



# Consolidated Financial **Statements**

**30 September 2019**

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

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## 1. FINANCIAL PERFORMANCE

### 1 RESULTS FOR THE 3<sup>RD</sup> QUARTER OF 2019

In the first 9 months of 2019, net income reached 86.3 million euros, a 4.5 million euros decrease (-5.0%) from the same period of the previous year. Net income reduction reflected mainly the drop in Electricity and Natural Gas Transmission business results (-7.7 million euros in EBIT; -8.7 million euros in EBITDA), following the decrease in Portugal's sovereign bond yields which negatively impacts asset remuneration, and in the Natural Gas Distribution business (-2.2 million euros in EBIT; -1.7 million euros in EBITDA), despite the good performance of financial results (+4.0 million euros), and the decrease of 1.0 million euros in the Extraordinary Levy on the Energy Sector (following the decrease in the value of the levied regulated assets).

Similarly to the previous years, the results for 2019 reflect the continuation of the Extraordinary Levy on the Energy Sector (24.4 million euros in 2019 and 25.4 million euros in 2018<sup>1</sup>).

Investment increased 64.1% y.o.y (+43.1 million euros) to 110.3 million euros and transfers to RAB increased 27.6 million euros to 60.1 million euros. On the other hand, average RAB dropped by 117.3 million euros (-3.1%), to 3,717.8 million euros.

The average cost of debt was 2.2%, a 0.1p.p. y.o.y. decrease, and net debt decreased to 2,586.5 million euros, -2.2% (-57.4 million euros) over the same period of the previous year.

MAIN INDICATORS (MILLIONS OF Euros)	September	September	
	2019	2018	Var. %
EBITDA	368.0	378.4	-2.7%
Financial results <sup>2</sup>	-39.4	-43.5	9.3%
Net income <sup>1</sup>	86.3	90.9	-5.0%
Recurrent net income	110.7	112.5	-1.6%
Total Capex	110.3	67.2	64.1%
Transfers to RAB <sup>3</sup> (at historic costs)	60.1	32.5	84.8%
Average RAB (at reference costs)	3 717.8	3 835.2	-3.1%
Net debt	2 586.5	2 643.8	-2.2%
Average cost of debt	2.2%	2.3%	-0.1p.p.

<sup>1</sup> The full amount of the levy was recorded in the 1st quarter of 2019 and 2018, according to the Portuguese Securities Market Commission (CMVM) recommendations.

<sup>2</sup> The net financial profit of 0.1 million euros in September 2019 and financial cost of 0.3 million euros in September 2018 from electricity interconnection capacity auctions between Spain and Portugal - referred to as FTR (Financial Transaction Rights), were reclassified from financial income to Revenue.

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

## Operational results – EBITDA

### Electricity and Natural Gas Transmission Business

EBITDA for the Transmission business reached 333.9 million euros in the first 9 months of 2019, a 2.5% drop over the same period of 2018 (-8.7 million euros).

<b>EBITDA - TRANSMISSION</b> (MILLIONS OF EUROS)	<b>September 2019</b>	<b>September 2018</b>	<b>VAR.%</b>
1) Revenues from assets	301.8	310.3	-2.7%
RAB remuneration	120.4	130.4	-7.6%
Hydro land remuneration	0.0	0.2	-100.0%
Lease revenues from hydro protection zone	0.5	0.5	-1.2%
Economic efficiency of investments	18.8	16.2	15.8%
Recovery of amortizations (net of investment subsidies)	148.7	149.5	-0.5%
Amortização dos subsídios ao Investimento	13.4	13.5	-0.7%
2) Revenues from opex	84.4	80.1	5.3%
3) Other revenues	17.3	17.3	0.0%
4) Own works (capitalised in investment)	12.2	11.8	2.7%
5) Earnings on Construction (excl. own works capitalised in investment) – Concession assets	82.3	40.9	101.4%
6) OPEX	81.4	76.5	6.4%
Personnel costs <sup>4</sup>	38.4	37.2	3.2%
External costs	43.0	39.3	9.4%
7) Construction costs – Concession assets	82.3	40.9	101.4%
8) Provisions	0.0	0.1	n.m.
9) Impairments	0.3	0.3	0.0%
<b>10) EBITDA (1+2+3+4+5-6-7-8-9)</b>	<b>333.9</b>	<b>342.6</b>	<b>-2.5%</b>

The decrease in EBITDA resulted mainly from:

- The decrease of 9.9 million euros in RAB remuneration (-7.6%) arising from:
  - The 7.2 million euros drop in the remuneration of electricity transmission regulated assets, reflecting (i) the reduction in the base rate of return (RoR) from 5.2% in 2018 to 4.9% in 2019 – as a result of the negative evolution of the yields of the Portuguese Republic 10Y Treasury Bills; and (ii) the reduction of 68.6 million euros (-3.3%) in electricity transmission average RAB.
  - Reduction of 2.8 million euros in the remuneration of natural gas transmission regulated assets, reflecting (i) the reduction in the rate of return from 5.5% in 2018 to 5.4% in 2019 – as a result of the negative evolution of the yields of the Portuguese Republic 10Y Treasury Bills; and (ii) the reduction of 45.2 million euros (-4.4%) in natural gas transmission average RAB.
- Increase of 4.9 million euros in Opex (+6.4%), of which +2.4 million euros in pass-through costs (non-core external costs), +1.2 million euros in personnel costs and +1.3 million euros in core external costs. The increase in core external costs reflects higher forest clearing costs as a result of more demanding legislation, and higher electricity costs in LNG Terminal reflecting higher activity.

<sup>4</sup> Includes training and seminars costs

On the other hand, the following positive effects were recorded:

- Increase of 4.3 million euros (+5.3%) in Opex revenues, partially reflecting the increase in pass-through costs;
- Increase of 2.6 million euros in the incentive to economic efficiency of investments (+15.8%);

#### Natural Gas Distribution Business

The EBITDA for the Natural Gas Distribution business reached 34.0 million euros in the first 9 months of 2019, a 4.8% decrease over the same period of 2018 (-1.7 million euros).

The decrease in EBITDA resulted mainly from:

- The decrease of 6.0 million euros in other revenues, reflecting the sale of LPG business in July of 2018.

On the other hand, EBITDA was propelled by:

- The decrease of 3.5 million euros (-23.4%) in opex, of which -0.6 million euros in personnel costs and -3.0 million euros in external costs. The decrease in external costs was partly driven by the sale of the LPG business in July of 2018.

<b>EBITDA - DISTRIBUTION</b> (MILLIONS OF EUROS)	<b>September 2019</b>	<b>September 2018</b>	<b>VAR.%</b>
1) Revenues from assets	30.3	29.7	2.2%
RAB remuneration	20.1	20.1	-0.1%
Recovery of amortizations (net of investment subsidies)	10.3	9.6	7.3%
2) Revenues from OPEX	13.3	13.1	1.6%
3) Other revenues	0.1	6.1	-98.3%
4) Own works (capitalised in investment)	1.7	1.7	0.0%
5) Earnings on Construction (excl. own works capitalised in investment) – Concession assets	14.1	12.0	17.0%
6) OPEX	11.5	15.0	-23.4%
Personnel costs <sup>5</sup>	3.3	3.9	-14.4%
External costs	8.1	11.1	-26.6%
7) Construction costs – Concession assets	14.1	12.0	17.0%
8) Provisions	0.0	0.0	n.m.
9) Impairments	0.0	-0.1	-100.0%
<b>10) EBITDA (1+2+3+4+5-6-7-8-9)</b>	<b>34.0</b>	<b>35.7</b>	<b>-4.8%</b>

<sup>5</sup> Includes costs for training and seminars and provisions for staff costs

## Net income

Overall, the Group's net income for the first 9 months of 2019 reached 86.3 million euros, a 4.5 million euros y.o.y. decrease (-5.0%). This decrease resulted mostly from the 10.4 million euros drop in the Group's EBITDA reflecting the decrease in Electricity and Natural Gas Transmission business (-8.7 million euros), and in the Natural Gas Distribution business (-1.7 million euros). The decrease in Natural Gas Distribution reflected the sale of LPG business in July of 2018.

On the other hand, financial results increased 4.0 million euros (+9.3%) reflecting the decrease in net debt to 2,586.5 million euros (-57.4 million euros; -1.8%) and in the average cost of debt to 2.2% (-0.1p.p.), and the Extraordinary Levy on the Energy Sector decreased 1.0 million euros, following the decrease in the value of the levied regulated assets.

Excluding non-recurring items, Net Income for the first 9 months of 2019 dropped 1.8 million euros (-1.6%). Non-recurring items considered in the first 9 months of 2019 and 2018 are as follows:

- i) In 2019: i) Extraordinary Levy on the Energy Sector laid down in the State Budget for 2019 (24.4 million euros);
- ii) In 2018: i) Extraordinary Levy on the Energy Sector laid down in the State Budget for 2018 (25.4 million euros) and ii) gains with the sale of LPG business, net of transaction costs (3.7 million euros, 3.8 million euros after taxes) that was concluded in July 2018.

NET INCOME (MILLIONS OF EUROS)	September 2019	September 2018	VAR.%
EBITDA	368.0	378.4	-2.7%
Depreciations and amortizations	175.8	176.2	-0.2%
Financial results	-39.4	-43.5	9.3%
Income tax expenses	42.0	42.4	-0.9%
Extraordinary levy on the energy sector <sup>6</sup>	24.4	25.4	-4.0%
<b>Net income</b>	<b>86.3</b>	<b>90.9</b>	<b>-5.0%</b>
Non-recurring items	24.4	21.6	12.8%
<b>Recurrent net income</b>	<b>110.7</b>	<b>112.5</b>	<b>-1.6%</b>

## 2 AVERAGE RAB AND CAPEX

In the first 9 months of 2019, Capex reached 110.3 million euros, a 64.1% y.o.y. increase (+43.1 million euros), and transfers to RAB reached 60.1 million euros, a 27.6 million euros increase over the first 9 months of 2018.

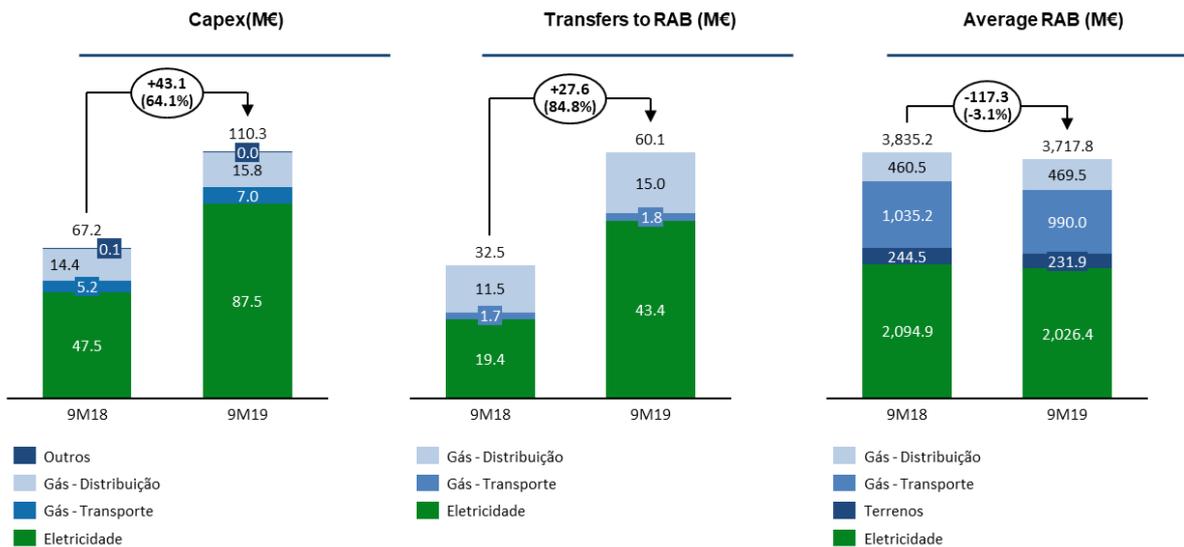
In electricity, investment increased 84.3% y.o.y to 87.5 million euros, of which 34.7 million euros in the construction of a submarine cable to connect a floating wind power plant in Viana do Castelo to the electricity network (Windfloat) and 15.7 million euros in the remodelling/uprating of power lines. Transfers to RAB increased 24.0 million euros to 43.4 million euros, of which 26.9 million euros with the conclusion of projects for the remodelling/uprating of power lines and 8.3 million euros with the conclusion of the projects for the reinforcement of transformation in Lavos, Recarei and Sines.

