REN

POWER IN MOTION

REPORT & ACCOUNTS '17

2017 A YEAR IN NUMBERS

THE SOURCE OF OUR ENERGY

PERFORMANCE INDICATORS

130,298
TREES PLANTED

32,345
HOURS OF TRAINING

676
EMPLOYEES

Access full information on REN at a single plataform.
Download our app at:

REN INVESTORS

Available on the iPhone App Store

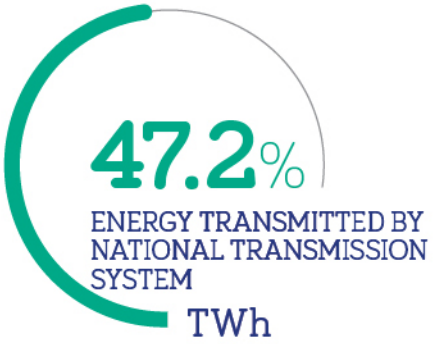
ANDROID APP ON Google play

ELECTRICITY AND NATURAL GAS INDICATORS

49.6TWh
ELECTRICAL
POWER CONSUMPTION

0.11' Min
INTERRUPTOR TIME

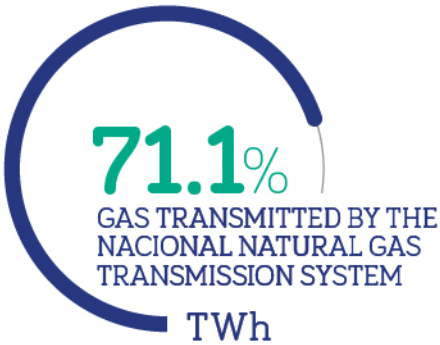
9,111 MW
MAXIMUS POWER ENERGY TRANSMITED



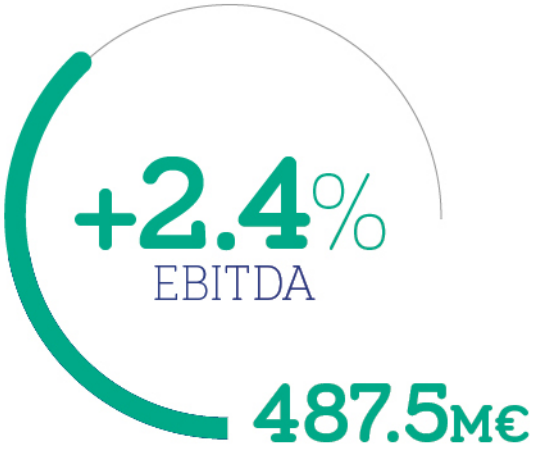
69.7TWh
NATURAL GAS
CONSUMPTION

25 %
EVOLUTION OF NATURAL GAS CONSUMPTION

263 GWh
MAXIMUM HISTORIC OF NATURAL GAS CONSUMPTION



FINANCIAL INDICATORS



3,924.7M€
AVERAGE RAB

155.6M€
INVESTMENT

125.9M€
NET INCOME

INDEX

01 MESSAGE FROM THE CHAIRMAN 7

02 APPROACH (TO REPORT) 11

03 REN AT A GLANCE 15

3.1. REN Profile 16
3.2. Corporate Bodies, Departments and Other Managers 18
3.3. Shareholder Structure 21
3.4. Milestones in 2017 22
3.5. Main Performance Indicators 25
3.5.1. Financial Indicators 25
3.5.2. Electricity Indicators 27
3.5.3. Natural Gas Indicators 29
3.5.4. Social and Environmental Indicators 32
3.6. Regulated Assets 36
3.6.1. Electricity 36
3.6.2. Natural Gas 39
3.7. Technical Infrastructures 41
3.7.1. Electricity 41
3.7.2. Natural Gas 44
3.8. Supply Chain 48
3.9. Awards and acknowledgments 53

04 MANAGEMENT REPORT 54

4.1. Economic 55
4.1.1. Environment 55
4.1.2. Sectoral Environment 57
4.1.3. Regulatory Environment 60
4.2. Electricity 63
4.2.1. RNT Operation 63
4.2.2. Investment in the RNT 67
4.2.3. Connections to the Transmission Grid 69
4.3. Natural gas 72
4.3.1. RNTIAT Operation 72
4.3.2. Investment in RNTIAT 78
4.3.3. Operation 79

4.4. Business Development 81
4.5. Other Business 82
4.5.1. ELETROGAS 82
4.5.2. ENONDAS 83
4.5.3. REN PORTGAS GPL 84
4.5.3. RENTELECOM 85
4.5.3. REN Trading 86
4.6. Financial Performance 87
4.6.1. Results in 2017 87
4.6.2. Average RAB and Investment 91
4.6.3. Financing and Debt 94
4.7. Proposed Allocation of Net Profit 96
4.8. Perspectives 2018 97

05 SUSTAINABILITY AT REN 98

5.1. Sustainability Approach 98
5.1.1. Sustainability Strategy 103
5.1.2. Stakeholders 105
5.2. Main Actions Undertaken 106
5.3. Management and Performance 107
5.3.1. Social Performance 107
5.3.2. Environmental Performance 130

06 CONSOLIDATED AND INDIVIDUAL ACCOUNTS 142

6.1. Consolidated Financial Statements 143
6.2. Individual Financial Statements 240

07 CORPORATE GOVERNANCE 290

PART I

7.1. Information on Voting Rights, Organization and Corporate Governance Economic Environment 291
7.1.1. Voting Rights 291
7.1.2. Corporate Bodies and Committees 304
7.1.3. Internal Organization 337
7.1.4. Remuneration 347
7.1.5. Trades with Related Parties 357

PART II

7.2. Assessment of Corporate Governance 360

ANNEXES 375

1. Management Report 376
1.1. Legislation on Energy Published in 2017 376
1.1.1. Electricity 376
1.1.2. Natural Gas 380
2. Corporate Governance 382

GLOSSARY 383

Financial Glossary 384
Technical Glossary 385

CONTACTS 397

1

MESSAGE FROM THE CHAIRMAN

MOVEMENT
MOTIVATED
BY
EVOLUTION

2017
was another
important year
for REN

JOÃO FARIA CONCEIÇÃO
CFO and member of the E
xecutive Committee

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

GONÇALO MORAIS SOARES
CFO and member of the
Executive Committee

1
MESSAGE FROM THE CHAIRMAN

We absolutely complied with our goals in 2017 and the foundations for the future remain solid.

2017 was another important year for REN where the feeling was that we achieved the targets we had set, both with regard to the management of our concessions as well as our social, economic and financial goals.

Highlighting first our operational performance — which once again fully echoed our best expectations — I cannot but remember that 2017 was marked by the tragedy of the fires that struck Portugal. We experienced some difficult times at REN which were overcome because of the excellent preparation our teams have and the preventive measures which are an integral part of how we plan and carry out maintenance on our infrastructure. During the months these fires were active, REN was in close and permanent contact with national and regional authorities, both

providing and receiving immense support from everyone involved in forest fire prevention and combat, with a special note of thanks to Civil Protection, Firefighters and Local Councils.

Our main highlights in 2017 were:

A record year for natural gas consumption where our infrastructures were always able to deal with the country's energy needs and which on many days were running close to 100% of capacity. Due to the severe drought, the use of natural gas was critical for the management of the energy system in mainland Portugal. The Sines Terminal recorded activity maximums in the first quarter of the year.

We successfully finalized our investment in Electrogas, in Chile, a process started in 2016.

We negotiated the acquisition of EDP Gás (previously known as Portgás), a company holding the natural gas distribution concession in the north/Porto region and the second largest distributor of natural gas in Portugal.

The company is now called REN Portgás.

The acquisition of REN Portgás was 50% financed through a 250M€ increase in the capital of REN SGPS. The project received all the necessary regulatory approvals, and the operation to increase capital was both well received by the market and successful.

As expected, after these investments our Investment Grade rating was maintained at the three agencies, Moody's, Fitch and S&P. The average cost of our debt fell from 3.2% in 2016 to 2.6% in 2017.

In addition to having participated at numerous international energy forums as guest speakers and playing an important role in several important multi-national technical projects, 2017 also saw the company and its managers win a range of awards. Such awards are both an honour and a reflection of our commitment. Examples include the national and international prizes achieved by our Report & Accounts; by our Apps for mobile devices, REN Energia and REN Investidores; the distinction awarded to our director of Human Resources at the "Stevies Awards for Women in Business"; the choice of our Legal Department by the magazine "The Legal 500" as one of the most influential and innovative in the Iberian Peninsula; and the "Good Practice of the Year" awarded by Renewables Grid Initiative for the work carried out by our teams in converting REN infrastructure rights of way.

We continued our focus on innovation and research, both within REN and through our NESTER laboratory in partnership with our investor State Grid Corporation of China. During the year, we organized several meetings including an international symposium held at REN — with participation by the Ministry of Science and Higher Eduction, SGCC, Nester, EDP, REE, FCT and IST — where the great challenges to be faced by the energy sector were presented and discussed. Topics addressed included the integration of renewable energy, storage, self-generation and electric mobility.

However, not all events last year were positive.

In the summer of 2017, there was an attempt in parliament to try and partially reverse REN's privatization. This initiative was voted down at parliament on 14 June by a majority of members. I would like to note though that this proved to be an opportunity for REN to show in parliament our good work over the last ten years, scrupulously complying with our national responsibilities as the concessionaire of the electricity and natural gas transmission networks.

2017 was also the fourth year in which REN paid the Extraordinary Levy on the Energy Sector (CESE), and our legal challenge to this measure continued in the courts as we feel it to be anything

but extraordinary. It is discriminatory and disproportional to our size. The rate of corporation tax we pay, including CESE, is now close to 38%.

In 2015, we presented our strategy for the three-year period of 2015-2017 to the public. It is with great pride that we can say that we positively achieved our goals and the foundations for the future remain solid.

From an operational perspective, we maintained our exceptionally high standards of quality of service and safety which are characteristic of REN, both with respect to electricity as well as natural gas.

We successfully met our financial targets and continued our prudent, transparent and predictable management.

We finalized our national and international investment projects, which are vital components in a stable and sustainable long-term strategy.

Our staff satisfaction survey held in 2017 showed very favourable evolution, consolidating REN's culture and image.

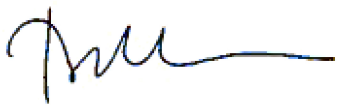
Our management of human resources continued to focus on the development of employees through multi-disciplinary programmes, involving significant investment and producing high impact on levels of motivation and preparation of all those involved.

We maintained our commitment to defending the principles of the United Nations Global Compact and we believe that gender diversity and equal opportunity are particularly important for medium and long-term stability.

I would like to end my introductory note to the Report & Accounts 2017 by thanking all of the commitment shown by our staff, members of the Board of Directors and the trust of all our shareholders and partners.

Thank you.

Rodrigo Costa



REN

2

APPROACH TO REPORT

ENERGY MOTIVATED BY SUCCESS

2
APPROACH (TO REPORT)

Transparent information on economic, social and environmental issues.

This report brings together the information required to meet our commitments and legal and financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders. It also deals with corporate governance and ethics during 2017. Since 2010, REN has combined financial and sustainability reporting in a single document issued every year.

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

This report is complemented by the following publicly available information:

- Sustainability brochure 2017
- Company Website[1]

FINANCIAL REPORTING

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 01 January 2017. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and

[1] www.ren.pt

Standard Interpretation Committee (SIC), which have been implemented in the EU should be understood as forming part of those standards.

The attached financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 July and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2017.

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

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

SUSTAINABILITY REPORTING

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

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

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

The sustainability information in this report was subject to independent external verification by PwC, in accordance with the principles of Standard ISAE 3000 (International Standard on Assurance Engagements 3000) and with GRI G4 and the Standard AA1000APS (Accountability Principles Standard - 2008). This check provides a limited reliability assurance level.

COVERAGE

This report covers the financial and sustainability performance of all REN Group companies from 01 January 2017 to 31 December 2017.

MATERIAL AREAS

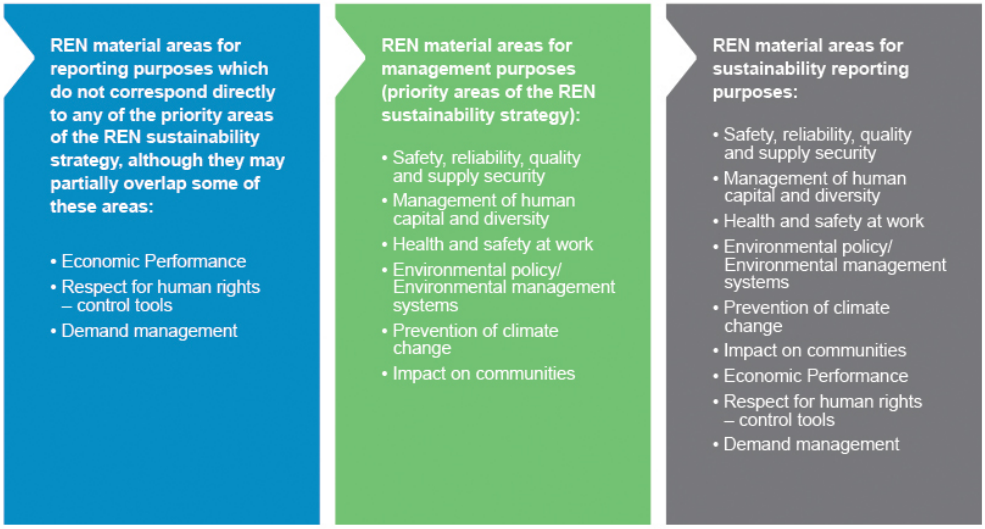
In accordance with GRI G4 requirements, this report focuses mainly on the issues identified as relevant in the materiality analysis. In line with GRI recommendations, REN listened to its stakeholders and took into consideration other external and internal factors such as peer sustainability references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

Material topics were considered to be environmental policy/environmental management systems, safety, reliability, quality and supply security, health and safety at work, impact on communities,

[2] www.ren.pt

prevention of climate change and the management of human capital and diversity. Other topics included were economic performance, respect for human rights - control tools and demand management.

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



CONTACTS

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

3

REN AT A GLANCE

ACTIVITY
MOTIVATED
BY
EFFICIENCY

3
REN AT A GLANCE

Maintain positive balance reflecting financial strength.

3.1 REN PROFILE

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

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

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

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

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

Group business functions are conducted by REN Serviços, S.A. (REN Serviços) more specifically, this includes support functions for the concession holders and with regard to back-office services. In

addition to this support work, REN Serviços also operates as a commercial extension of REN, providing consultancy and/or engineering services to third parties within the energy sector.

In October 2017, REN's natural gas segment also came to include the natural gas distribution Network in Portugal's northern coastal region, after the acquisition by REN Gás, S.A., of all of the equity capital in EDP Gás, S.G.P.S., S.A. and its subsidiaries EDP Gás Distribuição, S.A. and EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A., under the public service concession, the contract for which was signed by EDP Gás Distribuição, S.A. with the Portuguese State on 11 April 2008, expiring on 1 January 2048.

CORPORATE HOLDINGS

In February 2017, REN acquired significant holdings of 42.5% in the equity capital of Electrogas, S.A., a Chilean company owning a particularly important gas pipeline in central Chile. This operation was an important milestone in REN's goal for internationalization. The operation was finalised through a company with registered office in Chile (Aerio Chile SpA), in which REN, through its subsidiary REN Serviços, S.A., owns 100%.

REN maintained its holdings in the following companies:

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

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

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

   ii. holdings of 10% in the equity capital of OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., the Spanish law company which is the counterpart of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A., and these companies also have holdings (direct and/or indirect) of 21% and 12% in the capital of MIBGAS, S.A., respectively

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

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

b) MIBGAS, S.A., a company to which the main functions have been awarded of Operator in the Organized Gas Market or gas hub on the Iberian Peninsula, and in which REN, through its subsidiary REN Gasodutos, S.A., has holdings of 6.67%;

c) Coreso, S.A., regional security coordination initiative (RSCI), which collaborates with different European TSOs and other RSCIs, where since the end of 2015, REN – Rede Eléctrica Nacional S.A., started with holdings of 10% of equity capital. Later, at the end of October 2016 with the entry of the Spanish TSO (REE – Red Eléctrica de España, S.A.U.), REN held a position of 8.317% and, as of the end of 2017, with the entry of the Irish operators (Soni Ltd and EirGrid PLC), REN's holdings fell to 7.90%;

d) Hidroeléctrica de Cahora Bassa, S.A., the concession holding company operating the Cahora Bassa hydro-plant in Mozambique, and, in general, the production, transmission and sale of electrical power, including power import and export, where REN has direct holdings of 7.5%;

e) Red Eléctrica Corporación, S.A., a company operating the Spanish electricity transmission system, where REN Serviços, S.A., a subsidiary of REN, has holdings of 1% in equity capital.

3.2
CORPORATE BODIES, DEPARTMENTS AND OTHER MANAGERS (31.12.2017)

CORPORATE BODIES

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

Board of Directors
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
Guangchao Zhu, *vice-chairman*[1]
Mengrong Cheng, *member*
Longhua Jiang, *member*
Omar Al-Wahaibi, *member*
Jorge Magalhães Correia, *member*
Manuel Sebastião, *member*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*
José Luis Arnaut, *member*

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

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

[1] Representing State Grid International Development Limited.

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

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

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

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

Company Secretary
Marta Almeida Afonso, *effective*
Diogo Macedo Graça, *alternate*

DEPARTMENTS AND OTHER MANAGERS

Internal audit: Gil Vicente
Chief Technical Officer: Zhang Xin

Electricity Unit
Operation: Albertino Meneses
System Management: Albino Marques

Natural Gas Unit
Operation: Paulo Ferreira
System Management: Fernando Válter Diniz

Concessions Support Services
Network Planning: Rui Marmota
Assets Management: João Afonso
Investment: Nuno Ribeiro
Regulation and Statistics: Pedro Furtado
Operational Services: Isabel Figueira
European Energy Agenda: Maria José Clara

Support Functions

Investor Relations: Ana Fernandes
Comunication and Sustainability: Margarida Ferreirinha
Planning and Management Control: Joana Freitas
Accounting and General Services: Brígida Palma
Human Resources: Elsa Carvalho
Institutional Relations:
Maria José Clara
Victor Baptista
Information Systems: Tiago Azevedo
Procurement: João Botelho
Business Development: João Pedro Pires
Legal Services: Marta Almeida Afonso
Financial Managment: Nuno Rosário

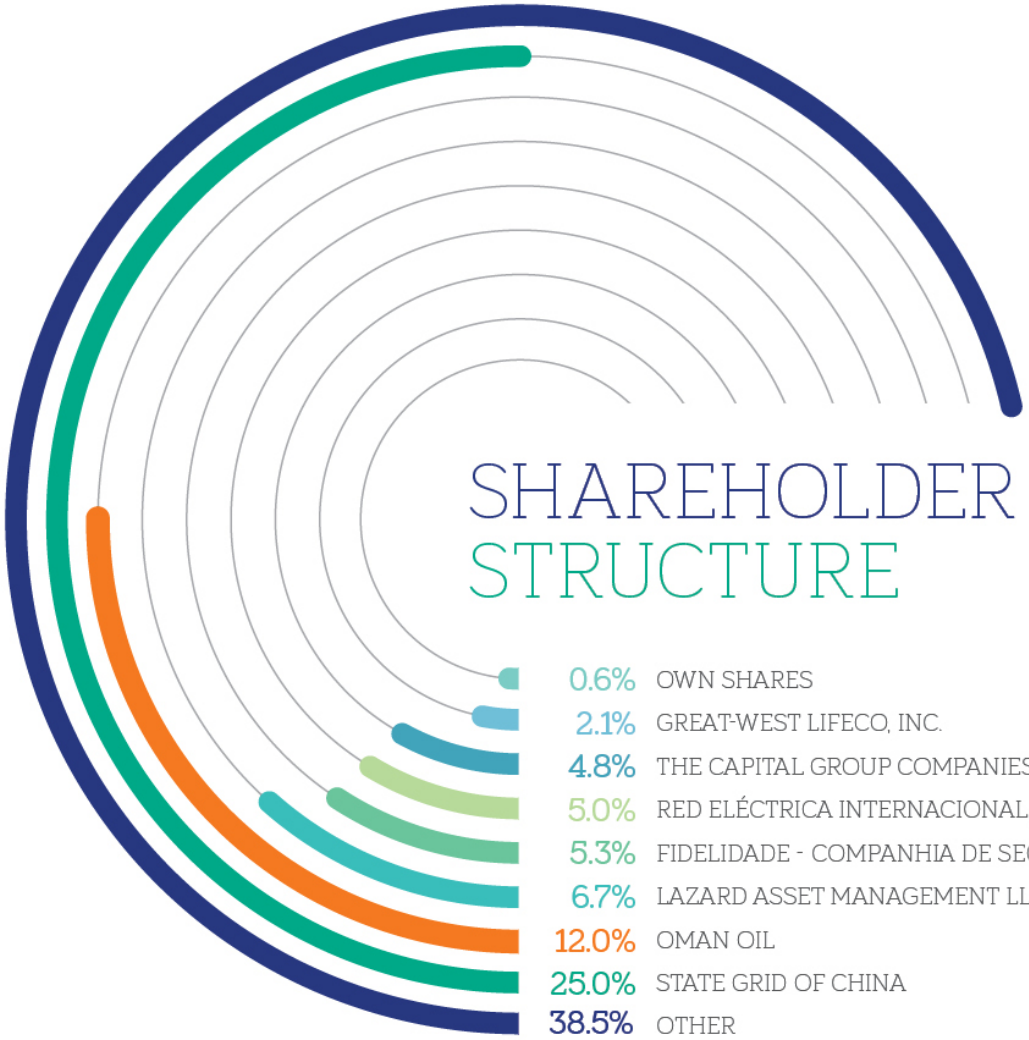
Other Units

REN Trading:
Nelson Cardoso
Tiago Andrade e Sousa
RENTELECOM: Rui Franco
ENONDAS: Victor Baptista
REN Finance: Nuno Rosário

Gas Distribution

REN Gás Distribuição SGPS
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
REN Portgás Distribuição
Victor Baptista, *chairman*
Maria José Clara, *member*
Nuno Fitas Mendes, *member*
Paulo Pinto de Almeida, *member*
REN Portgás GPL
Victor Baptista, *chairman*
Maria José Clara, *member*
Nuno Fitas Mendes, *member*
Paulo Pinto de Almeida, *member*

3.3
SHAREHOLDER STRUCTURE



3.4
MILESTONES IN 2017

MAIN REN GROUP EVENTS

January

- On 12 January, the Sines LNG Terminal reached its maximum physical injection capacity for natural gas in the Sines gas pipeline.
- On 19 January, a maximum historic record was achieved in the consumption of natural gas - 252.4 GWh. The value for the electricity market reached 103.2 GWh and the value in the conventional Market was 149.2 GWh.

February

- REN finalized the purchase of a 42.5% stake in the equity capital of Electrogas S.A. from ENEL Generación Chile S.A, for the price of 180 million USD. This acquisition was an important milestone in REN's path to internationalization, in line with the Strategic Plan submitted for 2015-2018.
- REN held the 1st Symposium of the REN Chair in Biodiversity, a partnership between REN, FCT - Foundation for Science and Technology and CIBIO-InBIO of the University of Porto.
- REN and SGCC - State Grid Corporation of China, promoted a meeting on the integration of renewable energies into the electricity system.

March

- The Fitch ratings agency announced that it was maintaining REN's rating of BBB with an outlook of "stable".
- The Capital Group Companies, Inc. disposed of its holdings in REN, and now has indirect qualified holdings in REN corresponding to 4.750% of equity capital and voting rights.

April

- REN announced the signature of an agreement to purchase 100% of the capital in EDP Gás from the EDP Group for a sum of 532.4 million euros. This acquisition was an important step for REN, allowing commitment to be maintained with its operations in Portugal, in line with its business development strategy.
- Moody's and FITCH maintained their ratings for REN at Baa3 and BBB, respectively. Also maintained was the outlook of "stable", further to the announcement by REN to purchase 100% of EDP Gás.

May

- REN launched a new application for mobile devices - "REN Energia". This app allows exclusive information to be accessed on the energy sector in Portugal and on REN's work.
- REN and REN Finance B.V. Signed a short-term facility agreement (seven months, renewable at the option of REN and REN Finance B.V. for two periods of six months) for a sum of 532 million euros, with a banking syndicate where J.P. Morgan Limited, Banco Santander Totta, S.A. and Caixa – Banco de Investimento, S.A., took on the role of arrangers. The aim of this loan was the acquisition of EDP Gás – S.G.P.S., S.A., further to the contract signed between REN Gás, S.A. And EDP Iberia, S.L.U.
- In the first three months of the year, the Sines LNG Terminal received 12 conventional methane tankers, which was a new quarterly record.

- REN and EPIS - Business People for Social Inclusion, organized an event to clean the Mafra Forest.
- The REN General Shareholders' Meeting took place on 11 May, and all items on the order of business were approved.

June

- REN established a partnership with the Centre for Ecology, Recovery and Surveillance of Wild Animals (CERVAS) as part of the company's commitment to biodiversity and environmental education.
- EDP – Energias de Portugal, S.A. ceases to have qualified holdings in REN's equity capital after disposing of 18 690 000 shares representing 3.50% of REN equity capital and voting rights.
- REN signed a partnership with the "CORE LNGas hive" project to develop a secure, efficient and integrated logistics chain to supply LNG as a fuel for the maritime industry on the Iberian Peninsula and help drive the decarbonization of the European Mediterranean and Atlantic corridors.
- REN held the 3rd Forum on the Management of Rights of Way with the theme of "Safety in Forestry Work".

July

- Southern Europe Gas Transmission System Operators (TSOs) concluded the 3rd edition of GRIP - Gas Regional Investment Plan.

August

- Lazard Asset Management LLC acquired direct qualified holdings in REN corresponding to 6.917% of equity capital and voting rights (later altered in October).

September

- REN informed the market that conditions had been met (including the required regulatory approvals) for the acquisition by REN's subsidiary, REN Gás, S.A., of all of the equity capital in EDP Gás, S.G.P.S., S.A. and its subsidiaries, EDP Gás Distribuição, S.A. And EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A., from EDP Iberia, S.L.U..

October

- REN concluded the acquisition of 100% of the equity capital in EDP Gás, S.G.P.S., S.A and its subsidiaries, EDP Gás Distribuição, S.A. and EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A..
- OMAM INC now has indirect qualified holdings in REN's equity capital, corresponding to 2.19% (later corrected in November).
- The Energy Services Regulatory Entity (ERSE) published the proposal on Tariffs and Prices for Electrical Power in 2018 and parameters for the regulatory period of 2018-2020.
- Lazard Asset Management LLC notified REN that it now has indirect qualified holdings in REN corresponding to 6.75% of capital and voting rights.
- REN Eléctrica, S.A. Obtained funding from the European Commission, to undertake environmental studies, cartography and engineering projects for infrastructure under the measure Projects of Common Interest 3.32 "New wind and solar energy connections in Portugal" (up to the sum of 294,500 euros).
- REN Eléctrica, S.A. Obtained funding from the European Commission (EC), to undertake environmental studies, cartography and engineering projects for infrastructure under the measure Projects of Common Interest "New wind and solar energy connections in Portugal" and "Interconnecting Northern Portugal - Northeast Spain".

- Standard and Poors (S&P) ratings agency maintained REN's BBB rating and the outlook as "positive", reflecting the confidence in the company's future.

November

- REN Finance B.V. Signed a facility agreement with CDB – China Development Bank with maturity of seven years for a sum of 150 million euros, to refinance short-term debt.
- REN was notified by OMAM INC. that it no longer had qualified holdings in REN, changing the information previously communicated in October 2017.
- Three development projects for the REN Electricity and Natural Gas Transmission System were reconfirmed as Projects of Common Interest (PCI) by the European Commission (EC).

December

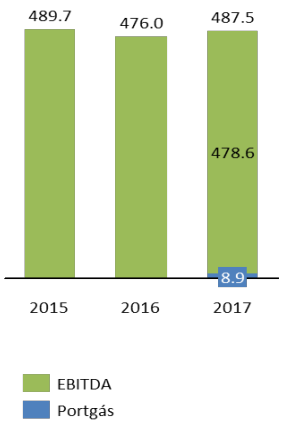
- Under the public subscription offering, REN signed an underwriting contract with Banco Santander, S.A., Caixa-Banco de Investimento, S.A. And J.P. Morgan Securities PLC, under which these banks agreed to issue an early subscription statement intended to produce effects on the last day of the subscription period, subject to certain conditions, in their own names and/or on behalf of other qualified investors, for all possible surplus shares, jointly and not severally liable.
- REN concluded the increase in capital of 250 million euros through the issue of 133,191,262 new shares, with a nominal value of one euro each, at the unit subscription price of 1,877 euros.
- REN was notified by Oman Oil Company S.A.O.C., that it had reduced its indirect qualified holdings of 15% to 12% in REN's equity capital and voting rights.
- The Energy Services Regulatory Entity (ERSE) published the final documents on 'Tariffs and Prices for Electrical Power and other Services in 2018 and parameters for the regulatory period of 2015-2020'.
- On 5 December, REN recorded a new maximum historic in the consumption of natural gas of 263 GWh.

3.5
MAIN PERFORMANCE INDICATORS

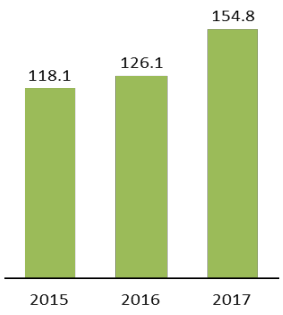
3.5.1 FINACIAL INDICATORS

Operating Profits (millions of euros)	**2017**	**2016**	**2015**	**2014**	**2013**	**Δ% 2017-2016**
EBITDA	487.5	476.0	489.7	505.2	521.5	2.4%
EBIT	265.5	261.3	280.4	302.6	320.3	1.6%
Financial profits	-61.2	-79.9	-98.8	-113.8	-142.2	23.3%
Pre-tax profits	204.3	181.4	181.5	188.8	178.0	12.6%
Net profit	125.9	100.2	116.1	112.8	121.3	25.7%
Recurrent net income	154.8	126.1	118.1	140.3	120.7	22.5%

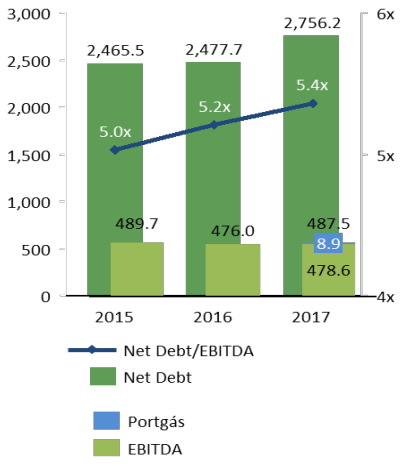
EBITDA, M€



RECURRENT NET INCOME, M€



NET DEBT/ EBITDA, M€

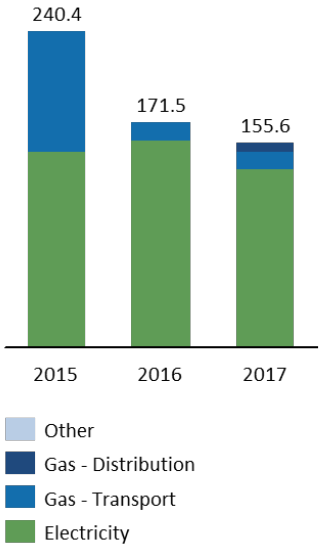


Assets, investiment and debt (millions of euros)	**2017**	**2016**	**2015**	**2014**	**2013**	**Δ% 2017-2016**
RAB Average rate of return, %	6.07%	6,10%	6.16%	7,47%	7.97%	-0,0p.p.
Investment (CAPEX), millions of euros	155.6	171.5	240.4	163.3	187.8	-9.3%
Net debt, millions of euros	2,756.2	2,477.7	2,465.5	2,436.2	2,402.3	11.2%
Net debt/EBITDA, x	5.30x	5.20 x	5.04 x	4.82 x	4.61 x	0.09x

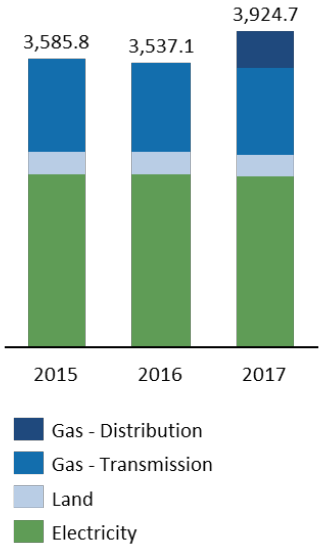
Capex (millions of euros)	**2017**	**2016**	**2015**	**2014**	**2013**
Electricity	134.8	157.5	148.2	137.4	157.6
Gas - Transport	14.2	13.8	91.8	25.8	29.9
Gas - Distribution	6.3	-	-	-	-
Others	0.3	0.2	0.4	0.1	0.4
Total Investiment	**155.6**	**171.5**	**240.4**	**163.3**	**187.8**

Average RAB (millions of euros)	**2017**	**2016**	**2015**	**2014**	**2013**
Electricity	2,138.4	2,152.6	2,149.4	2,128.0	2,069.1
Land	255.6	268.3	281.2	294.3	307.6
Gas - Transport	1,075.5	1,116.1	1,155.2	1,107.0	1,114.1
Gas - Distribution	455.2	-	-	-	-
Total average RAB	**3,924.7**	**3,537.1**	**3,585.8**	**3,529.2**	**3,490.8**

CAPEX, M€



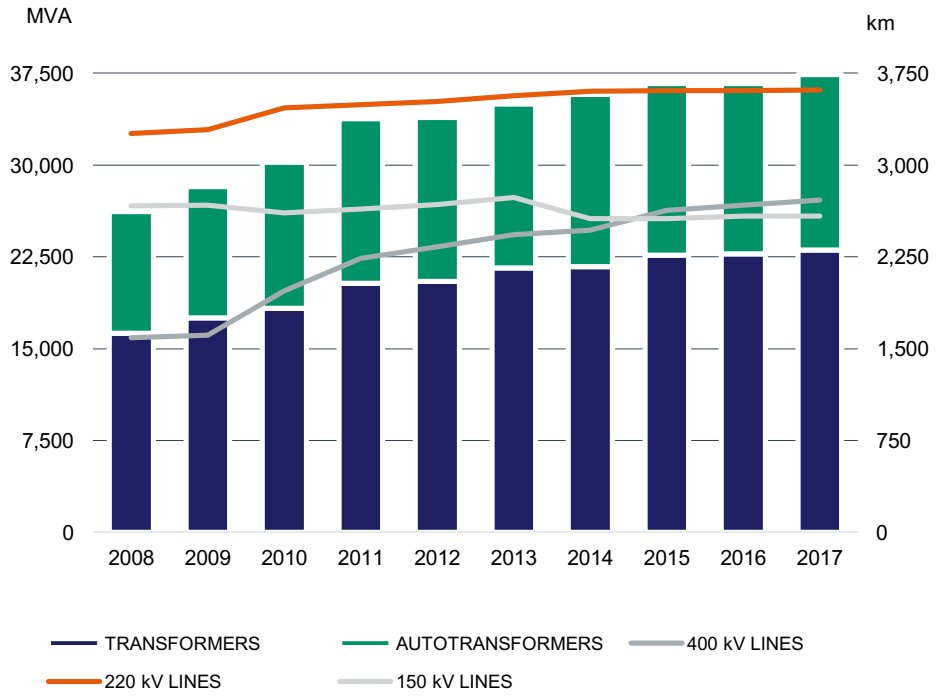
AVERAGE RAB, M€



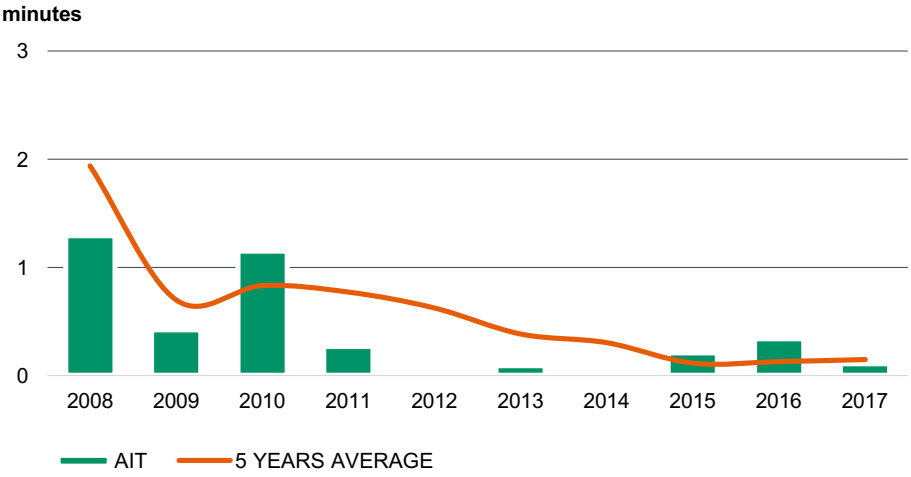
3.5.2 ELECTRICITY INDICATORS

TECHNICAL INDICATORS - ELECTRICITY	2017	2016	2015	2014	2013
Consumption, TWh	49.6	49.3	49.0	48.8	49.2
Annual variaton in electricity consumption, %	0.7%	0.6%	0.3%	-0.7%	0.2%
Installed capacity, mw	19,800	19,539	18,545	17,775	17,703
Power transmitted on the rnt, TWh	47.2	46.7	43.0	41.9	41.5
Length of lines, Km	8,907	8,863	8,805	8,630	8,733
Transformer capacity, MVA	37,382	36,636	36,673	35,754	34,984
Energy transmission losses, %	1.51%	1.72%	1.56%	1.86%	1.75%
Equivalent interruption time, minutes	0.11	0.34	0.21	0.02	0.09

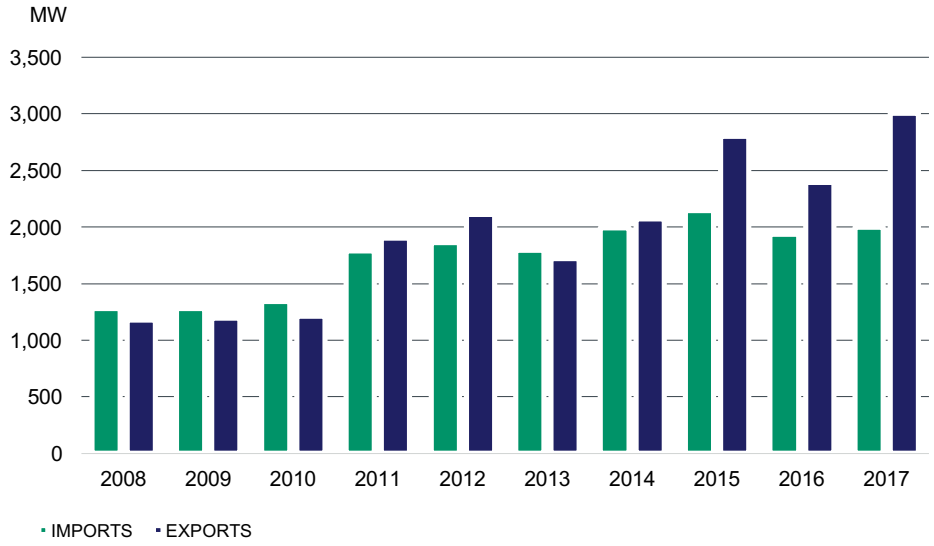
LINE LENGTH AND TRANSFORMATION POWER



EVOLUTION OF EQUIVALENT INTERRUPTION TIME (AIT), MINUTES



AVERAGE IMPORT AND EXPORT CAPACITY, MW

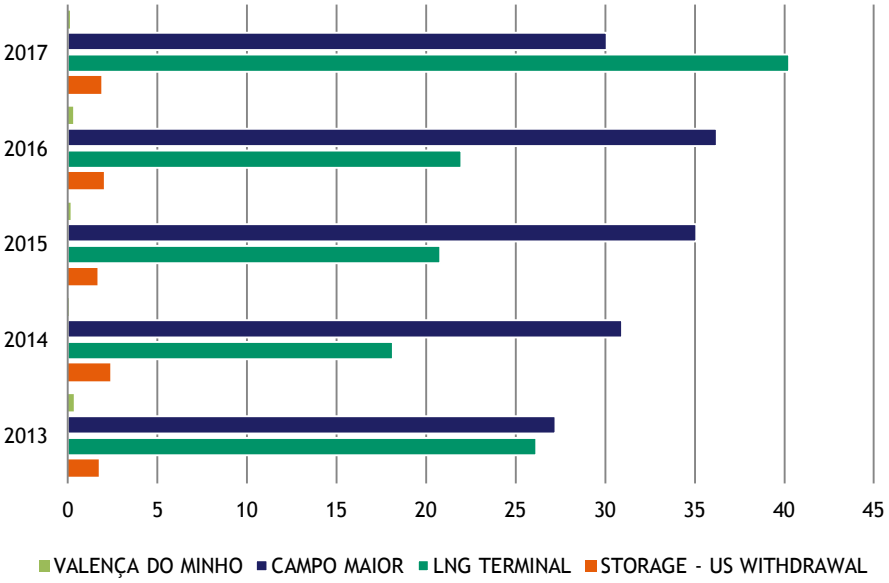


3.5.3 NATURAL GAS INDICATORS

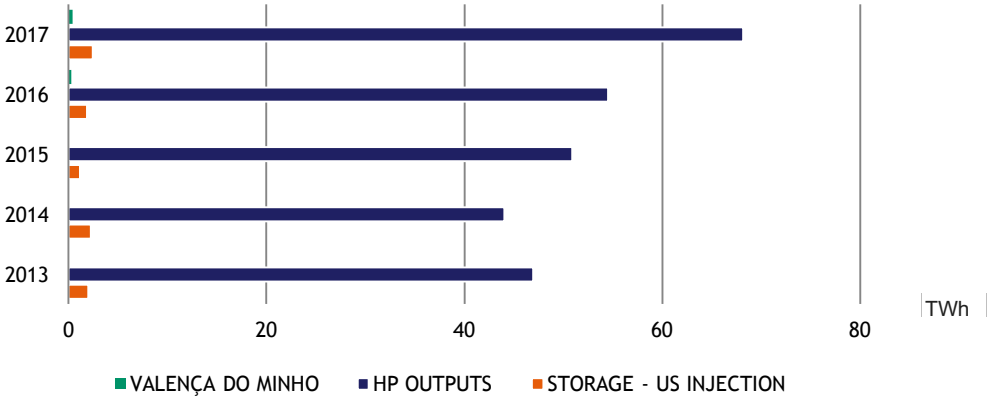
TECHNICAL INDICATORS – NATURAL GAS	2017	2016	2015	2014	2013
Consumption, TWh	69.7	55.8	52.2	45.3	47.9
Annual variaton in natural gas consumption, %	24.8%	6.9%	15.3%	-5.4%	-4.6%
Outputs from RNTGN, TWh	71.1	56.7	53.1	46.2	48.8
Length of high-pressure gas pipelines, km	1,375	1,375	1,375	1,375	1,375
Underground gas storage capacity, Mm^3(*)	300.0	300.0	300.0	170.3	138.0
Supply interruption duration per offtake (sido), minutes/offtake	0.00	0.00	0.00	0.07	0.00
Consumption supplied by REN Portgás Distribuição, TWh	7.2	-	-	-	-
Length of distribution network REN Portgás Distribuição, km	5,267	-	-	-	-
Supply interruption duration per client REN Portgás Distribuição, minutes/client	1.73	-	-	-	-

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

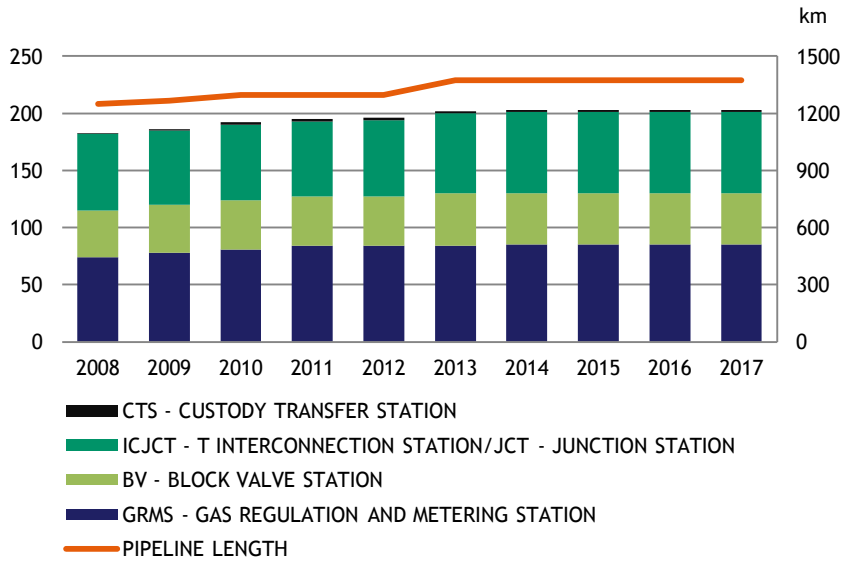
INPUTS TO RNTGN, TWh



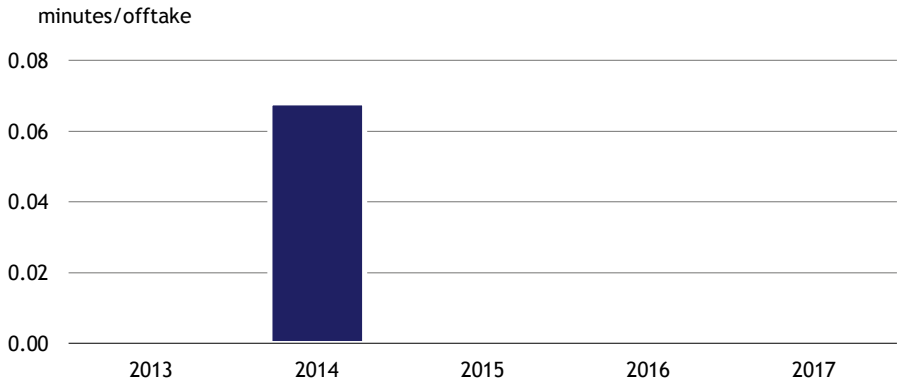
OUTPUTS FROM RNTGN, TWh



RNTGN – INFRASTRUCTURES



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



3.5.4 SOCIAL AND ENVIRONMENTAL INDICATORS

Work undertaken by REN in 2017 continued to align the company on the three axes of the sustainability strategy: promotion of internal well-being, involvement and satisfaction of stakeholders and protection of the environment.

With regard to the promotion of internal well-being, 26 initiatives were carried out under the NÓS Programme and 315 employees took part, under the three pillars of this programme: Balance, Equality and Inclusion.

In the pillar for stakeholder involvement and satisfaction, numerous activities were held during 2017. These activities included the fourth edition of the REN Agir Award, dedicated to providing jobs for the disabled and 46 applications were received. The Employment Support Project in the Porto region, being run by the Salvador Association was the main winner. Also recognized were the Duoday Project which is to take place in Viana do Alentejo, Montemor-o-Velho and Évora and the Asul Project, in Coimbra. Since the 1st edition in 2014, the Agir Award has directly benefited nearly 2,900 people.

NÓS Programme
315 staff involved

Agir Award
has benefited 2,891 people since it started in 2014

Share Programme
increased the number of staff volunteers to 112

There were also 28 applications to the 22nd edition of the REN Award, the oldest scientific prize in Portugal. The winning topics included supply security, use of renewable energies in smart buildings and the reliability of the solar energy micro grid.

The Share Programme the REN corporate volunteer programme, saw an increase of 8% in the number of REN employees participating. There was also an increase of 8% in the number of volunteer work hours over 2016 to 759 employee hours and 206 employee family member hours.

Throughout the year, 24 initiatives were run such as programmes for entrepreneurism for young people run by Junior Achievement Portugal (www.japortugal.org) in which REN has volunteered since 2014, the annual cleaning of the Mafra Forest, food collection programmes for the Food Bank, support in the fight against early school leaving promoted by EPIS – Business People for Social Inclusion (http://www.epis.pt) where REN sits on the advisory board, and the Chamadas de Conforto Programme in partnership with AREP. Of further special note was REN's participation in a Citizen Science initiative to count white stork chicks and collect important scientific data to build a model on the evolution of this species in Portugal. This work was part of the REN Chair in biodiversity under the pillar of involvement and satisfaction of stakeholders and the protection of the environment.

In 2017, REN once again provided support for a number of different institutions. In the social sphere, of note was our participation in work carried out by Comunidade Vida e Paz, the "REN + Perto" solidarity campaign to help the volunteer fire fighters of Vouzela, support for the adapted sports programme and work in life quality of the Salvador Association (www.associacaosalvador.com). This year, REN also supported the Gil Foundation (www.fundacaodogil.pt) in the launching of the Home Support Mobile Units – Integrated Paediatric Care in Porto, which aims to help children suffering from chronic illness and their families through clinical and social support after they have left hospital. The programme covers the São João Hospital in Porto and the Centro Materno Infantil do Norte, allowing help to be provided to around 300 children.

In the sphere of education, REN maintained its protocol with the Portuguese Asperger's Syndrome Association (www.apsa.org.pt/) with a view to the social and professional integration of special needs people through internships: REN also continued its support for the Serralves Foundation, where it is a founding patron and its partnership with the National Museum of Ancient Art, which REN has sponsored since 2012. Another REN day was held at NMAA which this year celebrated Social Inclusion and saw 2,800 visitors. In sports, REN supported João Correia, the first Portuguese athlete to win an international medal in wheelchair athletics.

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

REN planted
818,000 trees

Programme Heróis de Toda a Espécie
involved more than 450 students in 2017

With regard to environmental protection, REN held two reforesting events, one in Trofa and another in Gouveia, involving a total of 900 6th and 7th year students from local schools. Between 2010 and 2017, in 2017 REN planted a total of 818,000 trees. Also of special note is our ongoing work in the LIFE Elia project which aims to draw up a reference manual on vegetation management in protection corridors for electricity lines in forests, and the organization of the 3rd Management Forum on Rights of Way which promotes the debate of ideas among contract workers and service providers in the forestry sector.

The Heróis de Toda a Espécie (www.heroisdetodaaespecie.pt), (Heroes of Every Kind) programme, an educational initiative for 3rd and 4th year children involved five primary schools from all over the country in 2017. 465 students from the north to the south of the country participated in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment.

In 2017, the 8th edition of the MEDEA project took place, an initiative run by the SPF - Portuguese Physics Society and REN to promote the subject of physics among secondary school students. For this 8th edition, MEDEA involved 247 students from all over the country and 25 teachers, representing 24 teaching institutions in Portugal.

Also in 2017, in conjunction with the Foundation for Science and Technology and the University of Porto, REN continued research work on a Biodiversity Chair based on three pillars: monitoring, minimizing and offsetting impacts, and population ecology.

REN continued its partnership with the ECO Movement – Companies against Fires, which it formed in 2012 and which seeks to prevent forest fires and raise awareness with regard to risk. This year, the project was on the theme of “Forest Cleaning – Portugal without fires depends on everyone”.

DESCRIPTION OF HUMAN RESOURCES

Number of Employees	2017	2016	2015	2014	2013
Full time employees	586	593	609	627	651
Fixed term contracts (Fixed, Unspecified duration and commission)	17	12	11	13	20
Professional internships	0	3	0	1	5
Total	603	608	620	641	676

Rotation Rate	2017	2016	2015	2014	2013
Men	4.11%.	4.54%.	5.34%.	6.22%.	9.12%.
Women	1.15%.	1.94%.	1.26%.	0.30%.	2.42%.
Total	**5.26%.**	**6.48%.**	**6.59%.**	**6.53%.**	**11.54%.**

Diversity	2017	2016	2015	2014	2013
Men	453	461	470	492	527
Women	150	147	150	149	149
Total	**603**	**608**	**620**	**641**	**676**
Percentage of Women	**24.88%.**	**24.18%.**	**24.19%.**	**23.24%.**	**22.04%.**

TRAINING	2017	2016	2015	2014	2013
No of Hours of training	32,345	27,009	18,644	29,939	41,225
No of Participants	2,873	2,792	3,031	2,883	3,576
No of Hours of training per Employee	53.20	43.78	29.27	45.43	58.73
Average No of Employees	608	617	637	659	702

Area of Training (No of Hours)	2017	2016	2015	2014	2013
Behavioural	7,965.70	7,165.50	544.40	1 541.90	8 634.50
Technical	19,979.20	13,015.20	14,661.00	23,767.75	28,160.98
QAS	1,984.00	3,316.00	1,881.50	1,413.00	4,429.50
Management	2,416.40	3,512.50	1,557.50	3,216.50	0.00
Total	**41,224.98**	**29,939.15**	**18,644.40**	**27,009.20**	**32,345.30**

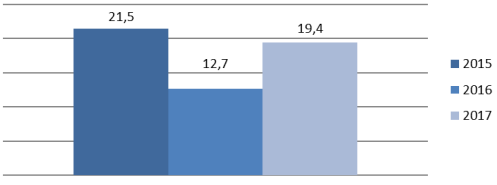
	2017	2016	2015	2014	2013
% Staff who are union members	40.30%.	40.95%.	42.42%.	45.09%.	46.30%.
% Full-time ACT workers	99.34%.	98.52%.	99.19%.	51.95%.	54.59%.
Staff who are union members	243	249	263	289	313
ACT Employees	599	599	615	333	369

	2017	2016	2015	2014	2013
Absenteeism Rate	2.1%.	2.1%.	2.3%.	2.6%.	1.8%.

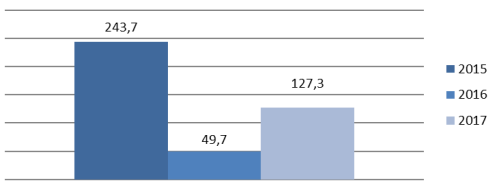
Indicators for the NÓS Programme	2017
No of Initiatives	26
No of Participations	315

INCIDENCE AND SEVERITY INDEXES - REN

INJURY RATE



LOST DAY RATE



Note: The total Severity Index for 2017 was 127.3.

Energy Consumption at REN (GJ)	2017	2016	2015
*Electrical energy of infrastructure and buildings	263,702	218,289	219,760
Natural gas (boilers, pilots and controlled flares)	279,520	430,447	281,663
Propane gas	113	76	121
Natural Gas	2,940	2,522	9,025
Fuel (Diesel and Petrol)	1,134	27,805	28,592
Losses in the electricity transmission network	2,565,122	2,898,594	2,404,706
Losses in the gas transmission network (purges)	18,749	2,085	1,327
Total energy consumption at REN (GJ)	3 131 280	**3,579,819**	**2,945,197**

* Estimated value in 2017 for REN Gasodutos – about 3% due to the delay on EDP billing

	2017	2016	2015
Environmental Impact Assessment Processes	2	5	2
Environmental Impact Statements Issued	1	2	4
Environmental Project Studies	0	0	0
Environmental Impact Studies (EIA)	0	3	5
Environmental Compliance Report on the Execution Project (RECAPE)	0	0	1

GREENHOUSE GAS EMISSIONS (TON CO_2eq)	2017	2016	2015
Scope 1	**28,159**	**28,797**	**19,905**
Natural gas purges (CH_4)	8,845	984	626
Flare burn	122	11,214	2,277
Own consumption by boilers	15,423	13,149	13,213
Sulphur hexafluoride (SF_6)	1,398	1,208	1,152
Natural Gas (buildings)	165	177	511
Propane Gas (buildings)	7	5	8
Diesel (equipment and fleet)	2,199	2,060	2,118
Scope 2	**242,891**	**110,109**	**135,256**
Electricity	22,647	9,121	11,326
Electricity losses in the network	220,244	100,989	123,930
Scope 3	**536**	**752**	**662**
Air Travel	536	752	662

	2017	2016	2015
Number of train trips (Lisbon-Porto)	403	303	792
Number of videoconferences	21,557	946	896

In 2017, a total of 130,298 trees were planted in an approximate area of 478 hectares, where the sessile oak was the most planted species, covering 266 ha (73,706 saplings). This was due to the fact that this took place in the Minho and Coastal Douro region where a greater area of work was involved and the installation of power cables in 2016 in that region was taken into consideration (Recarei-Famalicão, Vieira do Minho-Pedralva 2 and Pedralva-Ponte de Lima). Following the sessile oak, the stone pine (77 ha – 21,542 saplings) and the strawberry tree (60 ha – 16,872 saplings), were the species most used in (re)forestation in 2017.

	2017	2016	2015
Number of Platforms Installed	74	144	349
Number of Anti-Perching Devices Installed	148	313	642
Number of nests transferred	**180**	**135**	**221**

3.6 REGULATED ASSETS

3.6.1 ELECTRICITY

ELECTRICITY business

Through REN - Rede Eléctrica Nacional, S.A., REN works in two regulated areas: General System Management (GGS) and Transmission of Electrical Power (TEE). The revenue allowed from GGS and TEE is received by applying two regulated tariffs: the General Use of the System (UGS) tariff and the Use of the Transmission Network (URT) tariff.

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

The regulation period which has just concluded started in 2015. While no changes were made to the actual form of the regulation, the regulatory parameters were updated. The efficiency factor applied to the operating costs for the transmission of electrical power was changed to 1.5% (2016 and 2017) and the remuneration rate was once again indexed to the annual arithmetic mean (1 Oct $_{n-1}$ to 30 Sep $_{n}$) of the daily yeld of the 10-year Portuguese RepublicTreasury Bonds . The boundaries to the remuneration base rate indexation for the 2015-2017 period are 5.65% and 9.15%.

In 2018, a new three-year regulation period started with a review of the regulation parameters.

Regulation of Activities

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

The Transmission of Electrical Power activity is regulated by incentives: (I) incentive to efficient investment in the transmission network; (ii) incentive to efficiency in operating costs by establishing a maximum limit for these costs with an added component reflecting the level of company activity; (iii) incentive to maintain in operation equipment that reached the end of its accounting life; and (iv) incentive to increase the availability of the elements of the National Transmission Network (RNT).

The aim of the investment incentive is to reward, as additional remuneration, the efficiency obtained in achieving investment costs witin the established reference costs under a certain set of parameters.

The value of operating costs set for the first year of the regulation period evolves in subsequent years in line with the variation rate of the GDP Implicit Price Index , and with an efficiency target determined by ERSE, which for 2016 and 2017 was 1.5%. Added to this amount is the change in the OPEX due to the annual growth in the transmission network (in kilometres of lines and in the number of panels at substations), calculated with the corresponding incremental costs, also set by ERSE.

The aim of the incentive to maintain equipment in service which has reached the end of its accounting life is to stimulate the continuity in service of fully depreciated assets that are still technically viable, thus delaying its replacement investment. In 2017, the asset base in such conditions had a gross value of approximately 602 million euros.

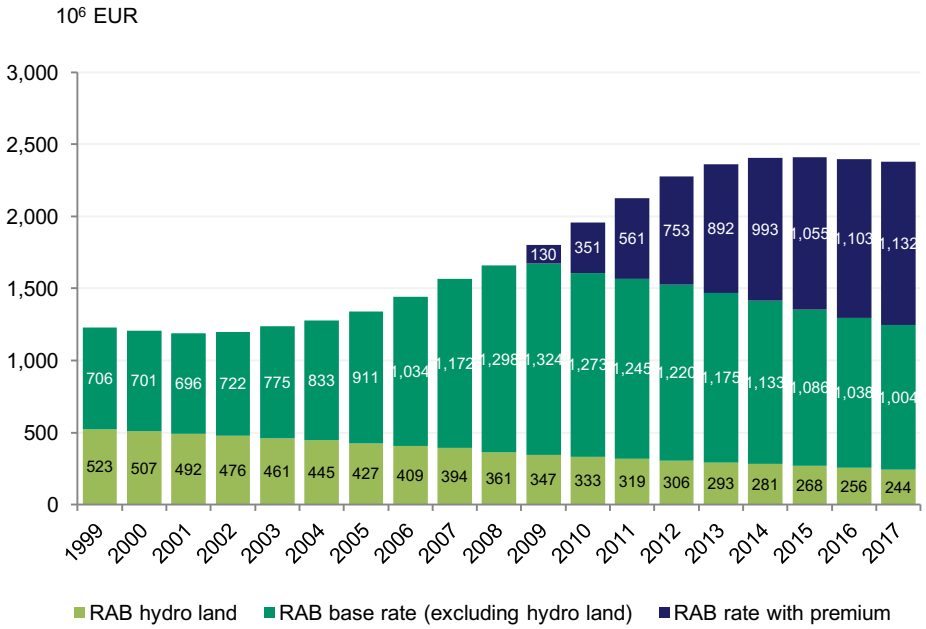
The regulated asset base (RAB) for electricity includes all the assets net of amortizations and subsidies allocated to the activities of Electrical Power Transmission and General Management of the System.

With regard to electrical power transmission, with the aim of promoting more efficient behaviour by the transmission system operator in its investment decisions, the reference costs mechanism was introduced in the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with retroactive application to investment transferred to operations in 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January. Therefore, in 2017, the average RAB on which the premium rate of 7.08% is applied, was 1.132 billion euros, while the remaining RAB of 965 million euros is remunerated at a base rate of 6.33%.

In the General Management of the System activity, the principle of RAB valuation is based on historical costs. In these cases, the 6.33% remuneration rate of is applied. In 2017, the average RAB for the General Management of the System activity stood at 39 million Euros. Assets used in this activity also include other specific assets not directly related to the activity, namely, land in the public water domain used in hydro power production, remuneration for which, in accordance with Implementing Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder. The rate may vary between -1.5% and +1.5%. For 2017, the provisional value indicated by ERSE of 0.1% was applied to a total of 244 million Euros.

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

Evolution of the Regulated Asset Base



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

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

At the end of 2017, the balance of differences was 22.5 million Euros to be recovered by REN Rede Eléctrica Nacional, SA.

REN Trading

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

The difference between the contract cost within the scope of the PPA and the income from the market sale of power and system services supplied by these power plants, plus the incentives set by ERSE to optimise their market management and the efficient management of the CO_2 emission licences, is incorporated into the Overall System Use tariff borne by energy users.

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

In 2017, the balance of the tariff difference account from the Purchase and Sale of Electrical Power, within the scope of PPA management, was 46.8 million euros to be recovered in the tariffs.

3.6.2 NATURAL GAS

Natural Gas Business

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

- The high-pressure transmission of natural gas – through REN Gasodutos. S.A.
- General technical management of the SNGN – through REN Gasodutos, S.A.
- Reception, storage and regasification of LNG – through REN Atlântico Terminal de GNL, S.A.
- Underground storage of natural gas – through REN Armazenagem, S.A
- Natural gas distribution – through REN - Portgás Distribuição, S.A.
- Management of the process to change natural gas supplier – provisionally carried out by REN Gasodutos, SA in accordance with the ERSE instructions which will in due time in 2018 pass on to the Logistics Operator for Changing Supplier that was established by law in 2017.

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

The main ERSE decisions for the present Natural Gas regulatory period regarding the activities of LNG Reception, Storage and Regasification and the Transport and Underground Storage of natural gas were: (i) continuation of the indexation of the remuneration rate to the yields of Portuguese Republic 10 Year Treasury Bonds, and the introduction of boundaries to the indexation of the remuneration rate for the 2016-2019 period between 5.40% and 9.00%, (ii) indexing reference period changed now to the calendar year; (iii) broadening of the mechanism to attenuate tariff adjustments to NG storage (already introduced for the reception, storage and regasification of LNG), with the aim of reducing the impact of these adjustments on annually defined tariffs, (iv) extension of incentive based regulation to the general use of the system (limited to intra-group operations), and also to the high-pressure transmission of natural gas and the reception, storage and regasification of LNG and storage of NG and (v) end of revenues smoothing in the reception, storage and regasification of LNG with effects as of the 2nd semester of 2017.

The main changes introduced by the regulator for the activity of natural gas distribution were: (i) continuation of the indexing of the remuneration rate to the yield on Portuguese Republic 10 Year Treasury Bonds, and the introduction of boundaries to the remuneration rate indexation for the 2016-2019 period between 5.70% and 9.30%, (ii) indexing reference changed to the calendar year; (iii) redefinition of the maximum investment limit in the conversion of infrastructure to natural gas which is now indexed to consumption.

Currently, the level of operating costs accepted for calculating revenue on activities subject to regulation by incentives, has an allowed value which includes a fixed part and one or more other variable parts, which are dependent on cost drivers recognized by the regulator and are characteristic of each type of infrastructure.

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

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

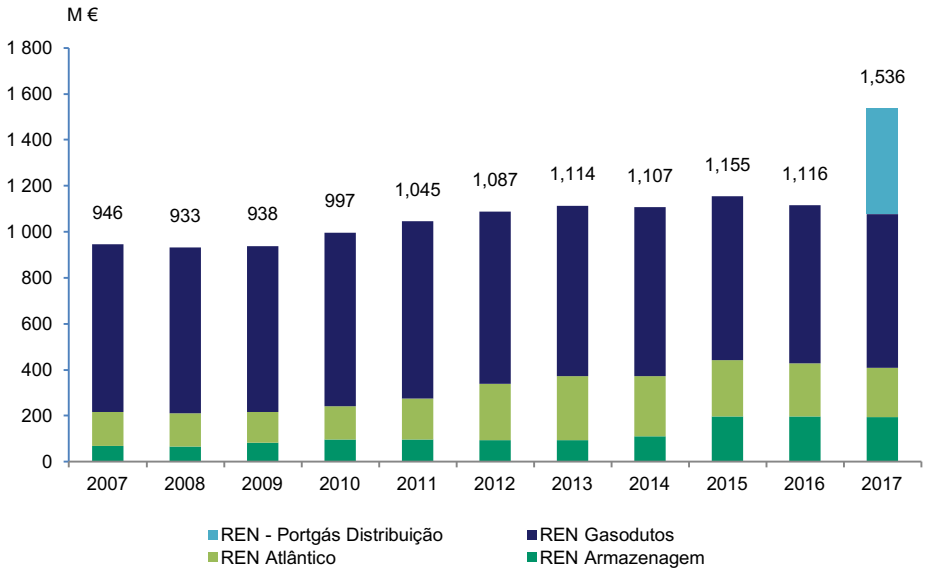
The activities of General Use of the System (excluding intra-group expenditure) and management of the supplier switching process are not subject to efficiency targets. This is also the case with some expenditure considered outside company control.

Regulation of Activities

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

Up to the end of 2017, the RAB for the natural gas companies had the following evolution:

Evolution of the Regulated Asset Base



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

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

At the end of 2017, the balance of differences was 72 million euros to be recovered from tariffs.

3.7
TECHNICAL INFRASTRUCTURES

3.7.1 ELECTRICITY

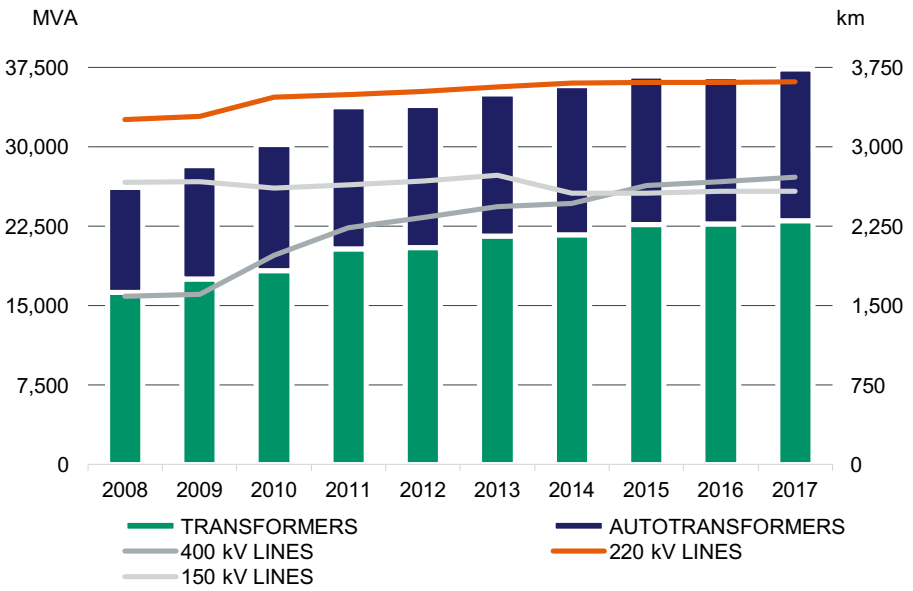
At the end of 2017, the National Electricity Transmission Network (RNT) consisted of 8,907 km of transmission lines and 68 substations and 14 switching and transition stations.

