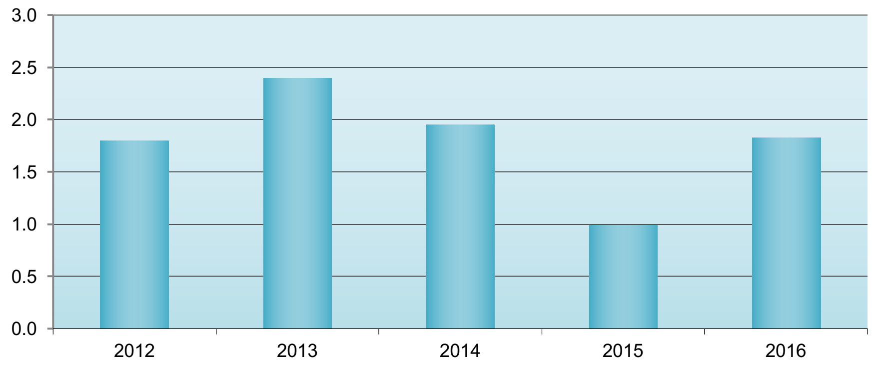
- **Availability**
  The combined availability rate, a regulatory indicator introduced by ERSE in 2009, stood at 98.33% in 2016, a similar figure to that for 2015. The following graph shows the annual evolution of this indicator over the last five years. This performance represents a positive evolution in terms of coordination and planning of grid outages during the period in question.

COMBINED AVAILABILITY RATE



- **Reliability**
  In 2016, RNT lines performed satisfactorily, despite an increase in the number of incidents over figures for the previous year (+85%). This was essentially due to the high number of forest fires seen in the summer months. The graph below illustrates the performance of lines in the last five years, with regard to the number of faults per 100 kilometres of circuit.

EVOLUTION IN THE NUMBER OF FAULTS ORIGINATING IN RNT LINES PER 100 KM OF CIRCUIT



The overall availability rate for line circuits, including terminal panels, was 98.62%, a figure which was slightly lower than that for the previous year (-0.05%).

In general, sub-stations performed favourably. In spite of this, there was a slight increase in the number of breakdowns in transformers and circuit breakers compared with the 2015 figures, although, in the majority of cases, not impacting on network operation. The overall availability rate for transformers and auto-transformers (including the respective panels) stood at 97.45%, a figure slightly lower than that seen in 2015 (-0.31%). This indicator is affected mainly by remodelling and replacement work on HV equipment and transformers.

More in-depth technical detail is available in the Quality of Service Report published annually by REN.

4.2.2 INVESTMENT IN THE RNT

PROJECTS CONCLUDED IN 2016

In 2016, the projects concluded in the National Electricity Transmission System improved the flow of power from new renewable energy production centres, reinforced feeding to distribution networks, improved exchange capacities with Spain and contributed to greater security and reliability of overall system operation.

In the Minho region, a 400 kV line was built between the Pedralva sub-station and Ponte de Lima, which will continue further south to the current Vila Nova de Famalicão sub-station. This line includes the 400 kV axis between the Porto region and the Pedralva sub-station (passing close to the future Ponte de Lima sub-station). The only remaining aspect is to complete the connection between the Ponte de Lima area and the Vila Nova de Famalicão sub-station. This axis, as well as proving to be vital in the running of the large amounts of new hydropower from the Cávado/Alto Minho plants, will also assist in the future interconnection with Spain in that region, thereby facilitating international exchanges.

In order to improve feed for consumption in the Fafe, Guimarães, Vizela and Felgueiras municipalities (fed by the Fafe sub-station), the opening of the Terras Altas de Fafe-Riba d'Ave 150 kV line for the Fafe sub-station was fundamental. With this reinforcement, it was possible to finally close the Guimarães RNT substation (as well as the respective branch), which was limited from a technical perspective and could not be expanded.

In order to control the profile of RNT voltages, a 150 Mvar shunt was installed for 400 kV at the Pedralva sub-station. Under plans for the management of transformation power installed in the RNT, a number of transformers were transferred between RNT sub-stations and five new transformers were also installed: four 220/60 kV transformers at the Pocinho, Chafariz, Rio Maior and Carregado sub-stations, and one 150/60 kV at the Porto Alto sub-station.

In addition to the abovementioned projects, investment was made in the modernization of assets at the end of working life. This included the full remodelling of the Carregado and Porto Alto sub-stations, remodelling of the Feira–Lavos and Pego–Falagueira 400kV lines, and the Fratel–Falagueira 150kV line. Also concluded was the remodelling of the protection, automation and control systems at the Torrão, Évora, Rio Maior, Chafariz and Vila Fria sub-stations.

MAIN INVESTMENTS UNDERWAY

- **Connection of large hydro-plant to the RNT**
    - Construction of a new 400 kV axis between the Porto region (Vila Nova de Famalicão sub-station) and the Pedralva sub-station, passing close to the future Ponte de Lima substation. The only remaining aspect of this reinforcement is to establish the connection between the Ponte de Lima area and the Vila Nova de Famalicão sub-station, after the installation of the Pedralva–Ponte de Lima line em 2016. This will be vital to ensure the high rates of new generation flow at Cávado/Alto Minho (Salamonde II and Frades II plants). It will also reinforce international exchange capacity which is planned for this area.

- **Connection to the RNT of production other than large hydro or thermal power**
    - In the Beira Interior, the new 400 kV Fundão-Falagueira axis through the extension of the current Falagueira-Castelo Branco 3 line to the Fundão region was established. A new 400/220 kV sub-station will be built, creating capacity to receive new generation throughout this region. This will eliminate the technical restrictions to current and future wind production and production from new photovoltaic plants which are not as yet connected

- **Connection to the distribution networks to supply large load centres**
    - In the Setúbal Peninsula, the opening of the Alcochete 400/60 kV injector, feeding consumers in the municipalities of Montijo and Alcochete and the completion of the second 150 kV line between the Fernão Ferro and Trafaria sub-stations.
    - In the Alentejo, installation of VHV/HV transformation at the current Ourique substation, serving customers located in the central lower Alentejo, between Ferreira do Alentejo and Loulé.
    - Also underway are transformation power increases at the Lavos, Sines, Recarei and Zambujal sub-stations and autotransformation at the Tavira sub-station.

- **Reinforcement of the interconnection capacity between Portugal and Spain**
    - In order to reinforce the exchange capacities between Portugal and Spain, more specifically in the import direction, a new 400 kV interconnection is planned in the Minho region, connecting the future Ponte de Lima sub-stations on the Portuguese side to Fontefría on the Spanish side.

- **Remodelling of equipment and systems at the end of working life**
    - In addition to RNT development investment, several modernization projects are also underway for transmission network assets. This involves remodelling and replacement of high and very high voltage equipment at sub-stations, protection, automation and control systems, power transformers and overhead lines. These assets are at the end of their working life.

TRANSMISSION SYSTEM DEVELOPMENT AND INVESTMENT PLAN 2016-2025 (PDIRT 2016-2025)

The public hearing called by ERSE on the PDIRT 2016-2025 proposal stated on November and ended in January 2016. ERSE issued the respective opinion on 24 February 2016.

Based on the hearing and the ERSE opinion, REN drew up the Final Proposal for PDIRT 2016-2025 which was sent to the Directorate General of Geology and Energy (DGEG) in April 2016, in accordance with legal requirements.

COMMON INTEREST PROJECTS FOR ELECTRICITY (PIC)

In 2015, REN sent INEA (Innovation and Networks Executive Agency) an application for financial support (grants for studies) for two national common interest projects (PIC). Under the CEF (Connecting Europe Facility) programme, 50% of the costs were awarded and the respective contracts are currently being drawn up. In 2016, REN once again applied for PIC support for applicable projects under the third list which is to be published in 2017.

4.2.3 NETWORK CONNECTIONS

Within the scope of activity relating to connections to Public Service Power Networks (RESP), REN coordinates connection and integration processes for consumer and producer facilities linked to the National Transmission System (RNT), to ensure the security and quality of service of the RNT and the effective integration of renewable energy sources into the National Electricity System. This activity focused on several different areas:

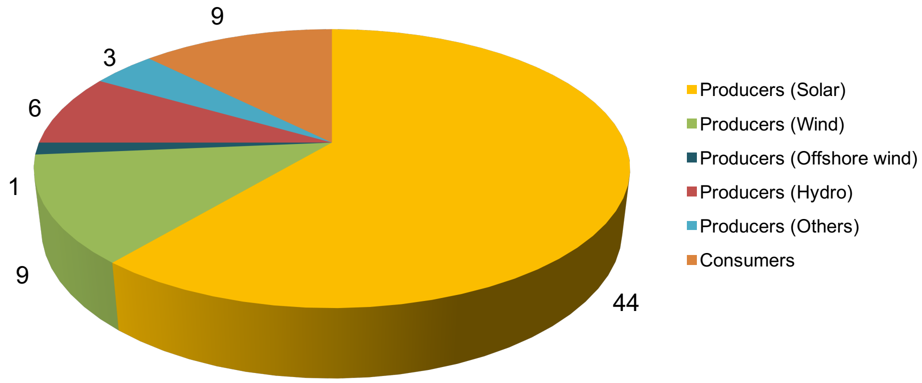
- The planning of reception capacity for new production, the planning of necessary network upgrades and the definition of technical connection requirements for producer facilities;
- The preparation of technical requirements for production facilities with new technologies;
- The definition of technical connection conditions and the carrying out of integration studies for VHV clients with a high level of reliability requirement in the feeding of electrical power and quality of service;
- The development of projects, the planning of work, the execution of work under the responsibility of REN and the monitoring of work under the responsibility of the promoters to be linked to the RNT;
- Participation and monitoring of inspections and the execution of connections to the network;
- The definition of communication, command, control and protection systems;
- The definition of metering systems and border systems with the markets and the operational control of the execution of this operation through the dispatch control centres;
- The definition of technical adaptations to the RNT arising from the specific needs of production or consumer installations already connected to the network;
- The forecasting of energy volumes produced and the resolution of management problems in the production of electrical power required to satisfy consumption;
- The drawing up of technical opinions for promoters and compatibility opinions for production infrastructures with existing and future RNT activities and areas.

Also with regard to network connections, in 2016 collaboration with the Directorate General of Geology and Energy was started in the process to implement three new European network connection codes. These were (i) Network Code on Demand Connection (EU 2016/1388), (ii) network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU 2016/1447) and (iii) network code on requirements for grid connection of generators (EU 2016/631).

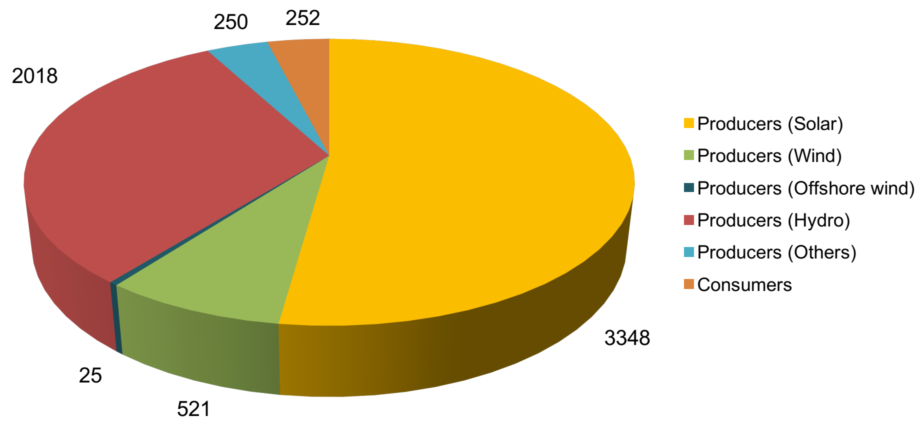
The following graphs provide a summary of REN activity in 2016 for new processes and processes underway for connection to the RNT, identifying by type of installation and source, the number of connection requests and power (MW) involved.

RNT CONNECTION PROCESSES

Number of connection requests underway



Power of the connection requests (MW)



In 2016, the DGEG granted a production licence (installation) for a 200 MW photovoltaic plant, to be connected to the 400 kV line of the Tavira sub-station. Authorization was also given to connect a different photovoltaic plant to the Ourique sub-station (in addition to the photovoltaic plant on which construction was started in 2015). Authorization was further given to connect three photovoltaic plants totalling 50 MW to the 150 kV line of the Falagueira sub-station. With the agreement of the DGEG, the technical requirements for these photovoltaic plants have already been developed in line with the new European network connection code EU 2016/631 (requirements for grid connection of generators).

Also in 2016, a new working group coordinated by the DGEG started to implement a contract signed by the Portuguese state and EDP Renewables to connect a new series of wind farms to the Public Service Electricity System (RESP) producing a total of around 200 MW. It is estimated that at least 150 MW will be connected to the national grid under Ministerial Implementing Order No 133/2015. In 2016, a production licence was also grated under the same Ministerial Implementing Order for the first offshore wind farm.

Finally, also of note is that, for the first time, under Decree-Law No 172/2006 of 23 August, amended by Decree-Law No 215-B/2012 of 8 October, more specifically, through market remuneration, REN was requested to provide an opinion on reception capacity and network connection conditions for wind farms.

With regard to consumer connection, of particular notice is the planned development for the national railway network, including the Sines–Caia goods line. This line will require the construction of a minimum of four traction sub-stations fed by the RNT from the Estremoz 400 kV sub-station.

In summary, at the end of 2016, power connected to the RESP totalled around 19,518 MW. The large hydro power plants accounted for 6,523 MW while the remaining PRE stood at close to 6,500 MW.

4.3. › NATURAL GAS

4.3.1 OPERATION OF RNTIAT

QUALITY OF SERVICE

The indicators set out in the Quality of Service Regulations (QSR) had the following annual values.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN GASODUTOS

Average No of interruptions per output point	0
Average time of interruptions per output point	0 minutes
Average duration of interruption	0 Minutes

Notes:

- Average No of interruptions per output point - ratio between the total number of interruptions at delivery points during a specific period, divided by the total number of delivery points at the end of the period under consideration

- Average duration of interruptions per delivery point: ratio between the sum of interruption durations at delivery points during a specific period, divided by the total number of delivery points at the end of the period under consideration

- Average duration of interruption: ratio between the sum of interruption durations at delivery points, divided by the total number of interruptions at delivery points, in the period under consideration

The remaining indicators for the of supply and characteristics of natural gas fell within the limits set by the QSR.

The aggregate indicator for the frequency of incident occurrence per year per 1,000 kilometres of high-pressure transmission infrastructure for 2016 stood at 0.043, based on the total infrastructure exposure time. Considering only the last five years it is 0.147. The value of the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.177 for the last five years.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ARMAZENAGEM

Compliance with nominations for natural gas withdrawal	100.0%
Compliance with nominations for natural gas injection	100.0%
Compliance with energy storage	99.9%

Notes:

- Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations

- Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations

- Compliance with energy storage: determined based on the mean square error between nominated and real energy values of both injection into and withdrawal of gas from underground storage

With regard to REN Atlântico infrastructure unavailability, in 2016 a total of 8 hours and 1 minute was recorded, of which 5 hours were planned. These figures correspond to installation availability of 99.97%.

Internally, 56,774 hours of work were carried out and and no accidents were recorded.

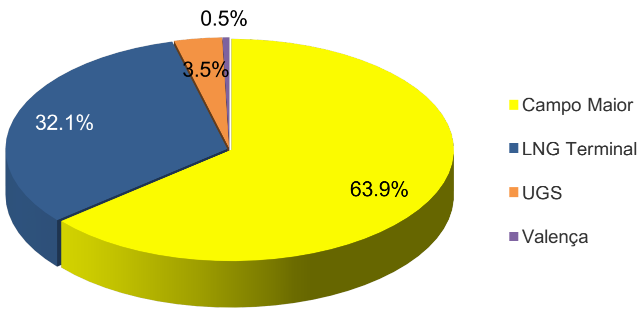
In terms of subcontracted workers, 27,376 hours of work were carried out, also without any accidents.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ATLÂNTICO

Compliance with commercial service (nominations)	100.0%
Injection of natural gas into the network (injected/requested)	99.57%
Facility availability	99.97%

SYSTEM OPERATION

In 2016, the intake of natural gas into the infrastructure operated by the RNTGN concession holder was mostly through Campo Maior (63.9%), which connects with the Maghreb gas pipeline and supplies Portugal with gas mainly from Algeria. The intake from the regasification of liquefied natural gas at the Sines Terminal of REN Atlântico stood at 32.1%. Grid input points via underground storage and Valença do Minho were equivalent to 3.5% and 0.5%, respectively, of the total intake into the national system. The following graph shows the weighting of intakes into the system:



In 2016, the 56,595 GWh (around 4.76 bcm) transmitted through the RNTGN included high-pressure national consumption, with a total of 54,513 GWh (4.58 bcm), the injection of natural gas into underground storage of 1,834 GWh and withdrawal of 248 GWh (0.02 bcm) of natural gas for Spain through the Valença do Minho-Tuy interconnection.

With regard to the use of system capacities, in 2016 the maximum daily entry figure for the RNTGN through the Badajoz-Campo Maior interconnection was 138.5 GWh recorded on 25 August, and 185.7 GWh through Sines on 22 December. These peaks show that maximum input capacity was reached at Campo Maior and 96% use of LNG regasification capacity was seen at Sines.

With regard to the interface with underground storage, maximum daily withdrawal reached 70.0 GWh on 2 January while injection reached 27.1 GWh on 10 August. Maximum use of capacity was also seen at this interface.

With regard to system management of the infrastructures in the National Natural Gas System (SNGN), in 2016, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities in the SNGN, also involving the operator of the interconnected network. Of special note: (i) operations limited due to PIG inspection in the batch 6 gas pipeline (Cantanhede-Mangualde) and in the batch 7 gas pipeline (Sines-Setúbal) ; (ii) operational support for the Spanish system in the supply of natural gas to Galicia in the months of November end December through the transfer of gas from Portugal to Spain at the Valença do Minho interconnection.

One of the key events of the year was the implementation on 1 October of Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Gas Transmission Networks, allowing full compliance with national obligations in this regard. During implementation, support was provided for stakeholders, as the new rules introduced numerous changes to the normal use of the infrastructures, particularly with regard to the national transmission system. This support was provided with the aim of ensuring rapid stabilization of all processes.

MARKET OPERATION

With the implementation of the network code for network balancing as of the last quarter, added responsibility was introduced for infrastructure users to balance their positions in the transmission system. As of the last quarter and in accordance with the new rules, market agents are now responsible for maintaining a constant balance in their entry and withdrawal flows in the transmission system. With this aim in mind, they are encouraged to purchase any gas required or sell surplus gas in this infrastructure by using the Mibgás gas transaction platform directly. Mibgás was appointed as the Portuguese operator of the organized market in Portugal and can start operation in 2017. This entity is now particularly important in this new situation with regard to network balancing.

In order to compensate for the absence of a market operator in Portugal, ERSE decided that gas purchase or sale requirements by the system manager for residual balancing of the transmission system would be satisfied through an auction mechanism. This rule would remain in effect over a transitional period, which started in the fourth quarter of 2016.

With regard to activity in the high-pressure infrastructure (SNGN), 2016 saw the start-up of five new market agents. New access contract processes were also started by other market agents wishing to sell gas. In total, REN has 19 active suppliers registered to use the high-pressure infrastructure.

During 2016, the e_Switch platform was also updated. This platform manages the Supplier Changing Process (GPMC) and the update was to bring it in line with current regulations.

A summary of GPMC activity is given below:

- The total number of clients registered at the end of 2016 stood at 1,427 million with more that 76% of the national total in the free market regime. This is an increase from the 71% of 2015 of 89,805 clients;
- In relation to consumption, it must be mentioned that, in December, the corresponding free market value stood at 96% of all demand in Portugal;.

- In 2016, taking into account the main flows in the switching process, 278,513 requests were successfully concluded. Average weighted conclusion time was eight days, lower than the reference target (15 days).

Further to the approval of Law No 7 - A/2016 and the respective implementation through Ministerial Implementing Order No 178 - C/2016, with the materialization of the automatic award of the social tariff where GPMC operates as the hub between ORPE and DGEG, 36,000 end users were awarded the said social tariff. This corresponds to approximately 2.6% of total delivery points in mainland Portugal, and an increase of around 39% when compared to the previous award mechanism.

SUPPLY SECURITY (REGULATION EU Nº 994/2010)

With respect to supply security and RNTIAT planning, draft reports were drawn up on the assessment of risks affecting natural gas supply security in Portugal, on the preventive action plan and on the emergency plan. This ensured compliance with the provisions of Regulation No 994/2010 and Decree-Law No 231/2012. These documents will be discussed with the competent authority, the DGEG, in the first quarter of 2017. It is expected that that they will be completed and sent to the European Commission during the first semester of 2017. On a European level, REN took part in the process to review Regulation No 994/2010, both through representation on ENTSOG as well as by collaborating with the DGEG in the Gas Coordination Group (GCG).

NETWORK OPERATION (REN GASODUTOS)

Also with respect to RNTGN infrastructure operation, in 2016 work was continued on programmes to update technology in management systems and applications, more specifically:

1. Metering systems, with the installation of ultrasound counting systems and replacement of flow computers;
2. Development of Remote Data Transmission Units (RTUs) to allow the future integration of IP technology and provide remote access to these terminals;
3. Installation of of new gas quality chromatograms to allow improved determination of NG characteristics as provided by the RNTGN.
4. Implementation of a new control concept for the odorization system so as to make use of the pre-odorized NG received by Campo Maior;
5. Integration of the linear and mobility module into the Maximo maintenance tool to provide greater efficiency in infrastructure maintenance and operation processes, also allowing future integration with PIMS - Pipeline Integrity Management System;
6. In 2016, REN-Gasodutos concluded the implementation of an Integrity management system for its pipelines (PIMS - Pipeline Integrity Management System). As a vital part of the asset management system methodology, the inventorying and digital recording was carried out for all existing data on gas pipelines in the RNTGN. The PIMSlider programme was also introduced to provide decision support, allowing the optimized and efficient management of infrastructure security in compliance with the National Natural Gas Transmission Network Regulation No 142/2011, and in line with best European practices in the sector.

OPERATION OF THE SINES LNG TERMINAL

With regard to operations, the LNG Terminal received a total of 26 ships in 2016 (22 unloading and three loading operations and one cooling operation), corresponding to total unloaded energy of 21.9 TWh and issue of 18.3 TWh to the network. In the same period, 4,629 tankers were loaded, of which 1,196 were for the island of Madeira, corresponding to total energy of 1.33 TWh.

The maximum daily issue from the terminal into the network was recorded on 22 December, with a total of 187.3 GWh.

Ten audits were carried out along with two inspections and all had positive results. With regard to audits: three were conducted under the SEVESO directive (two internal audits and one external audit for certification monitoring) in connection with the verification of the integrated quality, environment, occupational health and safety management system; two audits (internal and external) relating to the ISPS Code; one requested by the insurance company and one within the scope of the APS concession contract. Inspection work was conducted by the Directorate General of Geology and Energy (DGEG) and by the Directorate General of the Agriculture, Sea, Environment and Spatial Planning (IGAMAOT).

One safety drill was conducted with the participation of external entities, which tested the response capacity of REN Atlântico and other bodies involved in safety (PEI-SEVESO).

OPERATION OF REN ARMAZENAGEM

In 2016, the following aspects were of note in underground storage:

1. Commissioning of the first stage of the compression system upgrade;
2. Maintenance of the compressors and motors in the compression unit;
3. Inspection of the cavities RENC-1, RENC-4 and RENC-5;
4. Inspection of production tubing in cavities RENC-1, RENC-3, RENC-4 and RENC-5;
5. Cleaning of tri-ethylene glycol from the auxiliary circuits in the gas dehydration unit.

With regard to the use of underground storage, total natural gas movement was 3,828 GWh, broken down into 1,994 GWh of withdrawals and 1,834 of injection. Overall self consumption by the gas station in 2016 corresponded to 10 GWh.

At the end of the year, compared with 2015, the following balance of stocks was seen:

NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[1]

AT 31 DECEMBER 2015	AT 31 DECEMBER 2016	VARIATION 2016/2015 (ENERGY)
1,570	1,402	-11%

[1] These figures do not include cushion gas

AVERAGE DAILY LEVEL OF NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[2]

2015	2016	VARIATION 2016/2015 (ENERGY)
1,648	1,358	-18%

[2] These figures do not include cushion gas

At 31 December 2016, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

INFRASTRUCTURE CAPACITIES [GWH]

	2016	2015
Maximum capacity	3,967	3,967
Effective maximum capacity after technical restrictions	3,570	3,570
Commercially available capacity	3,570	3,570
Cushion gas	2,381	2,381

Notes:

- Cushion gas: permanent volume of gas maintained in cavities in order to ensure the minimum pressure required to safeguard their structural stability

- Maximum capacity: total capacity minus the cushion gas volume

- Maximum effective capacity after technical restrictions: maximum capacity minus the volume restrictions for using the caverns due to technical constraints

- Commercially available capacity: maximum effective capacity after technical restrictions minus the capacity allocated to the SNGN technical system manager for operational reserves

4.3.2 INVESTMENT IN RNTIAT

RNTIAT DEVELOPMENT AND INVESTMENT PLAN (PDIRGN)

After the conclusion of the public hearing on the ten-year plan for the RNTIAT (PDIRGN 2015) called by ERSE from 18 November to 4 January 2016, REN, as concessionaire of the RNTGN, reviewed and sent the final proposal to DGEG on 28 March 2016. This proposal included comments from the ERSE opinion and those raised at the public hearing.

This plan, which includes development and expansion projects, such as those for internal reinforcement and remodelling, represented an investment of 9,506 million euros in the field of natural gas, with respective transfers into operation totalling 10,034 million euros.

In 2016, as part of the project for the third interconnection between Portugal and Spain, REN Gasodutos, together with the Spanish TSO, submitted this project to the Ten Year Network Development Plan (TYNDP), with the aim of renewing its status as a PCI – Project of Common Interest–on the third European Union list. Candidate projects will be assessed in 2017 and it is the aim that this REN project will maintain the eligibility conditions for obtaining Community funding under the Connecting Europe Facility (CEF) programme. With the goal of improving the coordination of interconnections in the electricity and natural gas sectors in the Southern Region (Portugal, Spain and France), REN once again took part in High Level Group (HLG) meetings in 2016. This group was formed by the European Commission (EC) in 2015, and consists of representatives from the Commission, competent authorities, regulators and system operators (TSOs) from all three countries.

With the finalizing of the base engineering and cartography studies, and the environmental impact study (EIA) on the section of the project in Portugal, the Celorico–Vale Frades gas pipeline, the permit process was started at the DGEG in February 2016. The Portuguese Environmental Agency (APA), as the environmental impact assessment authority, opened a 20-day public hearing period from 15 July to 11 August 2016. It is expected that the APA will issue the environmental impact statement (DIA) in 2017.

REN GASODUTOS

As part of RNTGN projects, REN Gasodutos undertook the following:

- Conclusion of the cathodic protection remote control project;
- Infrastructure cladding status study;
- Conclusion of project to move battery banks to dedicated buildings;
- Improvement of metering chains;
- Installation of condensate and quality chromatograms;
- Software upgrade for remote control units (RTU);
- Conclusion of the Integrated Project for the Odorization System;
- Installation of the second filtering line and heat exchangers at eight stations;
- Replacement of UPS, RTU robots and flow computers at the end of working life.

Total investment in 2016 was 6.9 million euros.

With respect to the industrial system IT infrastructure and in response to the requirement to comply with national and European regulation changes, and the efficiency of the respective processes, REN Gasodutos concluded several investments. Of note was the implementation of processes for Network Balancing in the system for Third Party Network Access (ATR).

MANAGEMENT FUNCTION IN THE SUPPLIER CHANGING PROCESS

As part of the management function of the supplier changing process (GPMC) temporarily integrated into the duties of the general technical management of the SNGN, in accordance with article 14(a) and article 37(3) of the commercial relations regulations (RRC) applicable to the natural gas sector in 2016, the e Switch platform was upgraded. This platform operates the GPMC and the upgrade was to comply with new regulations, particularly with regard to:

- provision of mass access to delivery point records (RPE) for all consumption in mainland Portugal, for all current mainland suppliers;
- updating of the different flows involved in the supplier changing process in the natural gas retail market in mainland Portugal;
- provision of retail market information to ERSE on the client portfolio breakdown of the different suppliers working in mainland Portugal. This information is further broken down to include level of pressure and client classification.

In order to ensure the materialization of the process to automatically award the social tariff, in accordance with Law No 7-A/2016 and the respective implementation required by Ministerial Implementing Order No 178-C/2016, work was undertaken with regard to GPMC management. This work focused on the function performed by GPMC acting as a hub between ORPE and DGEG in the provision of the list of potentially eligible clients after pre and post cross-referencing with Social Security data.

REN ARMAZENAGEM

In 2016, REN Armazenagem made a series of investments with a view to ensuring supply security and the capacity of natural gas storage. This included:

- conclusion of the Cathodic Protection Remote Control Project;
- sonar inspection and checking of production tubing to verify the integrity of infrastructure, in accordance with Article 64 of Ministerial Implementing Order No 181/2012;
- replacement of UPS at the end of working life;
- conclusion of the first stage of the Compression System Upgrade, corresponding circuit lay-out changes for the withdrawal of gas from cavities.

Total investment in underground storage in 2016 was 1.2 million euros.

REN ATLÂNTICO

In 2016, only small investment projects were undertaken. In total, REN Atlântico invested 1.4 million euros.

4.4. › BUSINESS DEVELOPMENT

REN continued to follow and implement the strategic plan approved in 2015 for the three-year period of 2015-18. With regard to business development, the aim is to diversify REN's business growth by investing in international projects.

The Business Development Team continued the work carried out in recent years. The following actions may be highlighted:

- Ongoing assessment of different markets with emphasis on countries that are part of the Pacific Alliance including Chile, Peru, Mexico and Colombia as well as other geographically strategic areas for international expansion, such as Europe and Africa;
- In 2016, REN continued to develop its proactive sourcing of business opportunities and to establish contacts with potential partners through the regular presence of REN teams in the abovementioned markets.

More specifically, the following milestones were achieved by the Business Development Team, broken down into investment project areas and engineering consultancy:

- **Investment projects**
    - Agreement to acquire a 42.5% stake in the share capital of Electrogas, a company which operates a 166 kilometres gas pipeline in central Chile, from ENEL Generación Chile, in a transaction valued at 180 million dollars;
    - Binding and non-binding offers - along with an indicative offer - were made in 2016 to acquire shares in energy transmission assets in Chile and Peru;
    - Development of contacts to establish partnerships for co-investment in projects in Chile, Peru and Mexico.

- **Engineering consultancy**

Engineering services are promoted commercially by the Business Development Team with specialized support from REN's operational and engineering areas. The following activities are:

- Participation in the Eastern Europe consultancy market. Services were provided in the electricity sector to GSE (TSO in Georgia) and Ukrenergo (TSO in the Ukraine). In the latter case, REN was mandated by consultancy company AF Mercados.
- Supervisory services in Portugal, particularly in projects involving the constructing of very high voltage lines connecting power plants to the national grid;
- Active origination effort for consultancy work through numerous meetings with organizations in Portugal and abroad to promote and inform on REN consultancy services;
- Work carried out to sign partnership agreements with organizations in the international market for specialized engineering consultancy that provide services which are complementary to those offered by REN.

In 2017, REN will continue to develop its international work in the areas of investment projects and engineering consultancy, seeking to:

- develop partnerships with power network operators on an international level, which can result in cooperation agreements for the technical exchange of information and evaluation of business of common interest;
- formalize relationships with multilateral agencies providing support in the development and financing of infrastructures, with the aims of identifying business opportunities, facilitating access to financing and finalising engineering consultancy proposals.

4.5. › OTHER BUSINESS

4.5.1 ENONDAS

EVOLUTION OF ACTIVITY

FINANCIAL YEAR OF 2016

In 2016, ENONDAS continued a promotional campaign which included participation at conferences and forums on wave energy, such as the annual WAVEC conference, the Renew 2016 international conference promoted by the Centre for Marine Technology and Engineering (CENTEC – IST), and the Business2Sea conference promoted by the Ocean Forum.

Based on its activities plan, ENONDAS also started work on the study of technical alternatives to undersea interconnection cables and drawing up an international benchmark on pilot zones. However, with the evolution of the study concerning the use of sea or sea located renewable energy sources to produce electricity and in light of the recent Council of Ministers Resolution No 81-A/2016, the abovementioned work was suspended.

With regard to commercial activity, ENONDAS has maintained contacts with potential clients and sector companies with the aim of maintaining their interest in the Portuguese pilot zone.

MAIN INVESTMENTS

With the publication of the above mentioned Council of Ministers Resolution No 81-A/2016 and consequent suspension of projects underway, investment in 2016 was zero.

OUTLOOK FOR 2017

As noted in the Council of Ministers Resolution, it is expected the corresponding outcome of the feasibility study on the "most suitable location for setting up common infrastructures to connect to the public grid".

Commercial activity will continue through dissemination of the pilot zone at sector events and in key publications.

ENONDAS will continue to maintain solid interaction with the public entities responsible for the areas in question. These include the Directorate-General of Energy and Geology, the Portuguese Environment Agency, the Directorate-General of Maritime Authority, the Directorate-General of Natural Resources, Safety and Maritime Services, the Portuguese Sea and Atmosphere Institute and the Institute for the Conservation of Nature and Forests.

RELEVANT FACTS TAKING PLACE AFTER THE END OF THE FINANCIAL YEAR

No relevant facts exist after the closure of the balance sheet.

OTHER RELEVANT MATTERS

ENVIRONMENTAL AND HUMAN RESOURCES ISSUES

As these matters are common to all REN Group companies, they are dealt with in the REN management report.

COMPANY AIMS AND POLICIES WITH REGARD TO FINANCIAL RISK MANAGEMENT

As these matters are common to all REN Group companies, they are dealt with in the REN management report.

ECONOMIC AND FINANCIAL ANALYSIS

Enondas continues to develop the pilot zone project, more specifically with respect to the required technical studies and has capitalized all its operating costs in intangible assets - concession assets.

4.5.2 RENTELECOM

The REN Group is present in the information and communication technologies market through RENTELECOM, a company wholly owned by the Group and certified by APCER in accordance with the NP EN ISO 9001, NP EN ISO 14001 and OHSAS 18001 standards

RENTELECOM was incorporated in 2002 with the primary goal of deriving profits from the surplus capacity of the REN – Rede Eléctrica Nacional secure telecommunications network and it subsequently expanded the scope of its activity to the REN Gasodutos infrastructure when this company was integrated into the REN Group in 2007.

RENTELECOM works in various activities, including fibre-optic rental, data transmission services, data centres, maintenance, projects and consulting.

In another year with a difficult economic scenario, RENTELECOM saw a slight decrease in turnover (-2%). However, it reinforced its presence in the corporate market (77%), reducing exposure to the telecommunications operators market (22%).

With regard to data centre services, the company reinforced its commercial work resulting in an increase in income of 2% in 2016. It is expected that this will contribute towards significant growth in this business area in 2017.

In fibre-optic rental, the company saw business reduced by approximately 34% as a result of the termination of one of the existing contracts. However, long-term contracts with international clients for Iberian networks ensure the continuity of results in this area of business in coming years. There is also reason to believe that a number of proposals in hand will be successful in the near future.

In relation to projects, the company implemented three important telecommunications project contracts for hydroelectric power plants in the north of Portugal which started in 2014. In 2016, new contracts were also signed and the installation of two hydroelectric plants and two wind farms was started, contributing to an increase of 19% in this area of business.

4.5.3 REN TRADING

POWER PURCHASE AGREEMENTS (PPA) MANAGEMENT

Power purchase agreements (PPA) not subject to early termination in accordance with Decree-Law No 172/2006 of 23 August are managed until their expiry date by REN Trading (RENT), a company wholly owned by REN - Redes Energéticas Nacionais, SGPS.

Certification of REN – Rede Eléctrica Nacional, S.A., as the operator of the National Electricity Transmission System (RNT) and REN – Gasodutos, S.A., as the operator of the National Natural Gas Transmission System (RNTGN) impacted on the operation of RENT. Consolidation of the outsourcing of back office services and the move to new facilities were completed, complying with all legal and regulatory requirements.

In the management of the respective PPAs, REN Trading acquires all the energy and anciliary services from the Pego and Turbogás power plants.

As part of this activity the company also monitors fuel markets (coal and natural gas) and their benchmarks, as well as the Agreement on the Management of Natural Gas Demand (AGC) signed with Galp Gás Natural, S.A. (Galp).

The sale of electric power on the market is mainly carried out by means of the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE) and on the system services market, operated by the system manager. The company continued to actively participate in the Portuguese system services market, with good overall results.

Moreover, REN Trading is responsible for acquiring all CO_2 emissions licences required for the two abovementioned power plants, based on their electricity production. This consists of acquiring the CO_2 emissions licences on the secondary market through futures contracts, in other words the EUAs (European Unit Allowances).

With regard to operating in the EU emissions trading system (EU ETS), there was active trading on the ICE (Intercontinental Exchange).

REN Trading is a regulated company and the allowed operating revenue is in line with the incentives achieved each year. The methodology is laid down by the Energy Services Regulatory Authority (ERSE) in Directive No 2/2014 of 3 January.

The final value of the incentive results from the margin arising from the difference between the annual revenues of the electricity market (Iberian market and system services) and the annual variable costs of both plants (including the acquisitions of natural gas and coal, acquisitions of CO_2 emission licences and the O&M costs for both plants).

The operating results of the company in 2016 therefore correspond to the value calculated for the incentives defined by ERSE, which are listed below:

I_{CAE} – Annual value of the optimised management of PPAs incentive from the Turbogás and Tejo Energia Power Plants; (limited to 3 million euros, having reached 2.8 million euros in 2016, a provisional value to be approved by ERSE)

P_{AM} – corresponds to the annual value of the market suitability premium for PPA management (limited to 300 thousand euros, fully reached in 2016, subject to ERSE's approval)

The total value of incentives obtained in 2016 was therefore 3.1 million euros (provisional vale to be approved by ERSE).

4.6. › FINANCIAL PERFORMANCE

4.6.1 RESULTS IN 2016

REN's net income decreased by 15.9 million euros (-13.7%) to 100.2 million euros, reflecting last year's non-recurring gains with (i) the sale of Enagás stake (16.1 million euros on net income) and (ii) the impairment/revaluation tax recovery (9.9 million euros). Excluding non-recurring effects, net income grew by 6.8% (+ 8.1 million euros), mainly driven by the positive performance of financial results.

Similarly to the past two years, the results for 2016 reflect the continuation of the Extraordinary Levy on the Energy Sector (25.9 million euros in 2016 and 25.4 million euros in 2015).

Investment fell 68.9 million euros (-28.7%), while transfers to RAB decreased 77.4 million euros (-33.4%), both influenced by the acquisition of natural gas underground storage assets from Galp in May 2015 (71.4 million euros in investment and 70.5 million euros in transfers to RAB). Similarly, average RAB was 48.7 million euros lower than prior year (-1.4%), reaching 3,537.1 million euros.

Financing conditions improved, with the average cost of debt at 3.2% (-0.8 p.p. year-on-year). Net debt stabilized at 2,477.7 million euros, 0.5% above last year (+12.2 million euros).

MAIN INDICATORS (MILLION EUROS)	2016	2015	VAR.%
EBITDA	476.0	489.7	-2.8%
Financial income[5]	-79.9	-98.8	19.2%
Net income	100.2	116.1	-13.7%
Recurrent net income	126.1	118.1	6.8%
Total capex	171.5	240.4	-28.7%
Transfers to RAB[6](at historic costs)	154.2	231.6	-33.4%
Average RAB (at reference costs)	3,537.1	3,585.8	-1.4%
Net debt	2,477.7	2,465.5	0.5%
Average cost of debt	3.2%	4.1%	-0.8p.p.

OPERATING INCOME – EBITDA

EBITDA was 476.0 million euros, a decrease of 2.8% (-13.6 million euros) from the previous year.

EBITDA (MILLION EUROS)	2016	2015	Var.%
1) Revenues from assets	**451.7**	**446.0**	**1.3%**
RAB remuneration	214.9	219.9	-2.3%
Smoothing differences (gas)	-0.9	-3.5	74.3%
Hydro land remuneration	0.3	0.3	-4.5%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Remuneration of fully amortized assets	20.8	18.5	12.1%
Recovery of amortizations (net of investment subsidies)	197.8	192.1	3.0%
Amortization of investment subsidies	18.1	18.0	0.6%
2) Revenues from Opex	**98.6**	**94.2**	**4.6%**
3) Other revenues	**17.4**	**39.0**	**-55.2%**
4) Own works (capitalised in investment)	**16.0**	**17.4**	**-7.9%**
5) Earnings on construction (excl. own works capitalised in investment) – Concession assets	**155.2**	**222.6**	**-30.3%**
6) Opex	**107.5**	**106.1**	**1.4%**

[5] Financial revenue of 300 thousand euros in 2015 and charges of 500 thousand euros in 2016 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified from financial income to revenue.
[6] Includes direct acquisitions (RAB related).

EBITDA (MILLION EUROS)	**2016**	**2015**	**Var.%**
Personnel costs[7]	50.5	51.4	-1.6%
External costs	57.0	54.7	4.2%
7) Construction costs – Concession assets	**155.2**	**222.6**	**-30.3%**
8) Provisions	**0.0**	**0.2**	**n.m**
9) Impairments	**0.3**	**0.7**	**-62.3%**
10) EBITDA (1+2+3+4+5-6-7-8-9)	**476.0**	**489.7**	**-2.8%**

The main downward pressure of this reduction in EBITDA came from:

- A non-recurring gain in 2015 with the sale of REN's 1% stake in Enagás (- 20.1 million euros in EBITDA);
- Lower remuneration on regulated assets[8] (-2.4 million euros), mainly in the natural gas sector (-5.8 million euros), where the average rate of return (RoR) fell from 7.34% to 6.70%, essentially due to an update to the RoR starting point (which went from 8.0% to 5.9%) as a result of the new regulatory period which started in July 2016. This effect was partially offset by the increase in electricity sector asset remuneration (+3.4 million euros), due to an increase in the base rate of return from 5.99% to 6.13%, which is indexed to the average daily quotes for 10-year Portuguese Government Bonds, and the slight increase in average RAB.

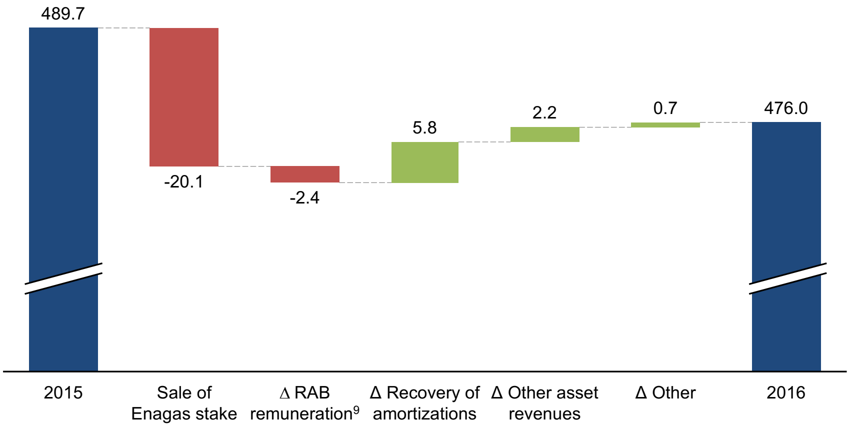
These effects were mitigated by a positive performance in the following:

- Higher revenues from amortizations recovery (+5.8 million euros) due to an increase in the regulated asset base
- Improve in the incentive to keep fully depreciated assets in operation avoiding replacement investment (+2.2 million euros)

Furthermore, Opex increased 1.4 million euros driven by the increase of 3.2 million euros in pass-through costs (non-core costs), partially offset by the reduction of 0.8 million euros in personnel costs (-1.6%) and -1.0 million euros (-2.5%) in core external costs, as a result of continued efforts to increase the Group's operating efficiency.

[7] Includes costs for training and seminars and provisions for staff costs
[8] Includes gas smoothing effect (gas) and remuneration on hydro land and fully depreciated assets

EBITDA EVOLUTION 2015-2016



NET INCOME

Net income decreased 15.9 million euros (-13.7%) over the previous year to 100.2 million euros, mainly affected by 2015 non-recurring gains with the sale of Enagás stake (- 20.1 million euros on EBITDA; -16.1 million euros on net income) and with the tax recovery from impairment/revaluation of assets generated when REN split from the EDP Group (9.9 million euros). Excluding non-recurrent effects, recurrent net income grew by 8.1 million euros (+6.8%). This evolution was mainly driven by higher financial income (+19.0 million euros, +19.2%), reflecting the reduction of 0.8 p.p. in the average cost of debt from 4.1% to 3.2%. Net debt remained stable at 2 477,7 million euros, an increase of 0.5% over the previous year (+12.2 million euros).

Non-recurring items considered in 2016 and 2015 are as follows:

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

ii) In 2015: i) cost of carry of the European Investment Bank escrow account (3.2 million euros; 2.3 million euros after tax); ii) Extraordinary Levy on the Energy Sector laid down in the State Budget for 2015 (25.4 million euros); iii) capital gains generated through the sale of the stake in Enagás (-20.1 million euros; 16.1 million euros after tax); iv) tax recovery related to the impairment/revaluation of assets resulting from the split of REN and EDP (9.9 million euros; 9.7 million euros net of associated costs and after tax)

NET INCOME (MILLION EUROS)	2016	2015	VAR.%
EBITDA	**476.0**	**489.7**	**-2.8%**
Depreciations and amortizations	214.8	209.3	2.6%
Financial income	-79.9	-98.8	19.2%
Income tax expenses	55.3	40.0	38.3%
Extraordinary levy on the energy sector	25.9	25.4	1.9%
Net income	**100.2**	**116.1**	**-13.7%**
Non-recurring items	25.9	2.0	
Recurrent net income	**126.1**	**118.1**	**6.8%**

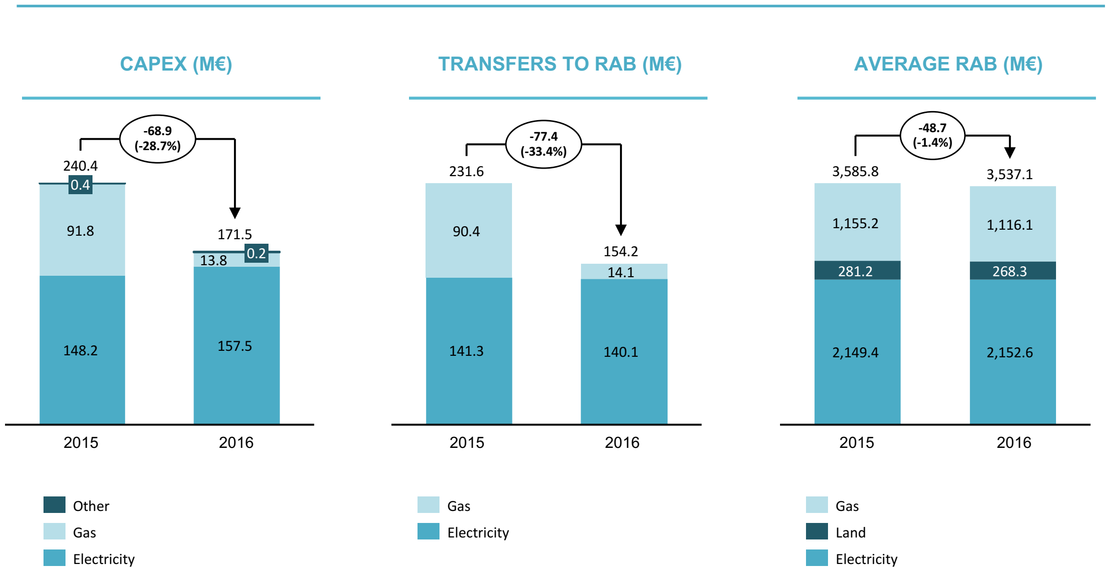
4.6.2 AVERAGE RAB AND INVESTMENT

In 2016, investment was 171.5 million euros and transfers to RAB were 154.2 million euros, 68.9 million euros (-28.7%) and 77.4 million euros (-33.4%) lower than last year respectively.

In the natural gas sector, investment decreased 78.1 million euros (-85.0%) and transfers to RAB dropped 76.2 million euros (-84.4%) reflecting the acquisition of underground storage assets from Galp in May 2015 (71.4 million euros in investment and 70.5 million euros in transfers to RAB).

In the electricity sector, investment grew by 9.3 million euros (+6.3%), while transfers to RAB were 1.2 million euros lower (-0.9%). The main highlights in transfers to RAB were the Pedralva–Ponte de Lima Line 1st section (19.8 million euros), the remodelling work on the Carregado (19.7 million euros) and Porto Alto sub-stations (14.3 million euros), and the remodelling of the Feira-Lavos line (12.7 million euros).

Average RAB was 3,537.1 million euros, 48.7 million euros lower than the previous year (-1.4%). In the electricity sector, average RAB was 2,152.6 million euros (+3.2 million euros), of which 1,005.0 million euros in assets with premium. Land average RAB was 268.3 million euros (-12.8 million euros, -4.6%), while the average RAB in natural gas sector was 1,116.1 million euros (-39.1 million euros, -3.4%).



INVESTMENT

In the electricity segment, investment reached 157.5 million euros (+6.3%).

The main investment highlights were the projects for the flow of power from new energy production centres, reinforced feeding to distribution networks and the improvement in international exchange capacity with Spain which all contributed to greater security and reliability of the overall system operation.

In the Minho region, 11.7 million euros were invested in the Pedralva-Ponte de Lima area and 2.7 million euros in the Fafe area. A further 9 million euros were invested in new transformers (partly to replace obsolete units), 2.6 million euros in reactive compensation equipment, 27.8 million euros for the complete remodelling of sub-stations (Carregado and Porto Alto), 15.7 million euros in remodelling equipment, protection, automation and control systems at several sub-stations and 19.6 million euros in the remodelling of overhead lines.

In natural gas, investment reached 13.8 million euros.

Among the most significant investments made in 2016 by REN Gasodutos were the following projects: cathodic protection remote control, a study on current coating infrastructure conditions, conclusion of the project to reallocate battery banks to dedicated buildings, improvement of metering chains, installation of quality and heavy condensates chromatographs, software upgrade for remote terminal units (RTU), conclusion of the integrated project for gas odorizing system, installation of the second filtering line and heat exchangers at eight stations and replacement of UPSs, RTU automators and flow computers at end of working life.

In REN Armazenagem, investment was focused on the reinforcement of supply security and the improvement in the availability of natural gas storage. Main projects include the cathodic protection remote control, the sonar inspection of the underground storage facilities, the inspection of production piping to verify the integrity of infrastructure, the replacement of UPSs at end of working life, and finally the conclusion of the first phase of the improvement and upgrade project for the compression system. This involved the changing of the lay-out of gas extraction circuit from underground storage facilities so as to enable the compression of gas for introduction into the transmission network.

In REN Atlântico, only small investment projects were undertaken in 2016.

MAIN PROJECTS UNDERTAKEN IN 2016

ELECTRICITY

27.8M€	Remodeling of sub-stations (Carregado and Porto Alto)
19.6M€	Remodeling of lines
15.7M€	Remodeling of equipments and systems in several sub-stations
11.7M€	Development of the network in Minho (Pedralva / Ponte de Lima)
9.0M€	New power transformers put into operation
2,7M€	Development of the network in Minho (Fafe)
2.6M€	Reactive compensation
68.2M€	Other projects

GAS

5.2M€	Remod./Conservation [REN Gasodutos]
8.6M€	Other projects

ELECTRICITY: 157.5M€	GAS: 13.8M€	OTHER: 0.2M€

GROUP'S INVESTMENT IN 2016: 171.5 M€

4.6.3 FINANCING AND DEBT

In 2016, the average cost of debt was 3.2%, a reduction of 0.9% YOY.
This is in line with the downward trend observed in recent years.

This reduction was achieved through the ongoing macroeconomic improvement in Portugal allowing REN to implement a set of initiatives in order to maximize the benefit from market conditions which proved to be highly attractive in 2016. Included among these initiatives was the partial exchange operation of bonds maturing in 2018 and 2020 for bonds from a new seven-year issue. This exchange sought to bring forward future refinancing against a possible backdrop of a highly favourable market. In addition to the sums exchanged, new capital was raised leading to a placement of a bond with an amount of 550 million euros.

REN's financing strategy, focusing on the flexibility of the financial instruments contracted and a robust liquidity position, has allowed the company to explore market opportunities and significantly and quickly adjust the cost of debt to improved credit conditions.

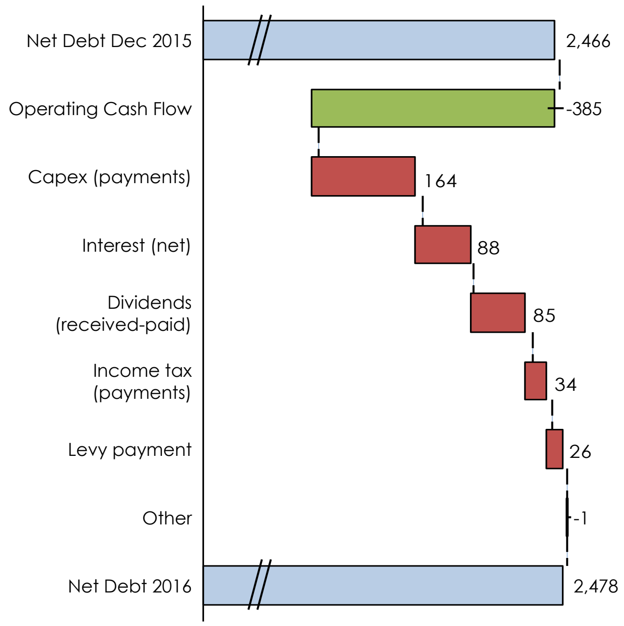
REN has taken advantage of the improved environment to reinforce liquidity and financial solidity, promoting the diversification of its sources of financing and base of financiers while also reducing the risk of refinancing.

During 2016, the following following operations were undertaken:

- A 550 million euro bond issue was held in June with a maturity of seven years. Through an exchange offer, this issue allowed bonds maturing in January 2018 and in October 2020 to be refinanced, representing a partial exchange of 137.2 million euros and of 132.2 million euros, respectively.
- In June, a revolving credit facility was signed with BOC - Bank of China for 250 million euros, with maturity of five years.
- In October, the REN Finance B.V. bond issue held in February 2015 was reopened to issue a further 200 million euros, fungible with the initial issue, increasing the total amount to 500 million euros.
- In December 2016, REN Atlântico's project finance of 79,236,000 euros signed with EIB was converted into a corporate finance contract with REN SGPS taking over the position of its subsidiary.
- Three commercial paper programmes were also renegotiated, with a total amount of 900 million euros.

The amount of financing operations negotiated in 2016 stood at approximately 1.9 billion euros.

At the end of 2016, REN Group consolidated net debt was 2,477.7 million euros. This is 12.2 million euros higher than last year.



FINANCIAL DEBT
(MILLION EUROS)

(IFRS)	2016	2015	CHANGE ABSOL	CHANGE %
Gross debt	2,515.1	2,542.0	-26.9	-1.1%
Minus hedging swaps	26.6	12.8	13.8	107.8%
Minus cash and cash equivalents	10.8	63.7	-52.9	-83.0%
Net debt	2,477.7	2,465.5	12.2	0.5%

Bond issues were the primary source of funding during 2016, representing 67% of total gross debt, followed by bank loans with a weighting of 22%.

SOURCES OF CAPITAL FINANCING OUTSTANDING DEBT (MILLION EUROS)			CHANGE		WEIGHTING	
	2016	2015	ABSOL	%	2016	2015
Bond issues	1,673.5	1,522.9	150.6	9.9%	67.3%	60.7%
Bank loans	557.1	618.5	-61.4	-9.9%	22.4%	24.6%
Commercial paper	253.0	365.0	-112.0	-30.7%	10.2%	14.5%
Other	3.2	3.0	0.2	6.7%	0.1%	0.1%
Total	**2,486.8**	**2,509.4**	**-22.6**	**-0.9%**	**100.0%**	**100.0%**

Net financing costs fell by 18.3 million euros YOY, from 104.2 million euros to 85.9 million euros. This fall is largely explained by the re-financing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions. It is further due to the systematic renovation of opportunist financing operations of shorter maturity.

The average cost of gross debt in 2016 was 3.2%, less 0.9% than in 2015.

Interest rate risk management policy focused on reducing the volatility of net income. REN's fixed rate debt represented 64.1% of total debt.

With regard to the Company's liquidity, REN kept ensuring that financing needs were covered for a minimum period of two years.

No changes occurred in the company's rating this year. At the end of 2016, REN's credit risk ratings with Fitch, S&P and Moody's were BBB (stable outlook), BBB- (positive outlook) and Baa3 (stable outlook), respectively.

4.7. › PROPOSED ALLOCATION OF NET PROFIT

The consolidated net profit of REN SGPS, S.A. in the financial year of 2016 amounted to 100,183,103.19 euros (one hundred million, one hundred and eighty three thousand, one hundred and three euros and nineteen cents).

Considering the above and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2016, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 93,805,213.95 euros (ninety three million, eight hundred and five thousand, two hundred and thirteen euros and ninety five cents) be transferred in full to retained earnings. Furthermore, the Board of Directors also proposes the following distribution:

- For dividends to shareholders of accumulated reserves – 91,314,000 euros (ninety one million, three hundred and fourteen thousand euros), corresponding to a distribution of 91.15% of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2016, standing at 100,183,103.19 Euros (one hundred million, one hundred and eighty three thousand, one hundred and three euros and nineteen cents), equating to a gross dividend per share of 0.171 euros;

- For distribution to the employees of REN and its subsidiaries: 2,500,000 euros (two million, five hundred thousand euros). Due to accountancy rules in force, this sum is reflected in the net profit for the financial year ending 31 December 2016 of REN, S.G.P.S., S.A. (311,223.95 euros – three hundred and eleven thousand, two hundred and twenty three euros and ninety-five cents) and its subsidiaries (2,188,776.05 euros – two million, one hundred and eighty eight thousand, seven hundred and seventy six euros and five cents).