In natural gas transmission, investment reached 7.0 million euros, 33.4% higher than the same period of the previous year, and transfers to RAB increased 6.0% to 1.8 million euros.

In natural gas distribution, investment was 15.8 million euros, 34% for new supply points and 52% with the expansion of the distribution network, and transfers to RAB increased 3.5 million euros (+30.0%) to 15.0 million euros.

<sup>6</sup> The full amount of the levy was recorded in the 1st quarter of 2019 and 2018, according to the Portuguese securities market commission (CMVM) recommendations

Average RAB was 3,717.8 million euros, a 117.3 million euros (-3.1%) y.o.y decrease. In electricity, the average RAB (excluding lands) reached 2,026.4 million euros (-68.6 million euros, -3.3%), of which 1,092.6 million euros in assets remunerated at a premium rate of return, while lands reached 231.9 million euros (-12.6 million euros, -5.1%). In natural gas transmission, the average RAB was 990.0 million euros (-45.2 million euros, -4.4%), while in natural gas distribution the average RAB reached 469.5 million euros (+9.0 million euros, +2.0%).



### 3 QUARTERLY STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE PERIODS FROM 1 JULY TO 30 SEPTEMBER 2019 AND 2018

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

(Amounts expressed in thousands of euros – tEuros)		
	01.07.2019 to 30.09.2019	01.07.2018 to 30.09.2018
Sales	34	62
Services rendered	138,943	140,501
Revenue from construction of concession assets	60,381	27,202
Gains from associates and joint ventures	1,909	1,998
Other operating income	6,801	9,176
<b>Operating income</b>	<b>208,069</b>	<b>178,939</b>
Cost of goods sold	(172)	(201)
Cost with construction of concession assets	(56,030)	(22,486)
External supplies and services	(13,336)	(13,594)
Employee compensation and benefit expense	(13,055)	(13,478)
Depreciation and amortizations	(58,570)	(58,535)
Provisions	-	-
Impairments	(94)	(94)
Other expenses	(4,983)	(3,211)
<b>Operating costs</b>	<b>(146,241)</b>	<b>(111,598)</b>
<b>Operating results</b>	<b>61,828</b>	<b>67,341</b>
Financial costs	(15,843)	(15,584)
Financial income	2,005	(515)
Investment income - dividends	1,443	(21)
<b>Financial results</b>	<b>(12,394)</b>	<b>(16,120)</b>
<b>Profit before income taxes and ESEC</b>	<b>49,434</b>	<b>51,221</b>
Income tax expense	(14,187)	(13,175)
Extraordinary contribution on energy sector (ESEC)	-	-
<b>Net profit for the period</b>	<b>35,246</b>	<b>38,045</b>
<b>Attributable to:</b>		
Equity holders of the Company	35,246	38,045
Non-controlled interest	-	-
<b>Consolidated profit for the period</b>	<b>35,246</b>	<b>38,045</b>
Earnings per share (expressed in euro per share)	0.05	0.06

## Consolidated statements of comprehensive income (unaudited information)

	(Amounts expressed in thousands of euros - tEuros)	
	01.07.2019 to 30.09.2019	01.07.2018 to 30.09.2018
<b>Net Profit for the year</b>	<b>35,246</b>	<b>38,045</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial gains / (losses)	(68)	154
Tax effect on actuarial gains / (losses)	20	(46)
Other changes in equity	-	(123)
<b>Items that will be reclassified subsequently to profit or loss:</b>		
Currency exchange differences (Associates)	7,037	1,099
Increase/(decrease) in hedging reserves - cash flow derivatives	(5,382)	2,386
Tax effect on hedging reserves	1,211	(501)
Gain/(loss) in fair value reserve - available-for-sale assets	1,733	3,249
Tax effect on fair value reserves	(390)	(682)
Other changes in equity	(2)	-
<b>Comprehensive income for the year</b>	<b>39,405</b>	<b>43,581</b>
<b>Attributable to:</b>		
Shareholders of the company	39,405	43,581
Non-controlling interests	-	-
	<b>39,405</b>	<b>43,581</b>

## 2. CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousands of Euros – tEuros)  
(Translation of statements of financial position originally issued in Portuguese - Note 33)

	Notes	Sep 2019	Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	445	561
Goodwill	6	3,594	3,877
Intangible assets	5	4,127,262	4,192,619
Investments in associates and joint ventures	7	178,083	167,841
Investments in equity instruments at fair value through other comprehensive income	9 and 10	159,455	162,552
Derivative financial instruments	9 and 12	39,717	21,010
Other financial assets	9	64	45
Trade and other receivables	9 and 11	188,586	50,246
Deferred tax assets	8	88,863	92,495
		<b>4,786,069</b>	<b>4,691,247</b>
<b>Current assets</b>			
Inventories		2,343	2,095
Trade and other receivables	9 and 11	302,305	427,126
Current income tax recoverable	8 and 9	15,496	35,371
Cash and cash equivalents	9 and 13	171,474	35,735
		<b>491,619</b>	<b>500,327</b>
<b>Total assets</b>	<b>4</b>	<b>5,277,688</b>	<b>5,191,574</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	14	667,191	667,191
Own shares	14	(10,728)	(10,728)
Share premium		116,809	116,809
Reserves	15	322,789	326,906
Retained earnings		251,388	253,505
Other changes in equity		(5,561)	(5,561)
Net profit for the period		86,324	115,715
<b>Total equity</b>		<b>1,428,212</b>	<b>1,463,837</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	9 and 16	2,195,961	2,274,939
Liability for retirement benefits and others	17	92,885	98,288
Derivative financial instruments	9 and 12	33,794	12,952
Provisions	18	8,796	8,852
Trade and other payables	19	361,837	367,743
Deferred tax liabilities	8	127,302	113,644
		<b>2,820,575</b>	<b>2,876,418</b>
<b>Current liabilities</b>			
Borrowings	9 and 16	593,934	431,401
Trade and other payables	19	434,967	419,917
		<b>1,028,900</b>	<b>851,319</b>
<b>Total liabilities</b>	<b>4</b>	<b>3,849,475</b>	<b>3,727,737</b>
<b>Total equity and liabilities</b>		<b>5,277,688</b>	<b>5,191,574</b>

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 September 2019.

The Accountant

The Board of Directors

## CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Amounts expressed in thousands of Euros – tEuros)  
(Translation of statements of profit and loss originally issued in Portuguese - Note 33)

	Notes	Sep 2019	Sep 2018
Sales	20	51	96
Services rendered	20	419,378	427,477
Revenue from construction of concession assets	21	110,270	66,479
Gains / (losses) from associates and joint ventures	7	7,499	4,540
Other operating income	22	20,143	24,737
<b>Operating income</b>		<b>557,341</b>	<b>523,329</b>
Cost of goods sold		(539)	(1,022)
Costs with construction of concession assets	21	(96,362)	(52,896)
External supplies and services	23	(36,406)	(35,770)
Personnel costs	24	(41,412)	(40,731)
Depreciation and amortizations	5	(175,753)	(176,191)
Provisions	18	1	(57)
Impairments		(283)	(199)
Other expenses	25	(14,514)	(13,951)
<b>Operating costs</b>		<b>(365,269)</b>	<b>(320,816)</b>
<b>Operating results</b>		<b>192,072</b>	<b>202,513</b>
Financial costs	26	(50,499)	(53,232)
Financial income	26	5,805	4,460
Investment income - dividends	10	5,377	4,947
<b>Financial results</b>		<b>(39,317)</b>	<b>(43,825)</b>
<b>Profit before income tax and ESEC</b>		<b>152,755</b>	<b>158,688</b>
Income tax expense	8	(42,042)	(42,421)
Energy sector extraordinary contribution (ESEC)	27	(24,390)	(25,398)
<b>Net profit for the year</b>		<b>86,324</b>	<b>90,868</b>
<b>Attributable to:</b>			
Equity holders of the Company		86,324	90,868
Non-controlled interest		-	-
<b>Consolidated profit for the year</b>		<b>86,324</b>	<b>90,868</b>
<b>Earnings per share (expressed in euro per share)</b>	28	<b>0.13</b>	<b>0.14</b>

The accompanying notes form an integral part of the consolidated statement of profit and loss for the nine-month period ended 30 September 2019.

The Accountant

The Board of Directors

## CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Amounts expressed in thousands of Euros – tEuros)  
(Translation of statements of other comprehensive income originally issued in Portuguese - Note 33)

	Notes	Sep 2019	Sep 2018
<b>Consolidated Net Profit for the period</b>		<b>86,324</b>	<b>90,868</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gains / (losses) - gross of tax		1,815	90
Tax effect on actuarial gains / (losses)	8	(545)	(27)
Other changes in equity		-	(36)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations	7	7,998	5,217
Increase / (decrease) in hedging reserves - cash flow derivatives	12	(19,819)	2,716
Tax effect on hedging reserves	8 and 12	4,459	(570)
Gain/(loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	10	(3,097)	(3,435)
Tax effect on items recorded directly in equity	8 and 10	697	721
Other changes in equity	7	(31)	-
<b>Comprehensive income for the period</b>		<b>77,801</b>	<b>95,545</b>
<b>Attributable to:</b>			
Equity holders of the company		77,801	95,545
Non-controlled interest		-	-
		<b>77,801</b>	<b>95,545</b>

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the nine-month period ended 30 September 2019.

The Accountant

The Board of Directors

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Amounts expressed in thousands of Euros – tEuros)  
(Translation of statements of changes in equity originally issued in Portuguese - Note 33)

Changes in the year	Notes	Attributable to shareholders										
		Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 10)	Hedging reserve (Note 12)	Other reserves (Note 7)	Other changes in equity	Retained earnings	Profit for the year	Total
At 31 December 2017		667,191	(10,728)	116,809	106,800	53,778	(9,702)	159,315	(5,541)	225,342	125,925	1,429,189
Adoption of IFRS 9 - Financial instruments		-	-	-	-	-	-	-	-	9,223	-	9,223
At 1 January 2018		667,191	(10,728)	116,809	106,800	53,778	(9,702)	159,315	(5,541)	234,565	125,925	1,438,412
Net profit of the period and other comprehensive income		-	-	-	-	(2,714)	2,146	5,217	(36)	63	90,868	95,545
Transfer to other reserves		-	-	-	-	-	-	-	-	125,925	(125,925)	-
Distribution of dividends	29	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 30 September 2018		667,191	(10,728)	116,809	106,800	51,064	(7,556)	164,532	(5,577)	247,126	90,868	1,420,530
At 1 January 2019		667,191	(10,728)	116,809	113,152	57,711	(10,577)	166,620	(5,561)	253,505	115,715	1,463,837
Net profit of the period and other comprehensive income		-	-	-	-	(2,400)	(15,360)	7,967	-	1,270	86,324	77,801
Transfer to other reserves		-	-	-	5,676	-	-	-	-	110,039	(115,715)	-
Distribution of dividends	29	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 30 September 2019		667,191	(10,728)	116,809	118,828	55,311	(25,937)	174,587	(5,561)	251,388	86,324	1,428,212

The accompanying notes form an integral part of the consolidated statement of changes in equity for the nine-month period ended 30 September 2019.