THE NATIONAL ELECTRICITY TRANSMISSION NETWORK

	2017-12-31	2016-12-31	Change
Length of lines in service (km)	**8,907**	**8,863**	**0.5%**
400 kV	2,714	2,670	1.6%
220 kV	3,611	3,611	0.0%
150 kV	2,582	2,582	0.0%
Transformation power in service (MVA)	**37,382**	**36,636**	**2.0%**
Autotransformation (MVA)	**14,340**	**13,890**	**3.1%**
400/220 kV	7,200	7,200	0.0%
400/150 kV	6,440	5,990	7.0%
220/150 kV	700	700	0.0%
Transformation (MVA)	**23,042**	**22,746**	**1.3%**
400/60 kV	4,080	3,910	4.2%
220/60 kV	12,448	12,448	0.0%
150/60 kV	6,054	5,928	2.1%
150/130 kV	140	140	0.0%
220/30 kV	320	320	0.0%

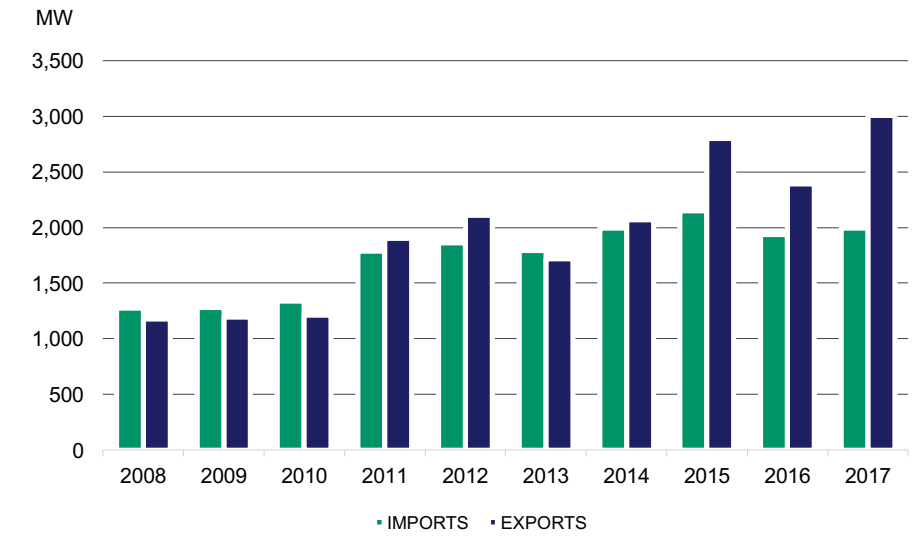
The RNT ensures the flow of electrical energy from power plants to the substations where connections exist directly to VHV consumers and at 60 kV between the national transmission network and the national distribution network.

LINE LENGTH AND TRANSFORMATION POWER



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

IMPORT AND EXPORT CAPACITY, MW



THE NATIONAL ELECTRICITY TRANSMISSION NETWORK

3.7.2 NATURAL GAS

REN's natural gas infrastructures include:

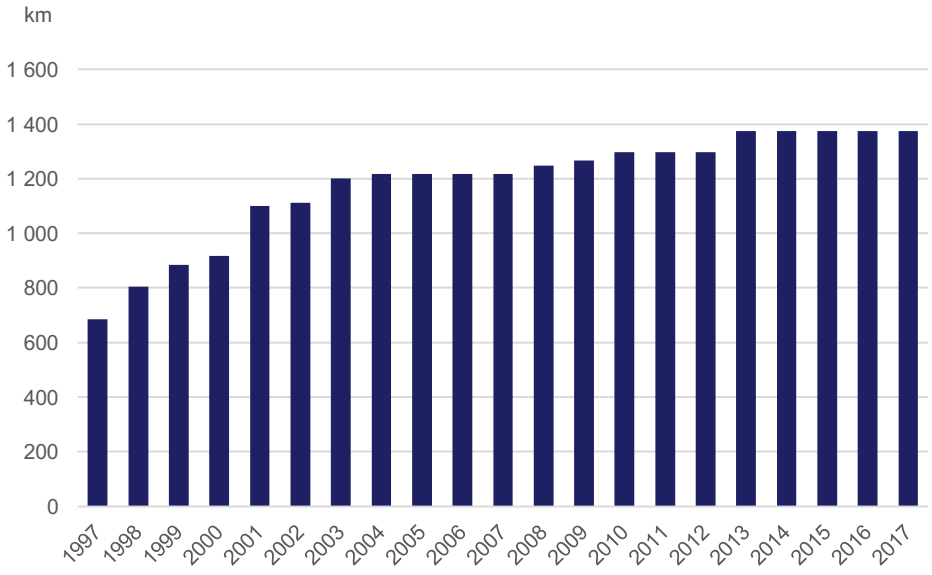
- The National Natural Gas Transmission Network (RNTGN);
- The Sines Liquefied Natural Gas terminal (LNG);
- The Carriço natural gas underground storage facilities (6 caverns and 1 surface station).

Therefore, at the end of 2017, the RNTGN consisted of the following infrastructures:

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

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

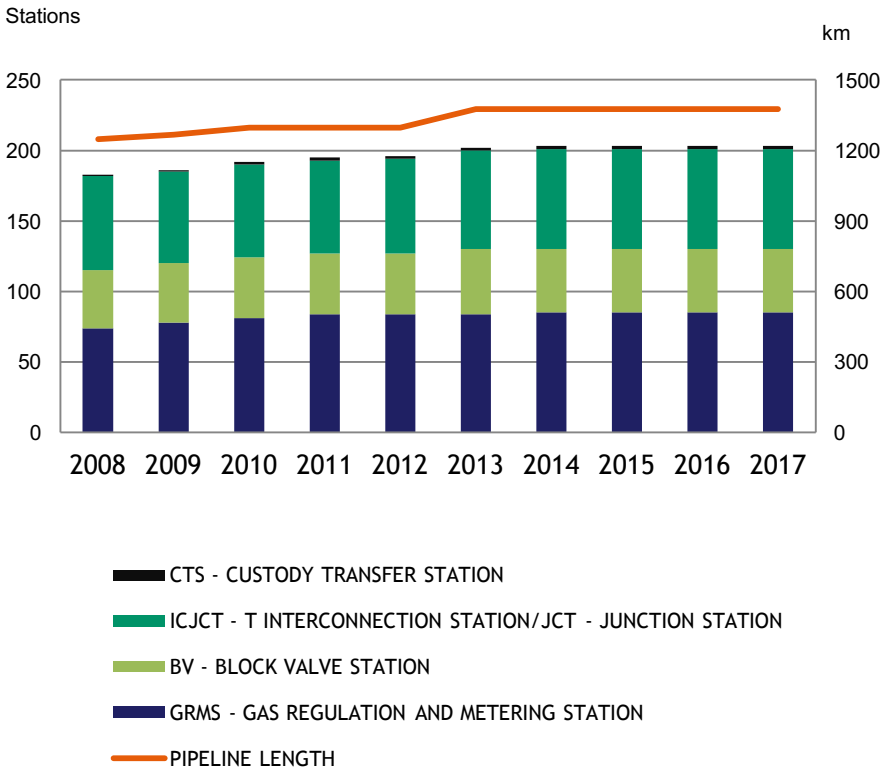
LENGTH OF THE HP TRANSMISSION NETWORK



THE NATIONAL NATURAL GAS TRANSMISSION NETWORK

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

RNTGN - CHARACTERISTICS



In 2017, the maximum values of available capacities for commercial purposes at the relevant points of the RNTGN were as follows:

Available capacity of relevant points for commercial purposes	GWh per day	Mm^3(n) per day
Input		
Sines	193	16
Carriço (Withdrawal US)	71.4	6
VIP - Iberian(*)	144	12
Output		
Sines	143	12
Carriço (Injection US)	24	2
VIP - Iberian(*)	80	7
Delivery points (total)	**92**	**-**

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

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

The LNG Terminal operational capacities are as follows:

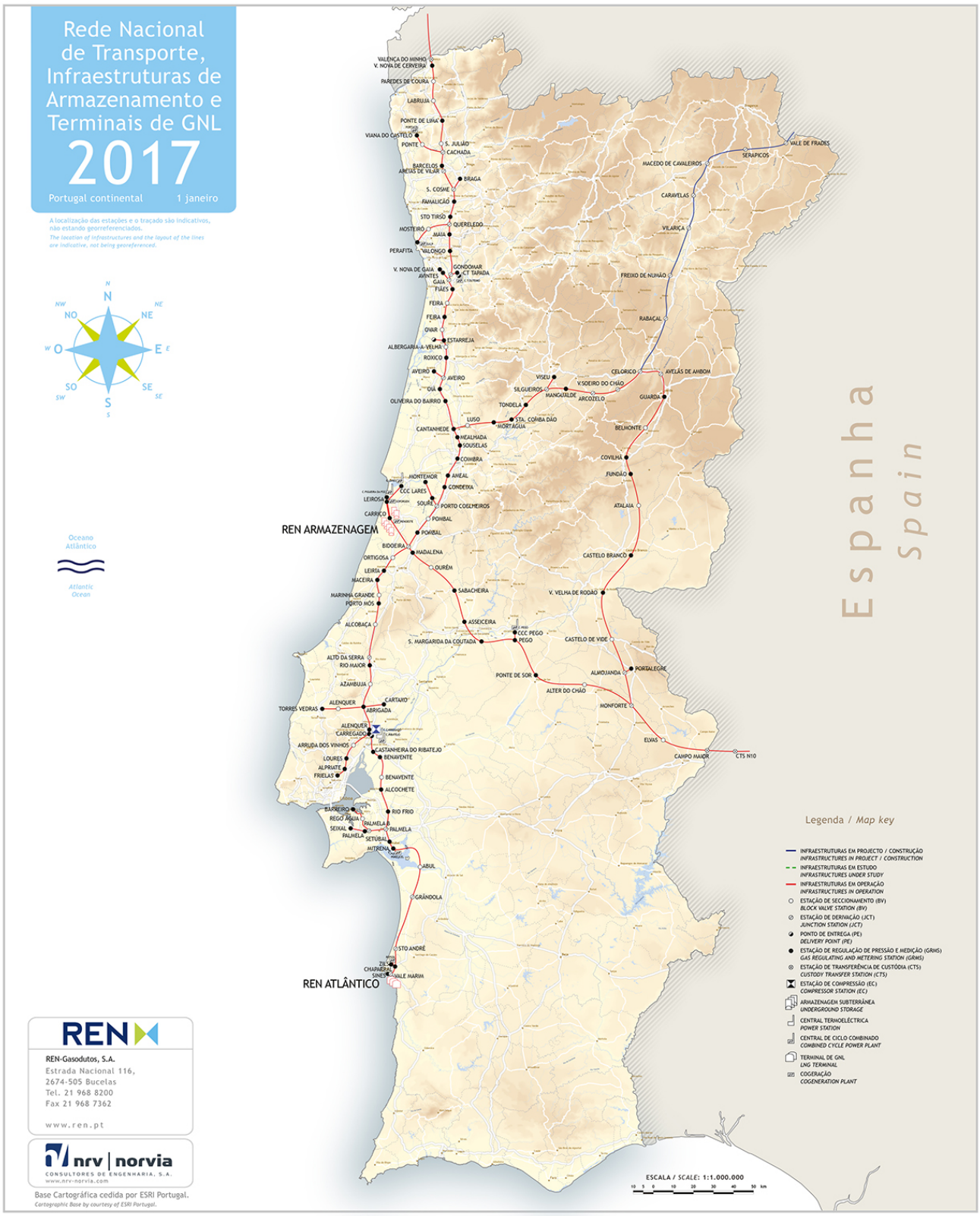
- Annual natural gas regasification capacity of 8 bcm;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTGN of 1,350,000 m^3(n)/h;
- Loading capacity of 36 tankers/day.

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

At the end of 2017, the natural gas underground storage facilities were as follows:

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

THE NATIONAL NATURAL GAS TRANSMISSION NETWORK



3.8
SUPPLY CHAIN

SUPPLY CHAIN

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

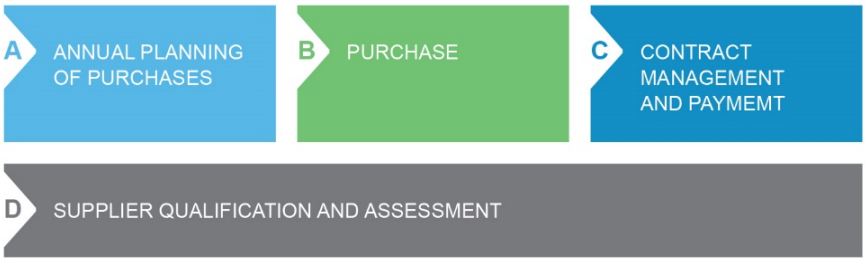
The Group has a centralized Purchasing Department which deals with the purchase of all goods and services and construction work involving more significant sums (corporate purchases) for the different companies in the REN Group. Lower value purchases are made directly by the operational areas of Group companies (local purchases), based on procedures and requirements defined by the Purchasing Department.

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

The mission of the Purchasing Department is to ensure that goods, services and contract work are acquired under optimized conditions.

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

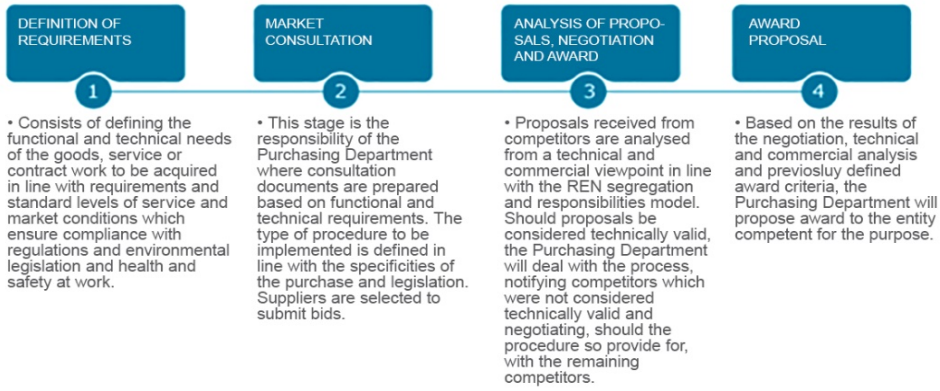
The main activities of the supply chain are as follows:



A. ANNUAL PLANNING OF PURCHASES

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

B. PURCHASE



In 2017, the Purchasing Department had a total volume of purchases of 112M€, corresponding to 210 purchasing processes. Of the total volume of purchases, around 6% were local purchases.

C. CONTRACT MANAGEMENT AND PAYMENT

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

D. SUPPLIER QUALIFICATION AND ASSESSMENT

REN operates a Supplier Management Model which deals with Supplier Qualification and the Performance Assessment.

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

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

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

As REN is a member of the United Nations Global Compact, it has drawn up a Code of Conduct for suppliers which sets out the 10 fundamental principles of the Compact which address human rights, labour practices, environmental protection and anti-corruption and are derived from universally accepted declarations. All REN suppliers are required to join the Supplier Conduct Code (http://www.ren.pt/pt-PT/o_que_fazemos/fornecedores/codigo_de_conduta_do_fornecedor/).

The Qualification System consists of the following steps:

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

REN suppliers are grouped as follows:

- **Specific Goods and Services of the Business**

Example: Bare Cables for MHV Lines and Sub-Stations; Control and Protection Systems (CPS); Construction Contracts, Remodelling and Maintenance of MHV Power Lines; Tubes, Conduits and Accessories; Contracts for the Construction of Saline Cavities for NG Storage; Contracts for the Construction of High-Pressure NG Infrastructure(HP); etc.

- **Corporate Goods and Services**

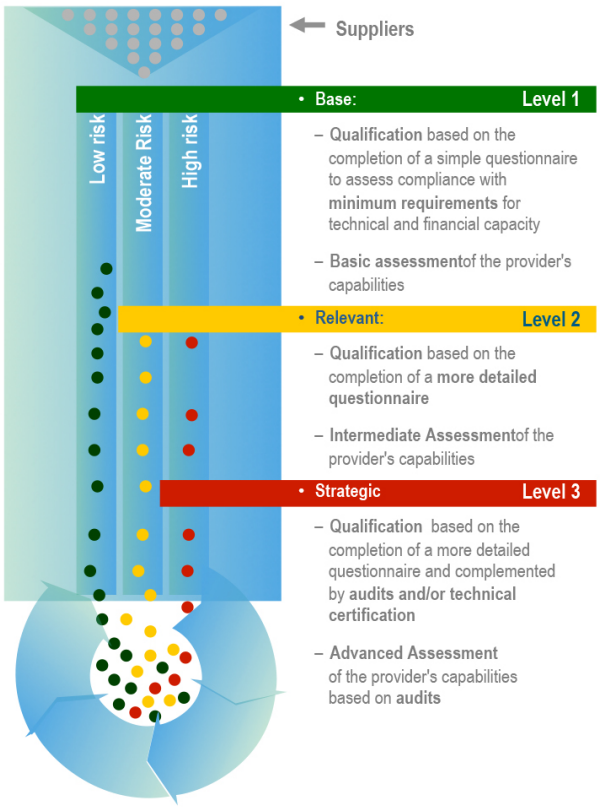
Example: Environmental Impact Studies; Catering, Vending; Micro I.T. and I.T. Consumables; etc.

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

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

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

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



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

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

Supplier breakdown in 2017:

Geography of suppliers	% expenditure volume (277M€)	% number (1 119)
Extra-Community	1	4
Intra-Community	5	11
Domestic	94	85

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

SIGNIFICANT CHANGES IN THE ORGANIZATION OR SUPPLY CHAIN

In 2017, the project to transform purchases was started. The main aim of this project, which is expected to be concluded and implemented during 2018, is to establish a new purchasing model which addresses needs and creates value for the entire REN Group. This model will be duly updated, adapted to present requirements and new legislation in public procurement.

At the end of 2017, the REN Group Purchasing Department started to adapt procedures to the new Public Procurement Code, which enters into force in 2018, and provided a new version of the SOURCE qualification platform which offers a series of functionalities allowing more efficient and faster operation. This new version is for REN's suppliers and internal participants working in the qualification process.

The number of qualified suppliers continued to grow in 2017, but without any significant changes in geographical origin.

94%

OF REN'S GROUP EXPENDITURE IS CONCENTRATED IN PORTUGUESE SUPPLIERS

PROPORTION OF EXPENDITURE AT LOCAL SUPPLIERS IN IMPORTANT OPERATIONAL UNITS

Bearing in mind Community and national legislation requirements, the sector and REN's position as public service concession holder, the specificity and technical and technological complexity of REN purchases and the geographical location of main suppliers, no policy exists for working with preferential suppliers.

85% of suppliers to REN Group companies are Portuguese. Included in this group of suppliers are large multinational companies based in Portugal, with significant weighting in REN Group expenditure.

3.9
AWARDS AND ACKNOWLEDGEMENTS

In 2017, REN received the following awards and acknowledgements:

- Gold, "R&C Online"", Astrid Awards
- Silver, "Sustainability Report", Mercury Excellence Awards
- "Good Practice of the Year" 2017, Environmental Protection, Conversion Rights of Way in REN Infrastructures
- Silver, "REN APP", Stevie Awards
- Bronze, "REN Investor APP", Stevie Awards
- Bronze, "R&C Interactive Online", Galaxy Awards
- Gold, "R&C Interactive Online", Davey Awards
- Silver, "REN Mobile APP", Davey Awards
- Silver, " R&C Interactive Online", W3 Awards
- Bronze, "REN APP ", Best in Biz Awards
- Bronze, R&C 2016, Lusófonos Creativity Awards:
- Bronze, REN Energia App, Lusófonos Creativity Awards
- SAG Award (Special Achievement in Geographic Information Systems), RENL and ESRI User Conference 2017
- The Legal 500 recognizes REN’s legal department as one of the most influential and innovative in the Iberian Peninsula

REN

4

MANAGEMENT REPORT

FUTURE MOTIVATED BY RESPONSIBILITY

4
MANAGEMENT REPORT

In 2017, the world economy continued the trend towards recovery.

4.1 ENVIRONMENT

4.1.1 ECONOMIC ENVIRONMENT

World Economy[1]

In 2017, the world economy continued the trend towards recovery and total growth of +3.5% is expected (vs +3.2% in 2016). This acceleration in global economic activity was driven by the solid expansion of world trade as well as the good performance of emerging markets and developed economies.

+3.5%

GLOBAL ECONOMIC GROWTH IN 2017

In emerging markets, where economic recovery continues much above the international average, acceleration in the rate of growth was seen (+4.5% in 2017 vs +4.3% in 2016). However, disparities remain among the different economies which make up this region. While solid growth was seen in China (+6.8% in 2017 and +6.7% in 2016), supported by the improvement in global financing conditions and a strengthening of world trade, other emerging economies only managed to reverse the trend towards recession in the last two years. Here, economic growth picked up in 2017 on the back of price increases in commodities, and as a result, through improved exports. Included in this group are countries exporting raw materials such as Russia which grew 1.7% (vs. -0.2% in 2016) and Brazil which recorded growth of 0.7% (vs. -3.6% in 2016). Furthermore, many emerging economies continue to benefit from the increase in investor and consumer confidence and much more favourable financing conditions, with a positive impact on private consumption and investment.

With regard to developed economies, where the rhythm of growth is more modest, 2017 also saw acceleration in economic activity (+2.4% vs. +1.8% in 2016). This performance benefited from

[1] Source: European Commission: European Economic Forecast, Autumn 2017

greater dynamism in the European Union economy, which is estimated to have grown 2.3% in 2017 (vs. +1.9% in 2016). Among the countries of this region, the United Kingdom was the sole economy to see retraction in the recovery due to weakening of private consumption, affected by Brexit negotiation uncertainties. Outside the European Union, the economy of the United States continued its sustained growth (+2.2% vs. +1.5% in 2016) supported by growth in consumption and investment, partly reflecting recovery in the energy sector. In Japan, the improvement in job market conditions and the consequent solid internal demand helped push economic growth (+1.6% in 2017 vs. +1.0% in 2016).

Euro Zone[2]

The economic expansion of the euro zone remained robust in 2017, recording stronger growth than in the previous year (+2.2% vs. +1.8% in 2016) driven by the dynamism of public and private consumption as well as by investment and exports, which continue to benefit from the expansion in world economic activity and the improvements in job market conditions. Rates of unemployment continued on a downward trajectory, going from 10.0% in 2016 to 9.1% in 2017. Inflation in the euro zone increased from 0.2% in 2016 to 1.5% in 2017, as a result of the increase in crude prices.

Public finances in the euro zone also improved and average budget deficit was around 1.1% in 2017, below the 1.5% recorded in 2016. This was mainly due to an improvement in the cyclical component and a fall in interest charges. Public debt also continued on a downward trend, standing at 89.3% of GDP in 2017 vs. 91.1% of GDP in 2016.

Interest Rates[3]

The European Central Bank continued its flexible monetary policy, maintaining the reference rate at 0.00%, while other central banks around the world have already started increasing interest rates. In 2017, the US Federal Reserve increased its reference rate three times, from 0.75% to 1.5% at the end of the year.

In line with the reference rates, Euribor rates hit new lows. At 31 December 2017, Euribor rates for 3, 6 and 12 months stood at -0.329% (vs. 0.319% at the end of 2016), -0.271% (vs. -0.221%) and -0.186% (vs. -0.082%), respectively.

Portuguese Economy[4]

The Portuguese economy continued to grow in 2017 (+2.6%) accelerating the growth seen in 2016 of 1.5%. This economic recovery, above the average for euro zone countries, was largely driven by exports (+8.0% in 2017 vs. 4.1% in 2016) and by investment (+8.1% vs. 1.6% in 2016), particularly in the tourism sector. However, the slowdown in private consumption (+1.9%, vs. 2.1% in 2016) reflected the deterioration in consumer confidence and the small increase in the savings rate of families. This evolution led to an increase in net foreign demand and a slightly positive contribution to GDP, reversing the trend seen in recent years.

The jobs market continued to recover and the unemployment rate fell to 9.2% (vs. 11.2% in 2016). Inflation, as measured by the annual rate of change in the national CPI, increased in 2017 and is expected to reach 1.5%, rising from 0.6% in 2016. Contributing to this acceleration in prices in 2017 were energy and non-energy components, influenced by tourism related activities.

The continued effort for budget consolidation and faster economic recovery allowed the public deficit to remain below 3% of GDP, and stood at 1.4% in 2017 (2.0% of GDP in 2016). Public debt in relation to GDP also fell, standing at 126.4% of GDP (130.1% in 2016).

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[2] Source: European Commission: European Economic Forecast, Autumn 2017 – Euro Zone
[3] Source: ECB Reference Rates (www.ecb.int); Federal Reserve (www.federal reserve.gov) and European Money Markets Institute
[4] Source: European Commission: European Economic Forecast, Autumn 2017

4.1.2 SECTORAL ENVIRONMENT

Electricity demand and production

In 2017, electricity consumption supplied by the public network totalled 49.6 TWh, with a growth of 0.7% over the previous year, or 1.4% taking into consideration corrections relating to temperature effects and the number of working days. This consumption, which was the highest since 2011, confirmed the trend towards recovery of recent years and was just 5% less than the historic maximum seen in 2010.

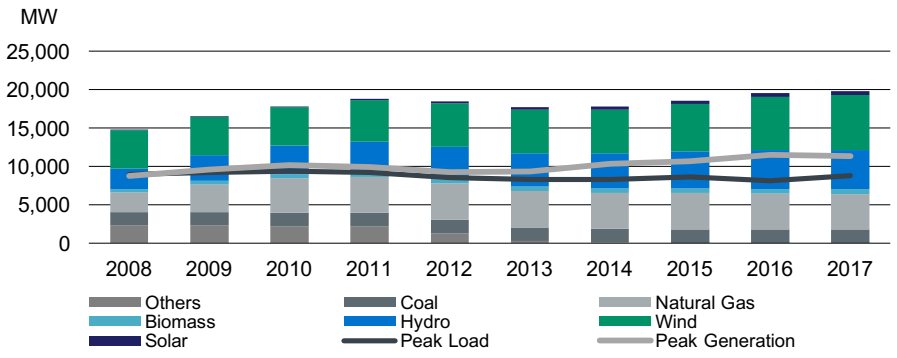
TWh	CONSUMPTION	VARIATION	CORRECTED
2013	49.2	0.2%	0.0%
2014	48.8	-0.7%	0.0%
2015	49.0	0.3%	0.1%
2016	49.3	0.6%	0.4%
2017	49.6	0.7%	1.4%

The maximum power requested of the national system by consumers was 8,771 MW on 19 January at 19:45, representing an increase over the previous year of 630 MW. This is the highest figure recorded since 2011.

Peak national production was on 2 January at 19:30 with 11,371 MW, just 100 MW below last year's historic maximum. At this time, the national system supplied the national consumption and also exported around 3,550 MW.

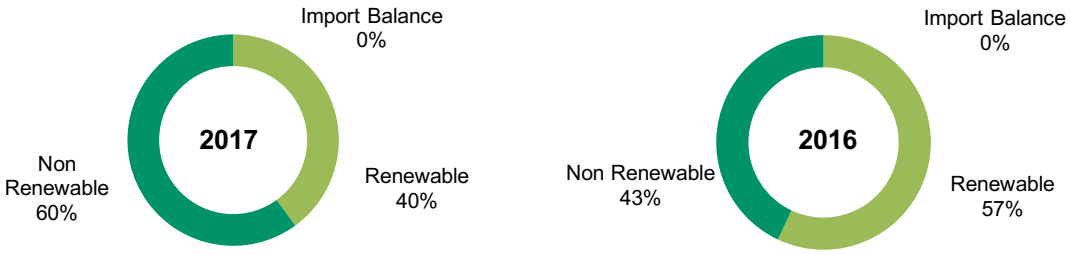
At the end of the year, power connected to the national electricity system totalled 19,800 MW, of which 14,773 MW were connected to the Transmission Network and the remaining 5,027 MW were connected to the Distribution Network, representing an increase of 260 MW over the previous year. With regard to facilities coming online, of note is the Foz-Tua reversible power plant contributing with 261 MW. The total installed capacity in the national hydro-electric system now stands at 7,193 MW, of which 2,698 MW is with pumping. In the remaining technologies, changes in the composition of electricity generation equipment were not significant. 20 MW of wind generation and 30 MW of photovoltaic generation came online, while there was a reduction of 50 MW in co-generation.

EVOLUTION OF INSTALLED CAPACITY



In 2017, renewable generation supplied 40% of consumption (including the export balance), against 57% the previous year. This is the lowest figure since 2012. Considering only the national scenario, renewable generation would account for 43% of consumption. Under average weather conditions, renewable generation currently corresponds to about 55% of national consumption.

RENEWABLE AND NON-RENEWABLE GENERATION

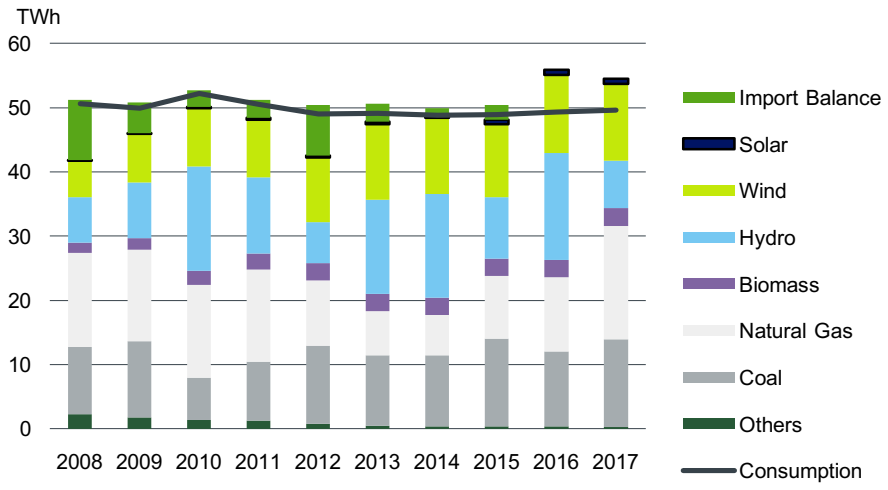


The drop seen this year in the penetration of renewables was due to unfavourable weather conditions, particularly with regard to hydro generation, with a hydro capability factor of only 0.47. This was the third lowest since records began (1971), with lower levels only being seen in 1992 and 2005. Conditions for wind generation this year were slightly below average, with a wind capability factor of 0.97.

In 2017, renewable generation was broken down into wind with 23% of consumption, hydro with 11%, biomass, including classical and go-generation plants with 5% and photovoltaic with 1.6%. With regard to non-renewable sources, coal-fired plants provided 26% of consumption while natural gas, including combined cycle and co-generators, supplied 34%.

Despite the unfavourable weather conditions, the national system recorded, as was the case last year, an exporter exchange balance, equivalent to approximately 5% of national consumption. Therefore, while consumption was 49.6 TWh, national generation reached 54.5 TWh due to exports and the intensive use of pumping. Although total generation saw a reduction of 2.4% over the previous year due to lower exports, the generation of electricity through natural gas, which offset a lower hydro production, was the highest ever, exceeding the previous maximum of 2008.

SUPPLY



Natural gas demand and supply

In 2017, natural gas consumption reached the highest value ever, with 69.7 TWh, representing a growth of 24.8% over the previous year and 21% over the maximum historic value seen in 2010.

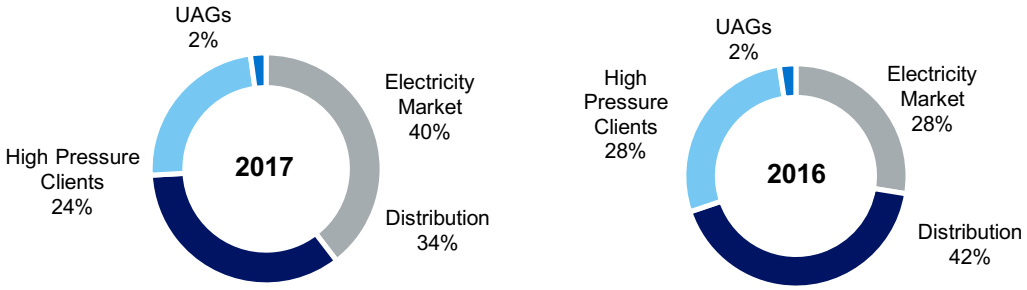
TWh	CONVENTIONAL MARKET	VARIATION	ELECTRICITY MARKET	VARIATION	TOTAL CONSUMPTION	VARIATION
2013	44.5	16.3%	3.4	-71.3%	47.9	-4.6%
2014	42.1	-5.4%	3.2	-5.5%	45.3	-5.4%
2015	41.2	-2.1%	11.0	241.6%	52.2	15.3%
2016	40.5	-1.8%	15.4	39.3%	55.8	6.9%
2017	**42.1**	**4.1%**	**27.6**	**79.1%**	**69.7**	**24.8%**

A new hourly consumption maximum was also reached of 13.4 GWh, recorded on 24 January, exceeding the previous maximum of 2013 by 1.7 GWh.

This growth in consumption was essentially in the electricity production segment, driven not only by the reduction in hydro generation but also by exports. In this segment, gas consumption, which totalled 27.6 TWh, rose by 79% over the previous year and was the highest ever recorded, exceeding the previous historic maximum of 2008. Consumption by electrical power stations represented 40% of the total consumption of natural gas, against 28% the previous year.

In the conventional segment, after three consecutive years of decline, solid growth of 4.1% was seen with a consumption of 42.1 TWh. This segment represented 60% of total natural gas consumption

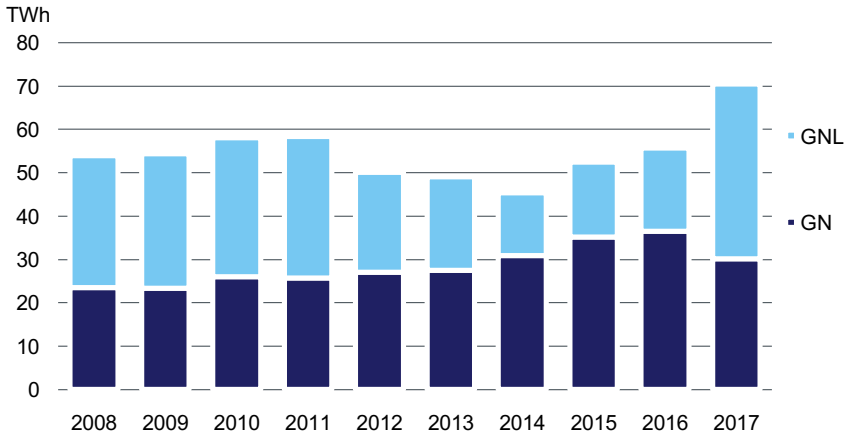
CONSUMPTION



The increase in consumption seen this year led to significant growth in the input of natural gas through the Sines LNG Terminal, which has become the national system's main source of supply, with 40.2 TWh, providing 57% of all gas entering the system. Movement at the Sines terminal more than doubled that seen the previous year and was the highest ever, exceeding the previous maximum of 2011 by 23%.

30.2 TWh entered through the Campo Maior and Valença interconnections, which is 17% less than the previous year, corresponding to 43% of total natural gas entering the national system this year.

SUPPLY



Gas received through the interconnections was mostly from Algeria, while LNG received at the Sines terminal was principally from Nigeria.

4.1.3 REGULATORY ENVIRONMENT

European Energy Policy

In February 2017, the second report on the status of the Energy Union showed that Europe is well placed to achieve the targets set for 2020, more specifically with regard to greenhouse gas emissions, energy efficiency and renewable energies. During 2017, the implementation of the Energy Union committed special emphasis on energy diplomacy, aimed to reinforce EU energy supply security, to increase exports of low-carbon technological solutions and to stimulate the industrial competitiveness in Europe.

On 17 and 18 July, Portugal was visited by the vice-president of the Energy Union, Mr. Marc Šefčovič. The main focus of this visit was to inform on the Energy Union and the "Clean Energy For All Europeans" Package. Mention was also made of the need for the timely preparation of Portugal's National Energy and Climate Plan – a new planning instrument arising from the future EU Governance Regulation – and the improvement of the interconnections between the Iberian Peninsula and the rest of Europe.

"With the Energy Union and the Clean Energy For All Europeans Package, there is now a clear drive to accelerate the construction of the main energy networks with the aim of reinforcing security of supply and facilitating the transition to clean energy"

The third report on the status of the Energy Union, published on 24 November, sets out the progress made in 2017. Of special note is the confirmation that the adjustment of the future energy interconnections is vital for the EU's energy transition. In this regard, the European Commission, has implemented the third list of Projects of Common Interest and approved a communication on the 15% electrical interconnection target established for 2030 (COM(2017) 718 final of 23.11.2017).

At the end of 2017, aware of the European Council decisions of 18 December, the general guidelines became available for the tri-party negotiation process on regulations and directives for energy efficiency, energy from renewable sources, the configuration of the electricity market, security of electricity supply and the Energy Union rules on governance.

These draft laws resulted in some aspects of greater relevance for Member States and for European TSOs such as REN:

1. Creation of the "Regional Security Coordinators" (RSC), with support and coordination duties for system operators (calculation of capacities at inter and intra region interconnections,

establishing of the common network models, coordinated analyses of very short-term supply security, etc), but excluding any function relating to the real time operation of electrical systems

2. Exchange of system and reserve services among Member States and between regions and respective capacity allocation at interconnections
3. Reinforcement of consumer participation in the market through joining of production and distributed system services (Demand Response, storage)
4. Establishing of common security of supply indicators and standardization of calculation methods (energy not supplied, cost of energy not supplied, expected loss of load)
5. European studies on the analysis of short (seasonal), medium (annual) and long-term (10 years) security of supply to provide a comparison with the corresponding national studies and verify whether incentives are required for capacity construction (power guarantee)

With respect to gas in particular, in 2017 the new security of supply regulation was approved, Regulation (EU) No 2017/1938 of the European Parliament and of the Council of 25 October, repealing Regulation (EU) No 994/2010. This new Regulation requires:

- that the European Network of Transmission System Operators for Gas (ENTSOG) should carry out a Union-wide simulation of gas supply and infrastructure disruption scenarios so as to provide an overview of supply risks;
- that Member States cooperate in regional groups to jointly assess common supply risks (common risk assessments) and agree on joint preventive and emergency measures with a view to ensuring consistency of preventive action plans and emergency plans across the border;
- the introduction of the principle of solidarity: even in serious gas crisis situations, EU countries should help each other to ensure gas supply to more vulnerable consumers;
- improved transparency: natural gas companies are required to officially notify national authorities with regard to large, long-term supply contracts which may be relevant to security of supply (when the contract is greater than 28% of the annual gas consumption of the Member State) and
- assurances that decisions on the permanent bi-directional capacity (reverse flow) of gas pipelines take into consideration the opinions of all EU countries which could potentially benefit.

On this date, the Commission started the process to review the Directive that sets out common rules for the internal natural gas market (2009/73/CE), with the aim of improving the functioning of the internal energy market and reinforcing solidarity among Member States.

Domestic Energy Policy

Further to the Official Order issued by the Office of the Secretary of State for Energy (SEE) of 13 October 2016 which sets out the review of the capacity payments mechanism , Ministerial Implementing Order No 41/2014 of 27 January lays down the remuneration scheme for the security reserve provided to the National Electricity System (SEN) through availability services provided by electricty producers and other market agents.

On 30 March, the first security reserve auction was held for the National Electricity System (SEN) for 2017. The closing price of € 4,775 was established and the total volume placed in auction was awarded (1,766 megawatts) to three entities.

As the compatibility of this measure with the functioning of the internal energy market is currently being assessed by DG Comp, the State Budget for 2018 takes into consideration the preparation of legislation with a view to delaying the auction to allocate the security reserve for the SEN.

During 2017, the Portuguese government implemented measures to promote renewable energies in the internal electricity market. Taking into account the interest shown by producers and to flexibilize investment intentions in renewable energies without subsidized tariffs (feed-in tariffs), the

government included a rule in the State Budget for 2018 which provides a mechanism to ensure connection to electricity network up to the limit of capacity available in the area.

With regard to needs to reinforce energy interconnections, the Portuguese government continued to defend its position that “The Iberian Peninsula faces unacceptable constraints in the transmission of electricity and gas, which should be urgently addressed, as this seriously harms the proper functioning of the European energy market and the European spirit. It also jeopardizes the security of supply of the entire Union”.

As part of Luso-Moroccan cooperation, studies are currently underway for a project to build an electricity interconnection between Portugal and Morocco. These studies are expected to be concluded during the first semester of 2018. At the summit of 4 and 5 December, both governments decided to set up working groups to define the financing model for the work which would include the construction of an underwater cable of around 220 km in length.

Liberalized Market in Portugal

Ministerial Implementing Order No 39/2017 of 26 January changes the deadline for the termination of the transitional tariffs for the supply of electricity to end customers with normal low voltage to 31 December 2020.

As of 1 January 2018, consumers will once again be able to choose between all existing offers on the electricity market, both with regard to liberalized market and regulated market tariffs, in accordance with Ministerial Implementing Order No 348/2017 of 14 November. The right to choose the pricing scheme set out in this Ministerial Implementing Order can be exercised up to 31 December 2020.

4.2 ELECTRICITY

4.2.1 RNT OPERATION

Use of Transmission System

In 2017, the energy transmitted through the RNT reached 47.2 TWh, the highest value ever recorded, exceeding the previous maximum of 2016 by 1.2%. The peak power of 9,111 MW was just 30 MW less than the historic maximum also recorded in 2016.

47.2TWh

THE ENERGY TRANSMITTED BY THE RNT REACHED THE HIGHEST VALUE EVER

Despite the trend seen in recent years towards greater injection by small producers with regard to the distribution network, in 2017, 73% of national production was injected directly into the transmission network, compared to 71% in the previous year, totalling 39.8 TWh.
This value is now the highest ever injected by producers connected to the RNT.

Losses in the transmission network were slightly above 700 GWh, dropping from 1.72% of energy transmitted in 2016 to 1.51% in 2017. This reduction in losses was due to the reduction of renewable production during the year in the north of mainland Portugal and consequently a more balanced distribution in injections throughout the network.

TRANSMISSION SYSTEM BALANCE

TWh	2017	2016
Energy Intake into the Network	**47.2**	**46.7**
Power plants	39.8	39.6
Interconnections	5.5	4.6
Distribution Network	1.9	2.5
Energy Output by the Network	**46.5**	**45.9**
Power plants / Direct Customers	4.0	3.3
Interconnections	8.2	9.7
Distribution Network	34.3	32.9
Own Consumption	0.0	0.0
Losses (TWh)	**0.7**	**0.8**
Losses (%)	**1.51.**	**1.72.**

Interconnection capacities provided to the daily market stood at approximately 2,000 MW for imports and 3,000 MW for exports, with this latter figure being the highest ever. As was the case in 2016, the national system continued the trend towards export throughout the year. Congestion occurred (after the daily market) in the Portugal-Spain direction in 2% of periods and in 4% in the opposite direction.

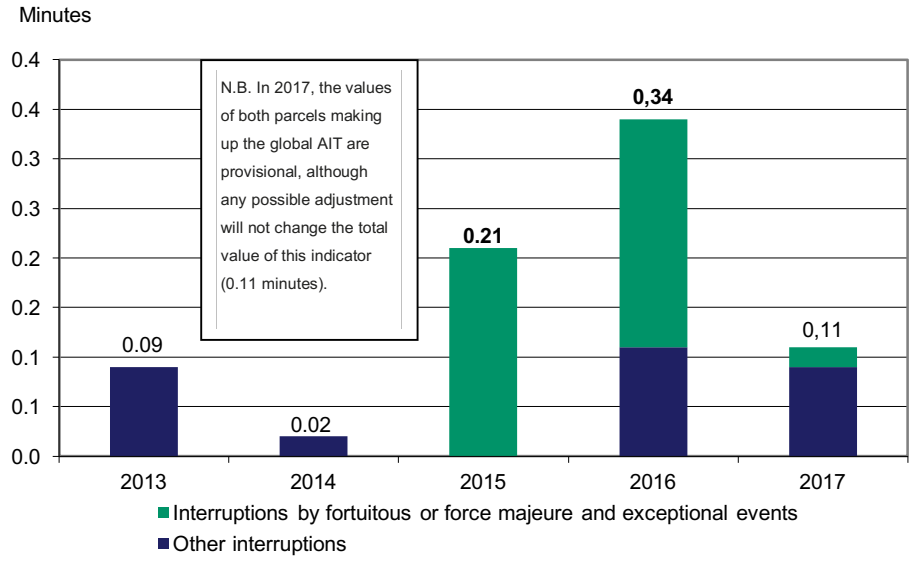
Quality of Service

2017 was a particularly adverse year due to the many fires which ravaged the country, with greater incidence and seriousness in the central region. The quality of technical service provided - understood as being security and continuity of supply of electrical energy with the adequate technical characteristics - was positive. The trend observed in previous years towards gradual and sustained improvement in the performance of the National Transmission Grid (RNT) was consolidated.

With regard to continuity of service, the adverse effect, caused by the fires in October, had specific impact on the SAIDI and SARI indicators, which recorded values much above those of recent years. In relation to the Quality of Service Regulation (QSR), REN requested ERSE to classify the occurrences in the RNT caused by the fires of 15 and 16 October as an exceptional event. The remaining general indicators established in the QSR (ENF, TIE, SAIFI and MAIFI) presented values in line with those of recent years. It may thus be seen that the policies and strategies implemented by REN are both suitable and efficient in network operation (attributes which are confirmed by comparative analysis studies of technical-economic performance among electricity TSO).

Average Interruption Time (AIT), an indicator of overall performance commonly used by electrical utilities, attributed directly to REN, was 6.6 seconds. This corresponds to energy not supplied of 10.5 MWh. This figure represents what would be a practically uninterrupted supply of electrical power (at 99.99998% of the time, i.e. 999 hours, 59 minutes and 59 seconds in every 1,000 hours) to a single 'equivalent' consumer (all of mainland Portugal), with power and energy which would represent all the different delivery points to the national distribution network and consumers directly connected to the RNT.

EVOLUTION OF AVERAGE INTERRUPTION TIME - AIT



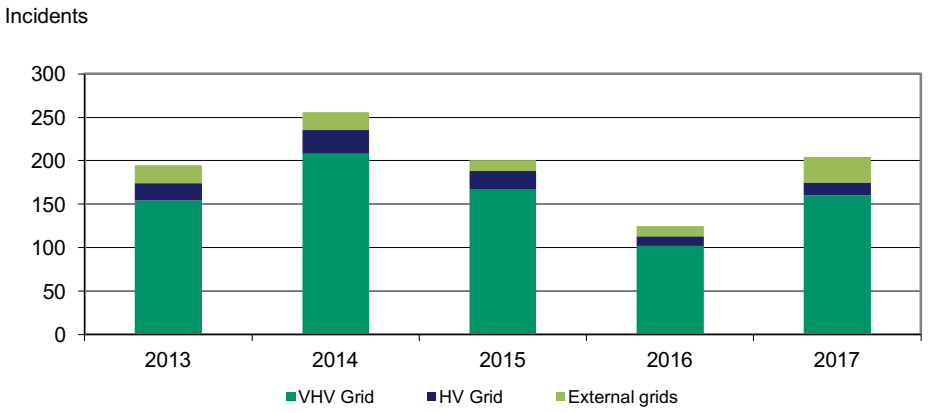
In 2017, power quality monitoring continued at the delivery and interconnection points on the RNT.

The measurements carried out continued to show that, with a limited number of exceptions in individual and localized cases, results match the standardized figures in the Quality of Service Regulation.

The overall level of electrical energy quality depends on the number of incidents recorded on or which impacted on the transmission grid. In 2017, mainly as a result of the fires, the number of incidents rose to 285 (56% more than in 2016), 241 of which originated in the Very High Voltage

(VHV) Network, 15 in High Voltage (HV) equipment and 29 in other networks but impacting on the REN VHV and HV networks and equipment. Only ten incidents (3.5% of the total), actually caused interruptions to the supply of electricity to customers, having led to 10 interruptions at delivery points.

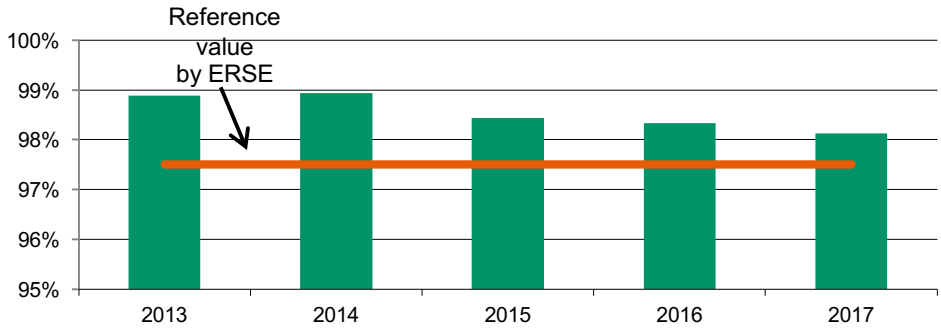
EVOLUTION IN THE NUMBER OF INCIDENTS



PERFORMANCE OF TRANSMISSION SYSTEM ASSETS

- **Availability**
  The Combined Availability Rate, a regulatory indicator introduced by ERSE in 2009, which analyses the availability of VHV transformers and transmission lines, stood at 98.13% in 2017. This figure is slightly lower than that for 2016 but still above the ERSE reference. The following graph shows the annual evolution of this indicator over the last five years. This performance represents effective coordination and programming of grid outages during the period in question.

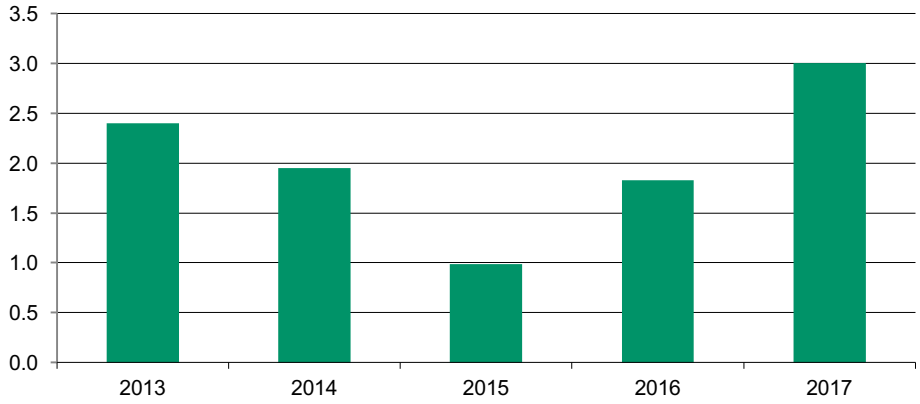
COMBINED AVAILABILITY RATE



- **Line performance**
  In 2017, RNT transmission lines performed satisfactorily, despite an increase in the number of incidents when considering the records of the previous year (+56%). This was essentially due to

the high number of fires. The graph below illustrates the performance of transmission lines in the last five years with regard to the number of faults per 100 km of circuit.

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



- **Performance of substations**
  In general, substations and their respective equipment and systems performed favourably. The number of failures in transformers and circuit breakers fell slightly in relation to figures for 2016. More in-depth technical detail is available in the Quality of Service Report published annually by REN.

Network Behaviour

During 2017, the major congestions that occurred in the RNT were associated with grid component outages, which were solved through generation restrictions or with the introduction of topological changes to the network. In this regard, of particular note were the outages which occurred due to the refurbishment of 400 kV lines in the central Portugal which required special topological measures. These measures sought to minimize restrictions on power generation and maximize the commercial capacity of the interconnection with Spain.

In 2017, despite the slight rise in the consumption of electricity in mainland Portugal, the number of RNT lines which had to be shut down as a last-resort solution to control voltage fell substantially. This reduction was mainly due to the availability of more equipment to manage 'reactive power' with the entry into service of new shunt reactances, in line with development and investment plans for the transmission grid.

Also of special note in 2017 was the resilience shown by the RTN with respect to the national tragedy of the forest fires. Despite the extreme conditions the RNT was subject to having caused a total of 150 incidents, the impact on the continuity of electrical power supply was minimum.

System Operation

In 2017, consumption by the Portuguese electricity system recorded a slight increase of 0.7 % over the previous year, totalling 49.6 TWh. This figure is the highest in the last six years. Reference should also be made to the fact that in 2017, the national electricity system exported energy for the second year running. The figure for the entire year was around 2.7 TWh. In recent years, national consumption has been supplied mostly by renewable sources, however, due to unfavourable rainfall this was not the case in 2017.

In the sequence of the approval of the new European codes, more specifically the Capacity Allocation and Congestion Management code, REN and two other TSOs in south-western Europe (REE *Red Eléctrica de España* and RTE *Réseau de transport d'électricité*) have submitted a proposal to their respective regulators for the methodology to calculate the commercial capacity of the interconnection, in a coordinated manner.

Market Operation

In 2017, four new market agents started and four market agents closed in the National Electricity System (SEN). At the end of the year, there were 39 market agents, three of which are producers.

Anticipating the entry into force of European Commission Regulation No 2017/2195 establishing a guideline on Electricity Balancing, in April 2017, 19 European TSO signed a Memorandum of Understanding on the manual Frequency Restoration Reserve (mFRR) process, which aims to establish cooperation among TSO for exchanging balancing energy. This Memorandum created the MARI (Manually Activated Reserves Initiative) a project, in which REN has actively participated since it started.

In November 2017, REN became an observer member of the PICASSO (Platform for the International Coordination of the Automatic frequency restoration process and Stable System Operation) project. PICASSO is the benchmark project to implement the automatic Frequency Restoration Reserve (aFRR) process which seeks to establish cooperation among TSOs for exchanging balancing energy. With the implementation of this project, mobilisation of secondary regulation energy will be optimized and reduced, thus improving competition and providing greater efficiency in the balancing energy required for operating the National Electricity System..

4.2.2 INVESTMENT IN THE RNT

Projects completed in 2017

In 2017, the projects concluded in the National Electricity Transmission System helped strengthen feeding to distribution networks, improved the flow of energy from new renewable energy power plants, and also improved interconnection capacity with Spain while also contributing to greater security and reliability of the overall operation of the system.

To improve power feeding to the municipalities of Montijo and Alcochete, of note were the new 400/60 kV Alcochete substation connected to the grid via the opening of the 400 kV Palmela-Fanhões transmission line. An important system improvement in the Alentejo was achieved through the installation of 150/60 kV transformation at the Ourique substation (previously just a 150 kV switching station), serving consumers located along the Baixo Alentejo central axis.

In order to control RNT voltage profile, one 400 kV level 150 Mvar shunt reactor was installed at the Feira substation.

With regard to transformation power management in the RNT, two new transformers were installed: one 400/60 kV, at the Alcochete substation and another 150/60 kV at the Ourique substation. A new 400/150 kV autotransformer was installed at the Tavira substation.

In addition to the projects mentioned above, other investments were also made in the modernization of assets at the end of their life cycle. This included the refurbishment of the 400 kV overhead lines

Recarei – Feira, Lavos – Rio Maior, Batalha – Paraimo, Pego – Rio Maior and Falagueira – Cedillo, at 400 kV, the 150 kV overhead line Alto Rabagão – Frades , and the refurbishment of protection, automation and control systems at Ermidas-Sado switching station, as well as at Canelas, Riba d'Ave and Zêzere substations.

Main investments underway

Connection of large hydro power plants to RNT

- 400 kV axis in Minho between the Porto region (Vila Nova de Famalicão substation) and the Pedralva substation, passing through the future Ponte de Lima substation. This reinforcement of the network, which now only requires the construction of the link between the Ponte de Lima area and the Vila Nova de Famalicão substation, is vital for ensuring the flow of high quantities of energy from the hydropower generation in Cávado/Alto Minho, substantially increased after the Salamonde II and Frades II power plants were commissioned. This network reinforcement will also strengthen interconnection capacity through integration into the future interconnection line with Spain which is planned for this area.

Connection to the RNT of production other than large hydro or thermal power plants

- In the Beira Interior, establishing of the new 400 kV Fundão - Falagueira axis through the extension of the current Falagueira - Castelo Branco 3 line to the Fundão region. A new 400/220 kV substation will be built here, creating capacity to receive new generation throughout this region. This will eliminate the technical restrictions to current and future wind production and production from new photovoltaic plants which are not as yet connected

Feeding of consumption centres in distribution networks

- In the Setúbal Peninsula, the second 150 kV connection between Fernão Ferro and Trafaria substations.
- Increase of transformation power at several substations including the Tábua, Lavos, Sines, Recarei and Zambujal substations and autotransformation at the Zêzere substation.

Reinforcement of the interconnection capacity between Portugal and Spain

- In order to reinforce interconnection capacity between Portugal and Spain, more specifically the import capacity, a new 400 kV interconnection link in the Minho region, connecting the future Ponte de Lima substation, on the Portuguese side, to Fontefría substation on the Spanish side.

Refurbishment and replacement of equipment and systems at the end of working life

- In addition to RNT development investment, several modernization projects are also underway for transmission grid assets. This involves refurbishing and replacing high and very high voltage equipment at substations, protection, automation and control systems, power transformers and overhead lines. These assets are at the end of their working life.

Transmission System Development and Investment Plan 2018-2027 (PDIRT 2018-2027)

In accordance with the procedure to draw up the Electricity Transmission Network Development and Investment Plan, (PDIRT), provided for in legislation in force, REN prepared the proposal of the National Transmission Network Development and Investment Plan for the period 2018-2027 (PDIRT 2018-2027), which was sent to the Directorate General for Energy and Geology (DGEG) for analysis in March 2017.

After analysing the document, DGEG sent REN a series of comments with a view to introducing a number of adjustments to the initial proposed PDIRT version. As a result, REN prepared a new version of the plan taking DGEG's findings and remarks into consideration, and resubmitted the revised version of PDIRT 2018-2027 in June 2017. DGEG then sent the said proposal to the Energy Services Regulatory Authority (ERSE), who is responsible for holding a public hearing on PDIRT (which was started on 15 February 2018).

In this planning cycle, REN gave a presentation on the proposed PDIRT 2018-2027 at the Commission for the Economy, Innovation and Public Works at the Portuguese Parliament on 28 March 2017.

Projects of Common Interest for Electricity (PCI)

After the submission of applications in January 2017, in November, the 3rd List of European Union Projects of Common Interest (PIC) was approved by the European Commission (with the corresponding publication as delegated regulation taking place after confirmation by the Council and the European Parliament in 2018). The Portuguese projects with references "2.16.1" and "2.16.3", relating to the integration of new hydro power plants in the north of Portugal, and "2.17" relating to the increase in interconnection capacity between Portugal and Spain, had their PCI status renewed as they had already been included in the 1st and 2nd PIC lists in 2013 and 2015, respectively.

4.2.3 NETWORK CONNECTIONS

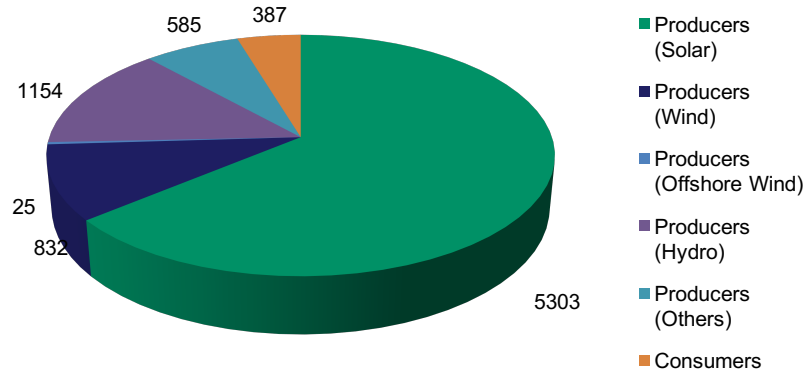
With respect to Public Service Power Networks (RESP), REN is responsible for coordinating the connection and integration processes of both existing and new consumer and producer facilities to the National Transmission System (RNT), so as to ensure the safety and quality of service of the RNT and the effective integration of renewable energy sources into the National Electricity System. This activity focuses on the following different areas:

- The planning of reception capacity for new production, as well as the necessary network upgrades and the definition of technical connection requirements for producer facilities;
- The preparation of technical requirements for production facilities with new technologies;
- The definition of technical connection conditions and the execution of integration studies for VHV clients with a high level of reliability requirement in the feeding of electrical power and quality of service;
- The development of projects, the planning of work, the execution of work under the responsibility of REN and the monitoring of work under the responsibility of the promoters to be integrated into the RNT;
- The participation and monitoring of inspections plans and of the execution of network connections;
- The definition of telecommunication and protection, automation and control systems;
- The definition of metering systems and interface systems with the markets and the operational control of the execution of this operation through the dispatch control centres;
- The definition of technical adaptations to the RNT arising from the specific needs of production or consumer facilities already connected to the network;
- The forecasting of the amount of produced energy and the resolution of congestion management problems in the production of electrical power required to satisfy demand;
- The elaboration of technical opinions for promoters and compatibility opinions for production infrastructures with existing and future RNT activities and areas.

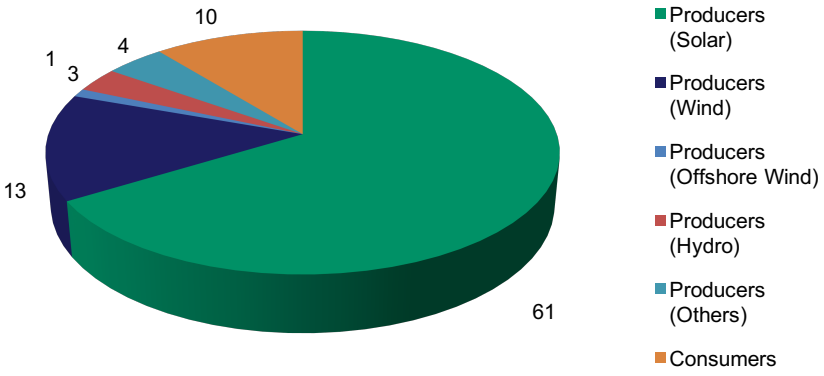
The following graphs provide a summary of REN's activity in 2017 for new processes and processes underway regarding requests for connection points to the RNT, identifying the number of connection requests and their corresponding power (MW) by type of installation and source

RNT CONNECTION PROCESSES

NUMBER OF CONNECTION REQUESTS UNDERWAY



POWER OF THE CONNECTION REQUESTS (MW)



In 2017, the construction of the first photovoltaic plant to be connected to the RNT at 150 kV to the Ourique substation was inaugurated in a ceremony attended by Dominique Ristori, the European Commission Director-General of Energy. The production licence (establishment) was granted by DGEG in August 2015 and the energy produced by this facility will be sold in the market. In a pioneering move with DGEG's approval, the technical requirements for this photovoltaic plant have been developed in line with the new European network connection code EU 2016/631 (requirements for grid connection of generators) and which are now being implemented.

In 2017, after the award confirmation by the respective promoters, REN also started work on the design and construction of three line bays to connect new photovoltaic plants. This work involves one 200 MW bay to be connected at 400 kV to the Tavira substation, one to the Ourique substation at 150 kV and a further 150 kV bay to the Falagueira substation. In the latter case, three photovoltaic plants totalling 50 MW will then be connected to the 150 kV bay through an intermediate collection substation, this one belonging to the producer. With the agreement of DGEG, the technical requirements for these photovoltaic plants have been developed in line with the new European network connection code EU 2016/631.

In 2017, as output of the Working Group promoted by the DGEG (set up in 2016) to implement a contract signed between the Portuguese State and EDP Renováveis to connect a new series of wind farms to the RESP with a total of ca. 200 MW, under Ministerial Implementing Order

No. 133/2015 (relating to production with guaranteed remuneration), the conditions to connect two wind farms to the RNT were defined, with a total power of around 150 MW. The construction works of one of these farms have already started.

With regard to consumer connection, of particular note is the planned development of the national railway network, including the Sines – Caia freight train line. This national railway network development will require the construction of a minimum of three traction substations connected to the RNT. Infraestruturas de Portugal has already requested technical-commercial bids for the design and construction of the electrical connection infrastructures required to supply power to these traction substations. Contract work has already been awarded for the electrical feed from the 150 kV Vila Fria substation in the Nine / Valença – Fronteira stretch of the Minho railway line.

19,799 MW

CONNECTED POWER TO RESP AT 31 DECEMBER 2017

A further highlight in relation to consumer connection, after favourable information from ERSE and the Distribution Network Operator (ORD), was the awarding for the first time, of the project to change the feed voltage level for an industrial client, currently connected at 60 kV to the National Distribution Network (RND), to the 220 kV Vermoim substation in the RNT.

With regard to network connections, in 2017 in collaboration with DGEG, work was started with the DSO and ERSE in the process to implement three new European network connection codes. These are (i) network code on demand connection (EU 2016/1388), (ii) network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU 2016/1447) and (iii) network code on requirements for grid connection of generators (EU 2016/631).

Also in 2017, in relation to network connections, the first amendment to the Commercial Relationship Code for the Electricity Sector was approved by ERSE and published in the Portuguese Official Gazette through Regulation No 632/2017.

Finally, on 31 December 2017, the power connected to RESP totalled 19,799 MW. Power from large hydro plants stood at 6,783 MW while the remaining renewable power from other soucers was 6,614 MW.

4.3 NATURAL GAS

4.3.1 OPERATION

Quality of Service

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

GENERAL QUALITY OF SERVICE INDICATORS FOR REN GASODUTOS	
Average No of interruptions per output point	0
Average time of interruptions per output point	0 minutes
Average duration of interruption	0 Minutes

Notes:

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

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

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

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

The aggregate indicator for the frequency of incident occurrence per year per 1,000 km of high-pressure transmission infrastructure for 2017 stood at 1.45, based on the total exposure time of the infrastructure. Considering only the last 5 years it is 0.291. The value of the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.177 for the last five years.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ARMAZENAGEM	
Compliance with nominations for natural gas withdrawal	99,9%.
Compliance with nominations for natural gas injection	99,6%.
Compliance with energy storage	100%.

Notes:

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

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

Compliance with energy storage: determined based on the mean square error between nominated and real energy values resulting from the total requests by the users of both injection and withdrawal of gas

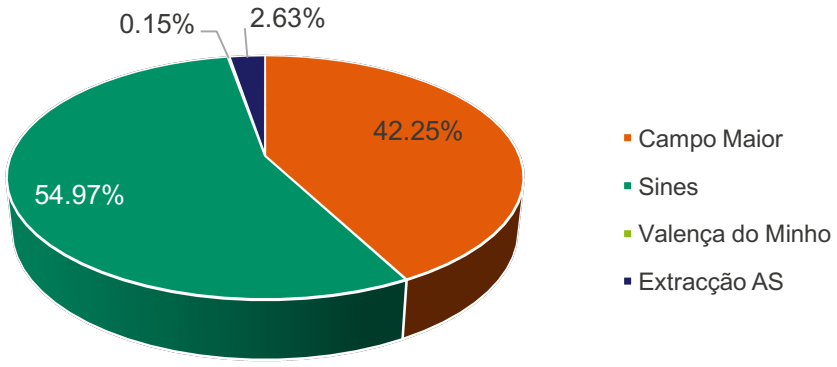
With regard to the unavailability of the REN Atlântico infrastructure, in 2017, only 2 hours 15 minutes of stoppage time was recorded, all of which was due to external causes (electrical power failures). Therefore, the availability of this facility was 100.00%.Internally, 54,124 hours of work were carried out and zero accidents took place. Internally, 56,774 hours of work were carried out and zero accidents took place.

With regard to sub-contracted workers, 74,924 hours of work were carried out with zero accidents.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ATLÂNTICO	
Compliance with commercial service (nominations)	100.0%
Injection of natural gas into the network (injected/requested)	99.57%
Availability of facility	99.97%

System Operation

In 2017, intakes of natural gas into the infrastructure operated by the RNTGN concessionaire were mostly from the REN Atlântico Sines Terminal (54.9%). Intakes by Campo Maior through the interconnection with the Magrebe gas pipeline which supplies Portugal with gas mainly from Algeria accounted for 42.3%. Grid input points via underground storage and Valença do Minho were equivalent to 2.6% and 0.1% of total intake into the national system, respectively. The following graph shows the weighting of intakes into the system:



In 2017, the 70,989 GWh (around 5.97 bcm) transmitted through the RNTGN included high-pressure national consumption, with a total of 68,153 GWh (5.73 bcm), the injection of natural gas into underground storage of 2,413 GWh and withdrawal of 422 GWh (0.35 bcm) natural gas for Spain through the Valença do Minho - Tuy interconnection.

With regard to the use of system capacities, in 2017 the maximum daily entry figure for the RNTGN through the Badajoz - Campo Maior interconnection was 142.1 GWh (0.012 bcm) recorded on 3 June, and 199.5 GWh through Sines on 2 August.