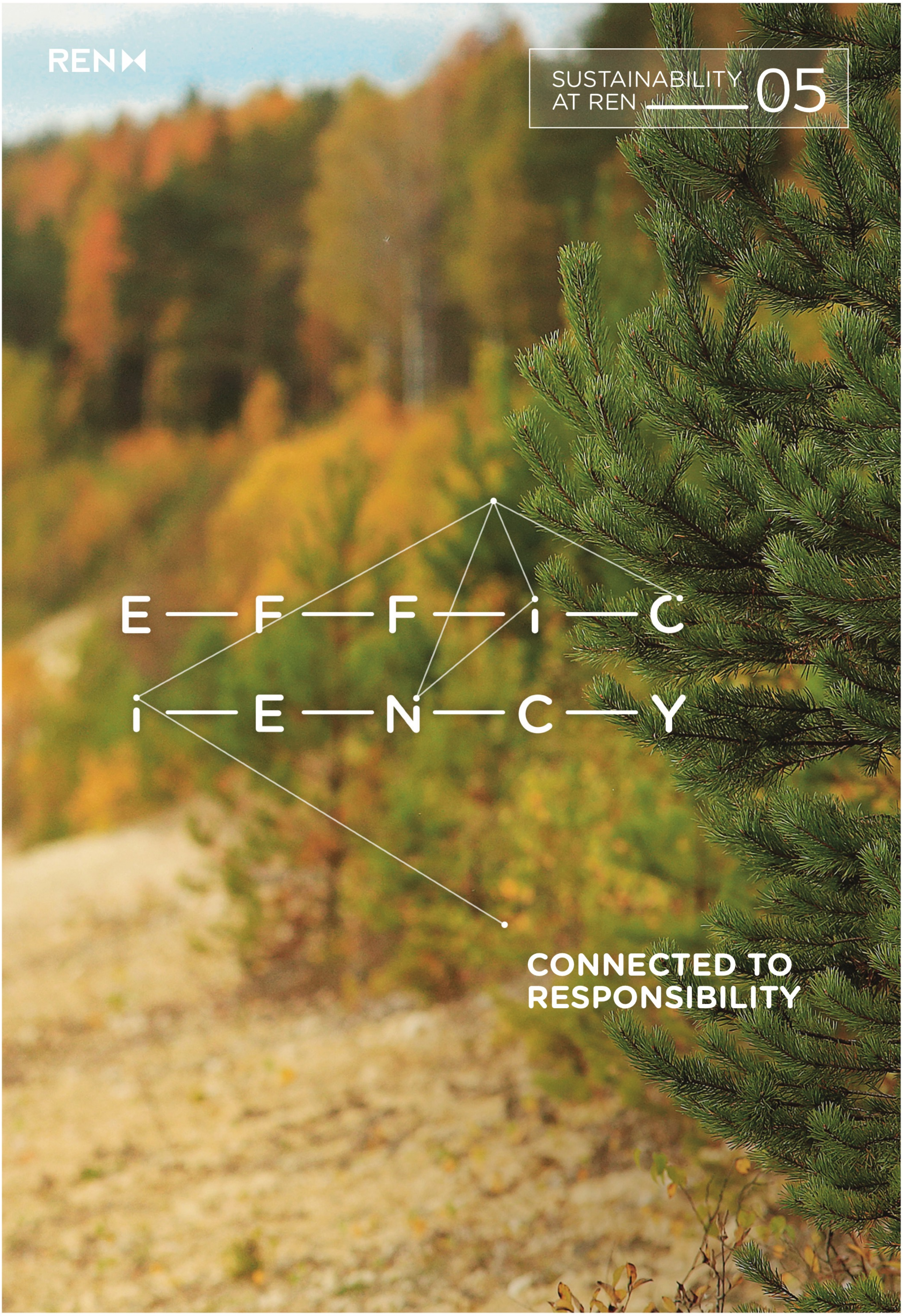
4.8. › PERSPECTIVES 2017

Our expectations for 2017 are in line with events of recent years.

Our work is technically complex and highly critical, and power generation systems are evolving towards ever greater incorporation of renewable sources. This in turn gives rise to new challenges in the management of the energy system. REN has always been at the forefront of renewable energy integration and we feel that we are well prepared to face the upcoming challenges. We will continue to invest in engineering with the aim of always being able to provide the best solutions in terms of planning, operations and safety.

We have a highly competent organization which is prepared to meet its responsibilities both today and in the future. We understand the evolution of our industry and are aware of the opportunities as well as the difficulties which will no doubt arise, without ever ceasing to maintain our level of exceptional quality at every level.

We are ready to provide the answer and a positive contribution both with regard to the challenges we will face in the national energy market and in relation to the international projects we are involved in, the Cahora Bassa dam in Mozambique and Electrogas in Chile.


REN
SUSTAINABILITY AT REN
05
E—F—F—i—C
i—E—N—C—Y
CONNECTED TO RESPONSIBILITY

SUSTAINABILITY VISION

REN's mission is to ensure the uninterrupted supply of energy to the entire country. This commitment has become increasingly more ambitious by associating the development of the company with ongoing and active corporate citizenship featuring significant involvement with the communities in which we work, both from a social as well as an environmental point of view.

We believe that this harmony contributes to an ever more positive world.

PROTECTING THE ENVIRONMENT

The protection of nature is one of REN's main commitments.

All our sustainability policies are based on the most rational use of company resources and the reduction of environmental impact.

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PROMOTING INTERNAL WELL-BEING

Ensuring a safe working environment in which our employees are able to develop their full potential is a priority for REN. Recognizing the importance of human capital is the key to success.

STAKEHOLDER INVOLVEMENT AND SATISFACTION

REN is increasingly active in everyday life. In addition to ensuring improved levels of well-being, it also strengthens the role of communities in company policies.

When reading this chapter you will find icons which represent the different initiatives forming part of REN's sustainability visions.

05 SUSTAINABILITY AT REN

REN's mission is to ensure the uninterrupted supply of energy to the entire country, thus contributing to the development of communities and improved quality of life for the residents of Portugal. This is a task requiring ongoing effort and dedication. However, nowadays, our commitment goes beyond our mission. We believe in active corporate citizenship which promotes significant involvement with the communities in which we work, from both a social as well as an environmental perspective.

Taking on this commitment means that all REN activities are guided by principles of sustainability, adhering to stringent and measurable criteria, respecting the standards of excellence without ever losing sight of the positive impact we wish to have on communities and ecosystems.

5.1. › SUSTAINABILITY APPROACH

The sustainability information provided in this annual report refers to 2016 and encompasses the activities of the companies of the REN Group - Rede Eléctrica Nacional S.A., REN Gasodutos S.A., REN Armazenagem S.A., REN Atlântico S.A., REN Trading S.A., REN Serviços S.A., RENTELECOM S.A. and Enondas, S.A.

This report was prepared in compliance with the fourth version of the Global Reporting Initiative (GRI) guidelines, based on the protocols for general indicators and on the sectoral supplement for the electricity sector. The report has adopted and fully complied with the requirements of the broad GRI level and the principles of the AA1000APS standard.

AA1000APS ACCOUNTABILITY PRINCIPLES STANDARD (2008)

The application of the principles of the AA1000APS standard, which are summarized below, was also reflected in the strategic drivers and in the contents of this report.

Inclusion (participation of stakeholders in the development and implementation of the sustainability strategy): methodologies and processes for involvement and participation of various stakeholders were defined. The results were integrated into the REN sustainability strategy review, a fact also mentioned in the respective chapter.

Relevance (definition of the relevant issues for REN and its stakeholders): in order to identify relevant topics, a benchmark analysis of leading national and international companies and the main industry trends in the sector was carried out. The results of stakeholder consultations held in 2011 and 2013 were also considered. In 2016 began new stakeholder consultation, which concluded in 2017.

Response (REN's response to relevant issues, through its decisions, actions, performance and communication): REN seeks to meet the expectations and concerns raised specifically by each stakeholder, either individually or generally. In general terms, this report and the REN website[1] are the main forms of communication used to disseminate the company's strategy, initiatives and performance achieved.

COMMITMENTS

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures. Further information on this initiative can be consulted on the REN website.[2]

The annex contains a table showing the correspondence between the contents of this report and the GRI and UNGC guidelines.

This document was verified by Deloitte, an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000). It also took into consideration the principles of standard AA1000AS (Accountability 1000 Assurance Standard - 2008), and the GRI and AA1000APS (Accountability Principles Standard - 2008).

5.1.1. SUSTAINABILITY STRATEGY

REN has defined a sustainability strategy in line with the 17 sustainable development goals (SDGs) created in 2015 by the United Nations. Based on what we do and how we do it, we defined the following goals as priority: quality education; gender equality; renewable and accessible energy; dignified work and economic growth; industry, innovation and infrastructures; sustainable cities and communities; sustainable production and consumption; climate action; protecting life on Earth; partnerships for implementing goals.

Achieving these targets means that all REN work must be based on principles of sustainability. Using this principle as a starting point along with the materially relevant topics arising from the stakeholder hearing held at the end of 2013, our sustainability strategy is based on three pillars: promotion of internal well-being, involvement and satisfaction of stakeholders, and protection of the environment.

[1] www.ren.pt
[2] See REN>Sustentabilidade>Abordagem da REN
Statement on Social Responsibility Policy, see www.ren.pt/sustentabilidade/abordagem_da_ren/
Statemento of Quality, Environment and Security, see www.ren.pt/sustentabilidade/abordagem_da_ren/

PROMOTION OF INTERNAL WELL-BEING

INVOLVEMENT AND SATISFACTION OF STAKEHOLDERS

PROTECTION OF THE ENVIRONMENT

PROMOTING WELL-BEING WITHIN THE COMPANY

Recognizing the importance of human capital is vital to REN if we are to achieve our goals. It is essential to ensure that our employees are provided with the best conditions in which to carry out their work, that there is diversity and equal opportunity and that all our high standards of health and safety at work are complied with. In short, our priority is for REN to be an increasingly good company to work for, a company which provides all its workers with an environment in which their talent and work can bear fruit, contributing to personal growth and the good operation of the organization.

STAKEHOLDER INVOLVEMENT AND SATISFACTION

Due to the nature and scope of its mission, REN is a company with a country-wide profile and our work frequently involves interaction with local communities. We promote active corporate citizenship, contributing to the development of communities and people, while also developing joint solutions for a sustainable future.

PROTECTING THE ENVIRONMENT

REN is committed to being an active agent for environmental protection, implementing reforesting policies, promoting environmental education, defending the rational use of natural resources and the prevention of pollution, and playing an active role in the prevention of climate change.

MATERIAL TOPICS FOR THIS REPORT:

Environmental policy/ Environmental management systems	Safety, reliability, quality and guarantee of supply	Health and safety at work	Impact on communities	Prevention of climate change	Management of human capital and diversity

Environmental policy/ Environmental management systems	Energy
	Biodiversity
	Environmental aspects of products and services
	Environmental compliance
	General environment (environmental costs and investment)
	Mechanisms for complaints concerning environmental impact
Health and safety at work	Health and safety at work
Prevention of climate change	Economic Performance
	Emissions
Environmental policy/ Environmental management systems	Energy
	Biodiversity
	Environmental aspects of products and services
	Environmental compliance
	General environment (environmental costs and investment)
	Mechanisms for complaints concerning environmental impact
Management of human capital and diversity	Economic Performance
	Employment
	Labour relations
	Training and development
	Diversity and equal opportunities
	Equal pay for women and men
	Mechanisms for complaints concerning labour practices on-discrimination;
	Freedom of association and collective bargaining
	Child labour
	Forced or compulsory labour
	Supplier assessment with regard to human rights
	Mechanisms for complaints concerning human rights
Safety, reliability, quality and guarantee of supply	Health and safety of the client
	Labelling of products and services
	Compliance of products and services
	Availability and reliability of products/services
	Energy system efficiency
	Access to energy services/products
Impact on communities	Local communities
	Indirect economic impacts
	Emergency/disaster planning and response
	Fighting corruption
	General compliance
	Mechanisms for complaints concerning impacts on society

174
EMPLOYEES
PARTICIPATED ACTIONS
OF THE NÓS PROGRAMME

5.1.2. STAKEHOLDERS

REN periodically identifies and assesses its relevant stakeholders, in accordance with the principles of standard AA1000APS - Assurance Principle Standards - 2008.

Under REN's commitment to stakeholders, a new hearing, started in 2016 and finishing in 2017, was held to identify materially relevant situations. The aim is to satisfy stakeholder expectations and improve performance in the three key pillars of the company's sustainability strategy. In http://www.ren.pt/pt-PT/sustentabilidade/partes_interessadas/envolvimento_e_temas_relevantes/will be made available in due course the results of new listening to stakeholders of the REN.

REN regularly evaluates the perception of quality and level of satisfaction of its clients, understood to be the users of its infrastructure or customers of the services it provides in the electricity and natural gas sectors and our own internal clients. To this end, in addition to studies in compliance with the European Customer Satisfaction Index (ECSI) methodologies, in the case of the users/ customers of the infrastructures (available on the REN website[3]), a further study is also currently underway on internal client satisfaction with regard to the support and response capacity of the Support Areas and Concession Support.

The results of the latest study are available on the REN website at www.ren.pt.[4]

5.2. › MAIN ACTIONS UNDERTAKEN

3rd EDITION
OF REN AGIR AWARD
DEDICATED TO THE FIGHT
AGAINST POVERTY
AND SOCIAL EXCLUSION

REN AWARD
CELEBRATES ITS
21ST BIRTHDAY
THIS YEAR

Actions undertaken by REN in 2016 followed the three axes of our sustainability strategy. With regard to the promotion of internal well-being 29 initiatives were carried out under the NÓS Programme and 174 employees took part, under the three pillars of this programme: Balance, Equality and Inclusion.

With regard to the pillar for stakeholder involvement and satisfaction, numerous activities were held during 2016. Of note was the third edition of the REN AGIR Award, dedicated to the fight against poverty and social exclusion, which received 176 applications. The highest number since the award was started in 2013. The winner was the Oikos Braga section with their Localizar-TE project. Honourable mentions also went to the TLT project - Talents in Free Transit and the Super Babysitters project. Together, these three projects brought direct benefits to 618 people.

The number of applications to the 21st REN Award, the oldest scientific award in Portugal, almost doubled over last year. The winning fields were electricity storage, the integration of renewable energies and the uncertainty of wind production.

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[3] REN>Sustainability>Stakeholders.
[4] REN>Sustainability>Stakeholders>Clients>Satisfaction Assessment.

SHARE PROGRAMME
INVOLVED 104 EMPLOYEES
THIS YEAR

The Share Programme, the REN Corporate Volunteer Programme, saw an increase of 12% in the number of volunteers to 104 employees. In addition to this figure were 43 relatives of REN employees who also participated. There was also an increase of 24% in the number of volunteer work hours over 2015 to 705 employee hours and 170 employee family member hours.
This programme consists of different initiatives such as entrepreneurism for young people, run by Junior Achievement Portugal (http://www.japortugal.org), cleaning of the Mafra forest, collection of food for the Food Bank and support for initiatives fighting early school leaving run by the EPIS – Business People for Social Inclusion (http://www.epis.pt).

In 2016, REN once again provided support for a number of different institutions. Highlights in social support activities include participation in work undertaken by the Comunidade Vida e Paz (Life and Peace Community), the campaign #VamosAjudarOsBombeiros (Let's Help our Fire Fighters), support for the disabled sports programme, and action to promote quality of life by the Salvador Association (www.associacaosalvador.com) and the social project Amigos Sem Fronteiras (Friends without Borders). In the area of culture and education, REN established a patronage protocol with the Calouste Gulbenkian Foundation to pay for an internship for four PhD Science and Energy Technology students from the Eduardo Mondlane University (UEM) in Mozambique and from the Technical School at Lisbon University. REN also renewed its patronage partnership with the National Museum of Ancient Art. Highlights in the field of sports include 2016 and in the preparation of the Ankara Deaflympics Games in 2017.

REN maintained its participation in the project GestãoTransparente.org (Transparent Management), where it is a founding member. The goal of this organization is to bring international efforts together in the fight against corruption. This is achieved through collective action and political dialogue and through promoting knowledge and information in this regard.

With regard to environmental protection, REN held one reforesting event in Vila Verde involving one hundred 6th and 7th year students from local schools. As part of reforesting plans, in 2016 REN planted a total of 106 547 trees. Work also continued on the LIFE Elia project which aims to create green corridors in forests crossed by REN installations.

750 STUDENTS
NORTH TO SOUL
OF THE COUNTRY ATTENDED THE EDUCATIONAL PROJECT "HERÓIS DE TODA A ESPÉCIE"

The Heróis de Toda a Espécie (Heroes of Every Kind) programme (www.heroisdetodaaespecie.pt), an educational initiative for 3rd and 4th year children involved 10 primary schools from all over the country in 2016. 750 students from northern to southern Portugal took part in this educational project undertaken with the support of the Nature and Forest Conservation Institute and the Directorate-General of Education.
Also in 2016, in conjunction with the Foundation for Science and Technology and the University of Porto, REN continued research work on a Biodiversity Chair based on three pillars: monitoring, minimizing and offsetting impacts; population ecology and citizen science.

5.3. › MANAGEMENT AND PERFORMANCE

5.3.1. SOCIAL PERFORMANCE

As part of REN's sustainability strategy with regard to in-company well-being, many indicators were collected throughout 2016 allowing the impact of measures to be gauged.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The focus in 2016 was on the integration and consolidation of the different initiatives and the implementation of programmes developed during 2015.

The goals to develop a single culture based on current and future business needs and to implement integrated, transparent and across-the-boards policies were also strengthened through improved communication of the different activities of human resources and greater involvement of the different stakeholders.

The consolidation of the integrated human resources model included:

- Continuation of work to optimize and match the organizational model to the development of business and the challenges which arise in the industry, while increasing flexibility and rejuvenating the structure;
- Consolidation of implementation of the policies set out by the New Collective Labour Agreement and new human resource regulations;
- Implementation of a programme for the full development of human capital, the REN Campus. In this programme, training is selected and different development initiatives are carried out to reflect business needs and the individual development of every employee. This approach ensures the transfer of know-how and the updating and sustainability of specific knowledge on the organization;
- Implementation of the new site for employees, MyREN, which has improved and centralized human resource management processes on a single platform, thus simplifying day-to-day work;
- Continuation of development of programmes to motivate employees and for organizational sustainability as well as actions to bring the Company closer to the community through initiatives to promote balance, equality and inclusion which have achieved significant impact and recognition;
- Evolution of the REN Flex benefits programme, with the introduction of new benefits, in line with feedback received from employees so that the programme reflects their real needs;
- Continuation of the programmes to recognize talent and performance, in an ongoing manner and aligned with the best practices in human resources;
- Reinforcement of the communication of human resource activities and the involvement of all stakeholders through initiatives such as the Senior Staff Meeting, Management Meeting and Strategy Workshops as well as other similar events.

The different programmes and initiatives have consolidated REN's external image with respect to human resources. In 2016, four new awards were received – The most Attractive Companies to Work For (entry into TOP 20, School of Economy and Management at the University of Minho and Spark Agency), "Best Place to Work" Award (silver, Best in Biz Awards 2016), "Most Attractive Employers"(1st place, Universum), "Healthy Workplaces Awards" (2nd place, Large Company Category, Psychologists' Association).

HUMAN RESOURCES PROFILE

At the end of 2016, there was a reduction of 1.9% YOY in the number of employees. The average age and length of service have remained stable in the last four years as a result of the consolidated policy by the REN Group to rejuvenate the workforce.

NUMBER OF EMPLOYEES	2014	2015	2016
Employees with permanent and term contracts	640	620	605
Interns	1	0	3
Total	**641**	**620**	**608**

NUMBER OF EMPLOYEES	2014	2015	2016
Full time employees	627	609	593
Fixed term contracts (fixed, unspecified duration and commission)	13	11	12
Interns	1	0	3
Total	**641**	**620**	**608**

2016	MEN	WOMEN	TOTAL
Full time employees	452	141	593
Fixed term contracts (fixed, unspecified duration and commission)	7	5	12
Interns	2	1	3
Total	**461**	**147**	**608**

	2014	2015	2016
Average age	44.3	44.3	44.3
Average length of service	16.7	16.5	16.5

ROTATION RATE	2014	2015	2016
Men	6.2%	5.3%	4.5%
Women	0.3%	1.3%	1.9%
Total	**6.5%**	**6.6%**	**6.5%**

ROTATION RATE BY AGE GROUP	2014	2015	2016
up to 30 years old	0.3%	0.6%	1.3%
from 30 to 50 years old	0.3%	0.8%	1.3%
over 50	5.9%	5.2%	3.9%
Total	**6.5%**	**6.6%**	**6.5%**

In 2016, the Rotation Rate remained in similar levels of 2015 and the pre-retirement programme started in 2013 also continued.

Despite the slight rise, this Rotation Rate continued to be less in age groups below 50 years old, demonstrating the effectiveness of the programmes for increasing REN's ability to retain talent.

EMPLOYEES LEAVING BY AGE GROUP	2014	2015	2016
up to 30 years old	2	4	8
from 30 to 50 years old	2	5	8
over 50	39	33	24
Total	**43**	**42**	**40**

ENTRIES	2014	2015	2016
Men	6	12	19
Women	2	9	9
Total	**8**	**21**	**28**

ENTRY RATE	2014	2015	2016
Men	0.9%	1.9%	3.1%
Women	0.3%	1.4%	1.5%
Total	**1.2%**	**3.3%**	**4.5%**

ENTRY RATE BY AGE GROUP	2014	2015	2016
up to 30 years old	0.8%	2.2%	2.6%
from 30 to 50 years old	0.5%	1.1%	1.9%
over 50	0.0%	0.0%	0.0%
Total	**1.2%**	**3.3%**	**4.5%**

DIVERSITY	2014	2015	2016
Men	492	470	461
Women	149	150	147
Total	**641**	**620**	**608**

DIVERSITY (MANAGEMENT)	2014	2015	2016
Men	22	18	17
Women	9	10	8
Total	**31**	**28**	**25**
Ratio Men / Women	29.0%	35.7%	32.0%

In 2016, the weighting of female employees at REN remained similar with respect to 2015. It should be noted however, that over the last four years, this figure has tended to rise.

In 2016, the weighting of female employees at REN remained similar with respect to 2015. It should be noted however, that over the last four years, this figure has tended to rise.

Our goal is to increase the number of women in management from its current weighting of 32%.

DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY

FUNCTIONAL GROUP	2014	2015	2016
Top Management	**31**	**28**	**25**
Men	22	18	17
Women	9	10	8
Management	**48**	**46**	**45**
Men	39	36	35
Women	9	10	10
Coordination	**25**	**19**	**19**
Men	23	15	15
Women	2	4	4
Senior Managers	**297**	**317**	**323**
Men	217	232	233
Women	80	85	90
Field / Administrative	**240**	**210**	**196**
Men	191	169	161
Women	49	41	35
Total	**641**	**620**	**608**

The REN organizational structure is being gradually aligned with new needs and the challenges of business. A significant increase has been seen, especially in the last three years, in the weighting of upper management in the organization.

DISTRIBUTION BY AGE GROUP (TOP MANAGEMENT)	2014	2015	2016
up to 30 years old	0	0	0
from 30 to 50 years old	16	16	15
over 50	15	12	10
Total	**31**	**28**	**25**

DISTRIBUTION BY AGE GROUP (MANAGEMENT)	2014	2015	2016
up to 30 years old	0	0	0
from 30 to 50 years old	31	34	31
over 50	17	12	14
Total	**48**	**46**	**45**

DISTRIBUTION BY AGE GROUP (REMAINING EMPLOYEES)	2014	2015	2016
up to 30 years old	65	59	51
from 30 to 50 years old	307	311	319
over 50	190	176	168
Total	**562**	**546**	**538**

The gradual trend towards the rejuvenation of the structure continued so as to prepare the organization for its future challenges. REN employees are aged mostly between 30 and 50.

ACADEMIC QUALIFICATIONS

FUNCTIONAL GROUP	2014	2015	2016
PhD	**2**	**2**	**3**
Men	2	2	2
Women	0	0	1
Master's degree	**81**	**94**	**101**
Men	56	63	67
Women	25	31	34
Degree	**290**	**277**	**270**
Men	209	195	188
Women	81	82	82
Bachelor	**17**	**14**	**14**
Men	16	13	13
Women	1	1	1
Secondary	**185**	**174**	**172**
Men	157	149	151
Women	28	25	21
9th grade	**45**	**39**	**32**
Men	34	30	26
Women	11	9	6
6th grade	**14**	**13**	**11**
Men	11	11	9
Women	3	2	2
4th grade	**7**	**7**	**5**
Men	7	7	5
Women	0	0	0
Total	**641**	**620**	**608**
Degree holders	61%	62%	64%
Non-Degree holders	39%	38%	36%

Preparation for future challenges has also included a sustained increase in the level of academic qualifications. In 2016, the weighting of employees holding degrees stood at 64%.

HIRING

NUMBER OF EMPLOYEES	2014	2015	2016
Full time employees	627	609	593
Fixed term contracts (fixed, unspecified duration and commission)	13	11	12
Interns	1	0	3
Total	**641**	**620**	**608**

REN's hiring policy, as well as the consistency and maturity of our business, continues to be reflected in the type of contracts offered. Most REN workers are full-time.

Furthermore, and as a follow-up to the policies implemented, the return to work rate after parental leave was 100%.

PERSONAL AND PROFESSIONAL DEVELOPMENT

REN TRAINEE PROGRAMME

The REN Trainee Programme is now consolidated. It consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects, helping participants improve in different areas and enhance their skills.

With regard to professional internships in job rotation, an extra challenge is launched every year to the internship plan. In 2016, this challenge focused on one of the three axes of the Nós Programme, that of Equality. To promote gender equality, and because of the continuing difficulties in recruiting women to work in engineering, a plan was devised and implemented to help counteract the idea that still persists among young women that engineering is a field exclusively for men. The slogan was: "Talent is not based on gender!".

As part of this challenge, four secondary schools were visited and programmes were conducted to raise awareness among science students of both sexes. REN interns explained their jobs and why they chose to study engineering.

INDICATORS	2016
Professional internships	11
Academic internships	20
Summer internships	11
Total	**42**

VIVA PROGRAMME

In addition to providing an overview of the company, its values, mission and areas of business, the REN VIVA Programme (welcoming and integration) also allows newcomers to identify more quickly with REN and enables networking opportunities. In 2016, the welcome image and kit given to new workers were updated.

INDICATORS	2016
No of sessions	2
Satisfaction rate (%)	99%

REN CAMPUS

The REN Campus officially started in 2016, but its origins go back some years. In 2011, the company's training policy was established with the introduction of across-the-board training which in turn gave rise to a series of programmes designed to develop skills. The following year, e-learning was introduced, a vital tool enabling the many hundreds of REN employees all over the country to be reached.
In 2013, a suite of actions was started to develop potential. These actions include the General Management Programme, the Energy Academy and Mentoring and Coaching Programmes. REN Meetings are also held where a key guest speaker is invited and issues relating to strategy, management and leadership are addressed.

Against this background, REN decided to move forward with a new model combining all training aspects under a single umbrella. This plan had been under consideration for some time and it was thought that timing was now right for the REN Campus. This plan has an important background in training, but also seeks to meet future challenges. This new concept is further relevant due to the nature of our work which requires constant updating of knowledge and the capability to adapt to the challenges our industry faces.

The REN Campus constitutes REN's training model for the full development of human capital. Its mission is to provide added and differentiating value to the management of knowledge by creating comprehensive and strategic training programmes which reflect the company's strategy and business. The overriding goal is to enable growth and consolidation of business through the development of people, with differentiated supply for the correct management of intellectual capital and the ongoing transfer of knowledge.

Comprehensive Training is broken down into different areas.
Examples include the schools of Management, Leadership, Communication and Technology. In the latter category, a portfolio of internal trainees has been established, which is vital for ensuring transfer of knowledge and retaining know-how.

REN Campus highlights:

- REN Meetings is an initiative which is in its third year and which now has a new, more encompassing format with greater diversity of partners. Key figures are invited to share their experience and choices in the topics under analysis at the meetings.
- Specific Training seeks to satisfy the needs of employees to enable them to perform current and future duties.

The strategy is holistic and seeks to provide solutions to the different needs of employees. Judging by the many awards won by REN in 2016, this programme has been successful.

TRAINING	2014	2015	2016
No of Hours of training	29,939	18,644	27.009
No of Participants	2,883	3,031	2,792
No of Hours of training per employee	45.4	29.3	43.8
Average No of Employees	659	637	617

AREA OF TRAINING (NO OF HOURS)	2014	2015	2016
Behavioural	1,542	544	7,166
Technical	23,768	14,661	13,015
Quality, Environment and Safety	1,413	1,882	3,316
Management	3,217	1,558	3,513
Total	**29,939**	**18,644**	**27,009**

FUNCTIONAL GROUP (NO OF PARTICIPANTS)	2014	2015	2016
Behavioural	340	125	605
Technical	1,762	2,086	1,434
Quality, Environment and Safety	242	562	420
Management	539	258	333
Field / Administrative	7,303	5,590	5,647
Total	**10,186**	**8,621**	**8,439**

FUNCTIONAL GROUP (NO OF HOURS)	2014	2015	2016
Top Management	1,639	928	1,618
Management	3,106	1,135	3,163
Coordination	1,398	555	490
Senior Managers	16,493	10,436	16,091
Field / Administrative	7,303.1	5,590.0	5,647.0
Total	**29,939**	**18,644**	**27,009**

STAR PROGRAMME – PERFORMANCE MANAGEMENT

2016 continued to see the implementation of the performance management model. With the goal of continuous improvement and receiving feedback from the main users, an assessment project was started on the impact of the changes introduced in 2014 and the need for possible adjustments in 2017. The aim is to ensure a culture of meritocracy, dialogue and feedback.

INDICATORS	STAR 2015
Number of employees covered	617
% of assessments concluded	100%
Average – final assessments competences	3.88
Average – final assessments goals	4.00
% of bonuses calculated as compared to the number of assessments	99.5%

The range is set between 1 and 5 values.

The average rating is the result of the simple arithmetic Average of the individual notes of the universe of employees review.

SOCIAL DIALOGUE AND BENEFITS

2016 was a year of stabilization in the implementation of the new ACT and all internal regulations on human resources. With the objective of promoting dialogue between management and worker representation structures, meetings were held with the main unions and the workers' committee to debate matters of general interest and industry relevant topics.

As a result of dialogue and the established agreement, a general salary increase of 1.3% was awarded to all employees covered by the ACT REN.

Union membership at REN is 41.0%.

	2014	2015	2016
% Staff who are union members	45.1%	42.4%	41.0%
% Full-time ACT workers	52.0%	99.2%	98.5%
Staff who are union members	289	263	249
ACT Employees	333	615	599

The REN benefits policy, centred on supporting its employees in important areas of family and personal life, includes a series of additional supports and benefits with regard to health, education and culture, etc.

In 2016, the REN Flex flexible benefits programme was reviewed. Introduced in 2015, this programme has proved to be popular among employees. 93% are satisfied or very satisfied with the REN Flex Plan and 98% think it helped create a benefits package which better meets their needs.

Despite this and with a view to continuing to provide access to a range of benefits and advantages suited to all stages of an employee's life with unique conditions, the programme's benefit areas (retirement, health and & day-to-day risks) were complemented by two additional benefits – possibilities to fund training and benefit from additional payments to a pensions plan.

BENEFITS	EMPLOYEES WITH TRANSITIONAL SCHEME FROM PREVIOUS ACT (1)	EMPLOYEES WITH FLEX PLAN (2)	EMPLOYEES WITH INDIVIDUAL WORK CONTRACT (3)
Life insurance		x	x
Personal accident insurance	x	x	x
Health plan	x	x	x
Pensions plan	x	x	
Electricity at reduced prices	x		
Study subsidy	x		
Education and child care vouchers		x	
Social pass		x	
Training		x	

(1) series of benefits set out in ACT 2000 which passed to the new ACT signed in 2015
(2) employees covered by this benefits programme can choose between the benefits available up to the limit of their annual credits
(3) standard benefits agreed for individual work contracts

HEALTH & SAFETY

Aware that a safe and healthy environment is a decisive factor for the satisfaction of stakeholders, REN is committed to the effective management of occupational health and safety.

The occupational health and safety management system is certified by an accredited entity and encompasses most Group companies. Its main objective is to prevent work-related accidents and illnesses involving Company employees or the employees of contractors and service providers collaborating with REN.

SAFETY

REN considers that its main asset is its people, and as such, does not accept activity which poses a high level of risk to the health and safety of employees or the employees of contractors and service providers. For this reason, REN is committed to developing and promoting measures to eliminate or mitigate such risks.

With the aim of fighting accidents in the workplace, policies are implemented, safety procedures are followed and the best practices in this area are closely adhered to. This is achieved through numerous training courses and strict monitoring of activities so as to ensure demanding operational control. An analysis of accidents allows reassessment of the risks inherent to the activities in which they occur.

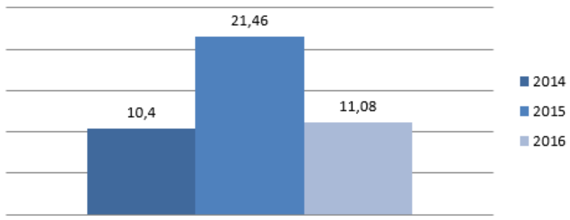
Data for 2016 were as follows:

COMPANY	AVERAGE NO* OF WORKERS		NO OF HOURS WORKED		NO OF FATAL ACCIDENTS		NO OF NON-FATAL ACCIDENTS		NO OF DAYS LOST	
Sex (M/F)	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
REN Eléctrica	203	27	363,538	39 105	0	0	1	0	0	0
REN Serviços	119	83	202,508	134 327	0	0	4	1	0	7
REN Gasodutos	83	11	142,376	17 317	0	0	1	0	40	0
REN Atlântico	28	3	51,659	5 114	0	0	0	0	0	0
REN Armazenagem	5	1	8,860	1 506	0	0	0	0	0	0
REN Trading	6	2	10,091	3 451	0	0	0	0	0	0
RENTELECOM	3	0	5,121	0	0	0	0	0	0	0
Enondas	1	0	1,733	0	0	0	0	0	0	0
REN SGPS	21	21	37,837	36 133	0	0	0	0	0	0
RD Nester	13	2	22,373	3 340	0	0	0	0	0	0
Total No of Service Providers and Contractors	902	110	1,875,833	228,875	0	0	12	2	430	0

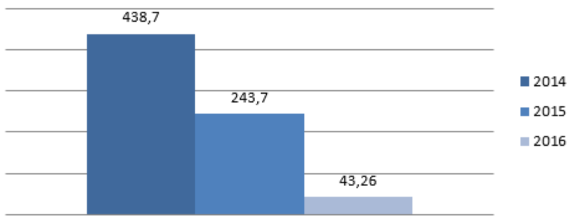
*This is the average number of workers in the year and not the actual number at 31 December 2016.

INCIDENCE AND SEVERITY INDEXES - REN

INJURY RATE



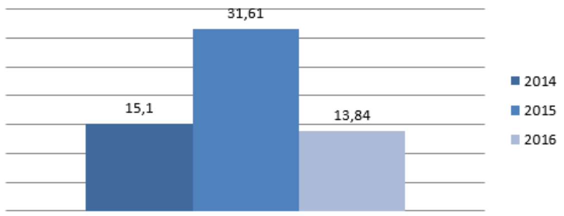
LOST DAY RATE



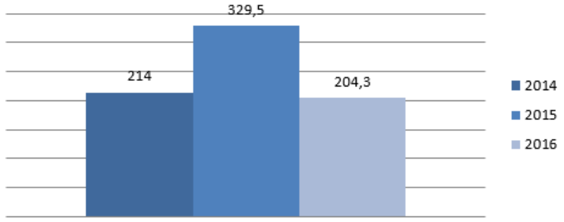
Note: The total severity index for 2016 was 204.3.

INCIDENCE AND SEVERITY INDEXES – SERVICE PROVIDERS AND CONTRACTORS

INJURY RATE



LOST DAY RATE



Note: The total severity index for 2016 was 204.3.

Both the REN Severity Index (IG_{Male} – 47.28/IG_{Female} – 29.13) and the Incidence Index (II_{Male} – 12,47/II_{Female} – 6,63) improved over figures for 2015. This was caused by a drop of 50% in the number of accidents and respective days lost (-228).

The Incidence Index (II_{Male} – 13.31/ II_{Female} – 18.18) and Severity Index (IG_{Male} – 229.23/ IG_{Female} – 0) for service providers and contractors improved due to a reduction in the number of accidents (-13) and the number of days lost (-177).

In 2016, approximately 30% of REN contractors and service providers had safety management systems in place and were certified in compliance with the OHSAS 18001/NP 4397 standard.

During 2016, REN ran training courses and safety awareness actions, involving all (100%) contractors and service providers involving a total of 178 companies.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and improvement opportunities, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2016, safety drills were undertaken at the Carriço facility and the Sines LNG Terminal.

Further information on this topic can be consulted on the REN website[5].

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5 www.ren.pt – REN>sustentabilidade>Partes Interessadas>Recursos Humanos>Segurança

HEALTH

For REN, it is vital to ensure that employees are provided with the best working conditions and that occupational health standards are complied with. With this in mind, REN implements the Healthy Workplace Framework adopted by the World Trade Health Organization (WHO), as a "state of complete physical, mental and social well-being, and not merely the absence of disease".

REN focuses on three basic and interconnected pillars in the field of health: occupational health, curative medicine and numerous health and well-being initiatives. This approach seeks to reconcile the legal requirement for occupational health with curative medicine and other actions with the goal of ensuring that our employees live and work better and in greater health.

The aims of this programme are to:

- provide healthy workplaces by creating conditions conducive to health and well-being;
- conduct diagnostics on situations;
- furnish people and families with the knowledge and skills to enable healthy lifestyles to be adopted;
- share responsibility with health organizations and those working in healthcare management.

With respect to occupational health, REN provides all employees with complementary clinical examinations and analyses with the aim of facilitating preventive healthcare.

	2014	2015	2016
Auxiliary diagnostics (per group of examinations)	548	390	596
Medical interventions	573	401	589
Nursing interventions (per group of examinations)	548	390	580
Visits by doctors to places of work		7	8

REN recognizes that healthy routines and health screening bring added value to company stakeholders.

In addition to numerous internal initiatives, all REN employees are also covered by individual healthcare plans which can also include the family.

As a result of the different initiatives, the rate of absenteeism fell to 2.1%.

	2014	2015	2016
Absenteeism Rate	2.6%	2.3%	2.1%

NÓS PROGRAMME

The REN NÓS Programme maintained its three axes of operation: Balance, Equality and Inclusion. Of note in 2016 once again was the external recognition of both the programme itself and the impact it had on improving the quality of life and satisfaction of workers. In this regard, REN won the following awards: 2nd place in the Healthy Workplaces Awards in the Large Company Category, held by the Psychologists' Association; and silver in the Best in Biz Awards 2016, in the "Best Place to Work" category.

Other initiatives were also maintained, as was the case with the workshops, psychologist and nutritionist appointments, screenings and vaccinations, the academic merit award and the wedding and birth gifts, etc. A further milestone in 2016 was once again the promotion of equality. This took place through the challenge undertaken by the REN 2015/2016 group of trainees.

INDICATORS	2016
No of initiatives	29
No of participations	174

SUPPORT FOR THE COMMUNITY

RELATIONS WITH THE COMMUNITY

Support for local communities is one of the pillars of our sustainability strategy. REN promotes involvement with the communities where the company has facilities and equipment with a view to helping the people who most interact with company infrastructures to develop.
REN develops communication plans which are suitable for the situation in each location and holds meetings with local municipalities and other stakeholders, in close coordination with company operational departments.

One of the actions which reflect this involvement is the MEDEA project, an initiative run by the SPF - Portuguese Physics Society and REN to promote the subject of physics among secondary school students. MEDEA motivates participating students to create a scientific project based on the comparison of measurements of very low frequency electrical and magnetic fields (0-300 Hz) in the environment. Emphasis is on their own school, at home and near power transmission lines, and to then search for scientifically credible information on the possible effects of these fields on human health. The MEDEA project has involved more than 1,000 students, 187 schools and around 170 teachers. In 2016, it reached record levels, involving more than 500 students from all over the country. For its 7th edition, MEDEA also had the largest number ever of teams enrolled. This year around 100 took part, more than double the figures for 2015. They represented 57 Portuguese teaching institutions.

A further example is the initiative Heróis de Toda a Espécie (Heroes of Every Kind) which started in September 2016. This programme is for children in years three and four of primary school and is supported by the Institute for the Conservation of Nature and Forests and the Directorate-General of Education with technical follow-up by the environmental organization Quercus. The aim is to raise awareness among communities for the protection of biodiversity, Portuguese forests and preservation of endangered species of animals and plants.
In 2016, this initiative took place in eight different locations in Portugal and involved around 750 students and 25 teachers. In its first year, Heroes of Every Kind earned an honourable mention in the "Community" category at the awards for the Recognition of Social Responsibility Practices (APEE – the Portuguese Business Ethics Association).

With regard to the conversion of electricity line easements, REN also carried out a reforesting programme with students and teachers from schools in the Vila Verde municipality, under the slogan of "Plant tomorrow together" and two actions with the local press (in Castelo Branco and Póvoa de Lanhoso).
The aim was to raise awareness of how best practices in the more active management of easement vegetation can reduce maintenance costs, increase times between interventions and improve co-responsibility with owners.

With respect to company infrastructure, in 2016, seven all-terrain vehicles were donated to local municipalities and fire departments for use by the community and fire fighters. The aim was to improve fire surveillance measures and prevent forest fires.

Owners

In 2016, 14,400 land owners were contacted. The land in question is either already used or about to be used for our electricity transmission networks. A further 31 properties were also acquired to install new electrical and natural gas infrastructure. Moreover, 1,682 owner compensation cases were concluded, representing an investment of 6 million euros. With the inclusion of new properties as a result of newly installed infrastructure, the REN landowner database contained around 74,000 records at the end of 2016. This in itself shows the importance of this group of stakeholders for the company, considering Portugal's small geographical size when compared with most European countries.

Establishing compensatory arrangements for easements is not always simple. REN is at times obliged, in the common interest, to resort to impasse release mechanisms provided for in legislation, in particular the subpoena process in the case of power lines, and to request support from public authorities to move forward with work in the case of pipelines.
In 2016, REN was required to use these mechanisms only six times in new projects for electricity transmission lines in a universe of 2,126 owners contacted for the purpose.
Of the 2,126 owners contacted for the installation of new infrastructure, 1,682 compensation processes were finalized. REN always tries to reconcile both the installation and the operation of their infrastructure with the legitimate interests of other stakeholders.

Further information on this topic can be consulted on the REN[6].

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[6] http://www.ren.pt/pt-PT/sustentabilidade/partes_interessadas/comunidade/

INNOVATION, RESEARCH AND TECHNOLOGY

Research, development and innovation are seen by the REN Group as means of discovering differentiated solutions impacting on the performance of national power networks.

R&D projects were undertaken in both of the main areas of business in 2016, i.e. electricity and gas. This work was carried out at REN Group companies working in the transmission of electricity and gas, Portugal - Rede Elétrica Nacional, S.A and REN Gasodutos, S.A.

Fully aware of the of our active role in the innovation and technological development of our industry, which is inherent to our work and the current and future challenges the energy sector faces, REN undertakes R&D both internally as well as in cooperation with counterpart organizations and academic institutions.

Of note is the work done by the R&D NESTER research centre[7] in four R&D projects which focus on the following areas: Renewable Energy Management; Power System Simulation; Smart Grid Technology; Management and Operation of Networks; Energy Economy and Markets. All of these areas saw significant advances in 2016.

Investment in R&D

In 2016, investment in R&D at the REN Group companies REN Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. stood at 79thousand euros[8].
At the Centro de Investigação em Energia REN-State Grid, S.A, investment was close to 2 million euros[2].

According to data available to date, it is estimated that in 2016 a similar level of investment was achieved.

The values reported refer to expenditure on internal and external activities for several projects underway internally and/or in cooperation with national and international entities, including academic institutions recognized by the national scientific and technological system.

In the specific case of R&D Nester, other costs involved include those for the conclusion of the laboratory for two projects underway which has provided REN with simulation equipment for electricity transmission networks.

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[7] REN Group subsidiary set up in 2013 as a result of the agreement signed between REN – Redes Energéticas Nacionais and CEPRI – China Electric Power Research Institute (on behalf of State Grid International Development).
[8] Values reported to the Ministry of Education and Science (MEC) in mandatory replies to national scientific potential surveys.

HIGHLIGHTS

R&D work at REN has seen an increase in the sharing of knowledge and learning processes through projects which cover all REN Group companies, thus maximizing synergies in the electricity and gas sectors. An example of this are the R&D projects used in REN applications to the SIFIDE programme[9], for the financial year of 2015.

Internal R&D Projects

- At the Electricity Business Unit, R&D projects focused on the performance of RNT lines and the respective impact on quality of service:
    - Performance of operational RNT lines during atmospheric discharges - project undertaken in partnership with Labelec. The aim of this project is to study the relevant factors influencing atmospheric discharges to determine the concentrated areas of network most sensitive to lightning. Once identified, the project intends to seek possible solutions to minimize impact on quality of service.

- At the gas business unit, R&D projects have focused on the energy efficiency of underground gas storage facilities:
    - A substantial improvement in the energy efficiency of underground gas storage facilities – The goal of this project is to research and simulate the technical feasibility of a new concept on a global scale, Compressed Gas Energy Storage (CGES). It will assess its potential with respect to improving energy efficiency in underground gas withdrawal processes.
    - Dynamic solution for the analysis of odorant content - Development of a new methodology to determine the level of Tetrahydrothiophene (THT), through the practical application of algorithms which allow the THT content to be calculated at individual network points (in line with gas flows). This enables significant levels of efficiency to be achieved in the odorization process as well as lower sulphur dioxide (SO_2) emissions.

- In partnership with R&D Nester, REN is collaborating in four R&D projects, which are described in greater detail later in this report. They include:
    - Renewable energy dispatch;
    - Substation of the future;
    - Energy storage;
    - Simulation, planning and operation of electrical power networks.

[9] SIFIDE - Tax Incentive System for R&D at Companies

R&D projects in partnership with other international organizations

Highlights of European projects in which REN participates include EUPORIAS (2012-2017) - *European provision of regional impacts assessments on seasonal and decadal timescales*. This is a project funded by the 7th European Framework Programme (FP7), coordinated by the MET OFFICE (UK) and involves 24 participants including REN as a stakeholder.

The aim of this project is to explore the value of seasonal meteorological forecasts on a decadal timescale in Europe. Through access to this information, the project seeks to develop methodologies to use these forecasts, applying them in different key sectors of the national economy which are clearly exposed to weather phenomena, although with different levels of sensitivity.

Website: http://www.euporias.eu/

R&D NESTER HIGHLIGHTS

For R&D Nester, 2016 saw the consolidation of the strategic development plan set out at the time this R&D centre was founded. Of note were the significant advances made in the four R&D started internally in 2013. The results of these projects have been recognized by the technical-scientific community. Highlights include:

- Publication of papers and articles in scientific magazines;
- Presentations at several national and international conferences;
- The submission of three provisional requests for patents;
- The practical application of some results;
- The setting up of a laboratory - *Real Time Power Systems Simulation Laboratory*.

This and further additional information on R&D Nester work can be seen at www.rdnester.pt.

Internal R&D Projects

Renewable Energy Dispatch – the main aim of this project is to implement new tools which can be used by system operators to manage high levels of renewable energy penetration, such as solar and wind. These tools help mitigate the variable and intermittent nature of these sources of energy.

Work has made a considerable contribution to the management of risk inherent to the high levels of renewable energy penetration in the electricity system, supplying network and systems operators with practical tools.

Some of the results have already been introduced, including a new tool to forecast photovoltaic production.

As a result of work carried out, R&D Nester has published several articles which have been presented at international events, such as:

- *Ensemble-Based Estimation of Wind Power Forecast Uncertainty*, EEM15 - 12th International Conference of the European Energy Market, May/15;

- *Improvements in wind power forecast,* IO15 - XVII APDIO Congress, Sep/15;
- *Wind power forecast uncertainty using dynamic combination of predictions*, DEMSEE 2015, Sep/15;
- *Wind power forecast uncertainty using dynamic combination of predictions*, publication in *Periodica Polytechnica Electrical Engineering and Computer Science*, 59(3), pp. 78-83, Aug/15;
- *Probabilistic dimensioning of tertiary control reserve driven by the intermittency of renewable generation in Portugal*, Cigré Session 46, Paris, Aug/16.

Energy Storage - the main aim of this R&D Nester project was to develop a multi-scenario and multi-attribute methodology for energy storage planning in electricity transmission networks.

Work over the last three years has made considerable inroads to the understanding of the multiple potential roles of the storage of power in the electricity system, as well as the technologies involved and their main characteristics. This project also contributed to the development of a methodology and a tool specifically for energy storage planning. These tools allow the different technologies and solutions used by network operators and other energy industry players to be compared when planning their infrastructure, including energy storage solutions.

As a result of work carried out, R&D Nester has published two articles which have been presented at international events:

- *Planning energy storage in power transmission networks*, IEEE Green Energy and Systems Conference 2014, California, USA, Nov/14;
- *Siting and sizing dispersed energy storage in power transmission networks*, IEEE Green Energy and Systems Conference 2015, California, USA, Nov/15.

Substation of the future - The aim here is to define and demonstrate a new concept of secondary substation systems including protection, automation, control, monitoring and metering. These systems can be implemented by transmission network concessionaires through research which will result in a real-time testing platform for future smart + generation substations.
A new vision and technical specifications will be defined and developed based on high reliability, creativity, scalability, interoperability, standardization and easy to manage requirements and maintenance. All of these aspects will be based on international standards and advanced CIT (communication and information technologies) platforms, optimizing cost-benefits throughout the working life of transmission network assets. The results of this project have given REN a perspective of more efficient substations with additional functionalities in future developments.

As part of this project, the following papers have been presented at international events:

- *A joint research on the substation of future between Portugal and China*, Advanced Power System Automation and Protection Conference, Nanjing, China, Apr/15;
- *Enhanced testing platform for the Smart Substation*, PAC World Conference, Ljubljana, Slovenia, Jun/16;
- *Integrated simulation model of power system protection schemes and process bus communication networks*, Electrical Power and Energy Conference, Ottawa, Canada, Oct/16;
- *Using the IEC 61850 formal description capabilities towards a vendor-independent PAC specification*, CIGRE Joint Colloquium 'Building Smarter Substations', Mexico City, Mexico, Nov/16.

Simulation, planning and operation of electrical power networks - this project seeks to meet two infrastructure requirements. Firstly, the need for a simulator with sufficient time-based calculation capability to simulate different interactions, e.g. control and protection systems. Secondly, to research and improve the current interface between transmission and distribution system operators taking into account regulations since published by the European Commission to promote greater TSO/DSO cooperation (e.g. real-time information exchange). This scenario is against a backdrop of the growing presence of widespread energy generation sources.

As a result of work carried out, R&D Nester published and presented the following articles at international events:

- *TSO and DSO Collaboration: The need for data exchange*, 10th Jubilee International Conference on Deregulated Electricity Market Issues in South Eastern Europe (DEMSEE'15), Budapest, Hungary, Sep/15;
- *Improving power system operation in the presence of RES*, IO'15- XVII APDIO Congress, Sep/15;
- *Wind power curtailment optimization for day-ahead operational planning*", IEEE PES Innovative Smart Grid Technologies Europe Conference, Ljubljana, Slovenia, Oct/16.

Highlights in 2016 in this and the 'Smart Substation' project include the setting up of a real time power systems simulation laboratory with high computing capability to simulate, analyse and study networks, with regard to power and communications systems. Potential also exists for real-time energy system analysis.

R&D PROJECTS IN PARTNERSHIP WITH OTHER INTERNATIONAL ORGANIZATIONS

- **ISSWINDEMO** - Integrated Supporting Services for the Wind Power Industry Demonstrator – Demonstration project funded by the ESA (European Space Agency), started in March 2016 and extending over two years.
  As part of continued work on the ISSWIND project, the 1st part - feasibility study - has now been concluded.

The aim is to explore aerospace technology for Earth observation and a global navigation satellite system with a view to developing commercially viable support services for the wind energy industry. Bearing in mind the different requirements of stakeholders in this industry, including electricity TSOs, the ISSWINDEMO demonstration project seeks to provide an integrated solution with four services: 1. Wind resource maps; 2. Wind and wave hindcast databases; Service 3. Weather and ocean forecasting; 4. Wind power forecasting

R&D Nester's contribution as a partner in this demonstration project is principally to provide commercial and technological innovation drivers for an integrated ISSWIND solution. A key underlying characteristic of ISSWIND services is the assimilation of data produced by Earth observation satellites and the global navigation satellite system to improve the quality of service. In other words, coverage of offshore areas and weather forecasting error and forecasts on the production of energy to feed the system.

Website: https://artes-apps.esa.int/projects/isswindemo

The potential benefits for REN relate to the possible improvement in forecasts for renewable resources and the consequent optimizing of REN operations and management, such as the minimizing of risks.

- **SusCity**: Urban system modelling to promote creative and resourceful transition, a Collaborative Project funded by the Portuguese Science and Technology Foundation - FCT (via MIT- Portugal) and a group of private organizations. This project started in January 2015 and is expected to last three years.

  The goal is to catalyse the generation and proliferation of scalable urban interventions through the development and deployment of a multi-dimensional Urban systems Simulator and Dashboard (USD). While the visualization and communication of data is essential, urban models will provide the ability to envision alternative scenarios and new services and products, founded on rigorous urban science. The team proposes to couple a multi-dimensional simulation with physical urban modelling and data collection machine to serve these objectives.

  Website: http://suscity-project.eu

  Potential benefits to REN include better understanding of the implications of Smart City concepts in network management, thus allowing improved preparation for future scenarios.

- **SmartNet** (H2020-LCE-06-2015) - SmartNet - Smart TSO-DSO interaction schemes, market architectures and ICT solutions for the integration of ancillary services from demand-side management and distributed generation.

  This project is funded by the Horizon 2020 European framework programme, coordinated by the RSE and has 22 partners (from the world of academia, industry and R&D organizations) from nine European countries. The project started in 2016 and will last three years. R&D Nester sits on the Advisory Board.

The SmartNet project aims to provide optimised instruments and modalities to improve the coordination between the grid operators at national and local level (respectively the TSOs and DSOs) and the exchange of information for monitoring and for the acquisition of ancillary services (reserve and balancing, voltage balancing control, congestion management) from subjects located in the distribution segment (flexible load and distributed generation).

Website: http://smartnet-project.eu/

- **BigDataOcean** - Project approved in 2016 under the Horizon 2020 European framework programme. R&D Nester is a consortium member along with both academic and industrial entities from Greece, the UK, Portugal, Italy, Cyprus and Israel.

  This project is to start in 2017 and will last 30 months. The main objective is to enable maritime big data scenarios for EU-based companies, organisations and scientists, through a multi-segment platform, against a backdrop of ocean resources.

  This platform will combine data of different variety, volume and origins under an inter-linked, trusted, multilingual engine to produce a big-data repository of value and veracity back to the participants and local communities.

  R&D Nester's contribution is to focus on the energy-related topics and applications provided for in the project.

  Website: http://www.bigdataocean.eu/site/

Other R&D Nester activities in 2016:

- Submission of applications for funding to the Horizon 2020 European framework programme
- Submission of applications to SIFIDE for the financial year of 2015[10]
- Maintenance of the R&D Nester certified R&D&I management system, in accordance with NP4457 - Research, Development and Innovation
- Continuation of thematic dissemination and work sessions with shareholder technical teams entitled 'Innovation Hour'
- Continued setting up of an innovation network with national and international counterpart and related entities, including the University of Aalborg, the National Energy and Geology Laboratory (LNEG), EnergyIn, Institute of Power Systems – North China Electric Power University, School of Electrical and Electronics Engineering - North China Electric Power University, Shanghai Jiao Tong University, Generg, Renewable Energy Association, the Superior Institute of Business and Labour Sciences(ISCTE), the Luso-Chinese Chamber of Commerce and Cotec
- Participation in the European Energy Research Alliance Programme so as to promote international networking and participation in international projects

10 SIFIDE- Tax Incentive System for R&D at Companies

R&D Nester work and REN research thus continue to contribute to REN's mission and commitments, creating solutions for the efficient development, operation and management of energy networks. This work also enables suitable management of the inherent risks, while benefiting society in general and in line with national goals.

PARTICIPATION IN INTERNATIONAL WORKING GROUPS

I – ENTSOs

REN has continued to cooperate and participate in the activities of the European TSO associations (ENTSO-E and ENTSO-G) with the aim of achieving implementation of the third legislative package in the EU energy sector.

1.1 ENTSO-E (European Network of Transmission System Operators for Electricity):

In relation to Regulation (EC) No 714/2009, REN has participated in ENTSO-E activities particularly through its presence at the General Meeting, on the System Development Committee, System Operations Committee, Market Committee, Research and Development Committee, Legal and Regulatory Group and also in the *European Affairs Expert Group*.

With regard to network codes, REN has contributed to the approval and implementation process for the European network codes in the areas of planning, operation and markets. This was achieved by accompanying comitology processes and the preparation of the respective national implementation in collaboration with the DGEG and ERSE. At the same time, the Company has assisted ENTSO-E in the checking of the final wording of these laws.

The most important achievements in 2016 include:

- final phase of the comitology process for the Emergency Code and System Reboot (ER) and the System Operation Guidelines (SOGL);
- sending for approval by the European Parliament of the Capacity Allocation Code (FCA), Network Connections (DCC) and HVDC (HVDC) Connections;
- start of implementation of the Capacity Allocation Code and Congestion Management (CACM) and Requirements for Generators (RfG).

1.2 ENTSO-G (European Network of Transmission System Operators for Gas):

ENTSO-G continued active during 2016 with working groups in its three main areas of business: market, system development and system operation.

With respect to Regulation (EC) No 715/2009, REN participated in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development – WG Investment; Market – WG Capacity, WG Balancing, WG Tariffs, System Operations – WG Transparency and WG Interoperability; and Kernel Group on Revision of Regulation on Security of Supply.

Of note in 2016 was the comitology finalizing of the Network Code on Harmonized Transmission Tariff Structures (TAR) and the change to the Capacity Allocation and Congestion Mechanism Code (CACM).

II – EUROPEAN INSTITUTIONS

REN is on the European Transparency Register and as such plays a part in the different stages of the European legislative process at the different institutions.

In relation to European policy and legislation initiatives to reinforce interconnections, it should be noted that REN took part in the High Level Group on the Interconnectivity of the Iberian Peninsula, accompanying studies on electricity and natural gas interconnection projects.

The process was started to accompany the Clean Energy Package which the European Commission launched on 30 November 2016.

III - WORKING GROUPS PRESIDED OVER BY THE EUROPEAN COMMISSION

With respect to the legislation initiative for the implementation of priority European energy infrastructures, REN actively participated in the NSI West Electricity Cross Regional Group and NSI West Gas Cross Regional Group, under the presidency of the European Commission.

IV - MED-TSO AND FRIENDS OF THE SUPERGRID

In relation to the contract signed between Med-TSO and the European Commission which provides for the development from 2015-2017 of the Mediterranean Project, several activities were undertaken by the Technical Committees with the aim of developing this project which primarily seeks to plan the reinforcing and integration of electrical systems in this region.

REN, a founder member of this association of Mediterranean electricity transmission system operators, plays an active role in the Vice-Presidency of this association while also presiding over the Operational Activities Coordination Committee. It is also represented on all the Med-TSO technical committees mentioned above. Active participation was also continued in the Regional Group West.

As part of the participation in this association, of note is the relevant role relating to activities for the Union platform for the Mediterranean (UpM).

In this year, REN continued its participation at Friends of the Supergrid (FOSG).

V – GIE (Gas Infrastructure Europe), GTBI (Gas Transmission Benchmarking Initiative) and MARCOGAZ:

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings and was also present at the annual conference. This year the conference discussed the topic of Energy Union, and the future perspectives for the European Energy System for 2030.