The Accountant

The Board of Directors

## CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019 AND 2018

(Amounts expressed in thousands of Euros – tEuros)  
(Translation of statements of cash flow originally issued in Portuguese - Note 33)

	Notes	Sep 2019	Sep 2018
<b>Cash flow from operating activities:</b>			
Cash receipts from customers		1,794,353 a)	1,799,528 a)
Cash paid to suppliers		(1,381,425) a)	(1,301,250) a)
Cash paid to employees		(54,634)	(52,832)
Income tax received/paid		(883)	(84,402)
Other receipts / (payments) relating to operating activities		(36,493)	763
<b>Net cash flows from operating activities (1)</b>		<b>320,917</b>	<b>361,807</b>
<b>Cash flow from investing activities:</b>			
<b>Receipts related to:</b>			
Investments in associates	7	292	-
Property, plant and equipment		-	7
Other financial assets		-	4,030
Investment grants		6,283	5,572
Interests and other similar income		24	85
Dividends	7 and 10	8,070	8,393
<b>Payments related to:</b>			
Financial investments		-	(12)
Property, plant and equipment		(73)	(152)
Intangible assets - Concession assets		(105,393)	(111,558)
<b>Net cash flow used in investing activities (2)</b>		<b>(90,797)</b>	<b>(93,634)</b>
<b>Cash flow from financing activities:</b>			
<b>Receipts related to:</b>			
Borrowings		3,938,550	1,849,999
<b>Payments related to:</b>			
Borrowings		(3,882,722)	(1,993,601)
Interests and other similar expense		(41,129)	(45,434)
Dividends	29	(113,426)	(113,426)
<b>Net cash from / (used in) financing activities (3)</b>		<b>(98,726)</b>	<b>(302,462)</b>
<b>Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)</b>		<b>131,394</b>	<b>(34,289)</b>
Effect of exchange rates		(28)	(90)
Cash and cash equivalents at the beginning of the year	13	34,096	60,448
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>165,463</b>	<b>26,070</b>
<b>Detail of cash and cash equivalents</b>			
Cash	13	26	25
Bank overdrafts	13	(6,011)	(1,546)
Bank deposits	13	171,448	27,591
		<b>165,463</b>	<b>26,070</b>

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the nine-month period ended 30 September 2019.

The Accountant

The Board of Directors

### 3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(Translation of notes originally issued in Portuguese - Note 33)

#### 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;

e) REN Portgás Distribuição, S.A. (“REN Portgás”), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in f) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

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, Aéreo 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.

In addition, on November 21, 2018, REN PRO, S.A. was incorporated, a company fully owned by REN, headquartered in Lisbon, whose purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and IT consulting.

On 17 July 2019, Apolo 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 of entities essentially related to the electric transmission sector.

As of 30 September 2019, REN also holds:

- a) 42.5% interest in the share capital of Electrogas, S.A., a provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017;
- b) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (“OMIP SGPS”), being its purpose the management of participations in other companies as an indirect way of exercising economic activities;
- c) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;
- d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. (“REE”), entity in charge of the electricity network management in Spain;
- e) 7.9% interest in the share capital of Coreso, S.A. (“Coreso”), entity that assists the European transmission system operators (“TSO”), in coordination and safety activities to ensure the reliability of Europe’s electricity supply;
- f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. (“HCB”), participation of 7.5%; (ii) MIBGÁS, S.A., participation of 6.67%; and (iii) MIBGÁS Derivatives, S.A., participation of 9.7%.

## 1.1 Consolidation perimeter

The following companies were included in the consolidation perimeter as of 30 September 2019 and 31 December 2018:

Designation / adress	Activity	Sep 2019		Dec 2018	
		% Owned		% Owned	
		Group	Individual	Group	Individual
<b>Parent company:</b>					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
<b>Subsidiaries:</b>					
<b>Electricity segment:</b>					
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, n.º 7 - 12.º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
<b>Telecommunications segment:</b>					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
<b>Other segments:</b>					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group	100%	100%	100%	100%
REN PRO, S.A. Av. Estados Unidos da América, 55 - Lisboa	Communication and Sustainability, Marketing, Business Management, Business Development and Consulting and IT Projects	100%	100%	100%	100%
<b>Natural gas segment:</b>					
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquefied Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
<b>Owned by REN Serviços, S.A.:</b>					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Apolo Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	-	-
<b>Owned by REN Gas, S.A.:</b>					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage development, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-
REN Gás Distribuição SGPS, S.A. Av. Estados Unidos da América, 55 - Lisboa	Management of holdings in other companies as an indirect form of economic activity	-	-	100%	-
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Distribution of natural gas	100%	-	100%	-

## Changes in the consolidation perimeter

### - 2019

On January 22, 2019, a merger of the entities REN Gás, S.A. and REN Gás Distribuição SGPS, S.A. was effected by means of the global transfer of the assets of REN Gás Distribuição SGPS, S.A. to REN Gás, S.A.. Additionally, on 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Chile.

### - 2018

On July 2, 2018, REN sold the liquefied petroleum gas (LPG) business to ENERGYCO II, S.A. and, additionally, on November 21, 2018, REN PRO, S.A., a company fully owned by REN, was incorporated.

## 1.2 Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 15 November 2019. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

## 2 BASIS OF PRESENTATION

The consolidated financial statements for the nine-month period ended 30 September 2019 were prepared in accordance with IAS 34 - Interim Financial Reporting Standards, therefore do not include all information required for annual financial statements so should be read in conjunction with the annual financial statements issued for the year ended 31 December 2018.

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 30 September 2019, current liabilities in the amount of 1,028,900 thousand Euros are greater than current assets, which total 491,619 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2019, the Group has, as of 30 September 2019, credit lines in the form of commercial paper available for use in the amount of 832,000 thousands Euros, with a substantial part with guaranteed placement (Note 16).

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 financial statements.

The consolidated financial statements are presented in thousands of Euros - tEuros.

## 3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in Portugal, adjusted in the consolidation process so that the financial statements are presented in accordance with interim Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2019.

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

The accounting policies used to prepare these consolidated financial statements are consistent in all material respects, with the policies used to prepare the consolidated financial statements for the year ended 31 December 2018, as explained in the notes to the consolidated financial statements for 2018, except for the adoption of new effective standards for periods beginning on or after 1 January 2019. The Group has not adopted in advance any standard, interpretation or amendment that is not yet in force.

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

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in effective for annual periods beginning on or after 1 January 2019:

- **IFRS 16 – Leases**

This standard replaces IAS 17 – Leases and the associated interpretations, with impact on the accounting performed by lessees, which are obliged to recognize for lease contracts a lease liability corresponding to future lease payments and, respectively, an asset related with the "right of use". The standard provides for two exemptions of recognition for tenants - lease contracts where assets have low value and short-term lease contracts (ie contracts with a duration of 12 months or less). It should be noted that this standard is not applicable to the assets assigned to the concession contract ("IFRIC 12 – Service Concession Arrangements").

### I. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

### II. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### III. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendment to IFRS 9 - Prepayment Features with Negative Compensation**

This amendment allows the classification / measurement of financial assets at amortized cost even if they include conditions that allow the prepayment for a lower value than the nominal value ("Negative compensation"), being an exemption to the requirements predicted in IFRS 9 for the classification of financial assets at amortized cost. Additionally, it is also clarified that when there is a change in the conditions of a financial liability that does not implies a derecognition, the measurement difference must be registered immediately in the year's results. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **IFRIC 23 - Uncertainty Over Income Tax Treatments**

Clarifies how the recognition and measurement requirements of IAS 12 - Income Tax are applied when there is uncertainty about the tax treatment. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures**

These amendments clarify that long-term investments in associates and joint ventures, which are not being measured by the equity method, are accounted under IFRS 9. This clarifies that long-term investments in associates and joint ventures are subject to the IFRS 9 impairment rules (3-step model of expected losses), before being considered for impairment testing of the global investment in an associate or when there are indicators of impairment. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Annual Improvements to IFRS Standards (cycle 2015-2017)**

The changes introduced in the 2015-2017 cycle focused on the revision of: (i) IAS 23 - Borrowing Costs (clarifies the computation of the average interest rate); (ii) IAS 12 - Income Tax (establishes that the tax impact of the dividends distribution should be accounted for when the account payable is recorded); and (iii) IFRS 3 and IFRS 11 (clarifies that when obtaining control of a joint venture the financial interest should be accounted for at fair value). The adoption of this amendment does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

There are no standards, interpretations, amendments and revisions endorsed by the European Union with mandatory application in future economic exercises at the date of 30 September 2019.

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

The following standards, interpretations, amendments and revisions, with mandatory application in future years, have 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 17 - Insurance Contracts	01/jan/21	This standard is intended to replace IFRS 4 and requires that all insurance contracts to be accounted for consistently.
Amendments to References to the Conceptual Framework in IFRS	01/jan/20	The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
Amendment to IFRS 3: Business Combinations	01/jan/20	These amendments: (i) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (ii) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (iii) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
Amendments to IAS 1 and IAS 8: Definition of Material	01/jan/20	The changes in Definition of Material all relate to a revised definition of 'material' which is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	01/jan/20	These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 30 September 2019 consolidated financial statements.

## 4 SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007 and the pilot zone for electricity production from sea waves. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal, the distribution of natural gas in low and medium pressure 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 nine-month period ended 30 September 2019 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Sales and services provided</b>	<b>260,671</b>	<b>159,962</b>	<b>4,904</b>	<b>27,141</b>	<b>(33,250)</b>	<b>419,429</b>
Inter-segments	1,252	5,824	-	26,173	(33,250)	-
Revenues from external customers	259,419	154,138	4,904	968	-	419,429
<b>Revenue from construction of concession assets</b>	<b>87,467</b>	<b>22,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,270</b>
<b>Cost with construction of concession assets</b>	<b>(76,866)</b>	<b>(19,496)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(96,362)</b>
<b>Gains / (losses) from associates and joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,499</b>	<b>-</b>	<b>7,499</b>
<b>Personnel costs</b>	<b>(33,519)</b>	<b>(29,894)</b>	<b>(1,972)</b>	<b>(8,548)</b>	<b>37,526</b>	<b>(36,406)</b>
<b>Employee compensation and benefit expense</b>	<b>(13,903)</b>	<b>(9,207)</b>	<b>(213)</b>	<b>(18,089)</b>	<b>-</b>	<b>(41,412)</b>
<b>Other expenses and operating income</b>	<b>9,320</b>	<b>262</b>	<b>(31)</b>	<b>(184)</b>	<b>(4,277)</b>	<b>5,089</b>
<b>Operating cash flow</b>	<b>233,171</b>	<b>124,430</b>	<b>2,688</b>	<b>7,819</b>	<b>-</b>	<b>368,108</b>
<b>Investment income - dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,377</b>	<b>-</b>	<b>5,377</b>
<b>Non reimbursable expenses</b>						
Depreciation and amortizations	(115,668)	(59,931)	(25)	(130)	-	(175,753)
Provisions	-	-	-	1	-	1
Impairments	-	-	-	(283)	-	(283)
<b>Financial results</b>						
Financial income	939	4,769	21	113,665	(113,589)	5,805
Financial costs	(32,415)	(16,450)	-	(115,223)	113,589	(50,499)
<b>Profit before income tax and ESEC</b>	<b>86,027</b>	<b>52,818</b>	<b>2,685</b>	<b>11,225</b>	<b>-</b>	<b>152,755</b>
<b>Income tax expense</b>	<b>(25,045)</b>	<b>(14,437)</b>	<b>(631)</b>	<b>(1,929)</b>	<b>-</b>	<b>(42,042)</b>
<b>Energy sector extraordinary contribution (ESEC)</b>	<b>(17,434)</b>	<b>(6,955)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,390)</b>
<b>Profit for the year</b>	<b>43,548</b>	<b>31,426</b>	<b>2,054</b>	<b>9,296</b>	<b>-</b>	<b>86,324</b>