With regard to the interface with underground storage, maximum daily withdrawal reached 72.8 GWh on 21 December while injection reached 28.1 GWh on 29 December.

With regard to system management of the infrastructures in the National Natural Gas System (SNGN), in 2017, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities in the SNGN, also involving the operator of the interconnected network. Of special note: (i) operations limited due to PIG inspection as well as work on the RNTGN infrastructure arising from abnormalities detected in the high-pressure transmission line; (ii) operational support for the Spanish system in the supply of natural gas to Galicia in the months of July to October and December through the transfer of gas from Portugal to Spain at the Valença do Minho interconnection. It should be noted that all this work was undertaken so as to avoid any impact on the normal operation of the natural gas market.

After the implementation on 1 October 2016 of Regulation No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks, 2017 was a period of stabilization with respect to the new rules in this code. As a result of this new situation, offsetting actions were carried out through the GTG, more specifically through the purchase in auction of 42 GWh of operation gas.

Market Operation

With the implementation of the Network Code on Gas Balancing in the last quarter of 2016, infrastructure users now play a more important role in network balancing as, in accordance with these new rules, they are responsible for maintaining a permanent balance in their input and output to the transmission network. To this end, they are required to use the Mibgás gas transaction platform to acquire gas to overcome shortages or sell excess gas which, due to the unpredictability of consumption, they may have in the infrastructure. Mibgás was appointed as the Portuguese operator of the organized market in Portugal and is now particularly important in this new situation with regard to network offsetting.

In accordance with the new code, the System Manager is required to act to balance the network only when necessary. As Mibgás did not start its operations in Portugal, to carry out balancing, the System Manager used an auction mechanism determined by ERSE during this transitional period.

In 2017, the System Manager held seven auctions to purchase a total of 42 GWh of balancing gas. Demand was met at all auctions and the price achieved was lower that the reserve price set by the System Manager. Purchase prices were between € 18.51/MWh, in the 7 June auction and € 19.57/MWh seen on 4 May. With regard to market agents qualified to operate in high-pressure infrastructure, 2017 ended with a total of 18 active suppliers in the SNGN. Contributing to this number were two new market agents starting up and four which ceased operations.

With regard to the function of Manager of the Process for Changing Supplier (GPMC), Law No 42/2016 of 28 December approving the state budget for 2017 was published. Although Article 172 of this law provides for the setting up of the Logistics Operator for Changing Supplier (OLMC) in the national electricity system and natural gas system, this process continued normally through the e_Switch platform which carries out the work of the GPMC, operating under the OLMC. This function was carried out during the transition process by REN Gasodutos, S.A, in compliance with the Regulations on Commercial Relations (RRC), applicable to the natural gas sector.

With the publication of Decree-Law No 38/2017 of 31 March - establishing the legal regime applicable to the activity of the OLMC and appoints the Energy Agency (ADENE) to fulfil this role - work was carried out to transfer the e_Switch platform to the OLMC .

A summary of GPMC activity in 2017 is given below:

- The total number of clients registered at the end of 2017 stood at 1,456,000 with more than 79% of the national total in the free market regime. This is an increase from the 76% of 2016 of 65,936 clients;
- In relation to consumption, of note was that in December, the corresponding free market value stood at 97% of all demand in Portugal;
- In 2017, taking into account the main flows in the switching process, 244,513 requests were successfully concluded. Average weighted conclusion time was five days, lower than the reference target (15 days).

Under the process for the automatic allocation of the social tariff laid down in Ministerial Implementing Order No 178-C/2016, in compliance with the State Budget Law 2016, where the GPMC liaises between the Operator of the Network Injection Interconnection Point (ORPE) and the Directorate-General of Energy and Geology (DGEG) and, in accordance with the execution of the last quarterly process mentioned above, the allocation/continuation of the social tariff for more than 34,000 end users was recorded. This corresponds approximately to 2.4% of all injection points in mainland Portugal and represents a decrease over figures for the same period in the previous year.

Supply Security (Regulation EU No 994/2010)

With respect to supply security and RNTIAT planning, final reports were drawn up on the Assessment of Risks Affecting Natural Gas Supply Security in Portugal, on the Preventive Action Plan and on the Emergency Plan. This ensured compliance with the provisions of Regulation No 994/2010 and Decree-Law No 231/2012. The documents prepared in 2016 were discussed with the competent authority, the DGEG, in the first semester of 2017. They were later adapted after comments made by sector stakeholders during the public hearing, and after receiving the final opinion from the European Commission.

On a European level, REN took part in the process to review Regulation No 994/2010, both through representation on ENTSOG as well as by collaborating with the Directorate-General of Energy and Geology (DGEG) on the Gas Coordination Group (GCG). On 25 October 2017, the new Regulation No 1938/2017 was published, repealing Regulation No 994/2010. This Regulation sets out the new provisions which seek to ensure gas supply security in the European Union. Based on the guiding principle of solidarity among Member States, the new regulation reinforces the role of regional cooperation in gas supply security, allowing agreement on suitable trans-border measures. During the process to identify the most important risk scenarios on a European level, the risk groups provided for in the regulation were established. Portugal was included in the risk group with Algeria and Norway.

Network Operation (REN Gasodutos)

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

1. Metering systems, with the installation of ultrasound counting systems and replacement of flow computers;
2. Development of Remote Data Transmission Units (RTUs) to allow the future integration of IP technology and remote access to these terminals;
3. Installation of new gas quality chromatograms to allow improved determination of NG characteristics as provided by the RNTGN.
4. Implementation of a new control concept for the odorization system so as to make use of the pre-odorized NG received by Campo Maior;
5. Integration of the Linear and Mobility module into the MAXIMO maintenance tool to provide greater efficiency in infrastructure maintenance and operation processes, also allowing future integration with PIMS - Pipeline Integrity Management System;
6. In 2016, REN-Gasodutos concluded the implementation of an Integrity Management System for its pipelines (PIMS - Pipeline Integrity Management System). As a vital part of the Asset

Management System methodology, the inventorying and digital recording was carried out for all existing data on gas pipelines in the RNTGN. The PIMSlider programme was also introduced to provide decision support, allowing the optimized and efficient management of infrastructure security in compliance with the National Natural Gas Transmission Network Regulation No 142/2011, and in line with best European practices in the sector.

Operation of the Sines LNG Terminal

With regard to operations, the LNG Terminal received a total of 42 ships in 2017 (41 unloading and one cooling operation), corresponding to total unloaded energy of 40.2 TWh and issue of 39.0 TWh to the network. In the same period, 5,241 tankers were loaded, of which 1,502 were for the Island of Madeira, corresponding to total energy of 1.53 TWh.

The maximum daily issue from the terminal into the network was on 2 August, with a total of 199.1 GWh.

REN Atlântico carried out six audits, all with positive results. Three of these audits were under the SEVESO Directive (two internal and one external by the Portuguese Environmental Agency - APA) and three audits under the verification of the Integrated Quality Environment, Safety and Health in the Workplace System (SIGQAS) (Renovation of the SIGQAS certification, third party audit under the APS concession contract and one internal audit under the monitoring of service quality).

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

Operation of REN Armazenagem

In 2016, the following aspects were of note in Underground Storage:

1. Commissioning of the 1st stage of the Compression System Upgrade;
2. Maintenance of the compressors and motors in the compression unit;
3. Inspection of the RENC-1, RENC-4 and RENC-5 caverns;
4. Inspection of production tubing of the RENC-1, RENC-3, RENC-4 and RENC-5 caverns;
5. Cleaning of triethylene glycol from the auxiliary circuits in the gas dehydration unit.

With regard to the use of underground storage, total natural gas movement was 4,287 GWh, broken down into 1,873 GWh of withdrawals and 2,413 of injection.
Overall own consumption by the Gas Station in 2017 corresponded to 15 GWh.

At the end of the year, compared with 2016, the following balance of stocks was seen:

NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[5]

AT 31 DECEMBER 2016	AT 31 DECEMBER 2017	VARIATION 2017/2016 (ENERGY)
1,848	2,374	+28%.

AVERAGE DAILY LEVEL OF NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[6]

2016	2017	VARIATION 2017/2016 (ENERGY)
1,358	2,080	+53%.

At 31 December 2017, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

INFRASTRUCTURE CAPACITIES (GWH)

	2017	2016
Maximum capacity	3,967	3,967
Effective maximum capacity after technical restrictions	3,570	3,570
Commercially available capacity	3,570	3,570
Cushion gas	2,381	2,381

Notes:

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

- Maximum capacity: total capacity minus the cushion gas volume;

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

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

[5] The figures indicated do not include cushion gas
[6] The figures indicated do not include cushion gas

4.3.2 INVESTMENT

RNTIAT DEVELOPMENT AND INVESTMENT PLAN (PDIRGN)

During the first quarter of 2017, REN prepared the draft Development and Investment Plan for the National Transmission Network, Underground Storage Facilities and LNG Terminals (RNTIAT), which was submitted to the DGEG on 31 March After receiving the DGEG notice with the respective comments, REN sent a new revised plan on 12 June. This draft plan was submitted to a public hearing held by ERSE, which started on 29 December.

In this planning cycle, REN gave a presentation on the proposed PDIRT 2018-2027 at the Commission for the Economy, Innovation and Public Works at the Portuguese Parliament on 28 March 2017.

With the aim of improving the perception and clarity of the proposed PDIRGN 2018-2027 among the different stakeholders, more specifically with regard to the framework and motivation behind the different projects presented therein and corresponding decision procedures, REN reformulated the portfolio of projects in the plan, separating Base Projects and Complementary Projects. The Base Projects represent investment of 45 M€ from 2018 to 2022, and the Complementary Projects account for investment of 141 M€ from 2018 to 2027.

After registering the projects applying for the status of PCI – Project of Common Interest, in the third list of the European Union in the Ten-Year Network Development Plan (TYNDP) in 2016, the respective assessment took place in 2017. On 23 November 2017, the project for the 3rd interconnection between Portugal and Spain saw its PCI status renewed.

With the goal of improving the coordination of interconnections in the electricity and natural gas sectors in the Southern Region (Portugal, Spain and France), REN once again in 2017 took part in High Level Group (HLG) meetings. This group was formed by the European Commission in 2015, and consists of representatives from the Commission, Competent Authorities, Regulators and System Operators (TSOs) from all three countries.

REN Gasodutos

As part of RNTGN projects, in 2017 REN Gasodutos concluded the following:

- Supply and installation of a new Metering Unit for the Navigator PRM;
- SCADA Upgrade at the Monforte and Cantanhede Stations;
- Installation of flow control systems at the Palmela and Coimbra stations;
- Upgrade of metering chains, with ultrasonic replacements;
- Inspection of seven gas pipelines with a smart pig to check infrastructure integrity;
- Upgrade of NG temperature control systems at stations;
- Odorization System Integrated Project at 26 stations;
- Installation of the 2nd filtering line and heat exchangers at 15 stations;
- Replacement of RTU robots and flow computers at the end of working life.

With regard to IT infrastructure supporting system management and in response to the need to comply with changes in national and European regulations, as well as in relation to the IT efficiency and security of the respective processes, REN Gasodutos made several investments. Of note among these investments were:

- Upgrade to hardware and software assets in the system for Access by Third Parties to the Network, introducing updates to existing software and acquiring new modules for the processing and control of IT data processing and security.

- Upgrade to hardware and software assets in the simulator, ensuring the quality and continuity of the services provided and introducing greater application flexibility with respect to access and security.
- Development and automation of the processes inherent to market operation and system management, resulting from the application of European network codes. Of note was the automation of interface processes with the capacity contracting platforms, with Distribution Network Operators, Market Agents and processes to provide information to internal and external entities.

Total investment in 2017 was 5.5 M€.

REN Armazenagem

In 2017, REN Armazenagem made a series of investments with a view to ensuring supply security and the availability capacity of natural gas storage. This included:

- Installation of a ring pressure supervision system at the six caverns;
- Sonar inspection at two caverns to verify the integrity of infrastructure, in accordance with Article 64 of Ministerial Implementing Order No 181/2012.
- Inspection, by smart tool (PIG) of four gas pipelines connecting caverns to the Carriço Gas Station to check infrastructure integrity;
- Installation of an H2S analyser at every cavern.

Total investment in underground storage in 2017 was 1.1 M€.

REN Atlântico

In 2017, REN Atlântico concluded the following investment projects:

- Installation of a cathode protection system for concrete structures on the Jetty and SWI;
- Replacement of tube insulation at the end of working life.
- Installation of a fire extinguisher system in the compressor shelter;
- Improvement of the lighting system with replacement of lights at the end of working life;
- Installation of a compressor monitoring system.
- Improvement of the Terminal fencing with replacement of fences at the end of working life and an increase in the level of facility security;
- Metallization of vaporizers;
- Anti-corrosion protection of tubing and equipment to ensure system integrity.

In total, REN Atlântico invested 4.1 M€.

4.3.3 REN PORTGÁS DISTRIBUIÇÃO

4.3.3.1. Operation

In 2017, REN Portgás Distribuição transported 7.2 TWh of gas in the three districts in its concession area: Porto, Braga and Viana do Castelo.

Gas distributed increased 1% over figures for last year, corresponding to a further 92 GWh, resulting from an increase in supply points.

The large consumer segment (above 10,000 m^3/year) accounted for 85% of gas provided through the distribution network, corresponding to 6.1 TWh, 5,8 TWh of which were metered by daily telemetering.

Gas consumed by the free market represented 96% of all gas provided, broken down among the 11 suppliers operating in the company's concession area.

The company ended 2017 with 352,786 supply points, 13,774 more than at the end of the previous year, as a result of the ongoing efforts for creating infrastructure and adaptation of buildings allowing them to use natural gas.

Supply points essentially consist of residential and small services customers connected at low pressure. Large-scale consumers represent only 0.5% of all supply points.

In 2017, around 64,000 operations were carried out at supply points, most were related to activation and deactivation (62%), followed by supply interruption and reconnection (19%) and inspections motivated by change in ownership (19%).

Furthermore, there were 5,975 gas emergency call-outs, constituting an increase of 11% over 2016. This was a result of the adverse weather see in December 2017, where 1,003 call outs were recorded as against 433 in December of the previous year. Without this extraordinary effect, the number of call-outs would have been identical in the last two years, meaning a decrease in the number of interventions per supply point.

4.3.3.1. Investment

The company invested 21.8 million euros last year, including 0.7 million euros by clients, resulting in net investment of 21.0 million euros, 1.9 million euros less than in 2016.

Investment in the distribution network was 11.6 million euros, 2.3 million euros less than in 2016, resulting in an increase of 154 km in the secondary network and 7,044 more branch lines.

Efforts to capture new supply points resulted in investment of 7.9 million euros, 1.0 million euros more than in 2016. Natural gas interior supply was provided for 11,059 dwellings, while 2,076 dwellings were adapted and around 22,000 meters were placed or renewed.

0.6 million euros was also invested in other areas such as in the modernization of IT systems.

The company continued its policy of capitalizing staff costs and structure costs associated with work underway. In 2017, 1.7 million euros was capitalized, in line with the figure for 2016.

4.4 BUSINESS DEVELOPMENT

During 2017, the Business Development Department had a major contribution for the achievement of the goals determined in REN's 2015-18 strategic plan. More specifically, this relates to the diversification of revenue sources and growth of REN's business through the investment in domestic and international projects.

In 2017, REN maintained its business development effort, with particular emphasis on the following:

i. Analysis and execution of two investment projects, representing a total investment of approximately 700 million euros.

ii. Ongoing assessment of different markets with a particular focus on Pacific Alliance countries, namely Chile, Peru, Mexico and Colombia, but also other strategic geographies for REN's international expansion, such as Europe and Africa.

iii. Ongoing origination activity of business opportunities and establishment of relationships with potential partners through the regular presence of REN's teams in the abovementioned markets.

Regarding REN's Business Development concrete milestones, we would like to highlight the following:

INVESTMENT PROJECTS

- Acquisition of 42.5% of the share capital of Electrogas, a company which operates a 166 km natural gas pipeline in Chile's central region, from ENEL Generación Chile, for 180 million USD;
- Acquisition of 100% of the share capital of EDP Gás and its subsidiaries EDP Gás Distribuição, S.A. and EDP Gás GPL from EDP Iberia, S.L.U., for 532 million euros. EDP Gás operates the second largest gas distribution network in Portugal with 4,760 km of pipeline and approximately 349,000 connection points, as of September 2017. On 31 December 2016, the regulated asset base of the company was 451.6 million euros and its EBITDA reached 48.5 million euros;
- Development of contacts to establish partnerships for co-investment in Chile and Peru.

ENGINEERING CONSULTANCY

Engineering services are commercially promoted by the Business Development Department with the specialized technical assistance of REN's operational engineering teams. REN would like to highlight the following activities :

- Participation in the Eastern European consultancy market with the provision of services to GSE (Georgia's TSO);
- Provision of supervisory services in Portugal, particularly in construction projects of very high voltage lines connecting power plants to the national grid;
- Provision of engineering consultancy services in Portugal to industrial clients connected to the National Grid;
- Active consultancy origination efforts through several meetings with entities in Portugal and abroad to promote and inform on REN's range of consultancy services;
- Assessment of potential partnership agreements with international entities able to provide engineering consultancy services complementary to those offered by REN.

In 2018, REN will continue to develop its international activity in the areas of investment projects and engineering consultancy, seeking to:

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

4.5 OTHER BUSINESS

4.5.1 ELECTROGAS

On 7 February 2017, REN concluded the acquisition of 42.5% of the share capital of Electrogas, S.A. for 180 million USD. With this acquisition, REN has achieved one of the main goals defined on its 15-18 strategic plan, namely the completion of an international investment project.

Electrogas owns and operates a natural gas transmission system located in central Chile consisting of two main gas pipelines which interconnect the Quintero LNG terminal to the Santiago metropolitan area, to a feed line for thermoelectric power stations and refineries, and to the GasAndes gas pipeline, which runs between Chile and Argentina.

The remaining shareholders in Electrogas are Colbún S.A. (42.5%) and the Empresa Nacional del Petróleo (ENAP) (15%), a company wholly owned by the Chilean State. The relationship between the parties is governed through a shareholders' agreement.

REN financed this acquisition through the issue of commercial paper, fully guaranteed through available long-term credit lines.

This acquisition is part REN's strategic plan which sets out international expansion as one of the main growth drivers. Entry into Chile will allow REN to expand its paths to growth and diversify business risk, thus reducing dependence on the domestic market.

REN aims to put the operating experience gained in the management of the natural gas transmission network in Portugal to use in the Chilean market, where the energy sector has significant growth potential. REN considers Chile as a strategic target market due to its solid historical economic indicators and its political, legal and regulatory stability.

As an infrastructure that stands out in the region, the Electrogas gas pipeline is vital for supplying the power plants which provide energy for central Chile as well as the natural gas distribution companies in the Santiago and Valparaíso region. The gas pipeline is reversible, allowing both the export and import of natural gas with Argentina, a country which borders with Chile.

The company's main clients include important power generating companies (ENEL, Colbún and AES Gener), industrial companies (ENAP) and natural gas distributors (Metrogas and GasValpo).

The Electrogas business model is based on solid Take-or-Pay contracts without volume and price risk, with an average maturity of 13 years.

The Electrogas infrastructure for gas transmission is on average 17 years old and was designed and built in accordance with international engineering standards and good practices. The most relevant infrastructures are:

- Chena (Santiago) - Lo Venecia (Quillota) gas pipeline, 123 km in length and between 24” and 30” in diameter.
- Lo Venecia - Quintero gas pipeline, 28.5 km in length and 24" in diameter.
- El Maqui - Colmo line, 14.05 km in length and 16" in diameter.
- 10 switching and branching stations.
- 12 custody transfer stations.
- Dispatch centre in Quillota.
- SCADA and gas metering systems.
- Cathode protection system.

On average, Electrogas transmits 2.7 to 3.1 BCM of natural gas per year. The main centres of consumption are the Santiago do Chile metropolitan region, the Valparaíso region, power plants in the Quillota region and refineries in Concón (Valparaíso).
The level of service is considered to be very good, and no supply interruptions were recorded in 2016. All performance indicators are in line with those of European TSOs.

Electrogas also operates an oil pipeline, with 20.5 km in length and 8” in diameter, which transports diesel between refineries in Concón and power plants in Lo Venecia (city of Quillota). These plants use natural gas as the primary fuel and diesel is used as a support fuel in the case of interruption in the natural gas supply.

4.5.2 ENONDAS

EVOLUTION OF ACTIVITY

Financial year of 2017

In 2017, ENONDAS continued to attend promotional events where highlights included participation at conferences and forums on marine energy such as the WAVEC annual conference, the *BUSINESS2SEA* conference held by the Ocean Forum and the conference “Challenges of the Blue Economy for a Sustainable Future” held by the Green Project Awards (GPA) jointly with the Ministry of the Sea and the Port of Sines Administration (APS).

However, with the evolution of the study on the use of sea or sea located renewable energy sources to produce electricity and in light of Council of Ministers Resolution No 81-A/2016, and more recently Council of Ministers Resolution No 174/2017, work planned for 2017 was suspended.

With regard to commercial activity, ENONDAS has maintained contacts with potential clients and sector companies with the aim of keeping their interest active in the Portuguese Pilot Zone.

Main investments

In light of Council of Ministers Resolutions Nos 81-A/2016 and 174/2017, investment in 2017 was zero.

Outlook for 2018

In accordance with Council of Ministers Resolution No 174/2017 of 24 November 2017, evolution is awaited with regard to the Industrial Strategy for Marine Renewable Energies (EI-ERO), in the Action Plan for marine Renewable Energies.

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

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

RELEVANT FACTS TAKING PLACE AFTER THE END OF THE FINANCIAL YEAR

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

OTHER RELEVANT MATTERS

Environmental and Human Resources Issues

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

Company Aims and Policies with regard to Financial Risk Management

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

ECONOMIC AND FINANCIAL ANALYSIS

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

4.5.3 REN PORTGAS GPL

REN Portgás GPL, S.A. is a company distributing and selling propane gas which is wholly owned by REN Portgás Distribuição, S.A. This company was formed in 2008 as a result of the legal unbundling process for companies working in the distribution and sale of natural gas and complementary activities.

The business for the distribution and sale of propane came about because of its complementary nature to natural gas distribution, as when propane gas supply point clients were acquired, it allowed contracts to be established which could be later converted into natural gas contracts.

With the growing expansion of the natural gas distribution network and the change by consumers to this source of energy, the REN Portgás GPL, S.A. market has gradually contracted in recent years, while investment in new markets has stagnated.

This company's products include the distribution of propane gas in tanks and reservoirs (bulk), covering residential as well small and large services and industry consumers.

At the end of 2017, the company had 2,353 customers, 82% of which were in the residential market. It sold 749,000 m^3 of propane gas, with bulk users accounting for 98% of sales. Although small in numbers (29), the large client segment represented 31% of gas sold.

In 2017, REN Portgás GPL, S.A. turnover was 2.3 million euros and the gross margin was 1.4 million euros. Net income was 0.2 million euros.

REN Portgás GPL, S.A. operates in a highly dynamic and competitive market, which together with the gradual expansion of natural gas present significant challenges for the company along with the considerable pressure seen in the reduction of client numbers.

4.5.4 RENTELECOM

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

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

RENTELECOM works in various areas including the lease of fibre optics, data transmission services, data centres, maintenance, projects and consulting.

In another difficult year in the Information and Communication Technologies market, RENTELECOM recorded a slight drop in business (-6%). However, the company managed to maintain its focus on the corporate market (73%) and has reduced exposure to telecommunications operators (27%).

In the area of data centre services, RENTELECOM had a slight reduction in income (-2%), mainly due to the commercial discounts applied and planned for under existing contracts. However, it did reinforce its commercial activity which resulted in the signing of new contracts which will contribute to highly significant growth in this area of business in 2018.

In fibre optic lease, the company saw business increase by approximately 14% as a result of signing new contracts. In addition to these new contracts, current long-term contracts with international clients for Iberian networks ensure the continuity of results in this area of business in coming years. There is also reason to believe that a number of proposals in the pipeline will be successfuly in the near future.

With regard to circuit rental, significant growth was also seen (14%) as a result of new contracts which offset the termination of a number of older contracts.

Projects saw an expected reduction in the volume of business (-86%) due to the current trend to reduce new projects in the energy sector. Nevertheless, the company implemented two important contracts for telecommunications projects involving a hydro power plant and a natural gas combined cycle power plant, both in northern Portugal. RENTELECOM was also awarded a contract to implement the integrated telecommunications system for the first solar plant to be connected directly to the National Transmission Grid, and which will also be the first solar plant to operate in the market regime. This award further reinforces RENTELECOM's role as a supplier to the renewable energy sector, a role it wishes to develop.

4.5.5 REN TRADING

Power Purchase Agreement (PPA) Management

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

Managing the respective PPAs, REN Trading (RENT) acquires all the energy and anciliary services from the Pego and Turbogás Power Plants.

In 2017, the reduction in the QAC (Contractual Annual Amounts) was fulfilled, as agreed with GALP in 2016. The aim was to adapt the production of the power plant to the market's real needs, based on the conditions analysed at the time the decision was made. Electrical power is sold on the market mainly through the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE platform) and on the System Services market, operated by the System Manager. The company continued to actively participate in the System Services market with good overall results.

In addition to the Natural Gas Consumption Management Agreement (AGC) established with GALP Gás Natural, S.A., this work also requires the monitoring of fuels markets (coal and natural gas) and their respective indexes.

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

With regard to operating in the European market for emissions licences (ETS - Emissions Trading Scheme) there was active trading on the ICE (Intercontinental Exchange), the benchmark in carbon futures trading.

RENT is a regulated company and Allowed Operating Revenue is in line with the incentives achieved each year in accordance with the methodology laid down by the Portuguese Energy Services Regulator (ERSE) in Directive No 2/2014 of 3 January.

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

Company operating results in 2017 therefore correspond to the value calculated for the incentives, as defined by ERSE, which are as follows:

I_{CAE} – Annual value of the optimised management of PPAs Incentive from the Turbogás and Tejo Energia Power Plants; (limited to 3 M€, having reached 2.9 M€ in 2017, a provisional value to be approved by ERSE)

P_{AM} – corresponds to the annual value of the market suitability premium for PPA management (limited to 0.3 M€, fully reached in 2017, a provisional value subject to ERSE's approval)

The total value of incentives obtained in 2017 was therefore 3.2 M€ (provisional value to be approved by ERSE).

4.6 FINANCIAL PERFORMANCE

In October 2017, REN acquired 100% of the share capital in EDP Gás and its subsidiaries, EDP Gás Distribuição and EDP Gás GLP. As a result, the financial statements for 2017 have used the full consolidation method for the results of the last three months for the three gas distribution companies.

4.6.1 RESULTS IN 2017

In 2017, REN's net income was 125.9 million euros, an increase of 25.7 million euros (+25.7%) over the previous year. This growth can be mainly explained by the good performance of financial income which recorded an increase of 18.6 million euros (+23.3%), and the increase of 11.4 million euros in EBITDA (+2.4%).

It should be noted that in February 2017, REN acquired a 42.5% stake in Electrogas, a company operating in the natural gas transmission sector in Chile, which represented 6.0 million euros in the Group's EBITDA. Moreover, the acquisition of EDP Gás and its subsidiaries (hereinafter referred to as Portgás), generated EBITDA of 8.9 million euros in 2017.

In a similar manner to previous years, the results for 2017 reflect the continuation of the Extraordinary Levy on the Energy Sector (25.8 million euros in 2017 and 25.9 million euros in 2016).

Investment was 155.6 million euros, a drop of 9.3% (-15.9 million euros), while transfers to RAB grew by 4.6 million euros over figures for last year (+3.0%) to 158.8 million euros. The new gas distribution business contributed 6.3 million euros to investment and 10.0 million euros to transfers to RAB. Average RAB increased by 387.7 million euros (+11.0%), to 3.9247 billion euros, mostly impacted by REN Portgás Distribuição RAB (455.2 million euros).

With regard to financing, the average cost of debt dropped from 3.2% to 2.5%, as a result of the ongoing debt refinancing under more competitive conditions, in an increasingly favourable macroeconomic environment. Net debt was 2.7562 billion euros, an increase of 11.2% (+278.5 million euros) over the previous year. This evolution reflected the acquisition of a stake in Electrogas for 169 million euros and in Portgás for 530 million euros, partially offset by the capital increase (250 million euros) and recovery of tariff deviations (144 million euros).

Main Indicators (millions of euros)	**2017**	**2016**	**Var (%)**
EBITDA	487.5	476.0	2.4%
Financial income[7]	-61.2	-79.9	23.3%
Net income	125.9	100.2	25.7%
Recurrent net income	154.8	126.3	22.5%
Total Capex	155.6	171.5	-9.3%
Transfers to RAB[8] (at historic costs)	158.8	154.2	3.0%

[7] Financial charges of 0.5 million euros in 2016 and 0.6 million euros in 2017 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified as financial income to Revenue.
[8] Includes direct acquisitions (RAB related).

Main Indicators (millions of euros)	2017	2016	Var (%)
Average RAB (at reference costs)	3,924.7	3 537.1	11.0%
Net debt	2,756.2	2,477.7	11.2%
Average cost of debt	2.5%	3.2%	-0.7p.p.

OPERATING INCOME – EBITDA

Electricity and Natural Gas Transmission Business

In 2017, EBITDA in the transmission business was 478.6 million euros, a rise of 0.5% (2.5 million euros) over the previous year.

EBITDA - Transmission (millions of euros)	2017	2016	Var (%)
1) Revenues from Assets	450.5	451.7	-0.3%
RAB remuneration	208.6	214.9	-3.0%
Smoothing differences (gas)	0.6	-0.9	162.3%
Hydro land remuneration	0.2	0.3	-4.7%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Remuneration of fully amortized assets	21.8	20.8	5.0%
Recovery of amortizations (net of investment subsidies)	200.6	197.8	1.4%
Amortization of investment subsidies	18.0	18.1	-0.8%
2) Revenues from OPEX	104.1	98.6	5.7%
3) Other revenues	24.3	17.4	39.7%
4) Own work (capitalised in investment)	17.4	16.0	8.6%
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	131.5	155.2	-15.2%
6) OPEX	115.6	107.5	7.5%
Personnel Costs[9]	50.3	50.5	-0.4%
External Costs	65.3	57.0	14.6%
7) Construction Costs – Concession Assets	131.5	155.2	-15.2%
8) Provisions	1.2	0.0	n.m.
9) Impairments	1.0	0.3	303.2%.
10) EBITDA (1+2+3+4+5-6-7-8-9)	478.6	476.0	0.5%

Contributing to the positive evolution in EBITDA were:

[9] Includes costs for training and seminars and provisions for staff costs.

- Revenue from the 42.5% stake in Electrogas acquired in February 2017 (7.2 million euros; 6.0 million euros net of transaction costs);
- Higher revenue from opex (5.6 million euros) reflecting the 3.5 million euros increase in pass-through costs (of which +1.9 million euros in cross border costs), and the increase in LNG Terminal activity which led to higher electricity costs;
- Positive evolution of amortization recovery[10] (+2.6 million euros) in line with the increase in the gross regulated asset base.

These effects were partially offset by:

- A decrease of 4.9 million euros in the remuneration from regulated assets. This reduction reflected the drop of 8.6 million euros in remuneration from natural gas assets (including smoothing differences) affected by the decrease in the rate of return (from 6.7% to 6.0%) with the new regulatory period started in July 2016. In electricity, RAB remuneration increased 3.7 million euros due to the increase in the base rate of return (from 6.1% to 6.3%) following the positive evolution of 10Y Treasury bills..
- The 8.1 million euros increase (+7.5%) in opex, which reflected the increase of (i) 3.5 million euros in pass-through costs (non-core costs), and (ii) 4.7 million euros in core external costs, impacted by costs from the acquisitions of Electrogas and Portgás (3.3 million euros) and the increase in electricity costs at the LNG Terminal from the increase in activity (2.0 million euros), partially offset by the reduction of 0.2 million euros in personnel costs (-0.4%).

Natural gas Distribution Business

The acquisition of Portgás in October 2017 generated EBITDA (three months) of 8.9 million euros. The main factors contributing to this result were:

- RAB remuneration (7.1 million euros). The rate of return of distribution is greater than for gas transmission by 0.3 p.p.
- Recovery of amortizations (2.8 million euros).
- Revenues from opex of 4.1 million euros.

Contributing negatively were:

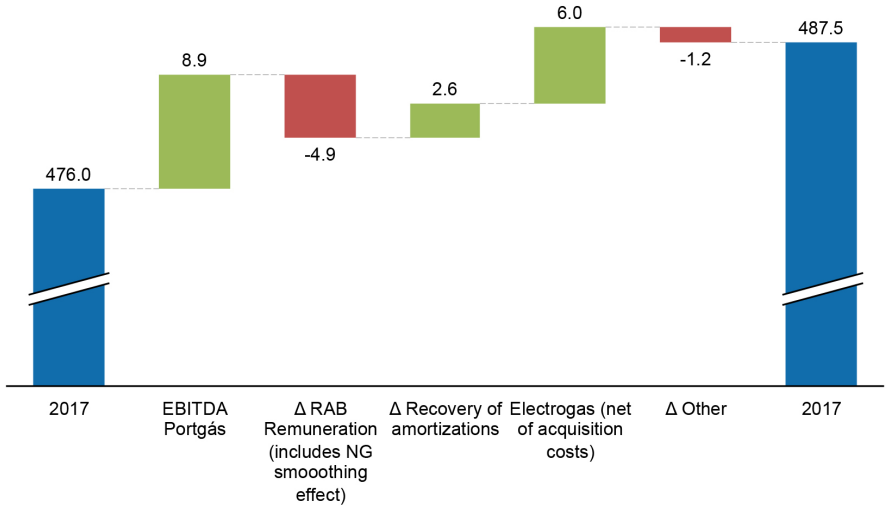
- Opex of 6.0 million euros, of which 1.5 million euros in personnel costs and 4.5 million euros in external costs. External costs include 1.0 million euros in pass-through costs.

EBITDA - Distribution (millions of euros)	**2017** **3 months**
1) Revenues from Assets	**9.9**
RAB remuneration	7.1
Recovery of amortizations	2.8
2) Revenues from OPEX	**4.1**
3) Other revenues	**0.3**
4) Own work (capitalised in investment)	**0.6**
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	**5.1**

[10] Including amortizations of investment subsidies

EBITDA - Distribution (millions of euros)	2017 3 months
6) OPEX	**6.0**
Personnel Costs[11]	1.5
External Costs	4.5
7) Construction Costs – Concession Assets	**5.1**
8) Provisions	**0.0**
9) Impairments	**-0.1**
10) EBITDA (1+2+3+4+5-6-7-8-9)	**8.9**

EVOLUTION IN EBITDA 2016-2017



NET INCOME

Net income stood at 125.9 million euros, an increase of 25.7 million euros (25.7%) over the previous year.

This growth was mainly due to:

- The positive evolution in **EBITDA** (+11.4 million euros), which benefited from the recognition of 7.2 million euros of earnings (6.0 million euros, net of transaction costs) referring to the Electrogas stake (acquired in February 2017) and the integration of Portgás in October (+8.9 million euros);
- The improvement in **financial income** (+18.6 million euros, +23.3%), reflecting the reduction of 0.7 p.p. in the average cost of debt, which dropped from 3.2% in 2016 to 2.5% at the end of 2017, despite the growth of 11.2% in net debt (+278.5 million euros), explained by the acquisition of Electrogas (169 million euros) and the acquisition of Portgás (530 million euros).

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

Excluding non-recurring items, the Recurrent Net Income grew by 28.5 million euros (+22.5%). Non-recurring items considered in 2017 and 2016 are as follows:

i) In 2017: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2017 (25.8 million euros); ii) one-off costs with Electrogas and EDP Gás acquisition (4.3 million euros, 3.1 million euros after tax)

ii) In 2016: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2016 (25.9 million euros); ii) costs from the Electrogas acquisition (0.3 million euros, 0.2 million euros after tax)

NET INCOME (millions of euros)	2017	2016	Var (%)
EBITDA	**487.5**	**476.0**	**2.4%.**
Depreciation and amortization	222.0	214.8	3.4%.
Financial income	-61.2	-79.9	23.3%.
Income tax expenses	52.5	55.3	-5.0%.
Extraordinary Levy on the Energy Sector	25.8	25.9	-0.5%.
Net Income	**125.9**	**100.2**	**25.7%.**
Non-recurring items	28.5	26.2	10.5%.
Recurrent Net Income	**154.8**	**126.3**	**22.5%.**

4.6.2 AVERAGE RAB AND INVESTMENT

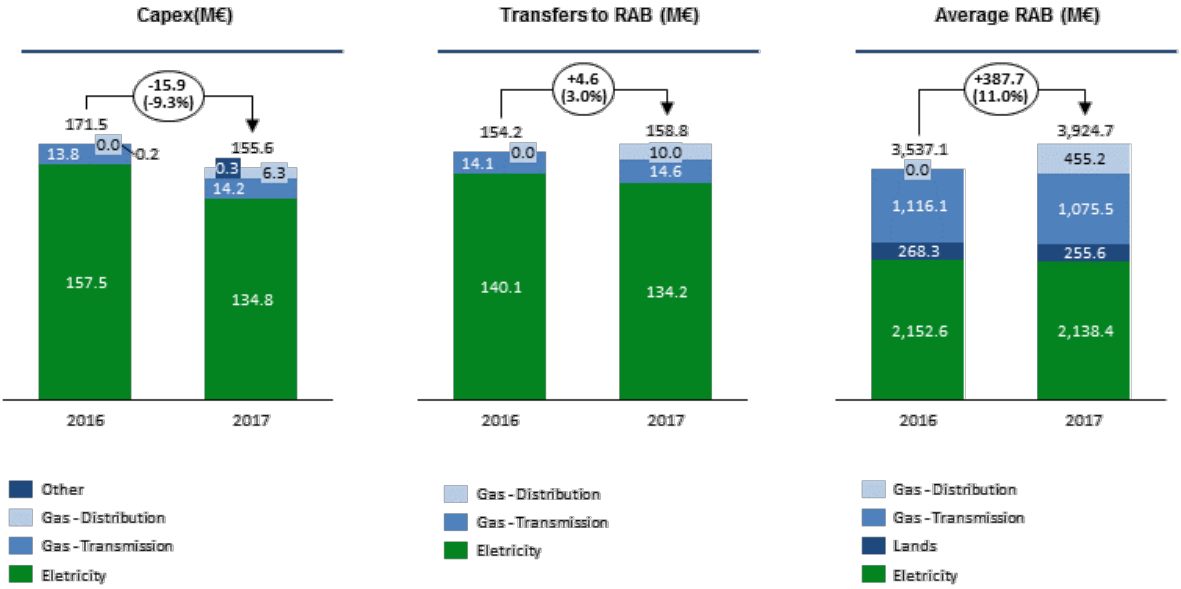
In 2017, investment stood at 155.6 million euros, recording a fall of 9% (-15.9 million euros) over figures for the previous year, and transfers to RAB were 158.8 million euros, an increase of 4.6 million euros (+3.0%).

In the electricity sector, investment fell 22.7 million euros (-14.4%) and transfers to RAB decreased by 5.9 million euros (-4.2%). Main projects include the new 400/60 kV Alcochete sub-station, to improve feed to consumers in the districts of Montijo and Alcochete (15.5 million euros), investment to modernize assets at the end of working life including the remodelling of lines: Batalha - Paraimo (13.9 million euros), Pêgo - Rio Maior (11.9 million euros) and Lavos – Rio Maior at 400 kV (11.3 million euros) plus the Foz Tua - Armamar 400 Kv line (10.4 million euros) to connect to the Foz Tua hydro plant. Also installed were three new transformers: one 150/60 kV at the Ourique sub-station, one 400/60 kV at the Alcochete sub-station and one 400/150 kV auto-transformer at the Tavira sub-station.

In the natural gas transmission sector, investment grew by 0.4 million euros (+2.9%), while transfers to RAB increased by 0.5 million euros (+3.4%).

In the natural gas distribution sector, investment for the last three months of 2017 was 6.3 million euros, with around 37% applied to capturing new supply points and around 44% in the expansion of distribution networks.

Average RAB stood at 3.9247 billion euros, an increase of 387.7 million euros (+11.0%) over figures for the previous year, influenced by the acquisition of Portgás (455.2 million euros in RAB). In the electricity sector, average RAB (excluding land) was 2.1384 billion euros (-14.2 million euros, -0.7%), of which 1,132.3 million euros in assets remunerated at a premium rate of return, while land reached 255.6 million euros (-12.8 million euros, -4.8%). In the natural gas transmission sector, average RAB was 1.0755 billion euros (-40.6 million euros or -3.6%).



INVESTMENT

In the electricity segment, investment was 134.8 million euros (-14.4%).

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

Special note should be given to investments in 2017 which included the new Alcochete sub-station (5.3 million euros) and the remodelling of numerous lines (51.5 million euros). A further 2.9 million euros was invested in new transformers, 1.8 million euros in reactive compensation (Feira sub-station) and 21.1 million euros in the remodelling of equipment, protection systems and automation and control at several sub-stations.

In the area of natural gas transmission, investment reached 14.2 million euros.

Among the most significant investments in 2017 by REN-Gasodutos were the following projects: Supply and installation of a new Metering Unit for the regulation and metering post (PRM), upgrade of the SCADA system at the Monforte and Cantanhede stations, installation of flow control systems at the gas metering and regulation stations (GRMS) of Palmela and Coimbra, adaptation of the metering chains through replacement with Ultrasound, inspection of seven gas pipelines using a smart tool (PIG) to check the integrity of the infrastructures, re-adaptation of the NG temperature control systems at the GRMS, integration of the Odorization System at 26 GRMS, installation of the 2nd Filtering Line and Heat Exchangers at 15 GRMS and replacement of Remote Control Units (RTUs) and flow computers at the end of working life.

In the case of REN-Armazenagem, investment in 2017 sought to reinforce supply security and the availability of natural gas storage. Highlights include the conclusion of the following projects: Installation of a ring pressure supervision system at the six caverns; sonar scanning of two caverns

to check infrastructure integrity, inspection of four gas pipelines connecting to the Carriço guidelines station using a smart tool (PIG) and installation of a hydrogen sulphate (H2S) analyser in every cavern.

In 2017, REN Atlântico concluded the following investment projects: Installation of a cathode protection system for concrete structures on the Jetty and SWI (Sea Water Intake); replacement of tube insulation at the end of working life; installation of a fire extinguisher system in the compressor shelter; improvement of the lighting system with replacement of lights at the end of working life; installation of a compressor monitoring system; improvement of the Terminal fencing with replacement of fences at the end of working life; an increase in the level of facility security and metallization of vaporizers and anti-corrosion protection of tubing and equipment to ensure system integrity.

In natural gas distribution, investment in the last three months of 2017 was 6.3 million euros. Of note was the investment in the network which stood at 2.8 million euros. The construction of around 1,926 branch lines accounted for investment of 0.5 million euros. Investment in supply points in the same period was 2.3 million euros, 2.1 million euros of which was to provide new buildings with their own infrastructure for the supply of natural gas and 0.2 million euros for the installation of meters.

MAIN PROJECTS UNDERTAKEN IN 2017

ELECTRICITY:		TRANSMISSION - GAS		DISTRIBUTION - GAS	
45,8M€	Remodeling of lines	**4,0M€**	Remod./Conservation [REN Gasodutos]	**2,8M€**	Networks
16,1M€	Remodeling of equipments and systems in several substations	**4,4M€**	Investments in Terminal	**2,3M€**	Supply points
6,9M€	Reinforcement of connection to distribution networks (Alcochete and Ourique)	**5,8M€**	Other projects	**1,2M€**	Other projects
6,1M€	Connecting power plants PNBEPH (FOZ Tua)				
2,0M€	Reactive compensation				
57,8M€	Other projects				

ELECTRICITY:	TRANSMISSION GAS:	DISTRIBUTION GAS:	OTHER:
134 8 M€	14,2 M€	6,3 M€	0,3 M€

GROUP'S INVESTMENT IN 2017: 155,6 M€

4.6.3 FINANCING AND DEBT

In 2017, the average cost of debt was 2.5%, a reduction of 0.7% YOY. This downward trend is in line with developments since 2013.

This reduction was possible as a result of the ongoing refinancing of debt under more competitive conditions in an increasingly more positive macroeconomic environment

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

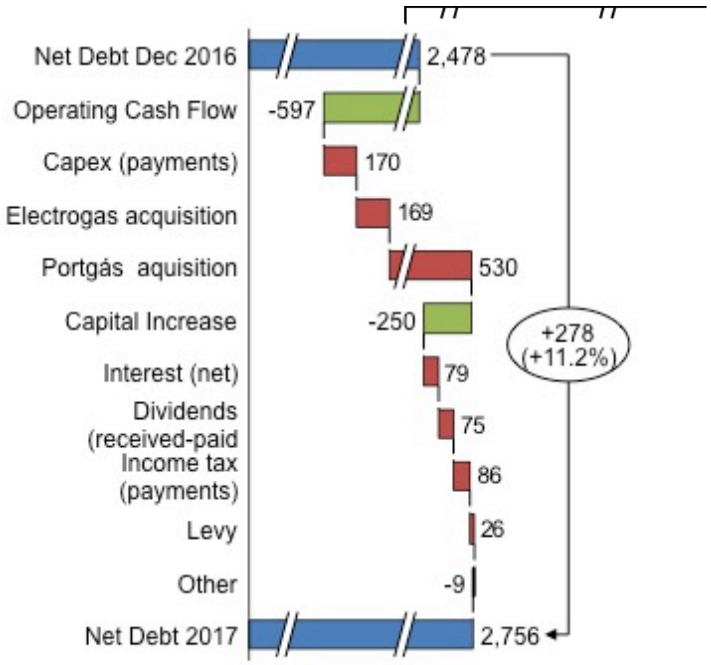
REN took advantage of this situation to continue to reduce its financial charges, with the aim of reinforcing its image of financial liquidity and solidity.

During 2017, the following financing operations were undertaken:

- In May, a bridge loan of 532 million euros with a banking syndicate to finance the acquisition of EDP Gás, with the aim of later refinancing through more structural source of funding, more specifically an increase in capital and a long-term bond issue.
- In October, a facility agreement was signed with the China Development Bank for 150 million euros, with maturity of seven years.
- In December, a credit opening contract was signed with Banco Comercial Português for 50 million euros with maturity of less than one year.
- Several commercial paper programmes and credit lines were also renegotiated with a total amount of 575 million euros.

The amount of funding operations negotiated in 2017 stood at approximately 1 307 million euros.

At the end of 2017, REN Group consolidated net debt stood at 2.756 billion euros. This is 278 million euros more than the previous year.



Financial Debt (millions of euros)			Variation	
IFRS	**2017**	**2016**	**ABSOL**	**%**
Gross debt	2,829.7	2,515.1	314.6	12.5%.
Minus hedging swaps	12.1	26.6	-14.5	-54.4%.
Minus cash and cash equivalents	61.5	10.8	50.7	469.1 %.
Net debt	**2,756.2**	**2,477.7**	**278.5**	**11.2%.**

Bond issues were the primary source of funding during 2017, representing 59% of total net debt, followed by bank overdrafts with a weighting of almost 34%.

Sources of financing [million euros] Capital owed			Variation		Relative weighting	
	2017	**2016**	**ABSOL**	**%**	**2017**	**2016**
Bond issues	1,43.50	1,73.50	-30	-1.8%.	58.5%.	67.3%.
Bank overdrafts	943.7	557.1	386.6	69.4%.	33.6%.	22.4%.
Commercial paper	220	253	-33	-13.0%.	7.8%.	10.2%.
Other	3.3	3.2	0.1	4.0%.	0.1%.	0.1%.
Total	**2,810.50**	**2,486.80**	**323.7**	**13.00%.**	**100.00%.**	**100.00%.**

Net financing costs fell by 17.8 million euros YOY, from 85.9 million euros to 68.1 million euros. This fall is largely explained by the re-financing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions. It is further due to the systematic renovation of opportunist financing operations of shorter maturity.

The average cost of gross debt in 2017 was 2.5%. This is 0.7% less than in 2016.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed rate debt represented 54.5% of total debt.

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

No changes occurred in the company's rating this year. At the end of 2017, REN's risk ratings with Fitch, S&P and Moody's were BBB (stable outlook), BBB- (positive outlook) + and Baa3 (stable outlook), respectively.

4.7
PROPOSED ALLOCATION OF NET PROFIT

According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A., in the financial year ended on 31 December 2017, the amount of 125,924,566.37 Euros (one hundred and twenty five million, nine hundred and twenty four thousand, five hundred and sixty six Euros and thirty seven cents) has been established as net income in the IFRS consolidated accounts, and the amount of 127,030,457.89 Euros (one hundred and twenty seven million, thirty thousand, four hundred and fifty seven Euros and eighty nine cents) has been established in the individual accounts, in accordance with SNC.

Considering the above and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2017, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 127,030,457.89 Euros (one hundred and twenty seven million, thirty thousand, four hundred and fifty seven Euros and eighty nine cents) be transferred as follows:

To the legal reserve: 6,351,522.89 Euros (six million, three hundred and fifty one thousand, five hundred and twenty two Euros and eighty nine cents); and

To retained earnings: 120,678,935.00 Euros (one hundred and twenty million, six hundred and seventy eight thousand, nine hundred and thirty five Euros).

Furthermore, the Board of Directors also proposes the following distribution:

- As dividends to shareholders from accumulated available reserves: 114,089,705.80 Euros (one hundred and fourteen million, eighty nine thousand, seven hundred and five Euros and eighty cents), corresponding to a distribution of 90.6 % of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2017, standing at 125,924,566.37 Euros (one hundred and twenty five million, nine hundred and twenty four thousand, five hundred and sixty six Euros and thirty seven cents), equivalent to a gross dividend per share of 0.171 Euros;
- For distribution to the employees of REN and its subsidiaries: 3,468,338.56 Euros (three million, four hundred sixty eight thousand, three hundred thirty eight Euros and fifty six cents). Due to the accounting rules in force, this amount is already reflected in the net profit of the financial year ended on 31 December 2017 of REN, S.G.P.S., S.A. (365,623.22 Euros – three hundred and sixty five thousand, six hundred and twenty three Euros and twenty two cents) and its subsidiaries (3,102,715.34 Euros – three million, one hundred and two thousand, seven hundred and fifteen Euros and thirty four cents).

4.8
OUTLOOK 2018

We are a company where all of our operational areas have to work very well, and when we speak of the future it is important to remember that what we do is always subject to unpredictable events. I often say that we cannot allow accidents to happen, but that we always have to be prepared to deal with any type of unforeseen circumstances: fires, storms, security breaches, technical transmission or production failures, etc. Anything could happen and always without warning. The list is long and clearly shows the importance of having a team of managers like the one we have at REN, a team of skilled, committed and well-equipped and trained professionals. It is the only way that we can manage this complex activity that impacts so extensively on all of our day-to-day-lives.

REN works efficiently and responsibly in all the areas that have been entrusted to us. We plan and execute work thoroughly, backed up by an excellent network of partners and we use the best tools available on the market. These are the main reasons behind our effectiveness, safety and quality of service and our principal aim is to maintain this tradition.

With respect to our work in Portugal, we are expecting a challenging year. There are a number of initiatives which are going to gradually take place in areas such as renewable energy generation, rail infrastructures and smart international energy interconnections. These projects will appear in the future and some are already undergoing initial technical studies, and planning and licensing. A number of these initiatives will be reflected in our next Strategic Plan, to be presented to the public in May.

Last year, we made two important investments: we now have a 42.5% stake in the share capital of the Chilean company Electrogas and wholly own REN Portgas (former EDP Gas). One of our overriding goals is also to be successful in both these projects, which represent a significant step forward in implementing our plan for 2015-2018. Early results are highly positive and we are confident with regard to the first full year of these new areas under our responsibility.

As practically all of our work is regulated and based on our concession contracts, we expect a year without surprises where we will maintain our approach of conservative and socially responsible management which follows strict and transparent principles of corporate governance.

REN

5

SUSTAINABILITY AT REN

DETERMINATION
MOTIVATED
BY
BEHAVIOUR

OUR VISION FOR SUSTAINABILITY

REN'S mission is to ensure the uninterrupted supply of energy to the entire country. A commitment which has become ever more ambitious through the coupling of company development to our active corporate citizenship. This association is also clear in our extensive social and environmental involvement with the communities where we operate.

PROMOTING INTERNAL WELL-BEING

Providing a working environment which is safe and allows the full potential of our employees to be developed is a priority for REN. The enhancement of human capital is the key to success.

PROTECTING THE ENVIRONMENT

The protection of nature is one of REN's main commitments. Our sustainability policy is based on the rational use of company resources and the reduction of environmental impact.

STAKEHOLDER INVOLVEMENT AND SATISFACTION

REN is ever more present in people's daily lives. In addition to ensuring increasingly higher levels of well-being, this involvement also reinforces the role communities play in the company's policies.

When reading this chapter, you'll find icons which represent the different initiatives playing a part in REN's vision for sustainability.

5
SUSTAINABILITY AT REN

Our commitment goes beyond our mission.

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

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

5.1 SUSTAINABILITY APPROACH

The sustainability information provided in this annual report refers to 2017 and covers the activities of the companies of the REN Group – Rede Eléctrica Nacional S.A., REN Gasodutos S.A., REN Armazenagem S.A., REN Atlântico S.A., REN Serviços S.A., RENTELECOM S.A., ENONDAS S.A., and also includes non-consolidated information on REN Portgás, acquired by REN at the end of 2017.

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

AA1000APS ACCOUNTABILITY PRINCIPLES STANDARD (2008)

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

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

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

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

REN further aligns its performance with its Social Responsibility Policy Statement, Quality, Environment and Safety Policy Statement and Environmental Policy.

COMMITMENTS

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures Further information on this initiative can be consulted on the REN website.[1]

REN is also a signatory to Gestãotransparente.org, has established a protocol with IGEN and has a REN Group Code of Conduct which is regularly reviewed and monitored.

Our site (http://www.ren.pt) has a table showing the correspondence between the contents of this report and the GRI and UNGC guidelines.

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

[1] See REN>Sustainability>REN Approach
Social Responsibility Policy Statement see www.ren.pt/sustentabilidade/abordagem_da_ren/

5.1.1 SUSTAINABILITY STRATEGY

REN has defined a sustainability strategy in line with the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. The materially relevant topics to REN are identified on the following page.

Achieving these targets means that all REN work must be based on principles of sustainability. Using this principle as a starting point along with the materially relevant topics arising from the stakeholder hearing held at the end of 2013 (reconfirmed in the hearing in 2016), our sustainability strategy is based on three pillars: promotion of internal well-being, involvement and satisfaction of stakeholders and protection of the environment.

PROMOTION OF INTERNAL WELL-BEING

INVOLVEMENT AND SATISFACTION OF STAKEHOLDERS

PROTECTION OF THE ENVIRONMENT

PROMOTING WELL-BEING WITHIN THE COMPANY

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

STAKEHOLDER INVOLVEMENT AND SATISFACTION

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

PROTECTING THE ENVIRONMENT

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

Material topics for this report:

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

5.1.2 STAKEHOLDERS

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

With this in mind, during 2016, under REN's commitment to stakeholders, a new hearing was held to identify materially relevant situations. The aim was to satisfy stakeholder expectations and improve performance in the three key pillars of the company's sustainability strategy.

In 2017, REN started the certification process for REN SGPS, Rede Eléctrica Nacional, S.A. And REN Gasodutos, S.A. Under the Portuguese social responsibility standard – NP – 4469. This process was successfully concluded in 2018.

REN regularly evaluates the perception of quality and level of satisfaction of its clients, understood to be the users of its infrastructure or customers of the services it provides in the electricity and natural gas sectors and our own internal clients. To this end, in addition to studies in compliance with the European Customer Satisfaction Index (ECSI) methodologies, in the case of the users/ customers of the infrastructures (available on the REN website[2]), a further study is also currently underway on internal client satisfaction with regard to the support and response capacity of the Support Areas and Concession Support.

The results of the latest study are available on the REN website at www.ren.pt[3].

[2] REN>Sustentabilidade>Partes Interessadas.
[3] REN>Sustainability>Stakeholders>Clients>Satisfaction Assessment..

5.2
MAIN ACTIONS UNDERTAKEN

NÓS Programme
315 employees were involved in this programme

Agir Award
has directly benefited 2,891 people since it started in 2014

Share Programme
the number of employee volunteers increased to 112

Work undertaken by REN in 2017 continued to align the company on the three axes of the sustainability strategy: promotion of internal well-being, involvement and satisfaction of stakeholders and protection of the environment.

With regard to the promotion of internal well-being, 26 initiatives were carried out under the NÓS Programme and 315 employees took part, under the three pillars of this programme: Balance, Equality and Inclusion.

In the pillar for stakeholder involvement and satisfaction, numerous activities were held during 2017. These activities included the fourth edition of the RE Agir Award, dedicated to providing jobs for the disabled and 46 applications were received. The Employment Support Project in the Porto region, being run by the Salvador Association was the main winner. Also recognized were the Duoday Project which is to take place in Viana do Alentejo, Montemor-o-Velho and Évora and the Asul Project, in Coimbra. Since the 1st edition in 2014, the Agir Award has directly benefited nearly 2,900 people.

There were also 28 applications to the 22nd edition of the REN Award, the oldest scientific prize in Portugal. The winning topics included supply security, use of renewable energies in smart buildings and the reliability of the solar energy micro grid.

The Share Programme the REN corporate volunteer programme, saw an increase of 8% in the number of REN employees participating. There was also an increase of 8% in the number of volunteer work hours over 2016 to 759 employee hours and 206 employee family member hours.

Throughout the year, 24 initiatives were run such as programmes for entrepreneurism for young people promoted by Junior Achievement Portugal (http://www.japortugal.org) in which REN has volunteered since 2014, the annual cleaning of the Mafra Forest, food collection programmes for the Food Bank, support in the fight against early school leaving promoted by EPIS – Business People for Social Inclusion (http://www.epis.pt) where REN sits on the advisory board, and the Chamadas de Conforto Programme in partnership with AREP (REN's retiree association). Of further special note was REN's participation in a Citizen Science initiative to count white stork chicks and collect important scientific data to build a model on the evolution of this species in Portugal. This work was part of the REN Chair in biodiversity under the pillar of involvement and satisfaction of stakeholders and the protection of the environment.

In 2017, REN once again provided support for a number of different institutions. In the social sphere, of note was our participation in work carried out by Comunidade Vida e Paz, the "REN + Perto" solidarity campaign to help the volunteer fire fighters of Vouzela, support for the adapted sports programme and work in life quality of the Salvador Association (www.associacaosalvador.com). This year, REN also supported the Gil Foundation (https://www.fundacaodogil.pt) in the launching of the Home Support Mobile Units – Integrated Paediatric Care in Porto, which aims to help children suffering from chronic illness and their families through clinical and social support after they have left hospital. The programme covers the São João Hospital in Porto and the Centro Materno Infantil do Norte, allowing help to be provided to around 300 children.

In the sphere of education, REN maintained its protocol with the Portuguese Asperger's Syndrome Association (http://www.apsa.org.pt/) with a view to the social and professional integration of special needs people through internships: REN also continued its support for the Serralves Foundation, where it is a founding patron and its partnership with the National Museum of Ancient Art, which REN has sponsored since 2012. Another REN day was held at NMAA which this year celebrated

Social Inclusion and saw 2,800 visitors. In sports, REN supported João Correia, the first Portuguese athlete to win an international medal in wheelchair athletics.

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

With regard to environmental protection, REN held two reforesting events, one in Trofa and another in Gouveia, involving a total of 900 6th and 7th year students from local schools. As part of reforesting plans, in 2017 REN planted a total of 818,000 trees. Also of special note is our ongoing work in the LIFE Elia project which aims to draw up a reference manual on vegetation management in protection corridors for electricity lines in forests, and the organization of the 3rd Management Forum on Rights of Way which promotes the debate of ideas among contract workers and service providers in the forestry sector.

REN planted
818,000 trees

The Heróis de Toda a Espécie (Heroes of Every Kind) programme (www.heroisdetodaaespecie.pt), an educational initiative for 3rd and 4th year children involved five primary schools from all over the country in 2017. 465 students from the north to the south of the country participated in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment.

In 2017, the 8th edition of the MEDEA project took place, an initiative run by the SPF - Portuguese Physics Society and REN to promote the subject of physics among secondary school students. For this 8th edition, MEDEA involved 247 students from all over the country and 25 teachers, representing 24 teaching institutions in Portugal.

Heroes of Every Kind Programme
visited more than 450 students in 2017

Also in 2017, in conjunction with the Foundation for Science and Technology and the University of Porto, REN continued research work on a Biodiversity Chair based on three pillars: monitoring, minimizing and offsetting impacts, and population ecology.

REN continued its partnership with the ECO Movement – Companies against Fires, which it formed in 2012 and which seeks to prevent forest fires and raise awareness with regard to risk. This year, the project was on the theme of “Forest Cleaning – Portugal without fires requires depends on everyone”.

5.3
MANAGEMENT AND PERFORMANCE

5.3.1 SOCIAL INDICATORS

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

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

In 2017, focus continued on the integration and enhancement of the different policies for existing human resources. It was also a year of focus on preparing for the integration of the new company REN Portgás.

The assessment, monitoring and development of existing programmes and policies (1[4]) in consultation with stakeholders, to create real tools which are suitable for current and future management needs has been a path closely followed in recent years.

In 2017, this strategy was reflected in:

- The assessment of the need to renew a number of specific positions as well as acquire new skills allowing us to meet business development requirements and industry challenges, enabling the different areas of business to be properly addressed;
- The first revisit to the REN Campus, a development programme which emphasises selectivity in training and different development initiatives so as to ensure compliance with the main aim - to passing on of know-how and the updating and sustainability of the organization's specific knowledge;
- Assessment and evolution of the STAR Programme – to recognize talent and performance so as to continue to comply with its aims to provide guidance, motivation, individual and team differentiation and a culture of structured feedback;
- A new assessment of the organizational climate was carried out so as to continue to support and promote motivation programmes as well as to provide an overview of the employee work experience. In this regard, special emphasis continues to be placed on the NÓS Programme initiatives - with respect to balance, equality and inclusion - which has enjoyed a high level of recognition over the years. Further to activities under this programme, as well as the initiatives established by Medicine at Work, in February 2017, at the Corporate Wellness Award, REN was a winner in the category of Workplace Wellness with the project "Wellness at the Workplace";
- Continued focus on communication of human resource activities and the involvement of all stakeholders through initiatives such as the Senior Staff Meeting, Management Meeting and Strategy Workshops as well as other similar events.

HUMAN RESOURCES PROFILE

Number of employees

603
the number of REN employees in 2017

The average age and length of service have remained stable in the recent years as a result of the consolidated policy by the REN Group to rejuvenate the workforce.

Number of Employees	2017	2016	2015	2014	2013
Employees with permanent and term contracts	603	605	620	640	671
Interns	0	3	0	1	5
Total	603	608	620	641	676

Number of Employees	2017	2016	2015	2014	2013
Full-time employees	586	593	609	627	651
Fixed-term contracts (Fixed, Unspecified duration and commission)	17	12	11	13	20

[4] REN publishes all human resource policies for employees to see and the detailed Human Resource Standards and Policy Manual is available on the Intranet. The main HR policies can be found at http://www.ren.pt/pt-PT/carreiras/politicas_rh/.

Professional internships	0	3	0	1	5
Total	603	608	620	641	676

2017	Women	Men	Total
Full-time employees	146	440	586
Fixed-term contracts (Fixed, Unspecified duration and commission)	4	13	17
Professional internships	0	0	0
Total	150	453	603

	2017	2016	2015	2014	2013
Average age	44.36	44.31	44.26	44.32	44.35
Average length of service	16.41	16.48	16.54	16.70	16.79

Rotation Rate	2017	2016	2015	2014	2013
Men	4.11%.	4.54%.	5.34%.	6.22%.	9.12%.
Women	1.15%.	1.94%.	1.26%.	0.30%.	2.42%.
Total	5.26%.	6.48%.	6.59%.	6.53%.	11.54%.

Rotation Rate	2017	2016	2015	2014	2013
up to 30 years old	0.99%.	1.30%.	0.63%.	0.30%.	1.42%.
from 30 to 50 years old	0.99%.	1.30%.	0.78%.	0.30%.	2.28%.
over 50	3.29%.	3.89%.	5.18%.	5.92%.	7.83%.
Total	5.26%.	6.48%.	6.59%.	6.53%.	11.54%.

In 2017, the rotation rate fell slightly with regard to previous years, reflecting a year of stabilization in the size of the organization, after the pre-retirement programme conducted from 2013 to 2016.

Diversity	2017	2016	2015	2014	2013
Men	453	461	470	492	527
Women	150	147	150	149	149
Total	603	608	620	641	676
Percentage of Women	24.88%.	24.18%.	24.19%.	23.24%.	22.04%.

Diversity (Management)	2017	2016	2015	2014	2013
Men	18	17	18	22	22
Women	8	8	10	9	8
Total	26	25	28	31	30
Percentage of Women	30.77%	32.00%	35.71%	29.03%	26.67%

In 2017, the trend continued in the increased weighting of female workers at REN, now representing around 25% as a result of the renewed commitment in 2016 with the IGEN Forum - Corporate Forum for Sex Equality.

During the period, the number of women in management duties remained the same, representing a weighting of approximately 31%.

Distribution of employees by professional category

Functional Group	2017	2016	2015	2014	2013
Top Management	26	25	28	31	30
Men	18	17	18	22	22
Women	8	8	10	9	8
Management	43	45	46	48	48
Men	34	35	36	39	38
Women	9	10	10	9	10
Coordination	19	19	19	25	27
Men	15	15	15	23	25
Women	4	4	4	2	2
Senior Managers	329	323	317	297	307
Men	232	233	232	217	227
Women	97	90	85	80	80
Field / Administrative	186	196	210	240	264
Men	154	161	169	191	215
Women	32	35	41	49	49
Total	603	608	620	641	676

The REN organizational structure is being gradually aligned with new needs and the challenges of business. A significant increase has been seen, especially in the last three years, in the weighting of staff with higher education in the organization. In 2017, this group represented 54.6% of the organization.

Distribution by age group (Top Management)	2017	2016	2015	2014	2013
up to 30 years old	0	0	0	0	0
from 30 to 50 years old	16	15	16	16	14
over 50	10	10	12	15	16
Total	**26**	**25**	**28**	**31**	**30**

Distribution by age group (Management)	2017	2016	2015	2014	2013
up to 30 years old	0	0	0	0	1
from 30 to 50 years old	31	31	34	31	29
over 50	12	14	12	17	18
Total	43	45	46	48	48

Distribution by age group (Remaining Employees)	2017	2016	2015	2014	2013
up to 30 years old	49	51	59	65	72
from 30 to 50 years old	326	319	311	307	316
over 50	159	168	176	190	210
Total	**534**	**538**	**546**	**562**	**598**

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

Academic Qualifications	2017	2016	2015	2014	2013
PhD	**4**	**3**	**2**	**2**	**1**
Men	3	2	2	2	1
Women	1	1	0	0	0
Master's Degree	**114**	**101**	**94**	**81**	**78**
Men	75	67	63	56	55
Women	39	34	31	25	23
Degree	**261**	**270**	**277**	**290**	**294**
Men	179	188	195	209	211
Women	82	82	82	81	83
Bachelor	**14**	**14**	**14**	**17**	**22**
Men	13	13	13	16	21
Women	1	1	1	1	1
Secondary	**166**	**172**	**174**	**185**	**207**

Men	146	151	149	157	179
Women	20	21	25	28	28
9th grade	**29**	**32**	**39**	**45**	**49**
Men	23	26	30	34	38
Women	6	6	9	11	11
6th grade	**10**	**11**	**13**	**14**	**15**
Men	9	9	11	11	12
Women	1	2	2	3	3
4th grade	**5**	**5**	**7**	**7**	**10**
Men	5	5	7	7	10
Women	0	0	0	0	0
Total	**603**	**608**	**620**	**641**	**676**
Degree holders	65.17% .	63.82% .	62.42% .	60.84% .	58.43% .
Non-Degree holders	34.83% .	36.18% .	37.58% .	39.16% .	41.57% .

Preparation for future challenges has also included a sustained increase in the level of academic qualifications. In 2017, the weighting of employees holding degrees stood at 65%.

Contract

2017	Women	Men	Total
Full time employees	146	440	586
Fixed term contracts (Fixed, Unspecified duration and commission)	4	13	17
Professional internships	0	0	0
Total	**150**	**453**	**603**

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

HUMAN RESOURCES PROFILE AT REN PORTGÁS

At the end of 2017, REN Portgás employed 82 staff, including management bodies, the majority of which were full-time. There were a further eight professional internships.