During the 2014-2016 period, REN presided over the GTBI – Gas Transmission Benchmarking Initiative. This is a platform of ten European gas transmission network operators which aims to structure and disseminate natural gas transmission performance indicators among members.
The aim is to improve operating efficiency through the sharing of good practices in the sector.

REN is a member of the Executive Board and the General Meeting of MARCOGAZ, the technical association of the European gas industry which develops standards and shares best practices in technical subjects.

5.3.2. ENVIRONMENTAL PERFORMANCE

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. As environmental protection is one of the three axes which govern REN's sustainability strategy, it is important to analyse the indicators for 2016.

ENVIRONMENTAL MANAGEMENT

Minimizing environmental impact has always been a core concern at REN, both in terms of implementing new investment projects as well as with regard to its activities of operating and maintaining diverse infrastructure used to transmit electricity and to store and transport natural gas. Environmental topics mean far more to REN than simply complying with legal obligations, instead they represent a long-term commitment and the goal to live in harmony with the environment.

The Company approach on this topic can be consulted on the REN website[11].

[11] www.ren.pt

ENERGY

REN's energy consumption in 2016 is shown in the table below.

ENERGY CONSUMPTION AT REN (GJ)	2014	2015	2016
Electrical energy of infrastructure and buildings	236,446	219,760	218,289
Natural gas (boilers, pilots and controlled flares)	344,137	281,663	430,447
Propane gas	172	121	76
Natural gas	9,361	9,025	2,522
Fuel (diesel and petrol)	25,302	28,592	27,805
Losses in the electricity transmission network	2,814,536	2,404,706	2,898,594
Losses in the gas transmission network (purges)	9,106	1,327	2,085
Total energy consumption at REN	**3,441,074**	**2 945 197**	**3.579,819**

* In 2015, co-generation was inactive for most of the year, therefore consumption was less than in 2014. In 2016, it did not operate.

ENVIRONMENTAL ASSESSMENT AND IMPACT

Information and further details on strategic environmental assessment and environmental project assessment can be consulted on the REN website[12].

STRATEGIC ENVIRONMENTAL ASSESSMENT

strategic environmental assessment is an environmental policy instrument (Decree-Law No 232/2007 of 15 June 2007, amended by Decree-Law No 58/2011 of 4 May) which seeks to ensure an assessment of the environmental consequences of specific plans and programmes and its respective prior implementation. In 2016, REN started the strategic environmental assessment (AAE) process for PDIRT 2018-2027.

PROJECT ASSESSMENT

Environmental impact assessment (AIA) is a tool which can be used on certain public utility infrastructure projects where REN is the promoter. The AIA process consists of different stages:

[12] www.ren.pt/en-gb/sustentabilidade/abordagem_da_ren

Given the specificity of the sector, in 2008, REN drew up an AIA methodological guide for the National Electricity Transmission Network - Overhead Lines. This guide was drawn up in partnership with the Portuguese Environment Agency and the Portuguese Association for Impact Assessment and is a reference document for the preparation of environmental impact studies for this type of infrastructure and the respective AIA processes. Numerous entities intervening in the AIA process took park in this working group, more specifically the Portuguese Institute of Archaeology, the Nature and Biodiversity Conservation Institute and the Coordination and Regional Development Commissions.

Moreover, and with the aim of standardising AIA process procedures and methodologies, in 2011 REN published another methodological guide, in this case for assessing the environmental impact of RNT substations.

Included in work to expand and improve energy transmission networks, REN has developed a significant set of environmental assessment processes, in the planning phase:

	2014	2015	2015
Environmental impact assessment processes	4	2	5
Environmental impact post-assessment processes	2	0	0
Environmental impact statements issued	3	4	2
Environmental project studies	0	0	0
Environmental impact studies (EIA)	0	5	3
Environmental compliance report on the execution project (RECAPE)	2	1	0

During the operating and maintenance of the network, monitoring and supervision actions are undertaken to ensure compliance with objectives and targets defined both by REN and the Environmental Impact Statement.

Information and further details on Strategic Environmental Assessment and Environmental Project Assessment can be consulted on the REN website[13].

In 2016, monitoring actions were also undertaken at different REN infrastructures, covering the following descriptors:

NUMBER OF PROJECTS MONITORED	2014	2014	2016
Birdlife	12	11	7
Soundscape	11	1	2
Water resources	3	1	0
Flora	2	2	0
Iberian wolf	3	0	0
Electromagnetic fields	3	3	0
Birdlife	12	11	7
Soundscape	11	1	2
Water resources	3	1	0

[13] www.ren.pt

In 2016, five REN projects were subject to environmental monitoring and supervision as a result of the environmental impact assessment process.

MECHANISMS FOR COMPLAINTS CONCERNING ENVIRONMENTAL IMPACT

REN has implemented a management procedure for complaints received through different means (e.g. letter, phone calls, e-mails). An analysis circuit has been established for aspects identified by stakeholders. Priority is given to the analysis of the technical component.

Firstly, it is checked if the infrastructure actually belongs to REN and if so, whether there is any technical aspect causing the situation reported. Should no technical issue exist, an analysis is conducted, usually in conjunction with the areas responsible for environmental management and easements and property. The aim is to identify if the contact came about because of an environmental impact provoked by infrastructure operation or if it is only an information request, e.g. on electromagnetic fields. In 2016, eight themes were made in relation to environmental impact.

PREVENTION OF CLIMATE CHANGE

REN recognizes the existence of risks and opportunities for its activities relating to climate change. Physical risks such as the increase in the occurrence of extreme climatic events, the rise in sea level or snow falls in some area, could lead to temporary failures in the continuity of REN service. In such cases, and bearing in mind that they are covered by insurance, relevant financial implications are not expected. Furthermore, changes in maximum temperatures could lead to increased grid losses of around 1.5%, meaning an increase in operating costs. A rise in temperature could also involve increased risk of forest fires, also possibly leading to failures in continuity of service.

Other risks considered include those caused by prolonged periods of drought, although in an indirect manner. During prolonged drought, there could be a need for greater production of thermal and renewable power. In this latter scenario, as these producers are mostly located in the interior of Portugal, increased grid loss will be seen as electricity has to be transmitted over greater distances. Excessive rainfall could cause erosion affecting electricity and gas transmission infrastructures and possibly cause service interruptions.

With regard to regulatory risks, REN is aware of the implications which changes to national and Community law could have on business. As such, through the different departments, the Company monitored legislative processes on climate change.

With respect to opportunities and taking into account that the main areas of business are highly regulated, unless opportunities are for investment projects seeking to strengthen supply security in electricity and gas transmission networks, any investment would first have to be accepted by ERSE.

CLIMATE CHANGE AND ENERGY CHALLENGES

REN is among the companies that best provide information on the company's policies and activities in the area of climate change, according to the Carbon Disclosure Project Iberia 125 Climate Change Report 2016.

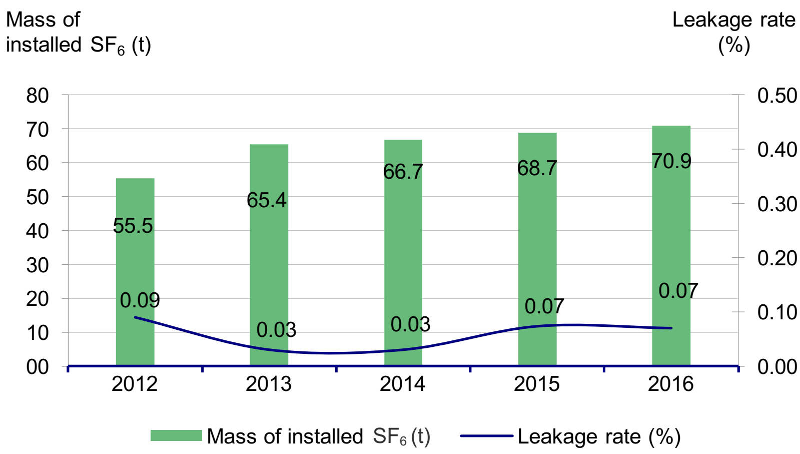
REN was invited to participate, for the seventh year running, in the annual CDP questionnaire. The company obtained a classification of B (the second highest), corresponding to the level "Management". This assessment clearly shows that REN is taking steps to reduce its greenhouse gas emissions and to measure and manage impact. The company has set targets for medium and long-term reduction while also monitoring progress and implementing activities to reduce emissions.

GREENHOUSE GAS EMISSIONS (TON CO_2EQ)	2014	2105	2016
Scope 1	25,849	19,905	28,797
Natural gas purges (CH_4)	4,296	626	984
Flare burn	6,393	2,277	11 214
Own consumption by boilers	12,269	13,213	13,149
Sulphur hexafluoride (SF_6)	460	1,152	1,208
Natural gas (buildings)	530	511	177
Propane gas (buildings)	11	8	5
Diesel (equipment and fleet)	1,890	2,118	2,060
Scope 2	118,742	135,256	110,109
Electricity	9,149	11,326	9,121
Electricity losses in the network	108,906	123,930	100,989
Scope 3	687	662	752,48
Air travel	687	662	752,48

REN continued to encourage the use of trains instead of cars, especially for transport on the Lisbon-Porto route.

	2014	2015	2016
Number of train trips (Lisbon-Porto)	979	792	303
Number of videoconferences	740	896	946

In the area of preventing and controlling greenhouse gas emissions, over the course of recent years REN has been implementing an action plan to reduce its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment. In 2016, despite the increase in installed mass, the leak rate was maintained at practically the same level. The company's efforts to reduce SF_6 leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level.



Main activities relating to initiatives to reduce GG emissions, particularly SF_6 in 2016 were as follows:

1) Deactivation of a series of SF_6 circuit breakers replaced as part of remodelling work in or in replacement programmes for families of obsolete equipment or equipment which is less reliable, in accordance with technical procedures relating to end-of-working-life. All operating and maintenance work is carried out by specialized REN teams. Team members are qualified in accordance with legislation.

2) **For most breakers in operation, once an SF_6 leak has been confirmed** company policy is to immediately identify and repair the leak on site. Should the leak not be detectable on site, the breaker is replaced with a reserve unit, minimizing SF_6 emissions to the environment. The leak is later processed and repaired in a controlled environment.

3) **Implementation of continuous SF_6 monitoring systems in armoured substation buildings (GIS):** At REN, the issue of accessing GIS rooms after a leak alarm has been triggered is grounded first and foremost on ensuring the safety of personnel. Although SF_6 is not toxic itself, it does occupy breathable air and can lead to asphyxia with potentially serious consequences.

In order to improve safety conditions, in 2016 the installation of continuous SF_6 monitoring systems was started in the GIS 220 kV equipment room at the Ermesinde, Carriche and Sacavém sub-stations, including the respective cable gallery

The proposed system allows continuous monitoring for the presence of SF_6 inside the sub-station. Should the gas be detected, visual and audible alarms are triggered at the main entrances of the affected area. A ventilation system is also activated to remove the gas from inside the substation.

In 2017, REN will continue to cover GIS facilities, and installation is planned for three sub-stations.

Intensive energy consumption

In accordance with Decree-Law No 71/2008 governing the Intensive Energy Consumption Management System (SGCIE), intensive energy users such as REN – Armazenagem are required to comply with a number of targets to reduce their specific reference consumption (Ce) and energy and carbon intensity.

Further to the energy audit conducted in 2008 to analyse energy use and establish a line base for facility consumption, an Energy Consumption Rationalization Plan (pREN) was submitted to the DGEG/ADENE. This plan was approved, giving rise to the ARCE (Energy Consumption Rationalization Agreement) for 2008-2014.

In April 2015, the last Execution and Progress Report for 2013-2014 was concluded. In general, the plan as initially established was complied with and none of the indicators laid down saw divergence of greater than 25% over target. The final report on this first pREN was approved by the DGE/ADENE.

During 2016, in compliance with Decree-Laws No 71/2008 and 68A/2015, a new Energy Audit was conducted by the company TECNOVERITAS and, as a result, a new pREN was drawn up to be complied with over a period of eight years (2015 to 2022). This plan is currently being reviewed by the DGEG/ADENE for approval.

Of note in the conclusion of this second pREN, is the fact that no economically feasible measures were identified allowing a reduction of 6% in the respective indicators (specific consumption and energy and carbon intensity). This is mainly due to two reasons. On one hand, the termination of bleaching at the end of 2014 and, on the other, the high degree of efficiency already demonstrated by the facility. Nevertheless, given REN's concern in this regard, a number of measures are to be implemented to rationalize consumption. The aim is to reduce and optimize consumption, even if this is not particularly expressive overall.

Biodiversity

Biodiversity[14] is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities on the different phases of the life cycle of its infrastructure.

Despite the constant concern with protecting and promoting biodiversity, a small percentage of REN's infrastructure is integrated into sensitive areas in national territory: sites that are part of the Natura 2000 network, special protection zones and other protected areas, including national parks, reserves, parks and natural monuments.

OCCUPATION IN SENSITIVE AREAS	AREA/LENGTH	% OF TOTAL
Stations/facilities	0,37 km^2	9%
Length of gas pipelines/lines	1,209.60 km	12%

The occupation of these areas by REN infrastructure is essentially due to historical reasons (the integration of infrastructure was prior to the classification of these protected areas) as well as the need to enable or reinforce the flow of renewable energy from production plants located in these sensitive areas. Whenever these facilities are modified, such as changes in the paths of lines and gas pipelines, such changes are optimised so as to reduce the impact on biodiversity.

Currently, the sites where the infrastructure of the National Transmission Network (RNT) is located are potentially the habitat for classified species on the Red List of the International Union for Conservation Nature (IUCN), in the following categories:

IUCN CLASSIFICATION	2014	2015	2016
Critically threatened	3	2	2
Threatened	5	6	7
Vulnerable	17	17	18

* As new gas pipelines have not been built in these years, the figure shown only refers to the National Electricity Network.

Information on compensatory measures developed during 2015 may be consulted on the REN website[15].

[14] http://www.ren.pt/en-gb/sustentabilidade/ambiente/biodiversidade_e_gestao_dos_ecossistemas/
[12] http://www.ren.pt/en-gb/sustentabilidade/ambiente/biodiversidade_e_gestao_dos_ecossistemas/
[15] www.ren.pt

CHAIR IN BIODIVERSITY

In 2015, in conjunction with the Foundation for Science and Technology (FCT) and the University of Porto (UP), REN created a Chair in Biodiversity to be lectured at the UP. The partnership between REN, FCT and the Biodiversity and Genetic Resource Research Centre at the University of Porto (CIBIO-InBIO) reflects the commitment of these three organizations to this area.

The Chair is based on three pillars: monitoring, minimizing and offsetting impact; population ecology; and citizen science. The first will conduct research into the assessment, monitoring, minimizing and offsetting of impacts by power transmission networks on biodiversity, particularly with regard to power lines. The second pillar is to analyse demographic responses to species subject to unnatural death, a study which, in the future, could help define how significant efforts should be made to minimize or offset, and where to direct these efforts. The third pillar focuses on citizen science projects, a trend which is growing internationally, but still in its infancy in Portugal.

These projects have the double aim of raising awareness among citizens for the importance of science through their involvement in specific initiatives, while also allowing relatively simple but useful data to be collected. This data would be difficult or very costly to compile using conventional processes.

In 2016, the REN Chair in Biodiversity allowed work already carried out to be systematized and disseminated: identifying impacts on biodiversity; assessing risks and implementing minimizing measures; promoting activities with positive impacts; integrating biodiversity into the Company's activities and supporting nature conservation.

MANAGING CO_2 EMISSIONS FROM PLANTS WITH CAES

REN is company which is active in the field of climate change. The management of plants which maintain Energy Acquisition Contracts (CAE), Tejo Energia and Turbogás, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

This situation is the result of an international negotiation process which culminated in 1997 in the signing of an international treaty, the Kyoto Protocol, signed by Portugal as a member of the EU. The aim is to mitigate climate change by reducing emissions of greenhouse gases.

Started in 2005, the ETS has been the tool used in the EU to comply with the aims of Kyoto. Through the allocation of a price on CO_2 (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), the goal is to reduce the emissions of the main industrial facilities and it covers sectors such as the production of electricity from fossil fuels, steel making, ceramics, petrol refineries and aviation.

ETS rules are integrated into national law through Decree-Law No 233/2004 of 14 December 2004, and later legislation which came about further to the transposition of Community Directive No 2009/29/EC of the European Parliament and of the Council of 23 April transposed by Decree-Law No 38/2013 of 15 March.

In order to reach the target to reduce EU emissions by at least 40% by 2030, as set out in the Paris Agreement, the sectors covered by the ETS are required to reduce their emissions by 43% over 2005 levels.

The CDP is a non-profit organization which collates information on the performance of the main companies with regard to climate change.

With the aim of minimizing annual expenditure on the purchase of emissions licences (on the total amount of emissions made by CAE stations, with the end of allocations), and as such the total costs incurred by consumers with the purchase of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2016, as a member of the ICE (Intercontinental Exchange), the key market in CO_2 emissions licence futures trading. It is the responsibility of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the two CAE plants, which requires buying EUA (European unit allowance) licenses

REN Trading strategy with regard to the market sale of production from these plants has always taken into account forecast emissions and the associated cost, measured through the EUA market price. In order to explain further, under certain circumstances the incorporation of CO_2 costs into total production costs at the Pego plant (coal-fired, a more polluting fuel) could alter its position in the order of merit of supply in the electricity market, making it less competitive. This would therefore require it to be replaced with a less polluting alternative such as Turbogas (natural-gas-fired and producing less emissions than coal for equal power production). In essence, through this mechanism created by EU ETS, the operation of the electricity market is affected and the influence of this European mechanism can be seen on the emissions of plants and the country's electrical power programme.

In 2016, there was an increase in activity compared with the previous year. REN Trading was active in the futures market, with transactions for the purchase of about 3.9 million tons of CO_2.

With respect to market behaviour, there was a significant decrease in prices YOY. The average spot market price fell by around 30%.

It is expected that the market stabilization reserve mechanism, which enters into operation in 2019, will strengthen the correct functioning of the EU ETS, contributing to the creation of a clear price signal for the cost of greenhouse gas emissions into the atmosphere. This will subsequently be reflected in production and investment decisions (by the internalization of environmental externalities), helping to achieve the goal of a less carbon-intensive society.

FLORA AND SOIL USE

As a result of its construction and maintenance activities, REN has a direct impact on flora and soil use.

This impact occurs, for example, at the time when the line buffer corridors associated with REN's infrastructure (electricity lines and gas pipelines) are created or maintained. As a way of offsetting this impact, since 2007 REN has been carrying out diverse tree planting projects within the scope of building its new facilities and, in 2013, extended this methodology to lines already in operation.

Through its easement reforestation programme, REN has already planted more than 660 000 trees in recent years (2010-2016) in an area greater than 1,440 hectares.

In 2016, a total of 107,353 trees were planted in an area of approximately 395 hectares. The following species are of note:

- Oak: 54,131 planted
- Cork oak: 3,618 planted
- Chestnut/Walnut: 15,049 planted
- Olive trees 5,143 planted
- Strawberry trees: 1,032 planted
- Stone pines: 28,380 planted

In the course of 2016, a total of around 4 600 hectares of our pipeline rights-of-way were subject to clearance work, particularly within forest areas, many of which are included in the National Forest Defence System against fires.

Several initiatives were also carried out with local communities including reforesting programmes under the slogan “Plant tomorrow together” to show that the more active management of easement vegetation can reduce maintenance costs by increasing the time between intervention cycles and improving co-responsibility with owners.

Two communication actions on these practices were also carried out with regard to areas recently planted with trees. These actions took place in cooperation with regional press in the Castelo Branco and Minho regions to reach more owners and make them aware of the importance of such active management.

A video was also produced explaining the importance of these actions for REN, given that around 50% of company infrastructures are in forest land. The video also sets out REN's reforesting goals[16].

After having compiled the information available on the different construction projects, below is a calculation of the number of trees felled per REN construction. This calculation takes into account not only the number of trees felled but also the area covered. In the latter case, the figure is based on an average density estimate (trees/ha) for each region.

In 2016, approximately 286 000 trees were felled in REN construction work, representing a forest area of around 193 hectares.

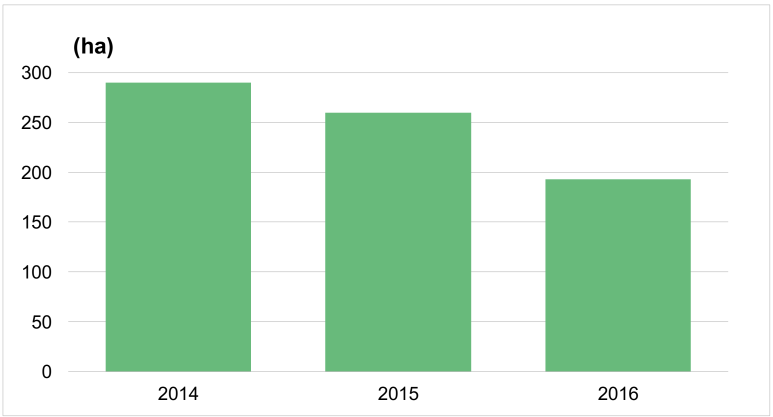
In 2016, the major projects were:

- Vieira do Minho-Pedralva line 2: 27%
- Pedralva-Ponte de Lima line: 19%
- Terras Altas Fafe-Riba D'Ave line, opening to Fafe: 14%

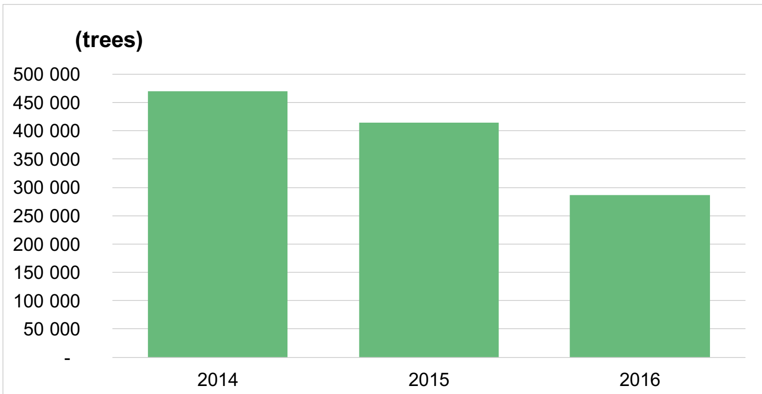
[16] Video available at http://www.ren.pt/en-gb/media/audio_e_video/

2014		2015		2016	
Total area harvested	Total trees cut	Total area harvested	Total trees cut	Total area harvested	Total trees cut
± 290 ha	± 470.000	± 260 ha	± 415.000	± 193 ha	± 286.000

NUMBER OF TREES FELLED IN THE CONSTRUCTION OF NEW REN INFRASTRUCTURES



EVOLUTION IN NUMBER OF TREES FELLED AND RESPECTIVE AREAS IN THE CONSTRUCTION OF NEW REN INFRASTRUCTURES



BIRDLIFE

Offsetting measures

A very important area for REN is the implementation of offsetting measures, arising from the environmental impact assessment process for new infrastructure. The measures underway and the main results are available for consultation on the REN website[17].

[17] www.ren.pt

Compatibility between REN's infrastructures and the white stork population

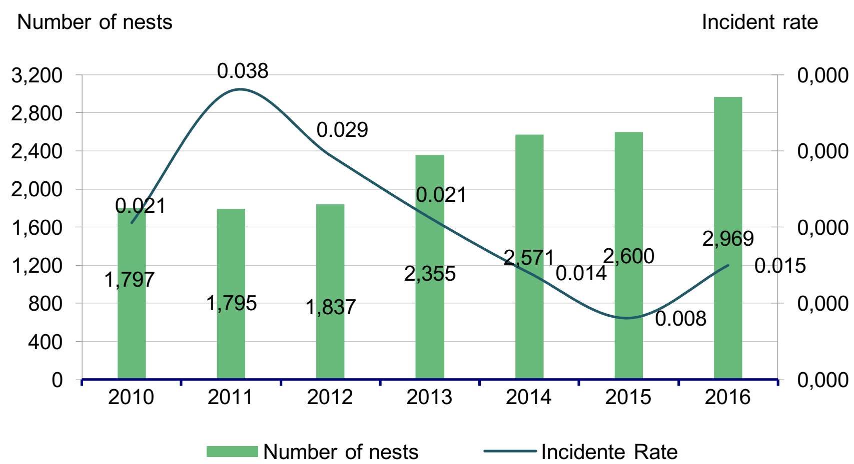
For more than ten years, REN has monitored the nesting patterns of the white stork population in its infrastructure, creating nesting conditions for this bird in favourable habitats and installing devices that minimize the risk of accidents of electrical origin.

Fewew actions were implemented in 2016 as compared to the previous year, described below according to type:

IUCN CLASSIFICATION	2014	2015	2016
Number of platforms installed	178	349	144
Number of anti-perching devices installed	600	642	313
Number of nests transferred	250	221	135

During the year, there was a significant increase in the rate of incidents involving white storks as compared to 2015.

The fitting of fans and platforms stops nesting in places with greater likelihood of incidents. However, the considerable rise in the population of storks has caused a relevant increase in the number of nests and, as a result, an increase in the number of incidents.



5.4. › AWARDS

- Questar 2016: Gold with the app for investors and the media in the "Mobile media" category.
- ITOMS: "Best Presentation" at the conference on electric network management (ITOMS – International Transmission Operations & Maintenance Study)
- IR Magazine Awards: Grand prix for best overall investor relations in the small cap category, at the IR Magazine Awards - Europe. REN was also short-listed in the category of "Best Use of Multimedia for IR" for the REN app for investors and the media.
- Investor Relations & Governance Awards (IRGA): Honourable mention in the category of "Best report - Non-financial sector".
- Recognition of Social Responsibility Practices (RPRS): "Heroes of Every Kind" earns Honourable mention in the "Community" category .
- Best Place to Work: Silver at the Best in Biz Awards, in the "Best Place to Work” category.
- Interactive Media Awards: Best in Class, in the "Investor Relations" category, with the app for investors and the media.
- "Most Attractive Employers": REN considered among the best companies to work for in Portugal, by the study "Most Attractive Employers".
- APSA Awards: REN distinguished at the 1st APSA Awards for its contribution in the reception and inclusion of people with Asperger's Syndrome.
- iNova Awards: REN wins Gold, Silver and Bronze at the 2016 iNOVA Awards, in the categories of "On-line Report”, “Sustainability Report” and “App for investors and the media", respectively.
- APCE / FEIEA: Award for "Best Intranet" and "Best Report" at the APCE 2016 Awards. At this awards ceremony, the REN Intranet also won second place at the FEIEA Grand Prix (European Association for Internal Communication), in the category of "Best internal communication strategy".
- Healthy Workplaces: Second place in the "Large Company" category.
- Lusophone Creativity Awards: The REN 2015 Report wins bronze at the Lusophone Creativity Awards in the “Digital” category.
- Silver Distinguished Services Medal: REN wins the Silver Medal for Distinguished Services, of the Portuguese Fire Fighter League, from the Bucelas Volunteer Fire Fighter Humanitarian Association.
- MSCI: A rating in environment, social, and governance (ESG).


REN
CONSOLIDATED AND INDIVIDUAL ACCOUNTS
06
S—T—A—B—I
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CONNECTED TO CONTINUITY

6.1.
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

1. › CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016 AND 2015

Amounts expressed in thousands of Euros – tEuros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 37)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	578	695
Goodwill	9	3,397	3,774
Intangible assets	8	3,825,712	3,869,085
Investments in associates and joint ventures	10	14,657	14,588
Available-for-sale financial assets	12 and 13	150,118	154,862
Derivative financial instruments	12 and 16	20,425	10,157
Other financial assets	12	14	7
Trade and other receivables	12 and 14	10,145	133,676
Deferred tax assets	11	62,825	65,838
		4,087,871	**4,252,682**
Current assets			
Inventories	15	1,028	2,985
Trade and other receivables	12 and 14	448,826	263,766
Current income tax recoverable	11 and 12	-	5,358
Other financial assets	12	1,317	1,510
Cash and cash equivalents	12 and 17	10,783	63,652
		461,954	**337,271**
Total assets	7	**4,549,825**	**4,589,953**
EQUITY			
Shareholders' equity			
Share capital	18	534,000	534,000
Own shares	18	(10,728)	(10,728)
Reserves	19	319,204	325,619
Retained earnings	-	216,527	196,253
Other changes in equity	-	30	30
Net profit for the year	-	100,183	116,115
Total equity		**1,159,217**	**1,161,289**
LIABILITIES			
Non- current liabilities			
Borrowings	12 and 20	2,298,543	1,891,245
Liability for retirement benefits and others	21	125,673	129,217
Derivative financial instruments	12 and 16	12,212	8,426
Provisions	22	6,154	5,717
Trade and other payables	23	318,126	332,232
Deferred tax liabilities	11	73,027	88,249
		2,833,735	**2,455,086**
Current liabilities			
Borrowings	12 and 20	216,594	650,755
Provisions	22	801	1,171
Trade and other payables	23	311,539	315,735
Income tax payable	11 and 12	26,875	-
Derivative financial instruments	12 and 16	1,063	5,918
		556,873	**973,579**
Total liabilities	7	**3,390,608**	**3,428,664**
Total equity and liabilities		**4,549,825**	**4,589,953**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2016.

THE ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros – tEuros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 37)

		Year ended	
	Notes	December 2016	December 2015
Sales	7 and 24	569	552
Services rendered	7 and 24	544,672	536,544
Revenue from construction of concession assets	7 and 25	171,247	240,002
Gains / (loses) from associates and joint ventures	10	1,314	768
Other operating income	26	21,649	41,279
Operating income		**739,452**	**819,144**
Cost of goods sold	-	(450)	(562)
Cost with construction of concession assets	25	(155,217)	(222,602)
External supplies and services	27	(44,328)	(42,636)
Personnel costs	28	(49,583)	(51,673)
Depreciation and amortizations	8	(214,761)	(209,303)
Provisions	22	(516)	302
Impairments	-	(258)	(683)
Other expenses	29	(12,595)	(11,893)
Operating costs		**(477,708)**	**(539,049)**
Operating results		**261,743**	**280,095**
Financial costs	30	(91,182)	(110,503)
Financial income	30	5,291	6,339
Investment income - dividends	13	5,550	5,592
Financial results		**(80,341)**	**(98,572)**
Profit before income tax		**181,403**	**181,523**
Income tax expense	11	(55,282)	(39,963)
Energy sector extraordinary contribution (ESEC)	35	(25,938)	(25,445)
Net profit for the year		**100,183**	**116,115**
Attributable to:			
Equity holders of the Company		100,183	116,115
Non-controlled interest		-	-
Consolidated profit for the year		**100,183**	**116,115**
Earnings per share (expressed in euro per share)	31	0.19	0.22

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros – tEuros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 37)

		Year ended	
	Notes	**December 2016**	**December 2015**
Consolidated Net Profit for the year		**100,183**	**116,115**
Other income and cost recorded in equity:			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) - gross of tax	21	(1,405)	(6,278)
Tax effect on actuarial gains / (losses)	11	407	1,821
Other changes in equity		-	30
Items that are or may not be reclassified to profit or loss:			
Increase / (decrease) in hedging reserves - cash flow derivatives	16	(6,200)	13,302
Tax effect on hedging reserves	11 e 16	1,302	(2,793)
Gain/(loss) in fair value reserve - available-for-sale assets	13	(4,912)	11,559
Tax effect on items recorded directly in equity	11 e 13	(796)	(1,266)
Reclassification adjustments			
Gain / (loss) in fair value reserve - available-for-sale assets	13	-	(20,083)
Tax effect on fair value reserve	11 e 13	-	3,966
Comprehensive income for the year		**88,579**	**116,372**
Attributable to:			
Equity holders of the company		88,579	116,372
Non-controlled interest		-	-
		88,579	**116,372**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the period ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros – tEuros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 37)

		Attributable to shareholders										
Changes in the year	**Notes**	**Share capital**	**Own shares**	**Legal Reserve**	**Fair Value reserve (Note 13)**	**Hedging reserve (Note 16)**	**Other reserves**	**Other changes in equity**	**Retained earnings**	**Profit for the year**	**Non-controlling interests**	**Total**
At 1 January 2015		**534,000**	**(10,728)**	**97,295**	**60,313**	**(19,468)**	**177,482**	**-**	**183,896**	**112,777**	**-**	**1,135,567**
Net profit of the period and other comprehensive income		-	-	-	(5,824)	10,509	-	30	(4,457)	116,115	-	116,372
Transfer to other reserves		-	-	5,313	-	-	-	-	107,464	(112,777)	-	-
Distribution of dividends	32	-	-	-	-	-	-	-	(90,650)	-	-	(90,650)
At 31 December 2015		**534,000**	**(10,728)**	**102,608**	**54,489**	**(8,960)**	**177,482**	**30**	**196,253**	**116,115**	**-**	**1,161,288**
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		-	-	-	(5,708)	(4,898)	-	-	(998)	100,183	-	88,579
Transfer to other reserves		-	-	4,192	-	-	-	-	111,922	(116,115)	-	-
Distribution of dividends	32	-	-	-	-	-	-	-	(90,650)	-	-	(90,650)
At 31 December 2016		**534,000**	**(10,728)**	**106,800**	**48,781**	**(13,858)**	**177,482**	**30**	**216,527**	**100,183**	**-**	**1,159,217**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros – tEuros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 37)

	Note	Year ended December 2016	Year ended December 2015
Cash flow from operating activities:			
Cash receipts from customers		1 872 348 a)	1 951 951 a)
Cash paid to suppliers		(1 388 869) a)	(1 514 879) a)
Cash paid to employees		(64 113)	(62 508)
Income tax received/paid		(34 453)	(39 229)
Other receipts / (payments) relating to operating activities		(70 206)	(95 865)
Net cash flows from operating activities (1)		**314 706**	**239 469**
Cash flow from investing activities:			
Receipts related to:			
Available-for-sale	13	128	63 278
Property, plant and equipment		-	3
Other financial assets	12	-	100 857
Investment grants		2 172	10 380
Interests and other similar income		7	174
Dividends	13	5 466	5 513
Payments related to:			
Available-for-sale	13	(202)	(208)
Property, plant and equipment		(20)	(2)
Intangible assets - Concession assets		(153 900)	(225 414)
Net cash flow used in investing activities (2)		**(146 349)**	**(45 419)**
Cash flow from financing activities:			
Receipts related to:			
Borrowings		5 546 236	3 043 500
Derivative financial instruments		-	15 007
Interests and other similar income		17 757	-
Payments related to:			
Borrowings		(5 570 474)	(3 110 844)
Interests and other similar expense		(124 084)	(100 122)
Dividends	32	(90 650)	(90 650)
Net cash from / (used in) financing activities (3)		**(221 216)**	**(243 110)**
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		(52 859)	(49 060)
Cash and cash equivalents at the beginning of the year	17	63 539	112 599
Cash and cash equivalents at the end of the period	17	10 680	63 539
Detail of cash and cash equivalents			
Cash	17	1	-
Bank overdrafts	17	(103)	(113)
Bank deposits	17	10 782	63 652
		10 680	**63 539**

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2016.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. › NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

(Translation of notes originally issued in Portuguese – Note 37)

1. GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, 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., incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007 which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function 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 Contracts for the Maintenance of the Contractual Equilibrium (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, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., with the main activity being management of the concession to operate a pilot area for the production of electric energy 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 2016.

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 December 2016 REN SGPS also holds:

a) 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.

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

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

d) 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.

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

2. INFORMATION ON THE CONCESSION CONTRACTS AWARDED TO REN

2.1. ELECTRICITY CONCESSION CONTRACT

The concession for the National Transmission Network operator (“NTN”) was granted to REN – Rede Eléctrica Nacional, S.A. in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) to manage the PES system, using the National Transmission Network as well as development of the necessary infrastructures.

The objective of this concession contract consists of the following activities:

i) Purchase and sale of electricity

In this activity REN, S.A. operated up to 30 June 2007 as an agent between electricity producers and distributors. The electricity was acquired based on purchase and sale contracts entered into with producers and sold in accordance with tariffs defined by the regulator, ERSE (Entidade Reguladora de Serviços Energéticos). REN was agent in the sale of the available excess production. In these intermediary operations, REN had the right to retain 50% of the commercial profits.

As from 1 July 2007, upon termination of the majority of power purchase agreements (“PPA”), REN has managed the two remaining PPA`s not terminated, with Tejo Energia (Pego power plant) and Turbogás (Tapada do Outeiro CCGT power plant), through REN Trading, selling the energy of these producers into the market.

ii) Electricity transmission

This activity, the object being to transmission of electricity through the National Transmission Network to distributors in HT (high tension) and MT (medium tension), to consumers connected to the National Transmission Network and VHT networks (very high tension), networks to which REN is connected. This activity also includes the planning and development of the National Transmission Network, the construction of new infrastructures and the operation and maintenance of the National Transmission Network.

iii) Global Management of the System

The objective of this activity is global management of the electricity system, REN being responsible for the technical management through systematic coordination, of the National Transmission System installations, in order to ensure its integrated functionality and harmonization and continuity and security of the electricity delivery.

REN can carry out other activities directly, or through subsidiary companies, when authorized by the Government, if this is in the best interests of the concession or its clients.

The concession of the electric transmission activity which includes the global management of the system is performed in an exclusive concession regime through the exploration of the National Transmission Network. The concession was granted for a period of 50 years as from 15 June 2007.

The model of the concession contract ensures the contractual equilibrium, in the conditions of an efficient management, through the recognition of investment costs, operation and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to the operator.

Assets considered concession assets are the very high tension lines, connections and locations of the system manager, which includes:

- the lines, substations, sectioning points and related installations;
- the installations related to the central dispatch and overall management of SEP, including all the equipment essential for its operations;
- the installation of electro producing centres owned by REN; and
- the telecommunications, telemetry and remote control installations relating to the transmission and coordination of the electricity producer system.

In addition, the following are also considered as concession assets:

- the real estate belonging to REN on which the assets referred to above are installed, as well as the related land rights;
- other moveable or immovable assets necessary for the operation of the activities under concession;
- the locations for the installation of the electricity producers, the ownership of which belongs to REN;
- the legal relationships directly related with the concession, such as labour, works, lease, the rendering of services, the reception and delivery of electricity, as well as the rights to use hydric resources and transport through networks located outside the concession area.

REN must, during the concession period, maintain the assets and related means a good operating performance, maintenance and security of the assets and related means, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

In accordance with ERSE Order 14.430/2010 of 15 September 2010, REN S.A. became subject to a new remuneration mechanism for the electricity segment, referred to as standard prices, which is applicable to for all investment in lines and substations which start operating from 1 January 2009 onwards.

2.2. GAS TRANSPORT AND GLOBAL MANAGEMENT OF THE SYSTEM

The concession for the use the National Natural Gas Transport Network was granted to REN - Gasodutos, S.A., with a 40 years period, under Decree-Law 140/2006 of 26 July 2006, for the purpose of managing the National Natural Gas System (Sistema Nacional de Gás Natural - SNGN), operation of the high pressure gas transport network and development of the necessary infrastructures, under the public service regime.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system

The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás - SNGN) through coordination of the national and international connections to the National Natural Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the natural gas safety reserves. The operators which perform any activity integrated in the SNGN, as well as the users are subject to this activity.

ii) Gas Transport

The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Natural Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the assets, to be reflected in the tariffs applicable to the operator.

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System; and
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, as rendering of services or any other legal form of contract.

2.3. RECEPTION, STORAGE AND REGASIFICATION OF LIQUID NATURAL GAS (LNG)

The concession of the operations of the LNG terminal was granted to REN Atlântico, Terminal de GNL, S.A., for a 40 years period, under Decree-Law 140/2006 of 26 July 2006, to carry out the following activities under the rendering of public services regime:

i) reception, storage, treatment and regasification of liquid natural gas unloaded;

ii) the injection of high pressure natural gas into the National Natural Gas Transport Network (Rede Nacional de Transporte de Gás Natural - RNTGN) or its dispatch by specialised trucks; and

iii) the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures (buildings, tanks, gas pipelines, etc.).

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

In addition, the following are also considered as concession assets:

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The Concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.4. NATURAL UNDERGROUND GAS STORAGE

The concession to operate the underground storage was granted to REN – Armazenagem, S.A., for a period of 40 years, under Decree-law 140/06 of 26 July of 2006, to carry out the following activities, under a rendering of public service regime:

i) reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and

ii) construction, utilization, maintenance and expansion of the underground storage tanks.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;
- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and
- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

In addition, the following are also considered as concession assets:

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, S.A. must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The Concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.5. OPERATION OF A PILOT SITE FOR THE ENERGY OF OCEAN WAVES

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

AMENDMENTS TO CONCESSION CONTRACTS

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. 77/2011 and no. 78/2011, both of 20 June.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. BASIS OF PRESENTATION

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IAS/IFRS"), in force for the years starting on 1 January 2016.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2016, current liabilities in the amount of 556,873 thousand Euros are higher than current assets, which total 461,954 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2017, the Group has, as of 31 December 2016, credit lines in the form of commercial paper available for use in the amount of 797,000 thousands Euros, with a substantial part with guaranteed placement (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The consolidated financial statements are presented in thousands of Euros - tEuros.

These consolidated financial statements were approved by the Board of Directors at a meeting held on 30 March 2017. The Board of Directors understands 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 as endorsed by the European Union ("IFRS").

ADOPTION OF NEW STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS

The following standards, interpretations, amendments and revisions endorsed by the European Union are mandatory applicable for the financial year ended 31 December 2016:

- Annual improvements to IFRS (2010-2012 cycle) (amendment) – cyclically are introduced improvements which aim to clarify and simplify the application of international standards. The amendments of the 2010-2012 cycle focused on the review, namely of, IAS 16 (clarifies the accounting treatment to apply when the entity adopts the revaluation method in the subsequent measurement of tangible assets, IFRS 3 (clarification of some aspects in the record of a contingent payment included in a business combination) and IFRS 8 (introduces new disclosure requirements: (i) management judgment for aggregation of operating segments, and (ii) reconciliation of segment assets and the assets of the company).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- IFRS 10, 12 and IAS 28 (amendment) - This amendment clarifies that the exemption from the obligation to consolidate applies to an intermediate parent which is a subsidiary of an investment entity. Additionally, it clarifies that the option to apply the equity method is extended to an entity other than an investment entity but which has an interest in an associate or joint venture that is an investment entity.

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

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 use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2016.

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, IFRS 12 - Disclosure of Interests in Other Entities 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 and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2016 consolidated financial statements.

3.2. CONSOLIDATION PRINCIPLES

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption “Non-controlling interests”.

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

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company’s financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group’s share of the investee’s post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a separate caption of statement of financial position. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Groups proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

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

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as assets available-for-sale in accordance with IAS 39, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill generated on acquisitions after 1 January 2004 (date of transition to IFRS) is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

3.3. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates (‘the functional currency’), the Euro. The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group’s functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised as financial costs in the statement of profit and loss if relating to borrowings and in other operating income and costs in the case of all the other balances/ transactions.

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Currency	2016	2015
US Dollar (USD)	1,05	1,09
Pound sterling (GBP)	0,86	0,73
Japan (Yen-JPY)	123,40	131,07

3.4. TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are stated at cost less accumulated amortization / depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

CONCESSION/REGULATED ASSETS – IFRIC 12 – SERVICE CONCESSION ARRANGEMENTS

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

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

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

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

IFRIC 12 applies to infrastructures:

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

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

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

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

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

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

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

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

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

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

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

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2016.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

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

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii) decreased as the future economic benefits are consumed.

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

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

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

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

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession’s assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. LEASES

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the legal form of the lease agreement.

Leases, in which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions point to a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease agreements are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognized in the consolidated statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease agreements, are depreciated by the lower period between the useful life period of the asset and the maturity of the lease agreements, when the company don`t have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the agreements.

In operating lease agreements, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.6. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

The Board of Directors determines the classification of financial assets at the time of initial recognition, in accordance with the purpose for which the financial assets are acquired.

Financial assets may be classified under the following categories:

a) Financial assets at fair value through profit or loss – includes non-derivative financial assets held for short-term trading and assets designated at fair value through profit and loss at the inception date;

b) Loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;

c) Investments held to maturity – includes non-derivative financial assets with fixed or determinable payments and fixed maturities, that the entity intends and has the capacity to hold until the maturity date; and

d) Available-for-sale financial assets – includes non-derivative financial assets designated as available-for-sale at the inception date or other financial assets not classified in any of the other financial asset categories. Available-for-sale financial assets are recognised as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.

Financial assets are classified as non-current, except when: (i) the Group expects to sell or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to sell the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which REN commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognised at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value and gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption “Financial costs” for the period in which they arise, which also includes interest income and dividends received.

Available-for-sale assets are initially recognised at fair value including transaction costs. In subsequent periods these assets are adjusted to fair value, being the changes in fair value recognised in a fair value reserve in Equity until the investment is sold or received or until the fair value of the investment is below the acquisition cost on a longs-terms perspective, on which the loss is recorded in the statement of profit and loss.

Dividends and interest income from available-for-sale financial assets are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices (“bid”). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not quoted in active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Financial assets held to maturity are measured at amortized cost using the effective interest rate method.

Loans granted and receivables are classified as “Trade and other receivables” in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method deducted of impairments losses, if any. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that the receivables are based on and is recorded in the statement of profit and loss under “Impairments”.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the “Borrowings” caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

FINANCIAL LIABILITIES

A financial instrument is classified as a financial liability when a contractual obligation exists for the issuer to liquidate capital and/or interests, through the delivery of cash or other financial asset, regrdless of its legal form.

IAS 39 establishes the classification of financial liabilities in two categories:

i) Financial liabilities at fair value through profit and loss;

ii) Other financial liabilities.

Other financial liabilities includes “Borrowings” and “Trade and other payables”.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

An exchange of financial liabilities with substantially different terms, must be accounted as a derecognition of the original financial liability and a new financial liability should be recognized. The terms are considered substantially different if the present value of the cash flows under the new terms (including any fees paid net of any commissions received) discounted using the original effective interest rate, diverge by at least 10% of the discounted present value of the remaining cash flows from the original financial liability.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recorded at fair value at the date of the transaction being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought market accepted valuation techniques.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

Derivative financial instruments are classified as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

HEDGE ACCOUNTING

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting are the following:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IAS 39;
- It is expected that the changes in the fair value or cash flows of the hedged item, attributable to the hedged risk, are virtually offset by changes in fair value or cash flows of the hedging instrument.

At the inception of the hedge operation, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and strategy for managing the risk. Additionally, the Group assess, at the inception of the hedge and as of the reporting date, if the derivative financial instruments designated as highly effective in the compensation of changes in the fair value or cash flows of the corresponding hedged items.

The fair value of the derivative financial instruments and the changes recorded in the hedging reserve are disclosed in Note 16.

In the fair value hedge of an asset or liability (fair value hedge), the book value of an asset or liability, determined based on the accounting policy used, is adjusted to reflect the fair value changes attributable to the risk hedged. Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In an hedging operation for the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value changes of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the statement of profit and loss in the period in which occurs.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires, is sold, or exercised, or when it no longer qualifies for hedge accounting.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assesses: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the straight line method for the remaining period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the statement of profit and loss.

3.7. BORROWING COSTS

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a borrowing directly related to the acquisition, construction or production of tangible and intangible assets, are deducted from the financial expenses that qualify for capitalisation.

3.8. GOVERNMENT GRANTS AND OTHERS

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption “Trade and other payables”.

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. IMPAIRMENT OF ASSETS, EXCEPT GOODWILL

FINANCIAL ASSETS

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can measured reliably.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

In the case of financial assets classified as “held for sale”, a significant and longstanding decrease of its fair value below the acquisition cost is considered an indicator that the financial asset is impaired. If evidence of impairment on the financial asset held for sale exists, the accumulated loss - determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded – is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

NON-FINANCIAL ASSETS

Whenever events or changes in circumstances indicates that the amount by which the asset is recorded may not be recovered, impairment tests are undertaken in order to determine the recoverable amount of the asset, and when necessary an impairment loss recorded. An impairment loss is considered by the excess of the carrying amount of an asset when compared with its recoverable amount. The recoverable amount is the higher amount between the asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with no undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10. EMPLOYEE BENEFITS

REN grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus, and death subsidy.

i) REN – Rede Eléctrica Nacional, S.A. pension plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the annual discount rate, was based on the high quality risk bonds (Aa risk notation from Bloomberg). The credit risk notation is attributed by two rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity.

3.11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon the occurrence (or not) a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

Provisions are measured at the present value of the estimated outflows required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. CAPITAL AND OWN SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with Portuguese Commercial law, REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, constraining the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. INCOME TAX

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax ("CIT").

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit. However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

3.15. ACCRUALS BASIS

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. REVENUE

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte -RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i) amortization of the concession assets related with the electricity transmission activity;

ii) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii) operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i) amortization of the concession assets relating to global management of the system;

ii) amortization of the concession assets relating to the generating station sites;

iii) a return on the average net book value of the generating station sites (land);

iv) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v) operating costs related with the activity.

The “Commercial Agent” activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA’s (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE in the beginning of 2008.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the “Commercial Agent” activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

TARIFF DEVIATIONS

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. SEGMENT REPORTING

An operational segment is a component of an entity which;

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group’s performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements (“PPA”) not terminated on 30 June 2007, as well as the management of the Concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal and underground storage of natural gas.

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

The column “Others” includes the operations of REN SGPS, REN Serviços, REN Finance, BV and Aério Chile SPA..

Financial information relating to income of the identified business segments is included in Note 7.

3.18. CASH FLOW STATEMENT

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

3.19. SHARE-BASED PAYMENTS

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payments ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the company shares quotation, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in the consolidated statement of profit and loss.

The share-based payments are not material for the purpose of disclosure in the notes to the consolidated financial statements.

3.20. SUBSEQUENT EVENTS

Events that occur after the statement of financial position date that provide additional information on conditions that existed at the date of the statement of financial position (“adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date (“non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the consolidated financial statements, if material.

4. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk management policies are also described in a specific section for this matter in the Management report.

4.1. FINANCIAL RISK FACTORS

The Group’s activities are exposed to a variety of financial risks including: credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

The Group has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, aiming to minimise potential adverse effects on REN Group’s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and carry out transactions to minimise the financial risks, in strict cooperation with the group operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Group has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens (“JPY”) is fully hedged by a cross currency swap with the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2016, and all other factors remaining constant, would lead to a decrease on equity in the amount of 890 thousands Euros (1,031 thousand Euros as of 31 December 2015), while a decrease of that exchange rate would lead to an increase on equity in the amount of 979 thousand Euros (1,138 thousand Euros as of 31 December 2015).

ii) Credit risk

The exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, most contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial investments, and financial derivative instruments transactions is mitigated by the selection of top rating international institutions with solid credit ratings and well known domestic institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through a dynamic and flexible management of credit facilires and commercial paper programs, with subscription guarantee, not only to ensure that REN's Group current treasury needs are met, but also provide some flexibility to fulfil short-term liquidity needs. To achieve that goal REN's Group has 797,000 thousand Euros available in commercial paper programmes (from which 498,000 thousand Euros with subscription guarantee) and 390,000 thousand Euros available in several credit facilities.

The Group has also credit facilities negotiated, annot 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), and from the total amount, 70,000 thousands of Euros, respects to grouped facilities, which can be used in total or in part by several group companies (Note 20).

The following table shows the Group's liabilities by residual contracted maturity intervals and includes derivative financial instruments with netted cash settlement. The amounts shown in the table are non-discounted cash flows contracted and include future interests; therefore do not correspond to its carrying amounts:

	31 December 2016			
	Less than 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Borrowings:				
Bank borrowings	70,844	259,912	267,074	597,830
Bonds	72,644	653,115	1,185,271	1,911,030
Commercial paper	101,007	152,000	-	253,007
Others	1,393	1,808	-	3,201
	245,888	**1,066,835**	**1,452,345**	**2,765,068**
Derivative financial instruments	4,338	13,119	9,841	27,298
Trade and others payables	280,493	29,884	-	310,376

	31 December 2015			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	68,344	325,483	278,419	672,246
Bonds	397,834	981,955	406,338	1,786,127
Commercial paper	236,703	129,000	-	365,703
Others	1,238	1,910	-	3,148
	704,119	**1,438,348**	**684,757**	**2,827,224**
Derivative financial instruments	7,255	981	-	8,237
Trade and others payables	279,405	30,293	-	309,698

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(9,355)	(76,003)	**(89,527)**
Inflows	2,196	8,784	86,528	**97,508**
	(1,973)	**(570)**	**10,524**	**7,982**

	31 December 2015			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,180)	(12,484)	(77,713)	**(94,376)**
Inflows	2,068	8,270	83,532	**93,870**
	(2,112)	**(4,213)**	**5,819**	**(507)**

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice-versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings.

Borrowings at variable interest rates expose the Group to cash flow risk resulting from changes in interest rates. Borrowing at fixed rates exposes the Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally in order to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operations REN's Group exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the contractual notional amounts. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A sensitivity analysis was made based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2016 and 2015, with the following assumptions:

- Changes in market interest rates impact interest income and costs of variable financial instruments;
- Changes in market interest rates only impact results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates impact the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates curves for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2016 would result in a decrease of profit before tax of 2,235 thousand Euros (2,610 thousand Euros as of 31 December 2015).

The increase in equity resulting from an increase in interest rates of 0.25% would be 6,000 thousand Euros which is entirely attributed to derivatives (on 31 December 2015 corresponded to an increase of 6,876 thousand Euros).

The sensitivity analysis is merely Illustrative and do not represent an actual real gain or loss, neither other real changes in the net profit nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2016 would have an impact on equity of 9,706 thousand Euros (10,438 thousand Euros in 2015).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. CAPITAL RISK MANAGEMENT

REN’s Group objective relating to the capital risk management, which is a broader concept than the equity disclosed on the statement of financial position, is to maintain an optimal capital structure, through a rational use of debt.

Debt issuance is periodically analysed considering the Group financing needs and its liquidity position.

The Group also monitors its total capital based on a gearing ratio calculated as concession assets adjusted by third party grants over the total equity. Concession assets means the aggregate value of those assets recognised at fair value as intangible assets in the financial statements. The Group’s Gearing ratio comfortably meets the limits contractually set being, on 31 December 2016, 64% above the minimum.

5. MAIN ESTIMATES AND JUDGEMENTS

The estimates and assumptions with impact on REN’s consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

SIGNIFICANT ACCOUNTING ESTIMATES

5.1. PROVISIONS

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. ACTUARIAL ASSUMPTIONS

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. TANGIBLE AND INTANGIBLE ASSETS

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management’s best judgement for the assets and business.

5.4. IMPAIRMENT

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN’s specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

6. CONSOLIDATION PERIMETER

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

Designation / adress	Activity	2016 % Owned Group	2016 % Owned Individual	2015 % Owned Group	2015 % 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, nº7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
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%	-	-	-
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%	-

7. 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 services to the same users and they are complementary services, 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 year ended 31 December 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**372,113**	**166,721**	**5,532**	**35,501**	**(34,626)**	**545,241**
Inter-segments	749	428	61	33,388	(34,626)	-
Revenues from external customers	371,365	166,293	5,471	2,113	-	545,241
Revenue from construction of concession assets	157,494	13,753	-	-	-	171,247
Cost with construction of concession assets	(143,551)	(11,667)	-	-	-	(155,217)
Gains / (losses) from associates and joint ventures	-	-	-	1,314	-	1,314
Personnel costs	(45,910)	(22,633)	(1,642)	(16,484)	42,341	(44,328)
Employee compensation and benefit expense	(21,089)	(7,692)	(253)	(20,549)	-	(49,583)
Other expenses and operating income	13,282	2,210	(320)	1,551	(8,119)	8,604
Operating cash flow	332,340	140,692	3,317	1,334	(404)	477,278
Investment income - dividends	-	-	-	5,550	-	5,550
Non reimbursursable expenses						
Depreciation and amortizations	(154,749)	(59,788)	-	(224)	-	(214,761)
Provisions	36	(103)	-	(450)	-	(516)
Impairments	28	-	-	(285)	-	(258)
Financial results						
Financial income	7	14,395	32	162,268	(171,411)	5,291
Financial costs	(72,127)	(33,950)	(1)	(156,920)	171,815	(91,182)
Profit before income tax	**105,535**	**61,246**	**3,347**	**11,273**	**-**	**181,403**
Income tax expense	(33,899)	(17,250)	(805)	(3,328)	-	(55,282)
Energy sector extraordinary contribution (ESEC)	(18,302)	(7,635)	-	-	-	(25,938)
Profit for the year	**53,334**	**36,361**	**2,542**	**7,946**	**-**	**100,183**

Results by segment for the year ended 31 December 2015 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**359,243**	**172,390**	**5,654**	**38,593**	**(38,784)**	**537,096**
Inter-segments	680	526	66	37,512	(38,784)	-
Revenues from external customers	358,563	171,864	5,588	1,081	-	537,096
Revenue from construction of concession assets	148,196	91,805	-	-	-	240,002
Cost with construction of concession assets	(133,357)	(89,245)	-	-	-	(222,602)
Gains / (losses) from associates and joint ventures	-	-	-	768	-	768
External supplies and services	(47,847)	(23,887)	(1,745)	(18,865)	49,709	(42,636)
Personnel costs	(22,417)	(7,926)	(263)	(21,066)	-	(51,673)
Other expenses and operating income	16,886	2,292	(336)	20,908	(10,925)	28,824
Operating cash flow	320,703	145,428	3,310	20,337	-	489,779
Investment income - dividends	-	-	-	5,592	-	5,592
Non reimbursursable expenses						
Depreciation and amortizations	(151,080)	(57,980)	(7)	(236)	-	(209,303)
Provisions	(266)	(21)	-	589	-	302
Impairments	(83)	-	-	(600)	-	(683)
Financial results						
Financial income	55	16,447	66	171,356	(181,585)	6,339
Financial costs	(74,725)	(35,428)	(1)	(181,934)	181,585	(110,503)
Profit before income tax	**94,604**	**68,447**	**3,369**	**15,104**	**-**	**181,523**
Income tax expense	(16,843)	(19,121)	(825)	(3,175)	-	(39,963)
Energy sector extraordinary contribution (ESEC)	(18,203)	(7,242)	-	-	-	(25,445)
Profit for the year	**59,558**	**42,085**	**2,544**	**11,928**	**-**	**116,115**

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

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

Assets and liabilities by segment at 31 December 2016 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
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 (Note 10)	-	-	-	11,666	-	11,666
Investments in joint ventures (Note 10)	-	-	-	2,991	-	2,991

Assets and liabilities by segment at 31 December 2015 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	536,982	-	1,495,291	(2,032,272)	-
Property, plant and equipment and intangible assets	2,647,770	1,221,372	-	637	-	3,869,780
Other assets	454,256	508,041	6,891	4,162,452	(4,411,466)	720,173
Total assets	**3,102,026**	**2,266,396**	**6,891**	**5,658,379**	**(6,443,739)**	**4,589,953**
Total liabilities	**2,513,407**	**1,050,103**	**2,991**	**4,273,631**	**(4,411,466)**	**3,428,664**
Capital expenditure - total	**148,181**	**91,887**	**-**	**295**	**-**	**240,364**
Capital expenditure - property, plant and equipment (Note 8)	67	-	-	295	-	362
Capital expenditure - intangible assets (Note 8)	148,114	91,887	-	-	-	240,002
Investments in associates (Note 10)	-	-	-	12,395	-	12,395
Investments in joint ventures (Note 10)	-	-	-	2,193	-	2,193

The liabilities included in the segment “Others” are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, BV 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 eliminations of the inter-segment transactions.