Results by segment for the nine-month period ended 30 September 2018 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Sales and services provided</b>	<b>265,115</b>	<b>165,433</b>	<b>4,822</b>	<b>27,174</b>	<b>(34,971)</b>	<b>427,573</b>
Inter-segments	251	8,945	-	25,776	(34,971)	-
Revenues from external customers	264,865	156,488	4,822	1,398	-	427,573
<b>Revenue from construction of concession assets</b>	<b>47,466</b>	<b>19,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,479</b>
<b>Cost with construction of concession assets</b>	<b>(37,131)</b>	<b>(15,765)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52,896)</b>
<b>Gains / (losses) from associates and joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,540</b>	<b>-</b>	<b>4,540</b>
<b>Personnel costs</b>	<b>(31,105)</b>	<b>(32,163)</b>	<b>(1,194)</b>	<b>(10,414)</b>	<b>39,106</b>	<b>(35,770)</b>
<b>Employee compensation and benefit expense</b>	<b>(14,529)</b>	<b>(9,356)</b>	<b>(200)</b>	<b>(16,646)</b>	<b>-</b>	<b>(40,731)</b>
<b>Other expenses and operating income</b>	<b>9,606</b>	<b>4,528</b>	<b>(29)</b>	<b>(206)</b>	<b>(4,135)</b>	<b>9,764</b>
<b>Operating cash flow</b>	<b>239,422</b>	<b>131,690</b>	<b>3,399</b>	<b>4,448</b>	<b>-</b>	<b>378,959</b>
<b>Investment income - dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,947</b>	<b>-</b>	<b>4,947</b>
<b>Non reimbursable expenses</b>						
Depreciation and amortizations	(116,601)	(59,426)	(20)	(143)	-	(176,191)
Provisions	(195)	(38)	-	176	-	(57)
Impairments	-	84	-	(283)	-	(199)
<b>Financial results</b>						
Financial income	472	8,654	21	112,233	(116,920)	4,460
Financial costs	(33,478)	(20,812)	-	(115,862)	116,920	(53,232)
<b>Profit before income tax and ESEC</b>	<b>89,620</b>	<b>60,152</b>	<b>3,400</b>	<b>5,515</b>	<b>-</b>	<b>158,688</b>
Income tax expense	(26,086)	(15,398)	(796)	(141)	-	(42,421)
Energy sector extraordinary contribution (ESEC)	(18,123)	(7,275)	-	-	-	(25,398)
<b>Profit for the year</b>	<b>45,411</b>	<b>37,479</b>	<b>2,604</b>	<b>5,374</b>	<b>-</b>	<b>90,868</b>

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

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

Assets and liabilities by segment as well as capital expenditures for the nine-month period ended 30 September 2019 are as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Segment assets</b>						
Group investments held	-	781,521	-	2,061,404	(2,842,925)	-
Property, plant and equipment and intangible assets	2,527,992	1,599,384	24	307	-	4,127,707
Other assets	512,692	424,666	6,353	6,383,919	(6,177,650)	1,149,980
<b>Total assets</b>	<b>3,040,684</b>	<b>2,805,570</b>	<b>6,377</b>	<b>8,445,631</b>	<b>(9,020,575)</b>	<b>5,277,688</b>
<b>Total liabilities</b>	<b>2,339,902</b>	<b>1,360,539</b>	<b>2,489</b>	<b>6,324,192</b>	<b>(6,177,648)</b>	<b>3,849,475</b>
<b>Capital expenditure - total</b>	<b>87,467</b>	<b>22,803</b>	<b>-</b>	<b>94</b>	<b>-</b>	<b>110,364</b>
Capital expenditure - property, plant and equipment (Note 5)	-	-	-	94	-	94
Capital expenditure - intangible assets (Note 5)	87,467	22,803	-	-	-	110,270
Investments in associates (Note 7)	-	-	-	175,343	-	175,343
Investments in joint ventures (Note 7)	-	-	-	2,740	-	2,740

Assets and liabilities by segment at 31 December 2018 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
<b>Segment assets</b>						
Group investments held	-	1,048,895	-	1,806,895	(2,855,790)	-
Property, plant and equipment and intangible assets	2,556,204	1,636,523	48	404	-	4,193,180
Other assets	542,992	537,379	7,618	6,374,865	(6,464,460)	998,394
<b>Total assets</b>	<b>3,099,196</b>	<b>3,222,798</b>	<b>7,666</b>	<b>8,182,164</b>	<b>(9,320,250)</b>	<b>5,191,574</b>
<b>Total liabilities</b>	<b>2,398,236</b>	<b>1,509,250</b>	<b>3,940</b>	<b>6,280,771</b>	<b>(6,464,460)</b>	<b>3,727,737</b>
<b>Capital expenditure - total</b>	<b>85,608</b>	<b>36,167</b>	<b>-</b>	<b>173</b>	<b>-</b>	<b>121,948</b>
Capital expenditure - property, plant and equipment (Note 5)	-	-	-	173	-	173
Capital expenditure - intangible assets (Note 5)	85,608	36,167	-	-	-	121,775
Investments in associates (Note 7)	-	-	-	165,207	-	165,207
Investments in joint ventures (Note 7)	-	-	-	2,635	-	2,635

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.

## 5 TANGIBLE AND INTANGIBLE ASSETS

During the nine-month period ended 30 September 2019, the changes in tangible and intangible assets were as follows:

	1 January 2019			Changes					30 September 2019		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
<b>Property, plant and equipment:</b>											
Transmission and electronic equipment	107	(107)	-	-	-	-	-	-	107	(107)	-
Transport equipment	1,008	(572)	437	94	(189)	-	(158)	177	913	(553)	360
Office equipment	404	(288)	116	-	(4)	-	(35)	4	400	(319)	81
Property, plant and equipment in progress	27	(19)	8	-	-	-	(4)	-	27	(23)	4
	<b>1,546</b>	<b>(985)</b>	<b>561</b>	<b>94</b>	<b>(193)</b>	<b>-</b>	<b>(197)</b>	<b>181</b>	<b>1,447</b>	<b>(1,002)</b>	<b>445</b>
	1 January 2019			Changes					30 September 2019		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
<b>Intangible assets:</b>											
Concession assets	8,161,166	(4,073,426)	4,087,740	2,567	(1,140)	58,000	(175,556)	1,069	8,220,593	(4,247,913)	3,972,680
Concession assets in progress	104,880	-	104,880	107,703	-	(58,000)	-	-	154,583	-	154,583
	<b>8,266,046</b>	<b>(4,073,426)</b>	<b>4,192,619</b>	<b>110,270</b>	<b>(1,140)</b>	<b>-</b>	<b>(175,556)</b>	<b>1,069</b>	<b>8,375,176</b>	<b>(4,247,913)</b>	<b>4,127,262</b>
<b>Total of property, plant and equipment and intangible assets</b>	<b>8,267,591</b>	<b>(4,074,411)</b>	<b>4,193,180</b>	<b>110,364</b>	<b>(1,333)</b>	<b>-</b>	<b>(175,753)</b>	<b>1,250</b>	<b>8,376,623</b>	<b>(4,248,915)</b>	<b>4,127,707</b>



The main additions verified in the periods ended 30 September 2019 and 31 December 2018 are made up as follows:

	Sep 2019	Dec 2018
<b>Electricity segment:</b>		
Power line construction (150 KV, 220 KV and others)	48,244	24,108
Power line construction (400 KV)	12,019	13,394
Construction of new substations	2,117	290
Substation Expansion	13,626	29,906
Other renovations in substations	3,291	5,460
Telecommunications and information system	4,646	5,807
Pilot zone construction - wave energy	139	208
Buildings related to concession	598	2,702
Other assets	2,788	3,733
<b>Gas segment:</b>		
Expansion and improvements to gas transmission network	3,168	6,362
Construction project of cavity underground storage of natural gas in Pombal	583	1,703
Construction project and operating upgrade - LNG facilities	3,240	3,277
Natural gas distribution projects	15,812	24,825
<b>Others segments:</b>		
Other assets	94	173
<b>Total of additions</b>	<b>110,364</b>	<b>121,948</b>

The main transfers that were concluded and began activity during the periods ended 30 September 2019 and 31 December 2018 are made up as follows:

	Sep 2019	Dec 2018
<b>Electricity segment:</b>		
Power line construction (150 KV, 220 KV and others)	11,939	12,610
Power line construction (400 KV)	17,139	1,957
Substation Expansion	11,493	26,221
Other renovations in substations	876	3,965
Telecommunications and information system	-	5,153
Buildings related to concession	-	1,442
Other assets under concession	265	1,215
<b>Gas segment:</b>		
Expansion and improvements to natural gas transmission network	652	4,724
Construction project of cavity underground storage of natural gas in Pombal	-	1,734
Construction project and operating upgrade - LNG facilities	789	3,556
Natural gas distribution and transmission projects	14,847	23,570
<b>Total of transfers</b>	<b>58,000</b>	<b>86,146</b>

The intangible assets in progress at 30 September 2019 and 31 December 2018 are as follows:

	Sep 2019	Dec 2018
<b>Electricity segment:</b>		
Power line construction (150KV/220KV e 400KV)	81,483	50,298
Substation Expansion	37,478	32,015
New substations projects	7,458	6,113
Buildings related to concession	2,462	2,006
Other projects	7,223	1,700
<b>Gas segment:</b>		
Expansion and improvements to natural gas transmission network	9,187	6,906
Construction project of cavity underground storage of natural gas in Pombal	2,927	2,350
Construction project and operating upgrade - LNG facilities	2,467	106
Natural gas distribution projects	3,899	3,386
<b>Total of assets in progress</b>	<b>154,583</b>	<b>104,880</b>

Borrowing costs capitalized on intangible assets in progress in the period ended 30 September 2019 amounted to 1,805 thousand Euros (2,017 thousand Euros as of 31 December 2018), while overhead and management costs capitalized amounted to 12,103 thousand Euros (17,408 thousand Euros as of 31 December 2018) (Note 21).

The net book value of the intangible assets acquired through finance lease contracts at 30 September 2019 and 31 December 2018 was as follows:

	Sep 2019	Dec 2018
Cost	6,851	6,525
Accumulated depreciation and amortization	(3,069)	(2,481)
<b>Net book value</b>	<b>3,782</b>	<b>4,044</b>

## 6 GOODWILL

Goodwill represents the difference between the amount paid for the acquisition and the net assets fair value of the companies acquired, with reference to the acquisition date, and at 30 September 2019 and 31 December 2018 is detailed as follows:

Subsidiaries	Year of acquisition	Acquisition cost	%	Sep 2019	Dec 2018
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	2,359	2,642
REN Portgás Distribuição, S.A.	2017	503,015	100%	1,235	1,235
				<b>3,594</b>	<b>3,877</b>

The movement in the Goodwill caption for the periods ended 30 September 2019 and 31 December 2018 was:

Subsidiaries	At 1 January 2018	Increases	Decreases	Correction to purchase price	At 31 December 2018	Increases	Decreases	At 30 September 2019
REN Atlântico, Terminal de GNL, S.A.	3,020	-	(377)	-	2,642	-	(283)	2,359
REN Portgás Distribuição, S.A.	16,082	-	-	(14,847)	1,235	-	-	1,235
	<b>19,102</b>	-	<b>(377)</b>	<b>(14,847)</b>	<b>3,877</b>	-	<b>(283)</b>	<b>3,594</b>

## 7 INVESTMENTS IN ASSOCIATES AND JOIN VENTURES

At 30 September 2019 and 31 December 2018, the financial information regarding the financial interest held is as follows:

		30 September 2019											
Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	%	Carrying amount	Group share of profit / (loss)	
<b>Equity method:</b>													
<b>Associate:</b>													
OMIP - Operador do Mercado Ibérico (Portugal), SGP5, S.A.	Holding company	Lisbon	2,610	1,113	27,874	303	-	696	318	28,684	40	11,267	1,742
Electrogas, S.A.	Gas Transportation	Chile	19,530	6,531	43,914	2,291	10,678	25,144	13,723	31,793	42.5	164,076	5,652
											<b>175,343</b>	<b>7,394</b>	
<b>Joint venture:</b>													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	5,966	37	509	8	1,334	210	5,486	50	2,740	105
											<b>178,083</b>	<b>7,499</b>	
<b>31 December 2018</b>													
Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	%	Carrying amount	Group share of profit / (loss)	
<b>Equity method:</b>													
<b>Associate:</b>													
OMIP - Operador do Mercado Ibérico (Portugal), SGP5, S.A.	Holding company	Lisbon	2,610	1,179	26,180	353	-	1,117	(1,360)	27,006	40	9,817	(531)
Electrogas, S.A.	Gas Transportation	Chile	18,573	6,178	44,843	5,834	11,069	30,695	15,764	34,118	42.5	155,390	6,495
											<b>165,207</b>	<b>5,964</b>	
<b>Joint venture:</b>													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,011	83	802	16	1,447	(353)	5,276	50	2,635	(176)
											<b>167,841</b>	<b>5,787</b>	

### Associates

The changes in the caption "Investments in associates" during the period ended at 30 September 2019 and 31 December 2018 was as follows:

<b>Investments in associates</b>	
<b>At 1 de January de 2018</b>	<b>159,216</b>
Effect of applying the equity method	5,964
Changes in equity	6,914
Dividends of Electrogas	(6,917)
Others	29
<b>At 31 December 2018</b>	<b>165,207</b>
Effect of applying the equity method	7,394
Currency Translation Reserves	7,998
Dividends of Electrogas	(4,933)
Receipt of Supplementary Obligations of OMIP	(292)
Other changes in equity	(31)
<b>At 30 September 2019</b>	<b>175,343</b>

In the year ended December 31, 2017, the Group acquired a 42.5% interest in the share capital of the Chilean company - Electrogas S.A., for 169,285 thousand Euros. This company owns a pipeline in the central zone of Chile with 165.6 km of length. It is a pipeline of great relevance in the country, linking the regasification terminal of Quintero to Santiago (the capital and largest Chilean population center) and Valparaiso (one of Chile's most important ports). The company's corporate purpose is to provide transportation services for natural gas and other fuels.

The total amount of dividends recognized as associates during the nine-month period ended 30 September 2019 was 4,933 thousand Euros, of which 2,660 thousand Euros were received and included in the Cash Flow Statement.

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 period ended 30 September 2019 and 31 December 2018 was as follows:

Investments in joint ventures	
At 1 January 2018	2,811
Effect of applying the equity method	(176)
At 31 December 2018	2,635
Effect of applying the equity method	105
At 30 September 2019	2,740

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, S.A. ("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 30 September 2019 and 31 December 2018, the financial information of the joint venture was as follows:

	30 September 2019					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
<b>Joint venture:</b>						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,186	7	8	(56)	(2)	(6)
	31 December 2018					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
<b>Joint venture:</b>						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,201	6	16	(493)	(1)	(7)

## 8 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 at 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 2016 to 2019 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 30 September 2019 and 31 December 2018.

In 2019, 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) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

The tax rate used in the valuation of temporary taxable and deductible differences as of 30 September 2019, was updated for each Company included in the consolidation perimeter, using the average tax rate expected in accordance with future perspective of taxable profits of each company recoverable in the next periods.

Income tax registered in the nine-month period ended 30 September 2019 and 2018 was as follows:

	Sep 2019	Sep 2018
Current income tax	20,129	51,208
Adjustments of income tax from previous years	(123)	(1,169)
Deferred income tax	22,036	(7,617)
<b>Income tax</b>	<b>42,042</b>	<b>42,421</b>

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

	Sep 2019	Sep 2018
<b>Consolidated profit before income tax</b>	<b>152,755</b>	<b>158,688</b>
<b>Permanent differences:</b>		
Non deductible/taxable Costs/Income	2,290	6,106
<b>Timing differences:</b>		
Tariff deviations	(82,145)	23,325
Provisions and impairment	(35)	(166)
Revaluations	(1,458)	(1,853)
Pension, healthcare assistance and life insurance plans	(3,553)	(3,460)
Derivative financial instruments	(3)	2
Others	(29)	(38)
<b>Taxable income</b>	<b>67,821</b>	<b>182,604</b>
Income tax	13,820	37,375
State surcharge tax	4,261	10,498
Municipal surcharge	1,444	2,758
Autonomous taxation	604	576
<b>Current income tax</b>	<b>20,129</b>	<b>51,208</b>
Deferred income tax	22,036	(7,617)
Adjustments of income tax from previous years	(123)	(1,169)
<b>Income tax</b>	<b>42,042</b>	<b>42,421</b>
<b>Effective tax rate</b>	<b>27.5%</b>	<b>26.7%</b>

## Income tax

The caption "Income tax" payable and receivable at 30 September 2019 and 31 December 2018 is made up as follows:

	Sep 2019	Dec 2018
<b>Income tax:</b>		
Corporate income tax - estimated tax	(20,129)	(50,405)
Corporate income tax - payments on account	35,240	85,367
Income withholding tax by third parties	386	895
Income recoverable / (payable)	-	(487)
<b>Income tax recoverable</b>	<b>15,496</b>	<b>35,371</b>

## Deferred taxes

The effect of the changes in the deferred tax captions in the years presented was as follows:

	Sep 2019	Dec 2018
<b>Impact on the statement of profit and loss:</b>		
Deferred tax assets	(7,681)	(1,833)
Deferred tax liabilities	(14,355)	(7,706)
	<b>(22,036)</b>	<b>(9,540)</b>
<b>Impact on equity:</b>		
Deferred tax assets	3,915	(3,310)
Deferred tax liabilities	697	(6,404)
	<b>4,612</b>	<b>(9,714)</b>
<b>Net impact of deferred taxes</b>	<b>(17,424)</b>	<b>(19,254)</b>

The changes in deferred tax by nature were as follows:

## Change in deferred tax assets – September 2019

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2019	2,818	29,403	38,621	1,259	18,360	2,034	92,495
Increase/decrease through reserves	-	(544)	-	4,459	-	-	3,915
Reversal through profit and loss	-	(1,073)	(5,096)	(124)	(1,389)	-	(7,682)
Increase through profit and loss	12	-	-	-	-	123	135
<b>Change in the period</b>	<b>12</b>	<b>(1,618)</b>	<b>(5,096)</b>	<b>4,336</b>	<b>(1,389)</b>	<b>123</b>	<b>(3,632)</b>
At 30 September 2019	2,830	27,785	33,524	5,595	16,971	2,156	88,863

## Change in deferred tax assets – December 2018

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2018	2,886	36,506	36,227	928	21,117	74	97,737
Perimeter changes	(4)	-	-	-	(94)	-	(98)
Increase/decrease through reserves	-	(5,546)	-	492	-	1,744	(3,310)
Reversal through profit and loss	(64)	(1,558)	(15)	(161)	(2,662)	-	(4,461)
Increase through profit and loss	-	-	2,410	1	-	217	2,627
Change in the period	(68)	(7,104)	2,394	331	(2,756)	1,961	(5,242)
At 31 December 2018	2,818	29,403	38,621	1,259	18,360	2,034	92,495

Deferred tax assets at 30 September 2019 correspond essentially to: (i) to liabilities for benefit plans granted to employees; (ii) tariff deviations liabilities to be settled in subsequent years; and (iii) revalued assets.

## Evolution of deferred tax liabilities – September 2019

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2019	37,784	21,398	37,855	12,926	3,682	113,644
Increase/decrease through equity	-	-	-	(697)	-	(697)
Reversal through profit and loss	-	(1,063)	(1,026)	-	(623)	(2,713)
Increase through profit and loss	17,067	-	-	-	-	17,067
Change in the period	17,067	(1,063)	(1,026)	(697)	(623)	13,658
At 30 September 2019	54,852	20,334	36,829	12,230	3,058	127,302

## Evolution of deferred tax liabilities – December 2018

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2018	26,639	22,856	39,240	10,790	9	99,534
Increase/decrease through equity	-	-	-	2,136	4,268	6,404
Reversal through profit and loss	-	(1,458)	(1,385)	-	(595)	(3,439)
Increase through profit and loss	11,145	-	-	-	-	11,145
Change in the period	11,145	(1,458)	(1,385)	2,136	3,673	14,110
At 31 December 2018	37,784	21,398	37,855	12,926	3,682	113,644

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

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)	
Electricity segment	Natural gas segment
Decree-Law n° 430/78	Decree-Law n° 140/2006
Decree-Law n° 399-G/81	Decree-Law n° 66/2016
Decree-Law n° 219/82	
Decree-Law n° 171/85	
Decree-Law n° 118-B/86	
Decree-Law n° 111/88	
Decree-Law n° 7/91	
Decree-Law n° 49/91	
Decree-Law n° 264/92	

## 9 FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

### - September 2019

Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income	Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
<b>Assets</b>							
Cash and cash equivalents	13	-	-	-	171,474	171,474	171,474
Trade and other receivables	11	490,892	-	-	-	490,892	490,892
Other financial assets		-	-	-	64	64	64
Investments in equity instruments at fair value through other comprehensive income	10	-	159,455	-	-	159,455	159,455
Income tax receivable	8	15,496	-	-	-	15,496	15,496
Derivative financial instruments	12	-	18,193	21,524	-	39,717	39,717
		<b>506,388</b>	<b>177,648</b>	<b>21,524</b>	<b>171,538</b>	<b>877,098</b>	<b>877,098</b>
<b>Liabilities</b>							
Borrowings	16	-	-	400,000	2,389,895	2,789,895	2,991,057
Trade and other payables	19	-	-	-	531,720	531,720	531,720
Derivative financial instruments	12	-	29,492	4,302	-	33,794	33,794
		<b>-</b>	<b>29,492</b>	<b>404,302</b>	<b>2,921,615</b>	<b>3,355,409</b>	<b>3,556,571</b>

### - December 2018

Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income	Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
<b>Assets</b>							
Cash and cash equivalents	13	-	-	-	35,735	35,735	35,735
Trade and other receivables	11	477,372	-	-	-	477,372	477,372
Other financial assets		-	-	-	45	45	45
Investments in equity instruments at fair value through other comprehensive income	10	-	162,552	-	-	162,552	162,552
Income tax receivable	8	35,371	-	-	-	35,371	35,371
Derivative financial instruments	12	-	10,940	10,070	-	21,010	21,010
		<b>512,743</b>	<b>173,493</b>	<b>10,070</b>	<b>35,780</b>	<b>732,086</b>	<b>732,086</b>
<b>Liabilities</b>							
Borrowings	16	-	-	400,000	2,306,340	2,706,340	2,765,151
Trade and other payables	19	-	-	-	515,196	515,196	515,196
Derivative financial instruments	12	-	10,877	2,076	-	12,952	12,952
		<b>-</b>	<b>10,877</b>	<b>402,076</b>	<b>2,821,536</b>	<b>3,234,489</b>	<b>3,293,299</b>

Loans obtained, as referred to in Note 3.6 to the annual consolidated financial statements for the period ended December 31, 2018 are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 12) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

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

The range of market rates used to calculate the fair value ranges between -0.3600% and -0.0490% (maturities of one day and twelve years, respectively).

The fair value of borrowings contracted by the Group at 30 September 2019 is 2,991,057 thousand Euros (at 31 December 2018 was 2,765,151 thousand Euros), of which 417,081 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from movements in interest rates (at 31 December 2018 was 403,336 thousand Euros).

## Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2019 in accordance with the following hierarchy levels of fair value:

- Level 1: the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- Level 2: the fair value of financial instruments is not based on active market prices but rather on valuation models;
- 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.