Number of Employees	2017
Employees with permanent and term contracts	82
Interns	8
Total	**90**

Number of Employees	2017
Full-time employees	80
Fixed-term contracts (Fixed, Unspecified duration and commission)	2
Professional internships	8
Total	90

With average age of 42.5 and length of service of 13.6, and around 25.6% female staff, REN Portgás has a stable structure which is suited to its business.

	2017
Average age	42.54
Average length of service	13.63

Distribution by age group	2017
up to 30 years old	14
from 30 to 50 years old	54
over 50	22
Total	90

Diversity	2017
Men	67
Women	23
Total	90

2017	Women	Men	Total
Full-time employees	18	62	80
Fixed-term contracts (Fixed, Unspecified duration and commission)	0	2	2
Professional internships	5	3	8
Total	23	67	90

Ratio Men / Women

The upper management segment is dominant, around 3%, while operations and administrative staff is 38%. The level of qualification is high, where around 69% of total staff have higher education.

Functional Group	2017
Top Management	**5**
Men	5
Women	0
Management	**12**
Men	10
Women	2
Senior Managers	**39**
Men	26
Women	13
Field/Administrative	**34**
Men	26
Women	8
Total	90

FUNCTIONAL GROUP	2017
Top Management	**5**
up to 30 years old	0
from 30 to 50 years old	2
over 50	3
Management	**12**
up to 30 years old	0
from 30 to 50 years old	8
over 50	4
Senior Managers	**39**
up to 30 years old	14
from 30 to 50 years old	21
over 50	4
Field/Administrative	**34**
up to 30 years old	0
from 30 to 50 years old	23
over 50	11
Total	**90**

Academic Qualifications	2017
Master's Degree	**15**
Men	12
Women	3
Degree	**41**
Men	28
Women	13
Bachelor	**6**
Men	4
Women	2
Secondary	**20**
Men	16
Women	4
9th grade	**8**
Men	7
Women	1
Total	90
Degree holders	68.89%.
Non-Degree holders	31.11%.

From a human resource view point, the last quarter saw the start of the implementation of the migration plan to the REN Group. However, courses underway were maintained so as to not jeopardise current challenges or business continuity.

In the last quarter, around 410 hours of training were given, and at the end of the year, each employee had received around 26 hours of training. This training is mainly technical training (73% of hours given) aimed at specific needs.

From a social dialogue perspective, the collective work agreement which applied to EDP Gás remains in force. It has a robust benefits policy including the flexible benefits programme with a vast range of options – pensions plans, life insurance, health and well-being expenses, insurance for absence from work due to illness, personal accident insurance, mortgage life insurance, health Insurance for worker and family, electricity plan, education and kindergarten expenses, transport pass and holiday camps.

A reflection of these policies is the low rate of absenteeism at 2.33%

	2017
Absenteeism Rate	2.33%.

The level of union membership is 14.4%.

Indicators	2017
% Staff who are union members	14.44%.
% Full-time ACT workers	88.89%.
Staff who are union members	13
ACT Employees	80

PERSONAL AND PROFESSIONAL DEVELOPMENT

REN Trainee Programme

The REN Trainee programme is a consolidated programme with excellent levels of satisfaction. The programme consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects, creating value for the organization while enhancing their own skills.

Indicators	2017
Professional internships	11
Academic internships	21
Summer internships	10
Total	**42**

Viva Programme

The VIVA Programme - Welcome and Integration - has been a huge success and has had a highly positive effect on new employees joining the Company. In addition to providing an overview of the company, its values, mission and areas of business, it also allows newcomers to identify more quickly with REN and enable networking opportunities. In 2017, a new interactive e-learning course was launched on VIVA, in addition to visits to the main facilities.

Indicators	2017
No of Editions	2
Satisfaction Rate – VIVA Visits (%)	92%.
Satisfaction Rate – VIVA e-learning (%)	100%.

REN Campus

The **REN Campus** is REN's training model for the full development of human capital. Its mission is to provide added and differentiating value to the management of knowledge by creating comprehensive and specific training programmes which reflect the company's strategy and business. The overriding goal is to enable growth and consolidation of business through the

development of people, with differentiated supply for the correct management of intellectual capital and the ongoing transfer of knowledge. In 2017, the REN Campus was revisited to enable its goals to be achieved.

Training	2017	2016	2015	2014	2013
No of Hours of training	32,345.30	27,009.20	18,644.40	29,939.15	41,224.98
No of Participants	2,873	2,792	3,031	2,883	3,576
No of Hours of training per Employee	52.20	43.78	29.27	45.43	58.73
Average No of Employees	**608**	**617**	**637**	**659**	**702**

Area of Training (No of Hours)	2017	2016	2015	2014	2013
Behavioural	7,965.70	7,165.50	544.40	1,541.90	8,634.50
Technical	19,979.20	13,015.20	14,661.00	23,767.75	28,160.98
QAS	1,984.00	3,316.00	1,881.50	1,413.00	4,429.50
Management	2,416.40	3,512.50	1,557.50	3,216.50	0.00
Total	**32,345.30**	**27,009.20**	**18,644.40**	**29,939.15**	**41,224.98**

Area of Training (No of Participants)	2017	2016	2015	2014	2013
Behavioural	653	605	125	340	1,409
Technical	1,804	1,434	2,086	1,762	1,357
QAS	261	420	562	242	810
Management	155	333	258	539	0
Total	**2,873**	**2,792**	**3,031**	**2,883**	**3,576**

Functional Group (No of hours)	2017	2016	2015	2014	2013
Top Management	1,121.60	1,618.20	928.40	1,638.70	1,508.00
Management	3,327.00	3,163.40	1,134.60	3,106.30	2,685.90
Coordination	786.00	490.00	555.00	1,397.70	1,405.00
Senior Managers	20,928.70	16,090.60	10,436.40	16,493.40	25,370.88
Field / Administrative	6,182.00	5,647.00	5,590.00	7,303.05	10,255.20
Total	**32,345.30**	**27,009.20**	**18,644.40**	**29,939.15**	**41,224.98**

STAR PROGRAMME – PERFORMANCE MANAGEMENT

2017 was a year of evolution in the performance management model. The skills model was redefined so as to better direct desired behaviour to the REN culture. The model's respective components and aims for dialogue and ongoing feedback were reinforced, allowing it to improve team management and motivation.

Indicators	STAR 2016
Number of employees covered	598
% of assessments concluded	100%.
Average – final assessments competences	3.94
Average – final assessments goals	4.07
% of bonuses calculated as compared to the number of assessments	99.33%.

Social Dialogue and Benefits

In the area of social dialogue between management and employee representation structures, numerous meetings were held which sought solutions and debate on matters of interest for both parties.

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

Union membership at REN is stable at 40.3%.

	2017	2016	2015	2014	2013
% Staff who are union members	40.30%.	40.95%.	42.42%.	45.09%.	46.30%.
% Full-time ACT workers	99.34%.	98.52%.	99.19%.	51.95%.	54.59%.
Staff who are union members	243	249	263	289	313
ACT Employees	599	599	615	333	369

The REN benefits policy, centred on supporting its employees in important areas of family and personal life, includes a series of additional supports and benefits with regard to health, education and culture, etc. The FLEX Programme which provides a choice of benefits adapted to the life cycle of every employee is now consolidated.

Benefits	Employees with Transitional Scheme from previous ACT (1)	Employees with Flex Plan (2)	Employees with Individual Work Contract (3)
Life insurance		x	x
Personal accident insurance	x	x	x
Health Insurance		x	x
Complementary Health Scheme	x		
Pensions Plan - Defined Benefit	x		
Pensions Plan - Defined Contribution		x	
Electricity at reduced prices	x		
Study subsidy	x		
Education and child care vouchers		x	
Social Pass		x	
Training		x	

(1) series of benefits set out in ACT 2000 which passed to the new ACT signed in 2015;

(2) employees covered by this benefits programme can choose between the benefits available up to the limit of their annual credits;

(3) standard benefits agreed for individual work contracts.

HEALTH & SAFETY

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

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

Safety

REN considers that its main asset is its people, and as such, does not accept activity which poses a high level of risk to the health and safety of employees or the employees of contractors and service providers. For this reason, REN is committed to developing and promoting measures to eliminate or mitigate such risks. With the aim of fighting accidents in the workplace, policies are implemented, safety procedures are followed and the best practices in this area are closely adhered to. This is achieved through numerous training courses and strict monitoring of activities so as to ensure demanding operational control. An analysis of the accidents allows reassessment of the risks inherent to the activities in which they occur.

Data for 2017 were as follows:

Company	Average No* of Workers		No of Hours Worked		No of Fatal Accidents		No of Non-Fatal Accidents		No of Days Lost	
Sex (M/F)	M	F	M	F	M	F	M	F	M	F
REN Eléctrica	194	26	344,973	40,849	0	0	6	0	35	0
REN Serviços	122	83	210,913	137,551	0	0	1	1	0	0
REN Gasodutos	79	13	131,332	20,601	0	0	2	0	46	0
REN Atlântico	28	3	49,926	4,198	0	0	0	0	0	0
REN Armazenagem	6	0	9,597	0	0	0	0	0	0	0
REN Trading	6	2	9,676	3,125	0	0	0	0	0	0
REN TELECOM	3	0	5,216	0	0	0	0	0	0	0
Enondas	1	0	1,670	0	0	0	0	0	0	0
REN SGPS	19	23	33,176	37,972	0	0	1	0	54	0
RD Nester	10	2	16,284	3,267	0	0	1	0	0	0
Total REN	468	152	812,762	247,562	0	0	11	1	135	0
Total No of Service Providers and Contrators	913	117	1,898,714	242,355	0	0	15	4	352	64

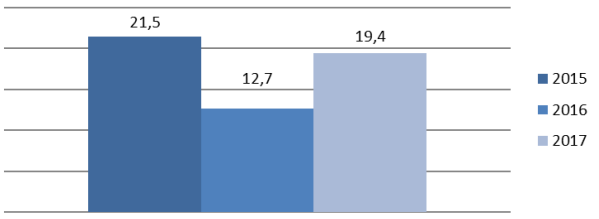
*This is the average number of workers in the year and not the actual number at 31 December 2017.

In 2017, there were four more accidents involving REN workers than in 2016. A total of 81 days was lost. Of the 12 accidents, 25% were during commuting to work leading to 135 days lost

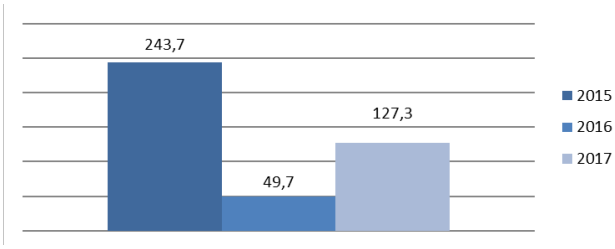
With respect to service providers, there were five more accidents in 2017 than in 2016 and less 14 days lost.

incidence and severity indexes - REN

INJURY RATE

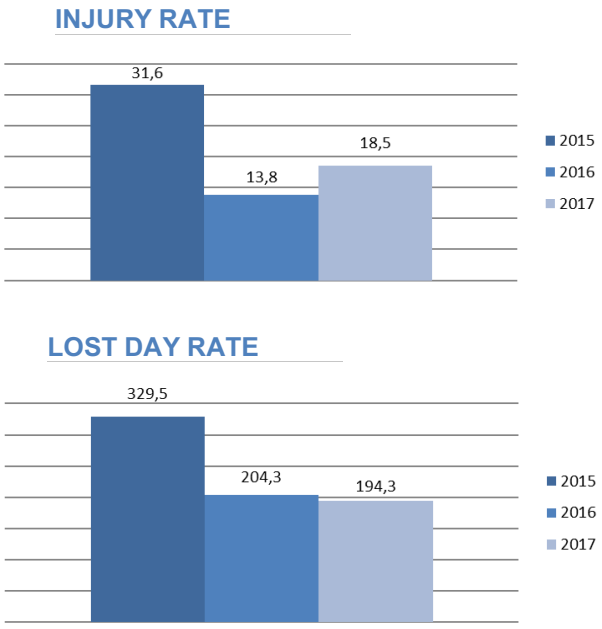


LOST DAY RATE



Note: The total Severity Index for 2017 was 127.3.

incidence and severity indexes – service providers and contractors



Note: The total Severity Index for 2017 was 194.3.

With respect to REN workers, in 2017 both the incidence index and the severity index performed negatively when compared to 2016. However, they are still better than those for 2015. It should be noted that, despite these numbers, the target set for the severity index (less or equal to 280 days lost (less or equal to 280 days lost per million hours worked) was actually reached.

With regard to contractors and service providers, in 2017 the incidence index evolved negatively in relation to 2016, but the severity index has evolved positively since 2015. The target set for the severity index was also attained.

In 2017, approximately 46% of REN contractors and service providers had safety management systems in place and were certified in compliance with the OHSAS 18001/NP 4397 standard.

During 2017, REN ran training courses and safety awareness actions, involving all contractors and service providers.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and improvement opportunities, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2017, safety drills were undertaken at the Carriço facility and the Sines LNG Terminal.

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

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

PORTGÁS

Company	Average No* of workers		No of hours worked		No of fatal accidents		No of non-fatal accidents		No of days lost	
Sex (M/F)	M	F	M	F	M	F	M	F	M	F
REN Portgás	54	11	91,212	18,600	0	0	0	0	0	0
REN Gás, S.A.	3	0	4,811	0	0	0	0	0	0	0
REN Gás SGPS	13	11	22,905	18,198	0	0	0	0	0	0
REN Group Portgás	70	22	118,928	36,797	0	0	0	0	0	0
PSE		301		594,489	0	0	4	0	379	0
REN Portgás & PSE		393		750,214	0	0	4	0	379	0

The calculation of work accidents at Portgás in the last quarter of 2017 does not follow the same methodology used in the REN Group.

	REN Group Portgás	PSEs	REN Group Portgás+PSEs
Incidence rate	424	596	390
Severity rate	262	589	401

The calculation of work accidents at Portgás in the last quarter of 2017 does not follow the same methodology used in the REN Group.

Health

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

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

The aims of this programme are to:

- Provide healthy workplaces by creating conditions conducive to health and well-being;
- Conduct diagnostics on situations;
- Furnish people and families with the knowledge and skills to enable healthy lifestyles to be adopted;
- Share responsibility with health organizations and those working in health care management.

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

	2017	2016	2015	2014	2013
Auxiliary diagnostics (per group of examinations)	424	596	390	548	415
Medical interventions	262	589	401	573	445
Nursing interventions (per group of examinations)	304	580	390	548	415
Visits by doctors to places of work	**10**	**8**	**7**		

- REN recognizes that healthy routines and health screening bring added value to company stakeholders.
- In addition to numerous internal initiatives, all REN employees are also covered by individual health care plans which can also include the family.

The absenteeism rate remained at 2.1%.

	2017	2016	2015	2014	2013
Absenteeism Rate	2.1%.	2.1%.	2.3%.	2.6%.	1.8%.

NÓS Programme

The REN NÓS Programme is based on three axes: Balance, Equality and Inclusion and impacts on improvement in the quality of life, experience and satisfaction of employees. In addition to the continuity initiatives which were maintained, as was the case with the workshops, psychologist and nutritionist appointments, screening and vaccination, academic merit award and the wedding and birth gifts and inclusion internships, etc., a further milestone in 2017 was the development of the area of Equality.

Indicators	2017
No of Initiatives	26
No of Participations	315

RELATIONS WITH THE COMMUNITY

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

One of the actions which reflect this involvement is the MEDEA project, an initiative run by the SPF - Portuguese Physics Society and REN to promote the subject of physics among secondary school students. MEDEA motivates participating students to create a scientific project based on the comparison of measurements of very low frequency electrical and magnetic fields (0-300 Hz) in the environment. Emphasis is on their own school, at home and near power transmission lines, and to then search for scientifically credible information on the possible effects of these fields on human health. The MEDEA project has involved more than 900 students, 211 schools and around 200

teachers. For the 8th edition, in 2017 MEDEA involved 247 students from all over the country and 25 teachers, representing 24 teaching institutions in Portugal.

A further example is the initiative “Heróis de Toda a Espécie” (Heroes of Every Kind) which started in September 2016 and has already been to 13 different locations in Portugal, involving more than 1,000 students and 50 teachers. In 2017, this initiative took place in five different locations and involved 465 students and around 20 teachers. This programme is for children in years three and four of primary school and is supported by the Ministry of Education and the Ministry of the Environment with technical follow-up by the environmental organization Quercus. The aim is to raise awareness among communities for the protection of biodiversity and Portuguese forests and the preservation of endangered species of animals and plants.

With regard to the conversion of electricity line rights of way, REN also carried out two reforesting programmes with students and teachers from schools in the Gouveia and Trofa districts, under the slogan of “Plant Tomorrow Together”. The aim was to raise awareness of how best practices in the more active management of vegetation in rights of way can reduce maintenance costs, increase times between intervention and improve co-responsibility with owners. In 2017, this initiative brought together around 1,300 students and more than 1,500 trees were planted.

A further highlight was the coordination of two projects in the Ward of Ruivães e Campo, in Vieira do Minho, more specifically the Project to Restore the Building of the Amigos das Honras Recreational Association and the Project for Environmental and Building Rehabilitation in the Poço das Traves Leisure Zone. This project came about as part of the social and environmental compensation for work on reinforcing lines and sub-stations in the National Transmission Network (RNT) required to receive and transfer power being produced by the new Salamonde II and Venda Nova III hydro-plants, and accepted by ERSE – the Energy Services Regulator.

During 2017, several initiatives were also carried out with local communities including the reforesting programmes mentioned above to show that the more active management of vegetation on rights of way can reduce maintenance costs by increasing the time between intervention cycles and improving co-responsibility with owners.

INNOVATION, RESEARCH AND TECHNOLOGY

In a sector such as the Energy sector where the REN Group works, company activities require specific alignment with current needs, trends and concerns in their respective fields (gas and electricity) and R&D and Innovation are seen as strategic aspects.

Against such a background, the research centre, Centro de Investigação em Energia REN-State Grid, S.A (R&D NESTER) takes on special relevance. This initiative demonstrates that the company and its respective shareholders are aware of the need to innovate to overcome current challenges in the sector, investing in the creation of knowledge and in specific areas of applied research aligned with national and international energy policies, more specifically in relation to the promotion of clean energy, which is now a European Commission investment priority.

Highlights

R&D projects concluded by joint R&D NESTER and REN teams:

Concluded Projects	Objectives
Renewable Energy Dispatch (P1)	Improvement in the wind production forecast. Reduction in operating risk of the energy system with high levels of renewable energy penetration.
Substation of the Future (P2)	Drawing up and testing of a specification for a new generation of transmission sub-station protection and command systems, in line with international standards. Specification, acquisition and installation of IT equipment and applications for the real time simulation laboratory.
Planning with Energy Storage (P3)	Development of a decision support methodology/tool for network planning, involving energy storage solutions. Capacity increase in the multi-criteria and multi-objective analysis of network scenarios.
Energy System Simulation (Planning and operation of large AC/DC energy networks with renewables) (P4)	Develop support tools to support planning and operations. Provide the company with capabilities for network simulation, analysis and testing and develop and test operational procedures.

Of note in these projects were the significant advances achieved and the applicability of results, more specifically in relation to the use at REN of the new tool to forecast solar photovoltaic energy (output from Project P1) as well as the setting up of a laboratory to simulate electrical energy systems in real time (output from Projects P2 and P4). Furthermore, recognition of the character of R&D by the technical and scientific community through: i) publication of articles in scientific magazines; ii) presentations at several national and international conferences; iii) submission of three patent claims.

New projects approved under the European Horizon 2020 programme.
As a result of successful REN and R&D NESTER applications, these two organizations form part of a consortium for two European projects which started in December 2017:

New Projects Horizon 2020 (H2020)	Objectives
TDX_ASSIST (Coordination of Transmission and Distribution data eXchanges for renewables integration in the European marketplace through Advanced, Scalable and Secure ICT Systems and Tools)	This project seeks to develop ICT tools and methodologies to facilitate data sharing between Transmission System Operators (TSOs) and Distribution System Operators (DSOs). Info: Coordinated by Brunnel University (England), it involves 12 partners including electricity TSOs, corporate entities, universities and research centres.
OSMOSE (Optimal System-Mix of flexibility Solutions for European Electricity)	**This project is to study and develop solutions for storing energy in the transmission network with the potential to share operating reserves between systems with the respective benefit and with the implementation of solutions to support TSO-DSO coordination.** Info: Coordinated by RTE, it involves 33 partners from nine European countries, including numerous electricity TSOs and corporate entities, universities and R&D Centres.

R&D Investment and Subsidies

R&D investment by the REN Group for the period 2014-2016 stood at approximately two million euros[6]. This sum refers to expenditure on internal and external activities for several projects underway internally and/or in cooperation with national and international entities, including academic institutions recognized by the national scientific and technological system.

With regard to R&D NESTER, investment for the same period, 2014-2016, was greater than four million euros.

In addition to internal investment, both companies regularly use sources of external funding for R&D. Under funding programmes through applications to European programmes (e.g.: Horizon 2020, European Space Agency, Interreg) and national programmes (e.g.: Portugal 2020), or as tax Incentives, through applications to the so-called SIFIDE[7] (National System of Tax Incentives for Corporate R&D), where we have an approval rate of 100%, as a result of the effective nature of R&D in projects submitted in applications by the REN Group and R&D NESTER.

R&D projects in cooperation with other entities

REN has developed R&D projects in a wide range of fields, both internally as well as in partnership with other national and international organizations, including companies, universities and academic institutions.

Examples include the project coordinated by REN - Monitoring of leakage and bypass current in MHT lines - where invitations to form part of the consortium were extended to: (i) EDP Labelec and (ii) ENEIDA. The aim of this project is to investigate method of detecting and monitoring pollution in MAT line isolators with a view to developing solutions allowing improved monitoring of such isolators and preventing faults.

Internationally, of note is REN's ongoing involvement in European Programmes (*see info previous reports – projects concluded under FP7*). Currently, REN as an end user and R&D Nester is part of the consortium in the ISSWINDemo Project (Integrated Supporting Services for the WIND Power industry*)*, at the completion stage, financed by the European Space Agency (ESA), as well as the consortiums for the TDX_ASSIST and OSMOSE Projects approved in the previous year under H2020, as mentioned earlier.

The[8] R&D NESTER portfolio also has a series of projects developed internally and/or in partnership with other entities. Highlights include:

Projects nearing conclusion	Objectives
SusCity (Urban data driven models for creative and resourceful urban transitions) project developed under the joint programme FCT- Foundation for Science and Technology and MIT-	One of the more wide-ranging impacts of this project consists of making emerging business models for energy and mobility solutions in a data rich environment and driven by communication and information technologies (ICT), with increasingly personalized alternatives for people, giving them an active role in urban design.

[6] Expenditure in Research and Development (R&D) calculated using forms from SIFIDE applications - values without application of ceilings (operating expenditure limited to 55% of staff costs).

[7] For the period (2014-2016) and as a result of applications to SIFIDE, REN and R&D NESTER have been awarded tax credits of 34% and 59%, respectively, of the sum invested in R&D less subsidies.

[8] Detailed information on projects underway (or concluded) at R&D NESTER may be consulted at http://www.rdnester.com/pt-PT/fields_and_projects/projects/

Portugal.	
SmartNet (Smart TSO-DSO interaction schemes, market architectures and ICT Solutions for the integration of ancillary services from demand side management and distributed generation) Project funded by the H2020 Programme.	To supply optimized tools and methodologies to improve coordination among network operators both nationally and locally (TSOs and DSOs, respectively) as well as information exchange for monitoring and acquiring auxiliary services.

New Projects starting in 2017	Objectives
BigDataOcean (Exploiting oceans of data for maritime applications) Project funded by the H2020 programme.	To explore methodologies for collecting, structuring and using data. Possible creation of an application for the offshore renewable energy sector.
ARCWIND (Adaptation and implementation of floating wind energy conversion technology for the Atlantic region) Project funded by the EC - Interreg Atlantic Area Programme.	Contribution to the transition of fixed to floating sea-based wind energy to for use in deep water in the Atlantic by assessing the potential of wind energy.
FLEXITRANSTORE (An Integrated Platform for Increased FLEXIbility in smart TRANSmission grids with STORage Entities and large penetration of Renewable Energy Sources) Project funded by the H2020 Programme.	To expand and accelerate the integration of renewable energy sources into the European electricity system through pan-European electricity transmission networks with high levels of flexibility and interconnection.

PARTICIPATION IN ASSOCIATIONS AND NATIONAL / INTERNATIONAL BODIES

The forming and permanent strengthening of an innovation network with national and international counterpart entities is recognized as being of strategic priority for both REN and R&D NESTER. It is against this background that protocols with numerous organizations and associations have been formed (e.g.: COTEC, APREN, CCILC, IEEE), as well as active participation in working groups. Examples include participation at CIGRÉ (Conseil International des Grands Réseaux Électriques), in the Study Committee B5 - "Protection, Automation and Control Architectures with Functionality Independent of Hardware" (WG B5.60) and on the Study Committee C5 - "Electricity Markets and Regulation" (WGs 22, 24 and 25), participation in working groups at ETIP-SNET (WGs 1, 4 and 5) and on the Research, Development & Innovation Committee of ENTSO-E (WG R&D Implementation Plan and WG Standardisation).

INNOVATION, RESEARCH AND TECHNOLOGY REN PORTGÁS

The energy sector is undergoing extensive change and the distribution of natural gas plays a key role in this change. Distributed generation technologies tend to be more competitive, multigas injection into distribution networks from different sources through the production of biomethane is a growing paradigm and Power-to-Gas could play a vital role in energy storage, forming a bridge between the electricity and gas networks. These projects require a much broader vision and one which is challenging to the management of natural gas networks and will lead energy system markets to adapt to a new paradigm, aligned with the decarbonizing of the economy as set out by the European Commission while maximizing investment in infrastructure.

The future challenge for the management of natural gas networks lies in the development and implementation of technologies which infrastructure to operate in manners beyond conventional use. REN Portgás Distribuição has identified different technological solutions providing a vision of the Smart Gas Grid with a Roadmap for implementation. Currently, the net value of the different technologies differs in line with their maturity, applicability and impact on operations, therefore assuming distinct priorities in research and development by REN Portgás Distribuição with the aim of implementing pilot projects.

After preparing an overview report in 2015 on this topic, REN Portgás Distribuição started the implementation of the Smart Gas Grid project in the second semester of 2017. This project involves eight working groups covering around a third of the company's staff and has the aim of successfully developing an internal RD+I project for natural gas smart grids within an integrated management structure. The goal is to develop, within defined time limits, the complete life cycle of a project focused on smart meter management in a community in the city of Porto and the management of smart regulations through the remote operation of network measurement and regulating posts, involving institutional partners, suppliers and customers.

During the second semester of 2017, the Smart Gas Grid Project developed different aspects in the first three working groups (definition of requirements, benchmarking of existing technologies and cost-benefit analysis). It is expected that the pilot project will be in operation in the first semester of 2018.

Golden Rules

With the goal of improving safety during operations, a series of rules was defined to be used as the basis for work procedures, protection actions, choice and maintenance of equipment, warning signage and safety during operations.

The aim is for these rules to be easily remembered and applied and they are the result of internal across-the-boards work involving PSEs, and apply to all operations involving contact with gas facilities and must be respected by all REN Portgás staff or those in the company' service. Moreover, two innovative valve blocking devices were developed, one for the distribution network and the other for installations at buildings/customers.

OCR - Optical Character Recognition

A challenge for the industry is the development of an anti-error system for meter reading (approximately 2.2 M readings/year). The solution developed seeks to provide flexibility to support a wide range of meter suppliers and is currently undergoing final testing. Preliminary results are over 90% after a first reading. This solution is an opportunity to establish future contracts for meter reading services.

PARTICIPATION IN INTERNATIONAL WORKING GROUPS

I – ENTSO

REN has continued to cooperate and participate in the activities of the European TSO associations (ENTSO-E and ENTSO-G) with the aim of achieving implementation of the 3rd legislative package in the EU energy sector.

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

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

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

The most important achievements in 2017 include:

- Continuation of the national implementation of the Requirements for Generators Code (RfG).
- Start of implementation work on a national level of the Demand Connection Codes (DCC) and HVDC Connections (HVDC).

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

ENTSO-G continued active during 2017 with working groups in its three main areas of business: *market, system development and system operation*. With respect to Regulation (EC) No 715/2009, REN participated in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development – WG Investment; Market – WG Capacity, WG Balancing, WG Tariffs, System Operations – WG Transparency and WG Interoperability; and Kernel Group on Revision of Regulation on Security of Supply.

Of note in 2017 was the finalizing of the Network Code on Harmonized Transmission Tariff Structures (TAR), the change to the Capacity Allocation and Congestion Mechanism Code (CACM) and the publication of the reviewed Supply Security Regulations (Regulation (EC) No 1935/2017).

II – EUROPEAN INSTITUTIONS

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

In relation to European policy and legislation initiatives to reinforce interconnections, of note was REN's participation in the High-Level Group on the Interconnectivity of the Iberian Peninsula, accompanying studies on additional electricity and natural gas interconnection projects.

The Clean Energy Package which the European Commission, launched on 30 November 2016 has also been accompanied.

III - WORKING GROUPS PRESIDED OVER BY THE EUROPEAN COMMISSION

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

IV - MED-TSO

In relation to the contract signed between Med-TSO and the European Commission which provides for the development from 2015-2018 of the Mediterranean Project, several activities were undertaken by the Technical Committees with the aim of developing this project which seeks to plan the reinforcing and integration of electrical systems in this region.

REN, a founder member of this association of Mediterranean electricity transmission system operators, plays an active role in the Vice-Presidency this Association while also presiding over the Operational Activities Coordination Committee. It is also represented on all the Med-TSO technical committees mentioned above. Active participation was also continued in the Regional Group West. As part of this project, in 2017 several different parcel tasks were concluded and the respective reports were drawn up.

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

V - GIE (Gas Infrastructure Europe)

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings particularly with regard to the Energy Union and the future perspectives for the European Energy System.

5.3.2 ENVIRONMENTAL PERFORMANCE

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. As environmental protection is one of the three axes which govern REN's sustainability strategy, it is important to analyse the indicators which we have compiled in 2017 in this regard.

ENVIRONMENTAL MANAGEMENT

Environmental Policy

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

The Company approach on this topic can be consulted on the REN website[9].

Energy

REN's energy consumption in 2017 is shown in the table below.

Energy Consumption at REN (GJ)	2017	2016	2015
*Electrical energy of infrastructure and buildings	263,702	218,289	219,760
Natural gas (boilers, pilots and controlled flares)	279,520	430,447	281,663
Propane gas	113	76	121

[9] www.ren.pt

Natural Gas	2,940	2,522	9,025
Fuel (Diesel and Petrol)	28,604	27,805	28,592
Losses in the electricity transmission network	2,565,122	2,898,594	2,404,706
Losses in the gas transmission network (purges)	18,749	2,085	1,327
Total	**3,134,278**	**3,579,819**	**2,945,197**

In 2017, cogeneration did not operate.

* Estimated value for REN Gasodutos due to the delay on EDP billyng.

Strategic Environmental Assessment

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

Project Assessment

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

Within the scope of its activities to expand and improve energy transmission networks, REN has developed a significant set of environmental assessment processes, in the planning phase:

	2017	2016	2015
Environmental Impact Assessment Processes	2	5	2
Environmental Impact Statements Issued	1	2	4
Environmental Project Studies	0	0	0
Environmental Impact Studies (EIA)	0	3	5
Environmental Compliance Report on the Execution Project (RECAPE)	0	0	1

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

Information and further details on Strategic Environmental Assessment and Environmental Project Assessment can be consulted on the REN website[9].

In 2017, monitoring actions were also undertaken at different REN infrastructures, covering the following descriptors:

Number of projects monitored	2017	2016	2015
Birdlife	8	7	11
Soundscape	2	2	1
Water Resources	0	0	1
Flora	0	0	2
Iberian Wolf	0	0	0
Electromagnetic Fields	2	0	3

In 2017, nine REN projects were subject to environmental monitoring and supervision as a result of the environmental impact assessment process.

REN IS AMONG THE COMPANIES WHICH BEST PROVIDE INFORMATION ON COMPANY POLICIES AND ACTIVITY WITH REGARD TO CLIMATE CHANGE.

PREVENTION OF CLIMATE CHANGE

Economic Performance

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

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

With regard to regulatory risks, REN is aware of the implications which changes to national and Community law could have on business.

As such, through the different departments, the Company monitored legislative processes on climate change.

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

Climate change and energy challenges

REN is among the companies that best provides information on the company's policies and activities in the area of climate change, according to the Carbon Disclosure Project Iberia 125 Climate Change Report 2017.

REN was invited to participate, for the seventh year running, in the annual CDP questionnaire. The company obtained a classification of B (the second highest), corresponding to the level

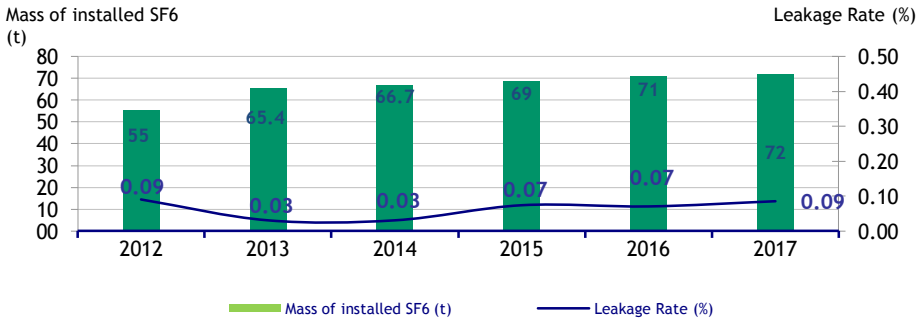
"Management". This assessment clearly shows that REN is taking steps to reduce its greenhouse gas emissions and to measure and manage impact. The company has set targets for medium and long-term reduction while also monitoring progress and implementing activities to reduce emissions.

Greenhouse gas emissions (Ton CO_2eq)	2017	2016	2015
Scope 1	**28,159**	**28,797**	**19,905**
Natural gas purges (CH_4)	8,845	984	626
Flare burn	122	11,214	2,277
Own consumption by boilers	15,423	13,149	13,213
Sulphur hexafluoride (SF_6)	1,398	1,208	1,152
Natural Gas (buildings)	165	177	511
Propane Gas (buildings)	7	5	8
Diesel (equipment and fleet)	2,199	2,060	2,118
Scope 2	**242,891**	**110,109**	**135,256**
Electricity	22,647	9,121	11,326
Electricity losses in the network	220,244	100,989	123,930
Scope 3	**536**	**752**	**662**
Air Travel	536	752	662

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

	2017	2016	2015
Number of train trips (Lisbon-Porto)	455	303	792
Number of videoconferences	21,557	946	896

In the area of preventing and controlling greenhouse gas emissions, over the course of recent years REN has been implementing an action plan to reduce its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment. In 2017, despite the increase in installed mass, the leak rate was maintained at practically the same level. The company's efforts to reduce SF_6 leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level.



All SF_6 handling and analysis equipment in use are closed gas systems to prevent and leaks during work. REN requires an identical approach when handling work is carried out by service providers and operating procedures exist for this purpose.

The main activities relating to initiatives to reduce GG emissions, particularly SF^6 in 2017 were as follows:

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

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

3) Implementation of SF6 continuous monitoring systems in armoured sub-station buildings (GIS): REN has always taken very seriously the security of personnel accessing GIS rooms after a leak alarm has been triggered. Although SF6 is not toxic in good conditions, this gas fills breathable air space and thus presents a potential choking hazard, with serious consequences for any person involved.

In order to improve safety conditions, in 2016 the installation of continuous SF_6 monitoring systems was started in the GIS 220 kV equipment rooms and the respective cable galleries.

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

In 2017, monitoring systems were installed at the Prelada and Carregado sub-stations.

In 2018, REN will continue to cover GIS facilities, and installation is planned for three substations, Zêzere, Sete Rios and Trafaria.

Given the significant quantities of SF_6 at GIS facilities, REN is intending to promote the implementation of systematic recycling in the near future. The term “recycling” is understood to mean recovery and reuse. Suitable recovery equipment, storage, transport and reuse procedures will be used. Gas which cannot be reused will be duly processed.

CLIMATE CHANGE AND ENERGY CHALLENGES

Fleet

REN took delivery of seven new RENAULT ZOE electric vehicles, reinforcing our fleet which now has a total of ten 100% electric vehicles in operation.

This new model incorporates the most recent technological advances and has autonomy of 400 Km NEDC – the European standard designed to assess the emission levels of car engines and fuel economy – allowing most routes to be comfortably handled.

This operation demonstrates our commitment to decarbonizing the planet and reinforcing a more sustainable and environment-friendly fleet.

Buildings

The ongoing replacement of air conditioning equipment containing ozone layer depleting gases (e.g.: R22), a process which has been gradual at administrative buildings and sub-stations.

The design and construction of the Data Center building in Riba de Ave reflects our concern to implement high energy efficiency solutions which will provide sustainability and considerable savings in running costs for the building. The challenge at the Riba de Ave Data Center will be to achieve a PUE (Power usage effectiveness) of 1.3. This will be possible by using equipment offering high energy efficiency and the high integrated performance of the different systems (Power and Cooling Components). With respect to power, the Data Center is equipped with high efficiency transformers which are in accordance with the ecodesign standard. At a Data Centre, uninterrupted energy is a vital requirement and will be guaranteed by UPS equipment of high efficiency and reliability. Cooling is provided by a closed water circulation system which is cooled by a chiller bank equipped with free-cooling batteries. Operating in water temperatures of between 14-20ºC and through INROW type climate control units equipped with high efficiency variable speed fans using EC technology motors, DPC Data Processing Centre) rooms will be kept at suitable temperatures, as recommended by Ashrae TC9.9. Water circulation is achieved through groups of variable speed electro-pumps equipped with high efficiency motors (IE4). This overall solution will provide considerable energy savings. Other concerns relating to efficiency and sustainability in this project included the illumination of LED lighting with KNX control and movement detectors allowing energy savings as well as the creation of green spaces with native bushes suitable for this environment which do not require watering, meaning lower water consumption.

MANAGING CO_2 EMISSIONS FROM PLANTS WITH PPAS

Within the scope of its regulated activity as a Commercial Agent, REN Trading is a company that plays an active role in the area of climate change. The management of plants which maintain Power Purchase Agreements (PPAs), viz. Tejo Energia and Turbogás, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

This situation is the result of a multilateral international negotiation process which culminated in 1997 in the signing of the Kyoto Protocol by Portugal as a member of the EU (European Union). The aim is to mitigate climate change by reducing emissions of greenhouse gases.

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GG, after the international consensus achieved in the Paris Agreement of 2015. Through the allocation of a price on CO_2 (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), the goal is to reduce the emissions of the main industrial facilities and covers sectors such as the production of electricity from fossil fuels, steel making, ceramics, petrol refineries and aviation.

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

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

With the aim of minimizing annual expenditure on the purchase of emissions licences (on the total amount of emissions made by PPA stations, with the end of allocations), and as such, the total costs incurred by consumers with the purchase of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2017, as a member of the ICE (Intercontinental Exchange), the key market in CO_2 emissions licence futures trading in the EU. It is the responsibility

of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the two PPA plants, which requires buying EUA (European unit allowance) licenses.

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

In 2017, there was an increase in activity compared with the previous year. REN Trading was active in the futures market, with transactions for the purchase of around 5.3 million tons of CO_2.

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

It is expected that the market stabilization reserve mechanism, which will enter into operation in 2019, will consolidate ETS, contributing to the creation of a clear price signal for the cost of GG. This will subsequently be reflected in production and investment decisions (by the internalisation of environmental externalities), helping to achieve the goal of a less carbon-intensive society.

Biodiversity

Biodiversity[10] is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities on the different phases of the life cycle of its infrastructure.

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

Infrastructures	Occupation in sensitive areas	% of total occupation
Stations/facilities	0.37 km^2	9%.
Length of gas pipelines/lines	1,210.93 km	12%.

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

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

[10] http://www.ren.pt/en-GB/sustentabilidade/environmental_protection/biodiversity/

IUCN Classification	2017*	2016*	2015*
Critically threatened	2	2	2
Threatened	8	7	6
Vulnerable	19	18	17

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

Information on compensatory measures developed during 2017 may be consulted on the REN website[11].

CHAIR IN BIODIVERSITY

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

The Chair is based on three pillars: monitoring, minimizing and offsetting impact; population ecology; and citizen science. The first will conduct research into the assessment, monitoring, minimizing and offsetting of impacts by power transmission networks on biodiversity, particularly with regard to power lines. The second pillar is dedicated to the analysis of demographic responses of species subject to unnatural death. In the future, this study could help define the circumstances in which significant effort should be made to minimize or offset, and where to direct such efforts.

The third pillar focuses on projects for Citizen Science, a trend which is growing internationally but so far with reduced visibility in Portugal.

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

In 2017, the REN Chair in Biodiversity allowed work already carried out to be systematized and disseminated: identifying impacts on biodiversity; assessing risks and implementing minimizing measures; promoting activities with positive impacts; integrating biodiversity into the Company's activities and supporting nature conservation.

In February, the I Symposium of the REN Chair in Biodiversity was held which brought together around two hundred researchers and technicians from companies, government and academia. The results achieved over the last eighteen months were discussed with

main focus on the relevance of the University/Company relationship. Other topics included the production of applied scientific knowledge and opportunities for the training and enhancement of human resources through advanced research and training.

Highlights of the findings presented included the assessment and monitoring of the impact of energy transmission networks on biodiversity, with particular attention to the habitat of different species such as storks, especially with regard to demography.

[11] www.ren.pt

Intensive Energy Consumption

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

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

In April 2015, the last "Execution and Progress Report for 2013-2014" was concluded. In general, the plan as initially established was complied with and none of the indicators laid down saw divergence of greater than 25% over target. The final report on this 1st pREN was approved by the DGE/ADENE.

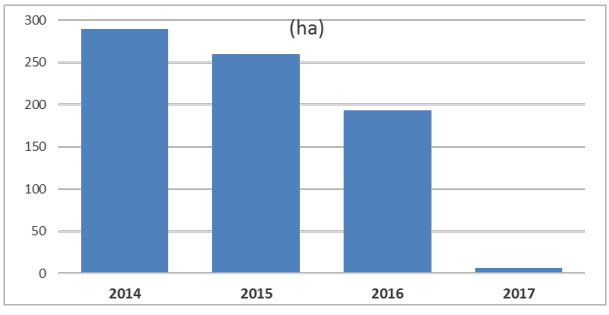
During 2016, in compliance with Decree-Laws No 71/2008 and 68A/2015, a new Energy Audit was conducted by the company TECNOVERITAS and, as a result, a new pREN was drawn up to be complied with over a period of eight years (2015 to 2022). This plan is currently being reviewed by the DGEG/ADENE for approval.

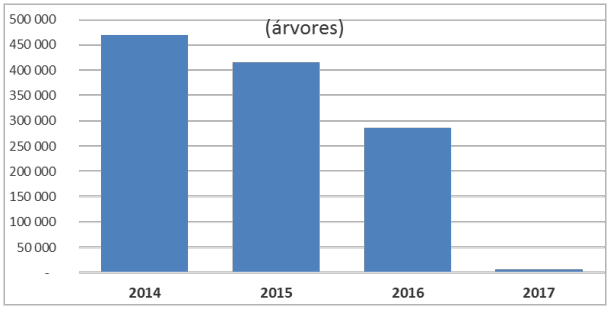
Of note in the conclusion of this second pREN, is the fact that no economically feasible measures were identified allowing a reduction of 6% in the respective indicators (Specific Consumption and Energy and Carbon Intensity). This is mainly due to two reasons. On one hand, the termination of Bleaching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

FLORA AND SOIL USE

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

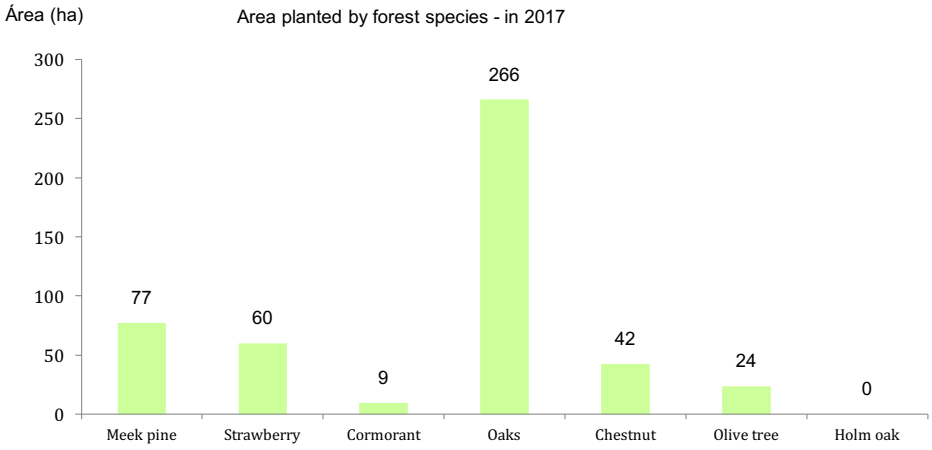
This impact occurs, for example, at the time when the line buffer corridors associated with REN's infrastructure (electricity lines and gas pipelines) are created or maintained. As a way of offsetting this impact, since 2007 REN has been carrying out diverse tree planting projects within the scope of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

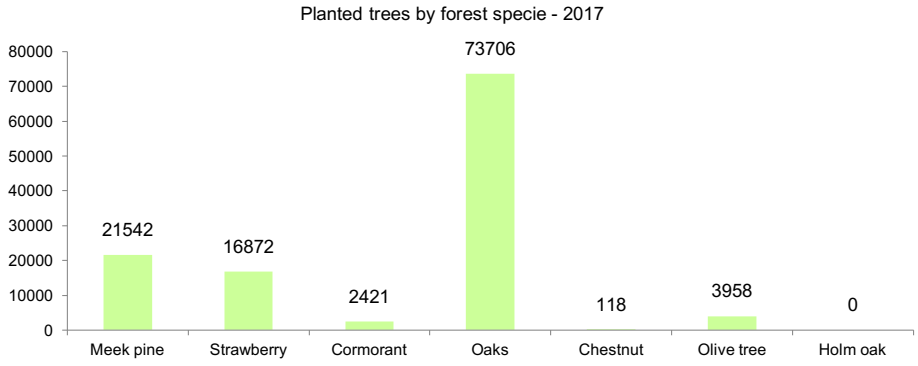




Through its right of way reforestation programme, REN has already planted more than 818,000 trees in recent years (2010-2017) in an area greater than 1,923 hectares.

In 2017, a total of 130,298 trees were planted in an approximate area of 478 hectares, where the sessile oak was the most planted species, with 266 ha (73,706 saplings). This was due to the fact that this took place in the Minho and Coastal Douro region where a greater area of work was involved and the installation of power cables in 2016 in that region was taken into consideration (Recarei-Famalicão, Vieira do Minho-Pedralva 2 and Pedralva-Ponte de Lima). Following sessile oak, the stone pine (77 ha – 21,542 saplings) and the strawberry tree (60 ha – 16,872 saplings), were the species most used in (re)forestation in 2017.





The strawberry tree is the species which we have most increased in conversion and soil use processes as it is perfectly compatible with the presence of electricity transmission lines. It also has significant economic interest due to the use of its fruit to make brandy (most well-known use) and in the foodstuffs industry. This is an emerging area where potential growth is high.

With a view to promoting the strawberry tree as one of the native species to be used by owners of land crossed by energy transmission lines, REN and the Portuguese Medronho Berry Cooperative (CPM) signed a partnership agreement in 2017. This partnership seeks to implement numerous programmes to raise awareness and inform on the potential of the strawberry tree and the high potential of its fruit in the foodstuffs, cosmetics, medicinal and ornamental sectors.

In 2017, our project as part of the award “Good Practice of the Year” 2017, organized by the Renewables Grid Initiative, a partnership between NGOs and TSOs from all over Europe, was selected by the jury as one of the reference projects in the category of Environmental Protection to

be included in the award brochure (attached), which was presented at the award ceremony during the European Energy Infrastructure Forum on 1 June, in Copenhagen.

The jury included industry figures such as Pierre Jean Coulon, a member of the Economic and Social Committee, Catharina Sikow-Magny, head of the B1 Unit at the Directorate-General of Energy at the European Commission, Marie Donnelly, Director for New and Renewable Sources of Energy, Innovation and Energy Efficiency, at the Directorate-General of Energy at the European Commission, Humberto Rosa, Director for Natural Capital at the Directorate-General of Environment at the European Commission.

The projects were assessed based on Idea/Development, Implementation, Impact and Reactions of Others and follow-up.

See the brochure here:

https://renewables-grid.eu/fileadmin/user_upload/Files_RGI/RGI_Publications/Good_Practice_of_the_Year_brochure_2017.pdf

Forest defence networks against fires

Further to the large forest fires of 2003 and 2005, the National Forest Defence System against Forest Fires was created. Fuel Management Corridor Networks were set up and our infrastructures fell under the so-called secondary network.

This fact had significant impact on how vegetation was managed on our protection corridors. Impact was both short-term, in how we manage on-site work and medium/long-term, changing our strategy in this regard to one of improving sustainability.

In the last three years, from an operational perspective we have worked on 16,000 ha, or in other words, more than 3,500km of 45 metre wide strips.

In 2017, work was carried out on 5,572 ha of our rights of way (electricity and gas), and a further 1,200 ha in concession properties, in order to comply with the provisions of the National Forest Defence System against Forest Fires.

In order to comply with these responsibilities, we have a network of partners, our service providers, who in 2017 worked around 360,000 hours in forests, representing more than 180 people per working day.

Today, and as a result of the new legal obligations, we can state that in addition to managing the energy transmission networks in Portugal, we also manage a forest defence network against fires.

BIRDLIFE

Compensation measures

A very important area for REN is the implementation of offsetting measures, arising from the Environmental Impact Assessment process for new infrastructure. The measures underway and the main results are available for consultation on the REN website[12].

Compatibility between REN's infrastructures and the white stork population

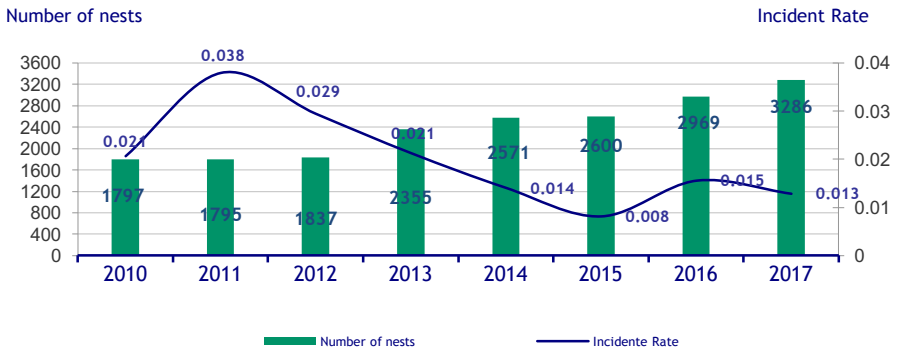
For more than ten years, REN has monitored the nesting patterns of the white stork population in its infrastructure, creating nesting conditions for this bird in favourable habitats and installing devices that minimize the risk of accidents of electrical origin.

More actions were implemented in 2017 as compared to the previous year, described below according to type:

	2017*	2016*	2015*
Number of Platforms Installed	74	144	349
Number of Anti-Perching Devices Installed	148	313	642
Number of nests transferred	180	135	221

During the year, there was a significant fall in the rate of incidents involving white storks as compared to 2016.

The fitting of fans and platforms stops nesting in places with greater likelihood of incidents and despite the considerable rise in the population of storks and a relevant increase in the number of nests, there has been a fall in the number of incidents.



[12] www.ren.pt

REN

6

CONSOLIDATED AND INDIVIDUAL ACCOUNTS

EVOLUTION MOTIVATED BY GROWTH

6.1
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,227	578
Goodwill	9	19,102	3,397
Intangible assets	8	4,306,417	3,825,712
Investments in associates and joint ventures	10	162,027	14,657
Available-for-sale financial assets	12 and 13	156,439	150,118
Derivative financial instruments	12 and 16	7,907	20,425
Other financial assets	12	27	14
Trade and other receivables	12 and 14	6,528	10,145
Deferred tax assets	11	97,737	62,825
		4,759,411	**4,087,871**
Current assets			
Inventories	15	2,958	1,028
Trade and other receivables	12 and 14	540,849	448,826
Other financial assets	12	-	1,317
Cash and cash equivalents	12 and 17	61,458	10,783
		605,265	**461,954**
Total assets	7	**5,364,676**	**4,549,825**
EQUITY			
Shareholders' equity			
Share capital	18	667,191	534,000
Own shares	18	(10,728)	(10,728)
Share premium	18	116,809	-
Reserves	19	310,191	319,204
Retained earnings		225,342	216,527
Other changes in equity	18	(5,541)	30
Net profit for the year		125,925	100,183
Total equity		**1,429,189**	**1,159,217**
LIABILITIES			
Non-current liabilities			
Borrowings	12 and 20	2,205,390	2,298,543
Liability for retirement benefits and others	21	121,977	125,673
Derivative financial instruments	12 and 16	6,960	12,212
Provisions	22	9,035	6,154
Trade and other payables	23	364,961	318,126
Deferred tax liabilities	11	99,534	73,027
		2,807,857	**2,833,735**
Current liabilities			
Borrowings	12 and 20	624,336	216,594
Provisions	22	-	801
Trade and other payables	23	473,337	311,539
Income tax payable	11 and 12	29,957	26,875
Derivative financial instruments	12 and 16	-	1,063
		1,127,630	**556,873**
Total liabilities	7	**3,935,487**	**3,390,608**
Total equity and liabilities		**5,364,676**	**4,549,825**

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

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of profit and loss for the years ended 31 December 2017 and 2016

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

	Notes	Year ended 31.12.2017	Year ended 31.12.2016
Sales	7 and 24	82	569
Services rendered	7 and 24	561,414	544,672
Revenue from construction of concession assets	7 and 25	154,651	171,247
Gains / (losses) from associates and joint ventur	10	5,749	1,314
Other operating income	26	26,470	21,649
Operating income		**748,366**	**739,452**
Cost of goods sold		(613)	(450)
Costs with construction of concession assets	25	(136,683)	(155,217)
External supplies and services	27	(55,418)	(44,328)
Personnel costs	28	(51,275)	(49,583)
Depreciation and amortizations	8	(221,991)	(214,761)
Provisions	22	(1,273)	(516)
Impairments		(955)	(258)
Other expenses	29	(14,103)	(12,595)
Operating costs		**(482,311)**	**(477,708)**
Operating results		**266,055**	**261,743**
Financial costs	30	(73,424)	(91,182)
Financial income	30	5,360	5,291
Investment income - dividends	13	6,268	5,550
Financial results		**(61,796)**	**(80,341)**
Profit before income tax		**204,259**	**181,403**
Income tax expense	11	(52,536)	(55,282)
Energy sector extraordinary contribution (ESEC)	35	(25,798)	(25,938)
Net profit for the year		**125,925**	**100,183**
Attributable to:			
Equity holders of the Company		125,925	100,183
Non-controlled interest		-	-
Consolidated profit for the year		**125,925**	**100,183**
Earnings per share (expressed in euro per share)	31	0.19	0.19

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of other comprehensive income for the years ended 31 December 2017 and 2016

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

	Notes	Year ended 31.12.2017	31.12.2016
Consolidated Net Profit for the year		**125,925**	**100,183**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax	21	(1,026)	(1,405)
Tax effect on actuarial gains / (losses)	11	308	407
Other changes in equity		73	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	10	(18,239)	-
Increase / (decrease) in hedging reserves - cash flow derivatives	16	5,261	(6,200)
Tax effect on hedging reserves	11 e 16	(1,105)	1,302
Gain/(loss) in fair value reserve - available-for-sale financial assets	13	6,325	(4,912)
Tax effect on items recorded directly in equity	11 e 13	(1,328)	(796)
Comprehensive income for the year		**116,194**	**88,579**
Attributable to:			
Equity holders of the company		116,194	88,579
Non-controlled interest		-	-
		116,194	**88,579**

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

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of changes in equity for the years ended 31 December 2017 and 2016

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

		Attributable to shareholders										
Changes in the year	Notes	Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 13)	Hedging reserve (Note 16)	Other reserves	Other changes in equity	Retained earnings	Profit for the year	Total
At 1 January 2016		**534,000**	**(10,728)**	**-**	**102,608**	**54,489**	**(8,960)**	**177,482**	**30**	**196,253**	**116,115**	**1,161,289**
Net profit of the period and other comprehensive income		-	-	-	-	(5,708)	(4,898)	-	-	(998)	100,183	**88,579**
Transfer to other reserves		-	-	-	4,192	-	-	-	-	111,922	(116,115)	-
Distribution of dividends	32	-	-	-	-	-	-	-	-	(90,650)	-	**(90,650)**
At 31 December 2016		**534,000**	**(10,728)**	**-**	**106,800**	**48,781**	**(13,858)**	**177,482**	**30**	**216,527**	**100,183**	**1,159,217**
At 1 January 2017		**534,000**	**(10,728)**	**-**	**106,800**	**48,781**	**(13,858)**	**177,482**	**30**	**216,527**	**100,183**	**1,159,217**
Net profit of the period and other comprehensive income		-	-	-	-	4,997	4,156	(18,166)	-	(718)	125,925	**116,194**
Transfer to other reserves		-	-	-	-	-	-	-	-	100,183	(100,183)	-
Capital increase	18	133,191	-	116,809	-	-	-	-	(5,571)	-	-	**244,428**
Distribution of dividends	32	-	-	-	-	-	-	-	-	(90,650)	-	**(90,650)**
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**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of cash flow for the years ended 31 December 2017 and 2016

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

	Note	Year ended December 2017	Year ended December 2016	
Cash flow from operating activities:				
Cash receipts from customers		2,388,176	1,872,348	a)
Cash paid to suppliers		(1,710,859)	(1,388,869)	a)
Cash paid to employees		(67,843)	(64,113)	
Income tax received/paid		(85,506)	(34,453)	
Other receipts / (payments) relating to operating activities		(44,857)	(70,206)	
Net cash flows from operating activities (1)		**479,111**	**314,706**	
Cash flow from investing activities:				
Receipts related to:				
Available-for-sale	13	10	128	
Property, plant and equipment		1,597	-	
Other financial assets	12	1,309	-	
Investment grants		7,369	2,172	
Interests and other similar income		175	7	
Dividends	10 and 13	15,285	5,466	
Payments related to:				
Financial investments	10	(699,792)	-	
Available-for-sale	13	-	(202)	
Property, plant and equipment		(285)	(20)	
Intangible assets - Concession assets		(169,954)	(153,900)	
Net cash flow used in investing activities (2)		**(844,287)**	**(146,349)**	
Cash flow from financing activities:				
Receipts related to:				
Borrowings		5,427,401	5,546,236	
Capital increase	18	250,000	-	
Interests and other similar income		-	17,757	
Payments related to:				
Borrowings		(5,120,734)	(5,570,474)	
Interests and other similar expense		(67,615)	(124,084)	
Dividends	32	(90,650)	(90,650)	
Net cash from / (used in) financing activities (3)		**398,402**	**(221,216)**	
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		33,226	(52,859)	
Effect of exchange rates		1,508	-	
Cash and cash equivalents at the beginning of the year	17	10,680	63,539	
Changes in the perimeter	17	15,034	-	
Cash and cash equivalents at the end of the period	17	**60,448**	**10,680**	
Detail of cash and cash equivalents				
Cash	17	1	1	
Bank overdrafts	17	(1,009)	(103)	
Bank deposits	17	61,457	10,782	
		60,448	**10,680**	

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

1. GENERAL INFORMATION

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

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

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

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

The Electricity business includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007 which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

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

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

The Gas business includes the following companies:

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

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

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

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

e) REN Gás Distribuição SGPS S.A., acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the management of financial interests in other companies as an indirect form of economic activity;

f) REN Portgás Distribuição, SA ("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;

g) REN Portgás GPL, SA, acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise: a) the sale of energy in the form of liquefied petroleum gas, propane or other, in accordance with the licenses it holds, in particular the purchase and sale, including the resale, of liquefied petroleum gas, for selling to final customers or other agents, through the conclusion of bilateral contracts or participation in other markets; b) the development and operation of gas infrastructures not reserved by law; (c) the provision of audit, maintenance and repair services for liquefied petroleum gas consumption facilities and the provision of value added services in the area of marketing and consumption; d) the provision of study, consultancy and research services for systems and processes in the liquefied petroleum gas sector.

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

As of 31 December 2017 REN SGPS also holds:

a) 42.5% interest in the share capital of Electrogas, S.A., a provider of natural gas and ither 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) 8.3% interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European transmission system operators ("TSO"), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

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

2. INFORMATION ON THE CONCESSION CONTRACTS AWARDED TO REN

2.1. ELECTRICITY CONCESSION CONTRACT

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

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

i) Purchase and sale of electricity

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

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

ii) Electricity transmission

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

iii) Global Management of the System

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

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

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

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

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

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

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

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

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

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

In accordance with ERSE Order 14.4020/2010 of 15 September 2010, REN S.A. became subject to a new remuneration mechanism for the electricity segment, referred to as standard prices, which is applicable to for all investment in lines and substations which start operating from 1 January 2009 onwards.

2.2. GAS TRANSPORT AND GLOBAL MANAGEMENT OF THE SYSTEM

The concession for the use the National Natural Gas Transport Network was granted to REN - Gasodutos, S.A., with a 40 years period, under Decree-Law 140/2006 of 26 July 2006, for the purpose of managing the National Natural Gas System (Sistema Nacional de Gás Natural - SNGN), operation of the high pressure gas transport network and development of the necessary infrastructures, under the public service regime.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system

The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás - SNGN) through coordination of the national and international connections to the National Natural Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the natural gas safety reserves. The operators which perform any activity integrated in the SNGN, as well as the users are subject to this activity.

ii) Gas Transport

The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Natural Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

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

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System; and
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, as rendering of services or any other legal form of contract.

2.3. RECEPTION, STORAGE AND REGASIFICATION OF LIQUID NATURAL GAS (LNG)

The concession of the operations of the LNG terminal was granted to REN Atlântico, Terminal de GNL, S.A., for a 40 years period, under Decree-Law 140/2006 of 26 July 2006, to carry out the following activities under the rendering of public services regime:

i) reception, storage, treatment and regasification of liquid natural gas unloaded;

ii) the injection of high pressure natural gas into the National Natural Gas Transport Network (Rede Nacional de Transporte de Gás Natural - RNTGN) or its dispatch by specialised trucks; and

iii) the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures (buildings, tanks, gas pipelines, etc.).

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

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

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

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The Concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.4. NATURAL UNDERGROUND GAS STORAGE

The concession to operate the underground storage was granted to REN – Armazenagem, S.A., for a period of 40 years, under Decree-law 140/06 of 26 July of 2006, to carry out the following activities, under a rendering of public service regime:

i) reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and

ii) construction, utilization, maintenance and expansion of the underground storage tanks.

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

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;
- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and
- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

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

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, S.A. must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The Concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.5. DISTRIBUTION OF NATURAL GAS

The concession of the natural gas distribution activity in low and medium pressure, in the concession area defined in the concession contract, was attributed to REN Portgás for a period of 40 years, under Decree-Law 140/2006, of 26 July 2006, to carry out the following activities, under a rendering of public service regime:

- reception, transportation and delivery of natural gas through the medium and low pressure network;
- construction, maintenance, operation and exploration of all the infrastructures that integrate the RNDGN, in the area corresponding to the present concession, and of the installations necessary to the operation;
- promotion of the construction, conversion or adequacy and eventual reimbursement of facilities for the use of natural gas owned by final customers, in order to guarantee the supply of natural gas;
- planning, development, expansion and technical management of the RNDGN, in the concession area;
- management of RNDGN interconnection with RNTGN.

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

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;
- autonomous gas units;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system;
- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

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

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services;
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network;
- all intangible assets, not mentioned as assets assigned to the concession, incorporated before the publication of Decree-Law no. 140/2006.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.6. OPERATION OF A PILOT SITE FOR THE ENERGY OF OCEAN WAVES

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. BASIS OF PRESENTATION

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IAS/IFRS"), in force for the years starting on 1 January 2017.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2017, current liabilities in the amount of 1,127,630 thousand Euros are greater than current assets, which total 605,265 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2018, the Group has, as of 31 December 2017, credit lines in the form of commercial paper available for use in the amount of 855,000 thousands Euros, with a substantial part with guaranteed placement (Note 20).

On 11 January 2018 the Group agreed the terms of a bond issue in the market of Euro Bonds, in the amount of 300,000 thousand Euros.

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.

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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

These consolidated financial statements were approved by the Board of Directors at a meeting held on 15 March 2018. The Board of Directors understands that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS").

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions endorsed by the European Union are mandatory applicable for the financial year ended 31 December 2017:

- IAS 7 "Statement of Cash Flows" (amendment to be applied for periods beginning on or after 1 January 2017) – The purpose of this amendment, which is included in a broad reform project (disclosure initiative), is to enable users of financial statements to assess changes arising from financing activities. To this end, this amendment sets out further disclosure requirements for funding activities. From the adoption of this amendment no significant impacts on REN´s consolidated financial statements occurred.
- IAS 12 "Income Tax" (amendment to be applied for periods beginning on or after 1 January 2017) – The purpose of this amendment is to clarify the accounting for deferred tax assets related to assets measured at fair value, how to estimate future taxable income when there are deductible temporary differences and how to assess the recoverability of deferred tax assets, based on tax law. These changes did not have a significant impact on REN's consolidated financial statements

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

- IFRS 9 Financial Instruments - In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments. IFRS 9 was adopted by European Commission Regulation 2067/2016 of 22 November 2016.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  The Group carried out a preliminary assessment of the potential impact of the adoption of IFRS 9, estimating a positive impact on equity between 11 and 12 million Euros on the date of adoption on 1 January 2018, mainly related to changes in the measurement of liabilities related with the exchange bond operation completed by the Group in 2016.

  #### I. Classification and measurement

  IFRS 9 presents a new classification and measurement approach for financial assets that reflects the business model used in its management and the characteristics of contractual cash flows.

  IFRS 9 determines three main categories of classification of financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the categories of IAS 39: Held-to-Maturity (HTM), Accounts Receivable and Available-for-Sale (AFS).

  In accordance with IFRS 9, embedded derivative contracts may not be forked. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset measured at fair value through profit or loss.

Based on its preliminary assessment, the Group does not anticipate that the new classification requirements will have a significant impact on the accounting of its financial assets.

II. Impairment

IFRS 9 replaces the "loss incurred" model in IAS 39 with an expected credit loss (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment is recognized.

The new impairment model will be applied to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

In accordance with IFRS 9, losses will be measured on one of the following bases:

- 12-month ECL, which results from possible default events within 12 months after the reporting date; and
- Lifetime ECLs, which result from all default events during the expected life of a financial instrument.

If the credit risk of a financial asset has not increased significantly since its initial recognition, an accumulated impairment equal to the expectation of loss estimated to occur within the next 12 months must be recognized. If the credit risk has increased significantly, an accumulated impairment equal to the expectation of loss that is estimated to occur until the respective maturity of the asset should be recognized.

The Group does not foresee significant impacts on impairment due to the adoption of IFRS 9.

III. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.

However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in profit or loss, whereas, in accordance with IFRS 9, these changes in Fair Value are generally presented as follows:

- The amount of changes in Fair Value that is attributable to changes in the liability credit risk is presented in the Other Comprehensive Income (OCI) and is not recycled to profit or loss; and
- The remaining amount of changes in Fair Value is shown in Profit or Loss.

The Group has not yet designated any financial liability as FVTPL and, currently, does not intend to do so. The Group's preliminary valuation did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied as of 1 January 2018.

In addition, in accordance with IFRS 9 and as confirmed by the IASB Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification at their present value by applying the original effective rate of the liability as the discount rate and any difference recognized as a gain or loss in the results of the year. The treatment under IAS 39 allowed the deferral of this differential by reviewing the effective interest rate, a treatment applied by REN in connection with the exchange bond operation completed in 2016. This change has an impact on the book value of the respective financial liabilities and equity of REN.

IV. Coverage Accounting

At the date of initial application of IFRS 9, the Group may choose as an accounting policy to maintain the requirements relating to the hedge accounting of IAS 39 instead of those of IFRS 9. The group's current plan is to apply IFRS 9.

In order to avoid partial application of the hedge accounting of this standard, REN Group decided to continue applying IAS 39 until the current Dynamic Risk Management (macro-hedging) project is completed.

V. Disclosures

IFRS 9 will require new disclosures, in particular with respect to hedge accounting, credit risk and expected loss. The group is analyzing the information required in the information systems in order to ensure compliance with the Standard.