8. TANGIBLE AND INTANGIBLE ASSETS

The changes in tangible and intangible assets in the in the year ended 31 December 2016 were as follows:

	January 2016			Changes					December 2016		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	-
Transport equipment	1.038	(469)	569	206	(313)	-	(205)	221	931	(453)	479
Office equipment	302	(201)	102	8	(12)	-	(29)	12	299	(217)	81
Property, plant and equipment in progress	27	(4)	23	-	-	-	(5)	-	27	(9)	18
	1.470	(776)	695	214	(325)	-	(239)	233	1.360	(782)	578

	January 2016			Changes					December 2016		
	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	7.212.146	(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)**	**-**	**(214.761)**	**1.241**	**7.445.405**	**(3.619.115)**	**3.826.290**

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

	January 2015			Changes					December 2015		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals, write-offs and other reclassifications	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	(100)	2	-	-	-	(2)	-	103	(103)	-
Buildings, halls and construction	-	-	-	27	-	-	(4)	-	27	(4)	23
Transport equipment	1.330	(746)	585	267	(559)	-	(217)	493	1.038	(469)	569
Office equipment	257	(162)	95	68	(23)	-	(54)	15	302	(201)	102
Property, plant and equipment in progress	-	-	-	-	-	-	-	-	-	-	-
	1.690	(1.008)	682	362	(582)	-	(276)	508	1.470	(776)	695

	January 2015			Changes					December 2015		
	Cost	Accumulated amortization	Net book value	Additions	Disposals, write-offs and other reclassifications	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets											
Concession assets	6.982.322	(3.197.824)	3.784.498	75.512	(2.151)	156.464	(209.026)	2.033	7.212.146	(3.404.818)	3.807.329
Concession assets in progress	53.730	-	53.730	164.489	-	(156.464)	-	-	61.756	-	61.756
	7.036.052	(3.197.824)	3.838.228	240.002	(2.151)	-	(209.026)	2.033	7.273.902	(3.404.818)	3.869.085
Total of property, plant and equipment and intangible assets	**7.037.742**	**(3.198.832)**	**3.838.910**	**240.364**	**(2.733)**	**-**	**(209.303)**	**2.541**	**7.275.373**	**(3.405.593)**	**3.869.779**

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

	2016	2015
Electricity segment		
Power line construction (150 KV, 220 KV and others)	9,674	25,217
Power line construction (400 KV)	39,982	49,865
Construction of new substations	10,313	18,735
Substation Expansion	78,351	38,499
Other renovations in substations	5,094	3,764
Telecommunications and information system	8,607	6,427
Pilot zone construction - wave energy	210	317
Buildings related to concession	3,530	3,334
Other assets	1,735	2,023
Gas segment		
Expansion and improvements to gas transmission network	10,281	7,374
Construction project of cavity underground storage of natural gas in Pombal	1,629	10,763
Assets of natural gas underground storage in Pombal	-	71,451
Construction project and operating upgrade - LNG facilities	1,842	2,299
Others segment		
Other assets	214	295
Total of additions	**171,461**	**240,364**

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

	2016	2015
Electricity segment		
Power line construction (150 KV, 220 KV and others)	11,505	17,272
Power line construction (400 KV)	39,829	41,184
Construction of new substations	-	25,552
Substation Expansion	68,929	35,736
Other renovations in substations	4,744	5,877
Telecommunications and information system	8,992	6,605
Buildings related to concession	4,402	3,689
Other assets under concession	34	1,292
Gas segment		
Expansion and improvements to natural gas transmission network	9,640	6,262
Construction project of cavity underground storage of natural gas in Pombal	2,275	10,467
Construction project and operating upgrade - LNG facilities	1,298	2,530
Total of transfer	**151,648**	**156,464**

The intangible assets in progress at 31 December 2016 and 2015 are as follows:

	2016	2015
Electricity segment		
Power line construction (150KV/220KV e 400KV)	29,142	30,819
Substation Expansion	23,502	13,731
New substations projects	14,854	4,541
Buildings related to concession	1,127	1,999
Other projects	1,086	1,215
Gas segment		
Expansion and improvements to natural gas transmission network	6,459	6,580
Construction project of cavity underground storage of natural gas in Pombal	2,220	2,868
Construction project and operating upgrade - LNG facilities	441	2
Total of assets in progress	**78,831**	**61,756**

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2016 amounted to 2,951 thousand Euros (3,633 thousand Euros in 2015), while overhead and management costs capitalized amounted to 13,079 thousand Euros (13,767 thousand Euros in 2015) (Note 25). The average rate of the financial costs capitalized was of 0.2769%.

The net book value of the intangible assets acquired through finance lease contracts at 31 December 2016 and 2015 was as follows:

	2016	2015
Cost	6,153	5,153
Accumulated depreciation and amortization	(1,658)	(1,749)
Net book value	**4,495**	**3,404**

9. GOODWILL

Goodwill represents the difference between the amount paid for the acquisition and the net assets fair value of REN Atlântico – Terminal de GNL, S.A. on the acquisition date under the natural gas business unbundling process. At 31 December 2016 Goodwill was as follows:

			Percentage interest held		Goodwill			
Subsidiaries	**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**2016**	**Increases**	**Decreases**	**2016**
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	28,806	3,774	-	377	3,397

IMPAIRMENT TEST OF GOODWILL

REN made the impairment test of goodwill at 31 December 2016 and 2015, at the cash generating unit level to which REN Atlântico belongs. The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2016 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 7.03% (post-tax discount rate of 5.20%).

		Assumptions		
Cash generation unit	**Method**	**Cash flow**	**Growing factor**	**Discounted rate**
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	7,03% (pre-tax) 5,20% (post-tax)

In accordance with the assumptions considered and of the analysis of the Group an impairment loss in the amount of 377 thousand Euros was recorded.

10. INVESTMENTS IN ASSOCIATES AND JOIN VENTURES

At 31 December 2016 and 2015, the financial information regarding the financial interest held is as follows:

			Financial information										Capital owned		
			31 December 2016												
Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Share capital	Net profit/(loss)	Other comprehensive income	Total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:															
Associate:															
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2.610	680	30.302	1.092	208	1.638	1.070	1.070	-	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	1.603	-	7.592	50	2.991	798
(a) The company granted an option to sell of 5% of this participation.														**14.657**	**1.314**

			Financial information										Capital owned		
			31 December 2015												
Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Share capital	Net profit/(loss)	Other comprehensive income	Total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:															
Associate:															
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2.610	834	29.464	245	1.661	1.186	610	610	-	610	40 (a	12.395	322
Joint venture															
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3.000	9.692	1.237	6.535	7	2.988	892	892	-	892	50	2.193	446
(a) The company granted an option to sell of 5% of this participation.														**14.588**	**768**

ASSOCIATES

The changes in the caption “Investments in associates” during the period ended at 31 December 2016 and 2015 was as follows:

Investments in associates	
At 1 January 2015	**10,829**
Effect of applying the equity method	322
Others	1,244
At 31 December 2015	**12,395**
Effect of applying the equity method	515
Others	(1,244)
At 31 December 2016	**11,666**

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application. This participation is recorded as an Associate.

JOINT VENTURES

The movement in the caption “Investments in joint ventures” during the year ended 31 December 2016 and 2015 was as follows:

Investments in joint ventures	
At 1 January 2015	**1.747**
Effect of applying the equity method	446
At 31 December 2015	**2.193**
Effect of applying the equity method	798
At 31 December 2016	**2.991**

Following a joint agreement of technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), in May 2013 an R&D centre in Portugal dedicated to power systems designed – Centro de Investigação em Energia REN – STATE GRID, SA ("Centro de Investigação") was incorporated, being jointly controlled by the above mentioned two entities.

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

At 31 December 2016 and 2015 the financial information of the joint venture was as follows:

	Other financial information						
	31 December 2016						
	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.	5,166	6	1	(522)	-	(1)	209

	Other financial information						
	31 December 2015						
	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.	6,479	6	7	(93)	7	(2)	(108)

11. INCOME TAX

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all companies located in Portugal that REN detains directly or indirectly ate least 75% of the share capital, which should give at more than 50% of the 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. Consequently, the Company's tax returns for the years from 2013 to 2016 are still subject to review.

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 December 2016 and 2015.

In 2016 the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 7% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

Consequently, the tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2016, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax of the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Current income tax	67,566	42,978
Adjustaments of income tax from previous years	(988)	(866)
Deferred income tax	(11,296)	(2,150)
Income tax	**55,282**	**39,963**

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

	2016	2015
Consolidated profit before income tax	**181.403**	**181.523**
Permanent differences		
Positive / (negative) net worth variation	-	30
Non deductible costs	2.113	3.092
Non taxable income	(2.251)	(8.133)
Timing differences		
Tariff deviations	60.738	(28.636)
Provisions and impairment	170	57
Revaluations	2.609	5.123
Pension, helthcare assistence and life insurance plans	(4.949)	(3.685)
Derivative financial instruments	61	(45)
Others	(57)	180
Taxable income	239.837	149.506
Income tax	50.366	31.398
State surcharge tax	12.954	8.462
Municipal surcharge	3.666	2.423
Autonomous taxation	550	620
Income tax from previous years	30	75
Current income tax	67.566	42.978
Deferred income tax	(11.296)	(2.150)
Deferred income tax	(11.296)	(2.150)
Adjustments of income tax from previous years	(988)	(866)
Income tax	**55.282**	**39.963**
Effective tax rate	**30,5%**	**22,0%**

INCOME TAX

The caption "Income tax" payable and receivable at 31 December 2016 and 2015 is made up as follows:

	2016	2015
Income tax:		
Corporate income tax - estimated tax	-	(42,978)
Corporate income tax - payments on account	-	43,175
Income withholding tax by third parties	-	5,162
Income tax receivable	**-**	**5,358**
Corporate income tax - estimated tax	67,566	-
Corporate income tax - payments on account	(40,648)	-
Income withholding tax by third parties	(43)	-
Income tax payable	**26,875**	**-**

DEFERRED TAXES

The effect of the changes in the deferred tax captions in the years presented was as follows:

	2016	2015
Impact on the statement of profit and loss		
Deferred tax assets	(4,722)	828
Deferred tax liabilities	16,018	1,321
	11,296	2,149
Impact on equity		
Deferred tax assets	1,709	(972)
Deferred tax liabilities	(796)	2,700
	913	1,728
Net impact of deferred taxes	**12,209**	**3,877**

The changes in deferred tax by nature were as follows:

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**

CHANGE IN DEFERRED TAX ASSETS – DECEMBER 2015

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

Deferred tax assets at 31 December 2016 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand Euros as deferred tax assets.

EVOLUTION OF DEFERRED TAX LIABILITIES – DECEMBER 2016

	Tariff deviations	Revaluations	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**

EVOLUTION OF DEFERRED TAX LIABILITIES – DECEMBER 2015

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

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	

12. FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH IAS 39

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

2016

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	17	-	-	-	-	-	10,783	10,783	10,783
Trade and other receivables	14	458,971	-	-	-	-	-	458,971	458,971
Other financial assets	12	-	-	-	-	1,317	14	1,331	1,331
Available-for-sale financial assets	13	-	-	-	150,118	-	-	150,118	150,118
Income tax receivable	11	-	-	-	-	-	-	-	-
Derivative financial instruments	16	-	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	20	-	-	-	-	-	2,515,137	2,515,137	2,570,554
Trade and other payables	23	-	-	-	-	-	332,091	332,091	332,091
Income tax payable	11	26,875	-	-	-	-	-	26,875	26,875
Drivative financial instruments	16	-	13,275	-	-	-	-	13,275	13,275
Total financial liabilities		**26,875**	**13,275**	**-**	**-**	**-**	**2,847,228**	**2,887,378**	**2,942,796**

2015

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	17	-	-	-	-	-	63,652	63,652	63,652
Trade and other receivables	14	397,442	-	-	-	-	-	397,442	397,442
Other financial assets	12 and 33	-	-	-	-	1,510	7	1,517	1,517
Available-for-sale financial assets	13	-	-	-	154,862	-	-	154,862	154,862
Income tax receivable	11	5,358	-	-	-	-	-	5,358	5,358
Derivative financial instruments	16	-	9,284	872	-	-	-	10,157	10,157
Total financial assets		**402,800**	**9,284**	**872**	**154,862**	**1,510**	**63,659**	**632,988**	**632,988**
Liabilities									
Borrowings	20	-	-	-	-	-	2,542,000	2,542,000	2,610,072
Trade and other payables	23	-	-	-	-	-	337,701	337,701	337,701
Income tax payable	11	-	-	-	-	-	-	-	-
Drivative financial instruments	16	-	14,344	-	-	-	-	14,344	14,344
Total financial liabilities		**-**	**14,344**	**-**	**-**	**-**	**2,879,700**	**2,894,044**	**2,962,117**

The caption “Fair value – through profit and loss”, in the amount of 1,317 thousand Euros corresponds to the Group’s investment in the closed fund “Luso Carbon Fund”.

On 15 December 2016, the company which managed the fund, communicated its dissolution, due to the fact that the fund has reached its due date, leading to the settlement and distribution of the liquidation result. It was authorized by CMVM the extension of the fund settlement deadline until the 31st of March 2017.

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 16) 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 are 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 -0.329% and 0.997% (maturities of one day and fifteen years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2016 is 2,570,554 thousand Euros (at 31 December 2015 was 2,610,072 thousand Euros), of which 408,664 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from interest rates changes (at 31 December 2015 was 396,964 thousand Euros).

ESTIMATED FAIR VALUE – ASSETS MEASURED AT FAIR VALUE

The following table shows the Group's assets and liabilities measured at fair value at 31 December 2016 in accordance with the following fair value hierarchy levels:

- 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.
- 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.

		2016				2015			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:									
Available-for-sale financial assets	Shares	97,060	49,516	-	**146,576**	104,384	47,104	-	**151,488**
Financial assets at fair value	Cash flow hedge derivatives	-	8,673	-	**8,673**	-	3,796	-	**3,796**
Financial assets at fair value	Fair value hedge derivatives	-	11,753	-	**11,753**	-	5,489	-	**5,489**
Financial assets at fair value through profit and loss	Negotiable derivatives	-	-	-	**-**	-	872	-	**872**
Other financial assets	Treasury funds	1,317	-	-	**1,317**	1,510	-	-	**1,510**
		98,378	**69,941**	**-**	**168,319**	**105,894**	**57,261**	**-**	**163,154**
Liabilities:									
Financial liabilities at fair value	Loans	-	408,664	-	**408,664**	-	396,964	-	**396,964**
Financial liabilities at fair value	Cash flow hedge derivatives	-	12,136	-	**12,136**	-	8,327	-	**8,327**
Financial liabilities at fair value	Fair value hedge derivatives	-	-	-	**-**	-	6,017	-	**6,017**
Financial liabilities at fair value through profit and loss	Trading derivatives	-	1,139	-	**1,139**	-	-	-	**-**
		-	**421,939**	**-**	**421,939**	**-**	**411,308**	**-**	**411,308**

During the year ended 31 December 2016 the company proceeded to a valuation of the interests held in Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an available-for-sale financial asset (Note 13). The fair value of this asset reflects its current exit selling price. This price was determined on the basis of revenue approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable in the market. The fair value of this share amounts to 49,516 thousand Euros in the year ended on 31 December 2016.

QUALITY OF FINANCIAL ASSETS

The credit quality of the financial assets that have not yet matured or are impaired can be valued by reference to external credit ratings disclosed by Standard & Poor's or historical information about the entities to which they refer:

	2016	2015
Trade and other receivables		
BB+	98,633	73,054
Others without rating	360,338	324,388
Total trade and other receivables	**458,971**	**397,442**
Cash and cash equivalents		
A+ to A-	63	71
BBB+ to BBB-	361	200
BB+ to B-	10,283	63,328
Without rating	76	54
Total cash and cash equivalents	**10,783**	**63,652**
Other financial assets		
A+ to A-	-	-
Without rating	1,331	1,517
Total other financial assets	**1,331**	**1,517**

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorised distributors in each of the businesses, such as EDP, GALP and some European distributors.

Overdue credits or with impairment at 31 December 2016 are as follows:

i) Trade and other receivables include 843 thousand Euros (Note 14) which have been adjusted for impairment, for which a pending litigation in process exists;

ii) There are some aged receivables relating to transactions with EDP group companies, for which the credit risk is considered as nil.

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 which 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.

13. AVAILABLE FOR SALE FINANCIAL ASSETS

The assets recognised in this caption at 31 December 2016 and 2015 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office		% owned	Book value	
	City	**Country**		**2016**	**2015**
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Electrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	97,060	104,384
Med Grid SAS	Paris	France	8.00%	-	600
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	Maputo	Mozambique	7.50%	49,516	47,104
Coreso, S.A.	Brussels	Belgium	8.30%	173	208
MIBGAS, S.A.	Madrid	Spain	6.67%	202	-
Impairment					
Med Grid SAS				-	(600)
				150,118	**154,862**

The changes in this caption in 2016 and 2015 were as follows:

	OMEL	Med Grid	HCB	REE	ENAGAS	Coreso	MIBGÁS	Total
At 1 January 2015	**3,167**	**600**	**41,572**	**99,104**	**62,530**	**-**	**-**	**206,973**
Acquisitions	-	-	-	-	-	208	-	208
Fair value adjustments	-	-	5,532	5,279	748	-	-	11,559
Disposals	-	-	-	-	(63,278)	-	-	(63,278)
Impairment loss	-	(600)		-	-		-	(600)
At 31 December 2015	3,167	-	47,104	104,384	-	208	-	154,862
At 1 January 2016	**3,167**	**-**	**47,104**	**104,384**	**-**	**208**	**-**	**154,862**
Acquisitions	-	-	-	-	-	-	202	202
Fair value adjustments	-	-	2,412	(7,324)	-	-	-	(4,912)
Disposals	-	-	-	-	-	(35)	-	(35)
Impairment loss	-	-	-	-	-	-	-	-
At 31 December 2016	**3,167**	**-**	**49,516**	**97,060**	**-**	**173**	**202**	**150,118**

In the year end 31 December 2015, REN made the following transactions: (i) sale of the Enagás' shares, representing 1% of the social capital, for 63,278 thousand Euros, generating a capital gain of 20,083 thousand Euros (Note 26); (ii) acquisition of 1,521 shares of Coreso, S.A., representing 10% of the social capital, by the amount of 208 thousand Euros.

Red Eléctrica Corporácion, S.A. ("REE") is the transmission system operator of electricity in Spain. The Group 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 December 2016.

As of 31 December 2015 the Group owned interests representing 8% of the share capital of Medgrid, S.A.S. This company was liquidated in the year ended December 31, 2016.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA ("HCB"), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública - Participações Públicas, SGPS, SA, CEZA - Companhia Eléctrica do Zambeze, SA and EDM - Electricidade de Moçambique, EP. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Nota 12).

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 executes operational planning activities since several days before until near real time.

During the period ended on December 31, 2016, REN sold 256 shares of Coreso, for the amount of 35 thousand Euros.

On December 31, 2016, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016. MIBGÁS is a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade – OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand Euros.

As there are no available market price for these investments (OMEL, MIBGÁS and Coreso) and as it is not possible to determine the fair value of the period using comparable transactions, these investments are recorded at acquisition deducted of impairment losses, as describe in Note 3.6.

At 31 December 2015, REN recognized an impairment loss on the investments of Medgrid in the amount of 600 thousand Euros, since the Company is in process of dissolution. With the dissolution of the company in the year ended 31 December 2016, the Company received the sum of 92 thousand Euros resulting from its dissolution.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso and MIBGÁS at 31 December 2016.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve". This caption at 31 December 2016 and 2015 is made up as follows:

	Fair value reserve (Note 19)
1 January 2015	**60,313**
Changes in fair value	11,559
Disposals	(20,083)
Tax effect	2,700
31 December 2015	**54,489**
1 January 2016	**54,489**
Changes in fair value	(4,912)
Tax effect	(796)
31 December 2016	**48,781**

In the year ended 31 December 2016 the total amount of associated companies' dividends recognized in the consolidated statement of profit and loss amounted to 5,550 thousand Euros, of which 5,466 thousand Euros were included in the cash flows statement.

The detail of dividends by entity is as follows:

	2016	2015
Red Electrica Corporación, S.A. ("REE")	4,430	4,140
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	1,079	1,376
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	41	76
	5,550	**5,592**

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December 2016 and 2015 are made up as follows:

	2016			2015		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	290,505	355	290,860	184,253	155	184,409
Impairment of trade receivables	(843)	-	(843)	(927)	-	(927)
Trade receivables net	289,662	355	290,017	183,326	155	183,482
Tariff deviations	129,007	9,790	138,797	72,302	133,521	205,823
Impairment of trade receivables	-	-	-	-	-	-
State and Other Public Entities	30,157	-	30,157	8,137	-	8,137
Trade and other receivables	**448,826**	**10,145**	**458,971**	**263,766**	**133,676**	**397,442**

The most relevant balances included in the trade receivables caption are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 74,397 thousand Euros (57,787 thousand Euros at 31 December 2015); (ii) the receivable of Galp in the amount of 22,751 thousand Euros (11,248 thousand Euros at 31 December 2015); and (iii) the amount of 95,000 thousand Euros, as defined 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 amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 26,534 thousand Euros (20,325 at 31 December 2015) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 5,788 thousand Euros (5,522 thousand Euros at 31 December 2015) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23). This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

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

	2016	2015
Begining balance	**(927)**	**(844)**
Increases	-	(83)
Utilization (i)	56	-
Reversing	28	-
Ending balance	**(843)**	**(927)**

The ageing of trade receivables, net of impairment, is as follows:

Ageing of receivables	2016	2015
30 days or less	278,837	176,495
31-60 days	1,549	1,019
61-90 days	673	104
91-120 days	214	298
More than 120 days	7,901	5,566
	289,174	**183,482**

15. INVENTORIES

Inventories at 31 December 2016 and 2015 are made up as follows:

	2016	2015
Other materials	1,033	2,990
Inventories adjustment	(5)	(5)
Inventories	**1,028**	**2,985**

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand Euros.

16. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2016 and 2015 the REN Group had the following derivative financial instruments contracted:

		31 December 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	363 462 TEUR	-	-	1.063	11.072
Interest rate and currency swaps	10,000,000 TJPY / 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	60,000 TEUR	-	-	-	1.139
		-	-	-	1.139
Derivative financial instruments		**-**	**20.425**	**1.063**	**12.212**

		31 December 2015			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	569,231 TEUR	-	2.728	5.918	2.409
Interest rate and currency swaps	10,000,000 TJPY / 72,899 TEUR	-	1.068	-	-
		-	3.796	5.918	2.409
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	5.489	-	6.017
		-	5.489	-	6.017
Trading derivatives	60,000 TEUR	-	872	-	-
		-	872	-	-
Derivative financial instruments		**-**	**10.157**	**5.918**	**8.426**

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 (Note 4.1), 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 December 2016 relating to these derivatives financial instruments, in the total net amount receivable of 1,950 thousand Euros (1,497 thousand Euros receivable as of 31 December 2015).

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

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31/12/2015	Fair value at 31/12/2014
Cash flow hedge:							
Interest rate swaps	569 231 TEuros	EUR	[1,89%; 2,77%]	[-0,13%;0,00%] - floating rates	[Dec-2016; Sep-2017]	-	(5,599)
Interest rate swaps	363 462 TEuros	EUR	[0,75%;1,89%]	[-0,32%;0,00%] - taxas variáveis	[set-2017;dez-2024]	(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	8,673	1,068
						(3,463)	**(4,531)**
Fair value hedge:							
Interest rate swaps	400 000 TEuros	EUR	[0,19%;0,13%] - floating rates	[0,61%; 1,72%]	[Oct-2020; Feb-2025]	11,753	(529)
						11,753	**(529)**
Trading:							
Interest rate swaps	60 000 TEUR	EUR	floating rates, to be determined in the future	[0.00%;0.99%]	2024	(1,139)	872
						(1,139)	**872**
					Total	**7,150**	**(4,187)**

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	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**

SWAPS:

Cash flow hedges

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

As of 31 December 2016, two cash flow hedges expired resulting in a decrease of the total notional to 363,462 thousand Euros (569,231 thousand Euros as of 31 December 2015). On the same date two forward start interest rate swaps started, previously negotiated in February 2015. This refer to an 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 rates, the credit risk is not being hedged. The fair value of interest rate swaps at 31 December 2016 is negative 12,136 thousand Euros (at 31 December 2015, 5,599 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 December 2016 was 8,673 thousand Euros positive (1,068 thousand Euros positive at 31 December 2015).

The underlying (borrowing) foreign exchange change for 2016, 4,742 thousand Euros negative (7,439 as of 31 December 2015 negative), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The inneffective component of the fair value hedge amounted to 6,196 thousand Euros positive (3,792 thousand Euros positive at 31 December 2015).

The amount recorded in reserves relating to the above mentioned cash flow hedge was 17,542 thousand Euros (11,342 thousand Euros at 31 December 2015).

The movements recorded in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2015	**(24,644)**	**5,175**	**(19,468)**
Changes in fair value and ineffectiveness	13,302	(2,793)	10,509
31 December 2015	**(11,342)**	**2,382**	**8,960**
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**

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 December 2016 the notional amount of fair value hedge derivatives reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2015). 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 rates, the credit risk is not being hedged.

The fair value of these interest rate swaps at 31 December 2016 was 11,753 thousand Euros positive (529 thousand Euros negative as of 31 December 2015).

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.

During 2016, the fair value change of the 400,000 thousand Euros debt related with interest rate risk amounted to 11,700 thousand Euros negative (24,942 thousand Euros positive as of 31 December 2015), causing an ineffective component of 251 thousand Euros (positive) (906 thousand Euros positive as of 31 December 2015).

Trading derivatives

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 December 2016 the notional amount of this trading derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2015). 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 December 2016 amounts to 1,139 thousand Euros negative (872 thousand Euros positive as of 31 December 2015).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 31 December 2016 the amount related with the fair value of the trading derivative was an expense of 2,012 thousand Euros (income of 872 thousand Euros as of 31 December 2015).

17. CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2016 and 2015 are up as follows:

	2016	2015
Cash	1	-
Bank deposits	10,782	63,652
Cash and cash equivalents in the statement of financial position	**10,783**	**63,652**
Bank overdrafts (Note 20)	(103)	(113)
Cash and cash equivalents in cash flow statement	**10,680**	**63,539**

18. EQUITY INSTRUMENTS

As of 31 December 2016 and 2015 REN's subscribed and paid up share capital was made up of 534,000,000 shares of 1 euro each:

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

At 31 December 2016 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 years ended 31 December 2016 and 2015.

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, in order to limit the amount of reserves available for distribution.

19. RESERVES AND RETAINED EARNINGS

The caption "Reserves" in the amount of 319,204 thousand Euros includes:

- Legal reserves: 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 December 2016 this caption amounts to 106,800 thousand Euros;
- Fair value reserves: includes changes in the fair value of available for sale financial assets (48,781 thousand Euros positive), as detailed in Note 13;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 13,858 thousand Euros) as detailed in Note 16;
- 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 (Note 18), and (ii) changes in equity of associates registered under the equity method. On December 31, 2016, this caption amounts to 177,482 thousand Euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognized 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.

20. BORROWINGS

The segregation of borrowings between current and non-current and by nature, at 31 December 2016 and 2015 are as follows:

	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	30,000	1,670,110	1,700,110	330,000	1,205,719	1,535,719
Bank Borrowings	61,730	495,349	557,078	57,860	560,627	618,487
Commercial Paper	101,000	152,000	253,000	236,000	129,000	365,000
Bank overdrafts (Note 17)	103	-	103	113	-	113
Finance Lease	1,400	1,818	3,218	1,183	1,883	3,066
	194,232	2,319,277	2,513,510	625,156	1,897,229	2,522,385
Accrued interest	28,138	-	28,138	29,860	-	29,860
Prepaid interest	(5,776)	(20,734)	(26,510)	(4,262)	(5,984)	(10,246)
Borrowings	**216,594**	**2,298,543**	**2,515,137**	**650,755**	**1,891,245**	**2,542,000**

At 31 December 2016 borrowings have the following capital repayment schedule:

	2017	2018	2019	2020	2021	Following years	Total
Debt - Non current	-	240,884	230,075	380,999	76,923	1,390,395	2,319,277
Debt - Current	194,232	-	-	-	-	-	194,232
	194,232	**240,884**	**230,075**	**380,999**	**76,923**	**1,390,395**	**2,513,510**

Detailed information regarding bond issues as of 31 December 2016 is as follows:

31 December 2016					
Issue date	**Maturity**	**Inicial amount**	**Outstanding amount**	**Interest rate**	**Periodicity of interest payment**
'Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	tJPY 10,000,000 (i)	tJPY 10,000,000	Fixed rate (ii)	Semi-annual
16/01/2013	16/01/2020	tEUR 150,000 (i)	tEUR 120,000	Floating rate	Quarterly
31/01/2013	31/01/2018	tEUR 300,000	tEUR 162,800	Fixed rate 4.125%	Annual
17/10/2013	16/10/2020	tEUR 400,000 (ii)	tEUR 267,755	Fixed rate 4.75%	Annual
12/02/2015	12/02/2025	tEUR 300,000 (ii)	tEUR 500,000	Fixed rate 2.50%	Annual
01/06/2016	01/06/2023	tEUR 550.000	tEUR 550.000	Fixed rate 1.75%	Annual

i) These issue correspond to private placements

ii) These issue have interest and currency rate swaps associated

In the year ended 31 December 2016, the Group issued a new bond in the amount of 550,000 thousand euros with coupon of 1.750% and maturity date in June 2023 under the Euro Medium Term Program. This bond issue allowed the refinancing, through an exchange offer, of the following bond issues:

- 137,200 thousand Euros of the total issue of 300,000 thousand Euros due on January 2018 issued in January 2013 with an associated coupon of 4.125%;
- 132,245 thousand Euros of the total issue of 400,000 thousand Euros due on October 2020 issued in October 2013 with an associated coupon of 4.750%.

The refinancing of the bond issues amount above referred was not recorded as a derecognition of the financial liabilities because, In the assessment of the transaction, the Group concluded that it was not a termination of a financial liability, taking into account that the exchange occurred between the existing borrower and existing lender and the terms of the debt instruments exchanged did not differ substantially.

As a result, the costs incurred in this operation, amounting to 34,603 thousand Euros (included in the caption Prepaid interest refered above) were adjusted to the carrying amount of the liability and will be amortized over the remaining term of the modified liability. As of 31 December 2016, that balance amounts to 31,384 thousand Euros.

On October 2016, REN Finance B.V.'s bond issue (of February 2015) was reopen to issue an additional amount of 200,000 thousand Euros, fungible with the initial issue, bringing the total amount to 500,000 thousand Euros.

During 2016 a 300,000 thousand Euros bond issue reached its maturity.

As of 31 December 2016, the Company has five commercial paper programs in the amount of 1,050,000 thousand Euros, of which 797,000 thousand Euros are available for utilization. Of the total amount, 650,000 thousand Euros have a subscription guarantee (of which 498,000 thousand Euros were available at 31 December 2016).

Bank loans are mainly agreed with the European Investment Bank (EIB), which at 31 December 2016 amounted to 497,078 thousand Euros (at 31 December 2015 it was 471,068 thousand Euros). In December 2016, REN SGPS assumed the contractual position in the project finance agreement that its subsidiary, REN Atlântico, held with the EIB, amounting to 79,236 thousand Euros.

The Group reimbursed the Bank of China loan in the amount of 10,000 thousand Euros. In addition, it has agreed with the Bank of China a new financing facility, totaling 250,000 thousand Euros, of which 10,000 thousand Euros are disbursed.

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 11,700 thousand Euros (negative) (at 31 December 2015 was 24,942 thousand Euros (positive)) (Note 16).

The Company’s financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group’s total concession assets). The Gearing ratio comfortably meets the limits defined being 64% above the minimum.

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

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.

The exposure of the Group's borrowings to changes in interest rates on contractual re-pricing dates is as follows:

	2016	2015
6 month or less	902,553	1,182,047
6 - 12 month	63,462	500,000
1 - 5 years	340,409	681,691
Over 5 years	1,198,930	155,252
	2,505,354	**2,518,989**

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by the hedge derivate in place.

The average interest rates for borrowings including fees and other expenses were 3.25% in 2016 and 4.05% in 2015.

LEASES

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2016 and 2015 are as follows:

	2016	2015
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,439	1,245
Later than 1 year and no later than 5 years	1,844	1,927
	3,283	3,172
Future finance charges on finance leases	(65)	(106)
Present value of finance lease liabilities	**3,218**	**3,066**

	2016	2015
The present value of finance lease liabilities is as follows		
No later than 1 year	1,400	1,183
Later than 1 year and no later than 5 years	1,818	1,883
	3,218	**3,066**

21. POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

As explained in Note 3.10 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" in Note 21.2). The Group also grants their employees life assurance plans. The long service bonus is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- Health care plan: were considered new reimbursement limits;
- Other benefits: (i) long service bonus extended to all Group employees; (ii) Electricity benefit was included;

In accordance with IAS 19 the changes resulting from the new ACT agreement, in the year ended 31 December 2015, were recorded in the income statement for the period.

At 31 December 2016 and 2015 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	2016	2015
Liability on statement of financial position		
Pension plan	83,871	86,890
Healthcare plan and other benefits	41,802	42,327
	125,673	**129,217**

During the years ended 31 December 2016 and 2015, the following operating expenses were recorded regarding benefit plans with employees:

	2016	2015
Charges to the statement of profit and loss (note 28)		
Pension plan	4,822	4,637
Healthcare plan and other benefits	1,453	2,578
	6,275	**7,215**

The caption "Personnel costs" related to health care and other benefits amounting 2,578 thousand Euros, in the period ended 31 December 2015, includes the effects of the above mentioned changes in the amount of 1,197 thousand Euros, being: (i) 5,435 thousand Euros related with the medical plan (positive); and (ii) 6,632 thousand Euros in the other benefits plan (expense) .

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:

	2016	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 elegible 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

The annual discount rate of 1,8% used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

SENSITIVITY ANALYSIS

In the scenario where a discount rate of 2,8% and 0,8% have been considered in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	0.80%	1.80%	2.80%
Pension plan			
Liabilities	139,576	126,397	115,364
Impact on liabilities	13,179	-	(11,033)
Healthcare plan			
Liabilities	19,819	17,087	14,920
Impact on liabilities	2,733	-	(2,166)
Other benefits			
Liabilities	29,499	24,715	21,055
Impact on liabilities	4,784	-	(3,660)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2016	2015
Active (Pension plan, Healthcare plan and Other benefits) (a)	297	331
Active (Long service award benefit)	593	633
Pre-retires and earlier retires	212	204
Retires	620	610

(a) The Other benefits excludes the long award benefit

21.1. PENSION PLAN

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous pension fund.

In the years ended 31 December 2016 and 2015 no contributions were made to the REN Pension Fund. No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2017	2018	2019	2020	2021	2022-2026
Expected benefits payments	12,008	11,776	11,263	10,438	9,258	30,216

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2016 and 2015 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	2016	%	2015	%
Bonds	36.819	87%	36.799	84%
Shares	4.965	12%	5.047	12%
Readily available deposits	741	2%	1.701	4%
Others	-	-	203	-
Total	**42.526**	**100,0%**	**43.750**	**100%**

The assets effective rate of return in 2016 was 2.6% (3.6% in 2015).

Evolution of the assets of the Pension Fund in 2016 and 2015 was as follows:

	2016	2015
At 1 January	**43,750**	**44,423**
Contributions to the Fund	-	-
Actuarial gain / (loss)	271	681
Benefits paid	(2,345)	(2,214)
Return on plan assets (i)	851	859
At 31 December	**42,526**	**43,750**

i) Unique rate applied to the obligation and assets pension plan

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

	2016	2015
Present value of the liability	(126,397)	(130,639)
Fair value of plan assets	42,526	43,750
	(83,871)	**(86,890)**

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2016	2015
At 1 January	**86,890**	**86,465**
Current service costs	3,180	3,037
Net interest on net defined benefit liability	1,641	1,600
Actuarial gains/(losses)	1,711	5,071
Benefits paid	(9,552)	(9,283)
At 31 December	**83,871**	**86,890**

The changes in the present value of the underlying liability of the pension plan were as follows:

RECONCILIATION OF THE OBLIGATION OF THE PENSION PLAN

	2016	2015
At 1 January	**130,639**	**130,887**
Current service costs	3,180	3,037
Interest costs	2,492	2,459
Benefits paid	(11,897)	(11,497)
Actuarial(gains)/losses	1,982	5,753
At 31 December	**126,397**	**130,639**

The impact on the consolidated statement of profit and loss for the year was as follows:

	2016	2015
Current service costs	3,180	3,037
Net interest on net defined benefit liability	1,641	1,600
Total included in personnel costs	**4,822**	**4,637**

HISTORICAL ANALYSIS OF THE ACTUARIAL GAINS AND LOSSES

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2016	2015
Discount rate	**1.80%**	**2.00%**
Liabilities amount	(126,397)	(130,639)
Value of the fund	42,526	43,750
Actuarial gains/(losses) on liabilities	(1,982)	(5,753)
- for change in assumptions	(3,340)	(5,568)
- from experience	1,358	(184)
Actuarial gains/(losses) on fund assets	271	681

21.2. HEALTHCARE AND OTHER BENEFITS

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	2016	2015
Present value of the obligation	41,802	42,327
Liability in the statement of financial position	**41,802**	**42,327**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2016	2015
At 1 January	**42,327**	**39,996**
Current service costs	616	615
Interest costs	831	755
Benefits paid	(1,813)	(1,619)
Actuarial (gain)/loss	(313)	1,227
Beneficiaries contributions	154	156
Plan amendments and curtailments	-	1,197
At 31 December	**41,802**	**42,327**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2016	2015
Current service costs	616	615
Interest costs	831	755
(Gains)/losses of other long term employee benefit plans	7	11
Plan amendments	-	1,197
Total included in personnel costs	**1,453**	**2,578**

MEDICAL EXPENSES TREND RATE IN THE HEALTHCARE PLAN

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 2.5%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 11% increase in liabilities, where a decrease of one percentage point results in a decrease of 9% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	1.50%	2.50%	3.50%
Current service and interest costs	462	528	613
Impact on current service and interest costs	(66)	-	85
Past service liabilities	15,575	17,087	18,945
Impact on past service liabilities	(1,512)	-	1,858

HISTORICAL ANALYSIS OF THE ACTUARIAL GAINS AND LOSSES IN THE MEDICAL AND OTHER BENEFITS PLAN

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2016	2015
Discount rate	**1.80%**	**2.00%**
Liabilities amount	(41,802)	(42,327)
Actuarial (gains)/losses on liabilities	313	(1,227)
- for change in assumptions	622	(1,108)
- from experience	(309)	(119)

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2017	2018	2019	2020	2021	2022-2026
Expected benefits payments	1,622	1,670	1,735	1,794	1,737	8,713

The weigh average duration of these liabilities is 15 years for healthcare and 17 years for other benefits.

22. PROVISIONS FOR OTHER RISKS AND CHARGES

The changes in provisions for other risks and charges in the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
Begining balance	**6,888**	**7,316**
Increases	1,012	1,444
Reversing	(496)	(1,746)
Utilization	(449)	(126)
Ending balance	**6,955**	**6,888**
Current provision	801	1,171
Non-current provision	6,154	5,717
	6,955	6,888

At 31 December 2016 the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision amounting to 801 thousand Euros related to the on-going restructuring process.

23. TRADE AND OTHER PAYABLES

The caption "Trade and other payables" at 31 December 2016 and 2015 was made up as follows:

	2016			2015		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	127,388	-	127,388	122,467	-	122,467
Other creditors						
Other creditors (Note 12)	44,355	29,884	74,239	45,106	30,293	75,400
Tariff deviations (Note 12)	12,923	8,792	21,715	18,327	9,676	28,002
Fixed assets suppliers (Note 12)	104,230	-	104,230	96,471	-	96,471
Tax payables (Note 12) (i)	-	-	-	10,683	-	10,683
Deferred income						
Grants related to assets	18,124	279,450	297,574	18,004	292,263	310,267
Accrued costs						
Holidays and holidays subsidies (Note 12)	4,520	-	4,520	4,677	-	4,677
Trade and other payables	**311,539**	**318,126**	**629,665**	**315,735**	**332,232**	**647,967**

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

The caption "Trade and other payables" includes: (i) the amount of 46,102 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (38,363 thousand Euros at 31 December 2015); (ii) the amount of 34,707 thousand Euros of investment projects not yet invoiced (31,277 thousand Euros at 31 December 2015); (iii) the amount of 26,534 thousand Euros (20,325 thousand Euros at 31 December 2015) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 5,788 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (5,522 thousand Euros at 31 December 2015), also reflected in the caption "Trade receivables" (Note 14). This transaction sets a pass-through in the consolidated income statement of REN.

The caption "Other creditors" includes: (i) an amount of 3,953 thousand Euros (4,091 thousand Euros at 31 December 2015), relating to the concession contract of private use of the Sines terminal land; and (ii) the amount of 23,166 thousand Euros (35,600 thousand Euros at 31 December 2015) related with the Efficiency Promotion Plan on Energy Consumption ("PPEC"), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	2016	2015
30 days or less	273,872	279,719
31-60 days	387	3,876
61-90 days	107	533
91-120 days	188	190
More than 120 days	31,302	10,020
	305,857	**294,338**

The movement in the caption "Grants related to assets" current and non-current, in the years ended 31 December 2016 and 2015 was as follows:

Grants	
At 1 January 2015	**315,259**
Increases	13,028
Recognition of investment subsidies in profit and loss (Note 26)	(18,021)
At 31 December 2015	**310,267**
Increases	5,431
Recognition of investment subsidies in profit and loss (Note 26)	(18,124)
At 31 December 2016	**297,574**

24. SALES AND SERVICES RENDERED

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

	2016	2015
Goods:		
Domestic market	569	552
	569	552
Services:		
Electricity transmission and overall systems management	366,921	354,560
Natural gas transmission	113,460	113,709
Regasification	34,200	35,420
Underground gas storage	18,633	22,660
Telecommunications network	4,902	5,111
Trading	4,043	3,627
Others	2,513	1,456
	544,672	536,544
Total sales and services rendered	**545,241**	**537,096**

25. REVENUE AND COSTS FOR 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 as of 31 December 2016 and 2015 were made up as follows:

	2016	2015
Revenue from construction of concession assets		
- Acquisitions	155,217	222,602
- Own work capitalised :		
Financial expenses (Note 8)	2,951	3,633
Overhead and management costs (Note 8)	13,079	13,767
	171,247	**240,002**
Cost of construction of concession assets		
- Acquisitions	155,217	222,602
	155,217	**222,602**

26. OTHER OPERATING INCOME

The caption "Other operating income" is made up as follows:

	2016	2015
Recognition of investment subsidies in profit and loss (Note 23)	18,124	18,021
Supplementary income	1,516	1,439
Disposal of unused materials	-	765
Capital gain from Enagás (Note 13)	-	20,083
Others	2,009	972
	21,649	**41,279**

27. EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the years ended 31 December 2016 and 2015 is made up as follows:

	2016	2015
Maintenance costs	13,421	14,109
Fees relating to external entities i)	10,598	10,072
Electric energy costs	4,550	4,384
Insurance costs	3,184	3,264
Gas transport subcontracts	3,324	2,672
Security and surveillance	1,663	1,666
Travel and transportation costs	1,401	1,278
Advertising and communication costs	1,012	1,098
Cross border interconnection costs ii)	1,760	-
Other (less than 1,000 thousand Euros)	3,416	4,091
External supplies and services	**44,328**	**42,636**

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

ii) The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity.

The "Others" caption includes financial statements audit services as well as consulting services rendered by audit companies recorded as expenses in 2016, as follows:

	2016	2015
Audit and revision of accounts	305	249
Other services of reliability guarantee	79	59
Tax consultancy services	3	4
Services other than the legal review of accounts	-	22
	387	**334**

28. PERSONNEL COSTS

Personnel costs are made up as follows:

	2016	2015
Remuneration		
Board of directors	2,344	2,422
Personnel	32,328	32,799
	34,672	35,221
Social charges and other expenses		
Post-employement and other benefits cost (Note 21)	6,275	7,215
Social security costs	7,081	7,258
Social support costs	1,345	1,467
Other	209	512
	14,910	16,452
Total personnel costs	**49,583**	**51,673**

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

The average number of employees of the Group in 2016 was 617 (637 in 2015).

29. OTHER OPERATING COSTS

Other operating costs are made up as follows:

	2016	2015
ERSE operating costs i)	9,740	9,210
Donations and quotizations	1,155	1,014
Taxes	1,035	937
Others	665	732
	12,595	**11,893**

i) The caption "ERSE operating costs" corresponds to ERSE's operating costs, to be recovered through electricity and gas tariffs.

30. FINANCIAL COSTS AND FINANCIAL INCOME

Financial costs and financial income are as follows:

	2016	2015
Financial costs		
Interest on bonds issued	64,928	70,671
Interest on commercial paper issued	4,811	4,844
Other borrowing interests	18,353	32,941
Derivative financial instruments	2,012	672
Other financing expenditure	1,078	1,376
	91,182	**110,503**
Financial income		
Interest income	5	1,973
Derivative financial instruments	5,261	4,344
Other financial investments	25	22
	5,291	**6,339**

31. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2016 and 2015 were calculated as follows:

		2016	2015
Consolidated net profit used to calculate earnings per share	(1)	100,183	116,115
Number of ordinary shares outstanding during the period (note 18)	(2)	534,000,000	534,000,000
Effect of treasury shares (note 18) (average number of shares)		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)**	**0.19**	**0.22**

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

32. DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 13 April 2016, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2015, in the amount of 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

The dividends paid during the year ended 31 December 2015, determined on the 2014 net profit amounted to 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

33. CONTINGENT ASSETS AND LIABILITIES

33.1. COMMITMENTS

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2016 and 2015, were as follows:

	2016	2015
Power lines	18,284	23,315
Substations	32,775	57,327
Gas pipelines	1,122	1,672
Sines Terminal	797	453
Underground gas storage	297	752
	53,274	**83,519**

33.2. GUARANTEES GIVEN

At 31 December 2016 and 2015 REN Group had the following bank guarantees given:

Beneficiary	Scope	2016	2015
European Investment Bank (EIB)	To guarantee loans	278,033	310,419
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	20,500	20,500
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Judge of District Court	Guarantee for expropriation processes	5,530	-
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	2,312	205
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	84
GSE - Georgian State Electrpsystem JSC	Providing services contract	57	28
Social Security Institution	Ensure compliance with obligations	15	511
Municipal Council of Lisboa	Guarantee suspension of the collection of the Municipal Fee for Lisbon Civil Protection	9	-
Municipal Council of Vila Nova de Gaia	Guarantee the suspension of process nº 412/13	2	2
Alrisa - Sociedade Imobiliária, S.A.	Urban lease contract	-	15
Electricity Iberian Market (OMI)	To guarantee payments resulting from trading participation as purchaser in the Spanish market	-	2,000
		316,327	**341,553**

The guarantees given have the following maturities:

	31 December 2016			
	Less 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Guarantees on borrowings	22,810	95,720	159,503	278,033
Other guarantees	-	-	38,294	38,294
	22,810	**95,720**	**197,797**	**316,327**

	31 December 2015			
	Less 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Guarantees on borrowings	32,386	93,877	184,156	310,419
Other guarantees	-	-	33,134	33,134
	32,386	**93,877**	**217,290**	**343,553**

33.3. GUARANTEES RECEIVED

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 68,007 thousand Euros as of 31 December 2016 (79,230 thousand Euros as of 31 December 2015).

34. RELATED PARTIES

Main shareholders and shares held by corporate bodies

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

	2016		2015	
	Number of shares	**%**	**Number of shares**	**%**
State Grid Europe Limited (Grupo State Grid)	133,500,000	25.00%	133,500,000	25.00%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	15.00%	80,100,000	15.00%
Fidelidade - Companhia de Seguros, S.A.	28,370,665	5.31%	28,370,665	5.31%
The Capital Group Companies, Inc.	26,792,304	5.02%	-	-
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Internacional, S.A.U.	26,700,000	5.00%	26,700,000	5.00%
Great-West Lifeco, Inc.	10,980,987	2.06%	-	-
Gestmin, SGPS, S.A.	i)	i)	32,040,000	6.00%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free float	196,967,335	36.89%	202,700,626	37.96%
	534,000,000	**100.00%**	**534,000,000**	**100.00%**

i) Gestmin, SGPS, S.A. no longer holds a qualifying holding

The number of shares held by corporate bodies at 31 December 2016 and 2015 is detailed in the director report.

MANAGEMENT REMUNERATION

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 year ended 31 December 2016 amounted to 2,344 thousand Euros (2,422 thousand Euros in 2015), as shown in the following table:

	2016	2015
Remuneration and other short term benefits	1,488	1,566
Management bonuses (estimate)	856	856
	2,344	**2,422**

ACQUISITION OF BONDS BY THE MEMBERS OF THE BOARD OF DIRECTORS

During the first semester of 2016, the shareholder Gestmin, SGPS, S.A. (Gestmin), and related party of Manuel Champalimaud, REN's Board of Director's member until 31 May 2016, informed about the sale of the total amount of 19,449,715 shares of REN's share capital.

Additionally, Jorge Magalhães Correia, REN's Board of Director's member, and in the exercise of member of the governing bodies of Fidelidade – Companhia de Seguros, S.A. (Fidelidade) holder of a qualifying holding in REN and its subsidiary Multicare – Seguros de Saúde, S.A., informed about the acquisition of 200,000 shares of REN by Fidelidade and the sale of 60,000 shares and 53,500,000 bonds of REN by Fidelidade and Multicare, respectively.

On July 2016, Jorge Manuel Baptista Magalhães Correia, vogal of REN's Board of Directors, informed REN regarding the sale of 9,000 bonds of REN. With this operation Jorge Manuel Baptista Magalhães does not hold any Company's bond or share.

On 21 September 2016, Manuel Sebastião (Non-Executive director and President of the Audit Committee), acquired 2,000 shares of REN. With this transaction, the member holds a total of 7,000 shares.

On 11 October 2016, Manuel Sebastião (Non-Executive director and President of the Audit Committee), acquired 7,000 shares and on 14 October 2016 sold 7,000 shares. With this transaction, the member holds a total of 7,000 shares.

TRANSACTIONS WITH GROUP OR DOMINATED COMPANIES

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

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2) in the financial statements.

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

BALANCES AND TRANSACTIONS HELD WITH SHAREHOLDERS, ASSOCIATES AND OTHER RELATED PARTIES

During the periods ended 31 December 2016 and 2015, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

REVENUE

	2016	2015
Sales and services provided		
Invoicing issued- EDP	1,110,345	901,590
Invoicing issued- OMIP	-	2
Invoicing issued - REE	1,311	2,613
Invoicing issued - Centro de Investigação em Energia REN - State Grid	127	247
Dividends received		
REE	4,430	4,140
	1,116,213	**908,592**

The amounts shown as invoicing issued relate to the overall management of the electricity system tariff (UGS) and electricity transmission tariff (TEE) that includes the same pass through amounts reversed in the consolidated statement of profit and loss.

EXPENSES

	2016	2015
External supplies and services		
Invoicing received - EDP	400,525	347,874
Invoicing received - REE	6,970	3,933
Invoicing received - Centro de Investigação em Energia REN - State Grid	78	76
Invoicing received - CMS Rui Pena & Arnaut[1]	87	82
	407,660	**351,966**

[1] Entity related to the Administrator José Luis Arnaut

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

BALANCES

The balances at 31 December 2016 and 2015 resulting from transactions with related parties were as follows:

	2016	2015
Trade and other receivables		
EDP - Trade receivables	93.820	71.637
EDP - Guarantees	155	155
EDP - Other receivables	4.813	1.416
OMIP - Other receivables	2.976	-
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	78	116
Centro de Investigação em Energia REN - State Grid - Trade receivable	8	8
REE - Trade receivables	160	148
	102.011	**73.481**
Trade and other payables		
EDP - Trade payables	4.761	8.945
Centro de Investigação em Energia REN - State Grid - Other payables	78	2
REE - Trade payables	678	1.188
CMS - Rui Pena & Arnaut - Trade payables [1]	16	6
	5.533	**10.141**

[1] Entity related to the Administrator José Luis Arnaut

35. EXTRAORDINARY CONTRIBUTION OVER THE ENERGY SECTOR

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

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

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

To this end, the Group recognized in the year ended 31 December 2016 an expense in the amount of 25,938 thousand Euros (25,445 thousand Euros in 2015). This contribution was liquidated by REN on October 2016.

36. SUBSEQUENT EVENTS

On 7 February 2016, the Group announced the acquisition of a 42.5% indirect stake in the share capital of Electrogas S.A. to ENEL Generación Chile S.A ("ENEL"), for the price of USD 180,000,000, with recourse to long term credit lines available in REN's group.

The acquisition of the abovementioned shareholding occurs subsequently to the execution between REN and ENEL of the Stock Purchase Agreement, as communicated to the market and the public by REN on 19 December 2016.

REN recalls that Electrogas S.A. owns a gas pipeline in the central region of Chile, with a length of 165.6 Km. It is a key pipeline in the country, connecting Quintero's regasification terminal to both Santiago (the capital and Chile's largest population center) and Valparaíso (one of the most important Chilean ports).

The accomplishment of this acquisition represents an important milestone in REN's international expansion and fits the strategic plan approved for 2015-2018.

37. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2016. In the event of discrepancies, the Portuguese language version prevails.

STATEMENT PROVIDED FOR IN ARTICLE 245, NO. 1, PARAGRAPH C)OF THE SECURITIES CODE

Pursuant to and for the purposes of Article 245, No. 1, paragraph c) of the Securities Code, each member of the Board of Directors of REN - Redes Energéticas Nacionais, SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein[1]:

"I hereby declare, pursuant to and for the purposes specified in Article 245, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me within the Board of Directors and / or Executive Committee, as applicable, the condensed financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, S.G.P.S., S.A. and of the companies included in its scope of consolidation, and that the management report for the fiscal year of 2016 faithfully describes the occurrences in that period and the impact in the respective financial statements, also containing a description of the principal risks and uncertainties for the following year."

Lisbon, 30th March 2017

[1] The originals of the individual statements are available for consultation at the head office of the company.

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)

Note – The remaining pages of this Report & Accounts were initialled by the Company Secretary, Marta Almeida Afonso, and by the Certified Accountant, Susana Neves.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2016 which consist of the Consolidated Financial Statement, evidencing a total of 4,549,825 thousand Euros and 1,159,217 thousand Euros of Equity Capital, including a Consolidated Net Profit of 100,183 thousand Euros, the Consolidated Profit and Loss Accounts, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 30 March 2017

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited 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 December 2016 (that presents a total of 4,549,825 thousand euros and equity of 1,159,217 thousand euros, including a net profit of 100,183 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 year then ended, and the accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2016 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Intangible assets	
As indicated in Note 2, the caption "Intangible assets" includes all assets acquired / constructed under the public service concession agreements that the Group entered into with the Portuguese State for a pre-defined period. These assets were recorded in the consolidated financial statements in accordance with IFRIC 12 - Service Concession Arrangements, as disclosed in Note 3.4. The caption "Intangible assets" represents 84% of the Group's total assets and it should be noted that a majority part of the remuneration that the Group is entitled to, under these concession agreements, is calculated based on the average annual balance of those intangible assets. So, we consider that the amounts that are being added to the balance of this caption are a key audit matter.	We evaluated the design of Group's controls related to the investments made in intangible assets, namely on the process of approval of new investments and we performed a set of tests to understand if the main controls identified were executed in accordance with the objectives they intended to achieve. In addition, for a sample of additions recorded in the caption of intangible assets in the current year, we have analyzed the associated supporting information, having verified, in particular, that the additions are recorded for the correct amounts and in the correct period, that they are approved in accordance with the internal rules in force and relate to the Group's business and to the nature of the caption under analysis.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Post-employment benefits and other benefits	
As indicated in Note 3.10, the Group grants retirement, pre-retirement and survivors' pensions, and provides its retirees and pensioners with a health care plan, among other benefits. The calculation of these liabilities is carried out annually by a specialized external entity, through an actuarial valuation report that requires the use of demographic and financial assumptions and estimates, that can significantly impact the amounts of liabilities estimated on each reporting date, as referred to in note 5.2. To cover its liability with pension and retirement benefits, the Group has an autonomous pension fund, as disclosed in note 21. Due to the large number of actuarial assumptions used in the calculation of the post-employment benefits obligations and the volatility that results in its computation, we consider that the recording of these liabilities is a key audit matter.	We obtained the actuarial valuation report prepared by an external entity with reference to 31 December 2016. We evaluated the competence and independence of that entity through discussions maintained with those and the analysis of its independence declaration. We verified that the amounts of post-employment benefits, estimated in the actuarial valuation report are in accordance with the Group's accounting records for the year ended 31 December 2016. We assessed the reasonableness of the assumptions and information contained in the actuarial valuation report, by performing the following procedures: > We compared the data on employees and former employees with the Group's personnel register; > We identified changes in the main actuarial assumptions, compared to the previous year and we obtained explanation for those changes from the Group's and/or external entities' responsibles; > We evaluated reasonableness of the discount rate used by analyzing the associated supporting information; > We obtained the detail of assets included in the autonomous pension fund and, randomly, we obtained supporting information to support its valuation. We have verified the appropriateness of the disclosures made on these liabilities in the accompanying notes.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Tariff deviations	
As indicated in notes 14 and 23, as at 31 December 2016, the Group has recorded accounts receivable and accounts payable for tariff deviations. Tariff deviations result from the difference between the amounts invoiced by the Group in the scope of its regulated activities and the remuneration that is effectively due, as part of the tariff regulations of the electricity and gas sectors, issued by the Entidade Reguladora de Serviços Energéticos ("ERSE"), as disclosed in note 3.16. Due to the relevance of the balances related to tariff deviations and that the computation of those include information from a wide variety of sources, we consider that these are a key audit matter.	We performed an understanding of the procedures and the evaluation of the Group's control activities associated to the computation of tariff deviations. We obtained the computation of the tariff deviations prepared by the Group, with reference to 31 December 2016, and performed the following procedures: > We compared the calculations with the accounting records of the Group; > We tested the reasonableness of the various components of the calculations, namely the average balance of the regulated assets basis (RAB), the applicable remuneration rate, the Group's billing for the year and the initial balance of the tariff deviations, based on the associated supporting information, in particular: - Register of the Group's regulated assets; - Documentation issued annually by ERSE annually, titled "Allowed income and adjustments"; - Calculation of remuneration rates, based on series of bonds of the Portuguese Republic; and - Detail of invoices issued by the Group in 2016, for which, by sampling, we verified the associated supporting information. > We tested the arithmetic accuracy of the calculations prepared by the Group.
Derivative financial instruments	
To address its interest rate and exchange rate risk, the Group contracts derivative financial instruments. As disclosed in note 3.6, derivative financial instruments are initially recorded at fair value at the transaction date and are subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of derivative financial instruments. The key audit matter in this area is essentially related to the fair value computation of derivative financial instruments which, due to the associated complexity, involved the use by the Group of external experts who test the reasonableness of the market valuations prepared by the entities to which the derivative financial instruments were contracted, evaluated the effectiveness of the hedging relationships designated by the Group and quantified the associated inefficiencies.	Due to the specific nature of this matter we involved our specialists in the execution of the following procedures: > Analysis of the reasonableness of the derivative financial instruments designation made by the Group; > Independent computation of fair value of derivative financial instruments based on their contracts and observable market data; > Analysis of the effectiveness of the hedging relations designated by the Group, quantification of associated inefficiencies and determination of the accounting effects. Following, we compared the amounts computed by our specialists with the amounts recorded by the Group, and we also verified the adequacy of the disclosures included in the accompanying notes.