	Sep 2019				Dec 2018				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
<b>Assets:</b>									
Investments in equity instruments at fair value through other comprehensive income	Shares	100,905	54,969	-	155,874	105,562	53,409	-	158,971
Financial assets at fair value	Cash flow hedge derivatives	-	18,193	-	18,193	-	10,940	-	10,940
Financial assets at fair value	Fair value hedge derivatives	-	21,524	-	21,524	-	10,070	-	10,070
		<b>100,905</b>	<b>94,686</b>	<b>-</b>	<b>195,590</b>	<b>105,562</b>	<b>74,419</b>	<b>-</b>	<b>179,981</b>
<b>Liabilities:</b>									
Financial liabilities at fair value	Loans	-	417,081	-	417,081	-	406,336	-	406,336
Financial liabilities at fair value	Cash flow hedge derivatives	-	29,492	-	29,492	-	10,877	-	10,877
Financial liabilities at fair value through profit and loss	Trading derivatives	-	4,302	-	4,302	-	2,076	-	2,076
		<b>-</b>	<b>450,875</b>	<b>-</b>	<b>450,875</b>	<b>-</b>	<b>419,288</b>	<b>-</b>	<b>419,288</b>

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

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

## Financial risk management

From the last annual report period until 30 September 2019, there were no significant changes in the financial risk management of the Company compared to the risks disclosed in the consolidated financial statements as of 31 December 2018. A description of the risks can be found in Section 4 - Financial Risk Management of the consolidated financial statements for the year ended 2018.

## 10 INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The assets recognised in this caption at 30 September 2019 and 31 December 2018 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	Sep 2019	Dec 2018
OMEL - Operador del Mercado Ibérico de Energía (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	100,905	105,562
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	54,969	53,409
Coreso, S.A.	Brussels	Belgium	7.90%	164	164
MIBGÁS, S.A.	Madrid	Spain	6.67%	202	202
MIBGÁS Derivatives, S.A.	Madrid	Spain	9.70%	48	48
				<b>159,455</b>	<b>162,552</b>

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	Others	Total
At 1 January 2018	3,167	51,591	101,311	164	202	-	5	156,439
Acquisitions	-	-	-	-	-	48	-	48
Fair value adjustments	-	1,818	4,251	-	-	-	-	6,069
Others	-	-	-	-	-	-	(5)	(5)
At 31 December 2018	<b>3,167</b>	<b>53,409</b>	<b>105,562</b>	<b>164</b>	<b>202</b>	<b>48</b>	<b>-</b>	<b>162,552</b>
At 1 January 2019	3,167	53,409	105,562	164	202	48	-	162,552
Fair value adjustments	-	1,560	(4,657)	-	-	-	-	(3,097)
At 30 September 2019	<b>3,167</b>	<b>54,969</b>	<b>100,905</b>	<b>164</b>	<b>202</b>	<b>48</b>	<b>-</b>	<b>159,455</b>

Red Eléctrica Corporación, 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 30 September 2019.

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.

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.

On 30 September 2019, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016, 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.

On 30 September 2019, REN also holds a 9.70% financial interest, acquired for the amount of 48 thousand Euros, of the share capital of MIBGÁS Derivatives, SA, the management company of the organized futures market natural gas, spot products of liquefied natural gas and spot products in underground storage in the Iberian Peninsula.

As there are no available market price for these investments (OMEL, MIBGÁS, MIBGÁS Derivatives 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 of the consolidated financial statements for the year ended 2018.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso, MIBGÁS and MIBGÁS Derivatives at 30 September 2019.

The adjustments to investments in equity instruments at fair value through other comprehensive are recognised in the equity caption "Fair value reserve". This caption at 30 September 2019 and 31 December 2018 is made up as follows:

<b>Fair value reserve</b>	
<b>(Note 15)</b>	
<b>1 January 2018</b>	<b>53,778</b>
Changes in fair value	6,069
Tax effect	(2,136)
<b>31 December 2018</b>	<b>57,711</b>
<b>1 January 2019</b>	<b>57,711</b>
Changes in fair value	(3,097)
Tax effect	697
<b>30 September 2019</b>	<b>55,311</b>

In the period ended 30 September 2019, the total amount of associated companies' dividends recognized in the consolidated statement of profit and loss was 5,377 thousand Euros, of which 3,933 thousand Euros were received during 2019. Additionally, the amount of 1,477 thousand Euros was received relative to dividends recognized during the year ended 31 December 2018. These amounts were included in the cash flows statement.

In the nine-month periods ended 30 September 2019 and 2018, the dividends attributable to the Group are as follows:

	<b>Sep 2019</b>	<b>Sep 2018</b>
Red Electrica Corporación, S.A. ("REE")	3,847	3,595
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	1,443	1,261
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	87	91
	<b>5,377</b>	<b>4,947</b>

## 11 TRADE AND OTHER RECEIVABLES

Trade and other receivables at 30 September 2019 and 31 December 2018 are made up as follows:

	<b>Sep 2019</b>			<b>Dec 2018</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Trade receivables	244,727	155	244,882	294,602	6,005	300,607
Impairment of trade receivables	(2,942)	-	(2,942)	(2,942)	-	(2,942)
<b>Trade receivables net</b>	<b>241,785</b>	<b>155</b>	<b>241,940</b>	<b>291,660</b>	<b>6,005</b>	<b>297,665</b>
Tariff deviations	34,971	188,431	223,402	116,561	44,241	160,802
State and Other Public Entities	25,549	-	25,549	18,905	-	18,905
<b>Trade and other receivables</b>	<b>302,305</b>	<b>188,586</b>	<b>490,891</b>	<b>427,126</b>	<b>50,246</b>	<b>477,372</b>

The most relevant balances included in the trade receivables caption as of 30 September 2019 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 83,603 thousand Euros (80,037 thousand Euros at 31 December 2018); (ii) the receivable of Galp Gás Natural, S.A., in the amount of 16,557 thousand Euros (11,547 thousand Euros at 31 December 2018); and (iii) the amount of 12,297 thousand Euros, as defined by the regulator ERSE in the context of sustainability measures of the National Electric System (31,638 thousand Euros at 31 December 2018).

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 12,089 thousand Euros (22,722 thousand Euros at 31 December 2018) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 48 thousand Euros (7,975 thousand Euros at 31 December 2018) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 19).

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:

	Sep 2019	Dec 2018
Beginning balance	(2,942)	(3,043)
Perimeter changes	-	453
Increases	-	(352)
Reversing	-	-
Ending balance	<b>(2,942)</b>	<b>(2,942)</b>

## 12 DERIVATIVE FINANCIAL INSTRUMENTS

At 30 September 2019 and 31 December 2018, the REN Group had the following derivative financial instruments contracted:

	Notional	30 September 2019			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>Derivatives designated as cash flow hedges</b>					
Interest rate swaps	600,000 TEUR	-	-	-	29,492
Interest rate and currency swaps	72,899 TEUR	-	18,193	-	-
		-	<b>18,193</b>	-	<b>29,492</b>
<b>Derivatives designated as fair value hedges</b>					
Interest rate swaps	400,000 TEUR	-	21,524	-	-
		-	<b>21,524</b>	-	-
<b>Trading derivatives</b>					
Trading derivatives	60,000 TEUR	-	-	-	4,302
		-	-	-	<b>4,302</b>
<b>Derivative financial instruments</b>		-	<b>39,717</b>	-	<b>33,794</b>
<b>31 December 2018</b>					
	Notional	Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>Derivatives designated as cash flow hedges</b>					
Interest rate swaps	600,000 TEUR	-	-	-	10,877
Interest rate and currency swaps	72,899 TEUR	-	10,940	-	-
		-	<b>10,940</b>	-	<b>10,877</b>
<b>Derivatives designated as fair value hedges</b>					
Interest rate swaps	400,000 TEUR	-	10,070	-	-
		-	<b>10,070</b>	-	-
<b>Trading derivatives</b>					
Trading derivatives	60,000 TEUR	-	-	-	2,076
		-	-	-	<b>2,076</b>
<b>Derivative financial instruments</b>		-	<b>21,010</b>	-	<b>12,952</b>

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 swaps and cross currency swap, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates, whose counterpart are financial foreign and national entities financial entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 30 September 2019 relating to these derivatives financial instruments, in the total receivable net amount of 2.884 thousand Euros (2,136 thousand Euros receivable as of 31 December 2018).

The main features of the derivatives financial instruments contracted associated with financing operations at 30 September 2019 and 31 December 2018 are detailed as follows:

	Notional	REN pays	REN receives	Maturity	Fair value at 30 September 2019	Fair value at 31 December 2018
<b>Cash flow hedge:</b>						
Interest rate swaps	600,000 TEuros	[0.75%;1.266%]	[-0.433%;0.00%] - Floating Rates	[Jun-2024; Feb-2025]	(29,492)	(10,877)
Interest rate and currency swaps	72,899 TEUR	[0.00%;1.592%] - floating rates	2.71%	2024	18,193	10,940
					<b>(11,300)</b>	<b>64</b>
<b>Fair value hedge:</b>						
Interest rate swaps	400,000 TEuros	[-0.393%;0.101%] - floating rates	[0.611%; 1.724%]	[Oct-2020; Feb-2025]	21,524	10,070
					<b>21,524</b>	<b>10,070</b>
<b>Trading:</b>						
Interest rate swaps	60,000 TEUR	[-0.308%;0.000%] - floating rates	[0.00%;0.99%]	2024	(4,302)	(2,076)
					<b>(4,302)</b>	<b>(2,076)</b>
				<b>Total</b>	<b>5,923</b>	<b>8,058</b>

The periodicity of paid and received flows of the derivative financial instruments portfolio is quarterly, semi-annual and annual to the cash flow hedge contracts 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:

	2020	2021	2022	2023	2024	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000	600,000
Interest rate and currency swap (cash flow hedge)	-	-	-	-	72,899	-	72,899
Interest rate swap (fair value hedge)	100,000	-	-	-	-	300,000	400,000
Interest rate swap (trading)	-	-	-	-	60,000	-	60,000
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>432,899</b>	<b>600,000</b>	<b>1,132,899</b>

## 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 30 September 2019, the notional amount of derivatives is 600,000 thousand Euros (600,000 thousand Euros as of 31 December 2018). This is a hedge of the interest rate risk associated with variable interest payments arising from recognized financial liabilities. The hedged risk is the index of the variable rate to which the interest of the financing is associated. The objective of this hedge is to transform floating interest rate loans into fixed interest rates, and credit risk is not being hedged. The fair value of interest rate swaps at 30 September 2019 is negative 29,492 thousand Euros (at 31 December 2018, 10,877 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 started in June 2019. The changes in the fair value of the hedging instrument are also recognized in hedging reserves. As at 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 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 30 September 2019 was 18,193 thousand Euros positive (10,940 thousand Euros positive at 31 December 2018).

The underlying foreign exchange change (borrowing) for the period ended 30 September 2019, in the amount of, approximately, 5,582 thousand Euros negative (2,134 as of 30 September 2018), was offset by a positive change in the hedging instrument in the statement of profit and loss.

The inefficient component of the fair value hedge amounted to 9,877 thousand Euros positive (7,321 thousand Euros positive at 31 December 2018). Consequently, the effect recorded in the income statement for the nine-month period ended 30 September 2019 amounts to 2,556 thousand Euros.

The amount recorded in reserves relating to the above mentioned cash flow hedges at 30 September 2019 was 33,467 thousand Euros (13,647 thousand Euros at 31 December 2018).

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact	Hedging reserves (Note 15)
<b>1 January 2018</b>	<b>(12,281)</b>	<b>2,580</b>	<b>(9,702)</b>
Changes in fair value and ineffectiveness	(1,366)	492	(875)
<b>31 December 2018</b>	<b>(13,647)</b>	<b>3,071</b>	<b>(10,577)</b>
<b>1 January 2019</b>	<b>(13,647)</b>	<b>3,071</b>	<b>(10,577)</b>
Changes in fair value and ineffectiveness	(19,819)	4,459	(15,360)
<b>30 September 2019</b>	<b>(33,467)</b>	<b>7,531</b>	<b>(25,937)</b>

#### Fair value hedge

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

As of 30 September 2019, the notional amount of derivatives nominated as fair value hedge reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2018). The risk covered is the fixed rate indexer to debt issued. The covered risk is related with fair value changes of the debt issues according to the interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates into variable interest rates, the credit risk not being hedged.

The fair value of these interest rate swaps at 30 September 2019 was 21,524 thousand Euros positive (10,070 thousand Euros positive as of 31 December 2018).

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.