- IFRS 15 “Revenue from Contracts with Customers” (new standard to be applied for periods beginning on or after 1 January 2018) - This new standard only applies to contracts for the delivery of assets or rendering of services; i) establishes that the company recognizes the revenue when the contractual obligation to deliver assets or provide services is satisfied; ii) and the amount that reflects the consideration to which the company is entitled, as established in the "5 step methodology. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.
- IFRS 16 “Leases” (new standard to be applied for periods beginning on or after 1 January 2019) – 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 future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.
- Amendment to IFRS 9 "Financial Instruments" with IFRS 4 "Insurance contracts" (amendment to be applied for years beginning on or after 1 January 2018) - This amendment assigns the recognition option to Other comprehensive income, in opposite to profit and loss, as a result of the volatility created from the application of IFRS 9, before the entry into force of IFRS 17 - "Insurance contracts" (option granted to entities negotiating insurance contracts). The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.
- Clarifications on IFRS 15 "Revenue from Contracts with Customers" (amendment to be applied for years beginning on or after 1 January 2018) - This amendment corresponds to clarifications made to IFRS 15 and refers to additional indications: i) in determining the obligations; ii) recognition of revenue; iii) identification of contract stakeholders; and (iv) selection of transitional regimes. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2017.

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.
IFRIC 23 - Uncertainty Over Income Tax Treatments	01-jan-19	Clarifies how the recognition and measurement requirements of IAS 12 - Income Tax are applied when there is uncertainty about the tax treatment.
Amendments to IFRS 2 - Share-based payment	01-jan-18	This amendment clarifies certain definitions, namely the definition of acquisition conditions and market conditions, in order to ensure consistency in the classification of share-based payments.
Annual improvements to IFRS (2014-2016 cycle)	01-jan-17 and 01-jan-18	Cyclical improvements are introduced to clarify and simplify the application of international normative. The changes introduced in the 2014-2016 cycle focused on the revision of: (i) IFRS 1 (elimination of short-term exemptions that are no longer applicable); (ii) IFRS 12 (clarifies that disclosure requirements of IFRS 12 apply to all investments - referred to in paragraph 5 - even if classified as held for sale, for distribution to owners or discontinued operations in accordance with IFRS 5); and (iii) IAS 28 (clarifies that the option to measure an investment in an associate or joint venture held by an entity that is a venture capital organization or other qualified entity is available on an individual basis).
Amendments to IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01-jan-18	This interpretation clarifies that relevant date for the recognition of an asset, expense or income relating to a foreign currency transaction for which an entity receives or pays in advance an amount in a foreign currency, is the date of the transaction.
Amendments to IAS 40 - Transfers of Investment Property	01-jan-18	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. If a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	01-jan-19	This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	01-jan-19	These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.
Annual Improvements to IFRS Standards 2015-2017 Cycle	01-jan-19	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).

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2017 consolidated financial statements.

3.2. CONSOLIDATION PRINCIPLES

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IAS 39.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition / attribution price is contingent upon the occurrence of specific events agreed with the seller / shareholder (eg, realization of fair value of assets acquired).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption “Non-controlling interests”.

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

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a separate caption of statement of financial position. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Groups proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

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

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as assets available-for-sale in accordance with IAS 39, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates (‘the functional currency’), the Euro. The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group’s functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and / or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against other reserves.

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Currency	2017	2016
US Dollar (USD)	1.20	1.05
Pound sterling (GBP)	0.89	0.86
Japan Yen (Yen-JPY)	135.01	123.40
Chilean pesos (CLP)	739.01	-

3.4. TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are valued at cost less accumulated amortization / depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

Concession/Regulated Assets – IFRIC 12 – Service Concession Arrangements

The Group has: (i) five concessions for the operations and development of the National Transmission Network, for the global management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the distribution of natural gas in low and medium pressure, the underground storage of natural gas and global management of the natural gas system and (ii) a concession to explore a pilot zone for the electricity production from ocean waves. The assets acquired / constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 – Service Concession Arrangements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. IFRIC 12 was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 1 January 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls/regulates:

- The services to be rendered by the operator (through utilization of the infrastructure), to whom and at what price; and
- Any residual interest over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- constructed or acquired by the operator from third parties;
- already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

i) the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

ii) the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

iii) the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

iv) the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

i) Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

ii) Intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset;

iii) Bifurcated/mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2017.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: " A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method and production unit method. The method used is selected based on the expected consumption model of future economic benefits included in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits". Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business. Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset". Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. LEASES

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the legal form of the lease arrangement.

Leases, in which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract point a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognized in the consolidated statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated by the lower period between the useful life period of the asset and the maturity of the lease contract, when the company don`t have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

In operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.6. FINANCIAL ASSETS AND LIABILITIES

Financial Assets

The Board of Directors determines the classification of financial assets at the time of initial recognition, in accordance with the purpose for which the financial assets are acquired.

Financial assets may be classified under the following categories:

a) Financial assets at fair value through profit or loss – includes non-derivative financial assets held for short-term trading and assets designated at fair value through profit and loss at the inception date;

b) Loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;

c) Investments held to maturity – includes non-derivative financial assets with fixed or determinable payments and fixed maturities, that the entity intends and has the capacity to hold until the maturity date; and

d) Available-for-sale financial assets – includes non-derivative financial assets designated as available-for-sale at the inception date or other financial assets not classified in any of the other financial asset categories. Available-for-sale financial assets are recognised as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (Ii) holds the asset primarily for trading purposes; (Iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which REN commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognised at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption "Financial costs" for the period in which they arise, which also includes interest income and dividends received.

Available-for-sale assets are initially recognised at fair value including transaction costs. In subsequent periods these assets are adjusted to fair value, the changes in fair value being recognised in a fair value reserve within Equity until the investment be sold or received or until the fair value of the investment be below the acquisition cost on a longstanding perspective, situations on which the loss is recorded in the statement of profit and loss.

Dividends and interest income from available-for-sale financial assets are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Financial assets held to maturity are measured at amortized cost using the effective interest rate method.

Loans and receivables are classified as "Trade and other receivables" in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the "Borrowings" caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently on its legal form.

IAS 39 establishes the classification of financial liabilities in two categories:

i) Financial liabilities at fair value through profit and loss;

ii) Other financial liabilities.

Other financial liabilities includes “Borrowings” and “Trade and other payables”.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions “Finance income” or “Finance costs”. If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption “Derivative financial instruments”, and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

Derivative financial instruments are classified and presented as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

Hedge accounting

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting are the following:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IAS 39;
- It is expected that the changes in the fair value or cash flows of the hedged item, attributable to the risk hedged, are virtually offset by changes in fair value or cash flows of the hedging instrument.

At the inception of the hedge operation, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives and strategy for managing the risk. Additionally, the Group assess, at the inception of the hedge and as of the reporting date, if the derivative financial instruments designated as highly effective in the compensation of changes in the fair value or cash flows of the corresponding hedged items.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged. Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires, is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

3.7. BORROWING COSTS

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8. GOVERNMENT GRANTS AND OTHERS

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption “Trade and other payables”.

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. IMPAIRMENT OF ASSETS, EXCEPT GOODWILL

Financial Assets

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can mesured reliably.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

In the case of financial assets classified as “held for sale”, a significant and longstanding decrease of its fair value below the acquisition cost is considered an indicator that the financial asset is impaired. If evidence of impairment on the financial asset held for sale exists, the accumulated loss - determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded – is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Non-financial assets

Whenever events or changes in circumstances indicates that the amount by which the asset is recorded may not be recovered, impairment tests are undertaken in order to determine the recoverable amount of the asset, and when necessary an impairment loss recorded. An impairment loss is considered by the excess of the carrying amount of an asset when compared with its recoverable amount. The recoverable amount is the higher amount between the asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with no undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10. EMPLOYEE BENEFITS

REN grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus, and death subsidy.

i) Pension Plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the annual discount rate, was based on the high quality risk bonds (Aa risk notation from Bloomberg). The credit risk notation is attributed by rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity.

3.11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon the occurrence (or not) a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

Provisions are measured at the present value of the estimated outflows required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. CAPITAL AND OWN SHARES

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption “Share Premium”. Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with Portuguese Commercial law, REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, constraining the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. INCOME TAX

REN is taxed based on the special regime for the taxation of group companies (“RETGS”), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax (“CIT”).

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit. However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

3.15. ACCRUALS BASIS

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. REVENUE

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte -RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i) amortization of the concession assets related with the electricity transmission activity;

ii) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii) operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i) amortization of the concession assets relating to global management of the system;

ii) amortization of the concession assets relating to the generating station sites;

iii) a return on the average net book value of the generating station sites (land);

iv) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v) operating costs related with the activity.

The “Commercial Agent” activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA’s (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE in the beginning of 2008.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the “Commercial Agent” activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. SEGMENT REPORTING

An operational segment is a component of an entity which;

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements ("PPA") not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

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

The column "Others" includes the operations of REN SGPS, REN Serviços, REN Finance, BV and Aério Chile SPA.

Financial information relating to income of the identified business segments is included in Note 7.

3.18. CASH FLOW STATEMENT

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

3.19. SHARE-BASED PAYMENTS

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payments ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the company shares quotation, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in the consolidated statement of profit and loss.

The share-based payments are not material for the purpose of disclosure in the notes to the consolidated financial statements.

3.20. SUBSEQUENT EVENTS

Events that occur after the statement of financial position date that provide additional information on conditions that existed at the date of the statement of financial position (“adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date (“non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the consolidated financial statements, if material.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1. FINANCIAL RISK FACTORS

The Group’s activities are exposed to a variety of financial risks including: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

The Group has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, aiming to minimise potential adverse effects on the REN Group’s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks, in strict cooperation with REN’s operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of liquidity excess.

i) Foreign exchange rate risk

REN has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens (“JPY”) is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2017, and all other factors remaining constant, would lead to a decrease on equity in the amount of 645 thousands Euros (890 thousand Euros as of 31 December 2016), while a decrease of that exchange rate would lead to an increase on equity in the amount of 717 thousand Euros (979 thousand Euros as of 31 December 2016).

Additionally, the Group is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro /USD, related with its financial investment in Electrogas, S.A., acquired in February 2017 (Note 10).

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2017, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,089 thousands Euros, while a decrease of that exchange rate would lead to an increase on equity in the amount of 7,385 thousand Euros.

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight the 1,075,000 thousand Euros available in commercial paper programmes (from which 630,000 thousand Euros with subscription guarantee) and 455,000 thousand Euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 91,500 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), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts:

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	351,560	384,165	273,606	1,009,331
Bonds	237,214	435,949	1,164,188	1,837,351
Commercial paper	70,003	150,000	-	220,003
Others	1,375	1,955	-	3,330
	660,153	**972,068**	**1,437,794**	**3,070,015**
Derivative financial instruments	3,283	13,143	6,576	23,002
Trade and others payables	396,187	45,951	-	442,138

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	70,844	259,912	267,074	597,830
Bonds	72,644	653,115	1,185,271	1,911,030
Commercial paper	101,007	152,000	-	253,007
Others	1,393	1,808	-	3,201
	245,888	**1,066,835**	**1,452,345**	**2,765,068**
Derivative financial instruments	4,338	13,119	9,841	27,298
Trade and others payables	280,493	29,884	-	310,376

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(6,298)	(74,707)	(85,173)
Inflows	2,007	8,029	77,079	87,116
	(2,161)	**1,731**	**2,373**	**1,943**

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(9,355)	(76,003)	(89,527)
Inflows	2,196	8,784	86,528	97,508
	(1,973)	**(570)**	**10,524**	**7,982**

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on the borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice-versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowing at fixed rates exposes the REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operation REN Group exchanges with banking counterparties in specific dates and with defined maturities, the

difference between the fixed interest rates and the variable rates with reference to the notional amounts contracted. All operations undertaken with this purpose can be considered, in most cases, perfect interest rate hedging operations.

A sensitivity analysis was performed based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2017 and 2016, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2017 would result in a decrease of profit before tax of, approximately, 3,200 thousand Euros (2,235 thousand Euros as of 31 December 2016).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 2,086 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2016 corresponded to an increase of 6,000 thousand Euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2017 would have an impact on equity of 10,131 thousand Euros (9,706 thousand Euros in 31 December 2016).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. CAPITAL RISK MANAGEMENT

The REN Group's objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt over the total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as presented in the consolidated statement of financial position), adjusted by the amounts of cash and cash equivalents and hedge derivatives. Total capital is calculated as equity (as presented in the consolidated statement of financial position) plus net debt. The Group's Gearing ratio comfortably meets the limits set by contract, being on 31 December 2017 above the minimum in 78%.

5. MAIN ESTIMATES AND JUDGEMENTS

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. PROVISIONS

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. ACTUARIAL ASSUMPTIONS

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. TANGIBLE AND INTANGIBLE ASSETS

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. IMPAIRMENT

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. IMPAIRMENT OF GOODWILL

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

6. CONSOLIDATION PERIMETER

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

Designation / adress	Activity	2017 % Owned		2016 % Owned	
		Group	Individual	Group	Individual
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiaries:					
Electricity segment:					
REN - Rede Eléctrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, nº7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
Telecommunications segment:					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
Other segments:					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
Natural gas segment:					
REN Atlântico , Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations.	100%	-	100%	-
Owned by REN Gas, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-
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%	-	-	-
Owned by REN Gás Distribuição SGPS S.A.:					
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Distribution of natural gas	100%	-	-	-
Owned by REN Portgás Distribuição, S.A. .:		100%	-	-	-
REN Portgás GPL, S.A. Rua Linhas de Torres, 41 - Porto	The commercialization of energy in the form of liquefied petroleum gas, propane or other				

Changes in the consolidation perimeter for the year ended December 31, 2017

On October 4, the REN Group through its subsidiary REN Gás, S.A. acquired EDP Iberia, S.L.U. EDP Gás Distribuição, SA (renamed REN Portgás Distribuição, SA, after the acquisition) and its subsidiaries, EDP Gás Distribuição, SA (renamed REN Gás Distribuição SGPS, EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, SA (renamed as REN Portgás GPL, SA, after the acquisition). The REN Group and taking into account the change in the perimeter, appropriated the results of the companies acquired since the date of acquisition.

7. SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007 and the pilot zone for electricity production from sea waves. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal, 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 year ended 31 December 2017 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**381,257**	**177,139**	**5,222**	**36,600**	**(38,722)**	**561,496**
Inter-segments	497	3,711	61	34,453	(38,722)	-
Revenues from external customers	380,760	173,428	5,160	2,147	-	561,496
Revenue from construction of concession assets	134,800	19,852	-	-	-	154,651
Cost with construction of concession assets	(119,700)	(16,983)	-	-	-	(136,683)
Gains / (losses) from associates and joint ventures	-	-	-	5,749	-	5,749
Personnel costs	(49,614)	(31,673)	(1,651)	(17,467)	44,987	(55,418)
Employee compensation and benefit expense	(20,135)	(8,818)	(279)	(22,042)	-	(51,275)
Other expenses and operating income	16,413	1,702	(29)	(67)	(6,265)	11,754
Operating cash flow	**343,021**	**141,219**	**3,262**	**2,773**	**-**	**490,274**
Investment income - dividends	-	-	-	6,268	-	6,268
Non reimbursursable expenses						
Depreciation and amortizations	(157,036)	(64,738)	(22)	(195)	-	(221,991)
Provisions	(498)	(133)	-	(642)	-	(1,273)
Impairments	(652)	74	-	(377)	-	(955)
Financial results						
Financial income	750	9,734	28	150,211	(155,362)	5,360
Financial costs	(58,209)	(22,139)	-	(148,438)	155,362	(73,424)
Profit before income tax	**127,376**	**64,016**	**3,268**	**9,600**	**-**	**204,259**
Income tax expense	(32,277)	(17,830)	(791)	(1,637)	-	(52,536)
Energy sector extraordinary contribution (ESEC)	(18,362)	(7,435)	-	-	-	(25,798)
Profit for the year	**76,736**	**38,751**	**2,477**	**7,963**	**-**	**125,925**

Results by segment for the year ended 31 December 2016 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**372,113**	**166,721**	**5,532**	**35,501**	**(34,626)**	**545,241**
Inter-segments	749	428	61	33,388	(34,626)	-
Revenues from external customers	371,365	166,293	5,471	2,113	-	545,241
Revenue from construction of concession assets	157,494	13,753	-	-	-	171,247
Cost with construction of concession assets	(143,551)	(11,667)	-	-	-	(155,217)
Gains / (losses) from associates and joint ventures	-	-	-	1,314	-	1,314
Personnel costs	(45,910)	(22,633)	(1,642)	(16,484)	42,341	(44,328)
Employee compensation and benefit expense	(21,089)	(7,692)	(253)	(20,549)	-	(49,583)
Other expenses and operating income	13,282	2,210	(320)	1,551	(8,119)	8,604
Operating cash flow	332,340	140,692	3,317	1,334	(404)	477,278
Investment income - dividends	-	-	-	5,550	-	5,550
Non reimbursursable expenses						
Depreciation and amortizations	(154,749)	(59,788)	-	(224)	-	(214,761)
Provisions	36	(103)	-	(450)	-	(516)
Impairments	28	-	-	(285)	-	(258)
Financial results						
Financial income	7	14,395	32	162,268	(171,411)	5,291
Financial costs	(72,127)	(33,950)	(1)	(156,920)	171,815	(91,182)
Profit before income tax	**105,535**	**61,246**	**3,347**	**11,273**	**-**	**181,403**
Income tax expense	(33,899)	(17,250)	(805)	(3,328)	-	(55,282)
Energy sector extraordinary contribution (ESEC)	(18,302)	(7,635)	-	-	-	(25,938)
Profit for the year	**53,334**	**36,361**	**2,542**	**7,946**	**-**	**100,183**

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

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

Assets and liabilities by segment at 31 December 2017 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	1,036,482	-	1,754,181	(2,790,663)	-
Property, plant and equipment and intangible assets	2,627,875	1,537,819	60	503	143,386	4,309,644
Other assets	621,858	690,228	6,619	6,098,689	(6,362,361)	1,055,032
Total assets	**3,249,733**	**3,264,528**	**6,680**	**7,853,373**	**(9,009,638)**	**5,364,676**
Total liabilities	**2,582,858**	**1,670,210**	**2,593**	**6,008,028**	**(6,328,202)**	**3,935,487**
Capital expenditure - total	**134,891**	**20,090**	**-**	**286**	**-**	**155,267**
Capital expenditure - property, plant and equipment (Note 8)	-	330	-	286	-	616
Capital expenditure - intangible assets (Note 8)	134,891	19,760	-	-	-	154,651
Investments in associates (Note 10)	-	-	-	159,216	-	159,216
Investments in joint ventures (Note 10)	-	-	-	2,811	-	2,811

Assets and liabilities by segment at 31 December 2016 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	533,685	-	1,453,960	(1,987,645)	-
Property, plant and equipment and intangible assets	2,650,536	1,175,219	-	535	-	3,826,290
Other assets	575,485	441,059	6,998	4,891,800	(5,191,807)	723,535
Total assets	**3,226,022**	**2,149,964**	**6,998**	**6,346,295**	**(7,179,452)**	**4,549,825**
Total liabilities	**2,635,831**	**933,642**	**2,973**	**5,009,973**	**(5,191,808)**	**3,390,608**
Capital expenditure - total	**157,494**	**13,753**	**-**	**214**	**-**	**171,461**
Capital expenditure - property, plant and equipment (Note 8)	-	-	-	214	-	214
Capital expenditure - intangible assets (Note 8)	157,494	13,753	-	-	-	171,247
Investments in associates (Note 10)	-	-	-	11,666	-	11,666
Investments in joint ventures (Note 10)	-	-	-	2,991	-	2,991

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

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

8. TANGIBLE AND INTANGIBLE ASSETS

The changes in tangible and intangible assets in the in the year ended 31 December 2017 were as follows:

	January 2017			Changes						December 2017		
	Cost	Accumulated depreciation	Net book value	Fair value (Note 9)	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment:												
Transmission and electronic equipment	103	(103)	-	156	-	-	-	(4)	-	259	(107)	152
Transport equipment	931	(453)	479	393	227	(439)	-	(235)	323	1,112	(365)	748
Office equipment	299	(217)	81	1,297	65	(8)	138	(177)	8	1,791	(386)	1,405
Property, plant and equipment in progress	27	(9)	18	-	-	-	-	(5)	-	27	(14)	13
Assets in progress	-	-	-	724	324	-	(138)	-	-	910	-	910
	1,360	**(782)**	**578**	**2,570**	**616**	**(447)**	**-**	**(421)**	**331**	**4,099**	**(871)**	**3,227**

	January 2017			Changes						December 2017		
	Cost	Accumulated depreciation	Net book value	Fair value (Note 9)	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Intangible assets:												
Concession assets	7,365,215	(3,618,333)	3,746,882	542,219	6,599	(2,436)	160,576	(221,570)	1,646	8,072,173	(3,838,256)	4,233,918
Concession assets in progress	78,831	-	78,831	6,192	148,052	-	(160,576)	-	-	72,499	-	72,499
	7,444,045	**(3,618,333)**	**3,825,712**	**548,411**	**154,651**	**(2,436)**	**-**	**(221,570)**	**1,646**	**8,144,672**	**(3,838,256)**	**4,306,417**
Total of property, plant and equipment and intangible assets	**7,445,405**	**(3,619,115)**	**3,826,290**	**550,981**	**155,267**	**(2,883)**	**-**	**(221,991)**	**1,978**	**8,148,770**	**(3,839,128)**	**4,309,644**

The changes in tangible and intangible assets in the in the year ended 31 December 2016 were as follows:

	January 2016			Changes					December 2016		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment:											
Transmission and electronic equipment	103	(103)	-	-	-	-	-	-	103	(103)	-
Transport equipment	1,038	(469)	569	206	(313)	-	(205)	221	931	(453)	479
Office equipment	302	(201)	102	8	(12)	-	(29)	12	299	(217)	81
Property, plant and equipment in progress	27	(4)	23	-	-	-	(5)	-	27	(9)	18
	1,470	**(776)**	**695**	**214**	**(325)**	**-**	**(239)**	**233**	**1,360**	**(782)**	**578**

	January 2016			Changes					December 2016		
	Cost	Accumulated 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
Intangible assets:											
Concession assets	7,212,146	(3,404,818)	3,807,329	2,524	(1,104)	151,648	(214,524)	1,009	7,365,215	(3,618,333)	3,746,882
Concession assets in progress	61,756	-	61,756	168,723	-	(151,648)	-	-	78,831	-	78,831
	7,273,902	**(3,404,818)**	**3,869,085**	**171,247**	**(1,104)**	**-**	**(214,524)**	**1,009**	**7,444,045**	**(3,618,333)**	**3,825,712**
Total of property, plant and equipment and intangible assets	**7,275,373**	**(3,405,593)**	**3,869,779**	**171,461**	**(1,429)**	**-**	**(214,761)**	**1,241**	**7,445,405**	**(3,619,115)**	**3,826,290**

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

	2017	2016
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	12.660	9.674
Power line construction (400 KV)	49.317	39.982
Construction of new substations	6.671	10.313
Substation Expansion	38.071	78.351
Other renovations in substations	4.428	5.094
Telecommunications and information system	7.390	8.607
Pilot zone construction - wave energy	205	210
Buildings related to concession	13.472	3.530
Other assets	2.676	1.735
Gas segment		
Expansion and improvements to gas transmission network	8.228	10.281
Construction project of cavity underground storage of natural gas in Pombal	1.586	1.629
Construction project and operating upgrade - LNG facilities	4.416	1.842
Natural gas distribution projects	5.859	-
Others segment		
Other assets	286	214
Total of additions	**155.267**	**171.461**

The main transfers that were concluded and began activity during the periods ended 2017 and 2016 are made up as follows:

	2017	2016
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	12.607	11.505
Power line construction (400 KV)	51.149	39.829
Substation Expansion	49.763	68.929
Other renovations in substations	5.155	4.744
Telecommunications and information system	7.623	8.992
Buildings related to concession	13.803	4.402
Other assets under concession	1.491	34
Gas segment:		
Expansion and improvements to natural gas transmission network	7.931	9.640
Construction project of cavity underground storage of natural gas in Pombal	1.269	2.275
Construction project and operating upgrade - LNG facilities	4.410	1.298
Natural gas distribution projects	5.512	-
Total of transfer	**160.714**	**151.648**

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

	2017	2016
Electricity segment:		
Power line construction (150KV/220KV e 400KV)	27.363	29.142
Substation Expansion	26.785	23.502
New substations projects	5.823	14.854
Buildings related to concession	796	1.127
Other projects	710	1.086
Gas segment:		
Expansion and improvements to natural gas transmission network	6.047	6.459
Construction project of cavity underground storage of natural gas in Pombal	2.490	2.220
Construction project and operating upgrade - LNG facilities	403	441
Natural gas distribution projects	2.082	-
Total of assets in progress	**72.499**	**78.831**

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2017 amounted to 2,703 thousand Euros (2,951 thousand Euros in 2016), while overhead and management costs capitalized amounted to 15,265 thousand Euros (13,079 thousand Euros in 2016) (Note 25). The average rate of the financial costs capitalized was of 0.2129%.

The net book value of the intangible assets acquired through finance lease contracts at 31 December 2017 and 2016 was as follows:

	2017	2016
Cost	6.517	6.153
Accumulated depreciation and amortization	(2.624)	(2.506)
Net book value	**3.893**	**4.495**

9. 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, an at 31 December 2017 is detailed as follows:

			Percentage interest held	
Subsidiaries	Year of acquisition	Acquisition cost	%	Amount
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	3,020
REN Gás Distribuição SGPS, S.A.	2017	517,862	100%	16,082
				19,102

The movement in the Goodwill caption for the years ended 31 December 2017 and 2016 was:

Subsidiaries	At 1 de january de 2016	Increases	Decreases	At 31 December 2016	Increases	Decreases	At 31 December 2017
REN Atlântico, Terminal de GNL, S.A.	3,774	-	(377)	3,397	-	(377)	3,020
REN Gás Distribuição SGPS, S.A.	-	-	-	-	16,082	-	16,082
	3,774	-	(377)	3,397	16,082	(377)	19,102

On 4 October 2017, the Group, through its subsidiary REN Gás, S.A. acquired to EDP Iberia, S.L.U. the total share capital of EDP Gás, SGPS, S.A. (renamed REN Gás Distribuição, SGPS, S.A. after the acquisition) and its subsidiaries, EDP Gás Distribuição, S.A. (renamed REN Portgás Distribuição, S.A. after the acquisition) and EDP Gás GPL — Comércio de Gás de Petróleo Liquefeito, S.A. (renamed REN Portgás GPL, S.A. after the acuisition). The acquisition price, with reference to 4 October 2017, amounted to 530,508 thousand Euros.

The acquisition agreement indicated considers corrections to the acquisition price within the scope of REN Portgás Distribuição, S.A. Based on its best estimate at the acquisition date, the Board of Directors of REN recorded these contingent components of the price at their fair value, as follows: (i) record of an account receivable in the amount of 1,354 thousand Euros, arising from future obligations to return tariff deviations related with periods prior to 2012, which will be reimbursed by REN EDP Iberia, S.L.U. to REN; and (ii) record of an account receivable in the amount of 11,292 thousand Euros, due to estimated obligations resulting from the payment in 2017, 2018 and 2019, of the Extraordinary Contribution of the Energy Sector (ECES) that will be reimbursed by EDP Iberia, S.L.U. to REN.

In the year ended 31 December 2017, the Group recorded, provisionally, the purchase price allocation (PPA), which generated the recognition of a Goodwill as detailed below:

Acquisition value	530.508
Corrections to purchase price	(12.646)
Acquisition price corrected	517.862
Fair value of assets acquired and liabilities assumed	501.780
Goodwill	(16.082)

The assets and liabilities (presented in aggregate form) resulting from the acquisition are as follows:

	Book value in subsidiaries	Adjustments to fair value	Fair value
Property, plant and equipmen (Note 8)	6.595	(4.025)	2.570
Intangible assets (Note 8)	403.128	145.283	548.411
Inventories	1.454	(325)	1.129
Trade and other receivables	203.090	(810)	202.280
Cash and cash equivalents	13.829	-	13.829
	628.096	140.123	768.219
Borrowings	172.868	-	172.868
Trade and other payables	54.004	-	54.004
Deferred tax liabilities	-	39.567	39.567
	226.872	39.567	266.439
Net assets acquired	401.224	100.556	501.780
Acquisition price corrected			517.862
Goodwill			(16.082)

The acquisition of EDP Gás, S.G.P.S., S.A., was appraised by an independent entity, based on a model of estimation of the fair value of the assets "The Income Approach" that is considered the most appropriate for companies with concessions. The "Discounted Free Cash Flow" was used to determine the fair value of the concession assets.

The main assumptions used to calculate the fair value were as follows: i) projection period of 31 years (corresponding to the remaining term of the concession) ii) and growth of the regulated asset base in line with the 2017/2021 investment plan submitted by EDP Gás Distribuição, SA to regulatory entities and with a target penetration rate of the long-term distribution network of approximately 35%.

As of 31 December 2017 no amount of impairment loss was identified.

Impairment test of Goodwill

REN made the impairment test of goodwill at 31 December 2017 and 2016, at the cash generating unit level to which REN Atlântico belongs. The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2017 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 6.6% (post-tax discount rate of 4.9%).

		Assumptions		
Cash generation unit	**Method**	**Cash flow**	**Growing factor**	**Discounted rate**
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	6,6% (pre-tax) 4,9% (post-tax)

In accordance with the assumptions considered and of the analysis of the Group an impairment loss in the amount of 377 thousand Euros.

10. INVESTMENTS IN ASSOCIATES AND JOIN VENTURES

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

			31 December 2017											
	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/(loss)	Share capital	Total comprehensive income	%	Carrying amount	Group share of profit / (loss)
Equity method:														
Associate:														
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	480	26,467	561	-	1,488	(1,103)	26,387	25,284	40	10,348	(1,317)
Electrogas, S.A.	Gas Transportation	Chile	17,732	6,456	46,773	6,227	13,220	31,129	16,062	33,782	49,844	42.5	148,868	7,247
													159,216	5,930
Joint venture:														
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	5,841	572	764	20	1,453	(360)	5,623	5,263	50	2,811	(180)
													162,027	**5,749**

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

Associates

The changes in the caption “Investments in associates” during the period ended at 31 December 2017 and 2016 was as follows:

Investments in associates	
At 1 de january de 2016	**12,395**
Effect of applying the equity method	515
Others	(1,244)
At 31 December 2016	**11,666**
Acquisition of the participation of Electrogas	169,285
Effect of applying the equity method	5,930
Dividends of Electrogas	(9,497)
Changes in equity	(18,239)
Others	73
At 31 December 2017	**159,216**

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.

During the year ended 31 December 2017, the Group received dividends from Electrogas amounting to 9,108 thousand Euros.

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application. This participation is recorded as an Associate.

Joint ventures

The movement in the caption "Investments in joint ventures" during the year ended 31 December 2017 and 2016 was as follows:

Investments in joint ventures	
At 1 January 2016	**2,193**
Effect of applying the equity method	798
At 31 December 2016	**2,991**
Effect of applying the equity method	(180)
At 31 December 2017	**2,811**

Following a joint agreement of technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), in May 2013 an R&D centre in Portugal dedicated to power systems designed – Centro de Investigação em Energia REN – STATE GRID, SA ("Centro de Investigação") was incorporated, being jointly controlled by the above mentioned two entities.

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

At 31 December 2017 and 2016 the financial information of the joint venture was as follows:

	31 December 2017					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,025	10	20	(568)	(1)	2

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

11. INCOME TAX

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

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or appeals in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2014 to 2017 are still subject to review.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2017 and 2016.

In 2017 the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 7% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

In the year ended 31 December 2017, the computation of the deferred taxes, was updated in accordance with Law 114/2017, of 29 December, that established a 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 above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2018.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2017, 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 of the years ended 31 December 2017 and 2016 was as follows:

	2017	2016
Current income tax	91,404	67,566
Adjustments of income tax from previous years	(2,903)	(988)
Deferred income tax	(35,965)	(11,296)
Income tax	**52,536**	**55,282**

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

	2017	2016
Consolidated profit before income tax	**204,259**	**181,403**
Permanent differences:		
Non deductible costs	1,131	2,113
Non taxable income	(5,647)	(2,251)
Timing differences:		
Tariff deviations	119,456	60,738
Provisions and impairment	639	170
Revaluations	4,325	2,609
Pension, helthcare assistence and life insurance plans	(5,213)	(4,949)
Derivative financial instruments	(14)	61
Others	84	(57)
Taxable income	319,019	239,837
Income tax	66,514	50,366
State surcharge tax	19,420	12,954
Municipal surcharge	4,857	3,666
Autonomous taxation	613	550
Income tax from previous years	-	30
Current income tax	91,404	67,566
Deferred income tax	(35,965)	(11,296)
Adjustments of income tax from previous years	(2,903)	(988)
Income tax	**52,536**	**55,282**
Effective tax rate	**25.7%**	**30.5%**

Income tax

The caption "Income tax" payable and receivable at 31 December 2017 and 2016 is made up as follows:

	2017	2016
Corporate income tax - estimated tax	91,404	67,566
Corporate income tax - payments on account	(63,790)	(40,648)
Income withholding tax by third parties	(1,137)	(43)
Income payable	3,480	-
Income tax payable	**29,957**	**26,875**

Deferred taxes

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

	2017	2016
Impact on the statement of profit and loss:		
Deferred tax assets	21.563	(4.722)
Deferred tax liabilities	14.402	16.018
	35.965	11.296
Impact on equity:		
Deferred tax assets	(797)	1.709
Deferred tax liabilities	(1.328)	(796)
	(2.125)	913
Net impact of deferred taxes	**33.840**	**12.209**

The changes in deferred tax by nature were as follows:

Change in deferred tax assets – December 2017

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2017	**1,901**	**36,433**	**11,679**	**3,687**	**8,962**	**162**	**62,825**
Perimeter changes	727	61	713	-	12,752	(108)	14,145
Increase/decrease through reserves	-	308	-	(1,105)	-	-	(797)
Reversal through profit and loss	(64)	(296)	(102)	(1,655)	(591)	(13)	(2,721)
Increase through profit and loss	321	-	23,936	-	(6)	33	24,284
Change in the period	984	73	24,547	(2,760)	12,155	(88)	34,911
At 31 December 2017	**2,886**	**36,506**	**36,227**	**928**	**21,117**	**74**	**97,737**

Change in deferred tax assets – December 2016

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2016	**1,873**	**37,462**	**13,761**	**2,382**	**10,182**	**178**	**65,838**
Increase/decrease through reserves	-	407	-	1,302	-	-	1,709
Reversal through profit and loss	-	(1,436)	(2,082)	-	(1,219)	(16)	(4,754)
Increase through profit and loss	28	-	-	3	-	-	31
Change in the period	28	(1,029)	(2,082)	1,306	(1,219)	(16)	(3,013)
At 31 December 2016	**1,901**	**36,433**	**11,679**	**3,687**	**8,962**	**162**	**62,825**

Deferred tax assets at 31 December 2017 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.

Revalued assets

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand Euros as deferred tax assets.

In the period ended 31 December 2016, the caption of revalued assets refers to the net effect of the tax revaluation of eligible assets, pursuant to Decree-Law no. 66/2016, of 3 November, which led to an increase in its tax base of 46,137 thousand Euros. As a result, REN Portgás recognized deferred tax assets of 12,593 thousand Euros, which will be recovered by tax deduction from the revaluation reserve inherent to revalued assets, to be amortized over 8 years from 2018. The tax revaluation reserve was taxed in 2016 at a rate of 14% (the amount calculated is settled in three equal installments, with the first due on 20 December 2016, the second due on 15 December 2017 and the third will expire on 15 December 2018).

Evolution of deferred tax liabilities – December 2017

	Tariff deviations	Revaluations	Fair value	Available-for-sale (fair value)	Others	Total
At 1 January 2017	**38,878**	**24,688**	**-**	**9,461**	**-**	**73,027**
Perimeter changes	-	-	39,567	-	12	39,579
Increase/decrease through equity	-	-	-	1,328	-	1,328
Reversal trough profit and loss	(12,240)	(1,832)	(327)	-	(3)	(14,402)
Change in the period	(12,240)	(1,832)	39,240	1,328	9	26,505
At 31 December 2017	**26,639**	**22,856**	**39,240**	**10,790**	**9**	**99,534**

Evolution of deferred tax liabilities – December 2016

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

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

The legal documents that establish these revaluations were the following:

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

12. FINANCIAL ASSETS AND LIABILITIES CLASSIFIED IN ACCORDANCE WITH IAS 39

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

2017

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	17	-	-	-	-	-	61,458	61,458	61,458
Trade and other receivables	14	547,377	-	-	-	-	-	547,377	547,377
Other financial assets	12	-	-	-	-	-	27	27	27
Available-for-sale financial assets	13	-	-	-	156,439	-	-	156,439	156,439
Derivative financial instruments	16	-	7,907	-	-	-	-	7,907	7,907
		547,377	**7,907**	**-**	**156,439**	**-**	**61,485**	**773,208**	**773,208**
Liabilities									
Borrowings	20	-	-	-	-	-	2,829,726	2,829,726	2,764,868
Trade and other payables	23	-	-	-	-	-	552,672	552,672	552,672
Income tax payable	11	29,957	-	-	-	-	-	29,957	29,957
Drivative financial instruments	16	-	6,960	-	-	-	-	6,960	6,960
		29,957	**6,960**	**-**	**-**	**-**	**3,382,398**	**3,419,315**	**3,354,457**

2016

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Trading derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	17	-	-	-	-	-	10,783	10,783	10,783
Trade and other receivables	14	458,971	-	-	-	-	-	458,971	458,971
Other financial assets	12	-	-	-	-	1,317	14	1,331	1,331
Available-for-sale financial assets	13	-	-	-	150,118	-	-	150,118	150,118
Derivative financial instruments	16	-	20,425	-	-	-	-	20,425	20,425
		458,971	**20,425**	**-**	**150,118**	**1,317**	**10,797**	**641,628**	**641,628**
Liabilities									
Borrowings	20	-	-	-	-	-	2,515,137	2,515,137	2,570,554
Trade and other payables	23	-	-	-	-	-	332,091	332,091	332,091
Income tax payable	11	26,875	-	-	-	-	-	26,875	26,875
Drivative financial instruments	16	-	13,275	-	-	-	-	13,275	13,275
		26,875	**13,275**	**-**	**-**	**-**	**2,847,228**	**2,887,378**	**2,942,796**

Loans obtained, as mentioned in Note 3.6 are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) 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 -0.373% and 1.289% (maturities of one day and fifteen years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2017 is 2,764,868 thousand Euros (at 31 December 2016 was 2,570,554 thousand Euros), of which 403,689 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from movements in interest rates (at 31 December 2016 was 408,664 thousand Euros).

Estimated fair value – assets measured at fair value

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

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

		2017				2016			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:									
Available-for-sale financial assets	Shares	101,311	51,591	-	152,902	97,060	49,516	-	146,576
Financial assets at fair value	Cash flow hedge derivatives	-	724	-	724	-	8,673	-	8,673
Financial assets at fair value	Fair value hedge derivatives	-	7,183	-	7,183	-	11,753	-	11,753
Other financial assets	Treasury funds	-	-	-	-	1,317	-	-	1,317
		101,311	**59,498**	**-**	**160,809**	**98,378**	**69,941**	**-**	**168,319**
Liabilities:									
Financial liabilities at fair value	Loans	-	403,689	-	403,689	-	408,664	-	408,664
Financial liabilities at fair value	Cash flow hedge derivatives	-	6,109	-	6,109	-	12,136	-	12,136
Financial liabilities at fair value through profit and loss	Trading derivatives	-	851	-	851	-	1,139	-	1,139
		-	**410,649**	**-**	**410,649**	**-**	**421,939**	**-**	**421,939**

During the year ended 31 December 2017 the company proceeded to a valuation of the financial interests held in Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an available-for-sale financial asset (Note 13). The fair value of this asset reflects its current exit selling price. This price was determined on the basis of revenue approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable in the market. The fair value of this share amounts to 51,591 thousand Euros in the year ended on 31 December 2017.

Quality of financial assets

The credit quality of the financial assets that have not yet matured or are impaired can be valued by reference to external credit ratings disclosed by Standard & Poor's or historical information about the entities to which they refer:

	2017	2016
Trade and other receivables		
BBB -	191,858	-
Until BB+	-	98,633
Others without rating	355,519	360,338
	547,377	**458,971**
Cash and cash equivalents		
A+ to A-	47	63
BBB+ to BBB-	5,334	361
Until BB+	56,063	10,283
Without rating	14	76
	61,458	**10,783**
Other financial assets		
Without rating	-	1,331
Total other financial assets	**-**	**1,331**

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorised distributors in each of the businesses, such as EDP, GALP and some European distributors.

Overdue credits or with impairment at 31 December 2017 are as follows:

i) Trade and other receivables include 3,043 thousand Euros (Note 14) which have been adjusted for impairment;

ii) There are some aged receivables relating to transactions with EDP group companies, for which the credit risk is considered as nil.

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

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

13. AVAILABLE FOR SALE FINANCIAL ASSETS

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

	Head office			Book value	
	City	Country	% detida	2017	2016
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	101,311	97,060
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	51,591	49,516
Coreso, S.A.	Brussels	Belgium	8.30%	164	173
MIBGAS, S.A.	Madrid	Spain	6.67%	202	202
Others	-	-	-	5	-
				156,439	**150,118**

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	Others	Total
At 1 January 2016	**3,167**	**47,104**	**104,384**	**208**	**-**	**-**	**154,862**
Acquisitions	-	-	-	-	202	-	202
Fair value adjustments	-	2,412	(7,324)	-	-	-	(4,912)
Disposals	-	-	-	(35)	-	-	(35)
At 31 December 2016	**3,167**	**49,516**	**97,060**	**173**	**202**	**-**	**150,118**
At 1 January 2017	**3,167**	**49,516**	**97,060**	**173**	**202**	**-**	**150,118**
Perimeter changes	-	-	-	-	-	5	**5**
Fair value adjustments	-	2,075	4,251	-	-	-	6,325
Disposals	-	-	-	(9)	-	-	(9)
At 31 December 2017	**3,167**	**51,591**	**101,311**	**164**	**202**	**5**	**156,439**

Red Eléctrica Corporácion, S.A. (“REE”) is the transmission system operator of electricity in Spain. The Group acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 December 2017.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA ("HCB"), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública - Participações Públicas, SGPS, SA, CEZA - Companhia Eléctrica do Zambeze, SA and EDM - Electricidade de Moçambique, EP. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Nota 12).

REN Company holds a financial stake in the Coreso’s share capital, a Company which is also hold by other important European TSO’s which, as initiative of the Coordination of Regional Security (CRS), assists the TSO’s in the safely supply of electricity in Europe. In this context, Coreso develops and executes operational planning activities since several days before until near real time.

During the period ended on 31 December 2017, REN sold 63 shares of Coreso, for the amount of 9 thousand Euros.

On 31 December 2017, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016. Coreso is a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade – OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand Euros.

As there are no available market price for these investments (OMEL, MIBGÁS, APOR 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.

REN Portgás holds other financial interests, which are recorded at the acquisition cost in the amount of 29 thousand Euros, deducted of impairment losses, with a net value of 5 thousand Euros.

Name	Value
APOR - Agência para a Modern. do Porto, S.A.	5
PRIMUS MGV - Promoção e Desenv.. Regional, S.A.	-
ADRAVE - Ag. Desenv. Reg-do Vale do Alve, S.A.	-
AREALIMA - Ag. Reg. Energia e Amb. Vale Lima	-
ADEPORTO - Agência de Energia do Porto	-

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso and MIBGÁS at 31 December 2017.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve". This caption at 31 December 2017 and 2016 is made up as follows:

	Fair value reserve (Note 19)
1 January 2016	**54,489**
Changes in fair value	(4,912)
Tax effect	(796)
31 December 2016	**48,781**
1 January 2017	**48,781**
Changes in fair value	6,325
Tax effect	(1,328)
31 December 2017	**53,778**

In the year ended 31 December 2017 the total amount of associated companies' dividends recognized in the consolidated statement of profit and loss amounted to 6,268 thousand Euros, of which 6,177 thousand Euros were included in the cash flows statement.

The detail of dividends by entity is as follows:

	2017	2016
Red Electrica Corporación, S.A. ("REE")	4,740	4,430
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	1,472	1,079
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	55	41
	6,268	**5,550**

14. TRADE AND OTHER RECEIVABLES

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

	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	396,558	4,168	400,726	290,505	355	290,860
Impairment of trade receivables	(3,043)	-	(3,043)	(843)	-	(843)
Trade receivables net	**393,515**	**4,168**	**397,683**	**289,662**	**355**	**290,017**
Tariff deviations	102,999	2,359	105,358	129,007	9,790	138,797
State and Other Public Entities	44,336	-	44,336	30,157	-	30,157
Trade and other receivables	**540,849**	**6,528**	**547,377**	**448,826**	**10,145**	**458,971**

The most relevant balances included in the trade receivables caption as of 31 December 2017 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 83,176 thousand Euros (74,397 thousand Euros at 31 December 2016); (ii) the receivable of Galp in the amount of 24,199 thousand Euros (22,751 thousand Euros at 31 December 2016); and (iii) the amount of 70,788 thousand Euros, as defined by the regulator ERSE in the context of sustainability measures of the National Electric System.

In the trade and other receivables also stands out the amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 28,374 thousand Euros (26,534 thousand Euros at 31 December 2016) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 5,567 thousand Euros (5,788 thousand Euros at 31 December 2016) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23). This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

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

	2017	2016
Begining balance	(843)	(927)
Perimeter changes	(1,622)	-
Increases	(690)	-
Utilization (i)	-	56
Reversing	112	28
Ending balance	**(3,043)**	**(843)**

The ageing of trade receivables, net of impairment, is as follows:

	2017	2016
Not due and due up to 30 days	384.671	278.837
31-60 days	496	1.549
61-90 days	504	673
91-120 days	93	214
More than 120 days	11.920	7.901
	397.683	**289.174**

15. INVENTORIES

Inventories at 31 December 2017 and 2016 are made up as follows:

	2017	2016
Goods	1,154	-
Other materials	1,809	1,033
Inventories adjustment	(5)	(5)
Inventories	**2,958**	**1,028**

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand Euros.

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

		31 December 2017			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	300,000 TEUR	-	-	-	6,109
Interest rate and currency swaps	72,899 TEUR	-	724	-	-
		-	**724**	**-**	**6,109**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	7,183	-	-
		-	**7,183**	**-**	**-**
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	851
		-	**-**	**-**	**851**
Derivative financial instruments		**-**	**7,907**	**-**	**6,960**

		31 December 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	363,462 TEUR	-	-	1,063	11,072
Interest rate and currency swaps	72,899 TEUR	-	8,673	-	-
		-	**8,673**	**1,063**	**11,072**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	11,753	-	-
		-	**11,753**	**-**	**-**
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	1,139
		-	**-**	**-**	**1,139**
Derivative financial instruments		**-**	**20,425**	**1,063**	**12,212**

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

The amount recorded in this caption relates to interest rate swaps and cross currency swap, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates (Note 4.1), 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 31 December 2017 relating to these derivatives financial instruments, in the total net amount of 2,119 thousand Euros (1,950 thousand Euros receivable as of 31 December 2016).

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

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31 December 2017	Fair value at 31 December 2016
Cash flow hedge:							
Interest rate swaps	300 000 TEuros	EUR	[0,75%;0,751%]	[-0,39%;0,00%] - floating rates	2024	(6,109)	(12,136)
Interest rate and currency swaps	72 899 TEuros	EUR	5,64% (floating rate starting 2019)	2.71%	2024	724	8,673
						(5,385)	**(3,463)**
Fair value hedge:							
Interest rate swaps	400 000 TEuros	EUR	[-0,271%;0,059%] - floating rates	[0,61%; 1,72%]	[Oct-2020; Feb-2025]	7,183	11,753
						7,183	**11,753**
Trading:							
Interest rate swaps	60 000 TEUR	EUR	floating rates, to be determined in the future	[0.00%;0.99%]	2024	(851)	(1,139)
						(851)	**(1,139)**
					Total	**947**	**7,150**

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

The detail of the notional reference of cash flows and fair value hedge derivatives is presented in the following table:

	2018	2019	2020	2021	2022	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	-	300,000	**300,000**
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**
Total	**-**	**-**	**100,000**	**-**	**-**	**732,899**	**832,899**

Swaps:

Cash flow hedges

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

As of 31 December 2017, one cash flow hedge expired and the notional amount of derivatives decreased to 300,000 thousand Euros (363,462 thousand Euros as of 31 December 2016). 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 31 December 2017 is negative 6,109 thousand Euros (at 31 December 2016, 12,136 thousand Euros negative).

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

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

The fair value of the cross currency swap at 31 December 2017 was 724 thousand Euros positive (8,673 thousand Euros positive at 31 December 2016).

The underlying foreign exchange change (borrowing) for 2017, in the amount of, approximately, 6,969 thousand Euros positive (4,742 as of 31 December 2016 negative), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The inefficient component of the fair value hedge amounted to 5,921 thousand Euros positive (6,196 thousand Euros positive at 31 December 2016). Consequently, the effect recorded in the income statement for the period ended 31 December 2017 amounts to 275 thousand Euros.

The amount recorded in reserves relating to the above mentioned cash flow hedges was 12,281 thousand Euros (17,542 thousand Euros at 31 December 2016).

The movements recorded in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2016	**(11,342)**	**2,382**	**(8,960)**
Changes in fair value and ineffectiveness	(6,200)	1,302	(4,898)
31 December 2016	**(17,542)**	**3,684**	**(13,858)**
1 January 2017	**(17,542)**	**3,684**	**(13,858)**
Changes in fair value and ineffectiveness	5,261	(1,105)	4,156
31 December 2017	**(12,281)**	**2,580**	**(9,702)**

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 31 December 2017 the notional amount of derivatives nominated as fair value hedge reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2016). 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 31 December 2017 was 7,183 thousand Euros positive (11,753 thousand Euros positive as of 31 December 2016).

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

During 2017, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 4,975 thousand Euros positive (11,700 thousand Euros negative as of 31 December 2016), causing an inefficient component of around 297 thousand Euros (positive) (251 thousand Euros positive as of 31 December 2016).

Trading derivatives

REN has an interest rate forward start swap with a start date on 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 IAS 39, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 31 December 2017 the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2016). 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 indexer 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 31 December 2017 amounts to 851 thousand Euros negative (1,139 thousand Euros negative as of 31 December 2016).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement. As of 31 December 2017, the amount related with the fair value of the trading derivative was an income of 288 thousand Euros (expense of 2.012 thousand Euros as of 31 December 2016).

17. CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2017 and 2016 are made up as follows:

	2017	2016
Cash	1	1
Bank deposits	61,457	10,782
Cash and cash equivalents in the statement of financial position	**61,458**	**10,783**
Bank overdrafts (Note 20)	(1,009)	(103)
Cash and cash equivalents in cash flow statement	**60,448**	**10,680**

Following the acquisition of the total share capital of EDP Gás, SGPS, SA and its subsidiaries, as mentioned in Note 9, an increase of 15,034 thousand Euros was recorded in the caption "Cash and cash equivalents", changes in perimeter.

18. EQUITY INSTRUMENTS

As of 31 December 2017 and 2016 REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	2017		2016	
	Number of shares	Share Capital	Number of shares	Share Capital
Share Capital	667,191,262	667,191	534,000,000	534,000

On 7 December 2017 REN SGPS completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal amount of 1.00 Euro each.

Following the share capital increase REN SGPS recorded in the caption "Share Premium" the amount of 116,809 thousand Euros.

Additionally, in the caption "Other changes in equity" it was recorded the amount of 5,571 thousand Euros (net of income taxes in the amount of 1,481 thousand Euros) related with expenses associated with the issue of the new shares.

At 31 December 2017 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 years ended 31 December 2017 and 2016.

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

19. RESERVES AND RETAINED EARNINGS

The caption "Reserves" in the amount of 310,191 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 31 December 2017 this caption amounts to 106,800 thousand Euros;
- Fair value reserve: includes changes in the fair value of available for sale financial assets (53,778 thousand Euros positive), as detailed in Note 13;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 9,702 thousand Euros) as detailed in Note 16;
- 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 (Note 18), (ii) exchange rate changes associated to the financial investment whose functional currency is different of Euros; and (iii) changes in equity of associates recorded under the equity method. On 31 December 2017, this caption amounts to 159,315 thousand Euros.

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

20. BORROWINGS

The segregation of borrowings between current and non-current and by nature, at 31 December 2017 and 2016 was as follows:

	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	192,800	1,462,768	1,655,568	30,000	1,670,110	1,700,110
Bank Borrowings	337,155	606,591	943,746	61,730	495,349	557,078
Commercial Paper	70,000	150,000	220,000	101,000	152,000	253,000
Bank overdrafts (Note 17)	1,009	-	1,009	103	-	103
Finance Lease	1,385	2,176	3,561	1,400	1,818	3,218
	602,349	2,221,535	2,823,884	194,232	2,319,277	2,513,510
Accrued interest	40,085	-	40,085	42,174	-	42,174
Prepaid interest	(18,098)	(16,145)	(34,243)	(19,812)	(20,734)	(40,546)
Borrowings	**624,336**	**2,205,390**	**2,829,726**	**216,594**	**2,298,543**	**2,515,137**

The borrowings settlement plan was as follows:

	2018	2019	2020	2021	2022	Following years	Total
Debt - Non current	-	231.259	395.992	110.313	98.429	1.385.541	2.221.535
Debt - Current	602.349	-	-	-	-	-	602.349
	602.349	**231.259**	**395.992**	**110.313**	**98.429**	**1.385.541**	**2.823.884**

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

31 December 2017					
Issue date	Maturity	Inicial amount	Outstanding amount	Interest rate	Periodicity of interest payment
'Euro Medium Term Notes' programme emissions					
26-06-2009	26-06-2024	tJPY 10,000,000 (i)	tJPY 10,000,000	Fixed rate (ii)	Semi-annual
16-01-2013	16-01-2020	tEUR 150,000 (i)	tEUR 90,000	Floating rate	Quarterly
31-01-2013	31-01-2018	tEUR 300,000	tEUR 162,800	Fixed rate 4.125%	Annual
17-10-2013	16-10-2020	tEUR 400,000 (ii)	tEUR 267,755	Fixed rate 4.75%	Annual
12-02-2015	12-02-2025	tEUR 300,000 (ii)	tEUR 500,000	Fixed rate 2.50%	Annual
01-06-2016	01-06-2023	tEUR 550,000	tEUR 550,000	Fixed rate 1.75%	Annual

(i) These issue correspond to private placements.

(ii) These issue have interest and currency rate swaps associated

As of 31 December 2017, the Group has five commercial paper programs in the amount of 1,075,000 thousand Euros, of which 855,000 thousand Euros are available for utilization. Of the total amount, 630,000 thousand Euros have a guaranteed placement (of which 480,000 thousand Euros were available at 31 December 2017).

Bank loans are made up mostly of loans contracted with the European Investment Bank (EIB), which at 31 December 2017 amounted to 450,349 thousand Euros (at 31 December 2016 it was 497,078 thousand Euros).

In October 2017, the Group signed a term facility agreement with the China Development Bank in the global amount 150,000 thousand Euros, totally disbursed.

In December 2017, the Group signed an open credit facility amounting to 50,000 thousand Euros, ensuring a greater flexibility to meet the short-term needs.

In May 2017, the Group agreed a bank loan with a banks' syndicate, amounting to 532,000 thousand Euros to finance the acquisition of EDP Gás, with the objective of being subsequently refinanced by more structural financing sources, namely an increase of share capital and a long-term bond issue. Part of the loan was reimbursed in December 2017 at the moment of the share capital increase.

The Group also has credit lines negotiated and not used in the amount of 91,500 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 26,500 thousand Euros (31,384 thousand Euros in 31 December 2016) 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, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 4,975 thousand Euros (positive) (at 31 December 2016 was 11,700 thousand Euros (negative)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 78% 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.

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	2017	2016
6 month or less	1,447,536	902,553
6 - 12 month	1	63,462
1 - 5 years	182,703	340,409
Over 5 years	1,192,245	1,198,930
	2,822,484	**2,505,354**

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by hedge derivate in place.

The average interest rates for borrowings including commissions and other expenses were 2.55% in 2017 and 3.25% in 2016.

Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2017 and 2016 are made up as follows:

	2017	2016
Finance lease liabilities - minimum lease payments		
No later than 1 year	1,399	1,439
Later than 1 year and no later than 5 years	2,211	1,844
	3,609	**3,283**
Future finance charges on finance leases	(48)	(65)
Present value of finance lease liabilities	**3,561**	**3,218**

	2017	2016
The present value of finance lease liabilities is as follows		
No later than 1 year	1,385	1,400
Later than 1 year and no later than 5 years	2,176	1,818
	3,561	**3,218**

21. POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

As explained in Note 3.10 REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as "Other benefits" in Note 21.2). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- Health care plan: were considered new reimbursement limits;
- Other benefits: (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

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

	2017	2016
Liability on statement of financial position		
Pension plan	79,154	83,871
Healthcare plan and other benefits	42,823	41,802
	121,977	**125,673**

During the years ended 31 December 2017 and 2016, the following operating expenses were recorded regarding benefit plans with employees:

	2017	2016
Charges to the statement of profit and loss (note 28)		
Pension plan	4,501	4,822
Healthcare plan and other benefits	1,287	1,453
	5,788	**6,275**

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:

	2017	2016
Annual discount rate	1.80%	1.80%
Expected percentage of serving employees elegible for early retirement (more than 60 years of age and 36 years in service) - by Collective work agreement	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement - by Management act	20.00%	20.00%
Rate of salary increase	2.50%	2.50%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	0.80%	0.50%
Inflation rate	1.50%	1.50%
Medical trend	1.80%	2.50%
Management costs (per employee/year)	€306	€242
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

The annual discount rate of 1,8% used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the scenario where a discount rate of 2,8% and 0,8% have been considered in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	0.80%	1.80%	2.80%
Pension plan			
Liabilities	132,979	119,981	109,127
Impact on liabilities	12,998	-	(10,854)
Healthcare plan			
Liabilities	18,245	15,870	13,940
Impact on liabilities	2,375	-	(1,930)
Other benefits			
Liabilities	31,914	26,953	23,136
Impact on liabilities	4,961	-	(3,817)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2017	2016
Active (Pension plan, Healthcare plan and Other benefits) (a)	286	297
Active (Long service award benefit)	668	593
Pre-retires and earlier retires	195	212
Retires	637	620

(a) The Other benefits excludes the long award benefit

21.1. PENSION PLAN

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous Pension fund.

In the years ended 31 December 2017 and 2016 no contributions were made to the REN Pension Fund. No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2018	2019	2020	2021	2022	2023-2027
Expected benefits payments	11,284	10,971	10,285	9,185	7,508	27,396

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2017 and 2016 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	2017	%	2016	%
Bonds	35,317	87%	36,819	87%
Shares	5,040	12%	4,965	87%
Readily available deposits	470	2%	741	1
Total	**40,827**	**100.0%**	**42,526**	**100.0%**

The assets effective rate of return in 2017 was 1.64% (2.6% in 2016).

Evolution of the assets of the Pension Fund in 2017 and 2016 was as follows:

	2017	2016
At 1 January	**42.526**	**43.750**
Actuarial gain / (loss)	(65)	271
Benefits paid	(2.376)	(2.345)
Return on plan assets (i)	743	851
At 31 December	**40.827**	**42.526**

(i) Unique rate applied to the obligation and assets pension plan

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

	2017	2016
Present value of the liability	(119.981)	(126.397)
Fair value of plan assets	40.827	42.526
	(79.154)	**(83.871)**

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2017	2016
At 1 January	**83,871**	**86,890**
Current service costs	3,076	3,180
Net interest on net defined benefit liability	1,424	1,641
Actuarial gains/(losses)	301	1,711
Benefits paid	(9,519)	(9,552)
At 31 December	**79,154**	**83,871**

The changes in the present value of the underlying liability of the pension plan were as follows:

Reconciliation of the obligation of the pension plan

	2017	2016
At 1 January	**126.397**	**130.639**
Current service costs	3.076	3.180
Interest costs	2.167	2.492
Benefits paid	(11.895)	(11.897)
Actuarial(gains)/losses	236	1.982
At 31 December	**119.981**	**126.397**

The impact on the consolidated statement of profit and loss for the year was as follows:

	2017	2016
Current service costs	3.076	3.180
Net interest on net defined benefit liability	1.424	1.641
Total included in personnel costs	**4.501**	**4.822**

Historical analysis of the actuarial gains and losses

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2017	2016
Discount rate	**1.80%**	**1.80%**
Liabilities amount	(119,981)	(126,397)
Value of the fund	40,827	42,526
Actuarial gains/(losses) on liabilities	(236)	(1,982)
- for change in assumptions	(672)	(3,340)
- from experience	436	1,358
Actuarial gains/(losses) on fund assets	(65)	271

21.2. HEALTHCARE AND OTHER BENEFITS

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	2017	2016
Present value of the obligation	42,823	41,802
Liability in the statement of financial position	**42,823**	**41,802**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2017	2016
At 1 January	**41,802**	**42,327**
Current service costs	573	616
Interest costs	743	831
Benefits paid	(1,431)	(1,813)
Actuarial (gain)/loss	687	(313)
Beneficiaries contributions	157	154
Plan amendments and curtailments	292	-
At 31 December	**42,823**	**41,802**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2017	2016
Current service costs	573	616
Interest costs	743	831
(Gains)/losses of other long term employee benefit plans	(28)	7
Total included in personnel costs	**1,287**	**1,453**

Medical expenses trend rate in the Healthcare plan

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 1.8%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 10% increase in liabilities, where a decrease of one percentage point results in a decrease of 8% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	0.80%	1.80%	2.80%
Current service and interest costs	417	470	537
Impact on current service and interest costs	(53)	-	66
Past service liabilities	14,582	15,870	17,397
Impact on past service liabilities	(1,288)	-	1,527

Historical analysis of the actuarial gains and losses in the medical and other benefits plan

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2017	2016
Discount rate	**1.80%**	**1.80%**
Liabilities amount	(42,823)	(41,802)
Actuarial (gains)/losses on liabilities	(687)	313
- for change in assumptions	1,051	622
- from experience	(1,738)	(309)

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2018	2019	2020	2021	2022	2023-2027
Expected benefits payments	1,839	1,888	1,908	1,851	1,829	4,841

The weigh average duration of these liabilities is 13.8 years for healthcare and 16.7 years for other benefits.

22. PROVISIONS FOR OTHER RISKS AND CHARGES

The changes in provisions for other risks and charges in the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
Begining balance	**6,955**	**6,888**
Changes in the perimeter	1,389	-
Increases	1,385	1,012
Reversing	(112)	(496)
Utilization	(582)	(449)
Ending balance	**9,035**	**6,955**
Current provision	-	801
Non-current provision	9,035	6,154
	9,035	**6,955**

At 31 December 2017, the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision amounting to 515 thousand Euros related to the on-going restructuring process.

23. TRADE AND OTHER PAYABLES

The caption "Trade and other payables" at 31 December 2017 and 2016 was made up as follows:

	2017			2016		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	220,249	-	220,249	127,388	-	127,388
Other creditors						
Other creditors (Note 12)	45,089	45,951	91,040	44,355	29,884	74,239
Tariff deviations (Note 12)	58,624	51,911	110,534	12,923	8,792	21,715
Fixed assets suppliers (Note 12)	87,250	-	87,250	104,230	-	104,230
Tax payables (Note 12) (i)	38,485	-	38,485	-	-	-
Deferred income						
Grants related to assets	18,527	267,099	285,626	18,124	279,450	297,574
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,114	-	5,114	4,520	-	4,520
Trade and other payables	**473,337**	**364,961**	**838,298**	**311,539**	**318,126**	**629,665**

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

The caption “Trade and other payables” includes: (i) the amount of 44,619 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (46,102 thousand Euros at 31 December 2016); (ii) the amount of 25,080 thousand Euros of investment projects not yet invoiced (34,707 thousand Euros at 31 December 2016); (iii) the amount of 28,374 thousand Euros (26,534 thousand Euros at 31 December 2016) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 5,567 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (5,788 thousand Euros at 31 December 2016), also reflected in the caption “Trade receivables” (Note 14). This transaction sets a pass-through in the consolidated income statement of REN.

The caption "Other creditors" includes: (i) an amount of 3,815 thousand Euros (3,953 thousand Euros at 31 December 2016), relating to the concession contract of private use of the Sines terminal land; and (ii) the amount of 24,749 thousand Euros (23,166 thousand Euros at 31 December 2016) related with the Efficiency Promotion Plan on Energy Consumption ("PPEC"), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	2017	2016
Not due and due up to 30 days	345,265	273,872
31-60 days	1,944	387
61-90 days	344	107
91-120 days	537	188
More than 120 days	50,448	31,302
	398,539	**305,857**

The movement in the caption “Grants related to assets” current and non-current, in the years ended 31 December 2017 and 2016 was as follows:

Grants	
At 1 January 2016	**310,267**
Increases	5,431
Recognition of investment subsidies in profit and loss (Note 26)	(18,124)
At 31 December 2016	**297,574**
Changes in the perimeter	556
Increases	5,466
Recognition of investment subsidies in profit and loss (Note 26)	(17,970)
At 31 December 2017	**285,626**

24. SALES AND SERVICES RENDERED

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

	2017	2016
Goods:		
Domestic market	82	569
	82	569
Services:		
Electricity transmission and overall systems management	377,294	366,921
Natural gas transmission	113,170	113,460
Regasification	30,691	34,200
Natural gas distribution	15,317	-
Underground gas storage	13,658	18,633
Telecommunications network	5,079	4,902
Trading	3,450	4,043
Others	2,755	2,513
	561,414	544,672
Total sales and services rendered	**561,496**	**545,241**

25. REVENUE AND COSTS FOR CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets as of 31 December 2017 and 2016 were made up as follows:

	2017	2016
Revenue from construction of concession assets		
Acquisitions	136,683	155,217
Own work capitalised :		
Financial expenses (Note 8)	2,703	2,951
Overhead and management costs (Note 8)	15,265	13,079
	154,651	**171,247**
Cost of construction of concession assets		
Acquisitions	136,683	155,217
	136,683	**155,217**

26. OTHER OPERATING INCOME

The caption "Other operating income" is made up as follows:

	2017	2016
Recognition of investment subsidies in profit and loss	17,970	18,124
Supplementary income	1,372	1,516
Disposal of unused materials	3,308	-
Others	3,820	2,009
	26,470	**21,649**

27. EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Fees relating to external entities i)	15,944	10,598
Maintenance costs	14,611	13,421
Electric energy costs	6,638	4,550
Cross border interconnection costs ii)	3,700	1,760
Gas transport subcontracts	3,140	3,324
Insurance costs	3,107	3,184
Security and surveillance	1,707	1,663
Travel and transportation costs	1,185	1,401
Advertising and communication costs	1,114	1,012
Other (less than 1,000 thousand Euros)	4,273	3,416
External supplies and services	**55,418**	**44,328**

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.

This caption includes audit services as well as consulting services rendered by audit companies recorded as expenses in 2017, as follows:

	2017	2016
Audit and statutory audit	489	305
Other assurance services	330	79
Tax consultancy services	-	3
Services other than audit and statutory audit	266	-
	1,085	**387**

28. PERSONNEL COSTS

Personnel costs are made up as follows:

	2017	2016
Remuneration:		
Board of directors	2,694	2,344
Personnel	33,554	32,328
	36,248	34,672
Social charges and other expenses:		
Post-employement and other benefits cost (Note 21)	5,788	6,275
Social security costs	7,241	7,081
Social support costs	1,415	1,345
Other	583	209
	15,027	14,910
Total personnel costs	**51,275**	**49,583**

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

The average number of employees of the Group in 2017 was 694 (617 in 2016).