Description of the most significant risks of material misstatement identified	Summary of the auditor’s responses to the assessed risks of material misstatement
Exchange bond operation	
As indicated in Note 4.1, the Group's activities are exposed to a variety of financial risks, including liquidity risk. As part of its liquidity risk management policy, and as indicated in Note 20, in 2016 the Group executed an exchange of previously issued bonds with maturity in 2018 and 2020, in the amounts of, approximately, 137,200 thousand Euros and 132,245 thousand Euros, respectively, for new bonds with maturity date in 2023. As indicated in that note, the Group evaluated the operation in accordance with the applicable accounting principles, and concluded that it could be accounted for as an exchange of a financial liability, taking into account, namely, the fact that the transaction occurred between the existing borrowers and lender and that the terms of the debt instruments exchanged did not differ substantially. Accordingly, expenses incurred with this transaction have been adjusted to the carrying amount of the liability and will be amortized over the remaining term of the modified liability (Note 20). Considering the non-recurring nature and inherent complexity of this transaction, we considered it as a key audit matter.	We obtained the calculations and the memorandum of conclusions prepared by the Group to support the accounting recognition of this operation and performed the following procedures: > We compared the amounts and dates considered in the documents prepared by the Group with the associated supporting information, namely financing agreements and bank statements of the financial movements that occurred; > We tested the arithmetic accuracy of the calculations made by the Group; > We assessed the reasonableness of the accounting treatment performed by the Group in relation to this transaction, taking into account the applicable accounting principles.

Responsibilities of Management and Supervisor Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards” as adopted in the European Union (IFRSs);
- the preparation of a management report, including a corporate governance report, under the applicable law and regulation;
- 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;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Group’s ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of the Entity’s operations.

The Supervisory Body is responsible for overseeing the Group’s financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- we provide the Supervisory Body with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

About the corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

- We have been elected auditors of the Entity for the first time in the shareholders' general assembly that took place on 15 March 2010 for a mandate covering the period between 2010 and 2012, which, however, has not been concluded with respect to 2012. We have been elected in the shareholders' general assembly that took place on 27 March 2012 for a second mandate covering the period between 2012 and 2014, and in the general assembly that took place on 17 April 2015 for a third mandate covering the period between 2015 and 2017.
- The Supervisory Body confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's Supervisory Body at this date.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Lisbon, 30 March 2017

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

6.2.___ INDIVIDUAL FINANCIAL STATEMENTS

31 DEZEMBER 2016

1. › INDIVIDUAL FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 30)

	Notes	2016	2015
ASSETS			
NON-CURRENT ASSETS:			
Tangible assets	5 and 6	495	536
Investments - equity method	7	885,354	922,114
Goodwill	8	3,397	3,774
Available-for-sale financial assets	12	52,683	50,271
Other receivables	10	1,473,755	2,185,348
Other financial assets	10	4	2
Derivative financial instruments	11	20,425	10,157
Deferred tax assets	9	5,743	2,439
Total non-current assets		2,441,856	3,174,639
CURRENT ASSETS:			
State and other public entities	16	1	6,588
Other receivables	10	1,438,297	625,919
Deferrals		94	98
Other financial assets	10	1,317	1,510
Cash and bank deposits	4	9,804	6,771
Total current assets		1,449,512	640,886
Total assets		3,891,368	3,815,525
EQUITY AND LIABILITIES			
EQUITY:			
Share Capital	13	534,000	534,000
Own shares	13	(10,728)	(10,728)
Legal reserve	13	106,800	102,608
Other reserves	13	175,113	179,933
Adjustments to financial assets	13	(43,714)	43,077
Retained earnings		292,552	277,083
Other changes in equity		30	30
		1,054,053	1,126,004
Net profit for the period		93,805	110,311
Total equity		1,147,859	1,236,315
LIABILITIES :			
NON-CURRENT LIABILITIES:			
Borrowings	15	2,311,602	1,798,513
Provisions	14	664	263
Post employment benefit liabilities		9	8
Derivative financial instruments	11	12,212	8,426
Deferred tax liabilities	9	2,334	9
Total non-current liabilities		2,326,821	1,807,219
CURRENT LIABILITIES:			
Borrowings	15	330,311	705,179
Provisions	14	200	-
Trade payables	15	1,578	1,570
State and other public entities	16	27,317	568
Derivative financial instruments	11	1,063	5,918
Other payables	15	56,220	58,757
Total current liabilities		416,689	771,990
Total liabilities		2,743,510	2,579,209
Total equity and liabilities		3,891,368	3,815,525

The accompanying notes form an integral part of the statement of financial position as of 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 30)

REVENUES AND EXPENSES	Notes	2016	2015
Services rendered	17	12,954	13,117
Gains/(losses) from associates and joint ventures	7 and 18	90,544	108,200
Supplies and services	19	(7,321)	(7,237)
Personnel costs	20	(6,881)	(7,502)
Provisions (increases)/decreases	14	(200)	7
Impairments on investments (charge)/reversal	12	92	(600)
Other income	21	178	271
Other expenses	22	(662)	(863)
Profit before amortization, depreciation, finance costs and taxes		88,704	105,394
Depreciation and amortization (charge)/reversal	5 and 8	(556)	(178)
Operating profit (before finance costs and taxes)		88,147	105,217
Interest and similar income	23	108,038	114,555
Interest and similar costs	23	(101,294)	(110,661)
Dividends	24	1,120	1,452
Profit before taxes		96,012	110,563
Income tax expense for the period	9	(2,207)	(252)
Net profit for the period		93,805	110,311
Basic earnings per share		0.18	0.21

The accompanying notes form an integral part of the statement of profit and loss for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 30)

	2015											
	Notes	Capital	Own shares	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7)	Net profit for the period	Total equity
Balances at the beginning of 2015		**534,000**	**(10,728)**	**97,295**	**(19,468)**	**3,172**	**180,189**	**-**	**266,789**	**54,433**	**106,257**	**1,211,940**
Changes in the year:												
Changes in fair value	11 and 12	-	-	-	10,509	5,532	-	-	-	-	-	16,040
Appropriation of the profit for the preceding year	13	-	-	5,313	-	-	-	-	10,294	-	(15,607)	-
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	(11,356)	-	(11,356)
Other Changes		-	-	-	-	-	-	30	-	-	-	30
		-	-	5,313	10,509	5,532	-	30	10,294	(11,356)	(15,607)	4,715
Operations during the year with shareholders												
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
		-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
Net profit for the year											110,311	110,311
Comprehensive income		-	-	-	10,509	5,532	-	30	-	(11,356)	110,311	115,026
Balances at the end of 2015		**534,000**	**(10,728)**	**102,608**	**(8,960)**	**8,704**	**180,189**	**30**	**277,083**	**43,077**	**110,311**	**1,236,315**

	2016											
	Notes	Capital	Own shares	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
Balances at the beginning of 2016		534,000	(10,728)	102,608	(8,960)	8,704	180,189	30	277,083	43,077	110,311	1,236,315
Changes in the year:												
Changes in fair value	11 and 12	-	-	-	(4,898)	78	-	-	-	-	-	(4,821)
Appropriation of the profit for the preceding year	13	-	-	4,192	-	-	-	-	15,469	-	(19,661)	-
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	(86,791)	-	(86,791)
		-	-	4,192	(4,898)	78	-	-	15,469	(86,791)	(19,661)	(91,612)
Operations during the year with shareholders												
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
		-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
Net profit for the year											93,805	93,805
Comprehensive income		-	-	-	(4,898)	78	-	-	-	(86,791)	93,805	2,193
Balances at the end of 2016		**534,000**	**(10,728)**	**106,800**	**(13,858)**	**8,782**	**180,189**	**30**	**292,552**	**(43,714)**	**93,805**	**1,147,859**

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Euros)
(Translation of consolidated statements of financial position originally issued in Portuguese - Note 30)

	Notes	2016		2015	
CASH FLOW FROM OPERATING ACTIVITIES:					
Cash receipts from customers		18,394		18,980	
Cash paid to suppliers		(10,326)		(9,490)	
Cash paid to emplyees		(7,235)		(7,681)	
Cash generated by operations		832		1,808	
Income tax received/(paid)		8,588		8,409	
Other receipts/(payments) relating to operating activities		(2,955)		(3,603)	
Flows generated by/(used in) operating activities [1]			6,465		6,615
FLOWS FROM INVESTING ACTIVITIES:					
Payments relating to:					
Financial investments	7	(50,620)		(12,800)	
Borrowings		-		(110,000)	
Tangible assets		(20)	(50,641)	(2)	(122,802)
Receipts relating to:					
Available-for-sale financial assets		92		-	
Other financial assets	10	-		100,857	
Borrowings		144,204		76,683	
Interest and other similar income		103,346		110,731	
Dividends	7 and 24	91,408	339,051	92,098	380,368
Flows generated by investing activities [2]			288,410		257,566
FLOWS FROM FINANCING ACTIVITIES:					
Receipts relating to:					
Borrowings		5,615,427	5,615,427	3,215,907	3,215,907
Payments relating to:					
Borrowings		(5,711,818)		(3,351,279)	
Interest and other similar expense		(104,801)		(98,707)	
Dividends	13	(90,650)	(5,907,269)	(90,650)	(3,540,636)
Flows used in financing activities [3]			(291,842)		(324,729)
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			3,033		(60,548)
Cash and cash equivalents at the beginning of the year	4		6,771		67,319
Cash and cash equivalents at the end of the year	4		9,804		6,771

The accompanying notes form an integral part of the statement of cash flow as of 31 December 2016.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

2. › NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

(Translation of the Notes to the financial statements originally issued in Portuguese – Note 30)

(Amounts expressed in thousands of Euros)

1. GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as “REN SGPS” or “the Company”), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A..

REN SGPS is the parent company of the REN Group, being organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function 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 Contracts for the Maintenance of the Contractual Equilibrium (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, to domestic and international distributors;

c) ENONDAS, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate objective of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has 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). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

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. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

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 from 26 September 2006 onwards.

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.

The subsidiaries REN Gás, S.A., Aério Chile, Spa, REN Gasodutos, S.A. and REN Armazenagem, S.A. are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN S.G.P.S.).

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 SGPS holds 1,499,997 shares representing 49.99% 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.

As of 31 December 2016, REN SGPS also holds:

i) 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. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. ("OMIP"), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

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

iii) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB).

The accompanying financial statements were approved by the Board of Directors meeting held on March 30th 2017. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors understands that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2016.

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

3.1. BASIS OF PRESENTATION

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

The accompanying financial statements reflect only the Company's individual financial statements, prepared as required by law for approval by the Shareholders' Meeting. As explained in Note 3.2 investments are recorded in accordance with the equity method.

The adopted accounting policies within these financial statements are consistent, in all the material aspects, with the policies used to prepare the financial statements as of 31 December 2015, with the exception of the accounting policy related with Goodwill. Due to the Decree Law 98/2015, and beginning 1 January 2016, Goodwill will be amortized during a 10 years period. This change has prospective effects, and so the financial statements as of 31 December 2015 were not restated.

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for approval in separate, which reflects, as of 31 December 2016, in relation to the accompanying separate financial statements, the following differences:

	Increases/ (Decreases)
Total net assets	658,457
Total liabilities	647,098
Net profit for the period	6,378
Total revenue	526,617
Total equity	11,358

As of 31 December 2016, the differences between net profit and equity (individual and consolidated financial statements) results essentially from the investment in OMIP SGPS, which in the consolidated financial statements prepared in accordance with IFRS, has been revaluated in 2011, following the loss of control. After the loss of control the definition of this investment was changed from subsidiary to associate.

3.2. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

3.3. TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	YEARS
Transport equipment	4 years
Administrative equipment	From 3 to10 years

The useful life of the assets is reviewed annually. A change in useful life period is treated as an accounting estimate change and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. LEASES

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which the Company has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of borrowing costs in the caption Borrowings. Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.5. FINANCIAL ASSETS AND LIABILITIES

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IAS 39 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification of financial assets at the time of their initial recognition in accordance with the purpose of its acquisition.

FINANCIAL ASSETS

Financial assets can be classified into the following categories:

(i) Financial assets at fair value through profit and loss – includes non-derivative financial assets acquired for short-term trading and assets designated at fair value through profit and loss at the inception date;

(ii) Loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;

(iii) Investments held to maturity – includes non-derivative financial assets with fixed or determinable payments and fixed maturities, that the entity intends and has the capacity to hold until the maturity date; and

(iv) Available-for-sale financial assets – includes non-derivative financial assets designated as available-for-sale at inception date or other financial assets not classified in any of the other financial asset categories. Available-for-sale financial assets are recognized as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which the Company commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognized at fair value, being the transaction costs expensed in the statement of profit and loss. Such assets are subsequently adjusted to fair value, being gains and losses arising from changes in fair value recorded in the statement of profit and loss caption “net financial costs” of the period, which also includes interest income and dividends received.

Available-for-sale financial assets are initially recognized at fair value including transaction costs, if any. In subsequent periods these assets are adjusted to fair value, the changes in fair value being recognized in the fair value reserve caption in Equity, until the investment been sold or received or until the fair value be below its acquisition cost over a long period, situation on which the loss is recorded in the statement of profit and loss. Dividends and interest income from available-for-sale financial assets are recognized in the statement of profit and loss caption “other financial income” in the period on which the right to receive them is established.

The fair value of listed investments is based on current market prices (“bid”). If the market for a financial asset is not active, the Company establishes fair value through valuation techniques. These include the use of recent transactions, provided that they have been made at market price, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Non listed investments for which is not possible to reliability estimate the fair value are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the period.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method.

Loans and receivables are classified as “Trade and other receivables” in the statement of financial position, and are carried at amortized cost using the effective interest rate method, less any impairment loss. An impairment loss of trade receivables is established when there is objective evidence that the Group will not be able to collect the amounts due in accordance with the original terms of the transactions that gave rise to the receivables, being recorded in the statement of profit and loss in the caption “Impairment for receivables”.

Financial assets are derecognized when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of their ownership.

IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an evidence that a financial asset or group of financial assets are impaired, namely if this impairment will have a negative impact on the estimated cash flows of the financial asset or group of financial assets and when it can be reliably measured.

Impairment losses to be recognized for financial assets measured at amortized cost corresponds to the difference between the carrying amount of the asset and its present value as of the date of the new estimated future cash flow discounted at the original effective interest rate.

Impairment losses to be recognized on financial assets measured at cost correspond to the difference between the carrying amount of the asset and the best estimate of the fair value of the asset as of the financial reporting date.

Impairment losses are recorded in the statement of profit and loss caption “Impairment losses” in the period they are determined.

If subsequently the impairment loss decreases and such decrease can be objectively related to an event that occurred after the loss recognition, it must be reversed through profit and loss. The reversal must be recognized up to the amount that would have been recorded (amortized cost) if the loss had not been initially recognized. The reversal of impairment losses is recorded in the statement of profit and loss caption "Reversal of impairment losses".

In the case of financial assets classified as "available for sale", a significant and longstanding decrease of its fair value below the acquisition cost is considered an indicator that the financial asset is impaired. If evidence of impairment on the available for sale asset exists, the accumulated loss is determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

CASH AND BANK DEPOSITS

The amounts included in the caption "Cash and bank deposits" include cash on hand, bank deposits and other short-term highly liquid investments with initial maturities of up to twelve months.

These assets are measured at amortized cost. Usually, the amortized cost does not differ from the nominal amount.

FINANCIAL LIABILITIES

A financial instrument is classified as a financial liability when a contractual obligation exists by the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently on its legal form.

IAS 39 establishes the classification of financial liabilities in two categories:

- Financial liabilities at fair value through profit and loss; and
- Other financial liabilities.

Other financial liabilities include "Borrowings", "Trade payables" and "Other payables".

Trade payables and other payables are initially recognized at fair value and subsequently adjusted to amortized cost, using the effective interest rate method.

Borrowings are initially measured at fair value, net of transaction incremental costs incurred. The subsequent measurement of these borrowings is made at amortised cost, being the difference between the nominal value and the initial fair value recognized in the in profit and loss statement over the loan maturity, using the effective interest rate method.

Financial liabilities are classified as current, except when the Company has an unconditional right to defer the payment of the correspondent liability for, at least, 12 months after the reporting date, being this liability, in these circumstances classified as non-current.

Financial liabilities are derecognized when the related obligations are settled, cancelled or expire.

An exchange of financial liabilities with substantially different terms, must be accounted as a derecognition of the original financial liability and a new financial liability should be recognized. The terms are considered substantially different if the present value of the cash flows under the new terms (including any fees paid net of any commissions received) discounted using the original effective interest rate, diverge by at least 10% of the discounted present value of the remaining cash flows from the original financial liability.

3.6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are measured at the inception date and subsequently at fair value. The method for the recognition of fair value gains and losses depend upon the designation made of the derivative financial instruments. If they are trading financial derivative instruments, gains and losses are recognized in the statement of profit and loss captions financial income and financial costs, respectively. When they are designated as hedging derivative financial instruments, the recognition of gains and losses depends on the nature of the item hedged, and could be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external entities, through valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption “Derivative financial instruments”, and if they have a positive or negative fair value they are recognized as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

HEDGE ACCOUNTING

In the scope of the risk management policy for interest rate risk and foreign exchange rate risk, the Company trades derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IAS 39; and
- It is expected that the changes in fair value or cash flows of the hedged item, attributable to the hedged risk, are virtually offset by changes in fair value of the hedging instrument.

At the inception of the hedge operation, the Company documents the hedge relationship between the hedging instrument and the hedged item, its risk management objectives and its strategy for managing the risk. Additionally, in the beginning of the operation and at each reporting period it is assessed the effectiveness of the hedging instrument to offset changes in the fair value and cash flows of the hedged item.

The fair value of the derivative financial instruments and the changes recorded in the hedging reserve are disclosed in Note 11.

In the fair value hedge of an asset or liability (fair value hedge), the carrying amount of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the changes of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation for the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value changes of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge in recognized in the statement of profit and loss in the period in which occurs.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires, is sold or exercised, or when it no longer qualifies for hedge accounting.

In the circumstances where the derivative financial instrument is no longer qualified as hedging instrument, the Company assesses: (i) in fair value hedging instruments, the existence of fair value adjustments to the hedged item, which are amortized through the strait-line method in the remaining period of the hedged item; and (ii) in cash-flow hedging instruments, the existence of fair value differences are recognized in Hedging reserve in equity, amount that will be reclassified to the profit and loss statement.

Any amount recorded in the caption as "Other reserves – hedge reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Hedging reserve" is immediately reclassified to the statement of profit and loss.

3.7. REVENUE

Revenue includes the fair value of the consideration received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

Revenue relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest revenue is recognized in accordance with the effective interest method provided that it is probable that economic benefits flow to the company and they can be reliably measured.

The revenue from dividends is recognized as gain in the year they are assigned to the shareholders.

3.8. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTIES RELATING TO ESTIMATES

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

SIGNIFICANT ACCOUNTING ESTIMATES

3.8.1 PROVISIONS

Provisions are recognized when the Company has: i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions for restructuring expenses are recognized by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

3.8.2 FAIR VALUE

The fair value of listed investments is based on current market prices (“bid”). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. INCOME TAX

Income tax for the year recognized in the statement of profit and loss includes current income tax and deferred tax. Current and deferred tax are recognized in the statement of profit and loss, except when deferred tax relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit, given it excludes revenue or expenses items that will be taxable or deductible in other years and items that will never be taxable or deductible.

Deferred tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been formally enacted on the date of the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, or temporary taxable differences that revert in the same period as the deductible temporary differences. At the end of each reporting period a revision is made of the deductible temporary differences and they are adjusted based on the expectation of their future utilization.

3.10. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to Euros, the functional currency, using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognized as "finance costs" in the statement of profit and loss if relating to borrowings and in "other operating income or costs" in the case of all the other balances/ transactions.

3.11. ACCRUAL BASIS OF ACCOUNTING

Income and expenses are recognized on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. DISTRIBUTION OF DIVIDENDS TO SHAREHOLDERS

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. SHARE CAPITAL AND OWN SHARES

Own shares are classified in equity. Incremental costs directly attributable to the issuance of new shares or options are presented net of tax effects, as a deduction in equity.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there are enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. CASH FLOW STATEMENT

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities “Borrowings” caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. BORROWING COSTS

Borrowings costs are recognized as costs in the period they are incurred.

3.16. FINANCIAL RISK MANAGEMENT POLICIES

FINANCIAL RISK FACTORS

The Company`s activities are exposed to a variety of financial risks: credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on their financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and carry out transactions to minimise the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

- **Foreign exchange rate risk**

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issue totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to December 31st 2016, and all other factors remaining constant, would lead to a decrease on equity in the amount of 890 thousand Euros (1,031 thousand Euros as of 31 December 2015), while a decrease of that exchange rate would lead to an increase on equity in the amount of 979 thousand Euros (1,138 thousand Euros as of 31 December 2015).

ii) Credit risk

The exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

The counterparty risk on bank deposits, financial investments, and derivative instruments transactions is mitigated by selecting international financial institutions, with solid credit rating, and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through a centralized treasury management. All the excess and needs of liquidity, of each group company, are channelled to REN SGPS, which manages the consolidated balances with financial institutions.

In order to ensure current treasury needs of the Group as well as having the necessary dynamic and flexibility to fulfil short-term liquidity needs, the Company, as of 31 December 2016, has credit facilities contracted but not used in the amount of 80,000 thousand Euros and five commercial paper programmes, in the amount of 1,050,000 thousand Euros, being 797,000 thousand Euros available as of 31 December 2016. From the total amount of commercial paper programmes, 650,000 thousand Euros have subscription guarantee (of which 498,000 thousand Euros were available as of 31 December 2016) (Note 15).

The following table shows the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments with netted cash settlement. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest and therefore do not correspond to its carrying amounts.

	31 December 2016			
	Less than 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Borrowings:				
Bank borrowings	54,162	209,661	267,032	530,856
Bonds	80,749	730,104	1,201,180	2,012,033
Commercial paper	228,657	152,000	-	380,657
Others	50,568	170	-	50,738
	414,135	**1,091,936**	**1,468,213**	**2,974,284**
Derivative financial instruments	4,338	13,119	9,841	27,298
Trade and others payables	57,797	-	-	57,797
TOTAL	**476,271**	**1,105,055**	**1,478,054**	**3,059,379**

	31 December 2015			
	Less than 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Borrowings:				
Bank borrowings	62,570	260,274	273,346	596,190
Bonds	403,233	1,047,683	412,445	1,863,361
Commercial paper	298,232	-	-	298,232
Others	51,682	1,866	-	53,549
	815,717	**1,309,823**	**685,790**	**2,811,331**
Derivative financial instruments	7,255	981	-	8,237
Trade and others payables	60,326	-	-	60,326
TOTAL	**883,299**	**1,310,805**	**685,790**	**2,879,894**

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

	31 December 2016			
	Less than 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(9,355)	(76,003)	(89,527)
Inflows	2,196	8,784	86,528	97,508
	(1,973)	**(570)**	**10,524**	**7,982**

	31 December 2015			
	Less than 1 year	**1 - 5 years**	**Over 5 years**	**Total**
Cross Currency Interest Rate Swap				
Outflows	(4,180)	(12,484)	(77,713)	(94,376)
Inflows	2,068	8,270	83,532	93,870
	(2,112)	**(4,213)**	**5,819**	**(507)**

iv) Interest rate risk

The Company is exposed to interest rates risk, mainly on borrowings.

Borrowings at variable interest rates expose REN SGPS to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose REN SGPS to fair value risk, as a result of changes in interest rates. Risk management is performed centrally in order to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operations the Company exchanges with bank counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2016 and 2015, using the following assumptions:

- Changes in market interest rates impact interest income and costs of variable financial instruments;
- Changes in market interest rates only impact results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates impact the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates curves for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2016 would result in a decrease of profit before tax of, 2,595 thousand Euros, (3,001 thousand Euros as of 31 December 2015).

The increase in equity resulting from an increase in interest rates of 0.25% would be, 6,000 thousand Euros, this impact is entirely attributed to derivatives (on 31 December 2015 corresponded to an increase of 6,876 thousand Euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. SHARE-BASED PAYMENT

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payment ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the share price, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in net income of the period.

The share-based payments assume no material amounts for the purpose of disclosure in the notes to the financial statements.

3.18. SUBSEQUENT EVENTS

Events that occur subsequently to balance sheet date that provide additional information on conditions that existed at the date of the statement of financial position (“adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date (“non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. CASH FLOW

For the purpose of the statement of cash flow, the caption cash and cash equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents.

The caption “Cash and cash equivalents” at 31 December 2016 and 2015 is made as follows:

	2016	2015
Cash	1	-
Bank deposits repayable on demand	9,802	6,771
Cash and cash equivalents	**9,804**	**6,771**

Receipts and payments relating to borrowings mainly include emissions and reimbursements of commercial paper.

5. TANGIBLE ASSETS

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2016 and 2015 were as follows:

	2016		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	718	254	972
Acquisitions	206	8	214
Sales/write offs	(216)	(9)	(225)
Ending balance	708	253	961
Accumulated depreciation and impairment losses			
Beginning balance	274	162	436
Depreciation for the year	152	27	179
Depreciation Sales/write offs	(139)	(9)	(149)
Ending balance	287	180	466
Net assets	**422**	**73**	**495**

	2015		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	848	200	1,048
Acquisitions	305	56	362
Sales/write offs	(436)	(2)	(438)
Ending balance	718	254	972
Accumulated depreciation and impairment losses			
Beginning balance	434	136	570
Depreciation for the year	149	28	178
Sales/write offs	(309)	(2)	(312)
Ending balance	274	162	436
Net assets	**444**	**92**	**536**

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2016 and 2015:

	2016			2015
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment	661	(286)	375	415
	661	(286)	375	415

The minimum payments under finance lease contracts at 31 December 2016 and 2015 are as follows:

	Present value of minimum payments		Minimum payments	
	2016	2015	2016	2015
Up to 1 year (Note 15)	115	156	119	163
From 1 to 5 years (Note 15)	170	209	173	214
	286	**366**	**292**	**378**

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates as of 31 December 2016 and 2015 are as follows:

		31 December 2016						Investment held			
Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net result	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)
Equity method:											
Subsidiaries:											
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	3,009,090	2,418,846	590,245	389,255	56,178	100	590,245	-	56,178
REN Trading, S.A.	Lisbon	50	214,176	214,577	(401)	4,046	(2,778)	100	-	(401)	(2,778)
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	273,097	169,200	103,897	45,140	7,210	100	103,897	-	7,210
RENTELECOM - Comunicações, S.A.	Lisbon	100	6,998	2,973	4,025	5,532	2,542	100	4,025	-	2,542
REN Serviços, S.A.	Lisbon	50	995,996	939,973	56,024	52,017	21,690	100	56,024	-	21,690
Enondas, Energia das Ondas, S.A.	Pombal	250	2,981	2,407	574	400	82	100	574	-	82
Ren Finance, BV	Amsterdam	20	1,542,442	1,421,941	120,501	1,857	3,735	100	120,501	-	3,735
									875,266	**(401)**	**88,658**
Associates:											
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	30,981	1,300	29,681	1,638	1,070	40	7,099	-	1,089 (i)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	7,518	1,529	5,989	3,902	1,603	50	2,989	-	797
									10,088	**-**	**1,886**
										-	
									885,354	**(401)**	**90,544**

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

		31 December 2015						Investment held		
Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net results	%	Investment	Proportional amount of result (Note 18)
Equity method:										
Subsidiaries:										
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,936,299	2,271,416	664,883	379,992	52,433	100	664,883	52,433
REN Trading, S.A.	Lisbon	50	156,451	153,040	3,411	3,632	1,088	100	3,411	1,088
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	347,181	250,494	96,687	48,421	7,396	100	96,687	7,396
RENTELECOM - Comunicações, S.A.	Lisbon	100	6,891	2,991	3,900	5,724	2,544	100	3,900	2,544
REN Serviços, S.A.	Lisbon	50	1,014,135	936,989	77,146	97,920	38,975	100	77,146	40,174
Enondas, Energia das Ondas, S.A.	Pombal	250	2,574	2,082	492	694	75	100	492	75
Ren Finance, BV	Amsterdam	20	828,154	762,008	66,146	43,704	3,725	100	66,146	3,725 (i)
									912,665	**107,433**
Associates:										
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	30,298	1,906	28,392	1,186	610	40	7,256	322 (ii)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	10,929	6,543	4,386	2,989	892	50	2,193	445
									9,448	**767**
									922,114	**108,200**

(i) The proportional value of REN Serviços it´s increased by 1,198 thousands of Euros of capital gain recognition from the sale of Enagas .
(ii) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

As of 31 December 2016, the accumulated amount recognized in the caption "Investments – equity method", in consequence of the use of the equity method, amounts to 359,571 thousand Euros. According to the current legislation in Portugal, any income and other positive equity fluctuations recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

The changes in these captions in 2016 and 2015 were as follows:

	2016		
	Investment - equity method		
	Proportion of capital held (assets)	Proportion of capital held (provisions) (Note 14)	Total
Beginning balance	922,114	-	922,114
Result appropriated by the equity method (Note 18)	90,945	(401)	90,544
Distribution of dividends by subsidiaries and associates	(90,288)	-	(90,288)
Appropriation of changes in equity in subsidiaries (NCRF 28 amendments-Note 13)	(81,005)	-	(81,005)
Other appropriation of changes in equity in subsidiaries	(5,786)		(5,786)
Capital Increase on REN Finance BV	50,620	-	50,620
Sale 5% OMIP SGPS (exercise of an option to sell)	(1,246)	-	(1,246)
Ending balance	**885,354**	**(401)**	**884,953**

	2015
	Investment - equity method
	Proportion of capital held (assets)
Beginning balance	902,444
Result appropriated by the equity method (Note 18)	108,200
Distribution of dividends by subsidiaries and associates	(90,646)
Appropriation of changes in equity in subsidiaries	(11,356)
Capital Increase on REN Finance BV	12,800
Others	672
Ending balance	**922,114**

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.

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

The Research & Development Centre aims to become a platform for international knowledge, a catalyst for innovative solutions and tools, applied to the planning and operation of transmission power.

8. GOODWILL

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2016 and 2015 the amount was made up as follows:

			Percentage interest held			Goodwill		
Entity	**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**Amount at 01.01.2016**	**Decreases**	**Amount at 31.12.2016**	**Amount at 31.12.2015**
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	3,774	(377)	3,397	3,774

9. INCOME TAX

The companies belonging to the REN group are taxed based on the special regime for the taxation of group companies ("RETGS"). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS.

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 contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2013 to 2016 are still subject to review.

The Company's Board of Directors understands that any correction 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 December 2016 and 2015.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iv) 7% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2016, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax credit / (expense) of the years ended 31 December 2016 and 2015 was

	2016	2015
Current tax	(4,158)	(270)
Adjustments relating to previous years income tax	(61)	29
Deferred tax	2,012	(11)
Income tax	(2,207)	(252)

as follows:

The reconciliation of current income tax as of 31 December 2016 and 2015 is made up as follows:

	2016	2015
Profit before income tax	**96,012**	**110,563**
Positive net worth variation	-	30
Permanent differences		
Non tax deductible costs	657	873
Non taxable income	(90,778)	(110,801)
Timing differences		
Provision for post employment benefits	1	1
Provisions and impairments	200	(7)
Derivative Financial Instruments	61	(45)
Exchange bond	9,319	-
Taxable profit	**15,472**	**613**
Cost/(credit) of income tax at the rate of 21%	3,249	129
State surcharge tax	579	-
Municipal taxation	232	9
Autonomous taxation	93	118
Income tax from previous years	5	14
Current tax	**4,158**	**270**
Deferred tax	(2,012)	11
Adjustments relating to prior years income tax	61	(29)
Income tax	**(2,207)**	**(252)**

The non-taxable income amounts are essentially related to gains from the equity method in the measurement of investments in subsidiaries and associates.

DEFERRED TAXES

The amounts of deferred tax assets and liabilities as of 31 December 2016 and 2015, in accordance with the underlying temporary differences are made up as follows:

	31 December				Increase/ (decrease) in the period	
	2016		2015			
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets						
Provision for legal processes	263	55	263	55	-	-
Restructuring provision	200	42	-	-	42	-
Provision for post employment benefits	9	2	8	2	-	-
Derivative financial instruments-Cash Flow	17,542	3,684	11,342	2,382	-	1,302
Derivative financial instruments-Fair Value	16	3	-	-	3	-
Exchange bond	9,319	1,957	-	-	1,957	-
	27,349	**5,743**	**11,612**	**2,439**	**2,002**	**1,302**
Deferred tax liabilities						
Derivative financial instruments-Fair value	-	-	45	9	(9)	-
Fair value of assets	11,116	2,334	-	-	-	2,334
	11,116	**2,334**	**45**	**9**	**(9)**	**2,334**
Deferred tax					**2,012**	**(1,032)**

10. FINANCIAL ASSETS

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables at 31 December 2016 and 2015 are made up as follows:

	2016	2015
Non current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	1,473,755	2,185,348
Current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	731,907	84,207
Group companies - treasury management (Note 25)	602,183	455,204
Group companies - RETGS (Note 25)	64,165	44,692
Group companies - other debtors (Note 25)	5,947	6,100
Group companies - Interest receivable from shareholders loans (Note 25)	33,926	35,573
Other	167	144
	1,438,297	625,919
	2,912,051	2,811,267

As of 31 December 2016 the Company made shareholders loans to its subsidiaries in the total amount 2,205,662 thousand Euros (2,269,555 thousand Euros as of 31 December 2015), which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, with financial conditions in line with the market conditions.

The caption "Other receivables – Group companies - RETGS" includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

OTHER FINANCIAL ASSETS

The caption "Other financial assets" as of 31 December 2016 and 2015 is made up as follows:

	2016	2015
Current:		
Luso Carbon Fund	1,317	1,510
Non current:		
Labor compensation fund	4	2
Other financial assets	**1,322**	**1,512**

Luso Carbon Fund corresponds to a financial investment of 126 participating units in the closed investment fund "Luso Carbon Fund". On 15 December 2016, the company which managed the fund, communicated its dissolution, since the fund has reached its due date, leading to the settlement and distribution of the liquidation result. It was authorized by CMVM the extension of the fund settlement deadline until the 31st of March 2017. This investment is booked at fair value through results, using the value of investment units of the investment fund.

11. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2016 and 2015 the Company had the following derivative financial instruments contracted:

		31 December 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	363,462 TEUR	-	-	1,063	11,072
Interest rate and currency swaps	10,000,000 TJPY	-	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	60,000 TEUR	-	-	-	1,139
Derivative financial instruments		**-**	**20,425**	**1,063**	**12,212**

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

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 (Note 3.16), whose counterpart are financial foreign and domestic entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 31 December 2016 relating to these derivatives financial instruments, in the total net amount receivable of 1,950 thousand Euros (1,497 thousand Euros at 31 December 2015, receivable).

The main features of the derivatives financial instruments used for REN SGPS major financing operations as of 31 December 2016 and 2015 are detailed as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31-12-2016	Fair value at 31-12-2015
Cash flow hedge:							
Interest rate swaps	569,231 TEUR	EUR	[1.89%;2.77%]	[-0.13%;0.00%] -Floating rates	[Dec-2016; Sept-2017]	-	(5,599)
Interest rate swaps	363,462 TEUR	EUR	[0.75%;1.89%]	[-0,32%;0,00%] -Floating rates	[Sept-2017; Dec-2024]	(12,136)	-
Interest rate and currency swaps	10,000,000 TJPY / 72,899 TEUR	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	8,673	1,068
						(3,463)	**(4,531)**
Fair value hedge:							
Interest rate swaps	400,000 TEUR	EUR	[0.19%;0.13%] - floating rates	[0.61%;1.72%]	[Oct-2020; Feb-2025]	11,753	(529)
Trading derivatives:						**11,753**	**(529)**
Interest rate swaps	60,000 TEUR	EUR	Floating rates to be determined in future	[0.00%;0.99%]	2024	(1,139)	**872**
						(1,139)	**872**
						7,150	**(4,187)**

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

The maturity schedule of cash flows and fair value hedge derivatives notional as of 31 December 2016 and 2015 is shown in the following table:

2016

	2017	2018	2019	2020	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
Trading derivatives	-	-	-	-	60,000	60,000
Total	**63,462**	**-**	**-**	**100,000**	**732,899**	**896,361**

2015

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

SWAPS:

Cash flow hedges

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

As of 31 December 2016, two cash flow hedge swaps expired, resulting in a decrease of the total notional to 363,462 thousand Euros (569,231 thousand Euros as of 31 December 2015). On the same date two forward start interest rate swap started, previously negotiated in February 2015. This refer to hedging of interest rate risk on interest payments at variable rates on recognized financial liabilities. The risk covered is the variable rate index to which the borrowing interest relates to. The objective of this hedging is to convert loans at variable interest rates into fixed interest rates, the credit risk is not being hedged. The fair value of the interest rate swaps at 31 December 2016 is 12,136 thousand Euros negative (5,599 Euros negative at 31 December 2015).

In addition, the Company 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 a 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 goal will be to hedge the exposure to JPY and the interest rate risk, changing the operation into a fair value hedge hence the changes in fair value of the debt issued resulting from the risks covered will be recognized in the statement of profit and loss. The credit risk is not hedged.

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

The fair value of the cross currency swap at 31 December 2016 was 8,673 thousand Euros positive (1,068 thousand Euros positive at 31 December 2015).

The underlying (borrowing) foreign exchange change for 2016 was 4,742 thousand Euros negative (7,439 as of 31 December 2015 negative), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The inneffective component of the fair value hedge amounted to 6,196 thousand Euros positive (3,792 thousand Euros at 31 December 2015 positive).

The amount recorded in the hedging reserve relating to the above mentioned cash flow hedge was 17,542 thousand Euros (11,342 thousand Euros in 31 December 2015).

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2015	**(24,644)**	**5,175**	**(19,468)**
Changes in fair value and ineffectiveness	13,302	(2,793)	10,509
31 December 2015	**(11,342)**	**2,382**	**(8,960)**
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)**

Fair value hedge

To manage the fair value changes of debt issues, the company trade interest rate swaps on which REN SGPS pays a variable interest rate and receives a fixed interest rate.

As of 31 December 2016 the notional amount of fair value hedge derivatives reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2015). The covered risk is related with fair value changes of the debt issues related to interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates into variable interest rates, the credit risk is not hedged.

The fair value of these interest rate swaps at 31 December 2016 was 11,753 thousand Euros positive (529 thousand Euros negative as of 31 December 2015).

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

During 2016, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 11,700 thousand Euros negative (24,942 thousand Euros positive as of 31 December 2015), causing an ineffective component of 251 thousand Euros (positive) (906 thousand Euros positive as of 31 December 2015).

Trading derivatives

The Company 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 future interest rates for the above mentioned period.

As of 31 December 2016 the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2015). This is a hedging of interest rate risk associated with future cash flows of variable interest rate associated with the Group finance liabilities. The hedged risk is a variable rate index to which the debt interests is 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 December 2016 is 1,139 thousand Euros negative (872 thousand Euros positive as of 31 December 2015).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 31 December 2016 the amount related with the fair value of the trading derivative was an expenses of 2,012 thousand Euros (income of 872 thousand Euros as of 31 December 2015).

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The assets recognized in this caption at 31 December 2016 and 2015 corresponds to equity interests held on strategic entities in the electricity and gas market, which can be detailed as follows:

	Head office		% owned		Book value	
	City	Country	2016	2015	2016	2015
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Med Grid SAS	Paris	France	0.00%	8.00%	-	600
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	49,516	47,104
					52,683	**50,871**
Impairment						
Med Grid SAS					-	(600)
					52,683	**50,271**

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	Total
At 1 January 2015	**3,167**	**600**	**41,572**	**45,339**
Fair value adjustments	-	-	5,532	5,532
Impairment loss	-	(600)	-	(600)
At 31 December 2015	**3,167**	**-**	**47,104**	**50,271**
At 1 January 2016	**3,167**	**-**	**47,104**	**50,271**
Fair value adjustments	-	-	2,412	2,412
At 31 December 2016	**3,167**	**-**	**49,516**	**52,683**

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. ("Parpublica"), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2015, the Company held an interest representing 8% of the share capital of Medgrid, SAS. This company was liquidated in the year 2016 and for this purpose the impairment loss recorded in 2015 was used.

As of 31 December 2016, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. ("OMEL"). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation of an Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses. At this date no evidences of impairment losses related with OMEL exist.

The movements recorded in the fair value impairments were as follows:

	2016	2015
Beginning balance	600	-
Increases	-	600
Reversing	(92)	-
Utilization	(508)	-
Ending balance	-	600

Adjustments to the fair value of assets held for sale are recorded in equity under the caption "fair value reserve", which as of 31 December 2016 and 2015 presents the following amounts:

	Fair value reserve
1 January 2015	**3,172**
Changes in fair value	5,532
31 December 2015	**8,704**
1 January 2016	**8,704**
Changes in fair value	2,412
Fiscal effect	(2,334)
31 December 2016	**8,782**

The dividends distributed are detailed in Note 24.

13. INSTRUMENTS

SHARE CAPITAL

As of 31 December 2016 the Company's subscribed and paid up capital was made up of 534,000,000 shares with nominal value of 1 Euro each.

Share capital at 31 December 2016 and 2015 is made up as follows:

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

The main shareholders at 31 December 2016 and 2015 and were as follows:

	31.12.2016		31.12.2015	
	Shares	%	Shares	%
State Grid Europe Limited (Group State Grid)	133,500,000	25.00%	133,500,000	25.00%
Mazoon B.V. (Group Oman Oil Company S.A.O.C.)	80,100,000	15.00%	80,100,000	15.00%
Fidelidade - Companhia de Seguros, S.A.	28,370,665	5.31%	28,370,665	5.31%
The Capital Group Companies, Inc.	26,792,304	5.02%	-	-
EDP - Energias de Portugal, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Internacional, S.A.U.	26,700,000	5.00%	26,700,000	5.00%
Great-West Lifeco, Inc.	10,980,987	2.06%	-	-
Gestmin, SGPS, S.A.	i)	i)	32,040,000	6.00%
Own shares	3,881,374	0.73%	3,881,374	0.73%
Free float	196,967,335	36.89%	202,700,626	37.96%
	534,000,000	**100.00%**	**534,000,000**	**100.00%**

- Gestmin, SGPS, S.A. no longer holds a qualifying holding

At 31 December 2016 and 2015 the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.7268%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2016.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

LEGAL RESERVE

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2016 the caption “Legal reserve” amounted to 106,800 thousand Euros (102,608 thousand Euros in 2015).

OTHER RESERVES

The caption “Other Reserves” includes changes in the fair value of assets held for sale, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used. At 31 December 2016, the Company had in equity a negative amount of 5,076 thousand Euros (256 thousand Euros negative in 2015) relating to decreases resulting from the application of fair value.

The caption “Other Reserves” includes free reserves in the amount of 180,189 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

ADJUSTMENTS TO FINANCIAL ASSETS

The caption “Adjustments to financial assets” reflects changes in the subsidiaries equity when applying the equity method.

As of 31 December 2016 this caption amounted to 43,714 thousand Euros (43,077 thousand Euros as of 31 December 2015) and includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses related with the change in NCRF 28 – Employee Benefits and the actuarial gains and losses of the year in the total amount of 81,005 thousand Euros (Note 7) and; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 5,786 thousand Euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

DIVIDENDS DISTRIBUTIONS

During the Shareholders General Assembly meeting held on 13 April 2016, the Shareholders approved the distribution of dividends, with respect to the net profit of 2015, in the amount of 91,314 thousand Euros (0.171 Euros/share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

The dividends paid during the year ended 31 December 2015, determined on the 2014 net profit amounted to 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

GUARANTEES GIVEN

At 31 December 2016 and 2015 the Company had given the following bank guarantees:

Beneficiary	Object	2016	2015
European Investment Bank	For loan outstanding balances	278,033	219,832
General Directorate of Energy and Geology	Guarantee complete fulfillment of the obligations of the Concession Contract	10,000	10,000
Municipal Council of Vila Nova de Gaia	Ensure the suspension of tax enforcement proceedings n.º412/13	2	2
Labour Court of Lisbon	Guarantee for litigation	153	153
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	2,107	-
		290,295	**229,987**

The guarantees given have the following maturities:

	December 2016			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	22,810	95,720	159,503	278,033
Others	-	-	12,262	12,262
	22,810	**95,720**	**171,765**	**290,295**

	December 2015			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	25,433	61,827	132,572	219,832
Others	-	-	10,155	10,155
	25,433	**61,827**	**142,727**	**229,987**

PROVISIONS

At 31 December 2016 and 2015 the caption "Provisions" was made up as follows:

	2016			2015
	Investments (Note 7)	Other provisions	Provisions	Other provisions
Non current:				
Beginning balance	**-**	**263**	**263**	**270**
Increases	401	-	401	33
Reversing	-	-	-	(40)
Ending balance	**401**	**263**	**664**	**263**
Current:				
Beginning balance	**-**	**-**	**-**	**-**
Increases	-	200	200	-
Ending balance	**-**	**200**	**200**	**-**

As of 31 December 2016 the caption "Provisions" in the amount of 200 thousand Euros refers to a provision related to a restructuring process and to litigations in progress.

15. FINANCIAL LIABILITIES

TRADE PAYABLES AND OTHER PAYABLES

At 31 December 2016 and 2015 the captions "Trade payables" and "Other payables" were made up as follows:

	2016	2015
Current		
Trade payables:		
Group (Note 25)	86	102
National	931	623
Foreign	561	845
	1,578	**1,570**
Other payables:		
Capex suppliers	95	17
Group companies - RETGS (Note 25)	2,032	3,707
Group companies - Treasury management (Note 25)	50,425	50,469
Accrued costs:		
Remunerations	487	474
Others	2,452	2,090
Other Creditors:		
Group (Note 25)	285	349
Others	443	1,650
	56,220	**58,757**
	57,797	**60,326**

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

BORROWINGS

The borrowings are divided, in terms of maturity (current and non-current) and nature, as of 31 December 2016 and 2015, as follows:

	2016	2015
Non-current		
Commercial paper	152,000	129,000
Bonds	352,355	505,719
Bank loans	450,349	421,047
Finance leases (Note 6)	170	209
Group Companies - Bonds (Note 25)	1,362,755	745,000
Other deferred borrowing costs	(871)	(1,620)
Other deferred borrowing costs - Group companies (Note 25)	(5,155)	(843)
	2,311,602	**1,798,513**
Current		
Commercial paper	101,000	236,000
Group Companies - Commercial Paper (Note 25)	126,597	61,100
Bonds	30,000	330,000
Bank loans	46,730	50,021
Finance leases (Note 6)	115	156
Group Companies - Interests and other similar costs (Note 25)	20,326	11,586
Interest payable	8,573	20,354
Other deferred borrowing costs	(1,516)	(4,038)
Other deferred borrowing costs - Group companies (Note 25)	(1,514)	-
	330,311	**705,179**
	2,641,914	**2,503,692**

The company external borrowings have the following capital repayment schedule:

	2017	2018	2019	2020	2021	Following years	Total
Debt - Non current	-	239,673	219,270	77,927	76,890	340,242	954,003
Debt - Current	184,902	-	-	-	-	-	184,902
	184,902	**239,673**	**219,270**	**77,927**	**76,890**	**340,242**	**1,138,905**

The company internal borrowings have the following capital repayment schedule:

	2017	2018	2019	2020	2021	Following years	Total
Commercial paper	126,597	-	-	-	-	-	126,597
Bond	-	-	-	302,755	10,000	1,050,000	1,362,755
	126,597	**-**	**-**	**302,755**	**10,000**	**1,050,000**	**1,489,352**

Detailed information regarding bond issues as of 31 December 2016 is as follows:

31 December 2016					
Issue date	Maturity	Initial amount	Outstanding amount	Interest rate	Schedule of interest payments
'Euro Medium Term Notes' programme issues					
26-06-2009	26-06-2024	TJPY 10,000,000 (i)	TJPY 10,000,000	Fixed rate (ii)	Semi-annual
16-01-2013	16-01-2020	TEUR 150,000 (i)	TEUR 120,000	Floating rate	Quarterly
31-01-2013	31-01-2018	TEUR 300,000	TEUR 162,800	Fixed rate EUF	Annual

(i) These issues correspond to private placements.

(ii) These issues has interest and currency rate swaps associated

During 2016 a 300,000 thousand Euros bond issue reached its maturity.

On June 2016, as part of its debt restructuring operation, REN SGPS repurchased bonds in the amount of 137,200 thousand Euros from the total issue of 300,000 thousand Euros due in January 2018, issued in January 2013, with a coupon of 4.125%. The costs incurred with this operation amounted to 10,170 thousand Euros.

In addition, REN SGPS participated, with REN Finance B.V., in an Exchange Offer, in which it carried out: (i) the repurchase of 132,254 thousand Euros of bonds issued by REN SGPS and subscribed by REN Finance BV, due in 2020; and (ii) issue of a new bond in the amount of 550,000 thousand Euros, with maturity date in 2023, subscribed by REN Finance BV. The refinancing of the amount of the bond issue, referred to above, was not recorded as a derecognition of the financial liabilities because, In the assessment of the transaction, the Company concluded that it was not a termination of a financial liability, taking into account that the exchange occurred between the existing borrower and the existing lender and the terms of the debt instruments exchanged did not differ substantially. As a result, the costs incurred in this operation, amounting to 21,937 thousand Euros (included in the caption Other deferred borrowing cost – Group companies refered above) were adjusted to the carrying amount of the liability and will be amortized over the remaining term of the modified liability. As of 31 December 2016, that balance amounts to 20,100 thousand Euros.

The bank loans in the amount of 497,978 thousand Euros (471,068 thousand Euros as of 31 December 2015) are mainly agreed with EIB - European Investment Bank. In December 2016 the Company assumed the contractual position of the subsidiary REN Atlântico in the project finance contract amounting to 79,236 thousand Euros.

As a result of the fair value hedge, related to the debt issues in the amount of 400,000 thousand Euros (Note 11), fair value changes were recognized directly in statement of profit and loss, in a negative amount of 11,700 thousand Euros (24,492 thousand Euros (positive) as of 31 December 2015).

As of 31 December 2016, the Company issued commercial paper in the amount of 126,597 thousand Euros (61,100 thousand Euros in 31 December 2015) and bonds in the amount of 1,362,755 thousand Euros (745,000 thousand Euros in 31 December 2015) subscribed within the Group. The terms and conditions of these borrowings are at market conditions.

As of 31 December 2016, the company has five commercial paper programs in the amount of 1,050,000 thousand Euros, being available to use 797,000 thousand Euros. From the total amount of the commercial paper programs, 650,000 thousand Euros have a subscription guarantee.

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), and from the total amount, 70,000 thousands Euros, respects to two grouped facilities, which can be used in total by one group company or in part by several group companies.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 64% above the minimum in 2016.

The borrowings from EIB – European Investment Bank include ratings and financial covenants. In the event of the rating or financial ratios fall below the levels specified, the Company can be called to provide guarantees acceptable to EIB.

The Company 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, change of control as a result of takeover bids) and essential to the realization of such transactions on the 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 SGPS nor its counterparts in borrowing agreements are authorized to disclose further information regarding the content of these financing agreements.

16. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2016 and 2015 the caption "State and other public entities" was as follows:

	2016	2015
Current assets		
Income tax	-	6,586
VAT receivable	1	1
State and other public entities - Asset	1	6,588

	2016	2015
Current liabilities		
Income tax	26,698	-
VAT payable	380	308
Retained tax	119	133
Social security	119	127
State and other public entities - Liability	27,317	568

The REN group entities are included in the CIT – RETGS regime (Note 9).

17. REVENUE

The revenue recognized by the Company in the year ended 31 December 2016 and 2015 was as follows:

	2016	2015
Services rendered		
Technical and admninistrative management of REN Group (Note 25)	12,954	13,115
Other services	-	2
	12,954	13,117

18. GAINS AND LOSSES FROM SUBSIDIARIES AND ASSOCIATES

The gains and losses from subsidiaries and associates in the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Subsidiaries:		
REN Rede Eléctrica Nacional, S.A.	56,178	52,433
REN Atlântico, Terminal de GNL, S.A.,	7,210	7,396
Rentelecom - Comunicações, S.A.	2,542	2,544
REN Serviços, S.A.	21,690	40,174
ENONDAS – Energia das Ondas, S.A.	82	75
REN Trading, S.A.	(2,778)	1,088
REN Finance, B.V.	3,735	3,725
Associates:		
OMIP, SGPS, S.A.	1,089	322
Centro de Investigação em Energia REN - STATE GRID, S.A.	797	445
	90,544	108,200

19. SUPPLIES AND SERVICES

The caption “Supplies and services” for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Specialized services	2,818	2,926
Services rendered to Group companies (Note 26)	2,879	2,677
Advertising and promotional expenses	325	445
Travel and lodging	606	526
Other services	692	663
	7,321	7,237

20. PERSONNEL COSTS

The caption "Personnel costs" for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Remunerations		
Board of directors	2,344	2,422
Personnel	3,314	3,523
	5,658	5,945
Charges on remuneration and other		
Charges on remuneration	1,066	1,153
Other	73	307
Insurance	84	97
	1,223	1,557
Personnel costs	**6,881**	**7,502**

The Board of Directors caption includes the Board of Directors members' remunerations and the General Assembly members' remunerations.

PERSONNEL EMPLOYED

During the years ended 31 December 2016 and 2015 the average number of personnel employed by the Company was 42 and 43, respectively.

21. OTHER INCOME

The caption "Other income" for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Supplementary income	138	77
Other income	40	194
	178	271

22. OTHER EXPENSES

The caption “Other expenses” for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Donations	177	73
Subscriptions	165	134
Taxes	272	628
Other expenses	49	27
	662	863

23. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption “Interest and similar income and expenses” for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
Interest and similar costs		
Bonds	42,208	44,430
Bank loans	11,260	16,690
Commercial paper	4,811	4,844
Derivative financial instruments	2,012	672
Centralized treasury management (Note 25)	347	782
Commercial paper - Group companies (Note 25)	1,117	1,820
Bonds - Group companies (Note 25)	39,095	41,120
Other financial costs	444	304
	101,294	**110,661**
Interest and similar income		
Interest on sharehoders loans (Note 25)	98,975	104,744
Interest on centralized treasury management (Note 25)	3,800	5,367
Interest on bank deposits	-	78
Derivative financial instruments	5,261	4,344
Other income	1	22
	108,038	**114,555**

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. DIVIDENDS

During the years ended 31 December 2016 and 2015 the Company received the following dividends from financial assets held for sale:

	2016	2015
Dividends received:		
- HCB	1,079	1,376
- OMEL	41	76
	1,120	**1,452**

The total amount of dividends received from subsidiaries, associates and financial assets held for sale amounted to 91,408 thousand Euros.

25. RELATED PARTIES

During the years ended 31 December 2016 and 2015 the following transactions were carried out with related parties:

GROUP

2016							
Related party	**Services rendered (Note 17)**	**Interest and similar income - Shareholders loans (Note 23)**	**Interest and similar income - Treasury management (Note 23)**	**Supplies and services (Note 19)**	**Interest and other similar costs - Treasury management (Note 23)**	**Interest and other similar costs - Commercial paper (Note 23)**	**Interest and other similar costs -Bonds (Note 23)**
REN - Rede Eléctrica Nacional, S.A.	7,447	69,250	1,273	806	-	-	-
REN Trading, S.A.	11	-	972	-	-	-	-
ENONDAS, S.A.	13	-	14	-	-	-	-
REN Serviços, S.A.	1,563	28,163	1,396	621	-	-	-
RENTELECOM - Comunicações, S.A.	117	-	-	-	32	-	-
REN Gás, S.A.	-	-	-	-	311	-	-
REN Gasodutos, S.A.	2,454	-	100	-	5	-	-
REN Armazenagem, S.A.	447	-	46	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	903	1,562	0	-	-	-	-
REN Finance, B.V.	-	-	-	1,453	-	1,117	39,095
	12,954	**98,975**	**3,800**	**2,879**	**347**	**1,117**	**39,095**

2015							
Related party	**Services rendered (Note 17)**	**Interest and similar income - Shareholders loans (Note 23)**	**Interest and similar income - Treasury management (Note 23)**	**Supplies and services (Note 19)**	**Interest and other similar costs - Treasury management (Note 23)**	**Interest and other similar costs - Commercial paper (Note 23)**	**Interest and other similar costs -Bonds (Note 23)**
REN - Rede Eléctrica Nacional, S.A.	7,430	72,387	722	1,132	38	-	-
REN Trading, S.A.	59	-	880	-	-	-	-
ENONDAS, S.A.	11	-	31	-	-	-	-
REN Serviços, S.A.	1,615	30,519	2,633	781	-	-	-
RENTELECOM - Comunicações, S.A.	114	-	-	-	66	-	-
REN Gás, S.A.	-	-	-	-	677	-	-
REN Gasodutos, S.A.	2,567	-	715	-	-	-	-
REN Armazenagem, S.A.	391	-	386	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	928	1,837	-	-	-	-	-
REN Finance, B.V.	-	-	-	764	-	1,820	41,120
	13,115	**104,744**	**5,367**	**2,677**	**782**	**1,820**	**41,120**

OTHER RELATED PARTIES

	2016	2015
Services rendered		
Centro de Investigação em Energia REN - State Grid, S.A.	-	2
OMIP	-	2
	-	**4**
External supplies and services		
EDP	1	-
CMS - Rui Pena & Arnaut [1]	-	10
	1	**10**

[1] Entity related with the Member of the Board Directors, José Luis Arnaut.