At 30 September 2019, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 10,745 thousand Euros negative (1,355 thousand Euros positive as of 30 September 2018), causing an inefficient component of around 70 thousand Euros positive (180 thousand Euros positive as of 30 September 2018).

### Trading derivatives

REN has an interest rate forward start swap which started on June 2019 and end date 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 IFRS 9, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 30 September 2019, the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2018). 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 the index of the variable rate 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 30 September 2019 amounts to 4,302 thousand Euros negative (2,076 thousand Euros negative as of 31 December 2018).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 30 September 2019, the amount related with the fair value of the trading derivative was an expense of 2,226 thousand Euros (expense of 342 thousand Euros as of 30 September 2018).

## 13 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the period ended 30 September 2019 and 31 December 2018 are made up as follows:

	Sep 2019	Dec 2018
Cash	26	-
Bank deposits	171,448	35,735
<b>Cash and cash equivalents in the statement of financial position</b>	<b>171,474</b>	<b>35,735</b>
Bank overdrafts (Note 16)	(6,011)	(1,638)
<b>Cash and cash equivalents in cash flow statement</b>	<b>165,463</b>	<b>34,096</b>

## 14 EQUITY INSTRUMENTS

As of 30 September 2019 and 31 December 2018, REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	Sep 2019		Dec 2018	
	Number of shares	Share Capital	Number of shares	Share Capital
Share Capital	667,191,262	667,191	667,191,262	667,191

At 30 September 2019, REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Own shares	3,881,374	0.6%	(10,728)

No own shares were acquired or sold in the nine-month period ended 30 September 2019.

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.

## 15 RESERVES AND RETAINED EARNINGS

The caption "Reserves" in the amount of 322,789 thousand Euros includes:

- Legal reserve: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. This reserve can only be used to cover losses or to increase capital. At 30 September 2019 this caption amounts to 118,828 thousand Euros;
- Fair value reserve: includes changes in the fair value of available for sale financial assets (55,311 thousand Euros positive), as detailed in Note 10;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 25,937 thousand Euros) as detailed in Note 12;
- Other 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, (ii) exchange rate changes associated to the financial investment whose functional currency is different of Euros; (iii) changes in equity of associates recorded under the equity method and (iv) share-based plan. On 30 September 2019, this caption amounts to 174,587 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.

## 16 BORROWINGS

The segregation of borrowings between current and non-current and by nature, at 30 September 2019 and 31 December 2018 was as follows:

	Sep 2019			Dec 2018		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	30,000	1,722,590	1,752,590	30,000	1,738,207	1,768,207
Bank Borrowings	56,372	499,399	555,771	200,134	556,430	756,564
Commercial Paper	468,000	-	468,000	180,000	-	180,000
Bank overdrafts (Note 13)	6,011	-	6,011	1,638	-	1,638
Leases	1,396	2,283	3,679	1,557	2,776	4,333
	<b>561,779</b>	<b>2,224,272</b>	<b>2,786,051</b>	<b>413,329</b>	<b>2,297,413</b>	<b>2,710,742</b>
Accrued interest	29,460	-	29,460	24,555	-	24,555
Prepaid interest	2,695	(28,311)	(25,616)	(6,482)	(22,474)	(28,956)
<b>Borrowings</b>	<b>593,934</b>	<b>2,195,961</b>	<b>2,789,895</b>	<b>431,401</b>	<b>2,274,939</b>	<b>2,706,340</b>

The borrowings settlement plan was as follows:

	2019	2020	2021	2022	2023	2024	Following years	Total
Debt - Non current	-	283,530	109,798	99,134	620,832	199,831	911,146	2,224,272
Debt - Current	384,748	177,031	-	-	-	-	-	561,779
	<b>384,748</b>	<b>460,561</b>	<b>109,798</b>	<b>99,134</b>	<b>620,832</b>	<b>199,831</b>	<b>911,146</b>	<b>2,786,051</b>

Detailed information regarding bond issues as of 30 September 2019 is as follows:

30 September 2019					
Issue date	Maturity	Initial amount	Outstanding amount	Interest rate	Periodicity of interest payment
<b>'Euro Medium Term Notes' programme emissions</b>					
26/06/2009	26/06/2024	TEUR 72,899 (i) (ii)	TEUR 72,899	Fixed rate	Semi-Annual
16/01/2013	16/01/2020	TEUR 150,000 (i)	TEUR 30,000	Floating rate	Quarterly
17/10/2013	16/10/2020	TEUR 400,000 (ii)	TEUR 267,755	Fixed rate EUR 4,75%	Annual
12/02/2015	12/02/2025	TEUR 300,000 (ii)	TEUR 500,000	Fixed rate EUR 2,50%	Annual
01/06/2016	01/06/2023	TEUR 550,000	TEUR 550,000	Fixed rate EUR 1,75%	Annual
18/01/2018	18/01/2028	TEUR 300,000	TEUR 300,000	Fixed rate EUR 1,75%	Annual

(i) These issues correspond to private placements.

(ii) These issues have interest currency rate swaps associated

As of 30 September 2019, the Group has seven commercial paper programs in the amount of 1,300,000 thousand Euros, of which 832,000 thousand Euros are available for utilization. Of the total amount 530,000 thousand Euros have a guaranteed placement.

On the first semester 2019, the Group agreed a Money Market Loan Agreement with Societe Generale in the amount of 100,000 thousand euros. This loan has not subscription guarantee and, as of 30 September 2019, the loan is totally available.

Bank loans are mostly composed of loans contracted with the European Investment Bank (EIB), which at 30 September 2019 amounted to 369,119 thousand Euros (at 31 December 2018 it was 409,388 thousand Euros).

The Group also has credit lines negotiated and not used in the amount of 87,500 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).

The balance of the caption Prepaid interest includes the amount of 17,964 thousand Euros (21,617 thousand Euros in 31 December 2018) related with the refinancing of bonds through an exchange offer completed in 2016.

As a result of the fair value hedge related to the debt emission in the amount of 400,000 thousand Euros (Note 12), fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 10,745 thousand Euros (negative) (at 30 September 2018 was 1,355 thousand Euros (positive)).

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 85% above the minimum.

The bank loans with BEI include also covenants related with rating and other financial ratios in which the Group may be called upon to present an acceptable guarantee in the event of rating and financial ratios below the established values.

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

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

## Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 30 September 2019 and 31 December 2018 are made up as follows:

	Sep 2019	Dec 2018
<b>Lease liabilities - minimum lease payments</b>		
No later than 1 year	1,422	1,583
Later than 1 year and no later than 5 years	2,307	2,813
	<b>3,728</b>	<b>4,396</b>
Future finance charges on leases	(49)	(63)
<b>Present value of lease liabilities</b>	<b>3,679</b>	<b>4,333</b>
	Sep 2019	Dec 2018
<b>The present value of lease liabilities is as follows</b>		
No later than 1 year	1,396	1,557
Later than 1 year and no later than 5 years	2,283	2,776
	<b>3,679</b>	<b>4,333</b>

## 17 POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as “Other benefits”). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

At 30 September 2019 and 31 December 2018, the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	Sep 2019	Dec 2018
<b>Liability on statement of financial position</b>		
Pension plan	51,316	56,904
Healthcare plan and other benefits	41,569	41,384
	<b>92,885</b>	<b>98,288</b>

During the nine-month period ended 30 September 2019 and 2018, the following operating expenses were recorded regarding benefit plans with employees:

	Sep 2019	Sep 2018
<b>Charges to the statement of profit and loss (Note 24)</b>		
Pension plan	2,377	3,221
Healthcare plan and other benefits	858	967
	<b>3,235</b>	<b>4,188</b>

The amounts reported to 30 September 2019 and 2018 result from the projection of the actuarial valuation as of 31 December 2018 and 2017, for the nine-month period ended 30 September 2019 and 2018, considering the estimated increase in salaries for 2019 and 2018, respectively.

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

	Dec 2018	Dec 2017
Annual discount rate	1.80%	1.80%
Expected percentage of serving employees eligible for early retirement (more than 60 years of age and 36 years in service) - by Collective work agreement	20.00%	20.00%
Expected percentage of serving employees eligible for early retirement - by Management act	10.00%	20.00%
Rate of salary increase	2.50%	2.50%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	1.30%	0.80%
Inflation rate	1.50%	1.50%
Medical trend	1.50%	1.80%
Management costs (per employee/year)	€290	€306
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

## 18 PROVISIONS FOR OTHER RISKS AND CHARGES

The changes in provisions for other risks and charges in the periods ended 30 September 2019 and 31 December 2018 were as follows:

	Sep 2019	Dec 2018
<b>Begining balance</b>	<b>8,852</b>	<b>9,035</b>
Changes in the perimeter	-	(20)
Increases	-	511
Reversing	-	(210)
Utilization	(56)	(464)
<b>Ending balance</b>	<b>8,796</b>	<b>8,852</b>
Non-current provision	8,796	8,852
	<b>8,796</b>	<b>8,852</b>

At 30 September 2019, 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 486 thousand Euros related to the on-going restructuring process.

## 19 TRADE AND OTHER PAYABLES

The caption "Trade and other payables" at 30 September 2019 and 31 December 2018 was made up as follows:

	Sep 2019			Dec 2018		
	Current	Non current	Total	Current	Non current	Total
<b>Trade payables</b>						
Current suppliers (Note 9)	225,557	-	225,557	208,416	-	208,416
<b>Other creditors</b>						
Other creditors (Note 9)	86,365	59,688	146,053	54,935	49,474	104,409
Tariff deviations (Note 9)	45,286	55,591	100,877	56,814	63,608	120,423
Fixed assets suppliers (Note 9)	34,724	-	34,724	52,213	-	52,213
<b>Tax payables (Note 9) (i)</b>	17,636	-	17,636	24,404	-	24,404
<b>Deferred income</b>						
Grants related to assets	18,526	246,558	265,084	17,803	254,661	272,465
<b>Accrued costs</b>						
Holidays and holidays subsidies (Note 9)	6,873	-	6,873	5,331	-	5,331
<b>Trade and other payables</b>	<b>434,967</b>	<b>361,837</b>	<b>796,804</b>	<b>419,917</b>	<b>367,743</b>	<b>787,661</b>

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

The caption "Trade and other payables" includes: (i) the amount of 85,725 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (54,796 thousand Euros at 31 December 2018); (ii) the amount of 10,965 thousand Euros of investment projects not yet invoiced (14,603 thousand Euros at 31 December 2018); (iii) the amount of 12,089 thousand Euros (22,722 thousand Euros at 31 December 2018) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 48 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (7,975 thousand Euros at 31 December 2018), also reflected in the caption "Trade receivables" (Note 11).

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

The caption "Other creditors" includes: (i) the amount of 20,457 thousand Euros (25,682 thousand Euros at 31 December 2018) 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 and (ii) the responsibility for the extraordinary contribution on the energy sector in the amount of 24,390 thousand Euros (Note 27) (at 30 September 2018 was 25,398 thousand Euros).