29. OTHER OPERATING COSTS

Other operating costs are made up as follows:

	2017	2016
ERSE operating costs i)	9,731	9,740
Donations and quotizations	1,129	1,155
Taxes	2,150	1,035
Others	1,093	665
	14,103	**12,595**

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

30. FINANCIAL COSTS AND FINANCIAL INCOME

Financial costs and financial income are made up as follows:

	2017	2016
Financial costs		
Interest on bonds issued	51,573	64,928
Interest on commercial paper issued	4,357	4,811
Other borrowing interests	16,530	18,353
Derivative financial instruments	275	2,012
Other financing expenditure	689	1,078
	73,424	**91,182**
Financial income		
Interest income	43	5
Derivative financial instruments	3,184	5,261
Other financial investments	2,133	25
	5,360	**5,291**

31. EARNINGS PER SHARE

Earnings per share were calculated as follows:

		2017	2016
Consolidated net profit used to calculate earnings per share	(1)	125,925	100,183
Number of ordinary shares outstanding during the period (note 18)	(2)	667,191,262	534,000,000
Effect of treasury shares (note 18) (average number of shares)		3,881,374	3,881,374
Number of shares in the period	(3)	663,309,888	530,118,626
Basic earnings per share (euro per share)	**(1)/(3)**	**0.19**	**0.19**

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

32. DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 11 May 2017, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2016, in the amount of 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

During the Shareholders General Assembly meeting held on 13 April 2016, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2015, in the amount of 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

33. CONTINGENT ASSETS AND LIABILITIES

33.1. COMMITMENTS

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2017 and 2016, were as follows:

	2017	2016
Power lines	15,711	18,284
Substations	21,247	32,775
Gas pipelines	615	1,122
Sines Terminal	899	797
Underground gas storage	1,864	297
	40,336	**53,274**

33.2. CONTINGENT LIABILITIES

Tejo Energia - Produção e Distribuição de Energia Eléctrica, SA initiated a litigation procedure against REN - Rede Eléctrica Nacional, SA ("REN Eléctrica") and REN Trading SA ("REN Trading") for the right to be considered paid the costs incurred with the financing of the social tariff.

This procedure is foreseen in the CAE dispute settlement procedure, dated 24 November 1993 (amended later). According to this CAE, Tejo Energia acts as producer and seller and REN Trading as purchaser of the energy produced at the coal-fired power plant controlled by Tejo Energia in Pego, Portugal. REN Eléctrica is jointly and severally liable with REN Trading, regarding the execution of the CAE with Tejo Energia. Tejo Energia claims that there is an obligation of REN Trading (and jointly by REN Eléctrica) to reimburse Tejo Energia for the payments made by it related to the social tariff. The amount in question at December 31, 2017 corresponds to approximately 6,958 thousand Euros, plus interest.

33.3. GUARANTEES GIVEN

At 31 December 2017 and 2016 the REN Group had given the following bank guarantees:

Beneficiary	Scope	2017	2016
European Investment Bank (EIB)	To guarantee loans	262,915	278,033
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	20,500	20,500
Judge of District Court	Guarantee for expropriation processes	10,707	5,530
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	2,817	2,312
Municipal Council of Seixal	Guarantee for litigation	2,777	2,152
Portuguese State	Guarantee for litigation	2,000	-
Municipal Council of Maia	Guarantee for litigation	1,562	-
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Matosinhos	Guarantee for litigation	822	-
Municipal Council of Matosinhos	Guarantee for litigation	817	-
Municipal Council of Porto	Guarantee for litigation	385	-
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
European Union	To comply with the contractual requirements on a financing agreement	177	177
EP - Estradas de Portugal	Guarantee for litigation	158	-
Direction Roads of Braga	Guarantee for litigation	100	-
Municipal Council of Aveiro	Guarantee for litigation	87	87
EP - Estradas de Portugal	To guarantee compliance with the obligations assumed	79	79
Social Security Institution	Ensure compliance with obligations	15	15
Municipal Council of Santo Tirso	Guarantee for litigation	15	-
Municipal Council of Guimarães	Guarantee for litigation	14	-
Municipal Council of Vila Nova de Famalicão	Guarantee for litigation	11	-
Municipal Council of Lisboa	Guarantee suspension of the collection of the Municipal Fee for Lisbon Civil Protection	9	9
Municipal Council of Vila Nova de Gaia	Guarantee the suspension of process nº 412/13	2	2
Labour Court of Lisbon	Guarantee for litigation	-	153
GSE - Georgian State Electrpsystem JSC	Providing services contract	-	57
		313,190	**316,327**

The given guarantees have the following maturities:

	31 December 2017			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	23,233	110,428	134,321	267,982
Other guarantees	-	-	45,209	45,209
	23,233	110,428	179,529	313,190

	31 December 2016			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	22,810	95,720	159,503	278,033
Other guarantees	-	-	38,294	38,294
	22,810	95,720	197,797	316,327

33.4. GUARANTEES RECEIVED

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 109,381 thousand Euros as of 31 December 2017 (68,007 thousand Euros as of 31 December 2016).

34. RELATED PARTIES

Main shareholders and shares held by corporate bodies

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

	2017		2016	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	133,500,000	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	15.0%
Lazard Asset Management LLC	45,034,126	6.7%	-	-
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	28,370,665	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	26,700,000	5.0%
The Capital Group Companies, Inc.	31,691,585	4.8%	26,792,304	5.0%
Great-West Lifeco, Inc.	13,719,885	2.1%	10,980,987	2.1%
Own shares	3,881,374	0.6%	3,881,374	0.7%
EDP - Energias de Portugal, S.A.	-	-	26,707,335	5.0%
Others	257,110,490	38.5%	196,967,335	36.9%
	667,191,262	**100%**	**534,000,000**	**100%**

The number of shares of REN SGPS held by corporate bodies at 31 December 2017 and 2016 is detailed in the Director's Report.

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 year ended 31 December 2017 amounted to 2,384 thousand Euros (2,344 thousand Euros in 2016), as shown in the following table:

	2017	2016
Remuneration and other short term benefits	1,528	1,488
Management bonuses (estimate)	856	856
	2,384	**2,344**

Transaction of shares by the members of the Board of Directors

In December 2017, the president of the Audit Committee, Manuel Ramos de Sousa Sebastião, acquired 23,000 shares of REN.

The entity Fidelidade – Companhia de Seguros, S.A., shareholder with a qualified position and related with Jorge Magalhães Correia, member of REN's Board of Directors, acquired 7,065,276 shares of REN.

Transactions with group or dominated companies

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

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2) in the financial statements.

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

Balances and transactions held with shareholders, associates and other related parties

During the periods ended 31 December 2017 and 2016, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue

	2017	2016
Sales and services provided		
Invoicing issued- OMIP	44	-
Invoicing issued - REE	2,081	1,311
Invoicing issued - Centro de Investigação em Energia REN - State Grid	180	127
Dividends received		
REE	4,740	4,430
	7,045	**5,868**

Expenses

	2017	2016
External supplies and services		
Invoicing received - REE	8,665	6,970
Invoicing received - Centro de Investigação em Energia REN - State Grid	140	78
Invoicing received - CMS Rui Pena & Arnaut[1]	146	87
Invoicing received - Lazard Chile	1,207	-
	10,158	**7,135**

[1] Entity related to the Administrator José Luis Arnaut

Balances

The balances at 31 December 2017 and 2016 resulting from transactions with related parties were as follows:

	2017	2016
Trade and other receivables		
OMIP - Other receivables	-	2,976
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	25	78
Centro de Investigação em Energia REN - State Grid - Trade receivable	-	8
REE - Trade receivables	19	160
	45	**3,223**
Trade and other payables		
Centro de Investigação em Energia REN - State Grid - Other payables	171	78
REE - Trade payables	871	678
CMS - Rui Pena & Arnaut - Trade payables [1]	40	16
	1,082	**772**

[1] Entity related to the Administrator José Luis Arnaut

35. EXTRAORDINARY CONTRIBUTION OVER THE ENERGY SECTOR

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy sector, called Extraordinary Contribution over the Energy Sector ("ECES"), that was extended by Law 82-B / 2014 , of 31 December, and Law 159-C / 2016, of 31 December, for the years 2016 and 2017, respectively.

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. 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 CESE is levied on the value of the assets with reference to the first day of the financial year 2017 (1 January 2017) that include cumulatively, the tangible fixed assets, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the CESE is levied on the value of regulated assets (i.e. the amount recognized by ERSE in the calculation of the allowed income with reference to 1 January 2017) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

To this end, the Group recognized in the year ended 31 December 2017 an expense in the amount of 25,798 thousand Euros (25,938 thousand Euros in 2016). This contribution was liquidated by REN on October 2017.

36. SUBSEQUENT EVENTS

On 11 January 2018, Group REN has agreed the terms of an issue of notes in the Euro Bonds market in an amount of 300 million euros, under the respective EMTN (European Medium Term Notes) programme from REN and REN Finance B.V., with a maturity of 10 years and an interest rate equal to 10 years' mid swap rate, accrued of 0.8%.

37. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2017. In the event of discrepancies, the Portuguese language version prevails.

Statement provided for in article 245, no. 1, paragraph c) of the securities code

Pursuant to and for the purposes of Article 245, No. 1, paragraph c) of the Securities Code, each member of the Board of Directors of REN - Redes Energéticas Nacionais, SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein[1]:

"I hereby declare, pursuant to and for the purposes specified in Article 245, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me within the Board of Directors and / or Executive Committee, as applicable, the condensed financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and of the companies included in its scope of consolidation, and that the management report for the fiscal year of 2017 faithfully describes the occurrences in that period and the impact in the respective financial statements, also containing a description of the principal risks and uncertainties for the following year."

Lisbon, 15th March 2018

[1] The originals of the individual statements are available for consultation at the head office of the Company.

The Certified Accountant

Susana Neves

The Board of Directors

Rodrigo Costa
(Chairman of the Board of Directors and Chief Executive Officer)

Omar Al Wahaibi
(Member of the Board of Directors)

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

Jorge Magalhães Correia
(Member of the Board of Directors)

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

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

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

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

Mengrong Cheng
(Member of the Board of Directors)

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

Longhua Jiang
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

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

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2017 which consist of the Consolidated Financial Statement, evidencing a total of 5,364,676 thousand Euros and 1,429,189 thousand Euros of Equity Capital, including a Consolidated Net Profit of 125,925 thousand Euros, the Consolidated Profit and Loss Accounts, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

Please note that REN - REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros on 7 December 2017. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal value of 1.00 Euro each.

Following the share capital increase, REN SGPS recorded in “Share Premium” the amount of 116,809 thousand Euros.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 15 March 2018

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

STATUTORY AUDITOR'S REPORT

(Free translation of a report originally issued in Portuguese language: In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Entity") and of its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 (showing a total of Euro 5,364,676 and equity of Euro 1,429,189, including a net profit of Euro 125,925, the consolidated statement of profit and loss by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, the consolidated financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2017 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Intangible assets	
As indicated in Note 2, the caption "Intangible assets" includes all assets acquired / constructed under the public service concession agreements that the Group entered into with the Portuguese State for a pre-defined period. These assets were recorded in the consolidated financial statements in accordance with IFRIC 12 - Service Concession Arrangements, as disclosed in Note 3.4. The caption "Intangible assets" represents 80% of the Group's total assets and it should be noted that a majority part of the remuneration that the Group is entitled to, under these concession agreements, is calculated based on the average annual balance of those intangible assets. So, we consider that the amounts that are being added to the balance of this caption are a key audit matter.	We evaluated the design of Group's controls related to the investments made in intangible assets, namely on the process of approval of new investments and we performed a set of tests to understand if the main controls identified were executed in accordance with the objectives they intended to achieve. In addition, for a sample of additions recorded in the caption of intangible assets in the current year, we have analyzed the associated supporting information, having verified, in particular, that the additions are recorded for the correct amounts and in the correct period, that they are approved in accordance with the internal rules in force and relate to the Group's business and to the nature of the caption under analysis.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Post-employment benefits and other benefits	
As indicated in Note 3.10, the Group grants retirement, pre-retirement and survivors' pensions, and provides its retirees and pensioners with a health care plan, among other benefits. The calculation of these liabilities is carried out annually by a specialized external entity, through an actuarial valuation report that requires the use of demographic and financial assumptions and estimates, that can significantly impact the amounts of liabilities estimated on each reporting date, as referred to in Note 5.2. To cover its liability with pension and retirement benefits, the Group has an autonomous pension fund, as disclosed in Note 21. Due to the large number of actuarial assumptions used in the calculation of the post-employment benefits obligations and the volatility that results in its computation, we consider that the recording of these liabilities is a key audit matter.	We obtained the actuarial valuation report prepared by an external entity with reference to 31 December 2017. We evaluated the competence and independence of that entity through discussions maintained with those and the analysis of its independence declaration. We verified that the amounts of post-employment benefits, estimated in the actuarial valuation report are in accordance with the Group's accounting records for the year ended 31 December 2017. We assessed the reasonableness of the assumptions and information contained in the actuarial valuation report, by performing the following procedures: > We compared the data on employees and former employees with the Group's personnel register; > We identified changes in the main actuarial assumptions, compared to the previous year and we obtained explanation for those changes from the Group's and/or external entities' responsibles; > We evaluated reasonableness of the discount rate used by analyzing the associated supporting information and other information; > We obtained the detail of assets included in the autonomous pension fund and, randomly, we obtained supporting information to support its valuation. We evaluated the design of Group's controls related with this matter. We have verified the appropriateness of the disclosures made on these liabilities in the accompanying notes.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Tariff deviations	
As indicated in Notes 14 and 23, as at 31 December 2017, the Group has recorded accounts receivable and accounts payable for tariff deviations. Tariff deviations result from the difference between the amounts invoiced by the Group in the scope of its regulated activities and the remuneration that is effectively due, as part of the tariff regulations of the electricity and gas sectors, issued by the Entidade Reguladora de Serviços Energéticos ("ERSE"), as disclosed in Note 3.16. Due to the relevance of the balances related to tariff deviations and that the computation of those include information from a wide variety of sources, we consider that these are a key audit matter.	We performed an understanding of the procedures and the evaluation of the Group's control activities associated to the computation of tariff deviations. We obtained the computation of the tariff deviations prepared by the Group, with reference to 31 December 2017, and performed the following procedures: > We compared the calculations with the accounting records of the Group; > We tested the reasonableness of the various components of the calculations, namely the average balance of the regulated assets basis (RAB), the applicable remuneration rate, the Group's billing for the year and the initial balance of the tariff deviations, based on the associated supporting information, in particular: - Register of the Group's regulated assets; - Documentation issued annually by ERSE annually, titled "Allowed income and adjustments"; - Calculation of remuneration rates, based on series of bonds of the Portuguese Republic; and - Detail of invoices issued by the Group in 2017, for which, by sampling, we verified the associated supporting information. > We tested the arithmetic accuracy of the calculations prepared by the Group.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Derivative financial instruments	
To address its interest rate and exchange rate risk, the Group contracts derivative financial instruments. As disclosed in Note 3.6, derivative financial instruments are initially recorded at fair value at the transaction date and are subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of derivative financial instruments. The key audit matter in this area is essentially related to the fair value computation of derivative financial instruments which, due to the associated complexity, involved the use by the Group of external experts who test the reasonableness of the market valuations prepared by the entities to which the derivative financial instruments were contracted, evaluated the effectiveness of the hedging relationships designated by the Group and quantified the associated inefficiencies.	Due to the specific nature of this matter we involved our specialists in the execution of the following procedures: > Analysis of the reasonableness of the derivative financial instruments designation made by the Group; > Independent computation of fair value of derivative financial instruments based on their contracts and observable market data; > Analysis of the effectiveness of the hedging relations designated by the Group, quantification of associated inefficiencies and determination of the accounting effects. Following, we compared the amounts computed by our specialists with the amounts recorded by the Group, and we also verified the appropriateness of the disclosures included in the accompanying notes.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Business Combinations	
As indicated in Note 9, on 4 October 2017, the Group acquired REN Gás Distribuição SGPS, SA (formerly denominated EDP Gás, SGPS, SA) and its subsidiaries REN Portgás Distribuição, SA (formerly denominated EDP Gás Distribuição, SA) and REN Portgás GPL, SA (formerly denominated EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, SA) (together "REN Portgás"). IFRS 3 - Business Combinations requires that the Group recognize as Goodwill the excess of the acquisition cost over the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation process involved an external expert hired by the Group, who identified the assets acquired and liabilities assumed and their valuation at fair value, namely the valuation of the intangible assets acquired under the discounted cash flows method. Due to the complexity associated with this process and its non-recurring nature, we consider it a key audit matter.	We obtained and analyzed the acquisition agreement of REN Gás Distribuição SGPS, S.A. and its subsidiaries. We obtained the report of the purchase price allocation process to the assets acquired and liabilities assumed and their valuation at fair value, prepared by the external expert hired by the Group and we performed, the following procedures, among others: > We evaluated the competence and independence of the external expert hired by the Group through discussions maintained with those and the analysis of its independence declaration; > We analyzed the process of identification of assets acquired and liabilities assumed; > We assessed the reasonableness of the main assumptions considered in that report, namely the evolution of tariffs and investment, useful lives defined for intangible assets, taking into account the expected use of those assets and the discount rate applied. We have verified that the amounts included in that report are in accordance with Group's accounting records, including the computation and accounting record of the amount of Goodwill. We have also verified the appropriateness of the disclosures made on this business combination.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Current assets lower than current liabilities	
The statement of financial position of the Group as of 31 December 2017 shows that current assets are lower than current liabilities. We consider the analysis prepared by the Group's Board of Directors and the respective disclosures in the accompanying notes to respond to this liquidity risk as a key audit matter. Disclosures about this risk are included in Note 4, where it is mentioned that the Group performs an active management of credit lines and commercial paper, with firm underwriting commitment, intended to meet the Group's current cash requirements.	We evaluated the analysis prepared by the Group's Board of Directors to respond to this liquidity risk by performing the following procedures: > We verified, on a sample basis, the agreement of the amounts of contracted and unused credit lines, considered in that analysis, with the respective supporting documentation; > We compared the values of the projected cash flows for the following year with the Group's historical information. We verified the appropriateness of the information disclosed in the accompanying notes on this matter.

Responsibilities of management and supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs);
- the preparation of a management report and the corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al. e) of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements.

About the corporate governance report

Pursuant to article 451.º, number 4, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245.º-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the non-financial information provided in article 66.º-B of the Portuguese Company's Code ("Código das Sociedades Comerciais")

Pursuant to article 451.º, number 6, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we inform that the Entity has prepared the non-financial information, as provided for in article 66.º-B of the Portuguese Company's Code ("Código das Sociedades Comerciais"), that has been published in chapter 5 of the Annual Report.

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed as auditors of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (parent-company of the Group) in the shareholders' general assembly held on 15 March 2010 for a first mandate from 2010 to 2012, which, however, has not been concluded with respect to 2012. We were reappointed as auditors of the Entity in the shareholders' general assembly held on 27 March 2012 for a second mandate from 2012 to 2014, and in the general assembly held on 17 April 2015 for a third mandate from 2015 to 2017.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional scepticism and we designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the consolidated financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's supervisory body as at this date.
- We declare that we have not provided any prohibited services as described in article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Group in conducting the audit.

Lisbon, 16 March 2018

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

6.2
INDIVIDUAL FINANCIAL STATEMENTS

31 DECEMBER 2017

1. INDIVIDUAL FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 31)

	Notes	2017	2016
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5 and 6	503	495
Investments - equity method	7	1,150,122	885,354
Goodwill	8	3,019	3,397
Available-for-sale financial assets	12	54,757	52,683
Other receivables	10	1,786,463	1,473,755
Other financial assets	10	8	4
Derivative financial instruments	11	7,907	20,425
Deferred tax assets	9	2,596	5,743
Total non-current assets		3,005,375	2,441,856
CURRENT ASSETS:			
State and other public entities	16	597	1
Other receivables	10	1,417,316	1,438,297
Deferrals		88	94
Other financial assets	10	-	1,317
Cash and bank deposits	4	55,699	9,804
Total current assets		1,473,701	1,449,512
Total assets		4,479,076	3,891,368
EQUITY AND LIABILITIES			
EQUITY:			
Share Capital	13	667,191	534,000
Own shares	13	(10,728)	(10,728)
Shares premium	13	116,809	-
Legal reserve	13	106,800	106,800
Other reserves	13	180,908	175,113
Adjustments to financial assets	13	(59,240)	(43,714)
Retained earnings		295,707	292,552
Other changes in equity		(5,541)	30
		1,291,906	1,054,053
Net profit for the period		127,030	93,805
Total equity		1,418,936	1,147,859
LIABILITIES :			
NON-CURRENT LIABILITIES:			
Borrowings	15	2,206,948	2,311,602
Provisions	14	71	664
Post employment benefit liabilities		7	9
Derivative financial instruments	11	6,960	12,212
Deferred tax liabilities	9	2,770	2,334
Total non-current liabilities		2,216,756	2,326,821
CURRENT LIABILITIES:			
Borrowings	15	784,801	330,311
Provisions	14	-	200
Trade payables	15	6,268	1,578
State and other public entities	16	30,193	27,317
Derivative financial instruments	11	-	1,063
Other payables	15	22,121	56,220
Total current liabilities		843,383	416,689
Total liabilities		3,060,139	2,743,510
Total equity and liabilities		4,479,076	3,891,368

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

THE ACCOUNTANT THE BOARD OF DIRECTORS

STATEMENTS OF PROFIT AND LOSS BY NATURE
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Euros)

(Translation of statements of profit and loss originally issued in Portuguese - Note 31)

	Notes	2017	2016
REVENUES AND EXPENSES			
Services rendered	17	12,573	12,954
Gains/(losses) from associates and joint ventures	7 and 18	121,478	90,544
Supplies and services	19	(9,161)	(7,321)
Personnel costs	20	(7,004)	(6,881)
Provisions (increases)/decreases	14	22	(200)
Impairments on investments (charge)/reversal	12	-	92
Other income	21	471	178
Other expenses	22	(536)	(662)
Profit before amortization, depreciation, finance costs and taxes		117,843	88,704
Depreciation and amortization (charge)/reversal	5 and 8	(555)	(556)
Operating profit (before finance costs and taxes)		117,288	88,147
Interest and similar income	23	87,323	108,038
Interest and similar costs	23	(78,149)	(101,294)
Dividends	24	1,528	1,120
Profit before taxes		127,990	96,012
Income tax expense for the period	9	(959)	(2,207)
Net profit for the period		127,030	93,805
Basic earnings per share		0.24	0.18

The accompanying notes form an integral part of the statement of profit and loss as of 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in thousands of Euros)

(Translation of statements of cash flow originally issued in Portuguese - Note31)

		2016										
	Notes	Capital	Own shares	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7)	Net profit for the period	Total equity
Balances at the beginning of 2016		**534,000**	**(10,728)**	**102,608**	**(8,960)**	**8,704**	**180,189**		**277,083**	**43,077**	**110,311**	**1,236,315**
Changes in the year:												
Changes in fair value	11 and 12	-	-	-	(4,898)	78	-	-	-	-	-	(4,821)
Appropriation of the profit for the preceding year	13	-	-	4,192	-	-	-	-	15,469	-	(19,661)	-
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	(86,791)	-	(86,791)
		-	-	4,192	(4,898)	78	-	-	15,469	(86,791)	(19,661)	(91,612)
Operations during the year with shareholders												
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
		-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
Net profit for the year											93,805	93,805
Comprehensive income		-	-	-	(4,898)	78	-	-	-	(86,791)	93,805	2,193
Balances at the end of 2016		**534,000**	**(10,728)**	**106,800**	**(13,858)**	**8,782**	**180,189**	**30**	**292,552**	**(43,714)**	**93,805**	**1,147,859**

		2017											
	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7)	Net profit for the period	Total equity
Balances at the beginning of 2017		534,000	(10,728)	-	106,800	(13,858)	8,782	180,189	30	292,552	(43,714)	93,805	1,147,859
Changes in the year:													
Capital increase	13	133,191	-	116,809	-	-	-	-	(5,571)	-	-	-	244,429
Changes in fair value	11 and 12	-	-	-	-	4,156	1,639	-	-	-	-	-	5,795
Appropriation of the profit for the preceding year	13	-	-	-	-	-	-	-	-	3,155	-	(3,155)	-
Adjustments in financial assets	7	-	-	-	-	-	-	-	-	-	(15,526)	-	(15,526)
		133,191	-	116,809	-	4,156	1,639	-	(5,571)	3,155	(15,526)	(3,155)	(9,731)
Operations during the year with shareholders													
Distribution of dividends	13	-	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
		-	-	-	-	-	-	-	-	-	-	(90,650)	(90,650)
Net profit for the year												127,030	127,030
Comprehensive income		-	-	-	-	4,156	1,639	-	-	-	(15,526)	127,030	117,299
Balances at the end of 2017		**667,191**	**(10,728)**	**116,809**	**106,800**	**(9,702)**	**10,421**	**180,189**	**(5,541)**	**295,707**	**(59,240)**	**127,030**	**1,418,936**

The accompanying notes form an integral part of the statement of changes in equity as of 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts stated in thousands of Euros)

(Translation of statements of cash flow originally issued in Portuguese - Note 31)

	Notes	2017		2016	
CASH FLOW FROM OPERATING ACTIVITIES:					
Cash receipts from customers		17,732		18,394	
Cash paid to suppliers		(14,315)		(10,326)	
Cash paid to emplyees		(7,764)		(7,235)	
Cash generated by operations		(4,347)		832	
Income tax received/(paid)		(18,427)		8,588	
Other receipts/(payments) relating to operating activities		(1,896)		(2,955)	
Flows generated by/(used in) operating activities [1]			(24,669)		6,465
FLOWS FROM INVESTING ACTIVITIES:					
Payments relating to:					
Financial Investments	7	(224,882)		(50,620)	
Tangible assets		(143)	(225,025)	(20)	(50,641)
Receipts relating to:					
Derivative financial instruments		1,200		-	
Available-for-sale financial assets		-		92	
Other financial assets	10	1,309		-	
Borrowings		-		144,204	
Interest and other similar income		84,602		103,346	
Dividends	7 and 24	65,993	153,103	91,408	339,051
Flows generated by investing activities [2]			(71,922)		288,410
FLOWS FROM FINANCING ACTIVITIES:					
Receipts relating to:					
Borrowings		6,948,258		5,615,427	
Capital increase and share premium	13	250,000	7,198,258	-	5,615,427
Payments relating to:					
Borrowings		(6,893,408)		(5,711,818)	
Interest and other similar expense		(71,713)		(104,801)	
Dividends	13	(90,650)	(7,055,771)	(90,650)	(5,907,269)
Flows used in financing activities [3]			142,486		(291,842)
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			45,895		3,033
Cash and cash equivalents at the beginning of the year	4		9,804		6,771
Cash and cash equivalents at the end of the year	4		55,699		9,804

The accompanying notes form an integral part of the statement of cash flow as of 31 December 2017.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE FINANCIAL STATEMENTSAS OF 31 DECEMBER 2017

(TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN PORTUGUESE – NOTE 31)
(AMOUNTS EXPRESSED IN THOUSANDS OF EUROS)

1. INTRODUCTORY NOTE

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN SGPS" or "the Company"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A.

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring.

The Gas business includes the following companies:

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

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

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

e) REN Gás Distribuição SGPS S.A., acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the management of financial interests in other companies as an indirect form of economic activity;

f) REN Portgás Distribuição, SA ("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;

g) REN Portgás GPL, SA, acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise: a) the sale of energy in the form of liquefied petroleum gas, propane or other, in accordance with the licenses it holds, in particular the purchase and sale, including the resale, of liquefied petroleum gas, for selling to final customers or other agents, through the conclusion of bilateral contracts or participation in other markets; b) the development and operation of gas infrastructures not reserved by law; (c) the provision of audit, maintenance and repair services for liquefied petroleum gas consumption facilities and the provision of value added services in the area of marketing and consumption; d) the provision of study, consultancy and research services for systems and processes in the liquefied petroleum gas sector;

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 2016. 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.

The subsidiaries REN Gás, S.A., Aério Chile, Spa, REN Gasodutos, S.A., REN Armazenagem, S.A., REN Gás Distribuição SGPS S.A., REN Portgás Distribuição, S.A., and REN Portgás GPL, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN SGPS).

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 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

As of 31 December 2017, REN SGPS also holds:

a) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. ("OMIP"), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

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

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. ("HCB"): and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017.

The accompanying financial statements were approved by the Board of Directors meeting held on 15 March 2018. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors understands that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2017.

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

3.1. BASES OF PRESENTATION

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date.

So In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2017, has credit lines contracted and not used in the amount of 80,000 thousand Euros, an open credit facility in the amount of 50,000 thousand Euros and five commercial paper programmes, in the amount of 1,075,000 thousand Euros, being available 855,000 thousand Euros as of 31 December 2017. From the total amount of commercial paper programmes, 630,000 thousand Euros have subscription guarantee (of which 480,000 thousand Euros were available as of 31 December 2017) (Note 15).

In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

The accompanying financial statements reflect only the Company's separate financial statements, prepared as required by law for approval by the Shareholders' Meeting. As explained in Note 3.2 investments are recorded in accordance with the equity method.

The adopted accounting policies within these financial statements are consistent, in all the material aspects, with the policies used to prepare the financial statements as of 31 December 2016.

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for approval in separate, which reflects, as of 31 December 2017, in relation to the accompanying separate financial statements, the following differences:

	Increase/ (Decrease)
Total net assets	883,766
Total liabilities	873,514
Net profit for the period	(1,105)
Total revenue	525,654
Total equity	10,253

As of 31 December 2017, the differences between net profit and equity (individual and consolidated financial statements) results essentially from: (i) the investment in OMIP SGPS, which in the consolidated financial statements prepared in accordance with IFRS, has been revaluated in 2011, following the loss in control, which led this investment to be changed from subsidiary to associate; and (ii) the Goodwill of REN Portgás Distribuição, S.A. which is being amortized in the individual financial statements.

3.2. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

3.3. TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	Years
Transport equipment	4 years
Administrative equipment	Between 3 and 10 years

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. LEASES

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of borrowing costs in the caption Borrowings. Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.5. FINANCIAL ASSETS AND LIABILITIES

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IAS 39 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification of financial assets at the time of their initial recognition in accordance with the purpose of its acquisition.

Financial assets

Financial assets can be classified into the following categories:

i) Financial assets at fair value through profit and loss – includes non-derivative financial assets acquired for short-term trading and assets designated at fair value through profit and loss at the inception date;

ii) Loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;

iii) Investments held to maturity – includes non-derivative financial assets with fixed or determinable payments and fixed maturities, that the entity intends and has the capacity to hold until the maturity date; and

iv) Available-for-sale financial assets – includes non-derivative financial assets designated as available-for-sale at inception date or other financial assets not classified in any of the other financial asset categories. Available-for-sale financial assets are recognized as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which the Company commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognized at fair value, being the transaction costs expensed in the statement of profit and loss. Such assets are subsequently adjusted to fair value, being gains and losses arising from changes in fair value recorded in the statement of profit and loss caption “net financial costs” of the period, which also includes interest income and dividends received.

Available-for-sale financial assets are initially recognized at fair value including transaction costs, if any. In subsequent periods these assets are adjusted to fair value, the changes in fair value being recognized in the fair value reserve caption in Equity, until the investment been sold or received or until the fair value be below its acquisition cost over a long period, situation on which the loss is recorded in the statement of profit and loss. Dividends and interest income from available-for-sale financial assets are recognized in the statement of profit and loss caption “other financial income” in the period on which the right to receive them is established.

The fair value of listed investments is based on current market prices (“bid”). If the market for a financial asset is not active, the Company establishes fair value through valuation techniques. These include the use of recent transactions, provided that they have been made at market price, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Non listed investments for which is not possible to reliability estimate the fair value are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the period.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method.

Loans and receivables are classified as “Trade and other receivables” in the statement of financial position, and are carried at amortized cost using the effective interest rate method, less any impairment loss. An impairment loss of trade receivables is established when there is objective evidence that the Group will not be able to collect the amounts due in accordance with the original terms of the transactions that gave rise to the receivables, being recorded in the statement of profit and loss in the caption “Impairment for receivables”.

Financial assets are derecognized when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of their ownership.

Impairment of financial assets

The Company assesses at each reporting date whether there is an evidence that a financial asset or group of financial assets are impaired, namely if this impairment will have a negative impact on the estimated cash flows of the financial asset or group of financial assets and when it can be reliably measured.

Impairment losses to be recognized for financial assets measured at amortized cost corresponds to the difference between the carrying amount of the asset and its present value as of the date of the new estimated future cash flow discounted at the original effective interest rate.

Impairment losses to be recognized on financial assets measured at cost correspond to the difference between the carrying amount of the asset and the best estimate of the fair value of the asset as of the financial reporting date.

Impairment losses are recorded in the statement of profit and loss caption “Impairment losses” in the period they are determined.

If subsequently the impairment loss decreases and such decrease can be objectively related to an event that occurred after the loss recognition, it must be reversed through profit and loss. The reversal must be recognized up to the amount that would have been recorded (amortized cost) if the loss had not been initially recognized. The reversal of impairment losses is recorded in the statement of profit and loss caption “Reversal of impairment losses”.

In the case of financial assets classified as “available for sale”, a significant and longstanding decrease of its fair value below the acquisition cost is considered an indicator that the financial asset is impaired. If evidence of impairment on the available for sale asset exists, the accumulated loss is determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Cash and bank deposits

The amounts included in the caption “Cash and bank deposits” include cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to twelve months.

These assets are measured at amortized cost. Usually, the amortized cost does not differ from the nominal amount.

Financial liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists by the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently on its legal form.

IAS 39 establishes the classification of financial liabilities in two categories:

i) Financial liabilities at fair value through profit and loss; and

ii) Other financial liabilities.

Other financial liabilities include “Borrowings”, “Trade payables” and “Other payables”.

Trade payables and other payables are initially recognized at fair value and subsequently adjusted to amortized cost, using the effective interest rate method.

Borrowings are initially measured at fair value, net of transaction incremental costs incurred. The subsequent measurement of these borrowings is made at amortised cost, being the difference between the nominal value and the initial fair value recognised in the in profit and loss statement over the loan maturity, using the effective interest rate method.

Financial liabilities are classified as current, except when the Company has an unconditional right to defer the payment of the correspondent liability for, at least, 12 months after the reporting date, being this liability, in these circumstances classified as non-current.

Financial liabilities are derecognized when the related obligations are settled, cancelled or expire.

An exchange of financial liabilities with substantially different terms, must be accounted as a derecognition of the original financial liability and a new financial liability should be recognized. The terms are considered substantially different if the present value of the cash flows under the new terms (including any fees paid net of any commissions received) discounted using the original effective interest rate, diverge by at least 10% of the discounted present value of the remaining cash flows from the original financial liability.

3.6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments

Derivative financial instruments are measured at the inception date and subsequently at fair value. The method for the recognition of fair value gains and losses depend upon the designation made of the derivative financial instruments. If they are trading financial derivative instruments, gains and losses are recognized in the statement of profit and loss captions financial income and financial costs, respectively. When they are designated as hedging derivative financial instruments, the recognition of gains and losses depends on the nature of the item hedged, and could be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external entities, through valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption “Derivative financial instruments”, and if they have a positive or negative fair value they are recognized as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

Hedge accounting

In the scope of the risk management policy for interest rate risk and foreign exchange rate risk, the Company contracts derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- Adequate documentation of the hedging operation;
- The risk to be covered is one of the risks described in IAS 39; and
- It is expected that the changes in fair value or cash flows of the hedged item, attributable to the hedged risk, are virtually offset by changes in fair value of the hedging instrument.

At the inception of the hedge operation, the Company documents the hedge relationship between the hedging instrument and the hedged item, its risk management objectives and its strategy for managing the risk. Additionally, in the beginning of the operation and at each reporting period it is assessed the effectiveness of the hedging instrument to offset changes in the fair value and cash flows of the hedged item.

The fair value of the derivative financial instruments contracted and the changes recorded in the hedging reserve are disclosed in Note 11.

In the fair value hedge of an asset or liability (fair value hedge), the carrying amount of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the changes of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

An hedging operation for the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value changes of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge in recognized in the statement of profit and loss in the period in which occurs.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires, is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

In the circumstances where the derivative financial instrument is no longer qualified as hedging instrument, the Company assesses: (i) in fair value hedging instruments, the existence of fair value adjustments to the hedged item, which are amortized through the strait-line method in the remaining period of the hedged item; and (ii) in cash-flow hedging instruments, the existence of fair value differences are recognized in Hedging reserve in equity, amount that will be reclassified to the profit and loss statement.

Any amount recorded in the caption as "Other reserves – hedge reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Hedging reserve" is immediately reclassified to the statement of profit and loss.

3.7. REVENUE

Revenue includes the fair value of the consideration received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

Revenue relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest revenue is recognized in accordance with the effective interest method provided that it is probable that economic benefits flow to the company and they can be reliably measured.

The revenue from dividends is recognised as gain in the year they are assigned to the shareholders.

3.8. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTIES RELATING TO ESTIMATES

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

Significant accounting estimates

3.8.1. PROVISIONS

Provisions are recognized when the Company has: i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

3.8.2. FAIR VALUE

The fair value of listed investments is based on current market prices (“bid”). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. INCOME TAX

Income tax for the year recognized in the statement of profit and loss includes current income tax and deferred tax. Current and deferred tax are recognized in the statement of profit and loss, except when deferred tax relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit, given it excludes revenue or expenses items that will be taxable or deductible in other years and items that will never be taxable or deductible.

Deferred tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been formally enacted on the date of the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, or temporary taxable differences that revert in the same period as the deductible temporary differences. At the end of each reporting period a revision is made of the deductible temporary differences and they are adjusted based on the expectation of their future utilization.

3.10. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to Euros, the functional currency, using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognized as "finance costs" in the statement of profit and loss if relating to borrowings and in "other operating income or costs" in the case of all the other balances/ transactions.

3.11. ACCRUAL BASIS OF ACCOUNTING

Income and expenses are recognised on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. SHARE CAPITAL AND OWN SHARES

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. CASH FLOW STATEMENT

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. BORROWING COSTS

Borrowings costs are recognized as costs in the period they are incurred.

3.16. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on the REN`s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issued totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2017, all other factors remaining constant, would lead to a decrease on equity in the amount of 645 thousand Euros as of 31 December 2017 (890 thousand Euros as of 31 December 2016), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 717 thousand Euros as of 31 December 2017 (979 thousand Euros as of 31 December 2016).

Additionally, the Company is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro /USD, related with its financial investment in Electrogas, S.A., acquired in February 2017.

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2017, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,089 thousands Euros, while a decrease of that exchange rate would lead to an increase on equity in the amount of 7,385 thousand Euros.

ii) Credit risk

REN's exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

REN's counterparty risk on bank deposits, financial applications, and contracting of derivative instruments is mitigated by the selection of top ratting international institutions with solid credit rating and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through central treasury management. All the liquidity excess and needs of each group company are transferred to REN SGPS, which manages the consolidated balances with financial institutions.

In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2017, has credit lines contracted and not used in the amount of 80,000 thousand Euros, an open credit facility in the amount of 50,000 thousand Euros and five commercial paper programmes, in the amount of 1,075,000 thousand Euros, being available 855,000 thousand Euros as of 31 December 2017. From the total amount of commercial paper programmes, 630,000 thousand Euros have subscription guarantee (of which 480,000 thousand Euros were available as of 31 December 2017) (Note 15).

The following table presents the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments, the financial liquidation of the related cash flows of which is made by the net amount. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest; as therefore, do not correspond to its carrying amounts:

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	50,839	204,686	210,124	465,650
Bonds	248,508	587,085	1,226,772	2,062,365
Commercial paper	514,500	150,000	-	664,500
Others	12,292	129	-	12,420
	826,138	**941,900**	**1,436,897**	**3,204,935**
Derivative financial instruments	3,283	13,143	6,576	23,002
Trade and others payables	28,389	-	-	28,389
TOTAL	**857,811**	**955,043**	**1,443,473**	**3,256,327**

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	54,162	209,661	267,032	530,856
Bonds	80,749	730,104	1,201,180	2,012,033
Commercial paper	228,657	152,000	-	380,657
Others	50,568	170	-	50,738
	414,135	**1,091,936**	**1,468,213**	**2,974,284**
Derivative financial instruments	4,338	13,119	9,841	27,298
Trade and others payables	57,797	-	-	57,797
TOTAL	**476,271**	**1,105,055**	**1,478,054**	**3,059,379**

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

	31 December 2017			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(6,298)	(74,707)	(85,173)
Inflows	2,007	8,029	77,079	87,116
	(2,161)	**1,731**	**2,373**	**1,943**

	31 December 2016			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(4,169)	(9,355)	(76,003)	(89,527)
Inflows	2,196	8,784	86,528	97,508
	(1,973)	**(570)**	**10,524**	**7,982**

iv) Interest rate risk

The Company presents exposure to interest rates risk mainly on borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs; using simple derivative financial instruments such as interest rate swaps. In this kind of operations REN exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2017 and 2016, using the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2017 would result in a decrease of profit before tax of, approximately, 3,780 thousand Euros, (2,595 thousand Euros as of 31 December 2016).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 2,086 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2016 corresponded to an increase of 6,000 thousand Euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. SHARE-BASED PAYMENT

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payment ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the share quotations, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in net income of the period.

The share-based payments assume no material amounts for the purpose of disclosure in the notes to the financial statements.

3.18. SUBSEQUENT EVENTS

Events that occur subsequently to balance sheet date that provide additional information on conditions that existed at the date of the statement of financial position (“adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date (“non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. CASH FLOW

For the purpose of the statement of cash flow, the caption cash and cash deposits equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents.

The caption “Cash and cash equivalents” at 31 December 2017 and 2016 is made as follows:

	2017	2016
Cash	-	2
Bank deposits repayable on demand	55,699	9,802
Cash and cash equivalents	**55,699**	**9,804**

Receipts and payments relating to borrowings mainly include emissions and reimbursements of commercial paper.

5. TANGIBLE ASSETS

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2017 and 2016 were as follows:

	2017		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	708	253	961
Acquisitions	338	3	341
Sales/write offs	(271)	(12)	(282)
Ending balance	776	244	1 020
Accumulated depreciation and impairment losses			
Beginning balance	287	180	466
Depreciation for the year	161	17	178
Depreciation Sales/write offs	(115)	(12)	(127)
Ending balance	332	185	517
Net assets	**444**	**59**	**503**

	2016		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	718	254	972
Acquisitions	206	8	214
Sales/write offs	(216)	(9)	(225)
Ending balance	708	253	961
Accumulated depreciation and impairment losses			
Beginning balance	274	162	436
Depreciation for the year	152	27	179
Sales/write offs	(139)	(9)	(149)
Ending balance	287	180	466
Net assets	**422**	**73**	**495**

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2017 and 2016:

	2017			2016
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment	524	(243)	281	375
	524	(243)	281	375

The minimum payments under finance lease contracts at 31 December 2017 and 2016 are as follows:

	Present value of minimum payments		Minimum payments (Note 15)	
	2017	2016	2017	2016
Up to 1 year (Note 15)	107	115	109	119
From 1 to 5 years (Note 15)	129	170	130	173
	236	**286**	**239**	**292**

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates as of 31 December 2017 and 2016 are as follows:

		31 December 2017						Investment held		
Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
Equity method:										
Subsidiaries:										
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	3,023,798	2,360,111	663,687	402,070	74,166	100	663,687	74,166
REN Trading, S.A.	Lisbon	50	221,662	219,132	2,530	3,452	2,480	100	2,530	2,480
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	262,037	184,191	77,846	45,267	6,159	100	77,846	6,159
RENTELECOM - Comunicações, S.A.	Lisbon	100	6,680	2,593	4,087	5,222	2,477	100	4,087	2,477
REN Serviços, S.A.	Lisbon	170,050	1,231,617	1,007,886	223,731	58,951	33,116	100	223,731	33,116
Enondas, Energia das Ondas, S.A.	Pombal	250	2,440	1,781	422	627	85	100	658	85
Ren Finance, BV	Amsterdam	20	2,011,707	1,842,715	168,992	190	4,493	100	168,992	4,493
									1,141,531	**122,975**
Associates:										
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	26,948	561	26,387	1,488	(1,103)	40	5,782	(1,317) (i)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,413	784	5,629	1,454	(360)	50	2,809	(180)
									8,591	**(1,497)**
										-
									1,150,122	**121,478**

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

		31 December 2016						Investment held			
Entity	Head office	Share Capital	Assets	Liabilities	Equity	Revenue	Net results	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)
Equity method:											
Subsidiaries:											
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	3,009,090	2,418,846	590,245	389,255	56,178	100	590,245	-	56,178
REN Trading, S.A.	Lisbon	50	214,176	214,577	(401)	4,046	(2,778)	100	-	(401)	(2,778)
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	273,097	169,200	103,897	45,140	7,210	100	103,897	-	7,210
RENTELECOM - Comunicações, S.A.	Lisbon	100	6,998	2,973	4,025	5,532	2,542	100	4,025	-	2,542
REN Serviços, S.A.	Lisbon	50	995,996	939,973	56,024	52,017	21,690	100	56,024	-	21,690
Enondas, Energia das Ondas, S.A.	Pombal	250	2,981	2,407	574	400	82	100	574	-	82
Ren Finance, BV	Amsterdam	20	1,542,442	1,421,941	120,501	1,857	3,735	100	120,501	-	3,735
									875,266	**(401)**	**88,658**
Associates:										-	
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	30,981	1,300	29,681	1,638	1,070	40	7,099	-	1,089 (i)
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	7,518	1,529	5,989	3,902	1,603	50	2,989	-	797
									10,088	**-**	**1,886**
										-	
									885,354	**(401)**	**90,544**

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

On 4 October 2017, the Group, through its subsidiary REN Gás, S.A. acquired to EDP Iberia, S.L.U. the total share capital of EDP Gás, SGPS, S.A. (renamed REN Gás Distribuição, SGPS, S.A. after the acquisition) and its subsidiaries, EDP Gás Distribuição, S.A. (renamed REN Portgás Distribuição, S.A. after the acquisition) and EDP Gás GPL — Comércio de Gás de Petróleo Liquefeito, S.A. (renamed REN Portgás GPL, S.A. after the acuisition). The acquisition price, with reference to 4 October 2017, amounted to 530,508 thousand Euros.

As of 31 December 2017, the accumulated amount recognized in the caption "Investments – equity method", in consequence of the use of the equity method, amounts to 416,584 thousand Euros. According to the current legislation in Portugal, any income and other positive equity fluctuations

recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

The changes in these captions in 2017 and 2016 were as follows:

2017			
	Investment - equity method		
	Proportion of capital held (assets)	Proportion of capital held (provisions) (Note 14)	Total
Beginning balance	885,354	(401)	884,953
Result appropriated by the equity method (Note 18)	121,077	401	121,478
Distribution of dividends by subsidiaries and associates	(64,465)	-	(64,465)
Other appropriation of changes in equity in subsidiaries	(15,526)	-	(15,526)
Capital increase on REN Finance	53,232	-	53,232
Capital increase on REN Serviços	170,000	-	170,000
Capital increase on REN Trading	450	-	450
Ending balance	**1,150,122**	**-**	**1,150,122**

2016			
	Investment - equity method		
	Proportion of capital held (assets)	Proportion of capital held (provisions) (Note 14)	Total
Beginning balance	922,114	-	922,114
Result appropriated by the equity method (Note 18)	90,945	(401)	90,544
Distribution of dividends by subsidiaries and associates	(90,288)	-	(90,288)
Appropriation of changes in equity in subsidiaries (NCRF 28 amendments-Note 13)	(81,005)	-	(81,005)
Other appropriation of changes in equity in subsidiaries	(5,786)	-	(5,786)
Capital Increase on REN Finance BV	50,620	-	50,620
Sale 5% OMIP SGPS (exercise of an option to sell)	(1,246)	-	(1,246)
Ending balance	**885,354**	**(401)**	**884,953**

8. GOODWILL

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2017 and 2016 the amount was made up as follows:

			Percentage interest held		Goodwill			
Entity	**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**Amount at 01.01.2017**	**Decreases**	**Amount at 31.12.2017**	**Amount at 31.12.2016**
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	3,397	(377)	3,019	3,397

9. INCOME TAX

The companies belonging to the REN group are taxed based on the special regime for the taxation of group companies ("RETGS"). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2014 to 2017 are still subject to review.

The Company's Board of Directors understands that any correction to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2017 and 2016.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iv) 7% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 29.5%.

In the year ended 31 December 2017, the computation of the deferred taxes, was updated in accordance with Law 114/2017, of 29 December, that established a 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 above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2018.

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

Income tax credit / (expense) of the years ended 31 December 2017 and 2016 was as follows:

	2017	2016
Current tax	(1,454)	(4,158)
Adjustments relating to previous years income tax	2,537	(61)
Deferred tax	(2,042)	2,012
Income tax	(959)	(2,207)

The reconciliation of current income tax as of 31 December 2017 and 2016 is made up as follows:

	2017	2016
Profit before income tax	**127,990**	**96,012**
Permanent differences		
Non tax deductible costs	768	657
Non taxable income	(121,942)	(90,778)
Timing differences		
Provision for post employment benefits	(2)	1
Provisions and impairments	(392)	200
Derivative Financial Instruments	(14)	61
Bonds refinancing	-	9,319
Taxable profit	**6,407**	**15,472**
Cost/(credit) of income tax at the rate of 21%	1,346	3,249
Statesurcharge tax	-	579
Municipal taxation	-	232
Autonomous taxation	108	93
Income tax from previous years	-	5
Current tax	**1,454**	**4,158**
Deferred tax	2,042	(2,012)
Adjustments relating to prior years income tax	(2,537)	61
Income tax	**(959)**	**(2,207)**

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2017 and 2016, in accordance with the underlying temporary differences are made up as follows:

	31 December				Increase/ (decrease) in the period	
	2017		2016			
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets						
Provision for legal processes	-	-	263	55	(55)	-
Restructuring provision	71	15	200	42	(27)	-
Provision for post employment benefits	7	2	9	2	-	-
Derivative financial instruments-Cash Flow	12,281	2,579	17,542	3,684	-	(1,105)
Derivative financial instruments-Fair Value	2	-	16	3	(3)	-
Exchange bonds	-	-	9,319	1,957	(1,957)	-
	12,361	**2,596**	**27,349**	**5,743**	**(2,042)**	**(1,105)**
Deferred tax liabilities						
Fair value of assets	13,191	2,770	11,116	2,334	-	436
	13,191	**2,770**	**11,116**	**2,334**	**-**	**436**
Deferred tax					**(2,042)**	**(1,541)**

10. FINANCIAL ASSETS

Trade receivables and other receivables

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

	2017	2016
Non current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	1,786,463	1,473,755
Current:		
Other receivables:		
Group companies - shareholders loans (Note 25)	412,291	731,907
Group companies - treasury management (Note 25)	873,913	602,183
Group companies - RETGS (Note 25)	91,395	64,165
Group companies - other debtors (Note 25)	4,255	5,947
Group companies - Interest receivable from shareholders loans (Note 25)	33,237	33,926
Group companies - Accruals (Note 25)	2,121	-
Other	103	167
	1,417,316	1,438,297
	3,203,779	2,912,051

As of 31 December 2017 the Company made shareholders loans to its subsidiaries in the total amount 2,198,755 thousand Euros (2,205,662 thousand Euros as of 31 December 2016), which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption “Other receivables – Group companies - RETGS” includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

Other financial assets

The caption “Other financial assets” as of 31 December 2017 and 2016 is made up as follows:

	2017	2016
Current:		
Luso Carbon Fund	-	1,317
	-	1,317
Non current:		
Labor compensation fund	8	4
	8	4
Other financial assets	**8**	**1,322**

REN SGPS had a financial investment of 126 units in the closed fund "Luso Carbon Fund". On 15 December 2016, the management company of the fund communicated its dissolution by the expiration of the term for which it was established, and the publication of the unit was suspended. The proceeds of the liquidation of the fund were distributed in March 2017 in the amount of 1,309 thousand Euros, generating a capital gain of 226 thousand Euros (Note 23).

11. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2017 and 2016 the Company had the following derivative financial instruments contracted:

		31 December 2017			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	300,000 TEUR	-	-	-	6,109
Interest rate and currency swaps	10,000,000 TJPY	-	724	-	-
		-	724	-	6,109
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	7,183	-	-
		-	7,183	-	-
Trading derivatives	60,000 TEUR	-	-	-	851
Derivative financial instruments		**-**	**7,907**	**-**	**6,960**

		31 December 2016			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	363,462 TEUR	-	-	1,063	11,072
Interest rate and currency swaps	10,000,000 TJPY	-	8,673	-	-
		-	8,673	1,063	11,072
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	11,753	-	-
		-	11,753	-	-
Trading derivatives	60,000 TEUR	-	-	-	1,139
Derivative financial instruments		**-**	**20,425**	**1,063**	**12,212**

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 one cross currency swap, contracted to hedge the risk of fluctuation of future interest and foreign exchange rates (Note 3.16), whose counterpart are financial foreign and internal entities with a solid credit rating.

The amounts presented above include the amount of interest receivable or payable at 31 December 2017 relating to these derivatives financial instruments, in the total net amount receivable of 2,119 thousand Euros (1,950 thousand Euros at 31 December 2016 receivable).

The main features of the derivatives financial instruments used for REN's major financing operations as of 31 December 2017 and 2016 are detailed as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31/12/2017	Fair value at 31/12/2016
Cash flow hedge:							
Interest rate swaps	300,000 TEUR	EUR	[0.75%;1.89%]	[-0.39%;0.00%] - floating rates	2024	(6,109)	(12,136)
Interest rate and currency swaps	10,000,000 TJPY / 72,899 TEUR	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	724	8,673
						(5,384)	**(3,463)**
Fair value hedge:							
Interest rate swaps	400,000 TEUR	EUR	[-0.271%;0.059%] - floating rates	[0.61%; 1.72%]	[Oct-2020; Feb-2025]	7,183	11,753
Trading derivatives:						**7,183**	**11,753**
Interest rate swaps	60,000 TEUR	EUR	Floating rates to be determined in future	[0.00%;0.99%]	2024	(851)	(1,139)
						(851)	**(1,139)**
						947	**7,150**

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

The notional reference of cash flows and fair value hedge derivatives as of 31 December 2017 and 2016 is presented in the following table:

	2018	2019	2020	2021	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000
Interest rate and currency swap (cash flow hedge)	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	100,000	-	300,000	400,000
Trading derivatives	-	-	-	-	60,000	60,000
Total	**-**	**-**	**100,000**	**-**	**732,899**	**832,899**

	2017	2018	2019	2020	Following years	Total
Interest rate swap (cash flow hedge)	63,462	-	-	-	300,000	363,462
Interest rate and currency swap (cash flow hedge)	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	100,000	300,000	400,000
Trading derivatives	-	-	-	-	60,000	60,000
Total	**63,462**	**-**	**-**	**100,000**	**732,899**	**896,361**

Swaps:

Cash flow hedges

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

As of 31 December 2017, one cash flow hedge swaps expired, resulting in a decrease of its notional to 300,000 thousand Euros (363,462 thousand Euros as of 31 December 2016). This is the hedging of interest rate risk on payments of interest at variable rates on recognized financial liabilities. The risk covered is the variable rate index to which the borrowing interest relates to. The objective of this hedging is to convert loans at variable interest rates into fixed interest rates, the credit risk is not

being hedged. The fair value of the interest rate swaps at 31 December 2017 is 6,109 thousand Euros negative (12,136 Euros negative at 31 December 2016).

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

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

The fair value of the cross currency swap at 31 December 2017 was 724 thousand Euros positive (8,673 thousand Euros positive at 31 December 2016).

The underlying foreign exchange change (borrowing) for 2017, in the amount of, approximately, 6,969 thousand Euros positive (4,742 as of 31 December 2016 negative), was offset by a similar change in the hedging instrument in the statement of profit and loss.

The inefficient component of the fair value hedge amounted to 5,921 thousand Euros positive (6,196 thousand Euros at 31 December 2016 positive). The amount recorded in the profit and loss as of 31 December 2017 was 275 thousand euros.

The amount recorded in the hedging reserve relating to the above mentioned cash flow hedge was 12,281 thousand Euros (17,542 thousand Euros in 31 December 2016).

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2016	**(11,342)**	**2,382**	**(8,960)**
Changes in fair value and ineffectiveness	(6,200)	1,302	(4,898)
31 December 2016	**(17,542)**	**3,684**	**(13,858)**
1 January 2017	**(17,542)**	**3,684**	**(13,858)**
Changes in fair value and ineffectiveness	5,261	(1,105)	4,156
31 December 2017	**(12,281)**	**2,579**	**(9,702)**

Fair value hedge

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

As of 31 December 2017 the notional amount of derivatives nominated as fair value hedge reached 400,000 thousand Euros (400,000 thousand Euros in 31 December 2016). 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 31 December 2017 was 7,183 thousand Euros positive (11,753 thousand Euros positive as of 31 December 2016).

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

During 2017, the fair value change related with the 400,000 thousand Euros debt related with interest rate risk amounted to 4,975 thousand Euros positive (11,700 thousand Euros negative as of 31 December 2016), causing an inefficient component of around 297 thousand Euros (positive) (251 thousand Euros positive as of 31 December 2016).

Trading derivatives

REN has an interest rate forward start swap with a start date on 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 IAS 39, is hedging the economic risk of changes in the forward interest rates for the above mentioned period.

As of 31 December 2017 the notional amount of this negotiation derivative is 60,000 thousand Euros (60,000 thousand Euros as of 31 December 2016). 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 indexer 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 31 December 2017 amounts to 851 thousand Euros negative (1,139 thousand Euros positive as of 31 December 2016).

The fair value changes of this negotiation derivative are recorded in the profit and loss statement statement.

As of 31 December 2017 the amount related with the fair value of the trading derivative was income of 288 thousand Euros (an expense of 2,012 thousand Euros as of 31 December 2016).

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The assets recognised in this caption at 31 December 2017 and 2016 corresponds to equity interests held on strategic entities in the electricity and gas market, which can be detailed as follows:

	Head office		% owned		Book value	
	City	Country	2017	2016	2017	2016
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	51,591	49,516
					54,757	**52,683**

The changes in this caption were as follows:

	OMEL	HCB	Total
At 1 January 2016	**3,167**	**47,104**	**50,271**
Fair value adjustments	-	2,412	2,412
At 31 December 2016	**3,167**	**49,516**	**52,683**
At 1 January 2017	**3,167**	**49,516**	**52,683**
Fair value adjustments	-	2,075	2,075
At 31 December 2017	**3,167**	**51,591**	**54,757**

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. ("Parpublica"), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2017, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. ("OMEL"). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses. At this date no evidences of impairment losses related with OMEL exist.

The movements recorded in the fair value impairments were as follows:

	2017	2016
Beginning balance	-	600
Reversing	-	(92)
Utilization	-	(508)
Ending balance	-	-

Adjustments to the fair value of assets held for sale are recorded in equity under the caption "fair value reserve", which as of 31 December 2017 and 2016 presents the following amounts:

	Fair value reserve
1 January 2016	**8,704**
Changes in fair value	2,412
Fiscal effect	(2,334)
31 December 2016	**8,782**
1 January 2017	**8,782**
Changes in fair value	2,075
Fiscal effect	(436)
31 December 2017	**10,421**

The dividends distributed are detailed in Note 24.

13. EQUITY INSTRUMENTS

Share Capital

As of 31 December 2017 the Company's subscribed and paid up capital was made up of 667,191,262 shares with nominal value of 1 Euro each.

Share capital at 31 December 2017 and 2016 is detailed as follows:

	2017		2016	
	Number of shares	Share Capital	Number of shares	Share Capital
Share capital	667,191,262	667,191	534,000,000	534,000

On 7 December 2017 REN SGPS completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal amount of 1.00 Euro each.

Following the share capital increase REN SGPS recorded in the caption "Share Premium" the amount of 116,809 thousand Euros.

Additionally, in the caption "Other changes in equity" it was recorded the amount of 5,571 thousand Euros (net of income taxes in the amount of 1,481 thousand Euros) related with expenses associated with the issue of the new shares.

The main shareholders at 31 December 2017 and 2016 and were as follows:

	31.12.2017		31.12.2016	
	Shares	%	Shares	%
State Grid Europe Limited (Group State Grid)	166,797,815	25.00%	133,500,000	25.00%
Mazoon B.V. (Group Oman Oil Company S.A.O.C.)	80,100,000	12.01%	80,100,000	15.00%
Lazard Asset Management LLC	45,034,126	6.75%	-	0.00%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.32%	28,370,665	5.31%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.00%	26,700,000	5.00%
The Capital Group Companies, Inc.	31,691,585	4.75%	26,792,304	5.02%
Great-West Lifeco, Inc.	13,719,885	2.06%	10,980,987	2.06%
EDP - Energias de Portugal, S.A.	-	0.00%	26,707,335	5.00%
Own shares	3,881,374	0.58%	3,881,374	0.73%
Free float	257,110,490	38.54%	196,967,335	36.89%
	667,191,262	**100.00%**	**534,000,000**	**100.00%**

At 31 December 2017 and 2016 the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.7268%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2017.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

Legal reserve

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2017 the caption “Legal reserve” amounted to 106,800 thousand Euros.

Other reserves

The caption “Other Reserves” includes changes in the fair value of assets held for sale, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used.

As of 31 December 2017, the Company has in Equity the amount of 719 thousand Euros positive (5,076 thousand Euros negative in 2016) related to reductions arising from the application of fair value, namely: (i) fair value reserve of financial assets held for sale in the amount of 10,421 thousand Euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 9,702 thousand Euros negative (Note 11).

The caption “Other Reserves” includes free reserves in the amount of 180,189 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption “Adjustments to financial assets” reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2017 this caption amounted to 59,240 thousand Euros negative (43,714 thousand Euros negative as of 31 December 2016) and includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses related with the change in NCRF 28 – Employee Benefits and the actuarial gains and losses of the year in the total amount of 723 thousand Euros (Note 7) and; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 14,803 thousand Euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 11 May 2017, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2016, in the amount of 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

The dividends paid during the year ended 31 December 2016, determined on the 2015 net profit amounted to 91,314 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 90,650 thousand of Euros.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGEN ASSETS

Guarantees given

At 31 December 2017 and 2016 the Company had given the following bank guarantees:

Beneficiary	Object	2017	2016
European Investment Bank	For loan outstanding balances	262,929	278,033
General Directorate of Energy and Geology	Guarantee complete fulfillment of the obligations of the Concession Contract	10,000	10,000
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	2,613	2,107
Municipal Council of Vila Nova de Gaia	Ensure the suspension of tax enforcement proceedings n.º412/13	2	2
Labour Court of Lisbon	Guarantee for litigation	-	153
		275,543	**290,295**

The guarantees given have the following maturities:

	December 2017			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	31,126	148,169	83,634	262,929
Others	-	-	12,615	12,615
	31,126	**148,169**	**96,249**	**275,543**

	December 2016			
	Less 1 year	1 - 5 years	Over 5 years	Total
Loans	22,810	95,720	159,503	278,033
Others	-	-	12,262	12,262
	22,810	**95,720**	**171,765**	**290,295**

Provisions

At 31 December 2017 and 2016 the caption “Provisions” was made up as follows:

	2017			2016		
	Investments (Note 7)	Other provisions	Provisions	Investments (Note 7)	Other provisions	Provisions
Non current:						
Beginning balance	**401**	**263**	**664**	**-**	**263**	**263**
Increases	-	116	116	401	-	401
Utilization	-	(241)	(241)	-	-	
Reversing	(401)	(67)	(468)	-	-	-
Ending balance	**-**	**71**	**71**	**401**	**263**	**664**
Current:						
Beginning balance	**-**	**200**	**200**	**-**	**-**	**-**
Increases	-	-	-	-	200	200
Utilization	-	(200)	(200)	-	-	-
Ending balance	**-**	**-**	**-**	**-**	**200**	**200**

As of 31 December 2017 the caption “Provisions” in the amount of 71 thousand Euros refers to a provision related to a restructuring process in progress.

15. FINANCIAL LIABILITIES

Trade Payables and Other Payables

At 31 December 2017 and 2016 the captions "Trade payables" and "Other payables" were made up as follows:

	2017	2016
Current		
Trade payables:		
Group (Note 25)	-	86
National	3,645	931
Foreign	2,623	561
	6,268	**1,578**
Other payables:		
Capex suppliers	-	95
Group companies - RETGS (Note 25)	4,885	2,032
Group companies - treasury management (Note 25)	12,044	50,425
Accrued costs:		
Remunerations	477	487
Others	3,974	2,452
Other Creditors		
Group (Note 25)	288	285
Others	453	443
	22,121	**56,220**
	28,389	**57,797**

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

Borrowings

The borrowings are detailed, in terms of maturity (current and non-current) and nature, as of 31 December 2017 and 2016 as follows:

	2017	2016
Non-current		
Commercial paper	150,000	152,000
Bonds	145,013	352,355
Bank loans	403,234	450,349
Finance leases (Note 6)	129	170
Group Companies - Bonds (Note 25)	1,512,755	1,362,755
Other deferred borrowing costs	(541)	(871)
Other deferred borrowing costs - Group companies (Note 25)	(3,642)	(5,155)
	2,206,948	**2,311,602**
Current		
Commercial paper	70,000	101,000
Group Companies - Commercial Paper (Note 25)	444,500	126,597
Bonds	192,800	30,000
Bank loans	47,115	46,730
Finance leases (Note 6)	107	115
Group Companies - Interests and other similar costs (Note 25)	25,411	20,326
Interest payable	7,930	8,573
Other deferred borrowing costs	(1,275)	(1,516)
Other deferred borrowing costs - Group companies (Note 25)	(1,787)	(1,514)
	784,801	**330,311**
	2,991,750	**2,641,914**

The company external borrowings have the following capital repayment schedule:

	2018	2019	2020	2021	2022	Following years	Total
Debt - Non current	-	227 521	77 941	59 350	48 886	284 541	698 239
Debt - Current	309 915	-	-	-	-	-	309 915
	309 915	**227 521**	**77 941**	**59 350**	**48 886**	**284 541**	**1 008 154**

The company internal borrowings have the following capital repayment schedule:

	2018	2019	2020	2021	2022	Following years	Total
Commercial paper	444 500	-	-	-	-	-	444 500
Bonds	-	-	314 755	49 000	48 000	1 101 000	1 512 755
	444 500	**-**	**314 755**	**49 000**	**48 000**	**1 101 000**	**1 957 255**

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

31 December 2017					
Issue date	**Maturity**	**Initial amount**	**Outstanding amount**	**Interest rate**	**Schedule of interest payments**
'Euro Medium Term Notes' programme issues					
26/06/2009	26/06/2024	TJPY 10,000,000 (i)	TJPY 10,000,000	Fixed rate (ii)	Semi-annual
16/01/2013	16/01/2020	TEUR 150,000 (i)	TEUR 90,000	Floating rate	Quarterly
31/01/2013	31/01/2018	TEUR 300,000	TEUR 162,800	Fixed rate EUR 4.125%	Annual

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

REN SGPS and REN Finance BV agreed a bank loan with a banks' syndicate, amounting to 532,000 thousand Euros to finance the acquisition of EDP Gás. Part of the loan was reimbursed in December 2017 at the moment of the share capital increase.

In addition, both companies signed a term facility agreement with the China Development Bank in the global amount 150,000 thousand Euros, totally disbursed.

Bank loans are made up mostly of loans contracted with the European Investment Bank (EIB), which at 31 December 2017 amounted to 450,349 thousand Euros (at 31 December 2016 it was 497,078 thousand Euros).

In December 2017, the Group signed an open credit facility amounting to 50,000 thousand Euros, ensuring a greater flexibility to meet the short-term needs.

As a result of the fair value hedge related to the debt issues in the amount of 400,000 thousand Euros (Note 11), fair value changes were recognized directly in statement of profit and loss, in a positive amount of 4,975 thousand Euros (11,700 thousand Euros (negative) as of 31 December 2016).

As of 31 December 2017, the Company issued commercial paper programs in the amount of 444,500 thousand Euros (126,597 thousand Euros in 31 December 2016) and bonds in the amount of 1,512,755 thousand Euros (1,362,755 thousand Euros in 31 December 2016) contracted within the Group. The terms and conditions of these borrowings are market conditions.

As of 31 December 2017, the company has five commercial paper programs in the amount of 1,075,000 thousand Euros, being available to use 855,000 thousand Euros. From the total amount of the commercial paper programs, 630,000 thousand Euros have a placement guarantee.

The Company has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies.

The balance of the caption Prepaid interest includes the amount of 18,705 thousand Euros (20,100 thousand Euros in 31 December 2016) related with the refinancing of bonds through an exchange offer completed in 2016.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 64% above the minimum at 31 December 2017.

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

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change 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.

16. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2017 and 2016 the caption "State and other public entities" is detailed as follows:

	2017	2016
Current assets		
VAT receivable	596	1
Other taxes	1	-
State and other public entities - Asset	597	1

	2017	2016
Current liabilities		
Income tax	29,960	26,698
VAT payable	-	380
Retained tax	118	119
Social security	115	119
State and other public entities - Liability	30,193	27,317

The REN group entities are included in the CIT – RETGS regime (Note 9).