As of 31 December 2016 and 2015 the Company had the following balances with related parties:

GROUP

	2016					
	Current assets					Non current assets
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Other receivables - Shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	484,231	213,218	22,518	24,313	1,109	916,346
REN Trading, S.A.	-	140,898	-	11,384	342	-
REN Serviços, S.A.	240,000	225,780	11,196	-	366	450,000
REN Gasodutos, S.A.	-	11,538	-	20,023	371	-
REN Armazenagem, S.A.	-	5,589	-	4,084	64	-
REN Atlântico, Terminal de GNL, S.A.	7,676	3,000	212	3,504	133	107,409
REN Gás, S.A.	-	-	-	75	-	-
ENONDAS, S.A.	-	2,160	-	16	3	-
RENTELECOM - Comunicações, S.A.	-	-	-	766	17	-
REN Finance, B.V.	-	-	-	-	3,543	-
	731,907	**602,183**	**33,926**	**64,165**	**5,947**	**1,473,755**

	2016							
	Current liabilities					Non Current liabilities		
Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)	Others creditors (Note 15)	Suppliers (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	166	-	-	-	-
REN Trading, S.A.	-	-	-	-	-	-	-	-
REN Serviços, S.A.	-	2,032	-	8	86	-	-	-
REN Gasodutos, S.A.	-	-	-	-	-	-	-	-
REN Gás, S.A.	45,444	-	-	25	-	-	-	-
ENONDAS, S.A.	-	-	-	-	-	-	-	-
RENTELECOM - Comunicações, S.A.	4,981	-	-	3	-	-	-	-
REN Finance, B.V.	-	-	13,656	84	-	126,597	1,362,755	(5,155)
	50,425	**2,032**	**13,656**	**285**	**86**	**126,597**	**1,362,755**	**(5,155)**

	2015					
	Current assets					Non current assets
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Other receivables - Shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	34,231	159,108	22,821	17,398	1,248	1,400,577
REN Trading, S.A.	-	97,287	-	-	119	-
REN Serviços, S.A.	49,976	168,875	12,682	930	403	690,000
REN Gasodutos, S.A.	-	23,018	-	20,710	516	-
REN Armazenagem, S.A.	-	5,130	-	2,683	83	-
REN Atlântico, Terminal de GNL, S.A.	-	-	69	2,027	182	94,771
REN Gás, S.A.	-	-	-	146	-	-
ENONDAS, S.A.	-	1,786	-	17	3	-
RENTELECOM - Comunicações, S.A.	-	-	-	781	23	-
REN Finance, B.V.	-	-	-	-	3,522	-
	84,207	**455,204**	**35,573**	**44,692**	**6,100**	**2,185,348**

	2015							
	Current liabilities						Non Current liabilities	
Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from Bonds (Note 15)	Others creditors (Note 15)	Suppliers (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	114	-	-	-	-
REN Trading, S.A.	-	3,707	-	-	-	-	-	-
REN Serviços, S.A.	-	-	-	13	102	-	-	-
REN Gasodutos, S.A.	-	-	-	0	-	-	-	-
REN Gás, S.A.	45,748	-	-	33	-	-	-	-
ENONDAS, S.A.	-	-	-	-	-	-	-	-
RENTELECOM - Comunicações, S.A.	4,721	-	-	3	-	-	-	-
REN Finance, B.V.	-	-	11,586	183	-	61,100	745,000	(843)
	50,469	**3,707**	**11,586**	**349**	**102**	**61,100**	**745,000**	**(843)**

OTHER RELATED PARTIES

	2016	2015
Assets		
Other receivables- Oman Oil	1	1
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	65	76
	66	**77**
Liabilities		
Other creditors	-	2
Centro de Investigação em Energia REN - State Grid, S.A.	**-**	**2**
Suppliers		
EDP	1	1
	1	**1**

INFORMATION ON SHARE TRANSACTIONS BY MEMBERS OF THE BOARD OF DIRECTORS

During the first semester of 2016, the shareholder Gestmin, SGPS, S.A. (Gestmin), and related party of Manuel Champalimaud, REN's Board of Director's member until 31 May 2016, informed about the sale of the total amount of 19,449,715 shares of REN's share capital.

Additionally, Jorge Magalhães Correia, REN's Board of Director's member, and in the exercise of member of the governing bodies of Fidelidade – Companhia de Seguros, S.A. (Fidelidade) holder of a qualifying holding in REN and its subsidiary Multicare – Seguros de Saúde, S.A., informed about the acquisition of 200,000 shares of REN by Fidelidade and the sale of 60,000 shares and 53,500,000 bonds of REN by Fidelidade and Multicare, respectively.

On 29 July 2016, Jorge Manuel Baptista Magalhães Correia, vogal of REN's Board of Directors, informed REN regarding the sale of 9,000 bonds of REN. With this operation Jorge Manuel Baptista Magalhães does not hold any Company's bond or share.

On 21 September 2016, Manuel Sebastião (Non-Executive director and President of the Audit Committee), acquired 2,000 shares of REN. With this transaction, the member holds a total of 7,000 shares.

On 11 October 2016, Manuel Sebastião (Non-Executive director and President of the Audit Committee), acquired 7,000 shares and on 14 October 2016 sold 7,000 shares. With this transaction, the member holds a total of 7,000 shares.

Besides the above situations, no other transactions were made by Board of Directors members as compared to the financial statements ended 31 December 2015.

26. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of REN SGPS were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN SGPS in the years ended 31 December 2016 and 2015 was as follows:

	2016	**2015**
Remuneration and other short term benefits	1,488	1,566
Management bonuses (estimated)	856	856
	2,344	**2,422**

There are no loans granted to the members of the Board of Directors.

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES IN ACCORDANCE WITH IAS 39

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

2016

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	9,804	9,804	9,804
Trade and other receivables	10	2,912,051	-	-	-	-	-	2,912,051	2,912,051
Other financial assets	10	-	-	-	-	1,322	94	1,415	1,415
Available-for-sale financial assets	12	-	-	-	52,683	-	-	52,683	52,683
Income tax receivable	16	-	-	-	-	-	1	1	1
Derivative financial instruments	11	-	20,425	-	-	-	-	20,425	20,425
Total financial assets		**2,912,051**	**20,425**	**-**	**52,683**	**1,322**	**9,898**	**2,996,379**	**2,996,379**
Liabilities									
Borrowings	15	-	-	-	-	-	2,641,914	2,641,914	2,778,607
Trade and other payables	15	-	-	-	-	-	57,797	57,797	57,797
Income tax payables	16	-	-	-	-	-	27,317	27,317	27,317
Drivative financial instruments	11	-	13,275	-	-	-	-	13,275	13,275
Total financial liabilities		**-**	**13,275**	**-**	**-**	**-**	**2,727,028**	**2,740,303**	**2,876,997**

2015

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	6,771	6,771	6,771
Trade and other receivables	10	2,811,267	-	-	-	-	-	2,811,267	2,811,267
Other investments	10	-	-	-	-	1,512	98	1,610	1,610
Available-for-sale financial assets	12	-	-	-	50,271	-	-	50,271	50,271
Income tax receivable	16	-	-	-	-	-	6,588	6,588	6,588
Derivative financial instruments	11	-	10,157	-	-	-	-	10,157	10,157
Total financial assets		**2,811,267**	**10,157**	**-**	**50,271**	**1,512**	**13,456**	**2,886,663**	**2,886,663**
Liabilities									
Borrowings	15	-	-	-	-	-	2,503,692	2,503,692	2,554,023
Trade and other payables	15	-	-	-	-	-	60,326	60,326	60,326
Income tax payable	16	-	-	-	-	-	568	568	568
Drivative financial instruments	11	-	14,344	-	-	-	-	14,344	14,344
Total financial liabilities		**-**	**14,344**	**-**	**-**	**-**	**2,564,585**	**2,578,930**	**2,629,261**

ESTIMATED FAIR VALUE – ASSETS MEASURED AT FAIR VALUE

The following table presents the Company assets and liabilities measured at fair value at 31 December 2016 in accordance with the following levels of fair value hierarchy:

- Level 1: the fair value of financial instruments is based on net liquid market prices as of the date of the balance sheet;
- Level 2: the fair value of financial instruments is not based on active market prices but rather on valuation models. The main inputs of the models used are taken from the market, the discount rate intervals used for the Euro curve being between -0.329% to 0.997% (maturities of one week and twenty years respectively) with respect to financial derivative instruments;
- 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 observations.

During the year ending 31 December 2016 no financial assets or liabilities transfers were made between fair value hierarchy levels.

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	-	49,516	-	49,516
Financial assets at fair value	Cash flow hedge derivatives	-	8,673	-	8,673
Financial assets at fair value	Fair value hedge derivatives	-	11,753	-	11,753
Other investments	Treasury funds	1,317	-	-	1,317
		1,317	**69,941**	**-**	**71,259**
Liabilities:					
Financial liabilities at fair value	Borrowings	-	408,664	-	408,664
Financial liabilities at fair value	Cash flow hedge derivatives	-	12,136	-	12,136
Financial liabilitie at fair value recorded in income	Trading derivatives	-	1,139	-	1,139
		-	**421,939**	**-**	**421,939**

During the year ended 31 December 2016 the company performed the valuation of Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an available-for-sale financial asset (Note 12). The fair value of this asset reflects its current price. This price was determined based on an income approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable and available in the market.

QUALITY OF FINANCIAL ASSETS

The credit quality of the financial assets that have not yet matured or are impaired can be valued by reference to external credit ratings based on Standard & Poor's historical information about the entities to which they refer:

	2016	2015
Cash and cash equivalents		
A+ to A-	14	15
BBB+ to BBB-	16	10
Until BB+	9,727	6,719
Without rating	46	27
Total cash and cash equivalents	**9,804**	**6,771**
Other financial assets		
Without rating	1,415	1,610
Total other financial assets	**1,415**	**1,610**

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

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

28. DISCLOSURES REQUIRED BY LAW

FEES INVOICED BY THE STATUTORY AUDITOR

Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

29. SUBSEQUENT EVENTS

On 7 February 2016, the Company announced the acquisition of a 42.5% indirect stake in the share capital of Electrogas S.A. to ENEL Generación Chile S.A ("ENEL"), for the price of USD 180,000,000, with recourse to long term credit lines available in REN's group.

The acquisition of the above mentioned shareholding occurs subsequently to the execution between REN and ENEL of the Stock Purchase Agreement, as communicated to the market and the public by REN on 19 December 2016.

REN recalls that Electrogas S.A. owns a gas pipeline in the central region of Chile, with a length of 165.6 Km. It is a key pipeline in the country, connecting Quintero's regasification terminal to both Santiago (the capital and Chile's largest population center) and Valparaíso (one of the most important Chilean ports).

The accomplishment of this acquisition represents an important milestone in REN's international expansion and fits the strategic plan approved for 2015-2018.

EXPLANATION ADDED FOR TRANSLATION
These financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards ("NCRF"). In the event of discrepancies, the Portuguese language version prevails.

Statement provided for in article 245, no. 1, paragraph c) of the securities code

Pursuant to and for the purposes of Article 245, No. 1, paragraph c) of the Securities Code, each member of the Board of Directors of REN - Redes Energéticas Nacionais, SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein[1]:

"I hereby declare, pursuant to and for the purposes specified in Article 245, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me within the Board of Directors and / or Executive Committee, as applicable, the condensed financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, S.G.P.S., S.A. and of the companies included in its scope of consolidation, and that the management report for the fiscal year of 2016 faithfully describes the occurrences in that period and the impact in the respective financial statements, also containing a description of the principal risks and uncertainties for the following year."

Lisbon, 30th March 2017

[1] The originals of the individual statements are available for consultation at the head office of the company.

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)

Note – The remaining pages of this Report & Accounts were initialled by the Company Secretary, Marta Almeida Afonso, and by the Certified Accountant, Susana Neves.

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Entity"), which comprise the statement of financial position as at 31 December 2016 (that presents a total of 3,891,368 thousand Euros and equity of 1,147,859 thousand Euros, including a net profit of 93,805 thousand Euros), the statement of profit and loss by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present true and fairly, in all material respects, the financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with Normas de Contabilidade e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística ("Portuguese GAAP").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the Entity in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As mentioned in Notes 7 and 13 of the accompanying notes to the financial statements, as a result of the republishing on July 29, through Aviso No. 8256/2015, of Normas de Contabilidade e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística, the subsidiary of the Entity, REN - Rede Eléctrica Nacional, SA, changed the accounting policy for recognition of post-employment benefits, with prospective effects on 1 January 2016. As a result of this change, and applying the equity method, the Entity recorded, with reference to 1 January 2016, a decrease in the balance of the captions Investments - equity method and Adjustments to financial assets in the amount of approximately 81,000 thousand euros, respectively.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Investments - equity method	
As indicated in Note 1, the Entity is a financial holding company organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications. The activity of the two main segments are made in accordance with three concession contracts celebrated with Portuguese government for a pre-defined period. As indicated in Note 3.2 the investments in subsidiaries and associates are recorded by the equity method. The caption Investments represents 23% of total assets, and a significant part of the Entity's income refers to gains related with the measurement of these investments by the equity method. So, we consider that the balance and the movements recorded on this caption are a key audit matter.	We obtained the detail of investments recorded by the equity method prepared by the Entity, as at 31 December 2016, and we performed the following procedures: > We have verified the agreement of the detail obtained with the Entity's accounting records. > We compared the information included in that detail with the audited financial statements as at 31 December 2016 and/or other supporting documentation of the associates and subsidiaries, for most of which they were object of our Statutory Audit Certification. > We evaluated the appropriateness of the measurement prepared by the Entity based on the equity method and we tested the accuracy of the computation performed by the same. > We verified the appropriateness of the disclosures included in the accompanying notes.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Derivative financial instruments	
To address its interest rate and foreign exchange rate risks, the Entity contracted derivative financial instruments. As disclosed in note 3.6, derivative financial instruments are initially recorded at fair value at the transaction date and are subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of the derivative financial instruments. The key audit matter in this area is essentially related to the fair value computation of the derivative financial instruments which, due to the associated complexity, involved the use by the Entity of external experts who tested the reasonableness of the market valuations prepared by the entities to which the derivative financial instruments were contracted, evaluated the effectiveness of the hedging relationships designated by the Entity and quantified the associated inefficiencies.	Due to the specific nature of this matter we involved our specialists in the execution of the following procedures: > Analysis of the reasonableness of the derivative financial instruments designation made by the Entity; > Independent computation of fair value of derivative financial instruments based on their contracts and observable market data; > Analysis of the effectiveness of the hedging relations designated by the Entity, quantification of the associated inefficiencies and determination of the accounting effects. Following, we compared the amounts computed by our specialists with the amounts recorded by the Entity, and we also verified the adequacy of the disclosures included in the accompanying notes.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Exchange bond operation	
As disclosed in Note 3.16, the activities of the Entity and its subsidiaries are exposed to a variety of financial risks, including liquidity risk. As part of its liquidity risk management policy, and as indicated in Note 15, the Entity participated with its subsidiary, REN Finance BV, in an exchange offer of a previously issued bond, due in 2020, in the amount of approximately 132,245 thousand Euros, for new obligations with maturity date in 2023. As indicated in that note, the Entity evaluated the operation in accordance with the applicable accounting principles, and concluded that it could be accounted for as an exchange of a financial liability, taking into account, namely, that the transaction occurred between the existing borrower and lender and the terms of the debt instruments exchanged did not differ substantially. Accordingly, expenses incurred with this transaction have been adjusted to the carrying amount of the liability and will be amortized over the remaining term of the modified liability (Note 15). Considering the non-recurring nature and inherent complexity of this transaction, we consider it as a key audit matter.	We obtained the calculations and the memorandum of conclusions prepared by the Entity to support the accounting recognition of this operation and performed the following procedures: > We compared the amounts and dates considered in the documents prepared by the Entity with the associated supporting information, namely financing agreements and bank statements of the financial movements that occurred; > We tested the arithmetic accuracy of the calculations made by the Entity; > We assessed the reasonableness of the accounting treatment performed by the Entity in relation to this transaction, taking into account the applicable accounting policies.

Responsibilities of Management and Supervisory Body for the financial statements

Management is responsible for:

- the preparation of financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Entity in accordance with Normas de Contabilidade e de Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística ("Portuguese GAAP");
- the preparation of a management report, including a corporate governance report, under the applicable law and regulation;
- 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;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Entity's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of the Entity's operations.

The Supervisory Body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- we provide the Supervisory Body with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited financial statements, and considering our knowledge and appreciation of the Entity, we did not identify material misstatements.

About the corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

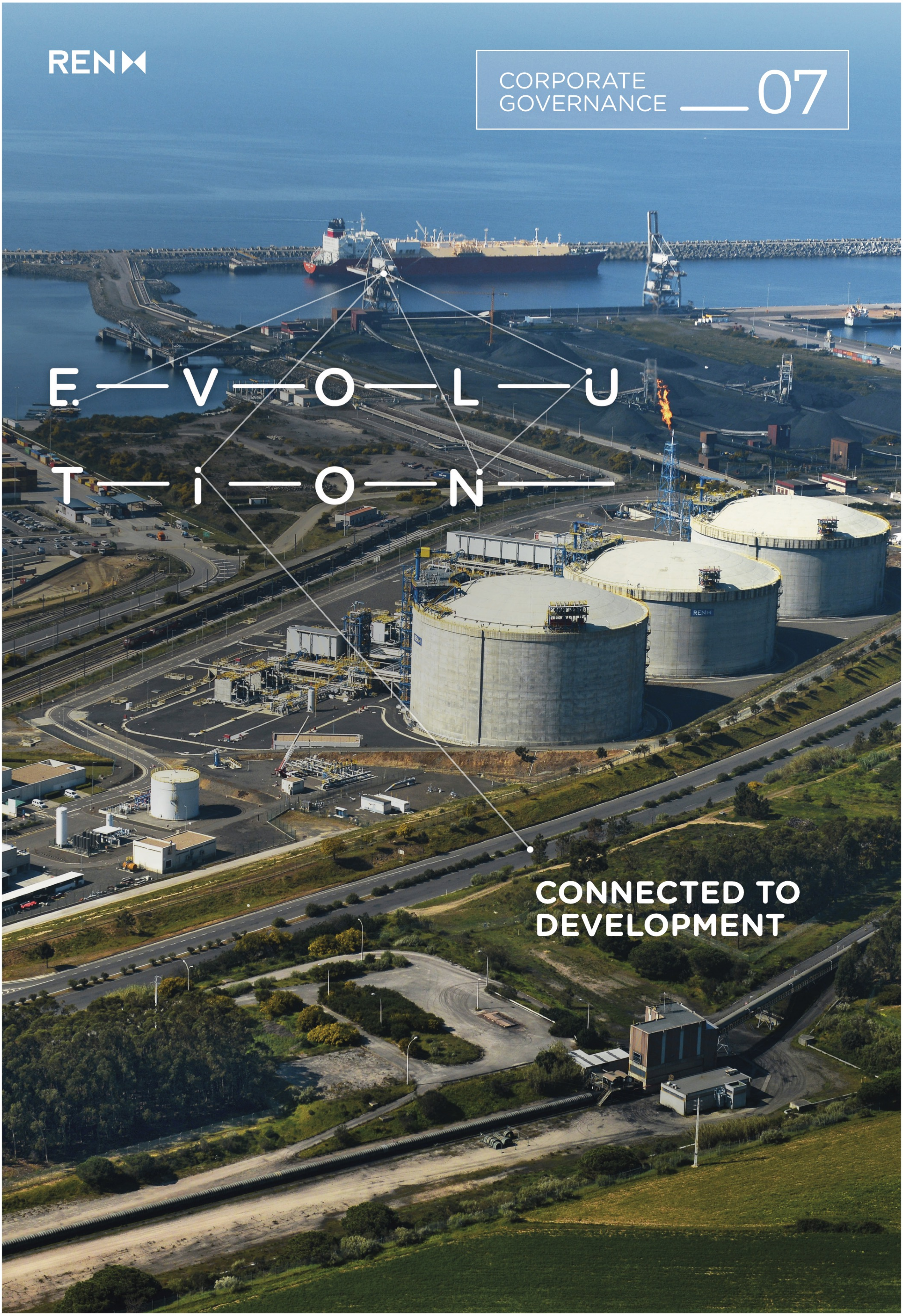
About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

- We have been elected auditors of the Entity for the first time in the shareholders' general assembly that took place on 15 March 2010 for a mandate covering the period between 2010 and 2012, which, however, has not been concluded with respect to 2012. We have been elected in the shareholders' general assembly that took place on 27 March 2012 for a second mandate covering the period between 2012 and 2014, and in the general assembly that took place on 17 April 2015 for a third mandate covering the period between 2015 and 2017.
- The Supervisory Body confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's Supervisory Body at this date.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Entity during the execution of the audit.

Lisbon, 30 March 2017

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


CORPORATE GOVERNANCE 07
EVOLUTION
CONNECTED TO DEVELOPMENT

07 ___ CORPORATE GOVERNANCE

PART I

7.1. › INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE ECONOMIC ENVIRONMENT

7.1.1. ECONOMIC ENVIRONMENT

I. CAPITAL STRUCTURE

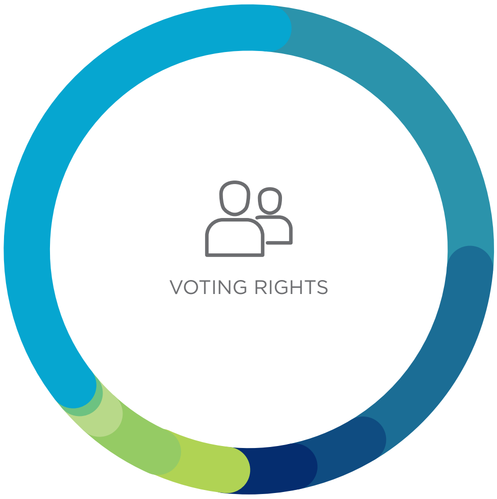
I.1. Capital structure (share capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 245-A)(1)(a))

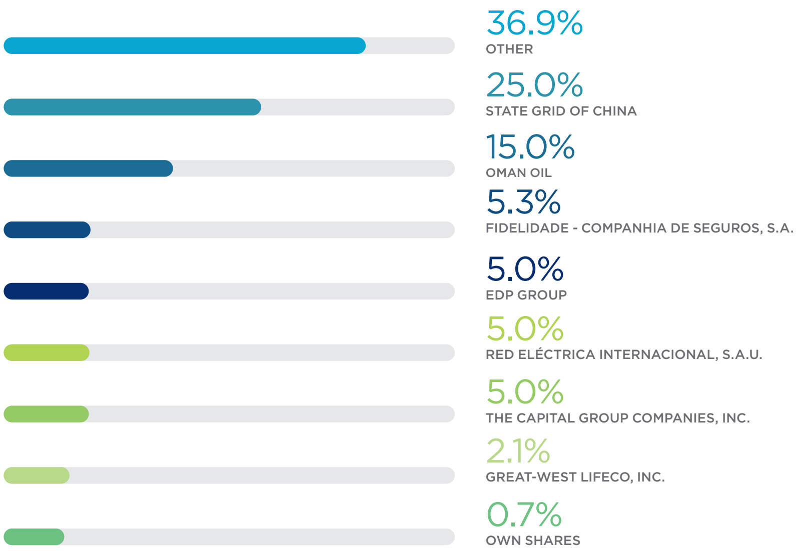
The share capital of REN – Redes Energéticas Nacionais, SGPS, S.A. (REN or the company) in the amount of 534,000,000 Euros is represented by 534,000,000 ordinary shares with a face value of 1.00 Euros, in the form of nominative book-entry shares.

REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder, under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., corresponding to the Code PTREL0AM0008. This has been the case since 25 May 2016 when 213,600,000 shares held by State Grid Europe Limited and Mazoon B.V. were admitted to trading.

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2016





I.2. Restrictions on the transferability of shares, such as consent for disposal clauses, or limitations on ownership of shares (Art. 245-A(1)(b)).

There are no restrictions and REN has not implemented any measures which hinder the transferability of shares. REN shares are freely tradable on the regulated market, without prejudice to that established in this section.

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[1].

These limitations on the ownership of REN shares were introduced following the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and equal access by operators to transmission infrastructures.

It should be further noted that on 9 September 2014[2], ERSE – The Energy Services Regulator ('ERSE') issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of those operators, including, *inter alia*, (i) restrictions on the exercising of rights related to the REN General Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the change to the REN's Articles of Association in order to comply with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE decision were approved by the REN General Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Meeting, the following changes were included:

- shareholders that, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the general meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;

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[1] Cf. article 25(2)(i) of Decree-Law No 29/2006 of 15 February (with its current wording), and article 20-A(3)(b) and article 21(3)(h) of Decree-Law No 30/2006, of 15 February (with its current wording)
[2] ERSE – Energy Services Regulator notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

- The persons who exercise control or rights over companies which either produce or sell electricity or natural gas must not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to decide that there was no risk of conflict of interest with the Portuguese operators of the transport network.

Therefore, limitations on the transferability and ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the Corporate Governance Code of the Portuguese Securities Market Commission (CMVM) must not overturn. As such, the non-implementation of recommendation I.4. of the CMVM Corporate Governance Code is fully justified.

With regard to limitations on voting rights, see also I.5 below on the limitations expressed in the Articles of Association arising from the legal system applicable to the electricity and gas sectors.

I.3. Number of own shares, percentage of the corresponding share capital and percentage of voting rights to which own shares would correspond (Art. 245-A(1)(a))

REN has 3,881,374 own shares with a face value of 10,728,000.00 Euros, representing 0.73% of its share capital. These shares would correspond to 0.73% of voting rights.

I.4. Significant agreements REN is a party to and that come into force, are amended or terminated in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, such disclosure is severely detrimental for the Company, unless the Company is specifically required to disclose such information due to other legal requirements (Art. 245-A(1)(j))

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change of control which are typical of such transactions (including, although not expressly, changes of control arising from public takeover bids) and essential for carrying out such transactions in the market.

In any case, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2.

There are no other significant agreements to which REN is a party that come into force, are amended or terminated in the event of a change in control over the Company or as the result of a public takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or the assumption of burdens by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would affect the free transferability of shares or the free evaluation of the performance of members of the Board of Directors by the shareholders. Recommendation CMVM I.5 has thus been complied with.

I.5. Framework to which the renewal or cancelation of defensive measures are subject , in particular those which limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders

The only provisions in REN's Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2 above.

Nevertheless, such provisions arise from legal requirements and from the ERSE decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.
As such, the non-implementation of CMVM Corporate Governance Code recommendation 1.3 is fully justified.

As such, there is no mechanism in the Articles of Association to renew or cancel these statutory rules, as its existence is due to compliance with legal and administrative requirements. Therefore, the non-implementation of the recommendation I.4. of the CMVM Corporate Governance Code is fully justified.

There are no other defensive measures.

I.6. Shareholder agreements the company is aware of and that may lead to restrictions with regard to the transfer of securities or voting rights (Art. 245-A(1)(g))

The Board of Directors is not aware of any shareholder agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. SHAREHOLDINGS AND BONDHOLDINGS

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 245-A(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Taking into account the communications submitted to the Company in accordance with article 447 of the Portuguese Companies Code, article 16 of the Portuguese Securities Code and article 2 of CMVM Regulation No 5/2008, with reference to 31 December 2016, shareholders holding qualified shareholdings representing at least 2% of REN's share capital, calculated in accordance with article 20 of the Portuguese Securities Code, were as follows:

STATE GRID CORPORATION OF CHINA	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through State Grid Europe Limited (SGEL), which is controlled by State Grid International Development Limited (SGID), which is controlled by the State Grid Corporation of China	133,500,000	25.0%
Total attributable	**133,500,000**	**25.0%**

OMAN OIL COMPANY SAOC	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through Mazoon BV, which is controlled by the Oman Oil Company SAOC	80,100,000	15.0%
Total attributable	**80,100,000**	**15.0%**

FIDELIDADE COMPANHIA DE SEGUROS, S.A.[3]	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	28,115,216	5.265%
Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade	95,816	0.018%
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	30,000	0.006%
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[4]	78,907	0.015%
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder LongRun[5]	50,726	0.009%
Total attributable	**28,370,665**	**5.313%**

EDP – ENERGIAS DE PORTUGAL, S.A. (EDP)	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	18,690,000	3.5%
Through the EDP Pension Fund, which is controlled by EDP	8,017,335	1.5%
Total attributable	**26,707,335**	**5.0%**

RED ELÉCTRICA CORPORACIÓN, S.A.	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	0	0.0%
Through Red Eléctrica Internacional, S.A.U.	26,700,000	5.0%
Total attributable	**26,700,000**	**5.0%**

[3] 84.9861% of the share capital and voting rights in Fidelidade – Companhia de Seguros, S.A. are held by LongRun Portugal, SGPS, SA (LongRun), which is in turn wholly owned by Millennium Gain Limited, which is 100% owned by Fosun Financial Holdings Limited, companies to which the abovementioned holdings are attributable. On 11 February 2015, Fidelidade notified REN that it had reached holdings of 5.008% in REN share capital and voting rights, in accordance with that better described at: http://web3.cmvm.pt/sdi2004/emitentes/emit_part.cfm?num_ent=%24%21%24%3FT%23%40%20%20%0A

[4] LongRun also holds 80% of the capital of Fidelidade Assistência – Companhia de Seguros, SA.

[5] LongRun also holds 80% of the capital of Multicare – Seguros de Saúde, SA.

THE CAPITAL GROUP COMPANIES, INC.	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through Smallcap World Fund, Inc.	14,099,780	2.6404%
Through accounts under the discretionary management of fund management companies in a controlling or group relationship with The Capital Group Companies, Inc.	12,692,524	2.3769%
Total attributable	**26,792,304**	**5.0173%**

GREAT-WEST LIFECO, INC.[6]	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through PanAgora Asset Management, Inc. a company controlling Great-West Lifeco, Inc.	82	0.00002%
Through the collective investment undertakings managed by Setanta Asset Management Limited[7], a company in a controlling relationship with Great-West Lifeco, Inc.	10,740,000	2.011%

[6] In accordance with the notification receveid by the company on 5 October 2016, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and its trustees Jacqueline Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin to whom the 2.056% of REN's voting rights are attributed, under article 20(1)(b) of the Portuguese Securities Code, . The same voting rights are also attributable to the following Companies controlled by the Desmarais Trust: Power Financial Corporation; 17,123 Canada Inc.; Power Corporation of Canada; and Pansolo Holdings Inc.

[7] Breakdown of the collective investment undertakings and respective holdings: Balanced Fund, sub-fund of Summit Investment Funds plc (52,347 shares corresponding to 0.01% of the share capital); Balanced Fund, sub-fund of Summit Mutual Funds plc (16,733 shares corresponding to 0.003% of the share capital); Canada Life Assurance Europe Limited (2,715,969 shares corresponding to 0.509% of the share capital); CF Canlife Global Equity Income Fund (209,682 shares corresponding to 0.039% of the share capital); Growth Fund, sub-fund of Summit Investment Funds plc (109,317 shares corresponding to 0.020% of the share capital); Growth Fund, sub-fund of Summit Mutual Funds plc (73,262 shares corresponding to 0.014% of the share capital); Irish Life Assurance Plc (4,696,070 shares corresponding to 0.879% of the share capital); Little Company of Mary Limited (30,861 shares corresponding to 0.006% of the share capital); London Life Insurance Company (639,014 shares corresponding to 0.120% of the share capital); Quadrus Global Dividend Class (946,989 shares corresponding to 0.177% of the share capital); Quadrus Global Dividend Fund (21,094 shares corresponding to 0.004% of the share capital); Quadrus Global Equity Class (28,636 shares corresponding to 0.005% of the share capital); Setanta Global Equity Fund, sub-fund of Beresford Funds plc (125,943 shares corresponding to 0.024% of the share capital); Setanta Income Opportunities Fund, sub-fund of Beresford Funds plc (130,804 shares corresponding to 0.024% of the share capital); Setanta Reditus Global Balanced Fund, sub-fund of Beresford Funds plc (18,587 shares corresponding to 0.003% of the share capital); Setanta Reditus Global Equity Fund, sub-fund of Beresford Funds plc (82,979 shares corresponding to 0.016% of the share capital); The Great-West Life Assurance Company (268,316 shares corresponding to 0.050% of the share capital); The Canada Life Assurance Company (207,807 shares corresponding to 0.039% of the share capital); Setanta Reditus Income Fund, sub-fund of Beresford Funds plc (365,590 shares corresponding to 0.068% of the share capital). The voting rights inherent to the abovementioned shares are also attributable, under article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.: The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

GREAT-WEST LIFECO, INC.[6]	NO. OF SHARES	% CAPITAL WITH VOTING RIGHTS
Through the collective investment undertakings managed by GLC Asset Management Group LTD[8], a company in a controlling relationship with Great-West Lifeco, Inc.	218,682	0.041%
Through the sub-fund Indexed World Small Cap Equity, sub-fund of Beresfird Funds plc, managed by Irish Life Investment Managers Limited[9] a company in a controlling relationship with Great-West Lifeco, Inc.	22,223	0.004%
Total attributable	**10,980,987**	**2.056%**

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[10], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2016, based on communications with the company, were as follows:

[8] Breakdown of the funds and companies and respective holdings: London Life Insurance Company (177,122 shares corresponding to 0.033% of the share capital); Quadrus U.S. and International Specialty Class (2,125 shares corresponding to 0.0003% of the share capital); The Great-West Life Assurance Company (14,247 shares corresponding to 0.0027% of the share capital); The Canada Life Assurance Company (17,511 shares corresponding to 0.0033% of the share capital); CF Canlife Global Infrastructure Fund (7,677 shares corresponding to 0.001% of capital).

[9] The voting rights inherent to the abovementioned shares are also attributable, under article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.: The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

[10] This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable, (i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by underage descendants; (iii) by persons under whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited liability, exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

AUDIT COMMITTEE

AUDIT COMMITTEE	ACQUISITIONS (IN 2016)	ENCUMBRANCES (IN 2016)	DISPOSALS (IN 2016)	NO. OF SHARES AT 31.12.2016
Manuel Ramos de Sousa Sebastião	9,000		7,000	7,000
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)

BOARD OF DIRECTORS

BOARD OF DIRECTORS	ACQUISITIONS (IN 2016)	ENCUMBRANCES (IN 2016)	DISPOSALS (IN 2016)	NO. OF SHARES AT 31.12.2016
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	500
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Manuel Champalimaud[11]		-	19,499,715[12]	12,540,285[13]
Jorge Manuel Magalhães Correia		-	-	28,370,665[14]
José Luís Arnaut[15]		-	-	7,587

[11] Resigned on 13 April 2016, but remained in functions until 31 May 2016. For that reason, the information regarding the number of shares on 31 December 2016 refers, in this case, to that last date. According to the information made public by Gestmin, after such date, as a shareholder with a qualified shareholding, the disposal of 656,713 REN ordinary shares, corresponding to 0.12% of the share capital, was announced to the market, on 28 July 2016. On that date, the REN shareholding attributable to Gestmin was 10,230,922 shares corresponding to 1.92% of the voting rights and sharecapital (losing the qualified shareholding)

[12] Shares disposed by the shareholder and by the shareholder Gestmin, which, due to the exercise of the function of president of the board of directors of that company and as a holder of the majority of the corresponding share capital, are also attributable to him. This refers to 280,000 shares directly held by Manuel Champalimaud and 17,219,715 shares and 2,000,000 shares held by the shareholder Gestmin (as, respectively, announced on 7 April and 9 May 2016).

[13] Shares held by tshe shareholder Gestmin as specified in the previous footnotes.

[14] Corresponding to the shares attributable to Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the exercise of the functions of member of the board of directors of that company.

[15] Comprises 480 bonds held directly and the remaing held by the Company Platinumdetails – Consultoria e Investimentos, Lda, in which it holds 68% of the share capital.

In accordance with and for the purposes of article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[16], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2016, based on communications with the company, were as follows:

BOARD OF DIRECTORS

BOARD OF DIRECTORS	ACQUISITIONS (IN 2016)	ENCUMBRANCES (IN 2016)	DISPOSALS (IN 2016)	NO. OF BONDS AT 31.12.2016
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	0 (zero)
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Manuel Champalimaud[17]		-	-	0 (zero)
Jorge Manuel Magalhães Correia	200,000[18]	-	54,109,000[19]	1,200,000[20]
José Luís Arnaut	-	-	-	0 (zero)

[16] This comprises the shares held by members of the REN management and supervisory bodies and, as well as, if applicable, the ones held (i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by underage descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited liability, exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.
[17] Resigned on 13 April 2016, but remained in office until 31 May 2016. For that reason, the information regarding the number of shares refers to the latter.
[18] The company Fidelidade – Companhia de Seguros, S.A., shareholder with a qualified shareholding and entity related with Jorge Manuel Baptista Magalhães Correira, member of the board of directors of REN, purchased 200,000 bonds "REN 1.75%, 01/06/2018, CORP" on 27 May 2016.
[19] Comprises the sales transactions carried out by Fidelidade – Companhia de Seguros, S.A., shareholder with a qualified shareholding and entity related with Jorge Manuel Baptista Magalhães Correia, member of the board of directors of REN, and its subsidiary Multicare – Seguros de Saúde, S.A., through which they sold, respectively, 53,500,000 and 600.000 "REN 4.125%, 31/01/2018, CORP" bonds, on 31 May 2016, and the sale transaction carried out directly by Jorge Magalhães Correia of 9,000 "REN 6.25%, 09/2016" bonds, on 22 June 2016
[20] This Corresponds to 1,200,000 bonds held by Fidelidade – Companhia de Seguros, S.A.

II.9 Special powers of the management body, notably regarding resolutions on capital increase (Art. 245-A(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers

The Board of Directors has powers conferred by the Portuguese Companies Code and the [21] (see summary of these powers in II.21), and as such the management body does not have special powers.

Particularly, concerning resolutions on capital increase, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

In accordance with the internal regulation on the assessment and control of transactions with related parties[22] and prevention of conflict of interests[23], significant transactions with related parties are those which:

a) are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;

b) are based on the acquisition or disposal of shareholdings;

c) require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding 100 million euros, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;

d) should none of the materiality criteria set out in the subparagraphs above be met, (i) have a value exceeding one million euros or (ii) are considered relevant for this purpose by the management body, by virtue of their nature or their particular susceptibility to giving rise to a conflict of interests.

The Board of Directors' is required to submit significant transactions with related parties to the Audit Committee for prior assessment[24]. Therefore, transactions considered significant are subject to prior opinion from the Audit Committee, while others are only subject to subsequent assessment.

[21] Cf. article 15 of the Articles of Association and article 3 of the Board of Directors' Regulation
[22] The definition of related party in accordance with this regulation includes owners of qualified holdings calculated in accordance with article 20 of the Securities Code
[23] Cf. section II, paragraph I., p. 3
[24] Cf. section III, p. 3 and section VI, p.5

Moreover, in accordance with the Board of Directors internal regulation, transactions with related parties with sums exceeding 500 million euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

In light of the abovementioned criteria – set out in Board of Directors regulation and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2016, there were three significant commercial transactions with related parties, which were subject to prior control by the Audit Committee, as detailed below in I.90.

7.1.2. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting in the year of reference

I.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2015-2017:

NAME	POSITION	DATE OF 1ST APPOINTMENT	TERM OF OFFICE IN COURSE
Pedro Maia	Chairman	27.03.2012	2015-2017
Francisco Santos Costa	Vice-Chairman	17.04.2015	2015-2017

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

b) Exercise of voting rights

I.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245-A(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of "one share, one vote".

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the "Record Date" may attend, participate in and vote at the REN General Meeting, provided they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express such intention in writing to the Chairman of the Board of the General Meeting and to the financial intermediary with whom they have opened the relevant individual securities account, up to the day before the "Record Date". This communication may be sent by e-mail[25].

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the "Record Date", information on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[26].

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the "Record Date", stating that they are not prohibited from exercising voting rights as ERSE has recognized that there is no conflict of interest.

d) Shareholders wishing to participate, in person or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the "Record Date", stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition to the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting.[27]

[25] Cf. article 12(9) of the Articles of Association
[26] Cf. article 12(10) of the Articles of Association
[27] Cf. article 12(12)(13) and (15) of the Articles of Association

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with the Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such assessment that determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE.[28]

Shareholders with voting rights may be represented at the General Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Meeting, communicating the name(s) of the representative(s), under the law and the notice of meeting. This communication may be sent by e-mail.[29].

REN shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, provided they submit this fact to the Chairman of the Board of the General Meeting in advance and deliver proportional and sufficient proof: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN shareholders may submit their postal votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[30].

This letter should be addressed to the Chairman of the Board of the General Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Meeting, except if the relevant notice of meeting establishes a different time.
The Chairman of the Board of the General Meeting shall verify the authenticity and regularity of the postal votes as well as ensure that they remain confidential until the voting takes place[31].

It is also established that votes by correspondence are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website[32] which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

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[28] Cf. article 12(14) of the Articles of Association
[29] Cf. article 12(11) of the Articles of Association
[30] Cf. article 12(5) of the Articles of Association
[31] Cf. article 12(5) and (7) of the Articles of Association
[32] www.ren.pt

Should there be express indication in the notice to convene the General Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call.[33]

In any case, REN considers the participation of its shareholders to be fully ensured through vote by correspondence and methods of representation (as outlined above). Moreover, REN further considers that voting by electronic means would not represent added value for shareholders, especially taking into account the reduced number of votes cast by correspondence at its recent General Meetings[34].

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in general meetings.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of that set out in the Articles of Association as described in 1.2 and 1.5 above, which seek to make current regulations and the legal regime effective.

I.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of article 20 of the Securities Code

As referenced above in I.5, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of article 20 of the Portuguese Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in 1.2 and 1.5 above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

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[33] Cf. article 12(6) of the Articles of Association
[34] There was only one vote by correspondence at the annual general meeting of 17 April 2016

I.14. Identification of shareholder resolutions that, in accordance with the , shall only be resolved on a qualified majority, aside from those legally provided for, and indication of these majorities

In accordance with paragraph 1 of article 11 of the , the attendance or representation of shareholders holding at least 51% of capital is essential in order for the General Meeting to be held and resolved on the first call.

In accordance with article 11(2) of the , the quorum for adopting resolutions on amendments to the , splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first and second call, regardless of the percentage of capital represented.

Furthermore, in accordance with No. 3 of the same article in the , resolutions for changes relating to articles 7-A and/or 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued.

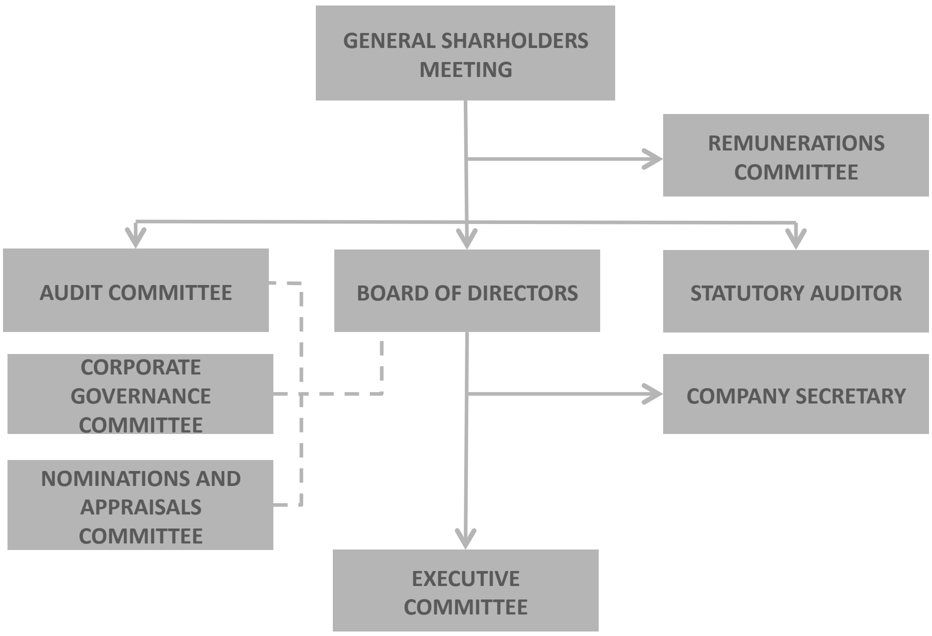
II. MANAGEMENT AND SUPERVISION

(BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD)

a) Composition

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Meeting[35]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[36] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[37].



[35] Cf. article 8(2)(b) of the Articles of Association
[36] Cf. article 8(1) of the Board of Directors regulations
[37] Cf. article 3(3) of the Audit Committee regulations

II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of, where appropriate, the Board of Directors, Executive Board of Directors and General and Supervisory Board (art. 245–A (1)(h))

In accordance with the law and the [38], the appointment and dismissal of members of the Board of Directors is the responsibility of the General Meeting, and is carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to a vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors in this process. It is also the responsibility of the General Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According to the [39], a minority of shareholders who vote against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

The Portuguese Companies Code rules apply[40] with regard to the substitution of members of the Board of Directors, given that neither the Company's , nor the Board of Directors or Audit Committee regulations have special rules on this matter. The Board of Directors of the Company will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is non-delegable competence of the Board of Directors, all directors are involved in the resolution of co-option, except in the event of conflicts of interest.

The Company's [41] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the , number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Meeting that elects the said members[42].

Currently, the Board of Directors consists of 12 members, including a total of nine non-executive members.

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[38] Cf. article 8(2)(b), and article 14(3), both in the Articles of Association; and article 2(1)of the Board of Directors' Regulation
[39] Cf. article 14(2)
[40] Cf. article 393(3)
[41] Cf. article 8(19) and (9)
[42] Cf. articles 8(2)(b) and 14(1) both of the Articles of Association

On 31 December 2016, the REN Board of Directors consisted of the following members, who have been appointed for the 2015-2017 term of office:

NAME	POSITION	YEAR OF FIRST APPOINTMENT	YEAR OF ENDING OF TERM OF OFFICE
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2017
Gonçalo Morais Soares	Executive Director	2012	2017
João Faria Conceição	Executive Director	2009	2017
Guangchao Zhu (representing State Grid International Development Limited)	Vice-Chairman	2012	2017
Mengrong Cheng	Director	2012	2017
Longhua Jiang	Director	2014	2017
Omar Al-Wahabi	Director	2015	2017
Jorge Magalhães Correia	Director	2015	2017
Manuel Ramos de Sousa Sebastião	Director/Chairman of the Audit Committee	2015	2017
Gonçalo Gil Mata	Director/Member of the Audit Committee	2015	2017
Maria Estela Barbot	Director/Member of the Audit Committee	2015	2017
José Luís Arnaut	Director	2012	2017

In accordance with the [43], members of corporate bodies carry out their respective duties for periods of three calendar years, a period which is renewable. The calendar year of appointment is deemed as a full year.

[43] Cf. article 27(1)

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

The Board of Directors shall include a number of non-executive members which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind the shareholder structure and breakdown of REN capital. Therefore, on 31 December 2016 and on this date, nine of the twelve members of the REN Board of Directors were non-executive directors.

Taking into account the assessment criteria on independence laid down in article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, and in 18.1 of CMVM Regulation 4/2013, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors which performed duties during the 2016 financial year to be independent:

NAME	POSITION
Manuel Ramos de Sousa Sebastião	Chairman of the Audit Committee
Gonçalo Gil Mata	Member of the Audit Committee
Maria Estela Barbot	Member of the Audit Committee
José Luís Arnaut	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

(i) the adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, consisting of three independent members and six non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

(ii) the size of the company, its shareholder structure and the relevant free float (which was 36.9% of share capital until 31 December 2016).

In light of the above, REN fully complies with CMVM recommendations II.1.6 and II.1.7, as the Board of Directors consists of an adequate number of non-executive members and, among these, independent members.

Moreover, articles 7-A and 7-B of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of article 7-A of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electric or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in article 7-B of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE assesses that there is no risk of conflicts of interest.

Accumulation of the positions of Chairman of the Board of Directors and Chairman of the Executive Committee

In the financial year of 2016, the duties of Chairman of the Board of Directors and Chairman of the Executive Committee were once again performed by the same person, Rodrigo Costa.

According to the Board of Directors Regulation, this corporate body established efficient mechanisms for the coordination of the work of its members having non-executive functions, in particular in order to facilitate the exercising of their right to information, as follows[44].

a) Without prejudice to the exercising of powers not delegated to the Executive Committee, directors having a non-executive function assume a supervisory role of the performance of the executive management;

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the answer should be provided in an adequate and timely manner.

Whenever they consider it necessary or convenient, directors with non-executive duties also hold *ad hoc* meetings to analyse the management of the Company.

In addition, all supporting documentation for the meetings of the Board of Directors will be provided in a timely fashion to the non-executive members of the Board of Directors and the Executive Committee's resolutions and supporting documentation shall always be available for consultation[45].

[44] Cf. article 11 of the Board of Directors Regulation
[45] Cf. article 5 of the Executive Committee Regulation

Therefore, through the mechanisms described above, all the conditions are met so that the directors with non-executive functions perform their functions in order to make independent and informed decisions.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, of the General and Supervisory Boards and of the Executive Board of Directors at 31.12.2016

RODRIGO COSTA

Participated in the launch of several technology and retail companies and was a technological consultant at national and international companies. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Director of Microsoft Portugal, General Manager of Microsoft Brazil and, from 2001 to 2005, Corporate Vice-President of the Microsoft at the Seattle main office. He was also Director and Executive Vice-Chairman of the PT Group and Executive Chairman of PTC between 2006 and 2007. He was Chairman of the Executive Committee of the ZON Multimédia - ZON Group between 2007 and 2013. He also held the position of Chairman of the Board of Directors and Executive Chairman of Unicre, having resigned from these duties in December 2014. He was also non-executive director at NOS SGPS, having resigned from this position on 1 February 2015. He was appointed REN non-executive director on 17 February 2015 and put forward for the position of Chairman of the Executive Committee effective as of February 2015 and for the position of Chairman of the Board of Directors at the General Meeting of 17 April 2015.

GONÇALO MORAIS SOARES

Holds a degree in Economics from the Universidade Nova de Lisboa.
Also completed an MBA at Georgetown University (Washington) and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University. Was director at ZON TV Cabo and ZON Lusomundo Audovisuais from 2007 to 2012. Member of the REN Board of Directors and member of the Executive Committee since 2012.

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from Instituto Superior Técnico, and completed his master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at Insead (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he was a consultant to the Minister for the Economy and Innovation.
Since 2009 he has been a member of the REN Board of Directors and member of the Executive Committee.

GUANGCHAO ZHU

Holds a degree in Relay Protection from the University of Shandong (China), and completed his master's degree in Electrical Systems and Automation at the same college. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009 he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines, and Consultive Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid Development Co. Ltd. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China.

MENGRONG CHENG

Holds a degree in English Literature from the Beijing Second Foreign Language Institute and concluded a master's degree in Company Management at the Tsinghua University (Beijing, China). Between 2006 and 2011, Mengrong Cheng carried out the duties of deputy General Director of the Department of International Cooperation at the State Grid Corporation of China. From 2012 to 2015, she was a Member of the Chinese Expert Committee of IEC/MSB; Co-Chair of the Department of International Cooperation and a Member of the Foreign Investment Management Committee at the State Grid Corporation of China. Currently, Mengrong Cheng is a member of the Chinese Expert Committee of IEC MSB, deputy General Director of the Department of International Cooperation at the State Grid Corporation of China and Chair of the State Grid Corporation of China, US Office.

LONGHUA JIANG

Holds a degree in Electrical Insulation Technologies from the Xi'an Jiaotong University (China), and completed his master's degree in the same subject at the same university. From May 2011 to December 2012, he was head engineer at the Shandong Electric Power Company of the State Grid Corporation of China. From December 2012 to November 2014, he was Deputy Director at State Grid Australia Representative Office and a member of the Board of Directors of ElectraNet in South Australia. From December 2014 to July 2015 he was Deputy General Director at the European Representative Office at the State Grid Corporation of China and was appointed as non-executive director of REN on 17 February 2015. From July to November 2015, he was General Director at the European Representative Office of the State Grid Corporation of China. He is currently Executive Vice-Chairman at China Electric Power Equipment and Technology Co. Ltd.

OMAR AL-WAHAIBI

Holds a degree in Mechanical Engineering from Manchester University, Institute of Science & Technology (UMIST) – United Kingdom. Has carried out numerous duties in new business development including portfolio management and corporate planning at Shell E&P International Ventures registered in the Hague in the Netherlands.

He was in charge of the engineering team and was manager of the Oman North project at Petroleum Development Oman between 2001 and 2002. He was Chairman of the Executive Committee of Oman Wastewater Services Company (Haya Water), between 2003 and 2011 and is currently Chairman of the Executive Committee of the Electricity Holding Group. This is a group of state companies which covers business in the acquisition of electricity and water and in the production, transmission, distribution and supply of electricity. He is currently a member of the Board of Directors of Oman Broad Band Company, ofthe Gulf Cooperative Council Interconnection Authority and he is CEO of Electricity Holding and CEO of the Nama Group.

JORGE MAGALHÃES CORREIA

Vice-Chairman of Board of Directors and Chairman of the Executive Committee of the insurance companies Fidelidade and Multicare and Fidelidade Assistência. He is also Chairman of the Board of Directors of Fidelidade – Property Europe, S.A., Fidelidade Property International, S.A., Luz Saúde, S.A. where he is also a member of the Advisory Board.

With regard to professionally related associations he is vice-president of the Portuguese Insurers Association and a member of the Geneva Association.

He started work as a lecturer at the Lisbon Faculty of Law and has worked in management at the Portuguese Inspectorate-General of Taxation, the Portuguese Securities Market Commission and as a lawyer. He has undertaken duties at different companies in the field of finance and insurance, including director and/or chairman of the board of directors at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies. In the area of health, he was a director of USP Hospitales (Barcelona) and director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS.

MANUEL RAMOS DE SOUSA SEBASTIÃO

Awarded a degree from the Lisbon Technical University in Economy in 1973 and a third-cycle PhD in Economic Planning from the University of Paris I Pantheon-Sorbonne in 1978 and a PhD in Economy (Ph.D.) from the University of Columbia in New York in 1986. He has been a consultant at the Bank of Portugal since September 2013, is professor of economy at the Lisbon Catholic University and a consultant on the International Advisory Board of the Banco Finantia. Previously, he was Chairman of the Board at the Competition Authority from March 2008 to September 2013, Director of the Bank of Portugal from February 2000 to March 2008, an institution where he carried out technical duties from 1986 - 1988 and later from 1996 - 1998. He was also a member of the Governing Board of the Portuguese Insurance Institute from 1998 to 2000, Director at the Banco de Fomento e Exterior from 1992 to 1996, and economist at the International Monetary Fund from 1988 to 1992. He has also lectured at different stages of his professional life.

GONÇALO GIL MATA

Holds a degree in Software Engineering awarded by the University of Coimbra and an MBA by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo - Soc. Capital de Risco and a member of the board (non-executive) of Arquiled, SA (LED lighting solutions), Summer Portugal, SA and Vila Monte, SA (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

MARIA ESTELA BARBOT

Holds a degree in Economics awarded by the University of Porto and attended the Senior Executive Program at the London Business School. She is currently director of the Financial Institution for Development, executive partner of ALETSE, LDA (Real Estate and Business Consultancy), senior consultant at Young Network, Marketing e Comunicação, Lda (communication, press consultancy, public relations, creativity, digital marketing, events and production), member of the Casa da Música Audit Committee, member of the Management Committee of LIDE – Grupo de Líderes Empresariais, member of the Advisory Board of Instituto Português de Corporate Governance, member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual, member of the Board of Founders and of the Remunerations Committee of Museu de Arte Moderna da Fundação de Serralves, member of the Board of Directors of Fórum Portugal Global – FPG and member of the General Board of FAE – Fórum de Administradores de Empresas.

JOSÉ LUÍS ARNAUT

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner. He is a member of the REN Board of Directors, member of the AON Advisory Board, a member of the MOP, SA. Board of Directors, member of the Conseil des Sages of the Foundation – Doha Freedom of Information Center, Chairman of the Portugal-Qatar Friendship Association; member of the Advisory Board of the European Observatory on Infringements of Intellectual Property Rights (OHIM - Office for Harmonization in the Internal Market), Chairman of the General Meeting of the Portuguese Football Federation, Chairman of the General Meeting of ÚNICA – União Cervejeira de Angola (UNICER Group), Chairman of the General Meeting of ANA - Aeroportos de Portugal (VINCI Airports), Chairman of the General Meeting of PORTWAY - Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS Portugal, member of the Board of Directors of Discovery Portugal Real Estate Fund, member of the Goldman Sachs International Advisory Board. In 1999, he was elected general secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 - European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, 55, Alvalade, Lisbon.

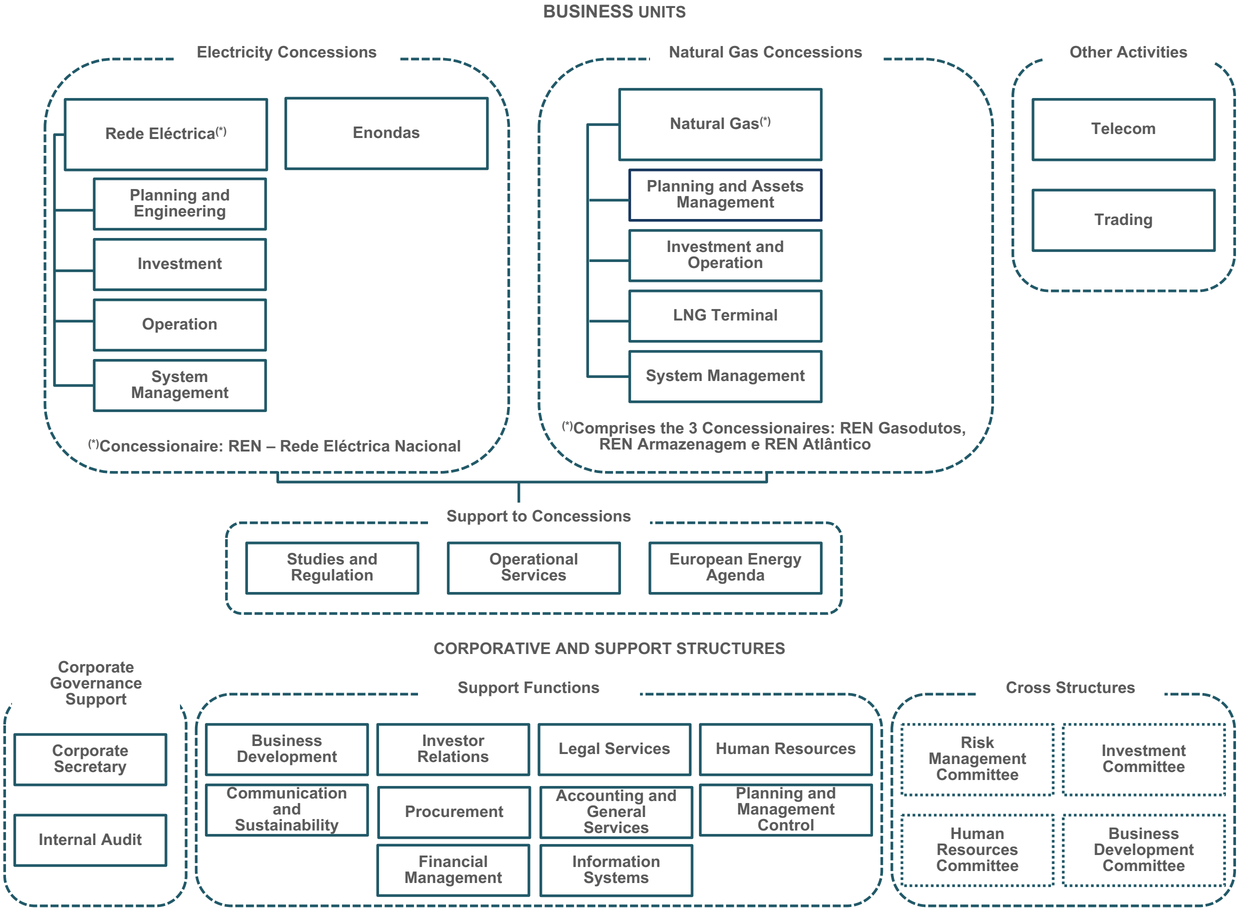
II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors at 31.12.2016

DIRECTOR	OWNER OF QUALIFIED HOLDINGS	BREAKDOWN
Rodrigo Costa	-	-
Gonçalo Morais Soares	-	-
João Faria Conceição	-	-
Guangchao Zhu (representing State Grid International Development Limited)	State Grid of China	Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19 and 26)
Mengrong Cheng	State Grid of China	Deputy General Director of the Department of International Cooperation at the State Grid Corporation of China and Chair of the State Grid Corporation of China, US Office. (see II. 19 and 26)
Longhua Jiang	State Grid of China	Currently Executive Vice-Chairman at China Electric Power Equipment and Technology Co. Ltd. (see II.19 and 26)
Omar Al Wahaibi	-	-
Jorge Magalhães Correia	Fidelidade – Companhia de Seguros, S.A.	Chairman of the Executive Committee of Fidelidade – Companhia de Seguros, S.A. and holds management positions in other companies in the Fidelidade Group (see II.26)
Manuel Ramos de Sousa Sebastião	-	-
Gonçalo Gil Mata	-	-
Maria Estela Barbot	-	-
José Luís Arnaut	-	-

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Meeting[46]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[47] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Meeting also elects a Remunerations Committee.