## 20 SALES AND SERVICES RENDERED

Sales and services rendered recognized in the consolidated statement of profit and loss for the nine-month period ended 30 September 2019 and 2018 is made up as follows:

	Sep 2019	Sep 2018
<b>Goods:</b>		
Domestic market	51	96
	<b>51</b>	<b>96</b>
<b>Services:</b>		
Electricity transmission and overall systems management	257,791	262,425
Natural gas transmission	62,956	70,106
Natural gas distribution	44,283	46,134
Regasification	34,961	11,855
Underground gas storage	11,937	27,174
Telecommunications network	4,853	4,726
Trading	1,614	2,443
Others	982	2,613
	<b>419,378</b>	<b>427,477</b>
<b>Total sales and services rendered</b>	<b>419,429</b>	<b>427,573</b>

## 21 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 30 September 2019 and 30 September 2018 were made up as follows:

	Sep 2019	Sep 2018
<b>Revenue from construction of concession assets</b>		
Acquisitions	96,362	52,896
Own work capitalised :		
Financial expenses (Note 5)	1,805	1,404
Overhead and management costs (Note 5)	12,103	12,179
	<b>110,270</b>	<b>66,479</b>
<b>Cost of construction of concession assets</b>		
Acquisitions	96,362	52,896
	<b>96,362</b>	<b>52,896</b>

## 22 OTHER OPERATING INCOME

The caption "Other operating income" loss for the nine-month period ended 30 September 2019 and 2018 is made up as follows:

	Sep 2019	Sep 2018
Recognition of investment subsidies in profit and loss	13,348	13,478
Underground occupancy tax	3,856	3,830
Supplementary income	1,016	1,646
Disposal of unused materials	1,004	1,318
Others	919	4,465
	<b>20,143</b>	<b>24,737</b>

The caption "Others" for the nine-month ended 30 September 2018 includes the profit of the sale of the liquefied petroleum gas (LPG) business that amounts to 3.8 million Euros (net value of selling costs). The operation was carried out, on July 2, 2018, through REN Portgás Distribuição, which entered into a share purchase and sale agreement in which it disposed of the total shares representing the share capital of REN Portgás GPL, to ENERGYCO II, S.A. for 4,030 thousand Euros.

## 23 EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the nine-month period ended 30 September 2019 and 2018 is made up as follows:

	Sep 2019	Sep 2018
Maintenance costs	8,375	6,533
Fees relating to external entities i)	7,611	11,619
Electric energy costs	6,247	5,221
Cross border interconnection costs ii)	3,633	2,393
Gas transport subcontracts	2,817	2,561
Insurance costs	1,984	2,057
Security and surveillance	1,538	1,306
Travel and transportation costs	1,060	927
Advertising and communication costs	566	645
Other	2,574	2,510
<b>External supplies and services</b>	<b>36,406</b>	<b>35,770</b>

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

ii)The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity.

## 24 PERSONNEL COSTS

Personnel costs for the nine-month period ended 30 September 2019 and 2018 are made up as follows:

	Sep 2019	Sep 2018
<b>Remuneration:</b>		
Board of directors	2,177	2,128
Personnel	28,193	26,978
	<b>30,369</b>	<b>29,106</b>
<b>Social charges and other expenses:</b>		
Social security costs	6,086	5,879
Post-employment and other benefits cost (Note 17)	3,235	4,188
Social support costs	1,392	1,424
Other	330	133
	<b>11,042</b>	<b>11,625</b>
<b>Total personnel costs</b>	<b>41,412</b>	<b>40,731</b>

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

## 25 OTHER OPERATING COSTS

Other operating costs for the nine-month period ended 30 September 2019 and 2018 are made up as follows:

	Sep 2019	Sep 2018
ERSE operating costs i)	8,291	7,661
Underground occupancy tax	3,856	3,784
Donations and quotizations	1,096	1,190
Taxes	912	891
Others	360	425
	<b>14,514</b>	<b>13,951</b>

i) The caption "ERSE operating costs" corresponds to ERSE's operating costs, to be recovered through electricity and gas tariffs.

## 26 FINANCIAL COSTS AND FINANCIAL INCOME

Financial costs and financial income for the nine-month period ended 30 September 2019 and 2018 are made up as follows:

	Sep 2019	Sep 2018
<b>Financial costs</b>		
Interest on bonds issued	35,489	39,088
Other borrowing interests	10,010	9,366
Interest on commercial paper issued	1,795	2,782
Derivative financial instruments	2,369	1,245
Other financing expenditure	836	751
	<b>50,499</b>	<b>53,232</b>
<b>Financial income</b>		
Derivative financial instruments	2,665	1,944
Other financial investments	3,140	2,515
Interest income	-	1
	<b>5,805</b>	<b>4,460</b>

## 27 EXTRAORDINARY CONTRIBUTION OVER THE ENERGY SECTOR

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy sector, called Extraordinary Contribution over the Energy Sector ("ECES"), that was extended by Law 82-B / 2014 , of 31 December, Law 7-A / 2016, of 30 March, Law 114/2017, of 29 December and Law 71/2018, 31 December.

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. The entities subject to this regime are, among others, entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ECES is levied on the value of the assets with reference to the first day of the financial year 2019 (1 January 2019) 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 ECES 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 2019) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded liabilities in the amount of 24,390 thousand Euros (Note 19) (for the nine-month period ended 30 September 2018 was 25,398 thousand Euros) against a cost in the statement of profit and loss.

## 28 EARNINGS PER SHARE

Earnings per share were calculated as follows:

		Sep 2019	Sep 2018
Consolidated net profit used to calculate earnings per share	(1)	86,324	90,868
Number of ordinary shares outstanding during the period (note 14)	(2)	667,191,262	667,191,262
Effect of treasury shares (note 14) (average number of shares)		3,881,374	3,881,374
<b>Number of shares in the period</b>	<b>(3)</b>	<b>663,309,888</b>	<b>663,309,888</b>
<b>Basic earnings per share (euro per share)</b>	<b>(1)/(3)</b>	<b>0.13</b>	<b>0.14</b>

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

## 29 DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 3 May 2019, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2018, in the amount of 114,090 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 113,426 thousand of Euros.

During the Shareholders General Assembly meeting held on 3 May 2018, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2017, in the amount of 114,090 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 113,426 thousand of Euros.

## 30 CONTINGENT ASSETS AND LIABILITIES

### 30.1 Contingent liabilities

Tejo Energia - Produção e Distribuição de Energia Eléctrica, SA ("Tejo Energia") has announced to REN - Rede Eléctrica Nacional, SA ("REN Eléctrica") and REN Trading SA ("REN Trading") its intention to renegotiate the Energy Acquisition Agreement (CAE), in order to reflect in the amounts payable to this producer the costs, which in its opinion would be due, incurred with (i) financing of the social tariff and (ii) with the tax on petroleum products and energy and with the rate of carbon. Turbogás - Produtora Energética S.A. ("Turbogás") also stated its intention to renegotiate the CAE, in order to reflect in the amounts payable the costs incurred with the financing of the social tariff.

According to the CAE, Tejo Energia and Turbogás act as producers and sellers and REN Trading as purchaser of the energy produced in power plants. REN Eléctrica is jointly and severally liable with REN Trading, regarding the execution of the CAE with Tejo Energia and Turbogás.

According to the information received, the total costs incurred by these companies until 30 September 2019 amounts to, approximately, 62 million Euros.

On the part of REN, the interpretation was given that the modification of the contracts, as intended, must be preceded by a prior and favorable opinion by the Directorate General of Energy and Geology (DGEG) and the Energy Services Regulatory Agency (ERSE), in view of the highly regulated nature of the contracts in question.

Although Tejo Energia has not complied with the decisions taken, the financial panels set up under the CAE have already decided to reject their claims with regard to the social tariff charges for electricity as well as the additional ISP and fee of carbon. In the case of Turbogás, the decision is still pending, and REN expects that the financial panel will be able to follow the understanding of previous decisions.

## 30.2 Guarantees given

At 30 September 2019 and 31 December 2018, the REN Group had given the following bank guarantees:

Beneficiary	Scope	Sep 2019	Dec 2018
European Investment Bank (EIB)	To guarantee loans	222,094	238,143
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	30,054	23,032
District Court of Lisbon	Guarantee for suspension of continuation of pending enforcement proceedings	10,707	10,707
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	8,416	5,229
Municipal Council of Seixal	Guarantee for litigation	3,133	2,777
Portuguese State	Guarantee for litigation	2,185	2,185
Municipal Council of Maia	Guarantee for litigation	1,564	1,564
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Matosinhos	Guarantee for litigation	-	817
Municipal Council of Porto	Guarantee for litigation	368	368
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT - Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
EP - Estradas de Portugal	Guarantee for litigation	172	95
Others (loss then 100 thousand Euros)	Guarantee for litigation	146	220
		<b>286,061</b>	<b>292,359</b>

## 31 RELATED PARTIES

### Main shareholders and shares held by corporate bodies

At 30 September 2019 and 31 December 2018, the shareholder structure of Group REN was as follows:

	Sep 2019		Dec 2018	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	46,611,245	6.7%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc.	24,355,192	3.7%	25,365,000	3.8%
Great-West Lifeco, Inc.	18,700,365	2.8%	17,794,967	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	257,889,284	38.7%	257,784,874	38.6%
	<b>667,191,262</b>	<b>100%</b>	<b>667,191,262</b>	<b>100%</b>

## Management remuneration

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

Remuneration of the Board of Directors of REN, SGPS in the nine-month period ended 30 September 2019 amounted to 1,803 thousand Euros (1,758 thousand Euros in 30 September 2018), as shown in the following table:

	Sep 2019	Sep 2018
Remuneration and other short term benefits	1,161	1,116
Management bonuses (estimate)	642	642
	<b>1,803</b>	<b>1,758</b>

## Transaction of shares by the members of the Board of Directors

During the nine-month period ended 30 September 2019, there were no transactions carried out by members of the corporate bodies, in view of the consolidated financial statements of REN, as of December 31, 2018.

## 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 nine-month periods ended 30 September 2019 and 2018, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

### Revenue

	Sep 2019	Sep 2018
<b>Sales and services provided</b>		
Invoicing issued- OMIP	43	29
Invoicing issued - REE	2,146	1,058
Invoicing issued - Centro de Investigação em Energia REN - State Grid	110	89
<b>Dividends received</b>		
REE (Note 10)	3,847	3,595
	<b>6,146</b>	<b>4,771</b>

### Expenses

	Sep 2019	Sep 2018
<b>External supplies and services</b>		
Invoicing received - REE	3,352	4,341
Invoicing received - Centro de Investigação em Energia REN - State Grid	-	1
Invoicing received - CMS Rui Pena & Arnaut <sup>1</sup>	86	125
	<b>3,438</b>	<b>4,467</b>

<sup>1</sup> Entity related to the Administrator José Luis Arnaut

### Balance

The balances at 30 September 2019 and 31 December 2018 resulting from transactions with related parties were as follows:

	Sep 2019	Dec 2018
<b>Trade and other receivables</b>		
Centro de Investigação em Energia REN - State Grid - Other receivables	3	25
REE - Trade receivables	339	193
	<b>342</b>	<b>218</b>
<b>Trade and other payables</b>		
Centro de Investigação em Energia REN - State Grid - Other payables	-	165
REE - Trade payables	26	1,051
CMS - Rui Pena & Arnaut - Trade payables <sup>1</sup>	4	16
	<b>30</b>	<b>1,232</b>

<sup>1</sup> Entity related to the Administrator José Luis Arnaut

## 32 SUBSEQUENT EVENTS

On 1 October 2019, REN completed the acquisition of Transemel for the price of 168.6 million USD, following the communication to the market and the public of 23 July 2019, when REN signed a contract with Compañía General de Electricidad S.A. and Naturgy Inversiones Internacionales, S.A. for the acquisition of 100% of Empresa de Transmisión Eléctrica Transemel S.A. ("Transemel").

Transemel, with approximately 93% of its revenues coming from regulated activities owns and operates 92 km of electricity transmission lines and five substations, located mainly in northern Chile.

This acquisition was financed solely with debt.

The operation is the second acquisition that the Company makes in Chile after the purchase of 42.5% of Electrogas, and it is in line with REN's strategic plan, which is based on a conservative growth strategy, favoring projects in the sectors in which the company has a vast experience, and in markets with economic stability and predictable regulatory frameworks.

Despite remaining attentive to investment opportunities abroad, Portugal is REN's main target and natural market, where it will continue to invest to ensure the long-term needs of the electricity and natural gas infrastructures, with a permanent focus on improving performance and quality of service, to provide a reliable, safe and efficient service at the lowest possible cost to the country and to the consumers.

## 33 EXPLANATION ADDED FOR TRANSLATION

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

## The Accountant

Pedro Mateus

## 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)

Li Lequan

(Member of the Board of Directors)

José Luis Arnaut

(Member of the Board of Directors)

Ana Pinho

(Member of the Board of Directors)

Note – The remaining pages of this Report & Accounts were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.