17. REVENUE

The revenue recognized by the Company in the year ended 31 December 2017 and 2016 was as follows:

	2017	2016
Services rendered		
Technical and admninistrative management of REN Group (Note 25)	12,573	12,954
	12,573	12,954

18. GAINS AND LOSSES FROM SUBSIDIARIES AND ASSOCIATES

The gains and losses from subsidiaries and associates in the years ended 31 December 2017 and 2016 are detailed as follows:

	2017	2016
Subsidiaries:		
REN Rede Eléctrica Nacional, S.A.	74,166	56,178
REN Atlântico, S.A.	6,159	7,210
RENTELECOM - Comunicações, S.A.	2,477	2,542
REN Serviços, S.A.	33,116	21,690
ENONDAS – Energia das Ondas, S.A.	85	82
REN Trading, S.A.	2,480	(2,778)
REN Finance, B.V.	4,493	3,735
Associates:		
OMIP, SGPS, S.A.	(1,317)	1,089
Centro de Investigação em Energia REN - State Grid, S.A.	(180)	797
	121,478	90,544

19. SUPPLIES AND SERVICES

The caption “Supplies and services” for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Specialized services	6,182	2,818
Services rendered to Group companies (Note 25)	1,554	2,879
Advertising and promotional expenses	457	325
Travel and lodging	341	606
Other services	625	692
	9,161	7,321

The increase in specialized services refers mainly with consulting services related with the acquisition process during the year.

20. PERSONNEL COSTS

The caption "Personnel costs" for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Remunerations		
Board of directors	2,384	2,344
Personnel	3,424	3,314
	5,808	5,658
Charges on remuneration and other		
Charges on remuneration	1,043	1,066
Other	43	73
Insurance	111	84
	1,196	1,223
Personnel costs	**7,004**	**6,881**

The board of Directors caption includes the Board of Directors members' remunerations and the General Assembly members' remunerations.

Personnel employed

During the years ended 31 December 2017 and 2016 the average number of personnel employed by the Company was 42.

21. OTHER INCOME

The caption "Other income" for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Supplementary income	220	138
Other income	250	40
	471	178

22. OTHER EXPENSES

The caption "Other expenses" for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Donations	170	177
Subscriptions	111	165
Taxes	194	272
Other expenses	60	49
	536	662

23. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption "Interest and similar income and expenses" for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Interest and similar costs		
Bonds	12,549	42,208
Bank loans	10,553	11,260
Commercial paper	4,357	4,811
Swaps	275	2,012
Centralized treasury management (Note 25)	334	347
Commercial paper -Group companies (Note 25)	4,521	1,117
Bonds -Group companies (Note 25)	45,287	39,095
Other financial costs	272	444
	78,149	**101,294**
Interest and similar income		
Interest on sharehoders loans (Note 25)	79,461	98,975
Interest on centralized treasury management (Note 25)	4,447	3,800
Interest on bank deposits	5	-
Derivative financial instruments	3,184	5,261
Other income (Note 10)	226	1
	87,323	**108,038**

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. DIVIDENDS

During the years ended 31 December 2017 and 2016 the Company received the following dividends from financial assets held for sale:

	2017	2016
Dividends received:		
- HCB	1,472	1,079
- OMEL	55	41
	1,528	**1,120**

The total amount of dividends received from subsidiaries, associates and financial assets held for sale amounted to 65,993 thousand Euros.

25. RELATED PARTIES

During the years ended 31 December 2017 and 2016 the following transactions were carried out with related parties:

Group

2017								
Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)	Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs -Bonds (Note 23)
REN - Rede Eléctrica Nacional, S.A.	7,266	55,448	1,076	762	-	-	-
REN Trading, S.A.	12	-	950	-	-	-	-
ENONDAS, S.A.	13	-	11	-	-	-	-
REN Serviços, S.A.	1,449	19,232	1,595	602	-	-	-
RENTELECOM - Comunicações, S.A.	115	-	-	-	28	-	-
REN Gás, S.A.	-	-	695	-	218	-	-
REN Gasodutos, S.A.	2,386	-	86	-	34	-	-
REN Armazenagem, S.A.	440	-	8	-	19	-	-
REN Gás Distribuição SGPS S,A,	-	-	5	-	-	-	-
REN Portgás Distribuição SGPS, S.A.	-	-	1	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	879	4,781	19	-	36	-	-
REN Finance, B.V.	-	-	-	190	-	4,521	45,287
	12,559	**79,461**	**4,447**	**1,554**	**334**	**4,521**	**45,287**

2016								
Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)	Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs -Bonds (Note 23)
REN - Rede Eléctrica Nacional, S.A.	7,447	69,250	1,273	806	-	-	-
REN Trading, S.A.	11	-	972	-	-	-	-
ENONDAS, S.A.	13	-	14	-	-	-	-
REN Serviços, S.A.	1,563	28,163	1,396	621	-	-	-
RENTELECOM - Comunicações, S.A.	117	-	-	-	32	-	-
REN Gás, S.A.	-	-	-	-	311	-	-
REN Gasodutos, S.A.	2,454	-	100	-	5	-	-
REN Armazenagem, S.A.	447	-	46	-	-	-	-
REN Atlântico, Terminal de GNL, S.A.	903	1,562	-	-	-	-	-
REN Finance, B.V.	-	-	-	1,453	-	1,117	39,095
	12,954	**98,975**	**3,800**	**2,879**	**347**	**1,117**	**39,095**

Other Related Parties

	2017	2016
Services rendered		
Centro de Investigação em Energia REN - State Grid, S.A.	15	-
	15	**-**
External supplies and services		
EDP	1	1
CMS - Rui Pena & Arnaut [1]	54	-
OMIP	297	-
	352	**1**

[1] Entity related with the Member of the Board Directors, José Luis Arnaut.

As of 31 December 2017 and 2016 the Company had the following balances with related parties:

Group

2017								
	Current assets						Non current assets	
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Acrruals (Note 10)	Other receivables - Shareholders loans (Note 10)	
REN - Rede Eléctrica Nacional, S.A.	334,231	127,241	23,931	50,676	79	1,250	1,032,115	
REN Trading, S.A.	-	143,606	-	-	101	-	-	
REN Serviços, S.A.	70,000	259,888	9,127	-	142	214	655,000	
REN Gasodutos, S.A.	-		-	24,151	-	407	-	
REN Armazenagem, S.A.	-	14,877	-	5,931	5	78	-	
REN Atlântico, Terminal de GNL, S.A.	8,061		179	9,791	-	150	99,348	
REN Gás, S.A.	-	320,829	-	72	209	-	-	
REN Gás Distribuição SGPS S,A,	-	1,996	-	-	5	-	-	
REN Portgás Distribuição SGPS, S.A.	-	3,893	-	-	1	-	-	
ENONDAS, S.A.	-	1,584	-	19	1	2	-	
RENTELECOM - Comunicações, S.A.	-	-	-	756	-	20	-	
REN Finance, B.V.	-	-	-	-	3,655	-	-	
Aerio Chile	-	-	-	-	59	-	-	
	412,291	**873,913**	**33,237**	**91,395**	**4,255**	**2,121**	**1,786,463**	

2017							
	Current liabilities					Non Current liabilities	
Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)	Others creditors (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	82	-	-	-
REN Trading, S.A.	-	3,738	-	1	-	-	-
REN Serviços, S.A.	-	1,147	-	2	-	-	-
REN Gasodutos, S.A.	3,448	-	-	4	-	-	-
REN Armazenagem, S.A.	-	-	-	2	-	-	-
REN Atlântico, Terminal de GNL, S.A.	4,142	-	-	6	-	-	-
REN Gás, S.A.	-	-	-	-	-	-	-
ENONDAS, S.A.	-	-	-	-	-	-	-
RENTELECOM - Comunicações, S.A.	4,454	-	-	2	-	-	-
REN Finance, B.V.	-	-	25,411	190	444,500	1,512,755	(3,642)
	12,044	**4,885**	**25,411**	**288**	**444,500**	**1,512,755**	**(3,642)**

2016						
	Current assets					Non current assets
Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Other receivables - Shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	484,231	213,218	22,518	24,313	1,109	916,346
REN Trading, S.A.	-	140,898	-	11,384	342	-
REN Serviços, S.A.	240,000	225,780	11,196	-	366	450,000
REN Gasodutos, S.A.	-	11,538	-	20,023	371	-
REN Armazenagem, S.A.	-	5,589	-	4,084	64	-
REN Atlântico, Terminal de GNL, S.A.	7,676	3,000	212	3,504	133	107,409
REN Gás, S.A.	-	-	-	75	-	-
ENONDAS, S.A.	-	2,160	-	16	3	-
RENTELECOM - Comunicações, S.A.	-	-	-	766	17	-
REN Finance, B.V.	-	-	-	-	3,543	-
	731,907	**602,183**	**33,926**	**64,165**	**5,947**	**1,473,755**

2016							
	Current liabilities						Non Current liabilities
Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from Bonds (Note 15)	Others creditors (Note 15)	Suppliers (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	166	-	-	-
REN Trading, S.A.	-	-	-	-	-	-	-
REN Serviços, S.A.	-	2,032	-	8	86	-	-
REN Gasodutos, S.A.	-	-	-	-	-	-	-
REN Gás, S.A.	45,444	-	-	25	-	-	-
ENONDAS, S.A.	-	-	-	-	-	-	-
RENTELECOM - Comunicações, S.A.	4,981	-	-	3	-	-	-
REN Finance, B.V.	-	-	13,656	84	-	126,597	1,362,755
	50,425	**2,032**	**13,656**	**285**	**86**	**126,597**	**1,362,755**

Other Related Parties

	2017	2016
Assets		
Other receivables- Oman Oil	1	1
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	18	65
	19	**66**
Suppliers		
EDP	1	1
CMS - Rui Pena & Arnaut [1]	9	-
	10	**1**

[1] Entity related with the Member of the Board Directors, José Luis Arnaut.

Information on share transactions by members of the Board of Directors

In December 2017, the president of the Audit Committee, Manuel Ramos de Sousa Sebastião, acquired 23,000 shares of REN.

The entity Fidelidade – Companhia de Seguros, S.A., shareholder with a qualified position and related with Jorge Magalhães Correia, member of REN's Board of Directors, acquired 7,065,276 shares of REN.

Besides the above situations, no other transactions were made by Board of Directors members as compared to the financial statements ended 31 December 2016.

26. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of REN were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN in the years ended 31 December 2017 and 2016 was as follows:

	2017	2016
Remuneration and other short term benefits	1,528	1,488
Management bonuses (estimated)	856	856
	2,384	**2,344**

There are no loans granted to the members of the Board of Directors.

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES IN ACCORDANCE WITH IAS 39

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

2017

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	55,699	55,699	55,699
Trade and other receivables	10	3,203,779	-	-	-	-	-	3,203,779	3,203,779
Other financial assets	10	-	-	-	-	8	88	96	96
Available-for-sale financial assets	12	-	-	-	54,757	-	-	54,757	54,757
Income tax receivable	16	-	-	-	-	-	597	597	597
Derivative financial instruments	11	-	7,907	-	-	-	-	7,907	7,907
Total financial assets		**3,203,779**	**7,907**	**-**	**54,757**	**8**	**56,385**	**3,322,836**	**3,322,836**
Liabilities									
Borrowings	15	-	-	-	-	-	2,991,750	2,991,750	3,197,142
Trade and other payables	15	-	-	-	-	-	28,389	28,389	28,389
Income tax payables	16	-	-	-	-	-	30,193	30,193	30,193
Drivative financial instruments	11	-	6,960	-	-	-	-	6,960	6,960
Total financial liabilities		**-**	**6,960**	**-**	**1,394,749**	**-**	**3,050,331**	**3,057,291**	**3,262,683**

2016

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	-	-	-	-	-	9,804	9,804	9,804
Trade and other receivables	10	2,912,051	-	-	-	-	-	2,912,051	2,912,051
Other investments	10	-	-	-	-	1,322	94	1,415	1,415
Available-for-sale financial assets	12	-	-	-	52,683	-	-	52,683	52,683
Income tax receivable	16	-	-	-	-	-	1	1	1
Derivative financial instruments	11	-	20,425	-	-	-	-	20,425	20,425
Total financial assets		**2,912,051**	**20,425**	**-**	**52,683**	**1,322**	**9,898**	**2,996,379**	**2,996,379**
Liabilities									
Borrowings	15	-	-	-	-	-	2,641,914	2,641,914	2,554,023
Trade and other payables	15	-	-	-	-	-	57,797	57,797	57,797
Income tax payable	16	-	-	-	-	-	27,317	27,317	27,317
Drivative financial instruments	11	-	13,275	-	-	-	-	13,275	13,275
Total financial liabilities		**-**	**13,275**	**-**	**-**	**-**	**2,727,028**	**2,740,303**	**2,652,412**

Estimated fair value – assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2017 in accordance with the following levels of fair value hierarchy:

- Level 1: the fair value of financial instruments is based on net liquid market prices as of the date of the balance sheet;
- Level 2: the fair value of financial instruments is not based on active market prices but rather on valuation models. The main inputs of the models used are taken from the market, the discount rate intervals used for the Euro curve being between -0.373% to 1.289% (maturities of one day and fifteen years respectively) with respect to financial derivative instruments;
- Level 3: the fair value of financial instruments is not based on active market prices, but rather on valuation models, for which the main inputs are not taken from the market observations.

During the year ending 31 December 2017, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	-	51,591	-	**51,591**
Financial assets at fair value	Cash flow hedge derivatives	-	724	-	**724**
Financial assets at fair value	Fair value hedge derivatives	-	7,183	-	**7,183**
		-	**59,498**	**-**	**59,498**
Liabilities:					
Financial liabilities at fair value	Borrowings	-	403,689	-	**403,689**
Financial liabilities at fair value	Cash flow hedge derivatives	-	6,109	-	**6,109**
Financial liabilitie at fair value recorded in income	Trading derivatives	-	851	-	**851**
		-	**410,649**	**-**	**410,649**

During the year ended 31 December 2017 the company performed the valuation of Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), which is classified as an available-for-sale financial asset (Note 12). The fair value of this asset reflects its current price. This price was determined based on an income approach, which reflects the current market expectations about those future amounts. Despite not listed, the data used in the price calculation is observable and available in the market.

Quality of financial assets

The credit quality of the financial assets can be valued by reference to external credit ratings based on Standard & Poor's historical information about the entities to which they refer:

	2017	2016
Cash and cash equivalents		
A+ a A-	14	-
BBB+ a BBB-	39	14
BB+ a B-	52,883	16
Até CCC+	2,750	9,727
Sem rating	13	46
Total cash and cash equivalents	**55,699**	**9,804**
Other financial assets		
Without rating	96	1,415
Total other financial assets	**96**	**1,415**

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

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

28. DISCLOSURES REQUIRED BY LAW

Fees invoiced by the statutory auditor

Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

29. SUBSEQUENT EVENTS

On 11 January 2018, REN Finance BV, wholly-owned subsidiary of REN SGPS has agreed the terms of an issue of notes in the Euro Bonds market in an amount of 300 million euros, under the respective EMTN (European Medium Term Notes) programme from REN and REN Finance B.V., with a maturity of 10 years and an interest rate equal to 10 years' mid swap rate, accrued of 0.8%.

30. OTHER MATTERS

As mentioned in note 3.5 the Company choose to fully apply IAS 32 – Financial Instruments: Presentation, IAS 39 – Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was adopted by European Commission Regulation 2067/2016 of 22 November 2016. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The Company carried out a preliminary assessment of the potential impact of the adoption of IFRS 9, estimating a positive impact on equity between 3 and 4 million Euros on the date of adoption on 1 January 2018, mainly related to changes in the measurement of liabilities related with the exchange bond operation completed by the Company in 2016.

I. Classification and measurement

IFRS 9 presents a new classification and measurement approach for financial assets that reflects the business model used in its management and the characteristics of contractual cash flows.

IFRS 9 determines three main categories of classification of financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the categories of IAS 39: Held-to-Maturity (HTM), Accounts Receivable and Available-for-Sale (AFS).

In accordance with IFRS 9, embedded derivative contracts may not be forked. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset measured at fair value through profit or loss.

Based on its preliminary assessment, the Company does not anticipate that the new classification requirements will have a significant impact on the accounting of its financial assets.

II. Impairment

IFRS 9 replaces the "loss incurred" model in IAS 39 with an expected credit loss (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment is recognized.

The new impairment model will be applied to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

In accordance with IFRS 9, losses will be measured on one of the following bases:

- 12-month ECL, which results from possible default events within 12 months after the reporting date; and
- Lifetime ECLs, which result from all default events during the expected life of a financial instrument.

If the credit risk of a financial asset has not increased significantly since its initial recognition, an accumulated impairment equal to the expectation of loss estimated to occur within the next 12 months must be recognized. If the credit risk has increased significantly, an accumulated impairment equal to the expectation of loss that is estimated to occur until the respective maturity of the asset should be recognized.

The Company does not foresee significant impacts on impairment due to the adoption of IFRS 9.

III. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.

However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in profit or loss, whereas, in accordance with IFRS 9, these changes in Fair Value are generally presented as follows:

- The amount of changes in Fair Value that is attributable to changes in the liability credit risk is presented in the Other Comprehensive Income (OCI) and is not recycled to profit or loss; and
- The remaining amount of changes in Fair Value is shown in Profit or Loss.

The Company has not yet designated any financial liability as FVTPL and, currently, does not intend to do so. The Company's preliminary valuation did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied as of 1 January 2018.

In addition, in accordance with IFRS 9 and as confirmed by the IASB Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification at their present value by applying the original effective rate of the liability as the discount rate and any difference recognized as a gain or loss in the results of the year. The treatment under IAS 39 allowed the deferral of this differential by reviewing the effective interest rate, a treatment applied by REN in connection with the exchange bond operation completed in 2016. This change has an impact on the book value of the respective financial liabilities and equity of REN.

IV. Coverage Accounting

At the date of initial application of IFRS 9, the Group may choose as an accounting policy to maintain the requirements relating to the hedge accounting of IAS 39 instead of those of IFRS 9. The group's current plan is to apply IFRS 9.

In order to avoid partial application of the hedge accounting of this standard, REN Group decided to continue applying IAS 39 until the current Dynamic Risk Management (macro-hedging) project is completed.

V. Disclosures

IFRS 9 will require new disclosures, in particular with respect to hedge accounting, credit risk and expected loss. The group is analyzing the information required in the information systems in order to ensure compliance with the Standard.

31. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards (“NCRF”). In the event of discrepancies, the Portuguese language version prevails.

The Certified Accountant

Susana Neves

The Board of Directors

Rodrigo Costa
(Chairman of the Board of Directors and Chief Executive Officer)

Omar Al Wahaibi
(Member of the Board of Directors)

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

Jorge Magalhães Correia
(Member of the Board of Directors)

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

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

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

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

Mengrong Cheng
(Member of the Board of Directors)

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

Longhua Jiang
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

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

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

INDIVIDUAL ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2017 which consist of the Balance Sheet as of December 31, 2017, evidencing a total of 4,479,076 thousand Euros and 1,418,936 thousand Euros of Equity Capital, including Net Profit of 127,030 thousand Euros, the Profit and Loss Accounts, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

Please note that REN - REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. completed the share capital increase from 534,000 thousand Euros to 667,191 thousand Euros on 7 December 2017. The share capital increase fully subscribed resulted in a financial inflow of approximately 250,000 thousand Euros, corresponding to the issue of 133,191,262 ordinary, nominative shares, with nominal value of 1.00 Euro each.

Following the share capital increase, REN SGPS recorded in “Share Premium” the amount of 116,809 thousand Euros.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 15 March 2018

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

STATUTORY AUDITOR'S REPORT

(Free translation of a report originally issued in Portuguese language: In case of doubt the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Entity"), which comprise the statement of financial position as at 31 December 2017 (showing a total of Euro 4,479,076 and equity of Euro 1,418,936 including a net profit of Euro 127,030), the statement of profit and loss by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with Normas de Contabilidade e Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística ("Portuguese GAAP").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Investments - equity method	
As indicated in Note 1, the Entity is a financial holding company organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications. The activity of the two main segments are made in accordance with concession contracts celebrated with Portuguese government for a pre-defined period. As indicated in Note 3.2 the investments in subsidiaries and associates are recorded by the equity method. As indicated in Note 2, on 4 October 2017, REN Gás, S.A., subsidiary held through the subsidiary REN Serviços, S.A. acquired 100% of the share capital of REN Gás Distribuição SGPS, SA (formerly denominated EDP Gás, SGPS, SA) and its subsidiaries REN Portgás Distribuição, SA (formerly denominated EDP Gás Distribuição, SA) and REN Portgás GPL, SA (formerly denominated EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, SA), by an amount of, approximately, 530 million Euros. The caption Investments represents 26% of total assets, and a significant part of the Entity's income refers to gains related with the measurement of these investments by the equity method. So, we consider that the balance and the movements recorded on this caption are a key audit matter.	We obtained the detail of investments recorded by the equity method prepared by the Entity, as at 31 December 2017, and we performed the following procedures: > We have verified the agreement of the detail obtained with the Entity's accounting records. > We compared the information included in that detail with the audited financial statements as at 31 December 2017 and/or other supporting documentation of the associates and subsidiaries, for most of which they were object of our Statutory Auditor's Report. > We evaluated the appropriateness of the measurement prepared by the Entity based on the equity method and we tested the accuracy of the computation performed by the same. > We verified the appropriateness of the disclosures included in the accompanying notes.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Derivative financial instruments	
To address its interest rate and foreign exchange rate risks, the Entity contracted derivative financial instruments. As disclosed in Note 3.6, derivative financial instruments are initially recorded at fair value at the transaction date and are subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of the derivative financial instruments. The key audit matter in this area is essentially related to the fair value computation of the derivative financial instruments which, due to the associated complexity, involved the use by the Entity of external experts who tested the reasonableness of the market valuations prepared by the entities to which the derivative financial instruments were contracted, evaluated the effectiveness of the hedging relationships designated by the Entity and quantified the associated inefficiencies.	Due to the specific nature of this matter we involved our specialists in the execution of the following procedures: > Analysis of the reasonableness of the derivative financial instruments designation made by the Entity; > Independent computation of fair value of derivative financial instruments based on their contracts and observable market data; > Analysis of the effectiveness of the hedging relations designated by the Entity, quantification of the associated inefficiencies and determination of the accounting effects. Following, we compared the amounts computed by our specialists with the amounts recorded by the Entity, and we also verified the adequacy of the disclosures included in the accompanying notes.

Other matters

The financial statements as of 31 December 2017 refer to the activity of the Entity at the individual level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 3.2 of the accompanying notes, investments in subsidiaries and associates are recorded at the equity method. In accordance with the legislation in force, the Entity prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union (IFRSs), which will be published separately.

Responsibilities of management and supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with Normas de Contabilidade e Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística ("Portuguese GAAP");
- the preparation of a management report and the corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al. e) of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements.

About the corporate governance report

Pursuant to article 451.º, number 4, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245.º-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the non-financial information provided in article 66.º-B of the Portuguese Company's Code ("Código das Sociedades Comerciais")

Pursuant to article 451.º, number 6, of the Portuguese Company's Code ("Código das Sociedades Comerciais"), we inform that the Entity has prepared the non-financial information, as provided for in article 66.º-B of the Portuguese Company's Code ("Código das Sociedades Comerciais"), that has been published in chapter 5 of the Annual Report.

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed as auditors of the Entity in the shareholders' general assembly held on 15 March 2010 for a first mandate from 2010 to 2012, which, however, has not been concluded with respect to 2012. We were reappointed as auditors of the Entity in the shareholders' general assembly held on 27 March 2012 for a second mandate from 2012 to 2014, and in the general assembly held on 17 April 2015 for a third mandate from 2015 to 2017.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional scepticism and we designed audit procedures to respond to the risk of material misstatements in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's supervisory body as at this date.
- We declare that we have not provided any prohibited services as described in article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Entity in conducting the audit.

Lisbon, 16 March 2018

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

REN

7

CORPORATE GOVERNANCE

TRANSPARENCY MOTIVATED BY SUSTAINABILITY

7
CORPORATE GOVERNANCE

PART I

7.1
INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE ECONOMIC ENVIRONMENT

7.1.1 ECONOMIC ENVIRONMENT

I. CAPITAL STRUCTURE

I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 245(A)(1)(a)).

The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of € 667,191,262 is represented by 667,191,262 ordinary shares with a face value of € 1.00, in the form of nominative book-entry shares.

In December 2017, REN increased capital from € 534,000,000.00 to € 667,191,262.00. This increase was achieved through a public offering of 133,191,262 new nominative, book-entry, ordinary shares, with a face value of € 1.00 each[1]. The increase in capital was fully subscribed at the unit subscription price of € 1.877 with a share premium of € 0.877 per new share (thus corresponding to proceeds of approximately € 250,000,000).[2] This increase was intended for the partial financing of REN Gás's acquisition on 4 October 2017 of the entire share capital of EDP Gás

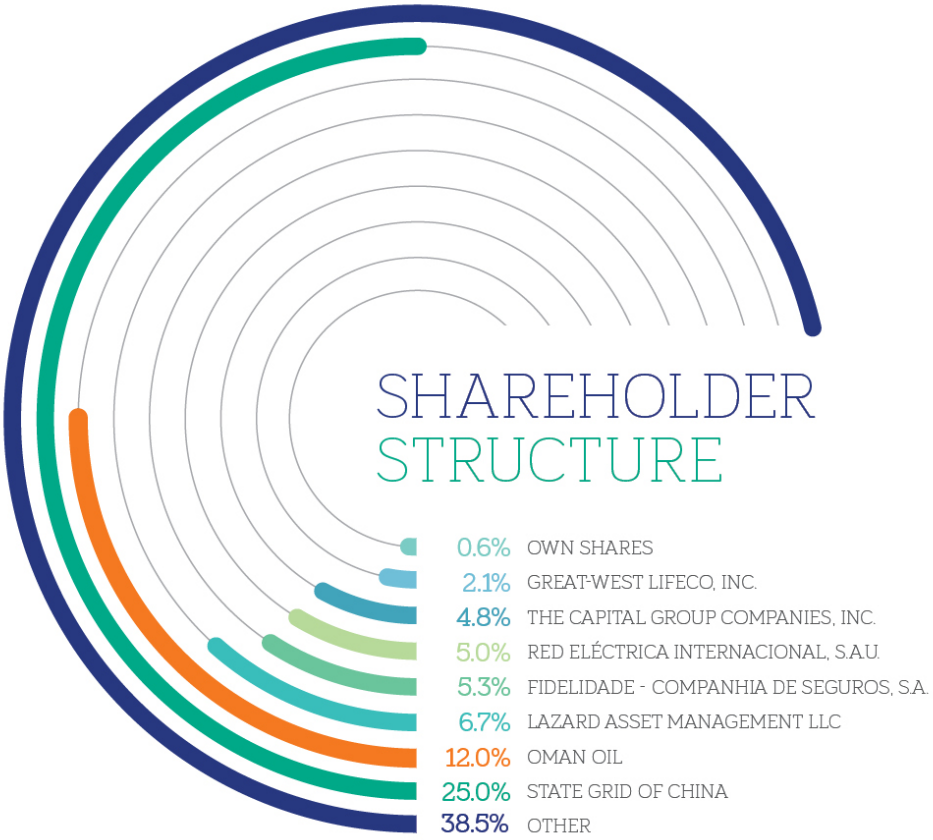
[1] See prospectus on the share capital increase with public offering of 133,191,262 nominative, book-entry, ordinary shares, of 16 November 2017, available at: www.ren.pt. and www.cmvm.pt.
[2] As duly published at: http://web3.cmvm.pt/sdi/emitentes/docs/fsd396339.pdf.

and its subsidiaries EDP Gás Distribuição, S.A. and EDP Gás GPL (now called REN GÁS Distribuição SGPS, S.A., REN PORTGÁS Distribuição, S.A. and REN PORTGÁS GPL, S.A., respectively), further to the signing of the share purchase agreement with EDP Iberia, S.L.U., on 7 April 2017.

REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., corresponding to Code PTREL0AM0008.

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2017



I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 245(A)(1)(b)).

No restrictions currently exist and REN has not implemented any measures which hinder the transferability of shares REN shares are freely tradable on the regulated market.

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[3].

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures.

It should be further noted that on 9 September 2014[4], ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, *inter alia*, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;
- the persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the Corporate Governance Code of the Portuguese Securities Market Commission (CMVM) must not overturn. As such, the non-implementation of recommendation I.4. of the CMVM Corporate Governance Code is fully justified.

With regard to limitations on voting rights, see also I.5 below on the limitations expressed in the Articles of Association arising from the legal system applicable to the electricity and gas sectors.

[3] Cf. Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (current wording), and Article 20-A(3)(b) and Article 21(3)(h) of Decree-Law No 30/2006 of 15 February (current wording).
[4] ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

I.3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which own shares would correspond (Art. 245(A)(1)(a)).

REN has 3,881,374 own shares, representing 0.6% of its capital.
These shares would correspond to 0.6% of voting rights.

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 245(A)(1)(j)).

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change of control which are typical of such transactions (including, although not expressly stated, changes of control arising from takeover bids) and essential for carrying out such transactions on the market.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2.

There are no other significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or the assumption of burdens by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, theRecommendation I.5 of CMVM Corporate Governance Code is complied..

I.5. Framework to which the renewal or repeal of defensive measures are subject, in particular those that limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders

The only provisions in the REN Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2 above.

Nevertheless, such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively. As such, the non-implementation of CMVM Corporate Governance Code recommendation 1.3 is fully justified.

As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, the non-implementation of recommendation I.4. of the CMVM Corporate Governance Code 2013 is fully justified.

There are no other defensive measures.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 245(A)(1)(g)).

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. SHAREHOLDINGS AND BONDHOLDINGS

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 245(A)(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

In accordance with that set out above[5], an increase in REN's share capital took place through a public offering. The exercise of preferential subscription rights naturally led to an increase in the number of shares in REN capital held by shareholders. However, for purposes of compliance with the obligation to disclose qualifying holdings, the law takes into consideration the percentage of shares representing voting rights (calculated in accordance with Article 20(1) of the Securities Code) attributable to each shareholder and not the number of shares that each holds (see Article 16 of the Securities Code). The exercising of preferential rights does not interfere with the percentage of equity capital held by each shareholder — such exercising assumes that this same percentage is maintained. Therefore, REN shareholders would not have to provide any communication on qualifying holdings, which justifies the absence of updated information, in some cases, after the increase in capital.

Taking into account the communications submitted to the Company in accordance with Article 447 of the Portuguese Companies Code, Article 16 of the Portuguese Securities Code and Article 2 of CMVM Regulation No 5/2008, with reference to 31 December 2016, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Portuguese Securities Code, were as follows:

State Grid Corporation of China	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase

[5] See point 7.1.1. (I.1).

State Grid Corporation of China	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	0	0%.	REN received an irrevocable commitment from State Grid Europe Limited notifying that it would exercise its preferential subscription rights in the capital increase of 7 December 2017, subscribing to a sum of shares which was proportional to its holdings before the capital increase, in accordance with information included in the prospectus which can be consulted at www.ren.pt. There has since been no indication of the number of shares actually subscribed to under the increase in capital.	
Through State Grid Europe Limited (SGEL), which is controlled by State Grid International Development Limited (SGID), which is controlled by the State Grid Corporation of China	133,500,000	25.0%.		
Total attributable	**133,500,000**	**25.0%.**		

Red Eléctrica Corporación, S.A.	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	0	0%.	REN received an irrevocable commitment from Red Eléctrica Corporación, S.A. notifying that it would exercise its preferential subscription rights in the capital increase of 7 December 2017, subscribing to a sum of shares which was proportional to its holdings before the capital increase, in accordance with information included in the prospectus which can be consulted at www.ren.pt. There has since been no indication of the number of shares actually subscribed to under the increase in capital.	
Through its subsidiary Red Eléctrica Internacional, S.A.U.	26,700,000	5.0%.		
Total attributable	**26,700,000**	**5.0%.**		

Fidelidade Companhia de Seguros, S.A.[6]	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	28,115,216	5.265%.	35,176,796[7]	5.272%.
Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade	95,816	0.018%.	95,816	0.018%.
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	30,000	0.006%.	30,000	0.006%.
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[8]	78,907	0.015%.	78,907	0.015%.
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder LongRun[9]	50,726	0.009%.	50,726	0.009%.
Total attributable	**28,370,665**	**5.313%.**	**35,432,245**	**5.31%.**

Oman Oil Company SAOC	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase [10]
Directly	0	0%.	0	0%.

[6] These qualified holdings, calculated in accordance with Article 20 of the Securities Code, are also attributable to LongRun Portugal, SGPS, S.A., Millennium Gain Capital, Fosun Financial Holdings Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings, Ltd. and to Guo Guangchang, as natural or legal persons, direct and indirect controllers of Fidelidade - Companhia de Seguros, S.A.

[7] In accordance with information provided on 23 January 2018, Fidelidade having notified REN through a correction to a communique of 15 December 2017 on a transaction conducted by management relating to REN shares involving the sale of 1,848 REN shares and the acquisition of 7,063,428 REN shares as set out in http://web3.cmvm.pt/sdi/emitentes/docs/fsd430880.pdf. In this table, REN assumes that no other transactions existed influencing its qualified holdings, calculated in accordance with Article 20 of the Securities Code.

[8] LongRun also holds 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, SA.

[9] LongRun also holds 80% of the share capital of Multicare – Seguros de Saúde, SA.

[10] On 13 December 2017, Oman Oil Company S.A.O.C. notified REN that it had reduced its indirect qualified holdings of 15% to 12% in REN capital and voting rights, as set out in: http://web3.cmvm.pt/sdi/emitentes/docs/PQ66755.pdf.

Oman Oil Company SAOC	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase [10]
Through Mazoon B.V. and Oman Oil Holding Europe, B.V. Which are controlled by Oman Oil Company SAOC	80,100,000	15%.	80,100,000	12%.
Total attributable	**80,100,000**	**15%.**	**80,100,000**	**12%.**

The Capital Group Companies, Inc.	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	0	0%.	No updated information sent by the shareholder to REN after the capital increase operation. [11]	
Through SMALLCAP World Fund, Inc.	20,085,000	3.7612%.		
Through accounts under the discretionary management of fund management companies in a controlling or group relationship with The Capital Group Companies, Inc.	5,280,000	0.9888%.		
Total attributable	**25,365,000**	**4.75%.**		

GreatWest Lifeco, Inc.[12]	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase

[11] REN has not been notified whether The Capital Group Companies, Inc. exercised its subscription rights under the capital increase operation.
[12] According to notification received by the company on 5 October 2016, the final controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and its trustees Jacqueline Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin, to whom the 2.056% of REN voting rights are attributed under Article 20(1)(b) of the Securities Code. The same voting rights are also attributable to the following companies controlled by The Demarals Trust: Power Financial Corporation; 17123 Canada Inc.; Power Corporation of Canada; and Pansolo Holdings Inc.

GreatWest Lifeco, Inc.[12]	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	0	0%.	No updated information sent by the shareholder to REN after the capital increase operation. [13]	
Through PanAgora Asset Management, Inc. a company controlling Great-West Lifeco, Inc.	82	0.00002%.		
Through the collective investment undertakings managed by Setanta Asset Management Limited[14], a company in a controlling relationship with Great-West Lifeco, Inc.	10,740,000	2.011%.		
Through collective investment undertakings managed by GLC Asset Management Group LTD[15]	218,682	0.041%.		
Through the sub-fund Indexed World Small Cap Equity, sub-fund of Beresford Funds plc, managed by Irish Life Investment Managers Limited.	22,223	0.004%.		

[13] REN has not been notified whether the Great West Lifeco, Inc exercised its subscription rights under the capital increase operation.

[14] Nomination of the collective investment undertakings and respective holdings: Balanced Fund, sub-fund of Summit Investment Funds plc (52 347 shares corresponding to 0.01% of the share capital); Balanced Fund, sub-fund of Summit Mutual Funds plc (16 733 shares corresponding to 0.003% of the share capital); Canada Life Assurance Europe Limited (2 715 969 shares corresponding to 0.509% capital); CF Canlife Global Equity Income Fund (209 682 shares corresponding to 0.039% capital); Growth Fund, sub-fund of Summit Investment Funds plc (109 317 shares corresponding to 0.020% of the share capital); Growth Fund, sub-fund of Summit Mutual Funds plc (73 262 shares corresponding to 0.014% of the share capital); Irish Life Assurance Plc (4 696 070 shares corresponding to 0.879% of the share capital); Little Company of Mary Limited (30 861 shares corresponding to 0.006% of the share capital); London Life Insurance Company (639 014 shares corresponding to 0.120% of the share capital); Quadrus Global Dividend Class (946 989 shares corresponding to 0.177% of the share capital); Quadrus Global Dividend Fund (21 094 shares corresponding to 0.004% of the share capital); Quadrus Global Equity Class (28 636 shares corresponding to 0.005% of the share capital); Setanta Global Equity Fund, sub-fund of Beresford Funds plc (125 943 shares corresponding to 0.024% of the share capital); Setanta Income Opportunities Fund, sub-fund of Beresford Funds plc (130 804 shares corresponding to 0.024% of the share capital); Setanta Reditus Global Balanced Fund, sub-fund of Beresford Funds plc (18 587 shares corresponding to 0.003% of the share capital); Setanta Reditus Global Equity Fund, sub-fund of Beresford Funds plc (82 979 shares corresponding to 0.016% of the share capital); The Great-West Life Assurance Company (268 316 shares corresponding to 0.050% of the share capital); The Canada Life Assurance Company (207 807 shares corresponding to 0.039% of the share capital); Setanta Reditus Income Fund, sub-fund of Beresford Funds plc (365 590 shares corresponding to 0.068% of the share capital). The voting rights inherent to the abovementioned shares are also attributable, under Article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.: The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

[15] Breakdown of the funds and companies and respective holdings: London Life Insurance Company (177 122 shares corresponding to 0.033% of the share capital); Quadrus U.S. and International Specialty Class (2 125 shares corresponding to 0.0003% of the share capital); The Great-West Life Assurance Company (14 247 shares corresponding to 0.0027% of the share capital); The Canada Life Assurance Company (17 511 shares corresponding to 0.0033% of the share capital); CF Canlife Global Infrastructure Fund (7 677 shares corresponding to 0.001% of the share capital).

GreatWest Lifeco, Inc.[12]	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Total attributable	**10,980,987**	**2.056%.**		

Lazard Asset Management LLC	No of shares prior to capital increase	% Share capital with voting rights prior to capital increase	No of shares after capital increase	% Share capital with voting rights after capital increase
Directly	0	0	No updated information sent by the shareholder to REN after the capital increase operation. [16]	
Indirectly[17]	36,043,972	6.75%.		
Total attributable	**36,043,972**	**6.75%.**		

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[18], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2017, based on communications with the company, were as follows:

BOARD OF DIRECTORS (INCLUDING THE AUDIT COMMITTEE)

BOARD OF DIRECTORS	ACQUISITIONS (IN 2017)	ENCUMBRANCES (IN 2017)	DISPOSALS (IN 2017)	NO OF SHARES AT 31.12.2017

[16] REN has not been notified whether Lazard Asset Management LLC exercised its subscription rights under the capital increase operation.
[17] These qualified holdings, calculated in accordance with Article 20 of the Securities Code, are held by Lazard Asset Management LLC for clients, and attributable to Lazard as it has agreed to exercise the voting rights on their behalf. The qualified holdings are also attributable to (i) Lazard Freres &Co, which owns all of the former; (ii) Lazard Group LLC, which owns all of the latter; and (iv) Lazard Limited, a company with shares admitted to trading on the NYSE, as the respective controller.
[18] This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable,(i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by under aged descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and by persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

BOARD OF DIRECTORS	ACQUISITIONS (IN 2017)	ENCUMBRANCES (IN 2017)	DISPOSALS (IN 2017)	NO OF SHARES AT 31.12.2017
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	500
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Magalhães Correia		-	-	35,176,796[19]
José Luís Arnaut[20]		-	-	7,587
Manuel Ramos de Sousa Sebastião	23,000	-	-	30.0000
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[21], as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2017, based on communications sent to the company, were as follows:

[19] Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the exercise of the functions of member of the board of directors of that company, as set out in: http://web3.cmvm.pt/sdi/emitentes/docs/fsd430883.pdf .

[20] 480 shares held directly and the remainder held by Platinumdetails - Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

[21] This comprises the shares held by members of the REN management and supervisory bodies and, if applicable,(i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of under aged descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

BOARD OF DIRECTORS

BOARD OF DIRECTORS	ACQUISITIONS (IN 2017)	ENCUMBRANCES (IN 2017)	DISPOSALS (IN 2017)	NO OF BONDS AT 31.12.2017
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	0 (zero)
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu - representing SGID	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Longhua Jiang	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Manuel Magalhães Correia	-	-		1,200,000[22]
José Luís Arnaut	-	-	-	0 (zero)
Manuel Ramos de Sousa Sebastião	-	-	-	0 (zero)
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)

II.9 Special powers of the management body, notably regarding resolutions on capital increase (Art. 245(A)(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association[23] (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

Particularly, concerning resolutions on capital increase, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

[22] Corresponding to the bonds held by Fidelidade – Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the exercise of the functions of member of the board of directors of that company.
[23] Cf. Article 15(1) of the Articles of Association and Article 3(2) and (3) of the Board of Directors Regulations.

II.10 Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

In accordance with internal regulations on the assessment and control of transactions with related parties[24] and prevention of conflict of interests[25], significant transactions with related parties are considered to be those which:

a) are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;

b) are based on the acquisition or disposal of shareholdings;

c) require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;

d) should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding € 1,000,000 or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit significant transactions with related parties to the Audit Committee for prior appraisal[26]. Therefore, transactions considered significant are subject to prior opinion from the Audit Committee, while others are only subject to subsequent appreciation.

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2017, there was one significant commercial transaction with related parties, which was subject to prior control by the Audit Committee, as detailed below in I.90.

[24] The definition of “related party” in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.
[25] Cf. section II, paragraph I., p. 3.
[26] Cf. section III, p. 3 and section VI, p.5.

7.1.2 CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting in the year of reference

I.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2015-2017:

NAME	POSITION	DATE OF 1ST APPOINTMENT	TERM OF OFFICE IN COURSE
Pedro Maia	Chairman	27.03.2012	2015-2017
Francisco Santos Costa	Vice-Chairman	17.04.2015	2015-2017

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

b) Exercise of Voting Rights

I.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245(A)(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of 'one share one vote'.[27].

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Shareholders' Meeting, as long as they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the Chairman of the Board of the General Meeting and the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the 'Record Date'.[28] This communication may be sent by e-mail[29].

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the 'Record Date', information

[27] Cf. Article 12(2) of Articles of Association.
[28] Cf. Article 23-C of the CSC.
[29] Cf. Article 12(9) of the Articles of Association.

on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[30].

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest.

d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting.[31]

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE.[32]

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail.[33].

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, as long as they submit this fact to the Chairman of the Board of the General Shareholders' Meeting in advance and deliver proportional and sufficient proof of: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[34].

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place[35].

It is also established that votes cast by correspondence are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

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[30] Cf. Article 12(10) of the Articles of Association.
[31] Cf. Article 12(12)(13) and (15) of the Articles of Association.
[32] Cf. article 12(14) of the Articles of Association.
[33] Cf. Article 12(11) of the Articles of Association.
[34] Cf. article 12(5) of the Articles of Association.
[35] Cf. Article 12(5) and (7) of the Articles of Association.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website[36] which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call.[37]

In any case, REN considers the participation of its shareholders to be fully ensured through vote by correspondence and methods of representation (as outlined above). Moreover, REN considers that voting by electronic means would not represent added value for shareholders, especially taking into account the reduced number of votes cast by correspondence at its recent General Shareholders' Meetingss[38].

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in 1.2 and 1.5 above, which seeks to make current regulations and the legal regime effective.

I.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to Article 20(1) of the Securities Code.

As referenced above in I.5, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20 of the Portuguese Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in 1.2 and 1.5 above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

I.14. Identification of shareholder resolutions that, in accordance with Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities.

[36] www.ren.pt
[37] Cf. article 12(6) of the Articles of Association.
[38] There was only one vote by correspondence at the annual General Meeting of 11 May 2017.

In accordance with paragraph 1 of Article 11 of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Shareholders' Meeting can be held and can resolve on the first call.

In accordance with Article 11(2) of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second call, regardless of the percentage of capital represented.

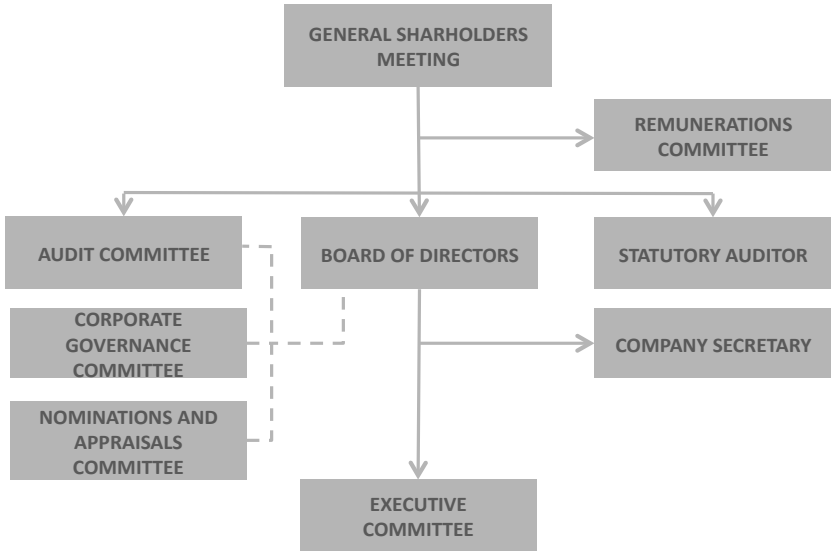
Furthermore, in accordance with paragraph 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7(A), 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued.

II. MANAGEMENT AND SUPERVISION

(BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD)

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[39]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[40] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[41].



II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of,

[39] Cf. article 8(2)(b) of the Articles of Association.
[40] Cf. article 8(1) of the Board of Directors regulations.
[41] Cf. article 3(3) of the Audit Committee regulations.

where appropriate, the Board of Directors, Executive Management Board and General and Supervisory Board (Art. 245-A(1)(h)).

In accordance with the law and the Articles of Association[42], the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors in this process. It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According the Articles of Association[43], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

The Portuguese Companies Code rules apply[44] with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors of the Company will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is non-delegable competence of the Board of Directors, all Directors are involved in the resolution of co-option, except in the event of conflicts of interest.

The Company's Articles of Association[45] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Shareholders' Meeting that elects the said members[46].

Currently, the Board of Directors consists of 12 members, including a total of 9 non-executive members.

At 31 December 2017, the REN Board of Directors consisted of the following members, who have been appointed for the 2015-2017 term of office:

[42] Cf. Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.
[43] Cf. article 14(2).
[44] Cf. article 393(3).
[45] Cf. article 8(19) and (9).
[46] Cf. Articles 8(2)(b) and 14(1) both of the Articles of Association.

NAME	POSITION	YEAR OF FIRST APPOINTMENT	FINAL YEAR OF TERM OF OFFICE
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2017
Gonçalo Morais Soares	Executive Director	2012	2017
João Faria Conceição	Executive Director	2009	2017
Guangchao Zhu (representing State Grid International Development Limited)	Vice-Chairman	2012	2017
Mengrong Cheng	Director	2012	2017
Longhua Jiang	Director	2014	2017
Omar Al-Wahaibi	Director	2015	2017
Jorge Magalhães Correia	Director	2015	2017
Manuel Ramos de Sousa Sebastião	Director/Chairman of the Audit Committee	2015	2017
Gonçalo Gil Mata	Director/Member of the Audit Committee	2015	2017
Maria Estela Barbot	Director/Member of the Audit Committee	2015	2017
José Luís Arnaut	Director	2012	2017

In accordance with the Articles of Association[47], members of corporate bodies carry out their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

The Board of Directors shall include a number of non-executive members which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind the shareholder structure and breakdown of REN capital. Therefore, on 31 December 2017 and on this date, nine of the twelve members of the REN Board of Directors were non-executive directors.

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation II.1.7 of the CMVM Corporate Governance Code of 2013 and item 18.1 of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during

[47] Cf. Article 27(1).

the 2017 financial year to be independent:

NAME	POSITION
Manuel Ramos de Sousa Sebastião	Chairman of the Audit Committee
Gonçalo Gil Mata	Member of the Audit Committee
Maria Estela Barbot	Member of the Audit Committee
José Luís Arnaut	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

(i) the adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting of three independent members and a further six non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

(ii) the size of the company, its shareholder structure and the relevant free float (which was 38.5% of share capital until 31 December 2017).

In light of the above, REN fully complies with CMVM recommendations II.1.6 and II.1.7, as the Board of Directors consists of an adequate number of non-executive members and, among these, independent members.

Moreover, Article 7(A) and 7(B) of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of Article 7(A) of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electric or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7(B) of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, , on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

Accumulation of the positions of Chairman of the Board of Directors and Chairman of the Executive Committee

In the financial year of 2017, the duties of Chairman of the Board of Directors and Chairman of the Executive Committee were once again performed by the same person - Rodrigo Costa.

According to the Board of Directors Regulation, this corporate body established efficient mechanisms for the coordination of the work of its members having non-executive functions, in particular in order to facilitate the exercising of their right to information, as follows[48].

a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors having a non-executive function assume a supervisory role of the performance of the executive management;

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the answer should be provided in an adequate and timely manner;

Whenever they consider it necessary or convenient, directors with non-executive duties also hold ad hoc meetings with the aim of analysing company management.

In addition, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion to the non-executive members of the Board of Directors and the Executive Committee's resolutions and supporting documentation shall be always available for consultation[49].

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent and informed decisions.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors at 31.12.2017

RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005, Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT Group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014, CEO in February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of April 2015.

Over the years contributed to different organizations, in the past he was: member of Coimbra University General Counsel and also from Porto Business School the General Counsel; Vice-President of the Portuguese – American Chamber of Commerce; Member of the Portuguese Council for Foreign Investment; Member of the Advisory Board for the National Technological Plan. He was awarded by the Portuguese Republic President as Grande Oficial da Ordem do Infante D.Henrique for services to Portugal; He is frequently invited as Speaker/Moderator - to local and international forum's (Industry, Government, Universities, Investors Conferences). Holds a Certificate of Corporate Governance from Insead and attended Corporate Governance training at the Harvard Business School.

[48] Cf. article 11 of the Board of Directors Regulations.
[49] Cf. Article 5 of the Executive Committee Regulations.

GONÇALO MORAIS SOARES

Holds a degree in Economy from the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington) and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University. Was director at ZON TV Cabo and ZON Lusomundo Audovisuais from 2007 to 2012.

He has been a member of the REN Board of Directors and member of the Executive Committee since 2012.

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at Insead (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he was a consultant to the Minister for the Economy and Innovation.

Since 2009, he has been a member of the REN Board of Directors and member of the Executive Committee.

GUANGCHAO ZHU

Holds a degree in Relay Protection Systems from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009, he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines, and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid Development Co. Ltd. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China.

Since 2012, he has been Vice-Chairman of the REN Board of Directors.

MENGRONG CHENG

Holds a degree in English from the Beijing Second Foreign Language Institute and concluded a Master's Degree in Company Management at the Tsinghua University (Beijing, China). Between 2006 and 2011, Mengrong Cheng carried out the duties of deputy General Director of the Department of International Cooperation at the State Grid Corporation of China. From 2012 to 2015, she was a Member of the Chinese Expert Committee of IEC MSB; Co-Chair of the Department of International Cooperation and a Member of the Foreign Investment Management Committee at the State Grid Corporation of China. Currently, Mengrong Cheng is a member of the Chinese Expert Committee of IEC MSB, deputy General Director of the Department of International Cooperation at the State Grid Corporation of China and Chair of the State Grid Corporation of China, US Office.

Since 2012, she has been a member of the REN Board of Directors.

LONGHUA JIANG

Holds a degree in Electrical Insulation Technologies from the Xi'an Jiaotong University (China), and completed his Master's Degree in the same subject at the same university. From May 2011 to December 2012, he was head engineer at the Shandong Electric Power Company of the State Grid Corporation of China. From December 2012 to November 2014, he was Deputy Director at State Grid Australia Representative Office and a member of the Board of Directors of ElectraNet in South Australia. From December 2014 to July 2015 he was Deputy General Director at the European Representative Office at the State Grid Corporation of China and was appointed as non-executive director of REN on 17 February 2015. From July to November 2015, he was General Director at the European Representative Office of the State Grid Corporation of China. He is currently Executive Vice-Chairman at China Electric Power Equipment and Technology Co. Ltd.
Since 2014, he has been a member of the REN Board of Directors.

OMAR AL-WAHAIBI

Holds a degree in Mechanical Engineering from Manchester University, Institute of Science & Technology (UMIST) – United Kingdom. Has carried out numerous duties in new business development including portfolio management and corporate planning at Shell E&P International Ventures registered in the Hague in the Netherlands.

He was in charge of the engineering team and was manager of the Oman North project at Petroleum Development Oman between 2001 and 2002. He was CEO Chairman of the Executive Committee of Oman Wastewater Services Company (Haya Water), between 2003 and 2011 and is currently CEO Chairman of the Executive Committee of the Electricity Holding Group. This is a group of state companies which covers business in the acquisition of electricity and water and in the production, transmission, distribution and supply of electricity. He is currently a member of the Board of Directors of Oman Broad Band Company, of the Gulf Cooperative Council Interconnection Authority and he is CEO of Electricity Holding and CEO of the Nama Group.

Since 2015 he has been a member of the REN Board of Directors.

JORGE MAGALHÃES CORREIA

Vice-Chairman of Board of Directors and Chairman of the Executive Committee of the insurance companies Fidelidade and Multicare and Fidelidade Assistência. He is also Chairman of the Board of Directors of Fidelidade – Property Europe, S.A., Fidelidade Property International, S.A., Luz Saúde, S.A. where he is also a member of the Advisory Board.

With regard to professionally related associations he is vice-president of the Portuguese Insurers Association and a member of the Geneva Association.

He started his professional carreer as a lecturer at the Lisbon Faculty of Law and has worked in management roles at the Portuguese Inspectorate-General of Finance and at the Securities Market Commission and has also worked as a lawyer. He has undertaken duties at different companies in the field of finance and insurance, including director and/or chairman of the board of directors at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies. In the area of health, he was a director of USP Hospitales (Barcelona) and director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS. He was also Vice-Chairman of the Board of Directors of Caixa Seguro e Saúde, SGPS, S.A.

Since 2015, he has been a member of the REN Board of Directors.

MANUEL RAMOS DE SOUSA SEBASTIÃO

Holds an undergraduate degree in economics (licenciatura) from the Lisbon Technical University, School of Economics, in 1973, a doctorat de troisième cycle in Economic Planning from the University of Paris I Pantheon-Sorbonne in 1978 and a PhD in Economics from the University of Columbia in New York in 1986. He is professor of economics at the Católica Lisbon School of Business and Economics. He was an advisor to the Board of Directors of Banco de Portugal from

September 2013 to April 2015. Previously, he was Chairman of the Board at the Portuguese Competition Authority from March 2008 to September 2013, Executive Director of Bank of Portugal from February 2000 to March 2008, an institution where he was staff member from 1986 to 1988 and from 1996 to 1998. He was also an Executive Director of the Portuguese Insurance Institute from 1998 to 2000, Executive Director of Banco de Fomento e Exterior from 1992 to 1996, and economist of International Monetary Fund from 1988 to 1992.

Since 2015 he has been a non-executive member of the REN Board of Directors and President of the Audit Committee.

GONÇALO GIL MATA

Holds a Degree in Software Engineering awarded by the University of Coimbra and an MBA by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo - Soc. Capital de Risco and a member of the board (non-executive) of Arquiled, SA (LED lighting solutions), Summer Portugal, SA and Vila Monte, SA (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

For the last five years he has held positions as a director in Corporate Finance at Deutsche Bank (Portugal), S.A and as a Non-Executive Director at MVMS, S.A., ISA Intelligent Sensing Anywhere, S.A. and Gypfor – Gessos Laminados, S.A as a representative of funds managed by Capital Criativo – Sociedade de Capital de Risco, S.A.

Since 2015, he has been a member of the REN Board of Directors and member of the Audit Committee.

MARIA ESTELA BARBOT

Holds a degree in Economy awarded by the Universidade do Porto and attended both Senior Executive Program at the London Business School and Making Corporate Boards More Effective Program at Harvard Business School.

Estela Barbot is an entrepreneur and manager in various sectors such as chemicals, real estate and banking.

She is currently director and member of the Audit Committee of the Financial Institution for Development, executive partner of ALETSE, LDA (Real Estate and Business Consultancy), and a member of the Casa da Música Audit Committee.

President of Fórum Portugal Global – FPG representing Portugal in the Trilateral Comission

Member of the Management Committee of LIDE – Grupo de Líderes Empresariais

Member of the Advisory Board of Instituto Português de Corporate Governance

Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual

Member of the Board of Founders and of the Remunerations Committee of Museu de Arte Moderna da Fundação de Serralves

Member of the General Board of FAE – Fórum de Administradores de Empresas.

Since 2015, she has been a member of the REN Board of Directors and member of the Audit Committee.

JOSÉ LUÍS ARNAUT

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner and member of the executive board of CMS Legal Services EEIG. He is a member of the of the AON Advisory Board, Chairman of the General Meeting of the Portuguese Football Federation, Chairman of the General Meeting of ÚNICA – União Cervejeira de Angola (UNICER Group), Chairman of the General Meeting of ANA - Aeroportos de Portugal (VINCI Airports), Chairman of the General Meeting of PORTWAY - Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., member of the Board of Directors of Discovery Portugal Real Estate Fund, member of the board of directors of MOP, S.A., and Chairman of the General Meeting of Tabaqueira II, S.A. and member of the Goldman Sachs International Advisory Board. In 1999, he was elected general secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 - European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

Since 2012 he has been a member of the REN Board of Directors. The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, no 55, Alvalade, Lisbon.

II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Management Board at 31.12.2017

DIRECTOR	OWNER OF QUALIFIED HOLDINGS	RELATIONSHIP
Rodrigo Costa	-	-
Gonçalo Morais Soares	-	-
João Faria Conceição	-	-
Guangchao Zhu (representing State Grid International Development Limited)	State Grid of China	Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19 and 26)

Mengrong Cheng	State Grid of China	Deputy General Director of the Department of International Cooperation at the State Grid Corporation of China and Chair of the State Grid Corporation of China, US Office. (*see* II.19 and 26)
Longhua Jiang	State Grid of China	Currently Executive Vice-Chairman at China Electric Power Equipment and Technology Co. Ltd. (*see* II.19 and 26)
Omar Al Wahaibi		
Jorge Magalhães Correia	Fidelidade – Companhia de Seguros, S.A.	Chairman of the Executive Committee of Fidelidade – Companhia de Seguros, S.A. and holds management positions at other companies in the Fidelidade Group (see II.26)
Manuel Ramos de Sousa Sebastião	-	-
Gonçalo Gil Mata	-	-
Maria Estela Barbot	-	-
José Luís Arnaut	-	-

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[50]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[51] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

In order to better understand the division of powers among the different corporate bodies, the organization chart below outlines REN's business units:

[50] Cf. article 8(2)(b) of the Articles of Association.
[51] Cf. article 8(1) of the Board of Directors regulations.

During 2017, the reorganization process for REN Group company functional units was implemented and responsibilities were reallocated within the concession operation and support areas. Essentially, the aim was to improve efficiency and complementarity of powers in areas with common goals.

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is a corporate body comprising all the company shareholders, and its responsibilities are in particular:

a) Appraise the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;

b) Elect the members of the General Shareholders' Meeting Board, the directors and the statutory auditor;

c) Resolve on any amendments to the Articles of Association;

d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a remunerations committee; and

e) Resolve on any other matter falling within its power and for which it has been summoned.

BOARD OF DIRECTORS

Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered.[52] Of special note are the powers to:

a) Define the Company's goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders' Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012[53], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' Meeting, the granting of deposits and personal or in rem

[52] Cf. article 15(1) of the Articles of Association.
[53] Cf. Article (3) and 3(5).

guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's fixed assets is subject to prior approval from the General Shareholders' Meeting[54].

EXECUTIVE COMMITTEE

On 17 April 2015, the Executive Committee was delegated, to the extent permitted by law, the Company's Articles of Association and by the Board of Directors' own regulation, with all the powers necessary or convenient to the performance of the management acts regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors:

a) manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' own regulations;

b) approve, on a case-by-case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal or lower than or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25 million;

c) propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) without prejudice to article 3(5)(f) of the Board of Directors' Regulation, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

e) represent the Company actively and passively, in and out of court, and propose and pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed € 7.5 million) or which have already been approved within the Company's annual budget;

g) negotiate, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than € 5 million);

h) negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

i) open, operate and close bank accounts;

j) resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

[54] Cf. Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

k) present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

l) present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group

m) appoint attorneys with the powers deemed convenient, including those of sub-delegation;

n) indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

o) take or give in lease any real estate or individual parts of real estate; and

p) manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms.

Specifically in relation to the entering into medium or long-term debt agreements, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors also delegated to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument with respect to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The powers delegated to the Executive Committee do not exclude the possibility of the Board of Directors deciding on those matters and do not include any matters reserved by law, by the Company's Articles of Association or the Board of Directors' own regulations, notably:

a) appointment of the Chairman of the Board of Directors;

b) co-optation of directors;

c) request to convene the general shareholders' meetings;

d) approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) provision of deposits and personal guarantees or security interests by the Company;

g) change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) projects for the merger, demerger and transformation of the Company;

i) appointment of the Company Secretary and the respective alternate;

j) definition of the Company's strategy and general policies;

k) definition of the Company's goals and management policies;

l) approval of the annual budget, the business plan and other long-term development plans;

m) definition of the Group's corporate structure;

n) the approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than € 15 million, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total € 25 million;

o) incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an

single or aggregate or value which does not exceed € 7.5 million or which have been approved in the annual budget;

p) adoption of resolutions to contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) approval of the Company's systems of internal control, risk management and internal audit;

s) the appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;

t) the indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) the participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

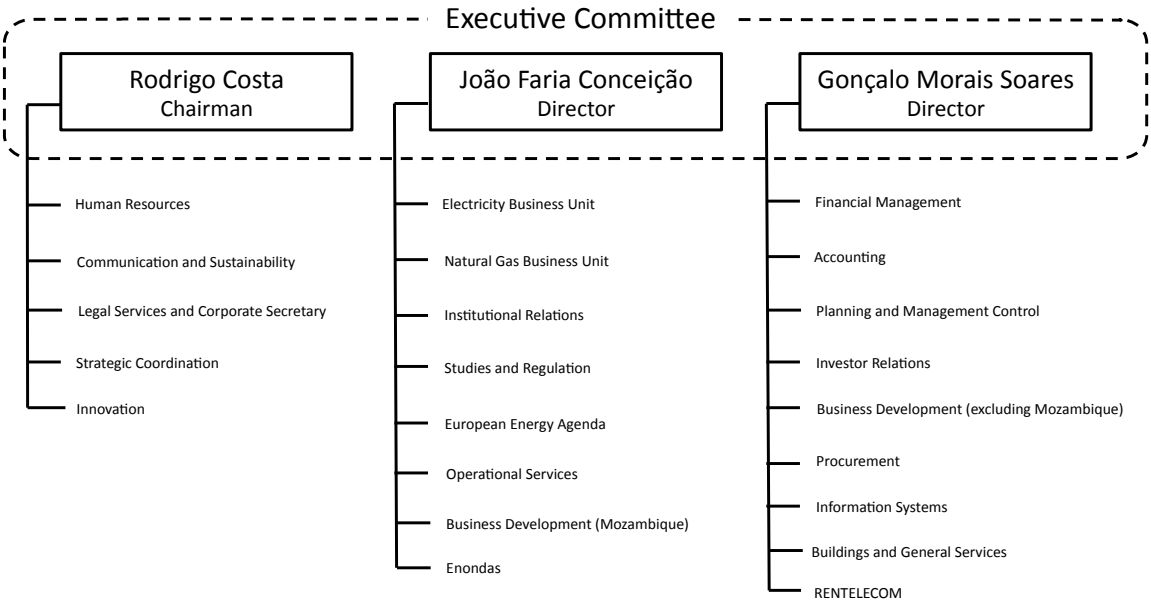
v) the entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

w) transactions with related parties in excess of € 500 thousand or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;

x) the resolution on all the matters which are deemed strategic, notably because they are related with strategic agreements entered into by REN or due to their risk or special characteristics.

Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2017, the responsibility for the direct monitoring of specific performance areas of the Company, under the terms evidenced in the following chart:



AUDIT COMMITTEE AND STATUTORY AUDITOR

The Audit Committee and the Statutory Auditor are the Company's supervisory bodies, and their main powers are set out in III.38.

REMUNERATIONS COMMITTEE

The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

II.22. Existence and place where the operating regulations can be found for the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors

The Board of Directors Regulation and the Executive Committee Regulation are available on the REN website[55] in Portuguese and English.

[55] www.ren.pt

II.23. Number of meetings held and attendance by each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors

BOARD OF DIRECTORS

The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time the meetings shall be monthly[56].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor[57].

In 2017, the Board of Directors held nine meetings.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	9	0	0	100%.
Gonçalo Morais Soares	9	0	0	100%.
João Faria Conceição	9	0	0	100%.
Guangchao Zhu (representing State Grid International Development Limited)	4	5	0	100%.
Mengrong Cheng	4	5	0	100%.
Longhua Jiang	5	4	0	100%.
Omar Al Wahaibi	9	0	0	100%.
Jorge Magalhães Correia	7	2	0	100%.
Manuel Ramos de Sousa Sebastião	9	0	0	100%.
Gonçalo Gil Mata	9	0	0	100%.
Maria Estela Barbot	9	0	0	100%.
José Luís Arnaut	8	1	0	100%.

[56] Cf. Article 19(1) of the Articles of Association and Article 4(2) of the Board of Directors Regulations.
[57] Cf. Article 19(1) of the Articles of Association.

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week[58].

In 2017, the Executive Committee held 35 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[59].

ATTENDANCE OF MEMBERS OF THE EXECUTIVE COMMITTEE AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	35	0	0	100%.
Gonçalo Morais Soares	35	0	0	100%.
João Faria Conceição	35	0	0	100%.

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of members of the Executive Committee has been assessed by the Appointments and Assessment Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

[58] Cf. article 1(2) of the Audit Committee regulations.
[59] Cf. Article 5 of the Executive Committee Regulations.

II.26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors and, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2017:

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Rodrigo Costa	Chairman of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Chairman of the REN Gasodutos, S.A. Board of Directors. Chairman of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Chairman of the REN Armazenagem, S.A. Board of Directors. Chairman of the REN Serviços, S.A. Board of Directors. Chairman of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Chairman of the REN Gás, S.A. Board of Directors. Chairman of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the Board of Directors of Aerio Chile, Spa Vice-Chairman of the Board of Directors of Electrogas, S.A. Chairman of the REN Gás Distribuição, SGPS, S.A. Board of Directors
Gonçalo Morais Soares	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the REN Finance BV Board of Directors. Member of the Board of Directors of Aerio Chile, Spa Chairman of the REN Gás Distribuição, SGPS, S.A. Board of Directors Member of the Electrogas, S.A. Board of Directors
João Faria Conceição	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the Board of Directors of Aerio Chile, Spa Non-executive Member of the Hidroeléctrica de Cahora Bassa Board of Directors Chairman of the REN Gás Distribuição, SGPS, S.A. Board of Directors Alternate member of the Electrogas, S.A. Board of Directors

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role – seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

Moreover, it should be noted that, upon their appointment, the executive directors declared their full dedication to carrying out their role and pursuing the objectives laid out, and have proven this through their attendance at Board of Directors and Executive Committee meetings and through their work carried out within REN.

DUTIES OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS PERFORMING DUTIES AT 31.12.2017[60]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China.
Mengrong Cheng	Deputy General Director of the Department of International Cooperation at the State Grid Corporation of China. Chairman of the State Grid Corporation of China, US Office Member of the Chinese Expert Committee of IEC MSB
Longhua Jiang	Currently Executive Vice-Chairman at China Electric Power Equipment and Technology Co. Ltd.
Omar Al-Wahaibi	CEO of Electricity Holding and CEO of the Nama Group Member of the Board of Directors of the Broad Band Company Member of the Board of Directors of the Gulf Cooperative Council Interconnection Authority
Jorge Magalhães Correia	Vice-Chairman of Board of Directors and Chairman of the Executive Committee of Fidelidade - Companhia de Seguros, S.A. Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Fidelidade Assistência – Companhia de Seguros, S.A. Vice-Chairman of Board of Directors and Chairman of the Executive Committee of Multicare - Seguros de Saúde, S.A. Chairman of the Fidelidade – Property Europe, S.A. Board of Directors. Chairman of the Fidelidade – Property International, S.A. Board of Directors. Chairman of the Board of Directors and member of the Advisory Board of Luz Saúde, S.A. Vice-Chairman of the Portuguese Association of Insurers Member of the Geneva Association

Upon their appointment, the non-executive directors named above declared themselves to have the necessary availability to carry out their role and to pursue the objectives laid out. This availability has been proven through their attendance at Board of Directors meetings and through their work carried out within REN.