In order to better understand the division of competencies among the different corporate bodies, the organization chart below outlines REN's business units:



46 Cf. article 8(2)(b) of the Articles of Association
47 Cf. article 8(1) of the Board of Directors regulations

During 2016, the reorganization process of the functional units of REN Group's companies was concluded and responsibilities were reallocated within the concession operation and support areas. Essentially, the aim was to improve efficiency and complementarity of powers in areas with common goals. Effects are expected to be seen in early 2017.

GENERAL MEETING

The General Meeting is a corporate body comprising all the company shareholders, and its responsibilities are namely:

a) analyse the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits of the year;

b) elect the members of the General Meeting, the directors and the statutory auditor;

c) resolve any amendments to the ;

d) resolve the remuneration of the members of the corporate bodies, with the power to appoint a remunerations committee; and

e) resolve any other matter falling within its power and for which it has been summoned.

BOARD OF DIRECTORS

The Board of Directors has the powers conferred to it by the Portuguese Companies Code and REN's [48]. Among these, of special note are:

a) Define the goals and management policies of the Company;

b) Draw up the annual financial and business plans;

c) manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) represent the Company actively and passively, in and out of court, with the power to confess, waiver and settle, in any judicial proceedings as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

[48] Cf. article 15(1) of the Articles of Association

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its employees and their remuneration;

i) Perform any other functions conferred to it by law or by the General Meeting.

According to the Board of Directors' regulation, approved on 27 March 2012[49], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Meetings, approval of the annual report and accounts to be submitted to the General Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, share, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects;.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's fixed assets is subject to prior approval from the General Meeting[50].

EXECUTIVE COMMITTEE

On 17 April 2015, the Executive Committee was delegated with, to the extent permitted by law, by the Articles of Association of the Company and by the Board of Directors' regulation, all the powers necessary or convenient to the performance of the management activities regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors

a) manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' regulation;

b) approve, on a case by case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal or lower than € 15,000,000.00 (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25,000,000.00 (twenty five million euros)

c) propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) without prejudice to article 3(5)(f) of the Board of Directors' Regulation, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

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[49] Cf. article (3) and 3(5).
[50] Cf. article 15(2) of the Articles of Association.

e) represent the Company in or out of court, as plaintiff or defendant, with the possibility of withdrawing from, entering into a compromise or confessing in any legal proceedings, as well as, entering into arbitration agreements;

f) incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed € 7,500,000.00 (seven million, five hundred thousand euros) or which have already been approved within the Company's annual budget;

g) negotiate, enter into, modify and terminate any agreements, including agreements of rendering of services, labour contracts for a value equal or lower than € 5,000,000.00 (five million euros);

h) negotiate, enter into, modify or terminate any short term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

i) open, operate and close bank accounts;

j) resolve the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights (*quotas*) or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

k) present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

l) present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group

m) appoint attorneys with the powers deemed convenient, including those of sub-delegation;

n) indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

o) take or give in lease any buildings or real estate units; and

p) manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms.

Specifically in relation to the entering into medium or long-term debt agreements, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors also delegated to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument with respect to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The powers delegated to the Executive Committee do not exclude the possibility of the Board of Directors deciding on those matters and do not include any matters reserved by law, by the Articles of Association or the Board of Directors' regulation, notably:

a) appointment of the Chairman of the Board of Directors;

b) co-optation of directors;

c) request to convene the general shareholders' meetings;

d) approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) provision of deposits and personal guarantees or security interests by the Company;

g) change of the registered office and increase of the share capital, under the terms of the ;

h) projects for the merger, demerger and transformation of the Company;

i) appointment of the Company Secretary and the respective alternate;

j) definition of the Company's strategy and general policies;

k) definition of the Company's goals and management policies;

l) approval of the annual budget, the business plan and other long-term development plans;

m) definition of the Group's corporate structure;

n) the approval, on a case by case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than € 15,000,000.00 (fifteen million euros), or that have already been approved within the Company's annual budget and the corresponding value does not exceed individually or in total € 25,000,000.00 (twenty five million euros);

o) incorporation of companies and the subscription, acquisition, holding, creation of encumbrances and transfer of shareholdings, except when those companies are, or the shareholdings relate to, special purpose vehicles (SPV) for specific investments with an individual or aggregate investment value that does not exceed € 7,500,000.00 (seven million, five hundred thousand euros), or if already approved within the Company's annual budget;

p) resolution on contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) approval of the Company's systems of internal control, risk management and internal audit;

s) appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;

t) indication of those to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

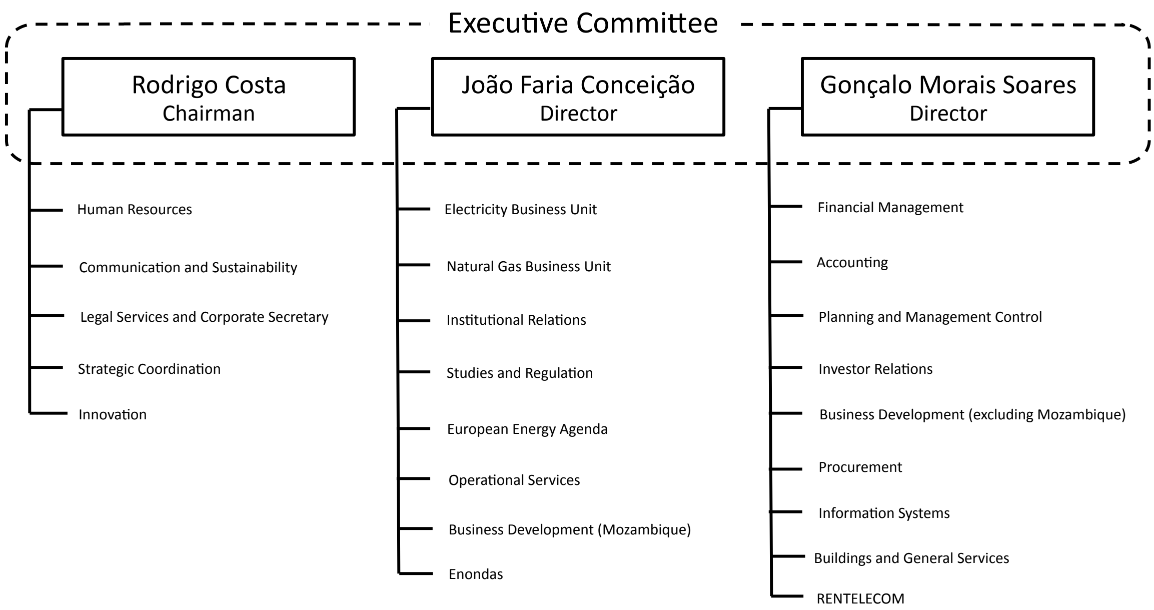
v) entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

w) transactions with related parties in excess of € 500,000.00 (five hundred thousand euros) or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;

x) adopt resolutions on all the matters which are deemed strategic, because they are related with strategic agreements entered into by REN or due to their risk or special characteristics.

Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2016, the responsibility for the direct monitoring of specific performance areas of the Company, under the terms evidenced in the following chart:



AUDIT COMMITTEE AND STATUTORY AUDITOR

The Audit Committee and the Statutory Auditor are the Company's supervisory bodies, and their main powers are set out in III.38.

REMUNERATIONS COMMITTEE

The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

b) Operation

II.22. Existence and place where the operating regulations, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors can be consulted

The Board of Directors' Regulation – as well as the Executive Committee' Regulation - are available on the REN website[51] in Portuguese and English.

II.23. Number of meetings held and attendance by each member of, as applicable, the Board of Directors, the General and Supervisory Board and the Executive Board of Directors

BOARD OF DIRECTORS

The meetings of the Board of Directors are convened and presided over by the respective Chairman. It is the responsibility of the Board of Directors to determine the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time there shall be monthly meetings[52].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor[53].

In 2016, the Board of Directors held nine meetings.

The following table shows the number of REN Board of Directors' meetings at which directors were present or duly represented.

[51] www.ren.pt
[52] Cf. article 19(1) of the Articles of Association and article 4(2) of the Board of Directors' Regulation.
[53] Cf. article 19(1) of the Articles of Association.

ATTENDANCE TO MEETINGS OF MEMBERS OF THE BOARD OF DIRECTORS

NAME	PRESENCE	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	9		0	100%
Gonçalo Morais Soares	9		0	100%
João Faria Conceição	9		0	100%
Guangchao Zhu (representing State Grid international Development Limited)	3	6	0	100%
Mengrong Cheng	5	4	0	100%
Manuel Champalimaud (appointed by Gestmin, SGPS, S.A.)[54]	2			67%[55]
Omar Al-Wahaibi	8	0	1	90%
Longhua Jiang	4	5	0	100%
Jorge Magalhães Correia	7	2	0	100%
Manuel Ramos de Sousa Sebastião	9	0	0	100%
Gonçalo Gil Mata	9	0	0	100%
Maria Estela Barbot	8	1	0	100%
José Luís Arnaut	6	3	0	100%

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and presided over by the respective Chairman and are held, as a rule, once a week[56].

In 2016, the Executive Committee held 40 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[57].

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[54] The information available refers to all the meetings of the Board of Directors held in 2016. The director attended meetings held before 31 May 2016, the date on which he ceased duties after submitting his resignation on 13 April 2016.
[55] Temporarily suspended between 4 March, 2016 and 1 April, 2016, from performing duties. The exercise of the voting rights of Gestmin SGPS, S.A. was suspended between 3 March, 2016 and the end of that month.
[56] Cf. article 1(2) of the Executive Committee regulation.
[57] Cf. article 5 of the Executive Committee Regulations.

ATTENDANCE TO MEETINGS OF MEMBERS OF THE EXECUTIVE COMMITTEE

NAME	PRESENCE	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	40	0	0	100%
Gonçalo Morais Soares	40	0	0	100%
João Faria Conceição	40	0	0	100%

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of Executive Committee members has been assessed jointly by the non-executive directors, who now have the support of the Nominations and Appraisals Committee. This committee was set up in 2015 and its assessment powers are set out in II.29 below. Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for the purposes of setting the variable remuneration of executive directors. Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

II.26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors and, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown here are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2016:

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Rodrigo Costa	Chairman of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Chairman of the REN Gasodutos, S.A. Board of Directors. Chairman of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Chairman of the REN Armazenagem, S.A. Board of Directors. Chairman of the REN Serviços, S.A. Board of Directors. Chairman of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Chairman of the REN Gás, S.A. Board of Directors. Chairman of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the Board of Directors of Aerio Chile, Spa
Gonçalo Morais Soares	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the REN Finance BV Board of Directors. Member of the Aerio Chile, Spa Board of Directors
João Faria Conceição	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the Aerio Chile, Spa Board of Directors

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role, seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

Moreover, it should be noted that, upon their appointment, the executive directors declared their full dedication to carry out their role and pursue the objectives laid out, and have proven this through their attendance at Board of Directors and Executive Committee meetings and through their work carried out within REN.

DUTIES OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS PERFORMING DUTIES AT 31.12.2016[58]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China.
Mengrong Cheng	Deputy General Director of the Department of International Cooperation at the State Grid Corporation of China. Chairman of the State Grid Corporation of China, US Office Member of the Chinese Expert Committee of IEC MSB
Longhua Jiang	Executive Vice-Chairman of the China Electric Power Equipment and Technology Co. Ltd.
Omar Al-Wahaibi	CEO of Electricity Holding and CEO of the Nama Group Member of the Board of Directors of the Broad Band Company Member of the Board of Directors of the Gulf Cooperative Council Interconnection Authority
Jorge Magalhães Correia	Vice-Chairman of Board of Directors and Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A. Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Fidelidade Assistência – Companhia de Seguros, S.A. Vice-Chairman of Board of Directors and Chairman of the Executive Committee of Multicare - Seguros de Saúde, S.A. Chairman of the Fidelidade – Property Europe, S.A. Board of Directors. Chairman of the Fidelidade – Property International, S.A. Board of Directors. Chairman of the Board of Directors and member of the Advisory Board of Luz Saúde, S.A. Vice-Chairman of the Portuguese Association of Insurers Member of the Geneva Association

Upon their appointment, the non-executive directors named above declared themselves to have the necessary availability to carry out their role and to pursue the objectives laid out. This dedication has been proven through their attendance at Board of Directors meetings and through their work carried out within REN.

[58] None of the companies identified belong to the REN Group.

DUTIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS AT 31.12.2016[59]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Manuel Ramos de Sousa Sebastião	Consultant on the International Advisory Board of Banco Finantia
Gonçalo Gil Mata	Executive partner and member of the board of Directors of Capital Criativo - Soc. Capital de Risco Non-executive member of the Board of Directors of Arquiled, SA, Summer Portugal, S.A. and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Maria Estela Barbot	Director at the Financial Institution for Development Executive partner at ALETSE, LDA Senior consultant at Young network, Marketing e Comunicação, Lda Member of the Casa da Música Audit Committee Member of the Management Committee of LIDE – Grupo de Líderes Empresariais Member of the Advisory Board of Instituto Português de Corporate Governance Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual Member of the Board of Founders and of the Remunerations Committee of Museu de Arte Moderna da Fundação deSerralves Member of the Board of Directors of Fórum Portugal Global – FPG Member of the General Board of FAE – Fórum de Administradores de Empresas
José Luis Arnaut	Member of the MOP, S.A. Board of Directors. Member of the Discovery Portugal Real Estate Fund Board of Directors, Chairman of the General Meeting of the Portuguese Football Federation. Chairman of the General Meeting of ÚNICA – União Cervejeira de Angola (UNICER Group), Chairman of the General Meeting of ANA - Aeroportos de Portugal (VINCI Airports) Chairman of the General Meeting of SIEMENS Portugal Chairman of the General Meeting of Portway - Handling de Portugal, S.A. (Vinci Airports) Member of the Executive Committee of CMS Legal (Frankfurt)

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

[59] None of the companies identified belong to the REN Group.

II.27. Identification of committees set up within, where appropriate, the Board of Directors, the General and Supervisory Board and the Executive Management Board, and place where the operating regulations may be found

In 2016, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

Indeed, the Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) the Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it further supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees.
Their internal regulations can be consulted at: http://www.ren.pt/pt-PT/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/.

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

On 31 December 2016, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the powers of each of the committees created

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Corporate Governance Committee and the Nominations and Appraisal Committee.

The Corporate Governance Committee has the powers conferred by its internal regulations[60]. Among these, of special note are:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

    (i) Structure, role and functioning of the corporate bodies

    (ii) Liaison between the corporate bodies and the internal committees

    (iii) Incompatibilities and independence of the members of corporate bodies

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[60] Cf. article 3 of the Corporate Governance Committee Regulations.

(iv) Efficiency of the role of non-executive members of the Board of Directors

(v) Voting, representation and equal treatment of shareholders

(vi) The prevention of conflicts of interests

(vii) Transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular incompatibilities and independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers conferred by its internal regulations[61]. Among these, of special note are:

a) In relation to appointments

(i) Support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment

(ii) Make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors

(iii) Assist the Board of Directors in the preparation of the succession of its members

[61] Cf. article 3 of the Nominations and Appraisals Committee Regulations.

(iv) Perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

b) In relation to appraisals

(i) Advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators

(ii) Support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

(iii) Prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year.

(iv) Perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

With regard to the Executive Committee, see II.21.

III. SUPERVISION (SUPERVISORY BOARD, AUDIT COMMITTEE OR GENERAL AND SUPERVISORY BOARD)

a) Composition

III.30. Identification of the supervisory body (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[62], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[63] (including the Chairman), possessing the necessary powers to perform their duties.

[62] See II.15. above.
[63] Cf. article 3(3) of the Audit Committee regulations.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, the General and Supervisory Board or Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the , number of full members, date of first appointment and date of termination of term of office of each member

On 31 December 2016, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

As regards the remaining appropriate information, please also refer to point II.17.

III.32. Identification, as appropriate, of the members of the Supervisory Board, Audit Committee, General and Supervisory Board or Financial Matters Committee considered to be independent, in accordance with article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés of each of the members of the Supervisory Board, Audit Committee, General and Supervisory Board or Financial Matters Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted for the Supervisory Board, Audit Committee, General and Supervisory Boards and Financial Matters Committee

The Audit Committee regulation can be consulted on the official REN website[64] in Portuguese and English.

[64] www.ren.pt

III.35. Number of meetings and attendance of each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and Financial Matters Committee

Audit Committee meetings are convened and presided over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members[65].

In 2016, the Audit Committee held 13 meetings.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

NAME	PRESENCE	REPRESENTATION	ABSENT	% ATTENDANCE
Manuel Ramos de Sousa Sebastião	13	0	0	100%
Gonçalo Gil Mata	13	0	0	100%
Maria Estela Barbot	13	0	0	100%

III.36. Duties of each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Powers and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[66], it is the Audit Committee which grants prior approval to the Company for the hiring of different audit services from the external auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46.)

In 2016, the Audit Committee granted prior approval to the hiring of different audit services from the external auditor or from the entities referred to above by REN or companies in a group or controlling relationship.

[65] Cf. article 8(1) and (2) of the Audit Committee Regulations.
[66] Cf. article 6(3)(l).

III.38. Other functions of the supervisory bodies and, where applicable, of the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The dual capacity of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN , therefore being particularly responsible for[67]:

a) Supervising the management of the Company and compliance with the law, the Articles of Association and applicable principles of governance;

b) Drawing up an annual report on their supervisory work and issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

c) Supervising the effectiveness of the risk management, internal control and internal audit systems;

d) Verifying the accuracy of books, accounting records and documents they use as support;

e) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

f) Verifying if the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

g) Verifying the accuracy of the accounting documents prepared by the Board of Directors and overseeing the respective review;

h) Supervising the preparation and disclosure of financial information;

i) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;

j) Proposing the appointment of the Statutory Auditor to the General Meeting (particularly with regard to proposing the external auditor and the respective remuneration);

k) Monitoring the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;

[67] Cf. article 6 of the Audit Committee Regulations.

l) Monitoring the review of accounts in accounting documentation;

m) Hiring the services of experts who will assist one or several of its members in exercising their duties;

n) Convening the General Meeting whenever the Chairman of the Board fails to do so, despite this obligation.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report and financial statements of the financial year, as well as on Corporate Governance. They are published together with accounting documents on the REN website[68], and remain available for five years.

The Audit Committee is the main discussion partner and the first recipient of reports from the Statutory Auditor and external auditor. It represents the Company towards the same and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the external auditor and Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the external auditors or the Statutory Auditor[69].

REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, so in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of the non-executive directors.

In turn, in accordance with the Portuguese Companies Code[70], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. The Statutory Auditor is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

The external auditor and the Statutory Auditor also verify the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and are obliged to report any significant deficiencies to the Company's Audit Committee. The Statutory Auditor also verifies the Corporate Governance Report, under the legally applicable terms.

[68] www.ren.pt
[69] Cf. article 6(3)(j) of the Audit Committee Regulation.
[70] Cf. article 420.

IV. STATUTORY AUDITOR

IV.39. Identification of the Statutory Auditor and of the key audit partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Deloitte & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No. 43 and registered at CMVM under no. 231, represented by Pedro Miguel Gonçalves Carreira Mendes (S.A. no. 1207), who also carries out the duties of external auditor.

The substitute Statutory Auditor of the Company is Carlos Luís Oliveira de Melo Loureiro, registered with the Portuguese Institute of Statutory Auditors under no. 572.

IV.40. Indication of the number of years during which the Statutory Auditor has consecutively carried out duties for the Company and/or group

The REN Statutory Auditor (Deloitte & Associados, SROC SA) was initially hired to carry out these duties in 2010.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to services as statutory auditor detailed in III.38., the services referred to in V.46 were also provided.

V. EXTERNAL AUDITOR

V.42. Identification of the external auditor for the purposes of article 8 and of the key audit partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's external auditor, as in the case of the Statutory Auditor, is Deloitte & Associados, SROC, S.A., registered with the Portuguese Institute of Statutory Auditors under no. 43 and registered at CMVM under no. 231, represented by Pedro Miguel Gonçalves Carreira Mendes (S.A. no. 1207).

V.43. Indication of the number of years during which the external auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's external auditor (Deloitte & Associados, SROC SA), and the respective partner, were initially hired to carry out these duties in 2010 (despite already having provided some audit services to REN in 2009).

V.44. Rotation frequency and policy for the external auditor and respective Key Audit Partner representing the former in the carrying out of these duties

REN's external auditor (Deloitte & Associados, SROC S.A.) was initially hired to carry out these duties in 2010 (despite already having provided some audit services to REN in 2009). Therefore, the period corresponding to three terms in office is still in effect. Once this period is over, the Company shall promote the rotation of the same in accordance with CMVM Recommendation IV.3.

Moreover, in accordance with Audit Committee regulation[71], the aforementioned body must issue a duly justified opinion regarding possible renewals of the contract with the external auditor for a fourth term-of-office which must weigh the conditions for the external auditor's independence and the advantages and costs of a replacement.

V.45. Indication of the body responsible for assessing the external auditor and frequency of the assessment

The Audit Committee is responsible for undertaking an annual assessment of the external auditor and has the power to propose the dismissal of the external auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the external auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the external auditor.

The Audit Committee is also responsible for overseeing the independence of the external auditor and issuing prior approval of the hiring of different audit services from the external auditor or from any entity with a participating interest with the said external auditor or which is part of the same network.

In 2016, the Audit Committee carried out its evaluation of the services provided to the Company by the external auditor. The Audit Committee considered that the external auditor has provided its services in a satisfactory manner and has complied with the applicable standards and regulations, including international standards on auditing, and that it performed its activities with high technical accuracy.

[71] Cf. article 6(3)(g) of the Audit Committee Regulation.

V.46. Identification of non-audit services provided by the external auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for such hiring

Non-audit services provided to REN by the external auditor/Statutory Auditor consisted of performance of agreed audit procedures for the confirmation of financial ratios and issuance of comfort letters.

As part of compliance with the independence rules established in relation to the External Auditor/Statutory Auditor, in 2016, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it fully complies with CMVM Recommendation IV.2., as the services other than audit services do not extend beyond the limit of 30%.

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from the Recommendation of the European Commission no. C(2002) 1873 of 16 May)

In the financial year ending 31 December 2016, the statutory auditor for REN SGPS and its subsidiaries was Deloitte & Associados, SROC S.A. with the exception of REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A. The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2016, was € 387,518, broken down as follows:

- Deloitte & Associados, SROC, S.A. and its network – € 322,410;
- Pricewaterhousecoopers & Associados – SROC, S.A. – € 65,108.

DELOITTE & ASSOCIADOS, SROC S.A.

	COMPANY (REN SGPS)[72]	OTHER COMPANIES[73]	TOTAL	%
Audit and legal review of accounts	44,900	201,510	246,410	76.4%
Other reliability guarantee services	73,000	-	73,000	22.7%
Tax consultancy services	3,000	-	3,000	0.9%
	120,900	**201,510**	**322,410**	

PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.

	COMPANY (REN SGPS)[74]	OTHER COMPANIES[75]	TOTAL	%
Audit and legal review of accounts	-	58,250	58,250	89.5%
Other reliability guarantee services	-	6,408	6,408	9.8%
Other services	450	-	450	0.7%
	450	**64,658**	**65,108**	

[72] Including individual and consolidated accounts.
[73] Including individual and consolidated accounts.
[74] Including individual and consolidated accounts.
[75] Including individual and consolidated accounts.

7.1.3. INTERNAL ORGANIZATION

I. ARTICLES OF ASSOCIATION

I.48. Rules applicable to changes to the Company's articles of Association (Art. 245(A)(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[76] and in the Articles of Association themselves[77]. In this regard, please see point I.14.

II. WHISTLEBLOWING POLICY

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Shareholders, members of corporate bodies, employees, service providers, clients, suppliers and other stakeholders in REN or Group companies may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group.

This system covers the communication of irregular practices by shareholders, members of corporate bodies, employees or service providers of the REN Group.

Communications must be submitted in writing to the registered office or by sending an email to *comissão.auditoria@ren.pt*, which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity.

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identification in the communication of the irregularity, which will only be disclosed for the purposes of investigations should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations approved by the Board of Directors, under a proposal by the Audit Committee.

The investigation process by the Audit Committee includes a preliminary stage with the aim of (i) conducting an in-depth investigation which may use contracted external consultants, (ii) rejecting the communication, or (iii) presenting a proposal for corrective measures to the Board of Directors or the Executive Committee.

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[76] Cf. article 383 of the Portuguese Companies Code.
[77] Cf. article 11 of REN's Articles of Association.

III. INTERNAL CONTROL AND RISK MANAGEMENT

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group's companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives.

The Audit Committee is responsible for assisting the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and governance and risk management systems, including the introduction of resolutions to improve operations and amendments in accordance with REN's requirements[78]. Therefore, in its action plan to be carried out in 2016, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and external auditor and with the heads of different departments, namely: information systems; procurement, management planning and control, accounts, research and regulation.

The external auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

On 13 May 2009, the Executive Committee passed a resolution to set up GSAD-AI (Internal Audit), with the mission of supervising the creation, operation and effectiveness of the Group's risk management control model and internal control and governance systems, through objective, independent and systematic monitoring.

Among GSAD-AI's various tasks, the most relevant are the following:

- Review of risk management and internal control policies in force
- Assessment of the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures)
- Implementation of financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);
- Definition, jointly with the various areas, of measures to correct any weaknesses or non-compliances identified during the audits

[78] Cf. article 3(6)(a) of the Audit Committee regulation.

- Monitoring of the implementation of corrective measures, through follow-up reports
- Support of high-level management on the definition and/or implementation of control and governance measures.

In addition, the mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the REN Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified
- Identify and define the persons responsible for risk management
- Monitor significant risks and REN's general risk profile
- Approve regular risk reporting mechanisms by different businesses areas.
- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

In 2016, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group and the internal disclosure of best practices on Risk Management.

III.51. Explanation, even though by organizational chart, of the hierarchical and/or functional relationships towards other Company's bodies or committees

GSAD-AI reports functionally and hierarchically to the Audit Committee, notwithstanding its administrative relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in its internal regulation, the Audit Committee supervises the internal audit procedure, namely through the presentation of proposals to improve their operation[79]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to GSAD-AI, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by the executive director Gonçalo Morais Soares, consists of several persons who are responsible chiefly and reports to the Executive Committee.

[79] Cf. article 3(6)(a)(b) and (m) of the Audit Committee regulation.

III.52. Existence of other functional areas with powers relating to risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risks (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2016, the Risk Management Committee, with support from 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the REN Group's risk profile.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

#	CATEGORY	SUBCATEGORY	TYPE	RISK EVENT
1	Surrounding Environment	External Context	Regulatory	Changes to the regulatory model and parameters
2			Financial Markets	Evolution of REN's rating
3				Evolution of interest rates
4	Processes	Operational	Interruption of business	Occurrence of a generalized incident
5			Investment projects	Non-approval of investment plans
6				Non-entry into operation of assets within planned deadlines of the project
7			Health & Safety	Occurrence of serious work accidents
8			Information technology	Unavailability of information systems

CHANGES TO THE REGULATORY MODEL AND PARAMETERS

The risk of changes to the regulatory model and/or decisions of the regulator may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN.

EVOLUTION OF REN'S RATING

Changes to REN' rating could have an impact in terms of access to financing as well as in the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any deterioration in Portugal's rating.

EVOLUTION OF INTEREST RATES

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

OCCURRENCE OF A GENERALIZED INCIDENT

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, among others), which could cause interruptions to the service.

The plan for the restoring of service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident are some of the initiatives adopted to manage this risk.

NON-APPROVAL OF INVESTMENT PLANS

The existence of delays in the approval of investment plans by the grantor or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

NON-ENTRY INTO OPERATION OF ASSETS WITHIN PLANNED DEADLINES

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization may compromise the entry into operation of assets within planned deadlines.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

OCCURRENCE OF SERIOUS WORK ACCIDENTS

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness.

UNAVAILABILITY OF INFORMATION SYSTEMS

REN's activities rely heavily on the information systems and technologies used within the REN Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures are in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation and reporting of financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- Safeguarding assets;
- To analyse the information processing system;
- Checking of the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;

- To check for compliance of the REN Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and regulations of the Company;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2015:

- Review and updating of the list of greatest risks;
- Implementing of a technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the review of the regulations on 'Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and to the Inspection of Irregularities'.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in CMVM recommendations. It has also been guided by the rules of the International Organization for Standardization (ISO) .

In 2016, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 245(A)(1) (m)

REN regularly provides financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and external auditor and with those responsible for accounts and management planning and control.

IV. INVESTOR SUPPORT

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the Investor Relations Office (IRO). It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts, and ensure communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders, providing information and clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes – Director: ana.fernandes@ren.pt
Alexandra Martins – alexandra.martins@ren.pt
Telma Mendes – telma.mendes@ren.pt

Address: REN – Redes Energéticas Nacionais, SGPS, S.A.
A/C: Investor Relations Office

Avenida dos Estados Unidos da América, 55
1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 I Fax: 21 001 31 50

The IRO has the following main duties:

a) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;

b) Ensure that feedback from institutional investors is communicated to the Executive Committee;

c) Guarantee timely compliance with CMVM obligations and other financial authorities;

d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;

e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;

f) Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;

g) Attract the interest of potential institutional investors and a greater number of financial analysts;

h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;

i) Develop and maintain the Investor Relations page on the Company's[80] website

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been Director Gonçalo Morais Soares, who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in such case as the request required the receipt of information from third parties, soon after they were received. In 2016, almost 300 requests were attended to by telephone, 280 by email and 200 in person at conferences and roadshows, with both debt and equity investors.

Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. INTERNET SITE

V.59. Address(es)

The Company's[81] website is available in Portuguese and English, in accordance with CMVM recommendation VI.1.

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[80] www.ren.pt
[81] www.ren.pt

V.60. Place where information on the firm can be found, the quality of open capital company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code

On the REN website[82], under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as open capital company, the registered office and other information mentioned in article 171 of the Portuguese Companies Code may be found.

www.ren.pt/investidores/informacao_da_sociedade/

V.61. Place where the Articles of Association and operating regulations for the bodies and/or committees can be found

On the REN website[83], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the ,
as well as to the following regulations and documents:

- Board of Directors' regulation
- Audit Committee regulation
- Executive Committee regulation
- Regulation on transactions with related parties
- Regulation on trades of financial instruments by REN directors;
- Procedures applicable to the processing of whistleblowing communications and to the inspection of irregularities;
- Corporate Governance Committee regulation;
- Nominations and Appraisals Committee regulation.

www.ren.pt/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/

[82] www.ren.pt
[83] www.ren.pt

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found.

www.ren.pt/investidores/governo_da_sociedade/

Furthermore, on the REN website[84], under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

www.ren.pt/investidores/relacoes_com_investidores/

V.63. Place where accounting records are made available, which must be accessible for at least ten years, as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website[85], under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of ten years.

www.ren.pt/investidores/resultados/

On the same website[86], a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website[87], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings', where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

www.ren.pt/investidores/governo_da_sociedade/assembleias_gerais/

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[84] www.ren.pt
[85] www.ren.pt
[86] www.ren.pt
[87] www.ren.pt

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[88], REN provides extracts from the minutes of General Meetings.

On the website[89], REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

See V.64. with regard to where this information is provided.

7.1.4. REMUNERATION

I. COMPETENCE TO DETERMINE REMUNERATION

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[90], which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements[91]. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

The abovementioned declaration on the remuneration policy covers all company officers (within the meaning of the provision of article 248-B(3) of the Securities Code) given that the REN Board of Directors understands that those officers correspond only to the members of the company's Management and Supervisory Bodies.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

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88 www.ren.pt
89 www.ren.pt
90 Cf. article 8(2)(d) of the Articles of Association.
91 Cf. article 26 of REN's Articles of Association.

II. REMUNERATION COMMITTEE

II.67. Composition of the Remunerations Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

On 31 December 2016, the following three members, appointed at the annual General Meeting of 17 April 2015, were on the Remunerations Committee (three-year period of 2015-2017):

NAME	POSITION
Paulo Pimenta	Chairman
Manuel de Lancastre	Member
Fernando Neves de Almeida	Member

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides or has provided in the last three years services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required, to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida) holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, lecturing on the strategic management of human resource at the Universidade Europeia. He has also published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) in the government, as Secretary of State for Economic Development (in the case of Manuel Corrêa de Barros de Lancastre), and (ii) at consultancies in the field of human resources (in the case of Fernando Neves de Almeida), thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. REMUNERATION STRUCTURE

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in article 2 of Law No. 28/2009 of June

As an issuer of shares admitted to trading on the regulated market, REN is subject to Law No. 28/2009 of June 19 as well as to CMVM's recommendations.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the principle of say-on-pay, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2012-2014 term of office for the appraisal of the Annual General Meeting, the terms of which reflected the decision made by this Committee on this matter.

On 13 April 2016, the declaration of the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by majority at the General Meeting. This declaration includes the information set out in article 2 of law No. 28/2009 of June 19. In accordance with CMVM recommendation II.3.3, the abovementioned declaration also contains: (i) the identification and details of the criteria for the determination of the remuneration to be paid to the members of the governing bodies; (ii) information on the potential maximum amount, in individual terms, and the potential maximum amount, in aggregate form, to be paid to members of REN's corporate bodies, and identification of the circumstances whereby these maximum amounts may be payable; and (iii) information on the enforceability or unenforceability of payments for the dismissal or termination of the directors' service.

The remuneration policy for executive directors follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity
- To ensure a total remuneration which is competitive and equitable and in line with the best practices and latest trends seen nationally and in Europe, particularly with regard to REN's peers

- To incorporate a fixed component adjusted to the directors' duties and responsibility
- To incorporate a variable component, reasonable overall in relation to the fixed remuneration, with one short-term component and another medium-term component, both with maximum limits
- To establish a variable remuneration indexed to the individual performance assessment and that of the company, in accordance with the achievement of specific quantifiable goals which are in line with Company and shareholder interests

- To establish a medium-term variable remuneration component indexed to the evolution of REN's share price, thus ensuring that the remuneration of executive directors is bound to the sustainability of results and the creation of wealth for shareholders.

Based on these principles, the remuneration of executive directors is mainly determined based on four general criteria: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, taking into consideration that remuneration must be based on uniform, consistent, fair and balanced criteria; (iii) assessment of real performance, in accordance with duties and the level of responsibility of the person in question, as well as the assumption of suitable levels of risk and compliance with the rules applicable to REN's activity; and (iv) alignment of directors' interests with the Company's and its sustainability and creation of long-term wealth.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium-term performance, as described in further detail below.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in accordance with the best practices observed at large size companies in the Portuguese market.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons with managerial functions, within the meaning of article 248-B(3) of the Portuguese Securities Code), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons with managerial functions, within the meaning of article 248-B(3) of the Portuguese Securities Code).

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69 above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is an adequate proportionality between both components, as explained in III.69 above.

In accordance with the remuneration policy applicable to remuneration awarded in 2016 and set out in the Remuneration Committee's declaration approved by the Annual General Meeting of 2016, the variable component of remuneration for 2016 may include a short-term parcel (STVR) and a medium-term parcel (MTVR). Both parcels are based on performance assessment, which is based on the weighting of key individual performance indicators of the director's performance and of the performance of the Company itself. Such indicators, described in more detail in III.71 below, aim to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

Particularly, MTVR has the following characteristics which contribute to the alignment of the interests of the executive directors with those of REN and the shareholders:

- MTVR is set in Remuneratory Units (RU) that refer to each term of office in which each executive director has performed duties
- Each RU has a value corresponding to REN's share price at the date the MTVR is set and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN's shares

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between 20% and 120% of fixed remuneration, in a gradual manner, without prejudice to the evolution of the RU) are to discourage taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

As has already been mentioned, the remuneration structure of the Executive Committee consists of a fixed and a variable component, and in accordance with the remuneration policy approved and described in the Remunerations Committee declaration approved by the Annual General Meeting of 2016, the variable component of remuneration for 2016 may include short and medium-term parcels – STVR and MTVR[92].

The awarding of STVR and MTVR is subject to the following common requirements:

- The awarding of the variable component of remuneration only takes place after approval of the financial statements for each financial year, after the performance assessment for the year to which the payment refers to, and only when predefined objectives have been complied with, measured against individual and company performance indicators indexed to targets in REN's strategic plan
- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration is awarded. However, if compliance with targets lies between 80% and 120% or greater, the corresponding total variable remuneration will be set, in a gradual manner, between 20% and 120% of the fixed remuneration.

The abovementioned annual performance assessment, for purposes of awarding STVR and MTVR during the term of office, is carried out based on the following REN key performance indicators (KPI) on a consolidated basis (weighting 80%) and the individual performance assessment (weighting 20%), which, if negative, will result in the non-awarding of short-term variable remuneration:

(i) Average Cost of Debt;

(ii) Return on Invested Capital;

(iii) EBITDA abroad

(iv) Earnings per share (compound annual growth rate – CAGR)

(v) EBITDA CAGR

[92] Cf. points III.69. and III.70 above.

SHORT-TERM VARIABLE REMUNERATION

a) STVR is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of the targets relating to certain Key Performance Indicators.

b) Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or above, the corresponding STVR will be set between 10% and 60% of fixed remuneration.

MEDIUM-TERM VARIABLE REMUNERATION

MTVR aims to strengthen the alignment of the interests of REN's executive directors with those of the Company and shareholders. This payment will vary depending on the annual performance assessment (already described above) and will follow the same model as that for STVR.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year in question.

In turn, MTVR is set in RU which refer to every financial year of the term of office, is structured to ensure the deferral of its payment and is conditioned to continued positive performance, through the following channels:

- Each RU has a value corresponding to REN's share price at the date the MTVR is set and this value evolves in a manner equal to that of TSR for REN's share.
- The executive directors' right to convert their RU is established progressively. One third is consolidated at the end of the financial year it relates to, while each of the remaining two thirds are consolidated at the end of each of the two subsequent financial years, provided that the director performs executive duties in the respective financial year. The executive directors' right to convert their RU will be maintained even if their duties terminate as a result of a change in REN's shareholder control. This is due to the fact that the director has been in office in the period in question (such conversion thus not being seen as compensatory in nature), and as a result of the non-voluntary nature of termination of duties (unlike that which takes place, for instance, in the event of dismissal);
- RU will be automatically converted into cash or, should REN's General Meeting come to deliberate (and in accordance with the terms thereby established), into REN shares, either partially or totally, when three years have elapsed since the date on which they were awarded. Therefore, and although the right to convert RU into cash is progressive, in accordance with that set out above, their payment is always deferred for three years from the date of awarding.

Bearing in mind the above, payment of the MTVR for 2015 and attributed in 2016 is deferred for a period of three years, if the corresponding assumptions are met.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist, and as such REN considers that CMVM recommendation III.6. does not apply.

Therefore, despite the remuneration policy approved by the Remuneration Committee for the term of office determining that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should REN's General Meeting so deliberate, this has not as yet taken place. Should the General Meeting make such a decision, this deliberation shall govern the conditions for awarding the shares in question, including the potential requirement to maintain the shares or part of them until the end of the term of office.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, the members of the board of directors of the Company have not entered into agreements, either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating medium-term variable remuneration (MTVR)), for members of the management or supervisory bodies or officers, within the meaning of article 248-B(3) of the Portuguese Securities Code.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2016, Executive Directors were entitled to the use of a car for the performance of their duties, and were also provided with health insurance, life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is €20,000/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and that mentioned in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. DISCLOSURE OF REMUNERATION

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

Remuneration paid in 2016 to members of REN's management body, individually and collectively, was as follows:

NAME		FIXED REM.	VARIABLE REM.	TOTAL
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	384,999.96€	176,458.32€	561,458.28€
João Faria Conceição	Executive Committee	305,000.04€	267,156.53€	572,156.57€
Gonçalo Morais Soares	Executive Committee	305,000.04€	267,156.53€	572,156.57€
Guangchao Zhu	Vice-Chairman of the Board of Directors	80,000.04 €		80,000.04 €
Mengrong Cheng	Board of Directors	36,000.00 €		36,000.00 €
Longhua Jiang	Board of Directors	36,000.00 €		36,000.00 €
Omar Al-Wahaibi	Board of Directors	36,000.00 €		36,000.00 €
Manuel Champalimaud	Board of Directors	15,000.00 €		15,000.00 €
Jorge Magalhães Correia	Board of Directors	36,000.00 €		36,000.00 €
Manuel Sebastião	Audit Committee	75,000.00 €		75,000.00 €
Gonçalo Gil Mata	Audit Committee	60,000.00 €		60,000.00 €
Maria Estela Barbot	Audit Committee	60,000.00 €		60,000.00 €
José Luís Arnaut	Board of Directors	36,000.00 €		36,000.00 €
Total		**1,465,000.08 €**	**710,771.38€**	**2,175,771.46 €**

STVR paid in 2016, as indicated in the table above, refers to the financial year of 2015. Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, for MTVR referring to the 2015 financial year, set in RU. Considering that REN's share price on the date MTVR was set was 2.62 euros, the number of RU to be awarded to each member of the Executive Committee is as follows:

(i) Rodrigo Costa – 67,923 RU;

(ii) João Faria Conceição – 58,206 RU; and

(iii) Gonçalo Morais Soares – 58,206 RU.

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79. Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex-Executive Directors related to the termination of their duties during the term of office

In 2016, there were no amounts due or paid in the form of compensation to ex-executive directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Law No. 28/2009, of July 19

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2016, the Chairman of the General Meeting received the fixed annual amount of €15,000 for carrying out the respective duties.

V. AGREEMENTS WITH IMPLICATIONS ON REMUNERATION

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2016, in the event of termination of management duties through agreement or unfair dismissal, no compensation will be paid, beyond that legally required, if the termination or dismissal is due to the unsuitable performance of the director. No other provision exists in REN's remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

V.84. Reference to the existence and description, with the amounts involved indicated, of agreements between the Company and the members of the management body or other officers, in the meaning of article 248-B(3) of the Portuguese Securities Code, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (article 245-A(1)(l))

There are no agreements between REN and the members of the management body or other officers (in the meaning of article 248-B(3) of the Portuguese Securities Code) that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. PLANS TO AWARD SHARES OR STOCK OPTIONS

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating the medium-term variable remuneration (MTVR)) for members of the management or supervisory bodies or officers, within the meaning of article 248-B(3) of the Portuguese Securities Code.

However, the remuneration policy approved by the Remuneration Committee and which came into effect on 1 June 2012 determines that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the Company's General Meeting so deliberate (which has not happened so far).

VI.86. Description of the plan (conditions of allocation, share non-transferability clauses, criteria relating to share price and exercise price, period during which options can be exercised, characteristics of the shares or options to be awarded, existence of incentives for the acquisition of shares and/or the exercise of options)

See VI.85. above.

VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the workers and employees of the Company

See VI.85. above.

VI.88. Control mechanisms available in a possible scheme for workers' participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 245-A(1)(e))

There are no schemes for workers' participation in the share capital of the Company.

7.1.5. TRASANCTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (for such purposes please see the concept resulting from IAS 24)

So as to provide for monitoring procedures by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties, and the methodology to be adopted in the event of potential conflict of interests, REN's Audit Committee proposed to the Board of Directors an internal regulation on the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest', which was approved by the Board of Directors on 8 November 2012 and remains in effect.

In accordance with the internal regulation on 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest', which are in line with IAS 24 and CMVM recommendation V.2, transactions conducted between a related party[93] and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee[94]:

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[93] That is, a) a member of a REN's management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to article 21 of the Portuguese Securities Code ("Subsidiaries"); or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with article 20 of the Portuguese Securities Code; d)

1. The purchase and/or sale of goods, provision of services or works contract valued at over €1,000,000;
2. The acquisition or disposal of shareholdings;
3. New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding €100,000,000.00, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;
4. Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds €1,000,000 or must be considered relevant for this purpose by the Board of Directors, by virtue of its nature or its particular susceptibility to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration[95].

If the Audit Committee issues an unfavourable prior opinion, approval of the transaction by the Board of Directors is required and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with the pursuit of the corporate interest of REN or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee[96].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[97].

Moreover, in accordance with the Board of Directors' internal regulation, transactions with related parties for sums exceeding €500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

In accordance with internal regulations on the assessment and control of transactions with related parties and the prevention of conflicts of interest, the Audit Committee intervened in the following transactions, carried out between REN Group companies and the holders of qualified shareholdings or entities with which they are in a relationship pursuant to article 20 of the Portuguese Securities Code having issued a prior favourable opinion to the carrying out of the aforementioned:

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a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.
[94] Cf. Point II.I(a) of the abovementioned internal regulation.
[95] Cf. Point III(b) of the abovementioned internal regulation.
[96] Cf. Points 4 and 5 of point VI of the abovementioned internal regulation.
[97] Cf. Point IX(1)(a) of the abovementioned internal regulation.

A - ACQUISITIONS OF GOODS OR SERVICES:

1 – SUPPLY OF ELECTRICAL POWER TO REN FACILITIES FOR A PERIOD OF 24 MONTHS:

a) Objective: Supply of electrical power to REN facilities for period of 24 months.

b) Date of approval: On 1 March 2016, by REN SGPS' Executive Committee (conditional approval), on 17 March 2016, by REN's Board of Directors, having been subject to prior favourable opinion from the Audit Committee.

c) Material criterion for its assessment: Business conducted with a related party, EDP Comercial – Comercialização de Energia, S.A., a company wholly owned by EDP – Energias de Portugal, S.A. (EDP) (shareholder in REN SGPS) and the following REN SGPS' subsidiaries: REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Atlântico, Terminal de GNL, S.A., REN Armazenagem, S.A. and REN Serviços, S.A..

d) Selection criterion: Lowest price.

e) Type of procedure: Direct award with invitations to several entities.

f) Sum: €5,598,683.50 plus VAT at the applicable rate and regulated network access fees.

B - PROVISION OF SERVICES:

2 – CONSTRUCTION OF A DATA PROCESSING CENTRE IN RIBA D'AVE – RENTELECOM – COMUNICAÇÕES, S.A. (RENTELECOM) AND REN – REDE ELÉCTRICA NACIONAL, S.A. (REN ELÉCTRICA):

a) Objective: Construction of a data processing centre in Riba d'Ave for EDP (in partnership with the company NOS Comunicações, S.A.).

b) Date of approval: On 6 April 2016, by REN SGPS' Executive Committee (conditional approval), on 13 April 2016 by REN's Board of Directors, on 15 April 2016 by RENTELECOM and REN Eléctrica's boards of directors, having been subject to prior favourable opinion from the Audit Committee.

c) Material criterion for its assessment: Business conducted between a related party, EDP (a REN SGPS' shareholder) and RENTELECOM, a subsidiary of REN SGPS.

d) Maximum total contract value: €11,500,000.00.

3 - SERVICES AGREEMENT WITH EDP – GESTÃO DA PRODUÇÃO DE ENERGIA, S.A. (EDP PRODUÇÃO) - FOZ TUA HYDRO ELECTRIC PLANT (REN ELÉCTRICA AND REN SERVIÇOS, S.A. (REN SERVIÇOS):

a) Objective: Establishment of very high-voltage power lines to connect to the Foz Tua hydro electric plant of EDP – Gestão da Produção de Energia, S.A. (EDP Produção)

b) Date of approval: On 9 March 2016 by REN's Executive Committee and by the REN Eléctrica's and REN Serviços' boards of directors (conditional approvals), on 17 March 2016 by REN's Board of Directors, having been subject to prior favourable opinion from the Audit Committee.

c) Material criterion for its assessment: Transaction entered into between a related party, EDP Produção, a company wholly owned by EDP (a shareholder in REN) and the following REN subsidiaries: REN Eléctrica and REN Serviços.

d) Invoicing: € 2,216,241.53 (estimated value).

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to article 20 of the Portuguese Securities Code, given that these are by definition considered to be related parties in accordance with the internal regulation on the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest'.

II. INFORMATION RELATING TO BUSINESS

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2016 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with related parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to article 20 of the Portuguese Securities Code was conducted under normal market conditions, in the normal course of business of REN, and was largely a result of regulatory obligations, and as such, CMVM recommendation V.1. was adopted.

PART II

7.2. › ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CODE OF CORPORATE GOVERNANCE ADOPTED

The Corporate Governance Code to which the company is subject or has decided voluntarily to abide by shall be identified, under the terms and pursuant to article 2 of this regulation.

The place where the texts of the Corporate Governance Codes to which the Company is subject are made available to the public shall also be indicated (article 245-A(1)(p))

In 2013, the regulatory and advisory framework for matters of corporate governance was subject to a major overhaul.

Under the terms of this overhaul, and as a Company issuing shares that are admitted to trading on the Euronext Lisbon regulated market, REN finds itself subject to, in matters of disclosure of information relating to corporate governance, to the regime established by the Portuguese Securities Code, by Law No. 28/2009, of June 19, and by the CMVM regulation no. 4/2013 (the latter was approved in 2013 and is applicable to governance reports which relate to this financial year), in matters of disclosure of information relating to corporate governance.

Amongst the many amendments to CMVM regulation no. 4/2013, it is worth noting the possibility for issuers to opt for the adoption of the CMVM governance code or an alternative code issued by an entity dedicated to that purpose.

Also in this respect, and in an advisory sense, the CMVM and the Portuguese Institute for Corporate Governance (IPCG) approved, respectively, in 2013 and 2014, new corporate governance codes. This outcome was the result of a long process of discussion and consultation with various market players.

When preparing this report, REN referred to the CMVM Corporate Governance Code, considering, on one hand, market practices in this regard - it was possible to establish that the main issuers continue to implement CMVM recommendations - while on the other, it is this Code that has guided current governance bodies in relation to practices and principles adopted.

In summary, for the purposes of this report, REN took the decision to adopt the recommendations laid out in the Corporate Governance Code of the CMVM, approved in 2013, which can be viewed at www.cmvm.pt.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Pursuant to article 245-A(1)(o) of the Portuguese Securities Market Code, a statement shall be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from the said code and the reasons for the divergence.

The information submitted should include, for each recommendation:

a) Information that enables the verification of compliance with the recommendation or referral to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);

b) Grounds for the potential non-compliance or partial compliance thereof;

c) In the event of non-compliance or partial compliance, the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation.

As mentioned above, REN took the decision to adopt all recommendations laid out in the Corporate Governance Code of the CMVM, approved in 2013.

Therefore, REN hereby declares that it fully adopts all the abovementioned CMVM recommendations on corporate governance matters laid down in said Code, except for Recommendations I.1. (partially), I.2. to I.4 and II.1.4, which are not complied with for the reasons given below.

The chart below identifies CMVM recommendations and individually mentions those that have been fully adopted by REN and those that have not. It also indicates the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with said CMVM recommendations.

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I. Voting and Company control I.1. Companies shall encourage shareholders to attend and vote at general meetings, notably by not setting an excessively large number of shares required for the entitlement of one vote and implementing the means necessary to exercise the right to vote by mail and electronically.	**Partially adopted** (With regard to the exercise of voting rights by electronic means, REN's Articles of Association set forth that shareholders may exercise their voting rights by electronic communication, in accordance with the terms, time and conditions to be defined in the notice to convene. Although REN considers that the participation of shareholders is fully guaranteed at general meetings through correspondence vote and representation mechanisms, the Company considers that electronic voting may provide in the future important flexibility for its shareholders and for this reason included this option in the .)	**Part 1, Chapter 7.1.2.I.12.**

[98] 'Chapter' refers to CMVM's Corporate Governance Code.

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.2. Companies shall not adopt mechanisms that hinder the approval of resolutions by its shareholders, for instance, setting a resolution-fixing quorum that outnumbers that which is prescribed by law.	**Not adopted** (The constitutive quorum ,at first call, is 51% of the share capital. Moreover, the quorum for adopting resolutions on changes to the , demerger, merger, transformation or dissolution is two thirds of the votes issued, whether at first or second call. The aim of the mechanisms set out in article 11(1) and (2) of the Articles of Association is to ensure adequate representation of shareholders in light of the nature of the activities carried out by the Company and its shareholder structure. In accordance with article 11(3), resolutions on changes relating to articles 7-A, 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued. In summary, the statutory rules in question are best suited to the specificities of the Company, bearing in mind the underlying aim of this recommendation and that this is related to a matter which is strictly within the realm of shareholder decision.)	**Part 1, Chapters 7.1.2.I.14. and 7.1.3.I.48.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, unless duly justified in terms of long-term interests of shareholders.	**Not adopted** (article 12(3) of the Articles of Association stipulates that the votes attached to REN shares shall not be counted if issued by any shareholder, on their own behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN's share capital. For this purpose, the rights to vote inherent to REN shares which, pursuant to article 20(1) of the Portuguese Securities Code, are attributable to them are taken into account. In accordance with article 12(12) of the , shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are inhibited to exercise their social rights at the General Meeting with regard to any Company actions, except when ERSE has concluded that no risk of conflict of interest exists. Nevertheless, article 12(3) and (12) of the Articles of Association are the result of legal requirement and/or administrative decision and do not seek to limit voting rights, but rather to ensure the existence of a penalty system for breaching the legal limit on the ownership of the abovementioned shares and compliance with the legal restriction on voting rights by certain entities.)	**Part 1, Chapters 7.1.1.I.12.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.4. Companies' articles of association which set out a limitation on the number of votes that may be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also establish that, at least every five years, the amendment or maintenance of this provision shall be subject to a resolution by the General Meeting – without aggravated quorum requirements vis-à-vis that legally established – and that upon such resolution, all votes cast shall be counted without applying such limitation.	**Not adopted** (article 12(3) of the Articles of Association stipulates that the votes attached to REN shares shall not be counted if issued by any shareholder, on their own behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN's share capital. For this purpose, the rights to vote inherent to REN shares which, pursuant to article 20(1) of the Portuguese Securities Code, are attributable to them are taken into consideration. In accordance with article 12(12) of the , shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are inhibited from exercising their social rights at the general meeting with regard to any Company's actions, except when ERSE has concluded that no risk of conflict of interest exists. Nevertheless, the abovementioned provisions are the result of legal requirement and/or administrative decision and are not to limit voting rights, but rather to ensure the existence of a penalty system for breaching the legal limit on the ownership of the abovementioned shares and compliance with the legal restriction on voting rights by certain entities. As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal requirements.)	**Part 1, Chapter 7.1.1.I.5. and 7.1.1.I.2**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.5. Measures that have the effect of requiring payment or the assumption of fees by the Company in the event of change of control or change in the composition of the management body, thus hindering the free transferability of shares and free assessment of the performance of the members of the management body by shareholders, shall not be adopted.	**Adopted**	**Part 1, Chapter 7.1.1.I.4.**
II. Supervision, Management and Monitoring **II. 1. Supervision and Management** **II.1.1.** Within the legal limits established, and unless due to the reduced size of the Company, the board of Directors shall delegate the day-to-day management of the Company. The delegated powers shall be identified in the Company's annual Corporate Governance Report.	**Adopted**	**Part 1, Chapter 7.1.2.II.21.**
II.1.2. The Board of Directors shall ensure that the Company acts in accordance with its aims and does not delegate its powers, notably with regard to: i) the definition of the Company's strategy and general policies; ii) the definition of the Group's corporate structure; iii) the decisions that should be considered as strategic due to their value, risk or special characteristics.	**Adopted**	**Part 1, Chapter 7.1.2.II.21.**
II.1.3. The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall set out the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company.	**Not applicable.** (This recommendation is not applicable given the corporate governance model adopted by REN)	**Part 1, Chapter 7.1.2.II.15.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.4. Except by virtue of the reduced dimension of the Company, the Board of Directors and the General and Supervisory Board, depending on the corporate governance model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of executive directors and their overall performance, as well as that of the different existing committees; b) Reflect on the system, structure and governance practices adopted, verify their effectiveness and propose to the competent bodies, measures to be implemented with a view to their improvement.	**Adopted**	**Part 1, Chapter 7.1.2.II.27.**
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create control systems to ensure that the risks effectively incurred are consistent with those goals.	**Adopted**	**Part 1, Chapters 7.1.3.III.50 to 55.**
II.1.6. The Board of Directors shall include a number of non-executive members ensuring the effective ability to supervise, monitor and assess the activity of the remaining members of the management body.	**Adopted**	**Part 1, Chapter 7.1.2.II.18.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. Regarding other members of the Board of Directors, these are considered independent if they are not associated with any specific group of interests in the Company nor are under any circumstance likely to affect an exempt analysis or decision, notably due to: a) Having been an employee at the Company or at a company in a controlling or group relationship within the last three years; b) Having, in the past three years, provided services or established a commercial relationship with the company or company with which it is in a controlling or group relationship, either directly or as a partner, board member, manager or director of a legal person; c) Being paid by the company or by a company with which it is in a control or group relationship in addition to the remuneration arising from performing the duties of a board member; d) Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct or indirect holders of qualifying holdings; e) Being a qualifying shareholder or representative of a qualifying shareholder.	**Adopted**	**Part 1, Chapter 7.1.2.II.18.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.8. Directors performing executive duties, when so requested by other corporate body members, shall provide any information requested by them in a timely and appropriate manner.	**Adopted**	**Part 1, Chapters 7.1.2.II.18. and 23.**
II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, to the Chairman of the Supervisory Board, to the Chairman of the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee, the notices to convene and minutes of the relevant meetings.	**Adopted**	**Part 1, Chapter 7.1.2.II. 23.**
II.1.10. If the Chairman of the management body carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that they can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	**Adopted**	**Part 1, Chapter 7.1.2.II.18.**
II. 2. Supervision **II.2.1.** Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee or Financial Matters Committee shall be independent in accordance with the applicable legal criteria and be appropriately qualified to carry out his or her duties.	**Adopted**	**Part 1, Chapter 7.1.2.II. 18.**
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, *inter alia*, for proposing its remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	**Adopted**	**Part 1, Chapters 7.1.2.III. 38 and 7.1.2.V. 45.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.2.3. The supervisory body shall assess annually the external auditor and propose to the competent body its dismissal or termination of the contract for the provision of its services when there is a just cause for said purpose.	**Adopted**	**Part 1, Chapter 7.1.2.V. 45.**
II.2.4. The supervisory body shall assess the functioning of the internal control and risk management systems and propose the adjustments that may be deemed necessary.	**Adopted**	**Part 1, Chapters 7.1.2.III.38. and 6.1.3.III. 50.**
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential illegalities.	**Adopted**	**Part 1, Chapters 7.1.3.III. 51.**
II. 3. Setting of remuneration **II.3.1.** All members of the Remunerations Committee, or equivalent, shall be independent in regard to the executive members of the management body and such committee shall include, at least, one member with know-how and experience in remuneration policy matters.	**Adopted**	**Part 1, Chapters 7.1.4.II. 67. and 68.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.3.2. Any natural or legal person which provides or has provided, over the past three years, services to any structure reporting to the management body, to the management body of the Company or that has a current relationship with the Company or a consultant to the Company, shall not be engaged to assist the Remunerations Committee on the performance of its duties. This recommendation also applies to any natural or legal person which has an employment or a services agreement with the abovementioned persons.	**Adopted**	**Part 1, Chapter 7.1.4.II. 67.**
II.3.3. The declaration on the remuneration policy of the management and supervisory bodies referred to under article 2 of Law No. 28/2009 of June 19, shall also contain the following: a) Identification and details of the criteria for determining the remuneration to be paid to the members of the corporate bodies; b) Information on the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identification of the circumstances whereby these maximum amounts may be payable; d) Information on the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	**Adopted**	**Part 1, Chapter 7.1.4.III.69.**
II.3.4. A proposal shall be submitted to the General Meeting on the approval of plans for the allocation of shares, and/or stock options or based on variations in share price, to members of the corporate bodies The proposal shall contain all the necessary information for the proper evaluation of the plan.	**Not applicable**	**Part 1, Chapter 7.1.4.VI.85.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.3.5. Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting. The proposal shall contain all the necessary information for the proper evaluation of the system.	**Not applicable**	**Part 1, Chapter 7.1.4.III.76.**
III. Remuneration **III.1.** The remuneration of the executive members of the management body shall be based on actual performance and shall discourage taking on excessive risk.	**Adopted**	**Part 1, Chapters 7.1.4.III. 69. and 70.**
III.2. The remuneration of non-executive members of the management body and the remuneration of the members of the supervisory body shall not include any component which value depends on the performance of the Company or of its value.	**Adopted**	**Part 1, Chapters 7.1.4.III. 69., 70. and IV.77.**
III.3. The variable component of the remuneration shall be globally reasonable vis-à-vis the fixed component, and maximum limits shall be set out for all components.	**Adopted**	**Part 1, Chapters 7.1.4.III. 69., 70. and 71.**
III.4. A significant part of the variable remuneration shall be deferred for a period of no less than three-years, and the right to its payment shall depend of the Company's steady positive performance during said period.	**Adopted**	**Part 1, Chapters 7.1.4.III. 72.**
III.5. Members of the management body shall not enter into contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of the remuneration established for them by the Company.	**Adopted**	**Part 1, Chapters 7.1.4.III. 73.**
III.6. Until the end of their term of office, the Executive Directors shall hold the Company shares that were allocated to them by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.	**Not applicable**	**Part 1, Chapters 7.1.4.III. 73.**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
III.7. When the variable remuneration includes stock options, the beginning of the exercise period shall be deferred for a period of no less than three years.	**Not applicable**	**Part 1, Chapters 7.1.4.III.69. and 74.**
III.8. When the removal of a director is not due to serious breach of his duties nor to his unfitness for the normal exercise of his functions, but is yet due to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	**Adopted**	**Part 1, Chapter 7.1.4.V.83**
IV. Auditing **IV.1.** Within the scope of its duties, the external auditor shall verify the implementation of the remuneration policies and systems for corporate bodies, the effectiveness and functioning of the internal control mechanisms and report any deficiencies to the Company's supervisory body.	**Adopted**	**Part 1, Chapters 7.1.2.III.38 and 7.1.3.III.50.**
IV.2. The Company or any entities with which it maintains a controlling relationship shall not engage the external auditor, or any entities in a group relationship with said external auditor or which are part of the same network, for services other than audit services. Should there be reasons for the engagement of such services – which shall be approved by the supervisory body and explained in the annual Corporate Governance Report, such services shall not exceed 30% of the total value of the services provided to the Company.	**Adopted**	**Part 1, Chapter 7.1.2.V.46 and 7.1.2.V.47**

RECOMMENDATION / CHAPTER[98]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
IV.3. Companies shall promote the rotation of the auditor at the end of two or three terms of office, as they respectively are of four or three years Their continuance beyond this period shall be grounded on a specific opinion of the supervisory body, which shall expressly consider the auditor's independence conditions and the advantages and costs arising out of its replacement.	**Adopted**	**Part 1, Chapter 7.1.2.V.44.**
V. Conflicts of interests and transactions with related parties **V.1.** Deals entered into between the Company and qualifying shareholders, or with entities in a relationship with such shareholders as set out in article 20 of the Portuguese Securities Code, shall be carried out under normal market conditions.	**Adopted**	**Part 1, Chapter 7.1.5.II.92.**
V.2. The supervisory or monitoring body shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20(1) of the Portuguese Securities Code. Completion of a significantly relevant business is dependent upon prior opinion of that body.	**Adopted**	**Part 1, Chapters 7.1.1.II.10 and 7.1.5.I.89.**
VI. Information **VI.1.** Companies shall provide, their websites, in both Portuguese and English, access to information on their progress as regards their economic, financial and governance state of play.	**Adopted**	**Part 1, Chapter 7.1.3.V.59. to 65.**
VI.2 Companies shall ensure the existence of an investor support and permanent contact with the market office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	**Adopted**	**Part 1, Chapter 7.1.3.IV.56. to 58.**

3. OTHER INFORMATION

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

REN is not in the possession of any additional information which is relevant for understanding the governance model and practices implemented.

REN

ANNEXES

01 MANAGEMENT REPORT

1.1. › LEGISLATION ON ENERGY PUBLISHED IN 2016

1.1.1. ELETRICITY

Directive No 1/2016 (ERSE) of 8 January, Portuguese Official Journal No 5, Series II
Profiles for losses, consumption and production and profiles for facilities with self-consumption applicable in 2016.

Directive No 2/2016 (ERSE) of 08 January, Portuguese Official Journal No 5, Series II
Complementary rules for providing information to ERSE by operators of electricity networks under Article 22 of RARI.

Regulation No 149/2016 (ERSE) of 22 January, Portuguese Official Journal No 29, Series II
Appointment and information of the members of the ERSE Tariff Board.

Regulation No 132/2016 (ERSE) of 22 January, Portuguese Official Journal No 26, Series II
Approves the Regulation on the Appointment and Information of the members of the ERSE Advisory Board.

Directive No 4/2016 (ERSE) of 29 January, Portuguese Official Journal No 32, Series II
Sets the final values of parameters for determining the rate to be applied to the intertemporal transfer of allowed income referring to extra costs for the acquisition of electricity from special regime producers.

Directive No 5/2016 (ERSE) of 23 February, Portuguese Official Journal No 40, Series II
Guide for the Metering, Reading and Provision of Electrical Power Data in mainland Portugal.

Directive No 6/2016 (ERSE) of 8 March, Portuguese Official Journal No 47, Series II
Registration and notification of electrical power transactions by market agents in specific remuneratory regimes.

Directive No 7/2016 (ERSE) of 11 March, Portuguese Official Journal No 50, Series II
Approves complementary rules for the electricity sector.

Despacho No 3739/2016 of 14 March, Portuguese Official Journal No 51, Series II
Approves the assessment criteria for objectives and energy policy instrument.

Council of Ministers Resolution No 15/2016 of 16 March, Portuguese Official Journal No 53, Series I
Creates the Interministerial working group "Energia do Mar".

Directive No 8/2016 (ERSE) of 22 April, Portuguese Official Journal No 79, Series II
Approves the registration in Balance Areas for the power upgrade at the Venda Nova hydro electricity production plant, referred to as Venda Nova III.

Regulation (EU) No 2016/631 of 27 April, Official Journal of the European Union, 112 Series L
Establishes a network code on requirements for grid connection of generators.

Directive No 10/2016 (ERSE) of 30 May, Portuguese Official Journal No 103, Series II
Approves registration in Balance Areas for Physical Units relating to the Póvoa, Bruceira and Velada hydro-electricity plants.

Directive (EU) No 2016/1148 of the European Parliament and of the Council of 6 July, Official Journal of the European Union 194, Series L
Establishes measures for a high common level of security of network and information systems across the Union.

Law No 26/2016 of 22 August, Portuguese Official Journal No 160, Series I
Approves the framework for access to administrative and environmental information and for the reuse of administrative documents.

Directive No 15/2016 (ERSE) of 29 August, Portuguese Official Journal No 177, Series II
Competition balance system for the wholesale market.

Regulation (EU) No 2016/1447 of 8 September, Official Journal of the European Union, 241 Series L
Establishes a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules.

Directive No 19/2016 (ERSE) of 15 September
Approves the tariffs and prices for electrical power and other services in 2017.

Directive No 17/2016 (ERSE) of 16 September, Portuguese Official Journal No 186, Series II
Appoints the entities qualified to be part of the diverted sale unit in accordance with the Procedures Manual for Overall System Management.

Regulation (EU) No 2016/1719 of 27 September, Official Journal of the European Union, 259 Series L
Establishes a guideline on forward capacity allocation

Portaria No 262-A/2016 of 10 October, Portuguese Official Journal No 194, Supl., Series I
Sets the values for the factors to be applied for remuneration purposes of the five-year regulation of allowed income for 2017.

Despacho No 12378-A/2016 of 13 October, Portuguese Official Journal No 197, Supl., Series II
Sets out the review of the power guarantee incentive allocation mechanism.

Portaria No 268-A/2016 of 13 October, Portuguese Official Journal No 197, Supl., Series I
Sets out the eligibility criteria for interruptibility remuneration purposes.

Portaria No 268-A/2016 of 13 October, Portuguese Official Journal No 197, Supl., Series I
Approves the deduction duty by the CUR of the National Electricity System for electrical power produced under the special regime which benefits from guaranteed remuneration, of the sums received by power plants benefiting cumulatively from support for the promotion and development of renewable energies through other public aid.

Regulation (EU) No 2016/1952 of the European Parliament and of the Council of 26 October, Official Journal of the European Union 311, Series L
Establishes a common framework for the European statistics of natural gas and electricity comparable on prices within the Union.

Directive No 19/2016 (ERSE) of 2 December, Portuguese Official Journal No 241, Series II
Approves registration in Balance Areas for Physical Units relating to the Foz Tua Hydro-Electricity Plant.

Council of Ministers Resolution No 81/2016 of 9 December, Portuguese Official Journal No 235, Supl., Series I

Concludes the procedures for the installation of the Viana do Castelo electricity production maritime border platform.

Directive No 22/2016 (ERSE) of 28 December
Establishes down the price formation for the secondary regulation band.

1.1.2. NATURAL GAS

Delegated Commission Regulation (EU) No 2016/89 of 27 January, Official Journal of the European Union, 19, Series L
Union list of projects of common interest.

Regulation No 415/2016 of 29 April, Portuguese Official Journal No 83, Series II
Approves the Tariff Regulations for the natural gas sector.

Regulation No 416/2016 of 29 April, Portuguese Official Journal No 83, Series II
Approves the Regulations for Commercial Relationships in the natural gas sector.

Regulation No 417/2016 of 29 April, Portuguese Official Journal No 83, Series II
Approves the Infrastructure Operation Regulations for the natural gas sector.

Regulation No 435/2016 (ERSE) of 9 May, Portuguese Official Journal No 89, Series II
Approves the Regulations for Access to the Networks, Infrastructure and Interconnections of the natural gas sector.

Directive No 13/2016 (ERSE) of 27 June, Portuguese Official Gazette No 121, Series II
Approves natural gas tariffs and prices for the gas year of 2016-2017 and parameters for the regulatory period of 2016-2019.

Directive No 16/2016 (ERSE) of 19 September, Portuguese Official Journal No 180/2016, Series II
Approves natural gas consumption profiles and average daily consumption approved by ERSE to be in effect in the gas year of 2016-2017.

Regulation (EU) No 2016/1719 of 26 September, Official Journal of the European Union, 259 Series L
Establishes a guideline on forward capacity allocation.

Directive No 18/2016 (ERSE) of 27 October, Portuguese Official Journal No 180, Series II

Approves Procedures Manual for the Overall Technical Management of the SNGN and provisions for the implementation of its transitional framework.

Directive No 20/2016 (ERSE) of 20 December, Portuguese Official Journal No 242, Series II

Implementation of the Procedures Manual for the Overall Technical Management of the SNGN.

02
CORPORATE GOVERNANCE

In 2016, REN was notified of the following transactions regarding financial instruments by members of its corporate bodies, which were relevant for the purposes of Article 14 of Regulation CMVM 5/2008 and Article 447 of the Securities Code:

1. Gestmin, SGPS, S.A. (Gestmin), party related to Manuel Champalimaud, a member of the REN Board of Directors until 31 May 2016, notified the following trade in REN shares:

TYPE OF TRADE	PLACE	QUANTITY	PRICE (€)	DATE OF TRADE
Sale	OTC	8,054,108	2,860	31-03-2016
Sale	Euronext Lisbon	860,000	2,885	31-03-2016
Sale	Euronext Lisbon	4,600,000	2,900	04-04-2016
Sale	Euronext Lisbon	3,705,607	2,870	05-04-2016
Sale	Euronext Lisbon	2,000,000	2,690	02-05-2016
Sale	Euronext Lisbon	656,713		27-07-2016[1]

2. Manuel Champalimaud, member of the REN Board of Directors until 31 May 2016, notified the following trade in REN shares:

TYPE OF TRADE	PLACE	QUANTITY	PRICE (€)	DATE OF TRADE
Sale	Euronext Lisbon	280,000	2,885	01-04-2016

1 Manuel Champalimaud resigned on 13 April 2016, but continued to perform duties until 31 May 2016. For this reason, the information in the table on the number of shares refers to this latter date. According to information made public by Gestmin, after that date, as a shareholder with qualified holdings, on 28 July 2016 the market was notified of the disposal of 656 713 REN ordinary shares, representing 0.12% of capital. On this date, Gestmin's holdings in REN were 10 230 922 shares, representing 1.92% of voting rights and share capital (thus no longer holding status of qualified holdings).

3. Fidelidade – Companhia de Seguros, S.A. (Fidelidade) qualified shareholder and entity related to Jorge Manuel Baptista Magalhães Correia, member of the REN Board of Directors and the Fidelidade subsidiary, Multicare – Seguros de Saúde, S.A. (Multicare) carried out the following transactions relating to bonds issued by REN:

	TYPE OF TRADE	TYPE OF BOND	PLACE	QUANTITY	PRICE (€)(*)	DATE OF TRADE
Fidelidade	Purchase	REN, 1.75%, 01/06/2013, CORP	Lisbon	200,000	99.54	27-05-2016
Fidelidade	Sale	REN, 4.125%, 31/01/2018, CORP	Lisbon	53,500,000	106,886	31-05-2016
Multicare	Sale	REN, 4.125%, 31/01/2018, CORP	Lisbon	600,000	106,886	31-05-2016

(*) Per trade / financial instrument

4. Jorge Magalhães Correia, member of the REN Board of Directors, due to the exercising of duties as member of the corporate bodies of Fidelidade – Companhia de Seguros, S.A. (Fidelidade), holder of qualified stake, notified the following transactions regarding bonds issued by REN:

TYPE OF TRADE	TYPE OF BOND	PLACE	QUANTITY	PRICE (€)(*)	DATE OF TRADE
Sale	REN, 6.25 09/2016	Lisbon	9,000	101.19(*)	22-06-2016

(**) per bond

5. The Chairman of the Audit Committee and member of the Board of Directors of REN, Manuel Ramos de Sousa Sebastião, carried out the following transactions with regard to REN shares:

TYPE OF TRADE	PLACE	QUANTITY	PRICE (€)	DATE OF TRADE
Purchase	Euronext Lisbon	2,000	2,500	16-09-2016
Purchase	Euronext Lisbon	7,000	2,500	11-10-2016
Sale	Euronext Lisbon	7,000	2,525	13-10-2016

03 ___ SUSTAINABILITY

3.1. › GRI CORRESPONDENCE TABLE

INDICATOR		LOCATION + EVALUATION
Strategy and Analysis		
G4-1	Message from the Chairman	Pages 7-8
G4-2	Impacts, risks and opportunities	Pages 12, 100-104
Organizational Profile		
G4-3	Name	REN – Redes Energéticas Nacionais, SGPS, S.A.
G4-4	Brands and services	Pages 13
G4-5	Registered office	Av. Estados Unidos da América, 55 - 1749-061 Lisbon
G4-6	Countries in which the Company operates	Portugal
G4-7	Type and legal nature of ownership	Pages 13
G4-8	Markets covered	Portugal
G4-9	Size of organization	Pages 21-32
G4-10	Description of labour	Pages 107-108 REN has one female part-time employee
G4-11	Employees covered by collective bargaining agreements	Page 117-118
G4-12	Supply chain	Page 44-47
G4-13	Significant changes to the organisation or supply chain	Page 47
G4-14	Approach to the precautionary principle	Page 371-378
G4-15	Participation in initiatives subscribed by the organisation	Page 101, UN Global Compact
G4-16	Participation in associations and national / international bodies	Page 124-128; 130-133
EU1	Installed capacity broken down by primary energy source and by regulatory regime	REN's activity does not include the production of energy, and therefore it is not seen as an applicable indicator.
EU2	Production of liquid energy broken down by primary energy source and by regulatory regime	REN's activity does not include the production of energy, and therefore it is not seen as an applicable indicator.

INDICATOR		LOCATION + EVALUATION
EU3	Number of domestic, industrial, institutional and commercial clients	REN's activity does not include the production of energy, and therefore it is not seen as an applicable indicator.
EU4	Length of transmission and distribution lines (above and underground) by regulatory regime	Page 142-143
EU5	Allocation of CO_2, emission licences in accordance with the carbon trading law	Page 140-142
Report Scope and Limits		
G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents.	Page 9-10
G4-18	Definition of report content and limits of aspects	Page 10-11
G4-19	List of material aspects	Page 10-11
G4-20	Identification of Material Aspects Inside the Organization	Page 10-11, 101-104
G4-21	Identification of Material Aspects Outside the Organization	Page 10-11, 101-104
G4-22	Measurement techniques and calculation bases	Page 100, 3.2 Methodological notes – pages 463-470
G4-23	Significant changes with regard to periods covered by previous reports	No changes have occurred with regard to previous report.
Relations with Stakeholders		
G4-24	List of stakeholders	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-25	Basis for identification of stakeholders	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-26	Approaches to relations with stakeholders	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-27	Topics and concerns of stakeholders and response	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
Report Profile		
G4-28	Period covered	1 January 2016 to 31 December 2016
G4-29	Date of last report	2015 Report & Accounts
G4-30	Publishing cycle	Annual
G4-31	Contacts	Page 488, sustentabilidade@ren.pt
G4-32	GRI Index	This table
G4-33	External Verification	Annex - Verification Report

INDICATOR		LOCATION + EVALUATION
Governance		
G4-34	**Governance Structure**	Page 334
G4-35	**Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees**	Page 345-351
G4-36	**Appointment of executive-level position or positions with responsibility for economic, environmental and social topics**	Page 351
G4-37	**Mechanisms for communicating with shareholders and employees**	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-38	**Composition of the highest governance body: executive/non-executive; independent**	Page 334-337
G4-39	**Report whether the chair of the board of directors is also an executive officer and his duties**	Page 334-337
G4-40	**Nomination and selection processes for the highest governance body and its committees**	Page 335
G4-41	**Processes for the highest governance body to ensure conflicts of interest are avoided and managed.**	Page 352-354, 395
G4-42	**Development, approval and updating of the organization's mission and values and mission statements, strategies, policies, and goals**	Page 345-358
G4-43	**Measures taken to develop/enhance the highest governance body's collective knowledge of economic, environmental and social topics**	At executive committee meetings and in the involvement of the different functional areas in these topics.
G4-44	**Evaluation of the highest governance body's performance**	Page 345-358
G4-45	**Identification and management of economic, environmental and social impacts, risks, and opportunities by the highest governance body**	Page 376-378

INDICATOR		LOCATION + EVALUATION
G4-46	Reviewing the effectiveness of risk management processes for economic, environmental and social topics by the highest governance body	Page 376-378
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Page 352-354
G4-48	Formal approval of the organization's sustainability report	Firstly, the Executive Committee and then the Board of Directorsare responsible for analysing, formally approving and confirming that all material aspects relating to sustainability are covered in the Sustainability Report.
G4-49	Process for Communicating Critical Concerns to the Highest Governance Body	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-50	Critical concerns that were communicated to the highest governance body	Page 370-371; 378-379 Addressed to the Executive Committee and dealt with in their respective meetings.
G4-51	Relation between remuneration and organizational performance	Page 384-386
G4-52	Process used for determining remuneration	Page 382-394
G4-53	Integration of stakeholders' views regarding remuneration	Pages 104-105; www.ren.pt/sustentabilidade/partes_interessadas/
G4-54	Total annual compensation for the organization's highest-paid individual	REN does not publish this information.
G4-55	Total annual compensation for the organization's highest-paid individual - increase	REN does not publish this information.
Ethics and Integrity		
G4-56	Values, principles and codes of conduct	REN's mission, vision and values can be seen at: www.ren.pt/quem_somos/missao_e_valores/

INDICATOR		LOCATION + EVALUATION
G4-57	**Internal and external mechanisms for seeking advice on ethical behaviour**	REN has a Code of Conduct which is a reference for the public with respect to company standards of behaviour and in relations with employees and third parties. In addition to ethical rules which must be respected, this Code of Conduct sets out the process for any REN employee, shareholder, customer or supplier or which any other directly involved entity can follow to notify the Audit Committee Chairman of possible irregularities or breaches of the Code. With respect to whistleblowing and the investigation of irregularities, REN also has a procedure which is formally established and approved by management which ensures that such processes are dealt with in a transparent and impartial manner. Of note is that whistleblowing communications are processed confidentiality. Through the REN Code of Conduct, the company provides mechanisms to request guidelines on ethical behaviour. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/
G4-58	**Internal and External mechanisms for reporting concerns about unethical behaviour**	REN has a Code of Conduct which is a reference for the public with respect to company standards of behaviour and in relations with employees and third parties. In addition to ethical rules which must be respected, this Code of Conduct sets out the process for any REN employee, shareholder, customer or supplier or which any other directly involved entity can follow to notify the Audit Committee Chairman of possible irregularities or breaches of the Code. With respect to whistleblowing and the investigation of irregularities, REN also has a procedure which is formally established and approved by management which ensures that such processes are dealt with in a transparent and impartial manner. Of note is that whistleblowing communications are processed confidentiality. Through the REN Code of Conduct, the company provides mechanisms to request guidelines on ethical behaviour. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/

MATERIAL AREAS

ENVIRONMENTAL POLICY/ ENVIRONMENTAL MANAGEMENT SYSTEMS

Energy		G4-General forms of management	Page 10-11; 100-102; 133, 136-137
G4-EN3	Direct energy consumption	Page 134 All fuel consumed by REN comes from fossil sources In the case of the REN fleet, only fuel use in service is accounted for.	
G4-EN4	Energy consumption outside the organization	Energy consumption outside of the organization which could be measured is for the air transport of workers when on duty. REN does not have tools to calculate this consumption. However, CO_2 emissions relating to this travel is reported in the chapter on emissions (Scope 3 Emissions - G4-EN17).	
G4-EN5	Energy intensity	Ration calculated based on direct energy consumption and energy transmitted. The value for REN is 6.57 GJ/GWh	
G4-EN6	Initiatives to reduce indirect energy consumption and reductions achieved	• Acquisition of two electric vehicles and one NGV (natural gas vehicle) • Remodelling of administrative buildings, which as of 2016 have LED technology lighting and new , more efficient HVAC systems; • Remodelling of bathrooms at the REN head office, with the installation of hot water with contribution from solar thermal heating. Page 142	
G4-EN7	Reductions In energy requirements of products and services	Page 142	
Biodiversity		**G4-General forms of management**	**Page 10-11; 100-102; 133, 135**
G4-EN11	Location and area of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 134-136	
G4-EU13	Comparison between the biodiversity of restored habitats and that of original habitats	Monitoring plans have been implemented in work being done on lines and substations, in relation to environmental aspects with greater impact REN has no way of measuring the original state of habitats, as this relates to old facilities for which no information exists on the original state	
G4-EN12	Significant impacts on protected areas or areas with high biodiversity value outside protected areas	Page 134-136 For further information: www.ren.pt/sustentabilidade/ambiente/biodiversidade_e_gestao_dos_ecossistemas/ and http://www.ren.pt/sustentabilidade/ambiente/avaliacao_ambiental/medidas_compensatorias/	
G4-EN13	Protected or restored habitats	Page 134-136, 142-146 For further information: www.ren.pt/sustentabilidade/ambiente/biodiversidade_e_gestao_dos_ecossistemas/ and http://www.ren.pt/sustentabilidade/ambiente/avaliacao_ambiental/medidas_compensatorias/	

G4-EN14	**Managing impacts on biodiversity**	Page 134-136, 142-146 For further information: www.ren.pt/sustentabilidade/ambiente/biodiversidade_e_gestao_dos_ecossistemas/ and http://www.ren.pt/sustentabilidade/ambiente/avaliacao_ambiental/medidas_compensatorias/	
Environmental Aspects of roducts and Services		**G4-General forms of management**	**Page 10-11; 100-102; 133**
G4-EN27	**Initiatives to assess and mitigate environmental impacts**	For further information: www.ren.pt/sustentabilidade/abordagem_da_ren, www.ren.pt/sustentabilidade/ambiente/avaliacao_ambiental/avaliacao_ambiental_estrategica/ and www.ren.pt/sustentabilidade/ambiente/avaliacao_ambiental/avaliacao_de_projectos/ Page	
G4-EN28	**Percentage of products sold and their packaging materials that are reclaimed**	This indicator is not applicable to REN's activity as the Company does not produce products with packaging	
Environmental Compliance		**G4-General forms of management**	**Page 10-11; 100-102; 133**
G4-EN29	**Legal proceedings and penalties for breach of legislation on environmental issues**	In 2016, 8 proceedings relating to administrative environmental offences were brought, 10 cases were concluded and none considered REN culpable. 39 cases were carried forward from previous years. Sum paid in fines: 0 euros	
General Environment		**G4-General forms of management**	**Page 10-11; 100-102; 133**
G4-EN31	**Total environmental protection expenditures by type**	**Consolidated REN Values:**	
		Monitoring	€105,831
		Environmental auditing, consultancy and communication	€ 125,797
		Installation Management	€620
		Forest Cleaning	€3,080,695
		Offsetting Measures	€114,300
		Birdlife protection	€110,842
		TOTAL	**€3,568,085**
Complaint and Claim Mechanisms		**G4-General forms of management**	**Page 10-11; 100-102; 133**
G4-EN34	**Number of environmental complaints**	REN has not received other complaints or complaints formally introduced related to aspects other than those referred to in environmental indicator G4-EN29.	

PREVENTION OF CLIMATE CHANGE

Economic Performance		**G4-General forms of management**	**PAGE 10-11; 100-102; 133, 136-137**
G4-EC2	**Financial implications, risk assessment and opportunities posed by climate change**	For further information on risks and implications derived from climate change, please see the CDP questionnaire (2016), available at: https://www.cdp.net/sites/2016/55/15655/Climate%20Change%202016/Pages/DisclosureView.aspx	
Emissions		**G4-General forms of management**	**Page 10-11; 100-102; 133, 136-137**
G4-EN15	**Direct GHG Emissions (Scope 1)**	Page 138 In the case of the REN fleet, only fuel use in service is accounted for.	
G4-EN16	**Indirect GHG Emissions (Scope 2)**	Page 138	
G4-EN17	**Other indirect GHG Emissions (Scope 3)**	Page 138	
G4-EN18	**GHG emission intensity**	Ratio calculated on the basis of scope 1 and 2 emissions and energy transmitted. The value for REN is 1,34 t CO^2e/GWh	
G4-EN19	**Reduction of GHG emissions**	• Acquisition of two electric vehicles and one NGV (natural gas vehicle) • Remodelling of administrative buildings, which as of 2016 have LED technology lighting and new , more efficient HVAC systems; • Remodelling of bathrooms at the REN head office, with the installation of hot water with contribution from solar thermal heating. Page	
G4-EN20	**Emission of ozone-depleting substances by weight**	REN does not manage any products or services that use any ozone layer depleting substances. Over time, all climate control equipment containing ozone layer depleting gases has been replaced in accordance with REN's equipment replacement plan.	
G4-EN21	**NOx, SOx and other significant emissions into the atmosphere**	As a result of REN activity, the level of NOx and SOx emissions is considered irrelevant Moreover, this indicator was not considered relevant by our stakeholders.	

OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety		G4-General forms of management	PAGE 10-11; 100-102; 106-107; 119, 121
G4-LA5	Employees represented on safety and occupational health committees	Percentage of total labour represented on formal health and safety committees 91%.	
G4-LA6	Rates of injuries, occupational diseases, lost days, absenteeism and deaths resulting from work activities	Page 119-121 No of accidents resulting in Sick Leave for REN workers: 3 No of accidents not resulting in Sick Leave for REN workers:: 5 No of occupational diseases: 0	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	In 2014, REN started exhaustive work undertaken by highly qualified safety experts to identify hazards and assess risks in all work carried out by employees, through on-site observation. As each stage of this project is concluded it is communicated to and analysed by occupational doctors as a way of contributing to possible correlation between duties and possible occupational diseases. In 2016, no REN employees were identified as being exposed to high disease incidence or high risk activities.	
G4-LA8	Health and safety topics covered in agreements with trade unions	The ACT (http://bte.gep.msess.gov.pt/bte_documento.php?doc=19358) covers 100% of the employees of the REN with operational functions and greater incidence of risk and 98.5% of employees overall. The relevant health and safety matters are generally covered by policies that are defined in the ACT in chapter XI (specific chapter on health and safety at work), the 88th 97ª clauses.	

MANAGEMENT OF HUMAN CAPITAL AND DIVERSITY

Economic Performance		G4-General forms of management	PAGE 10-11; 100-102; 106-107, 185-186
G4-EC3	Coverage of Retirement Plans in the organisation	Pensions Plan – 4,822,000 euros. The lowering checked face 2015 stems from the review of the ACT. Medical assistance plan – 644,000	

Employment		G4-General forms of management	Page 10-11; 100-102; 106-107
G4-LA1	Number and rates of new employee hires and employee turnover by age group, gender and region	Page 109-110	
G4-LA2	Benefits provided to full-employees that are not provided to temporary or part-time employees	Page 118	
G4-LA3	Return to work and retention rates after parental leave, by gender	Page 121-122	
G4-EU15	Percentage of employees eligible for retirement in the next 5 to 10 years by category and region	5 years: 15% 10 years: 24%. All in Portugal	
G4-EU17	Average of subcontracted employees	Page 119	

G4-EU18	**Training of subcontracted employees**	100%. Subcontracted employees receiving training in Safety Areas: 178, so the total of subcontractors. Subcontracted employees with Certification OHSAS18001/NP 4397: 30%	
Labour Practices		**G4-General forms of management**	**Page 10-11; 100-102; 106-107**
G4-LA4	**Minimum periods of notice in relation to operational changes**	The notice periods follow those of the General Labor Law	
Training and Development		**G4-General forms of management**	**Page 10-11; 100-102; 106-107**
G4-LA9	**Average number of hours training per year, per employee and by category**	Page 114-116	
G4-LA10	**Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing careers**	No of Internal Training Courses: 36 No of sabbatical periods with guaranteed continuation of position: 0 No of support programmes for transition to retirement or dismissal: 13	
G4-LA11	**Employees with performance evaluation and career development**	Page 116-117 100%	
Diversity and Equal Opportunities		**G4-General forms of management**	**Page 10-11; 100-102; 106-107**
G4-LA12	**Composition of governance bodies and breakdown of employees per category**	Page 100-111 REN has two disabled employees.	
Equality of Remuneration Men and Women		**G4-General forms of management**	**Page 10-11; 100-102; 106-107**
G4-LA13	**Ratio of salary and remuneration between men and women broken down per functional category and relevant operational units**	There is no sex discrimination in salary policy and equality is guaranteed by professional category, nevertheless, a culture of merit is promoted.	
Complaint and Claim Mechanisms		**G4-General forms of management**	**Page 10-11; 100-102; 106-107**
G4-LA16	**Number of labour grievances**	In 2016, 01 labour complaint, promptly resolved.. Through the REN Code of Conduct and through compliance with Portuguese legislation, REN ensures the labour rights of all employees. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/	
Non-discrimination		**G4-General forms of management**	**Page 10-11; 100-102**
G4-LA16	**Number of labour grievances**	01. Through the REN Code of Conduct and through compliance with Portuguese legislation, REN ensures the labour rights of all employees. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/	

Non-discrimination		**G4-General forms of management**	**PAGE 10-11; 100-102**
G4-HR3	**Incidents involving discrimination and actions taken**	REN complies with Portuguese legislation ensuring human rights and is a signatory to the principles of the UN Global Compact. No incidents involving discrimination were identified in 2016	
Freedom Of Association		**G4-General forms of management**	**Page 10-11; 100-102, 117**
G4-HR4	**Freedom of association and collective bargaining**	REN guarantees freedom of association and collective negotiation in accordance with the ethical principles and rules of behaviour set out in the Code of Conduct. In 2016, no situations were identified in which the right to freedom of association and collective negotiation was at risk. The mechanisms relating to the right to strike are guaranteed by national legislation	
Child Labour		**G4-General forms of management**	**Page 10-11; 100-102, 117**
G4-HR5	**Risk of child labour**	REN complies with Portuguese legislation prohibiting the contracting of child labour and is a signatory to the principles of the UN Global Compact. Legal compliance is validated during supervision and audits	
Forced and Slave Labour		**G4-General forms of management**	**Page 10-11; 100-102, 117**
G4-HR6	**Risk of forced and compulsory labour**	REN complies with Portuguese legislation prohibiting the contracting of child labour and is a signatory to the principles of the UN Global Compact. Legal compliance is validated during supervision and audits	
Supplier assessment		**G4-General forms of management**	**Page 10-11; 42-46; 100-102, 117**
		For potential suppliers REN has also established a demanding Code of Conduct which sets out the principles they are required to observe with regard to (i) human rights, (ii) the environment, safety and health and (iii) standards of ethics and business integrity. With respect to the analysis of compliance with the Corporate Governance Code of the Portuguese Securities Commission, the Board of Directors approved the Regulations on Trades with Related Parties in order to lay down control procedures, by the Audit Committee, on trades conducted or to be conducted by REN with related parties and to prevent potential conflicts of interest.	
G4-HR10	**New Suppliers evaluated on human rights**	To be supplier of REN is compulsory in the Portal of REN, who by your time involves the subscription of REN's code of conduct which provides the support and respect on the part of suppliers to the fundamental human rights in the workplace. This requirement applies to all significant suppliers (with transaction volume exceeding 5,000 euros).	
G4-HR11	**Negative human rights impacts in the supply chain and actions taken**	Legal compliance is validated during the supervision of subcontracting and during audits. REN meets Portuguese legislation, guaranteeing human rights mirrored in the company's code of conduct. I don't know of any finding of REN actual or potential significant impacts on human rights in the supply chain.	
Complaint mechanisms		**G4-General forms of management**	**Page 10-11; 100-102**
G4-HR12	**Mechanisms for complaints concerning human rights**	0. Through the REN Code of Conduct and through compliance with Portuguese legislation, REN ensures the labour rights of all employees. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/	

SAFETY, RELIABILITY, QUALITY AND GUARANTEE OF SUPPLY

Health And Safety Of The Client		G4-General forms of management	PAGE 10-11; 51-52; 100-102
G4-PR1	**Phases of product life cycle and services for which health and safety impacts are assessed for improvement and the percentage of products and services subject to these procedures**	All the works of REN are subject to monitoring and operational control of the Portuguese legislation and the company's own requirements, being guaranteed the promotion of occupational health and safety. On the other hand, in 2016, approximately 30% of contractors and service providers of REN had safety management systems implemented and certified according to the standard OHSAS 18001,/NP 4397.	
G4-PR2	**Cases of legal non-compliance relating to impacts of products and services on health and safety**	IN 2016, in the audit for the 2nd monitoring of certification of the integrated quality, environment and safety at work management system conducted by APCER (Portuguese Certification Association), one non-conformity was detected relating to the operational control of work equipment (Requirement 4.4.6 Operational control in standard NP 4397:2008/OHSAS 18001:2007)	
G4-EU25	**Number of deaths and injuries, including diseases caused by REN's infrastructures to people outside the Company**	0. There were no occurrences in 2016.	

Labelling of Products and Services		G4-General forms of management	Page 10-11; 51-52; 100-102
G4-PR3	**Type of product and service information required by procedures and percentage of significant product and service categories subject to such information requirements**	Page 59-75	
G4-PR4	**Cases of legal non-compliance concerning product and service information and labelling**	Not been recorded cases of non-compliance with regard to the information provided in 2016. REN joined the following voluntary codes, covering the 3 axes of sustainability performance, for which the activity your tariff, REN and the answer to this indicator is based on the principles of these codes: • REN Group Code of conduct • Functional codes of conduct • Anti-corruption Charter – Global Compact • Policy statement of quality, environment and safety • 10 principles of the UN Global Compact	
G4-PR5	**Customer satisfaction**	Under the new sounding to its stakeholders to identify the materially relevant themes, which involved customers and users of infrastructure, were also raised questions for the assessment of the lack of quality of the service provided. The results will be made available in due time (not yet available for publication). More information at: http://www.ren.pt/pt-PT/sustentabilidade/partes_interessadas/envolvimento_e_temas_relevantes/	

Compliance		**G4-general forms of management**	**Page 10-11; 100-102**
G4-PR9	**Fines for legal non-compliance relating to the provision and use of products and services**	No fines were recorded in 2016 for legal non-compliance relating to the provision and use of products and services.	
Availability and Reliability of Products		**G4-General forms of management**	**Page 10-11; 59-72; 100-102**
G4-EU10	**Coverage of long-term demand (including reserves)**	REN collaborates with the general direction of energy and Geology (DGEG) in monitoring the security of supply of the SEN and SNGN. Based on prospetivos reference elements on the evolution of the eletroprodutor system and the national system of natural gas in the medium and long term monitoring of security of supply is in particular on the assessment of the supply and demand balance, taking into account demand and evolution scenarios of supplies available, including the additions of capacity under construction or planned, elements necessary for the preparation of proposals for monitoring reports of the security of supply of electricity and natural gas. More information at: http://www.erse.pt/pt/consultaspublicas/consultas/Documents/53_Proposta%20PDIRT-E_2015/PDIRT%202016-2025%20-%20Junho%202015%20-%20Anexos.pdf	
Energy System Efficiency		**G4-General forms of management**	**Page 10-11; 59-72; 100-102**
G4-EU11	**Average generation efficiency, broken down by energy source and by country or regulatory system**	REN has no energy production activities and so it is not affected by this type of analysis.	
G4-EU12	**Efficiency in energy transmission and distribution**	Page 63; 70	
Access to Services/Products		**G4-General Forms of Management**	**Page 10-11; 59-72; 100-102**
G4-EU26	**Percentage of population not supplied in areas of concessioned distribution, by rural and urban area**	REN's activity does not include power distribution, so this indicator is not applicable	
G4-EU27	**Interruptions to domestic supply and respective duration due to non-payment**	REN's activity does not include distribution, so this indicator is not applicable	
G4-EU28	**Interruption of supply**	Page 60-62; 69	
G4-EU29	**Average duration of supply interruptions**	Page 60-62; 69	
G4-EU30	**Average coefficient of availability of a plant per energy source, country and regulatory system**	REN activity does not include production, for which this indicator does not apply.	

IMPACT ON COMMUNITIES

Community		**G4-General forms of management**	**PAGE 10-11;100-102; 105-106,122**
G4-SO1	**Nature, scope and effectiveness of any programmes and practices implemented to assess and manage the impacts of operations on communities, including entry, operation and exit**	Page 105-106; 122-123	
G4-SO2	**Operations with negative impacts on local communities**	Page 105-106; 122-123	
G4-EU22	**Movement of persons as a result of expansion or construction of production facilities and transmission lines, from an economic and physical standpoint**	The activity of REN does not imply the movement of people in the community.	
Indirect Economic Impacts		**G4-General forms of management**	**Page 10-11;100-102; 105-106,122**
G4-EC7	**Development and impact of infrastructure investments and services supported**	Page 105-106; 122-123	
G4-EC8	**Significant indirect economic impacts, including the extent of impacts**	Page 105-106; 122-123	
Corruption		**G4-General forms of management**	**Page 10-11;100-102; 105-106,122**
G4-SO3	**Assessment of corruption risks**	The Group's accounts are audited by an independent auditor and are subject to external legal certification in accordance with applicable regulations, and it is not therefore our practice to carry out a risk analysis for corruption within REN's units or business areas It should be noted that, to date, there have been no cases against REN companies	
G4-SO4	**Training of employees in anti-corruption practices**	0% Although the REN has not promoted any specific training initiative on anti-corruption policies and procedures, the company's Code of Conduct defines the mechanisms for reporting any possible irregularities and violations of the Code (Article 20).	
G4-SO5	**Actions taken in the event of corruption**	No corruption cases have been detected involving any of the REN companies See SO3.	

Compliance		**G4-General forms of management**	**PAGE 10-11; 100-102**
G4-SO8	**Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations**	In 2016, there were no fines or non-monetary sanctions.	
Complaint and Claim Mechanisms		**G4-General forms of management**	**Page 10-11; 100-102**
G4-SO11	**Number of grievances about impacts on society**	0. Through the REN Code of Conduct, the company provides mechanisms to submit grievances and complaints. For further information: http://www.ren.pt/pt-PT/sustentabilidade/abordagem_da_ren/	

ECONOMIC PERFORMANCE

Economic Performance		**G4-General forms of management**	**PAGE 10-11; 100-102; 150-151**
G4-EC1	**Creation and distribution of value**	Direct economic value generated: 323 million euros Direct economic value distributed: 314 million euros Direct shareholder economic value retained: 9,5 million euros	
G4-EC4	**Financial contributions to investment**	**a.** Total funding received by the organization from governments during the period covered by the report, including, as a minimum:	
		- Tax benefits and credits;	-
		- Subsidies;	-
		- Subsidies for investment, research and development and other relevant types of concessions;	€100.000
		- Awards;	-
		- Royalty holidays (incentives which delay the payment of royalties);	-
		- Financial assistance from Export Credit Agencies (ECA);	-
		- Financial Incentives; and	-
		- Other financial benefits received or receivable from any government for any operation.	-
		b. Breakdown of information requested above by country.	Only Portugal
		c. Report if government participates in the organization's shareholder structure and, if so, to what extent.	Does not participate

RESPECT FOR HUMAN RIGHTS

Investment		**G4-General forms of management**	**PAGE 10-11; 100-102**
G4-HR1	**Investment agreements with clauses on human rights**	In Portugal, aspects relating to human rights are covered by the Constitution and in the General Labour Law. However, REN is preparing a specification (it is estimated that it may be defined/implemented as of 2018) to be included in the lists of specifications, which will address requirements on social responsibility to be fulfilled in undertakings and in contracts for the provision of services, which will include human rights.	
G4-HR2	**Training of employees on human rights**	0% Although REN has not promoted any specific training initiative on human rights, the Company's Code of Conduct covers compliance with human rights, and is known to all employees. Additionally, REN is a signatory to the principles of the UN Global Compact	
Safety Practices		**G4-General forms of management**	**Page 10-11; 100-102**
G4-HR7	**Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations**	0%. REN complies with Portuguese legislation ensuring human rights and is a signatory to the principles of the UN Global Compact. Legal compliance is validated during the supervision of subcontractors and during audits	
Assessment		**G4-General forms of management**	**Page 10-11; 100-102**
G4-HR9	**Total number and percentage of operations that have been subject to human rights reviews or impact assessments**	All the works of REN are subject to monitoring and operational control of the Portuguese legislation and the company's own requirements, being evaluated the legal compliance. I don't know of any finding of REN actual or potential significant impacts on human rights in the supply chain.	

3.2. › METHODOLOGICAL NOTES

G4-EC1	**Economic value generated:**	Corresponds to the sum of net added value, net income not related to vab, financial income and dividends from subsidiaries, subtracted from other costs and losses.
	Economic value distributed	Corresponds to the costs relating to employees and management bodies, dividends paid to shareholders, interest payments, payments to the State in taxes, Corporate Income Tax and community support.
	Accumulated economic value	Corresponds to the subtraction of the economic value distributed from the direct economic value generated.
G4-EN3	**Diesel**	Diesel net calorific value taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 43.07 GJ/t
	Petrol	Petrol net calorific value taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 44.00 GJ/t
	Natural Gas	Natural gas net calorific value taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 38.44 GJ/t
	Propane	Propane gas net calorific value taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 48.45 GJ/t
G4-EN15+EN16	**Direct and indirect emissions of greenhouse gases**	Total amount of direct emissions of greenhouse gases (SF_6 used as dielectric insulator, CH_4 from the purges of the gas pipeline, and CO_2 from the boiler flare) and indirect emissions (through the consumption of electricity and network losses).
	Electricity	In 2016, monthly emission factors were used based on the figure provided by REN's energy supplier, EDP Serviço Universal. (www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx)
	Diesel	Diesel emission factor taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 0.0741 tCO_2eq/GJ
	Petrol	Petrol emission factor taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 0.0737 tCO_2eq/GJ
	Natural Gas	Natural gas emission factor taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 0.0566 tCO_2eq/GJ
	Propane	Propane gas emission factor taken from the table of the Portuguese Environment Agency for net calorific values, emission factor and oxidation factor obtained from National Inventory of Atmospheric Emissions (INERPA) published in 2013: 0.0631 tCO_2eq/GJ
	CH_4 (purges)	Potential global warming value of CH_4 defined by the Intergovernmental Panel on Climate Change (IPCC 2013): 28 tCO_2eq (considering a composition of 87.89% CH_4 in Natural Gas).
	SF_6 (leaks)	Potential Global Warming Value of SF_6 defined by European Parliament and Council Regulation (EC) No 517/2014 of 16 April 2014 on certain fluorinated greenhouse gases: 22 800 tCO_2eq/GJ

G4-EN17	**Other indirect emissions of greenhouse gases**	The calculation of GHG emissions associated with for trips are based on data provided by the travel agency that deals with the reserves of all air travel of REN and which includes info on the trips made, the respective distance in miles and associated CO2 emissions, which are assumed by a proxi medium for all kinds of 0.289 kg CO2/mile traveled (reference value considered by the Agency , which States that the same calculation takes place according to the GHG Protocol).
G4-EN12, 13 e 27	**Significant impacts on protected areas or high biodiversity value outside protected areas | Habitats protected or recovered | Initiatives to evaluate and mitigate environmental impacts**	The reported values relating to the number of trees planted relate to values listed in specifications of the respective services responsible for this field. Stork incidents rate is calculated taking into account the number of recorded incidents and the number of nests installed in supports.
G4-LA1	**Rotation rate**	∑ people leaving the company / average headcount (full contract workers + term + interns)
G4-LA6	**Absenteeism rate**	Quotient of the sum of hours worked not occurred by reason of sickness, accidents at work, personal matters and other paid leave and unpaid by the total number of hours theoretically workable (excluding, therefore, on vacation and holidays). Are not considered for the calculation of hours worked (absences) hours based on enjoyment of parental leave, well still justified for legal reasons hours family (assistance to children, marriage and death).
	Incidence rate	Measures the number of fatal and non-fatal occupational accidents occurring in a given period per one thousand employees at risk in that same period.
	Total severity rate	Measures the number of days lost through non-lethal and lethal accidents (1 lethal accident = 7 500 days lost) accounted for in a specific period per million hours worked.
	Severity rate	Measures the number of days lost through non-fatal accidents that occur in a given period of time per every million hours worked during the same period.
	Potential workable hours	Number of hours theoretically workable based only on the normal working period of workers on working days in the year (excluding holidays and public holidays)
G4-LA9	**No of Hours of training per Employee**	∑ Hours of training / average headcount (full contract workers + term + interns).
G4-EU28	**Average frequency of system interruption (SAIFI)**	Ratio of the total number of interruptions at delivery points, during a specific period, divided by the total number of delivery points in the same period. Electricity: SAIFI corresponds to the average number of accidental interruptions greater than three minutes seen at delivery points during a specific period of time. Gas: Average No of interruptions per output point - ratio between the total number of interruptions at output points during a specific period, divided by the total number of output points at the end of the period under consideration.
G4-EU29	**Average duration of supply interruptions (SAIDI)**	Ratio of the sum of interruption times at delivery points, during a specific period, divided by the total number of delivery points in the same period. Electricity: SAIDI for a specific period of time (generally, one year) is the average accidental interruption time greater than three minutes at delivery points. Gas: Average duration of interruptions per output point (min/output point): ratio between the sum of interruption durations at output points during a specific period, divided by the total number of output points at the end of the period under consideration.

GLOSSARY

FINANCIAL GLOSSARY

ACRONYMS

CAPEX
Capital expenditure on acquisitions andupgrades of tangible fixed assets

DEBT TO EQUITY RATIO
Net debt/equity

NET DEBT
Short and long-term financial debt – cash balances

DIVIDEND PER SHARE
Ordinary dividend/total number of shares outstanding

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation (operating profit, excluding amortisation and depreciation)

OPEX
Operational expenditure

PAYOUT RATIO
Ordinary dividend/net profit

RAB
Regulated Asset Base

RCCP
Current ROE

RETURN ON ASSETS (ROA)
EBIT/total assets

RETURN ON EQUITY (ROE)
Net profit/Equity

TURNOVER
Sales plus services provided

VAB
Value Added Tax

TECHNICAL GLOSSARY

ACRONYMS

AA
Environmental Assessment

AA1000
Assurance Standard 2008

AA1000APS
Accountability Principles Standard

AA1000SES
Stakeholder Engagement Standard

AAE
Strategic Environmental Assessment

ACER
Agency for the Cooperation of Energy Regulators

ACT
Collective Bargaining Agreement

AGC
Agreement on the Management of Natural Gas Consumption

AGSI
Aggregated Gas Storage Inventory

APA
Portuguese Environment Agency

APAI
Portuguese Association for Impact Assessment

BCSD
Business Council for Sustainable Development

BV
Block Valve Station

BTN
Normal Low Voltage

CAE
Energy Emission Contracts

CDP
Carbon Disclosure Project

CELE
European Union Emission Trading Scheme

CEM
Electric and Magnetic Fields

CEO
Chief Executive Officer

CER
Certified Emissions Reductions

CESUR
Power Purchase Agreements for the Supplier of Last Resort

CIGRÉ
International Council on Large Electric Systems

CIT
Individual Employment Contract

CMVM
Portuguese Securities Market Regulator

CO
Certificates of Origin

CO2
Carbon dioxide (greenhouse gas)

CODEMO
Portuguese Code for Market Research and Opinion Studies

CRH
Human Resources Committee

CT
Term Contracts

CTS
Custody Transfer Station

DACF
Day Ahead Congestion Forecast

DGEG
Department of Energy and Geology

DR
Diário da República [Portuguese official journal]

DRS
Disaster Recovery System

DWDM
Dense Wavelength Division Multiplexing

EC
European Commission

ECS
Environmental Framework Studies

ECSI
European Customer Satisfaction Index

ECX
European Climate Exchange

EDP
Energias de Portugal, S.A.

EEGO
Issuing Entity for Cogeneration Guarantees of Origin

EGIG
European Gas pipeline Incident Data Group

EIA
Environmental Impact Assessment

EIB
European Investment Bank

EINCA
Study of Environmental Incidences

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

ELECPOR
Portuguese Association of Companies in the Electricity Sector

EMTN
Euro Medium Term Notes

ENAAC
National Strategy for Adaptation to Climate Changes

ENF
Energia Não Fornecida [Non Supplied Energy]

ENTOS-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

ERGEG
European Regulators Group for Electricity and Gas

ERSE
Energy Services Regulatory Authority

ESOMAR
European Society for Opinion and Marketing Research Association

ETA
Electricity Transmission Activity

ETS
Emissions Trading Scheme

ETSO
European Transmission System Operators

EU
European Union

EUA
European Unit Allowances

EURELECTRIC
European Union of Electricity Companies

FAI
Innovation Support Fund

FBF
Firefly Bird Flapper

FEUP
School of Economics, University of Porto

FP7
7th Framework Program of the European Community on research, technological development and demonstration activities

FSR
Florence School of Regulation

GDP
Gás de Portugal, SGPS, S.A.

GDP
Gross Domestic Product

GGS
Global System Management

GHG
Greenhouse gases

GNL
Liquefied Natural Gas

GNR
Guarda Nacional Republicana [Portuguese National Guard]

GO
Guarantees of Origin

GPEARI
Planning, Strategy, Evaluation and International Relations Office

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSE
Gas Storage Europe

GVA
Gross Value Added

HICP
Harmonised Index of Consumer Prices

HIV
Human Immunodeficiency Virus

HV
High Voltage

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICNF
Institute for Conservation of Nature and Forests

IDAD
Institute for the Environment and Development of the University of Coimbra

IEA
International Energy Agency

IES
Independent Electricity System

IFRS
International Financial Reporting Standards

IGU
Independent Gasification Units

INE
Portuguese Institute of Statistics

INESC
Institute of Systems and Computer Engineering

IOPS
Official Social Welfare Institutions

IP
Internet Protocol

IPCTN09
Survey of the National Scientific and Technological Potential, 2009

IPSS
Private Institutions of Social Solidarity

IRC
Corporate Income Tax

ISAE 3000
International Standard on Assurance Engagements 3000

ISDA
International Swap and Derivatives Association

ISO
International Organization for Standardization

ISQ
Welding and Quality Institute

IST
Higher Technical Institute

ITELSA
Innovative Tools for Electrical System security within Large Areas

IUCN
International Union for conservation of Nature

JCT
Junction Station

KPI
Key Performance Indicator

LABELEC
Research, Development and Laboratory Activities

LBG
London Benchmarking Group

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied natural gas

LPN
League for the Protection of Nature

MBA
Master of Business Administration

MC
Market Committee

MEC
Portuguese Ministry of Science and Education

MEDGRID
Consortium with the goal of promoting the development of electrical interconnections between the North, South and East Mediterranean

MEFF
Spanish Futures and Options Exchange

MERGE
Mobile Energy Resources for Grids of Electricity

METSO
Mediterranean Transmission System Operators

MIBEL
Iberian Electricity Market

MLT
Medium- and Long-Term

MODPEHS
Modular Development of a pan-European Electricity Highway System

MTSP
Municipal Tax on Sale of Property

NATO
North Atlantic Treaty Organization

NG
Natural Gas

OECD
Organisation for Economic Co-operation and Development

OHS
Occupational Health and Safety

OHSAS
Occupational Health and Safety Advisory Services

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMI
Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energía (Pólo Português), S.A. [Portuguese Cluster]

PAPI
Pen and Paper Interview

PDIR
Development and Investment Plan of the Electricity Transmission Network

PDIR
Development and Investment Plan of the RNTIAT

PEGASE
Pan European Grid Advanced Simulation and State Estimation

PNALE
Portuguese Emission Licence Award Plan

PNBEPH
Portuguese Plan for High Hydraulic Potential Dams

PNDI
Natural Park of International Douro

PNLE II
Portuguese Emission Licence Award Plan

POC
Portuguese Official Accounting Plan

PPA
Power Purchase Agreements

PPDA
Environmental Performance Promotion Plan

PPEC
Plan for the Promotion of the Efficient Use of Electricity

PRE
Subsidised producers

PREN
Plan for the Rationalization of Energy Consumption

PRV
Variable Remuneration Program

PSP
Portuguese Police Force

QAS
Quality, Environment and Safety

QP
Permanent Staff

QSR
Quality of Service Regulation

QUERCUS
National Association for Nature Conservation

R&D
Research & Development

RDC
Research and Development Committee

RDI
Industrial Data Network

RDI
Research, Development & Innovation

RECAPE
Environmental Compliance Report on the Execution Project

RECS
Renewable Energy Certificate System

REIVE
Power lines with Smart Electric Vehicles

REN TELECOM
REN TELECOM – Comunicações, S.A.

RES
Renewable Energy Sources Directive

RH
Human Resources

RNDGN
National Natural Gas Distribution Network

RNT
National Electricity Transmission Network

RNTGN
National Natural Gas Transmission Network

RNTIAT
National Natural Gas Transmission Network, Storage Infrastructure and LNG Terminals

SAP
Systems of applications and products for data processing

SDC
System Development Committee

SDH
Synchronous Digital Hierarchy

SEN
National Electricity System

SEP
Public Electricity Supply System

SGCIE
Intensive Energy Consumption Management System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding Company

SGRI
South Gas Region Initiative

SIFIDE
System of Tax Incentives for Research and Development

SIGQAS
Integrated Management System for Quality, Environment and Safety

SNGN
National Natural Gas System

SOC
System Operations Committee

SRPV
Service of Private Voice Networks

SS
Substation

SSSV
Safety Valves on Surface

TEE
Transmission of Electrical Power

TEN
Trans-European Networks

TSO
Transmission System Operators

TYNDP
Ten-Year Network Development Plan

UGS
Tariff of Global Use of the System

URT
Tariff of Use of the Transmission Network

VHV
Very High Voltage

VHVL
Very High Voltage Lines

ZCA
Hunting Area

ZPE
Special Protection Areas

UNITS

bcm	109 cubic metres
cent	Euro cents
CO_2	carbon dioxide
EUR	Euro
€	Euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt hour
k€	thousand of Euro
km	kilometre
kV	kilovolt
kWh	kilowatt hour
m^3	cubic metre
$m^3(n)$	normal cubic metre (volume of gas measured at 0^o Celsius and at the pressure of 1 atmosphere)
M€	million Euros
mEuros	thousand of Euro
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt hour
p.p.	percentage points
s	second
t	tonne
tcm	1012 cubic metres
tCO_2eq	Tonne of CO_2 equivalent
TWh	terawatt-hour

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