[60] None of the companies identified belong to the REN Group.

DUTIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS AT 31.12.2017[61]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Manuel Ramos de Sousa Sebastião	Consultant on the International Advisory Board of Banco Finantia
Gonçalo Gil Mata	Executive director and a member of the board of Directors of Capital Criativo - Soc. Capital de Risco Non-executive member of the Arquiled, S.A. Board of Directors Summer Portugal, SA and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Maria Estela Barbot	Director at the Financial Institution for Development Executive partner at ALETSE, Lda Senior consultant at Young network, Marketing e Comunicação, Lda Member of the Casa da Música Audit Committee Member of the Management Committee of LIDE – Corporate Leaders Group Member of the Advisory Board at the Portuguese Institute for Corporate Governance, Member of the Advisory Board at Ar.Co – Art and Visual Communication Centre, Member of the Founding Council and the Remunerations Committee at the Museum of Modern Art of the Serralves Foundation Chair of the Forum Portugal Global – FPG Member of the General Council at FAE – Company Directors' Forum Member of the Audit Committee of the Financial Development Institution – IFD Member of the General and Supervisory Council of Portugal Capital Ventures – Sociedade de Capital de Risco, S.A.
José Luis Arnaut	Member of the MOP, S.A. Board of Directors. Member of the Discovery Portugal Real Estate Fund Board of Directors, Chairman of the General Shareholders' Meeting of the Portuguese Football Federation. Chairman of the General Shareholders' Meeting of ÚNICA – União Cervejeira de Angola (UNICER Group), Chairman of the General Shareholders' Meeting of ANA - Aeroportos de Portugal (VINCI Airports) Chairman of the General Shareholders' Meeting of SIEMENS Portugal Chairman of the General Shareholders' Meeting of Portway - Handling de Portugal, S.A. (Vinci Airports) Managing Partner at CMS Rui Pena & Arnaut Member of the AON Advisory Board Member of the Conseil des Sages – Doha Freedom of Information Center Chairman of the Portugal-Qatar Friendship Association Member of the Advisory Board of the European Observatory on Infringements of Intellectual Property Rights (OHIM – Office for Harmonization in the Internal Market) Member of the Discovery Portugal Real Estate Fund Board of Directors, Member of the Goldman Sachs international Advisory Board

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

[61] None of the companies identified belong to the REN Group.

II.27. Identification of committees set up within, where appropriate, the Board of Directors, the General and Supervisory Board and the Executive Management Board, and place where the operating regulations may be found

In 2017, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees.

Their internal regulations can be consulted at: http://www.ren.pt/pt-PT/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/.

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

At 31 December 2017, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the powers of each of the committees created

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Corporate Governance Committee and the Nominations and Appraisal Committee.

The Corporate Governance Committee has the powers and competences conferred by its internal regulations[62]. Among these, of special note are:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

   (i) Structure, role and functioning of the corporate bodies

   (ii) Liaison between the corporate bodies and the internal committees

   (iii) Incompatibilities and independence of the members of corporate bodies

   (iv) Efficiency of the role of non-executive members of the Board of Directors

   (v) Voting, representation and equal treatment of shareholders

   (vi) The prevention of conflicts of interests

   (vii) Transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders

[62] Cf. Article 3 of the Corporate Governance Committee Regulations.

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular incompatibilities and independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations[63]. Among these, of special note are:

a) a) In relation to appointments

(i) Support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment

(ii) Make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors

(iii) Assist the Board of Directors in the preparation of the succession of its members

(iv) Perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

b) In relation to appraisals

(i) Advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators

(ii) Support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

(iii) Prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year.

(iv) Perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties

With regard to the Executive Committee, see II.21.

[63] Cf. Article 3 of the Nominations and Appraisals Committee Regulations.

III. SUPERVISION (SUPERVISORY BOARD, AUDIT COMMITTEE OR GENERAL AND SUPERVISORY BOARD)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[64], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[65] (including the Chairman), possessing the necessary powers to perform their duties.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, General and Supervisory Board or the Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At 31 December 2017, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

As regards the remaining appropriate information, please also refer to point II.17.

III.32. Identification of, where appropriate, the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés, where appropriate, of each of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee

See II.19. above.

b) Operation

[64] See II.15. above.
[65] Cf. Article 3(3) of the Audit Committee regulations.

III.34. Existence and place where the operating regulations can be consulted, where appropriate, for the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulation can be consulted on the official REN website[66] in Portuguese and English.

III.35. Number of meetings and attendance, where appropriate, for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee meetings are convened and chaired over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members.[67].

In 2017, the Audit Committee held 12 meetings.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Manuel Ramos de Sousa Sebastião	12	0	0	100%.
Gonçalo Gil Mata	12	0	0	100%.
Maria Estela Barbot	12	0	0	100%.

III.36. Duties of, where appropriate, each member of the the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[68], it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services from the External Auditor or

[66] www.ren.pt
[67] Cf. Article 8(1) and (2) of the Audit Committee Regulations.
[68] Cf. article 6(3)(l).

from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46.)

In 2017, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The dual capacity of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for[69]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code and in CMVM Regulation No 4/2013[70];

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying the accuracy of books, accounting records and documents they use as support;

f) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

g) Inspecting the accuracy of accounting documentation;

h) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

i) Preparing every year the report on their supervisory work;

j) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

k) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

l) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;

m) Supervising the preparation and disclosure of financial information;

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[69] Cf. Article 6(2) of the Audit Committee regulations.
[70] In accordance with Article 6(2)(c) of the REN Audit Committee regulations, it is the Audit Committee's responsibility to confirm whether the REN Corporate Governance Report includes the information set out in CMVM Regulation No 1/2010. However, when the later regulation is implemented (CMVM Regulation No 4/2013), this provision must be read with reference to this Regulation.

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several of its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;

p) Complying with other provisions set out in law or the Articles of Association.

In its relationship with other corporate bodies, the Audit Committee is also responsible for[71]:

a) Supervising the effectiveness of the risk management, internal control and internal audit systems implemented by the Board of Directors or Executive Committee, including through the submission of proposals for improving operation and adjustment to REN's requirements;

b) Assisting the Board of Directors and the Executive Committee in complying with their supervisory responsibilities for internal and external audit processes, including through the submission of proposals for improving operation;

c) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate;

d) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;

e) Representing the Company, for all purposes, with the External Auditor;

f) Proposing to the General Shareholders' Meeting the appointment of the External Auditor, the respective remuneration and their removal whenever justified;

g) Issuing a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement and (ii) consider that the principle of rotation of the Statutory Auditor at the end of three terms is applied, with regard to REN, in relation to recommendation IV.3 of the CMVM Corporate Governance Code of [72] 2013;

h) Ensuring that the proper conditions for the provision of audit services by the REN External Auditor are provided within the company.

i) Performing the duties as REN's interlocutor with the External Auditor and be the first recipient of the respective reports;

j) Monitoring the activities of the External Auditors and the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditors or the Statutory Auditor.

k) Assessing the work carried out by the External Auditor on an annual basis;

l) Providing prior approval on the contracting of any audit services from the External Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

m) Supervising the work of REN's Internal Audit Office and proposing the recruitment of the respective human resources to the Executive Committee.

[71] Cf. Article 6(3) and (2) of the Audit Committee regulations.
[72] Under Article 6(3) of the Audit Committee Regulations, the opinion must be issued in accordance with recommendation III.1.3. of the CMVM Corporate Governance Code of 2010, with regard to the rotation of the External Auditor. However, when the later regulation is implemented (CMVM Regulation No 4/2013), this provision must be read with reference to this Regulation.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website[73], and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor and External Auditor, representing it before the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditors and the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditors or the Statutory Auditor[74].

As REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code[75], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

The External Auditor and the Statutory Auditor also verify the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and are obliged to report any significant deficiencies to the Company's Audit Committee. The Statutory Auditor also verifies the Corporate Governance Report, under the legally applicable terms.

IV. STATUTORY AUDITOR

IV.39. Identification of the Statutory Auditor and of the key auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Deloitte & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 43 and registered at CMVM under No 231, represented by Pedro Miguel Gonçalves Carreira Mendes (S.A. No 1207), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Carlos Luís Oliveira de Melo Loureiro, registered with the Portuguese Institute of Statutory Auditors under No 572.

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

[73] www.ren.pt
[74] Cf. Article 6(3)(j) of the Audit Committee Regulations.
[75] Cf. Article 420.

The REN Statutory Auditor (Deloitte & Associados, SROC SA) was initially hired to carry out these duties in 2010.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to the services as Statutory Auditor detailed in III.38., the services referred to in V.46 were also provided.

V. EXTERNAL AUDITOR

V.42. Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Deloitte & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 43 and registered at CMVM under No 231, represented by Pedro Miguel Gonçalves Carreira Mendes (S.A. No 1207)

V.43. Indication of the number of years during which the External Auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's External Auditor (Deloitte & Associados, SROC SA), and the respective partner, was initially hired to carry out these duties in 2010 (despite already having provided some audit services to REN in 2009).

V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Deloitte & Associados, SROC S.A.) was initially hired to carry out these duties in 2010 (despite already having provided some audit services to REN in 2009), thus complying with the recommendation IV.3 of the CMVM Corporate Governance Code of 2013 Notwithstanding, by being re-elected (for the 2018-2020 period), it would be completing its fourth auditing period (previous periods were 2010-2012, 2012-2014 and 2015-2017).

The re-election of the External Auditor for one more term would mean that it would exceed the legal limit (of 10 years) by one year as set out in Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014. Furthermore, the CMVM recommendation (Recommendation IV. of the CMVM Corporate Governance Code of 2013) stipulates that public companies are required to rotate their auditor after three terms of office when such terms have a duration of three years, as is the case. Therefore, the reasons for maintaining the same auditor should be set out in a specific reasoned opinion from the REN Audit Committee which expressly considers the conditions of this auditor, as well as the advantages and costs of a replacement[76].

[76] As such, Article 6(3)(g) of the REN Audit Committee Regulations states that it is this Committee's responsibility to *"Issue a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement and (ii) consider that the principle of rotation of the Statutory Auditor at the end of three*

In light of this legal and regulatory framework, REN decided to conduct a competitive process for a new External Auditor, to be led by REN Audit Committee and carried out in a balanced manner, thus complying with the applicable law and recommendations.

V.45. Indication of the body responsible for assessing the External Auditor and frequency of the assessment

The Audit Committee is responsible for undertaking an annual assessment of the External Auditor and has the power to propose the dismissal of the External Auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditor.

The Audit Committee is also responsible for overseeing the independence of the External Auditor and issuing prior approval of the hiring of different audit services from the External Auditor or from any entity with a participating interest with the said External Auditor or which is part of the same network.

In 2017, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor has provided its services in a satisfactory manner and has complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high technical accuracy.

V.46. Identification of non-audit services provided by the External Auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for their contracting

Non-audit services provided by the External Auditor / Statutory Auditor for REN were essentially agreed auditing procedures to validate financial ratios, issuance of comfort letters, share capital increase prospectus revision and report on the pro-forma information.

As part of compliance with the independence rules established in relation to the External Auditor/Statutory Auditor, in 2017, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it complies with Article 77 of Law No 140/2015 of September 7.

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terms is applied, with regard to REN, in relation to recommendation III.1.3 of the CMVM Corporate Governance Code of 2010.".

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from EU Recommendation C(2002) 1873 of 16 May[77])

In the financial year ending 31 December 2017, the statutory auditor for REN SGPS and its subsidiaries was Deloitte & Associados, SROC S.A. The exception was REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A.

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2017, was € 1,085,370, broken down as follows:

- Deloitte & Associados, SROC S.A. And its network – € 935,280;
- Pricewaterhousecoopers & Associados – SROC, S.A. – € 150,090.

DELOITTE & ASSOCIADOS, SROC, S.A. AND ITS NETWORK

	Company (REN SGPS)[78]	OTHER COMPANIES[79]	TOTAL	%
Audit and legal review of accounts	165,300	269,200	434,500	46.5%
Other reliability guarantee services	319,800	8,500	328,300	35.1%
Services other than audit servicesor legal review of accounts	172,480	-	172,480	18.4%
	657,580	277,700	935,280	

[77] In accordance with the Corporate Governance Report Model approved by CMVM Regulation No 4/2013, for the purposes of this information this is the applicable concept of "network". However, Article 3 of the later Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) states that the concept of network must be satisfied as defined in Article 2(7) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. As this is the legislation currently in force for the specific requirements for the legal review of accounts of public-interest entities, this is the concept of network which has been adopted by REN.
[78] Including individual and consolidated accounts.
[79] Including individual and consolidated accounts.

PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.

	Company (REN SGPS)[80]	OTHER COMPANIES[81]	TOTAL	%
Audit and legal review of accounts	-	54,600	54,600	36.4%
Other reliability guarantee services	450	1,340	1,790	1.2%
Services other than audit servicesor legal review of accounts	13,700	80,000	93,700	62.4%
	14,150	**135,940**	**150,090**	

7.1.3 INTERNAL ORGANIZATION

I. ARTICLES OF ASSOCIATION

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 245(A)(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[82] and in the Articles of Association themselves[83]. In this regard, please see point 7.1.1, II.14.

II. WHISTLEBLOWING POLICY

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group.[84].

This system covers the communication of irregular practices by shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies, due to or during the performance of their respective duties[85].

[80] Including individual and consolidated accounts.
[81] Including individual and consolidated accounts.
[82] Cf. Article 383 of the CSC.
[83] Cf. Article 11 of REN's Articles of Association.
[84] Cf. Articles 6(2) and 7 of the Audit Committee Regulations and the document on "Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities", available at www.ren.pt.
[85] Cf. Chapter VI (Concept of "Irregularity") in the document on Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities (Guidelines).

Such communications must be submitted in writing to the registered office and addressed to the Chairman of the Audit Committee or to the email *comissão.auditoria@ren.pt*, an account which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity[86].

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigations should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations approved by the Board of Directors, under a proposal by the Audit Committee[87].

The investigation process by the Audit Committee includes a preliminary stage which is followed by an investigation and a final report. Based on this report, should the conclusions so justify, penalty measures are proposed for approval by the Board of Directors or Executive Committee.

III. INTERNAL CONTROL AND RISK MANAGEMENT

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements[88]. Therefore, in its action plan for activities to be carried out in 2017, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: information systems; procurement, management planning and control, accounts, research and regulation. The Audit Committee added to the activity plan the monitoring of the recommendations implementation which arise from the internal control system, especially regarding the security of the information system and analysis of the general computarised system, in conjunction with the communication system office. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff, who have an audit functions.

The External Auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

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[86] Cf. Chapter VII (Whistleblowing) in the Guidelines.
[87] Available at www.ren.pt.
[88] Cf. Article 3(6)(a) of the Audit Committee regulations.

On 13 May 2009, the Executive Committee passed a resolution to set up GSAD-AI (Internal Audit), which, under the oversight of the Audit Committee, has the the mission of supervising the creation, operation and effectiveness of the REN Group's risk management [89], control model and internal control and governance systems, through objective, independent and systematic monitoring.

Among GSAD-AI's various tasks, the most relevant are the following:

- Review of risk management and internal control policies in force;
- Assessment of the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures);
- Implementation of financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);
- Definition, jointly with the various areas, of measures to correct any weaknesses or non-compliances identified during the audits
- Monitoring the implementation of corrective measures, through follow-up reports
- Support high-level management in defining and/or implementing control and governance measures.

In addition, the mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified
- Identify and define the persons responsible for risk management
- Monitor significant risks and REN's general risk profile
- Approve regular risk reporting mechanisms by different businesses areas.
- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

In 2017, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group and the internal disclosure of best practices for Risk Management.

III.51. Explanation, even though by organisational chart, of the hierarchical and/or functional relationships of other Company bodies or committees

GSAD-AI reports in terms of functions and hierarchy to the Audit Committee, notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, namely through the presentation of proposals to improve their operation[90]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to GSAD-AI, supervises the activity and has access to all reports

[89] Cf. Article (6)(3)(m) of the Audit Committee regulations.
[90] Cf. Article 3(6)(a)(b) and (m) of the Audit Committee regulations.

prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by Gonçalo Morais Soares, an executive director, and is responsible for the first line of defence, reporting to the Executive Committee.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2017, the Risk Management Committee, with support from 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

#	CATEGORY	SUBCATEGORY	NATURE	RISK EVENT
1	Surrounding Environment	External Context	Regulatory	Changes to the regulatory model and parameters
2			Financial Markets	Evolution of REN's rating
3				Evolution of interest rates
4	Processes	Operational	Interruption of business	Occurrence of a generalized incident
5			Investment projects	Non-approval of investment plans
6				Non-entry into operation of assets within planned deadlines of the project
7			Health & Safety	Occurrence of serious work accidents
8			**Information technology**	**Unavailability of information systems**
				I.T. attacks - cybersecurity

CHANGES TO THE REGULATORY MODEL AND PARAMETERS

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/analyse the impacts of possible changes.

EVOLUTION OF REN'S RATING

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any deterioration in Portugal's rating.

EVOLUTION OF INTEREST RATES

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

OCCURRENCE OF A GENERALIZED INCIDENT

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, among others), which could cause interruptions to the service.

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing the potential impact of this risk.

NON-APPROVAL OF INVESTMENT PLANS

The existence of delays in the approval of investment plans by the grantor or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

NON-ENTRY INTO OPERATION OF ASSETS WITHIN PLANNED DEADLINES

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization, may compromise the entry into operation of assets within planned deadlines.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

OCCURRENCE OF SERIOUS WORK ACCIDENTS

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness.

UNAVAILABILITY OF INFORMATION SYSTEMS

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures are in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

I.T. ATTACKS - CYBERSECURITY

Development of information technologies and their gradual applicability to REN's operation, such as the increase in automation and digitalization, increases the likelihood of malicious I.T. attacks which may cause significant impact.

While still at the implementation stage, the management of this risk requires the introduction of measures to I.T. systems as well as specific training for all REN employees on the care to be taken when using such technologies. The aim will be to mitigate REN's exposure to these risks.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation and reporting of financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;

- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2017:

- Review and updating of the list of greatest risks;
- Implementing of a technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the review of the regulations on 'Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities'.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in CMVM Recommendations. It has also been guided by the rules of the International Organization for Standardization (ISO).

In 2017, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 245(A)(1) (m))

REN regularly provides financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and External Auditor and with those responsible for accounts and management planning and control.

IV. INVESTOR SUPPORT

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the Investor Relations Office (IRO). It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts, and ensure communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders, providing information and clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes: Director: ana.fernandes@ren.pt
Alexandra Martins: alexandra.martins@ren.pt
Telma Mendes: telma.mendes@ren.pt

Address: REN: Redes Energéticas Nacionais, SGPS, S.A.
C/O: Investor Relations Office

Avenida dos Estados Unidos da América, 55
1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 I **Fax:** 21 001 31 50

The IRO has the following main duties:

a) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;

b) Ensure that feedback from institutional investors is communicated to the Executive Committee;

c) Guarantee timely compliance with CMVM obligations and other financial authorities;

d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;

e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;

f) Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;

g) Attract the interest of potential institutional investors, as well as a greater number of financial analysts;

h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;

i) Develop and maintain the Investor Relations page on the Company's[91] website

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in cases where the request required the receipt of information from third parties, soon after they were received. In 2017, almost 610 requests were attended to by telephone, 450 by email and 220 in person at conferences and roadshows, with both debt and equity investors.

Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. INTERNET SITE

V.59. Address(es)

The Company's[92] website is available in Portuguese and English, in accordance with recommendation VI.1. of the CMVM Corporate Governance Code of 2013.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code;

On the REN website[93], under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as opencapital company (“sociedade aberta”), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found.

www.ren.pt/investidores/informacao_da_sociedade/

[91] www.ren.pt
[92] www.ren.pt
[93] www.ren.pt

V.61. Place where the Articles of Association and operating regulations for the bodies and/or committees can be found

On the REN website[94], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Board of Directors Regulations
- Audit Committee Regulations
- Executive Committee Regulations
- Regulations on transactions with related parties
- Regulations on transactions of financial instruments by REN directors;
- Procedures applicable to whistleblowing
- Corporate Governance Committee Regulations;
- Nominations and Appraisals Committee Regulations.

www.ren.pt/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found.

www.ren.pt/investidores/governo_da_sociedade/

Furthermore, on the REN website[95], under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

www.ren.pt/investidores/relacoes_com_investidores/

V.63. Place where accounting records are made available, which must be accessible for at least ten years[96], as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website[97], under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

www.ren.pt/investidores/resultados/

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[94] www.ren.pt
[95] www.ren.pt
[96] In accordance with the CMVM Regulation No 4/2013 which approves the model of corporate governance report, accountability documents may be accessible for five years. Nevertheless, Article 245 (1) of the Portuguese Securities Code, amended by Decree-Law No 22/2016 of 3 June, those documents must by available for 10 years.
[97] www.ren.pt

On the same website[98], a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website[99], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

www.ren.pt/investidores/governo_da_sociedade/assembleias_gerais/

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[100], REN provides extracts from the minutes of General Meetings.

On the website,[101] REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

See V.64. with regard to where this information is provided.

7.1.4 REMUNERATION

I. COMPETENCE TO DETERMINE REMUNERATION

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[102], which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements[103]. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

[98] www.ren.pt
[99] www.ren.pt
[100] www.ren.pt
[101] www.ren.pt
[102] Cf. Article 8(2)(d) of the Articles of Association.
[103] Cf. Article 26 of REN's Articles of Association.

II. REMUNERATION COMMITTEE

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

On 31 December 2017, the following three members, appointed at the annual General Meeting of 17 April 2015, were on the Remunerations Committee (three-year period of 2015-2017):

NAME	POSITION
Paulo Pimenta	Chairman
Manuel de Lancastre	Member
Fernando Neves de Almeida	Member

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, having published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) in the government, as Secretary of State for Economic Development (in the case of Manuel Corrêa de Barros de Lancastre), and (ii) at consultancies in the field of human resources (in the case of Fernando Neves de Almeida), thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. REMUNERATION STRUCTURE

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 2 of Law No 28/2009 of June 19 2009

As an issuer of shares admitted to trading on the regulated market, REN is subject to Law No 28/2009 of 19 June 2009 as well as to the recommendations of the CMVM Corporate Governance Code of 2013.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2017 financial year for the appraisal of the Annual General Meeting, the terms of which reflected the decision made by this Committee on this matter and which set out a number of systematic improvements and updates of remuneration amounts, but which essentially reflect the previous remunerations policy.

On 11 May 2017, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by a majority at the General Meeting. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009. In accordance with CMVM Corporate Governance Code recommendation II.3.3, the abovementioned declaration also contains: (i) Identification and details of the criteria for determining the remuneration to be paid to the members of the governing bodies; (ii) Information on the potential maximum sum, in individual terms, and the potential maximum sum, in aggregate form, to be paid to members of REN corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; and (iii) Information on the enforceability or unenforceability of payments for the dismissal or termination of the directors' service.

The remuneration policy for Executive Directors follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen nationally and in Europe, particularly with regard to REN's peers;
- To incorporate a fixed component adjusted to the duties and responsibility of the directors;
- To incorporate a variable component which is reasonable overall in relation to the fixed remuneration, with one short-term component and another medium-term component, both with maximum limits;
- To establish a variable remuneration indexed to individual performance assessment and that of the company, in accordance with achievement of specific quantifiable aims which are in line with Company and shareholder interests; and
- To establish a medium-term variable remuneration component indexed to the evolution of the REN share price, thus ensuring that the remuneration of executive directors is bound to the sustainability of results and the creation of wealth for shareholders.

Based on these principles, the remuneration of executive directors is mainly determined based on four general criteria: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, taking into consideration that remuneration must be based on uniform, consistent, fair and balanced criteria; (iii) assessment of real performance, in accordance with duties and the level of responsibility of the person in question, as well as the assumption of suitable levels of risk and compliance with the rules applicable to REN activity; and (iv) alignment of directors' interests with the Company's and its sustainability and creation of long-term wealth.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium-term performance, as described in further detail below.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed sum.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69 above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is an adequate proportionality between both components, as explained in III.69 above.

In accordance with the remuneration policy applicable to remuneration awarded in 2017 and set out in the Remuneration Committee declaration approved by the Annual General Meeting of 2017, the variable component of remuneration for 2017 may include a short-term parcel (STVR) and a medium-term parcel (MTVR). Both parcels are based on performance assessment, which is based on the weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, described in more detail in III.71 below, aim to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

Particularly, MTVR has the following characteristics which contribute to the alignment of the interests of REN executive directors with those of the Company and shareholders:

- MTVR is set in Remuneratory Units (RU) that refer to each term of office in which each executive director has performed duties;
- Each RU has a value corresponding to the REN share price at the date that MTVRs set (based on the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year) and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between 20% and 120% of fixed remuneration, in a gradual manner,

without prejudice to the evolution in RU) are to discourage taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

As has already been mentioned, the remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2017, the variable component of remuneration for 2017 may include short and medium-term parcels – STVR and MTVR[104].

The awarding of STVR and MTVR is subject to the following common requirements:

- The awarding of the variable component of remuneration only takes place after approval of the financial statements for each financial year, after the performance assessment for the year to which the payment refers to, and only when predefined objectives have been complied with, measured against individual and company performance indicators indexed to targets in the REN strategic plan.
- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration is awarded. However, if compliance with targets lies between 80% and 120% or greater, the corresponding total variable remuneration will be set, in a gradual manner, between 20% and 120% of the fixed remuneration.

The abovementioned annual performance assessment, for purposes of awarding STVR and MTVR during the term of office, is carried out based on the following REN Key Performance Indicators (KPI) on a consolidated basis (weighting of 80%) and the individual performance assessment (weighting of 20%), which, if negative, will result in the non-awarding of Short-Term Variable Remuneration:

(v) Average Cost of Debt;

(vi) Return on Invested Capital;

(vii) EBITDA abroad

(viii) Earnings per share (compound annual growth rate – CAGR);

(ix) EBITDA CAGR

SHORT-TERM VARIABLE REMUNERATION

a) Short-Term Variable Remuneration (STVR) is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of targets relating to certain Key Performance Indicators.

b) Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or greater, the corresponding STVR will be set between 10% and 60% of fixed remuneration

c) The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year.

[104] Cf. points III.69. and III.70 above.

MEDIUM-TERM VARIABLE REMUNERATION

Medium-Term Variable Remuneration (MTVR) aims to strengthen the alignment of the interests of REN executive directors with those of the Company and shareholders. This payment will vary depending on the annual performance assessment (already described in the previous point) and will follow the same model as that for STVR.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of STVR, as described above, will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year in question.

In turn, MTVR is set in RU which refer to every financial year of the term of office and is structured to ensure deferral of payment and is conditioned to continued positive performance, through the following channels:

- Each RU has a value corresponding to the REN share price at the date that MTVR is set, (based on the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year) and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares
- The executive directors' right to convert their RU is established progressively. One third is consolidated at the end of the first financial year it relates to while each of the remaining two thirds are consolidated at the end of each of the two subsequent financial years, provided that the director performs executive duties in the respective financial year. The executive directors' right to convert their RU will be maintained even if their duties terminate as a result of a change in REN shareholder control. This is due to the fact that the director has been in office in the period in question (such conversion thus not being seen as compensatory in nature), and as a result of the non-voluntary nature of termination of duties (unlike that which takes place, for instance, in the event of dismissal);
- RU will be automatically converted into cash or, should the REN General Meeting come to deliberate (and in accordance with the terms thereby established), into REN shares, either partially or totally, over a period of three years after the date on which they were awarded (one third per year, starting in the year after award).

Bearing in mind the above, payment of MTVR for 2016 was awarded in 2017 and deferred for a period of three years, if the corresponding assumptions are met.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist, and as such REN considers that recommendation III.6. of the CMVM Corporate Governance Code does not apply.

Therefore, despite the remuneration policy approved by the Remuneration Committee for the term of office determining that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate, this has not as yet taken place. Should the General Meeting make such a decision, this deliberation shall govern the conditions for awarding the shares in question, including the potential requirement to maintain the shares or part of them until the end of the term of office.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the board of directors of the Company have not entered into agreements either

with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2017, Executive Directors were entitled to the use of a car for the performance of their duties, and were also provided with health insurance, life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is € 20,000/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. DISCLOSURE OF REMUNERATION

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

Remuneration paid in 2017 to members of REN's management body, individually and collectively, was as follows:

NAME	POSITION	FIXED REM	REM. CORPORATE COMMITTEES	VARIABLE SHORT-TERM VARIABLE	TOTAL
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	€ 385,000.00		€ 211,749.98	€ 596,749.98
João Faria Conceição	Executive Committee	€ 305,000.00		€ 167,750.00	€ 472,750.00
Gonçalo Morais Soares	Executive Committee	€ 305,000.00		€ 167,750.00	€ 472,750.00
Guangchao Zhu	Vice-Chairman of the Board of Directors	€ 80,000.00			€ 80,000.00
Mengrong Cheng	Board of Directors	€ 36,000.00			€ 36,000.00
Longhua Jiang	Board of Directors	€ 36,000.00	€ 6,000.00		€ 42,000.00
Omar Al-Wahaibi	Board of Directors	€ 36,000.00	€ 3,000.00		€ 39,000.00
Jorge Magalhães Correia	Board of Directors	€ 36,000.00	€ 3,000.00		€ 39,000.00
Manuel Sebastião	Audit Committee	€ 75,000.00	€ 5,000.00		€ 80,000.00
Gonçalo Gil Mata	Audit Committee	€ 60,000.00			€ 60,000.00
Maria Estela Barbot	Audit Committee	€ 60,000.00			€ 60,000.00
José Luís Arnaut	The Board of Directors	€ 36,000.00	€ 5,000.00		€ 41,000.00
Total		**€ 1,450,000.00**	**€ 22,000.00**	**€ 547,249.98**	**€ 2,019,249.98**

STVR paid in 2017, as indicated in the table above, refers to the financial year of 2016. Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, for MTVR referring to the 2016 financial year, set in RU. Considering that the REN share price on the date MTVR was set was € 2.88, the number of RU to be awarded to each member of the Executive Committee is as follows:

(x) Rodrigo Costa – 73,499 RU

(xi) João Faria Conceição – 58,226 RU and

(xii) Gonçalo Morais Soares – 58.226 RU

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79. Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex Executive Directors for the termination of their duties during the term of office

In 2017, there were no amounts due or paid in the form of compensation to Ex-Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Law No 28/2009, of 19 July.

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2017, the Chairman of the General Meeting received the fixed annual amount of €15,000 for carrying out the respective duties.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2017, in the event of termination of management duties through agreement or unfair dismissal, no compensation will be paid, beyond that legally required, if the termination or dismissal is due to the unsuitable performance of the director. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (Article 245-A(1)(l)).

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. PLANS TO ALLOCATE SHARES OR STOCK OPTIONS

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration plans or programmes that consist of the awarding of shares, options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

However, the remuneration policy approved by the Remuneration Committee and which came into effect on 1 June 2012 and later in 2017, respectively, determine that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate (which has not happened so far).

VI.86. Characteristics of the plan (conditions of allocation, shares non-transferability clauses, criteria relating to the share price and exercise price, period during which options can be exercised, characteristics of the allocated shares or options to be awarded, existence of incentives for the acquisition of shares and/or the exercising of options)

See VI.85. above.

VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the Company workers or employees

See VI.85. above.

VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 245(A)(1)(e)

There are no schemes for worker participation in the share capital of the Company.

7.1.5 TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to provide for monitoring by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed to the Board of Directors an internal regulations for the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest', which were approved by the Board of Directors on 8 November 2012 and remain in effect.

In accordance with the internal regulation on 'Analysis and Control of Traansactions with Related Parties and Prevention of Conflict of Interest', which are in line with IAS 24 and recommendation V.2 of the CMVM Corporate Governance Code of 2013, transactions conducted between a related party[105] and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee[106]:

1. The purchase and/or sale of goods, provision of services or contract valued at over € 1,000,000.00;
2. The acquisition or disposal of shareholdings;
3. New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000.00, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions.
4. Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds € 1 million or must be considered relevant for this purpose by the Board of Directors by virtue of its nature or its particular susceptibility to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration[107].

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee[108].

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[105] That is, a) a member of a REN management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to Article 21 of the Portuguese Securities Code ('Subsidiaries') or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with Article 20 of the Portuguese Securities Code, or d) a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.
[106] Cf. Point II.I(a) of the abovementioned internal regulation.
[107] Cf. Point III(b) of the abovementioned internal regulation.
[108] Cf. Points 4 and 5 of point VI of the abovementioned internal regulation.

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[109].

Moreover, in accordance with the Board of Directors internal regulation, transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

In accordance with internal regulations on the assessment and control of transactions with related parties and the prevention of conflicts of interest, the Audit Committee intervened in the following transactions, carried out between REN Group companies and the holders of qualified shareholdings or entities with which they are in a relationship pursuant to Article 20 of the Portuguese Securities Code having issued a prior favourable opinion to the carrying out of the aforementioned:

A - ACQUISITIONS OF GOODS OR SERVICES:

1 – AWARDING OF LOT II OF THE INSURANCE FOR MATERIAL DAMAGE AND OPERATING LOSSES (EXCLUDING ELECTRICITY LINES), GENERAL CIVIL LIABILITY, MARITIME CIVIL LIABILITY, TERRORISM AND COMPLEMENTARY BROKERAGE SERVICES FOR REN GROUP COMPANIES FOR A PERIOD OF THREE YEARS:

a) Objective: Awarding of Lot II of the Insurance for Material Damage and Operating Losses (excluding electricity lines), General Civil Liability, Maritime Civil Liability, Terrorism and Complementary Brokerage Services for REN Group companies for a period of three years:

b) Date of approval: On 10 October 2017, by the REN SGPS Board of Directors, having been subject to prior favourable opinion from the Audit Committee.

c) Material criteria for its appreciation: Business with a related party, AON grouping / Fidelidade (REN SGPS, S.A. shareholder) / AIG

d) Selection criteria: Most economically advantageous proposal.

e) Type of procedure: International Public tender.

f) Amount: € 4,214,594.58, for a period of three years, plus levies and taxes.

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code, given that these are by definition considered to be related parties in accordance with the internal regulation for the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest'.

[109] Cf. Point IX(I)(a) of the abovementioned internal regulation.

II. INFORMATION RELATING TO BUSINESS

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2017 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code was conducted under normal market conditions, in the normal REN business, and was largely a result of regulatory obligations, and as such, CMVM Corporate Governance Code Recommendation V.1. was adopted.

PART II

7.2 ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CODE OF CORPORATE GOVERNANCE ADOPTED

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code to which the Company is subject is made available to the public shall also be indicated (Article 245-A(1)(p))

In 2013, the regulatory and advisory framework for matters of corporate governance was subject to a major overhaul.

Under the terms of this overhaul, and as a Company issuing shares that are admitted to trading on the Euronext Lisbon regulated market, REN finds itself subject to, in matters of disclosure of information relating to corporate governance, to the regime established by the Portuguese Securities Code, in Law 28/2009 of 19 June, and the Securities Market Commission regulations 4/2013 (the latter was approved in 2013 and is applicable to governance reports which relate to this financial year), in matters of disclosure of information relating to corporate governance.

Amongst the many amendments to CMVM regulation No 4/2013, it is worth nothing the possibility for issuers to opt for the adoption of the CMVM governance code or an alternative code issued by an entity dedicated to that purpose.

Also in this respect, and in an advisory sense, the CMVM and the Portuguese Institute for Corporate Governance (IPCG) approved, respectively, in 2013 and 2014, new corporate governance codes. This outcome was the result of a long process of discussion and consultation with various market players. The aproval of a new version of the IPCG Code is expected during 2018.

When preparing this report, REN referred to the CMVM Corporate Governance Code, considering on one hand, market practices in this regard - it was possible to establish that the main issuers continue to implement CMVM recommendations - while on the other, it is this Code that has guided current governance bodies in relation to the practices and principles adopted.

In summary, for the purposes of this report, REN took the decision to adopt the recommendations laid out in the Corporate Governance Code of the CMVM, approved in 2013, which can be viewed at www.cmvm.pt.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Pursuant to Article 245-A(1)(o) of the Portuguese Securities Market Code, a statement shall be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from the said code and the reasons for the divergence.

The information submitted should include, for each recommendation:

a) Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);

b) Grounds for the potential non-compliance or partial compliance thereof;

c) In the event of non-compliance or partial compliance, the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation.

As mentioned above, REN took the decision to adopt all recommendations laid out in the Corporate Governance Code of the CMVM, approved in 2013.

Therefore, REN hereby declares that it fully adopts all the abovementioned CMVM recommendations on corporate governance matters laid down in said Code, except for Recommendations I.1. (partially), I.2. to I.4 and II.1.4, which are not complied with for the reasons given below.

The chart below identifies CMVM recommendations and individually mentions those that have been fully adopted by REN and those that have not. It also indicates are the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said CMVM recommendations.

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I. Voting and Company control **I.1.** Companies shall encourage shareholders to attend and vote at general meetings, notably by not setting an excessively large number of shares required for the entitlement of one vote and implementing the means necessary to exercise the right to vote by mail and electronically.	**Partially adopted** (With regard to the exercise ofvoting rights by electronic means, REN's Articles of Association set forth that shareholdres may exercise their voting rights by electronic communication, in accordance with the terms, time and conditions to be defined in the notice to convene. Although REN considers that the participation of shareholders is fully guaranteed at general meetings through correspondence vote and representation mechanisms, the Company considers that electronic voting may provide in the future important flexibility for its shareholders and for this reason included this option in the Articles of Association).	**Part 1, Chapter 7.1.2.I.12.**

[110] 'Chapter' refers to CMVM's Corporate Governance Code.

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.2. Companies shall not adopt mechanisms that hinder the approval of resolutions by its shareholders, for instance, setting a resolution-fixing quorum that outnumbers that which is prescribed by law.	**Not adopted** (The constitutive quorum required at first call, is 51% of capital. Moreover, the quorum for adopting resolutions on changes to the Articles of Association, merger, demerger, transformation or dissolution is two thirds of the votes issued, whether at first or second call. The aim of the mechanisms set out in Article 11(1) and (2) of the Articles of Association is to ensure adequate representation of shareholders in light of the nature of the activities carried out by the Company and its shareholder structure. In accordance with No 3 of the same Article, resolutions on changes relating to Articles 7(A), 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued. In summary, the statutory rules in question are best suited to the specificities of the Company, bearing in mind the underlying aim of this recommendation and that is related to a matter which is strictly within the realm of shareholder decision.)	**Part 1, Chapters 7.1.2.I.14. and 7.1.3.I.48.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, unless duly justified in terms of long-term interests of shareholders.	**Not adopted** (Article 12(3) of the Articles of Association stipulates that the votes attached to REN shares shall not be counted if issued by any shareholder, on their own behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN's share capital. For this purpose, the rights to vote inherent to REN shares which, pursuant to Article 20(1) of the Portuguese Securities Code, are attributable to them are taken into account. In accordance with Article 12(12) of the Articles of Association, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are inhibited to exercise their social rights at any General Meeting with regard to any Company actions, except when ERSE has concluded that no risk of conflict of interest exists. Nevertheless, of Article 12 (3) and (12) of the Articles of Association are the result of legal requirement and/or administrative decision and do not seek to limit voting rights, but rather to ensure the existence of a penalty system for breaching the legal limit on the ownership of the abovementioned shares and compliance with the legal restriction on voting rights by certain entities.)	**Part 1, Chapters 7.1.1., 1.2., I.12. e 1.13**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
I.4. Companies' Articles of Association which set out a limitation on the number of votes that may be held or exercised by a sole shareholder, individually or jointly with other shareholders, shall also establish that, at least every five years, the amendment or maintenance of this provision shall be subject to a resolution by the General Meeting – without aggravated quorum requirements vis-à-vis that legally established – and that upon such resolution, all votes cast shall be counted without applying such limitation.	**Not adopted** (Article 12(3) of the Articles of Association stipulates that the votes attached to REN shares shall not be counted if issued by any shareholder, on their own behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN's share capital. For this purpose, the rights to vote inherent to REN shares which, pursuant to Article 20(1) of the Portuguese Securities Code, are attributable to them are taken into account. In accordance with Article 12(12) of the Articles of Association, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are inhibited from exercising their social rights at any General Meeting with regard to any Company's actions, except when ERSE has concluded that no risk of conflict of interest exists. Nevertheless, the abovementioned provisions are the result of legal requirement and/or administrative decision and are not to limit voting rights, but rather to ensure the existence of a penalty system for breaching the legal limit on the ownership of the abovementioned shares and compliance with the legal restriction on voting rights by certain entities. As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal requirements.)	**Part 1, chapter 7.1.1., I.2. e 7.1.1., I.5. e 7.1.2., I.13.**
I.5. Measures that require payment or assumption of fees by the Company in the event of change of control or change in the composition of the management body, thus hindering the free transferability of shares and free assessment of the performance of the members of the management body by shareholders, shall not be adopted.	**Adopted**	**Part 1, Chapter 7.1.1., I.4.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II. Supervision, Management and Monitoring **II. 1.** Supervision and Management **II.1.1.** Within the legal limits established, and unless due to the reduced size of the Company, the Board of Directors shall delegate the day-to-day management of the Company. The delegated powers shall be identified in the Company's annual Corporate Governance Report.	**Adopted**	**Part 1, Chapter 7.1.2., II.21.**
II.1.2. The Board of Directors shall ensure that the Company acts in accordance with its aims and not delegate its competence, more specifically with regard to: i) the definition of the Company's strategy and general policies; ii) the definition of the Group's corporate structure; iii) decisions that should be considered as strategic due to their value, risk or special characteristics.	**Adopted**	**Part 1, Chapter 7.1.2., II.21.**
II.1.3. The General and Supervisory Board, in addition to its supervisory duties , shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall set out the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company	**Not applicable** (This recommendation is not applicable given the corporate governance model adopted by REN)	**Part 1, Chapter 7.1.2., II.15.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.4. Except by virtue of the reduced dimension of the Company, the Board of Directors and the General and Supervisory Board, depending on the corporate governance model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of executive directors and their overall performance, as well as that of the different existing committees; b) Reflect on the system structure and governance practices adopted, verify their effectiveness and propose to the competent bodies, measures to be implemented with a view to their improvement.	**Adopted**	**Part 1, Chapter 7.1.2., II.27.**
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create control systems to ensure that the risks effectively incurred are consistent with those goals.	**Adopted**	**Part 1, Chapters 7.1.3., III.50 to III.55.**
II.1.6. The Board of Directors shall include a number of non-executive members ensuring the effective ability to supervise, monitor and assess the activity of the remaining members of the board.	**Adopted**	**Part 1, Chapter 7.1.2., II.18.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. Regarding other members of the Board of Directors, these are considered independent if they are not associated with any specific group of interests in the Company nor are under any circumstance likely to affect an exempt analysis or decision, notably due to: a) Having been an employee at the Company or at a company in a controlling or group relationship within the last three years; b) Having, in the past three years, provided services or established a commercial relationship with the company or company with which it is in a controllling or group relationship, either directly or as a partner, board member, manager or director of a legal person; c) Being paid by the company or by a company with which it is in a control or group relationship in addition to the remuneration arising from performing the duties of a board member d) Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct or indirect holders of qualifying holdings; e) Being a qualifying shareholder or representative of a qualifying shareholder.	**Adopted**	**Part 1, Chapter 7.1.2., II.18.**
II.1.8. Directors performing executive duties, when so requested by other corporate body members, shall provide any information requested by them in a timely and appropriate manner.	**Adopted**	**Part 1, Chapters 7.1.2., II.18. and 23.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee, the notices to convene and minutes of the relevant meetings.	**Adopted**	**Part 1, Chapter 7.1.2., II.18. and II.23.**
II.1.10. If the chairman of the management body carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that they can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	**Adopted**	**Part 1, Chapter 7.1.2., II.18.**
II. 2. Supervision **II.2.1.** Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee and the Financial Matters Committee shall be independent in accordance with legal criteria and be appropriately qualified to carry out his or her duties.	**Adopted**	**Part 1, Chapter 7.1.2., II.18.**
II.2.2. The supervisory body shall be the main representative of the External Auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing its remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	**Adopted**	**Part 1, Chapters 7.1.2., III.38 and 7.1.2., V. 45.**
II.2.3. The supervisory board shall assess annually the External Auditor and propose to the competent body its dismissal or termination of the contract for the provision of its services when there is a just cause for said purpose.	**Adopted**	**Part 1, Chapter 7.1.2., V. 45.**
II.2.4. The supervisory body shall assess the functioning of the internal control and risk management systems and propose the adjustments that may be deemed necessary.	**Adopted**	**Part 1, Chapters 7.1.2., III.38. and 6.1.3., III.50.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential illegalities.	**Adopted**	**Part 1, Chapters 7.1.3., III.51.**
II. 3. Setting of remuneration **II.3.1.** All members of the Remunerations Committee, or equivalent, shall be independent in regard to the executive members of the management body and such committee shall include, at least, one member with know-how and experience in remuneration policy matters.	**Adopted**	**Part 1, Chapters 7.1.4., II.67. and 68.**
II.3.2. Any natural or legal person which provides or has provided, over the past three years, services to any structure reporting to the management body, or to the management body of the Company or that has a current relationship with the Company or a consultant to the Company, shall not be engaged to assist the Remunerations Committee on the performance of its duties. This recommendation also applies to any natural or legal person which has an employment or a services agreement with the abovementioned persons.	**Adopted**	**Part 1, Chapter 7.1.4., II.67**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
II.3.3. The declaration on the remuneration policy of the management and supervisory bodies referred to under Article 2 of Law No 28/2009 of June 19 2009, shall also, contain information on: a) Identification and details of the criteria for determining the remuneration to be paid to the members of the corporate bodies; b) Information on the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identification of the circumstances whereby these maximum amounts may be payable; d) Information on the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	**Adopted**	**Part 1, Chapter 7.1.4., III.69.**
II.3.4. A proposal shall be submitted to the General Meeting on the approval of plans for the allocation of shares, and/or stock options or based on variations in share price, to members of the corporate bodies. The proposal shall contain all the necessary information for the proper evaluation of the plan.	**Not applicable**	**Part 1, Chapter 7.1.4., VI.85.**
II.3.5. Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting. The proposal shall contain all the necessary information for the proper evaluation of the system.	**Not applicable**	**Part 1, Chapter 7.1.4., III.69.**
III. Remuneration **III.1.** The remuneration of the executive members of the management body shall be based on actual performance and shall discourage taking on excessive risk.	**Adopted**	**Part 1, Chapters 7.1.4., III.69, and III.70.**
III.2. The remuneration of non-executive members of the management body and the remuneration of the members of the supervisory body shall not include any component which value depends on the performance of the Company or of its value.	**Adopted**	**Part 1, Chapters 7.1.4., III.69., III.70. and IV.77.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
III.3. The variable component of the remuneration shall be globally reasonable vis-à-vis the fixed component, and maximum limits shall be set out for all components.	**Adopted**	**Part 1, Chapters 7.1.4.III. 69., 70. and 71.**
III.4. A significant part of the variable remuneration shall be deferred for a period of no less than three-years and the right to its payment shall depend of the Company's steady positive performance during said period.	**Adopted**	**Part 1, Chapters 7.1.4., III. 72,**
III.5. Members of the management body shall not enter into contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of the remuneration established for them by the Company.	**Adopted**	**Part 1, Chapters 7.1.4., III.73,**
III.6. Until the end of their term of office, the Executive Directors shall hold the Company shares that were allocated to them by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.	**Not applicable**	**Part 1, Chapters 7.1.4., III.73,**
III.7. When the variable remuneration includes stock options, the beginning of the exercise period shall be deferred for a period of no less tan three years.	**Not applicable**	**Part 1, Chapters 7.1.4., III.69. and III.74.**
III.8. When the removal of a director is not due to serious breach of his duties nor to this unfitness for the normal exercise of hs functions, but is yet due to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable	**Adopted**	**Part 1, Chapter 7.1.4., V.83**
IV. Auditing **IV.1.** Within the scope of its duties, the External Auditor shall verify the implementation of the remuneration policies and systems for corporate bodies, the effectiveness and functioning of the internal control mechanisms and report any deficiencies to the Company's supervisory body.	**Adopted**	**Part 1, Chapters 7.1.2., III.38 and 7.1.3., III.50.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
IV.2. The Company or any entities with which it maintains a controlling relashoinship shall not engage the External Auditor or any entities in a group relationship with said External Auditor or which are part of the same network, for services other than audit services. Should there be reasons for the engagement of such services – which shall be approved by the supervisory body and explained in the annual Corporate Governance Report,such services shall not exceed 30% of the total value of the services provided to the Company.	**Adopted**	**Part 1, Chapter 7.1.2., V.46 and 7.1.2., V.47**
IV.3. Companies shall promote the rotation of the auditor at the end of two or three terms of office, as they respectively are of four or three years. Their continuance beyond this period shall be grounded on a specific opinion of the supervisory body, which shall expressly consider the auditor's independence conditions and the advantages and costs arising out of its replacement.	**Adopted**	**Part 1, Chapter 7.1.2., V.44.**
V. Conflicts of interests and transactions with related parties **V.1.** Deals entered into between the Company and qualifying shareholders, or with entities in a relationship with such shareholders as set out in Article 20 of the Portuguese Securities Code, shall be carried out under normal market conditions.	**Adopted**	**Part 1, Chapter 7.1.5., II.92.**
V.2. The supervisory or monitoring body shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in Article 20(1) of the Portuguese Securities Code. Completion of a significantly relevant business is dependent upon prior opinion of that body.	**Adopted**	**Part 1, Chapters 7.1.1., II.10 and 7.1.5., I.89.**
VI. Information **VI.1.** Companies shall provide, their websites, in both Portuguese and English, access to information on their progress as regards the economic, financial and governance state of play.	**Adopted**	**Part 1, Chapter 7.1.3., V.59. to V.65.**

RECOMMENDATION / CHAPTER[110]	INDICATION ON THE ADOPTION OF THE RECOMMENDATION	CHAPTER OF THE REPORT
VI.2 Companies shall ensure the existence of an investor support permanent contact with the market office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	**Adopted**	**Part 1, Chapter 7.1.3., IV.56. to IV.58.**

3. OTHER INFORMATION

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

In relation to 2017, for the purpose of paragraph r) of Article 245-A of the Securities Code, it should be highlighted that REN has in force *(i)* a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; and *(ii)* a "Plan for Gender Equal Treatment" aplicabble to the REN Group. In addition, in this respect, REN also endorsed, in 2015, the compromise agreement with the Portuguese Government for gender equality in the corporate bodies of listed companies.

REN initiated a work of evaluation of the implementation of an integrity policy of the REN Group, aiming to establish the principles of action and duties of the companies of the Group, and respetive employees, combat and prevent the ilicit actions, namely corruption, money laundering, terrorism financing, and to promote the etics, integrity and transparency in the businesses performed.

REN is not in the possession of any other additional information which is relevant for understanding the governance model and practices implemented.

ANNEXES

1
MANAGEMENT REPORT

1.1
LEGISLATION ON ELECTRICITY AND NATURAL GAS PUBLISHED IN 2017

1.1.1 ELECTRICITY

Directive No 1/2017 (ERSE) of 3 January, Portuguese Official Journal No 2, Series II
Approves the tariffs and prices for electrical power and other services in 2017.

Portaria No 10/2017 of 9 January, Portuguese Official Journal No 6, Series I
Reviews the addition rate on CO_2 emissions and sets the addition applicable in the mainland, resulting from the application of this rate to the addition factors for each product. Repealed through Portaria No 38/2017 of 28 December, Portuguese Official Gazette No 248, Series I.

Portaria No 20/2017 of 11 January, Portuguese Official Journal No 8, Series I
Defines the reference rate applicable during 2017 for electricity sold to the public service network (RESP) originating in small production units (UPP) using renewable energy.

Directive No 2/2017 of 12 January, Portuguese Official Journal No 9, Series II
Setting profiles for losses, consumption, production and facilities with own consumption applicable in 2017.

Commission Implementing Decision (EU) No 2017/89 of 17 January, Official Journal of the European Union, 14, Series L
Establishes the annual lists of priorities when drawing up guidelines and network codes in electricity and gas for 2017.

Portaria No 41/2017 of 27 January, Portuguese Official Journal No 20, Series I

Establishes the remuneration scheme for the security reserve provided to the National Electricity System (SEN) through availability services provided by electrical energy producers and other market agents.

Directive No 3/2017 (ERSE) of 27 January, Portuguese Official Journal No 20, Series II

Lays down the price formation for the secondary regulation band.

ERSE instruction No 1/2017 of 9 March

Approves the specific rules for the auction of security reserve for the National Electricity System.

ERSE instruction No 2/2017 of 9 March

Approves the rules and procedures for verifying availability for situations not covered by Portaria No 172/2013 of 13 May.

Despacho No 2078-B/2017 of 10 March, Portuguese Official Gazette No 50, Series II

Approves the general terms of the availability service contract, the respective models and the administrative and technical information relating to the remuneration scheme for the auction of the security reserve provided to the National Electricity System (SEN) through availability services supplied by electrical power producers and other market agents for 2017.

Decree-Law No 38/2017 of 31 March, Portuguese Official Gazette No 65, Series I

Approves the legal regime applicable to the activity of logistics operator in the changing of electricity and gas suppliers.

Decision (EU) No 2017/684 of the European Parliament and of the Council of 12 April, Official Journal of the European Union 99, Series L

Creates an information exchange system for inter-governmental agreements and non-binding instruments between Member States and third countries in the field of energy.

Directive No 4/2017 (ERSE) of 26 April, Portuguese Official Journal No 81, Series II

Approves registration in Balance Areas for Physical Units relating to the Terragido and Palhal Hydro-Electricity Plants.

Directive No 5/2017 (ERSE) of 26 April, Portuguese Official Journal No 81, Series II

Designates the entity to operate the security reserve auction for the National Electricity System.

Directive No 8/2017 (ERSE) of 1 August, Portuguese Official Journal No 147, Series II

Names the entities qualified to be part of the diverted sale unit in accordance with the Procedures Manual for General System Management.

Commission Regulation (EU) No 2017/1485 of 2 August, Official Journal of the European Union 220, Series L

Sets out guidelines on the operation of electricity transmission networks.

Directive No 11/2017 (ERSE) of 22 August, Portuguese Official Journal No 161, Series II

Approves the amendment to Procedure No 9 in the Quality of Service Procedures Manual for the Electricity Sector with regard to the measurement of the quality of electrical power as a result of customer complaints.

Despacho No 7557-A/2017 of 24 August, Portuguese Official Journal No 164, Series II

Repeals the full content of Despacho No11566-A/2015 of 3 October, Portuguese Official Journal. (II series) of 15 October (2nd supplement), which lays down the parameters required for the determination process for regulated tariffs in the National Electricity Sector.

Law No 105/2017 of 30 August, Portuguese Official Journal No 167, Series I

Lays down the free choice of household consumers of electricity through the regulated tariff scheme, carrying out the second amendment to Decree-Law No 75/2012 of 26 March.

Despacho No 7875/2017 of 7 September, Portuguese Official Gazette No 173, Series II

Declares the invalidity of Article 35-B of Portaria No 243/2013, introduced by Portaria No 133/2015 of 15 May.

Despacho No 8004-A/2017 of 13 September, Portuguese Official Gazette No 177, Series II

Declares the partial invalidity of Despacho No 11566-A/2013 of 3 October, with regard to the decisions set out in Nos 11 and 12.

Despacho No 9371/2017 of 24 October, Portuguese Official Journal No 205, Series II

Declares the partial invalidity of Despacho No 11566-A/2015 of 3 October, issued by the Secretary of State for Energy (Portuguese Official Gazette, 2nd series, No 202 of 15 October 2015).

Regulation (EU) No 2017/1938 of the European Parliament and of the Council of 25 October, Official Journal of the European Union 280, Series L

Lays down measures to safeguard the security of gas supply in the European Union.

Regulation (EU) No 2017/2010 of 10 November, Official Journal of the European Union, 292 Series L

Amends the updates for the annual and monthly energy statistics.

Portaria No 348/2017 of 14 November, Portuguese Official Journal No 219, Series I

Lays down the scheme equivalent to that of the transitional or regulated tariffs which end customers holding electricity supply contracts with a market regime supplier may benefit from, in accordance with Decree-Law No 75/2012 of 26 March, amended by Decree-Law No 15/2015 of 30 January and by Law No 105/2017 of 30 August.

Despacho No 9955/2017 of 17 November, Portuguese Official Journal No 222, Series II

With effects as of 24 August 2017, stipulates that the values of the parameters *[arising from Portaria No 225/2015 of 30 July*] are those as set out in this Despacho.

Commission Regulation (EU) No 2017/2195 of 23 November, Official Journal of the European Union 312, Series L

Establishes a guideline on electricity balancing.

Commission Regulation (EU) No 2017/2196 of 24 November, Official Journal of the European Union 312, Series L

Establishes a network code on electricity emergency and restoration.

Portaria No 364-A/2017 of 4 December, Portuguese Official Journal No 232, Series I

Provides new wording to Article 2 of Portaria No 27/2014 of 4 February, to set 31 December 2020 as the final date for the requirement to supply electricity by suppliers of last resort to high, medium and special low voltage end customers without contracted supply on the free market, as provided for in Article 6(1) of Decree-Law No 104/2010 of 29 September, amended by Decree-Law No 75/2012 of 26 March, by Decree-Law No 256/2012 of 29 November, by Decree-Law No 13/2014 of 22 January and by Decree-Law No 15/2015 of 30 January.

Regulation No 619/2017 (ERSE) of 18 December, Portuguese Official Journal No 241, Series II

Approves the Tariff Regulations for the Electricity Sector.

Regulation No 620/2017 (ERSE) of 18 December, Portuguese Official Journal No 241, Series II

First amendment to the Regulations for Access to Networks and Electricity Sector Interconnections.

Regulation No 621/2017 (ERSE) of 18 December, Portuguese Official Journal No 241, Series II

First amendment to the Regulations for the Operation of Electricity Sector Networks.

Regulation No 629/2017 (ERSE) of 20 December, Portuguese Official Journal No 243, Series II

Approves the Regulations for the Service Quality of the Electricity and Natural Gas Sectors and the Quality Procedures Manual for the Electricity and Natural Gas Sectors.

Regulation No 632/2017 (ERSE) of 21 December, Portuguese Official Journal No 244, Series II

First amendment to the Regulations for Commercial Relationships in the Electricity Sector.

1.1.2 NATURAL GAS

Portaria No 10/2017 of 9 January, Portuguese Official Journal No 6, Series I

Reviews the addition rate on CO_2 emissions and sets the addition applicable in the mainland, resulting from the application of this rate to the addition factors for each product. Repealed by Portaria No 384/2017 of 28 December, Portuguese Official Gazette No 248, Series I

Portaria No 92-A/2017 of 2 March, Official Journal No 44, Series I

Defines the parameters and values for calculating the equivalent economic excess of the long-term supply contracts under the “take-or-pay” scheme.

Commission Regulation (EU) No 2017/459 of 16 March, Official Journal of the European Union 72, Series L

Establishes a network code on capacity allocation mechanisms in gas transmission systems.

Commission Regulation (EU) No 2017/460 of 16 March, Official Journal of the European Union 72, Series L

Establishes a network code on harmonised transmission tariff structures for gas.

Decree-Law No 38/2017 of 31 March, Portuguese Official Gazette No 65, Series I

Approves the legal regime applicable to the activity of logistics operator in the changing of electricity and gas suppliers.

Portaria No 133-A/2017 of 10 April, Portuguese Official Journal No 71, Series I

Addendum to the Regulations on the Management of the Fund for the Systemic Sustainability of the Energy Sector.

Despacho No 3229/2017 of 18 April, Portuguese Official Journal No 76, Series II

Sets out the discount to be applied to natural gas tariffs.

Portaria No 144/2017 of 24 April, Portuguese Official Journal No 80, Series I

Approves the new schedule for the cancellation of transitional tariffs in the natural gas market, setting 31 December 2020 as the date for the purpose.

Despacho No 5238-A/2017 of 12 June, Portuguese Official Journal No 113, Series II

Sets the amounts allocated to the Fund for the Systemic Sustainability of the Energy Sector (FSSSE), with regard to the income provided for in Article 11(4) of the Extraordinary Levy on the Energy Sector, approved by Law No 83-C/2013 of 31 December, which are deducted from the general system use tariff applicable to National Natural Gas System (SNGN) end customers and suppliers.

Directive No 7/2017 (ERSE) of 17 July, Portuguese Official Gazette No 136, Series II

Amends the Tariff Regulations for the Natural Gas Sector.

Directive No 9/2017 (ERSE) of 4 August, Portuguese Official Journal No 150, Series II

Approves natural gas consumption profiles and average daily consumption approved by ERSE to be in effect in the gas year of 2017-2018.

Directive No 10/2017 (ERSE) of 17 August, Portuguese Official Journal No 158, Series II

Sets natural gas tariffs and prices for the 2017-2018 gas year.

Directive No 13/2017 (ERSE) of 21 September, Portuguese Official Journal No 183, Series II

Approves the Procedures Manual for Access to Natural Gas Infrastructures.

Regulation (EU) No 2017/1938 of the European Parliament and of the Council of 25 October, Official Journal of the European Union 280, Series L

Lays down measures to safeguard the security of gas supply in the European Union.

Commission Regulation (EU) No 2017/2169 of 21 November, Official Journal of the European Union 306, Series L

Lays down the format and arrangements for the transmission of European Statistics on natural gas and electricity prices

Regulation No 629/2017 (ERSE) of 20 December, Portuguese Official Journal No 243, Series II

Approves the Regulations for the Service Quality of the Electricity and Natural Gas Sectors and the Quality Procedures Manual for the Electricity and Natural Gas Sectors.

2
CORPORATE GOVERNANCE

In 2017, REN was notified of the following transactions in financial instruments by members of its corporate bodies, which were relevant for the purposes of Article 14 of CMVM Regulation 5/2008 and Article 447 of the Securities Code:

1. The Chairman of the Audit Committee and member of the Board of Directors of REN, Mr. Manuel Ramos de Sousa Sebastião, carried out the following transactions with regard to REN shares:

TYPE OF TRADE	PLACE	QUANTITY	PRICE (€)	DATE OF TRADE
Purchase	Euronext Lisbon	2,041	1,877	07/12/2017
Purchase	Euronext Lisbon	950	2.44	13/12/2017
Purchase	Euronext Lisbon	10,009	2.44	13/12/2017
Purchase	Euronext Lisbon	10,000	2.41	14/12/2017

2. Fidelidade – Companhia de Seguros, S.A. (Fidelidade) qualified shareholder and entity related to Jorge Manuel Baptista Magalhães Correia, member of the REN Board of Directors carried out the following transactions with regard to REN shares:

TYPE OF TRADE	PLACE	QUANTITY	PRICE (€)	DATE OF TRADE
Purchase	Euronext Lisbon	1,021	2,603	13/02/2017
Purchase	Euronext Lisbon	827	2,603	13/02/2017
Purchase	OTC	7,063,428	1,877	07/12/2017

GLOSSARY

FINANCIAL GLOSSARY

ACRONYMS

CAPEX
Capital expenditure on acquisitions andupgrades of tangible fixed assets

DEBT TO EQUITY RATIO
Net debt/equity

NET DEBT
Short and long-term financial debt – cash balances

DIVIDEND PER SHARE
Ordinary dividend/total number of shares outstanding

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation
(operating profit, excluding amortisation and depreciation)

OPEX
Operational expenditure

PAYOUT RATIO
Ordinary dividend/net profit

RAB
Regulated Asset Base

RCCP
Current ROE

RETURN ON ASSETS (ROA)
EBIT/total assets

RETURN ON EQUITY (ROE)
Net profit/Equity

TURNOVER
Sales plus services provided

VAB
Value Added Tax

TECHNICAL GLOSSARY

ACRONYMS

AA
Environmental Assessment

AA1000
Assurance Standard 2008

AA1000APS
Accountability Principles Standard

AA1000SES
Stakeholder Engagement Standard

AAE
Strategic Environmental Assessment

ACER
Agency for the Cooperation of Energy Regulators

ACT
Collective Bargaining Agreement

AGC
Agreement on the Management of Natural Gas Consumption

AGSI
Aggregated Gas Storage Inventory

APA
Portuguese Environment Agency

APAI
Portuguese Association for Impact Assessment

BCSD
Business Council for Sustainable Development

BV
Block Valve Station

BTN
Normal Low Voltage

CAE
Energy Emission Contracts

CDP
Carbon Disclosure Project

CELE
European Union Emission Trading Scheme

CEM
Electric and Magnetic Fields

CEO
Chief Executive Officer

CER
Certified Emissions Reductions

CESUR
Power Purchase Agreements for the Supplier of Last Resort

CIGRÉ
International Council on Large Electric Systems

CIT
Individual Employment Contract

CMVM
Portuguese Securities Market Regulator

CO
Certificates of Origin

CO2
Carbon dioxide (greenhouse gas)

CODEMO
Portuguese Code for Market Research and Opinion Studies

CRH
Human Resources Committee

CT
Term Contracts

CTS
Custody Transfer Station

DACF
Day Ahead Congestion Forecast

DGEG
Department of Energy and Geology

DR
Diário da República [Portuguese official journal]

DRS
Disaster Recovery System

DWDM
Dense Wavelength Division Multiplexing

EC
European Commission

ECS
Environmental Framework Studies

ECSI
European Customer Satisfaction Index

ECX
European Climate Exchange

EDP
Energias de Portugal, S.A.

EEGO
Issuing Entity for Cogeneration Guarantees of Origin

EGIG
European Gas pipeline Incident Data Group

EIA
Environmental Impact Assessment

EIB
European Investment Bank

EINCA
Study of Environmental Incidences

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

ELECPOR
Portuguese Association of Companies in the Electricity Sector

EMTN
Euro Medium Term Notes

ENAAC
National Strategy for Adaptation to Climate Changes

ENF
Energia Não Fornecida [Non Supplied Energy]

ENTOS-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

ERGEG
European Regulators Group for Electricity and Gas

ERSE
Energy Services Regulatory Authority

ESOMAR
European Society for Opinion and Marketing Research Association

ETA
Electricity Transmission Activity

ETS
Emissions Trading Scheme

ETSO
European Transmission System Operators

EU
European Union

EUA
European Unit Allowances

EURELECTRIC
European Union of Electricity Companies

FAI
Innovation Support Fund

FBF
Firefly Bird Flapper

FEUP
School of Economics, University of Porto

FP7
7th Framework Program of the European Community on research, technological development and demonstration activities

FSR
Florence School of Regulation

GDP
Gás de Portugal, SGPS, S.A.

GDP
Gross Domestic Product

GGS
Global System Management

GHG
Greenhouse gases

GNL
Liquefied Natural Gas

GNR
Guarda Nacional Republicana [Portuguese National Guard]

GO
Guarantees of Origin

GPEARI
Planning, Strategy, Evaluation and International Relations Office

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSE
Gas Storage Europe

GVA
Gross Value Added

HICP
Harmonised Index of Consumer Prices

HIV
Human Immunodeficiency Virus

HV
High Voltage

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICNF
Institute for Conservation of Nature and Forests

IDAD
Institute for the Environment and Development of the University of Coimbra

IEA
International Energy Agency

IES
Independent Electricity System

IFRS
International Financial Reporting Standards

IGU
Independent Gasification Units

INE
Portuguese Institute of Statistics

INESC

Institute of Systems and Computer Engineering

IOPS
Official Social Welfare Institutions

IP
Internet Protocol

IPCTN09
Survey of the National Scientific and Technological Potential, 2009

IPSS
Private Institutions of Social Solidarity

IRC
Corporate Income Tax

ISAE 3000
International Standard on Assurance Engagements 3000

ISDA
International Swap and Derivatives Association

ISO
International Organization for Standardization

ISQ
Welding and Quality Institute

IST
Higher Technical Institute

ITELSA
Innovative Tools for Electrical System security within Large Areas

IUCN
International Union for conservation of Nature

JCT
Junction Station

KPI
Key Performance Indicator

LABELEC
Research, Development and Laboratory Activities

LBG
London Benchmarking Group

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied natural gas

LPN
League for the Protection of Nature

MBA
Master of Business Administration

MC
Market Committee

MEC
Portuguese Ministry of Science and Education

MEDGRID
Consortium with the goal of promoting the development of electrical interconnections between the North, South and East Mediterranean

MEFF
Spanish Futures and Options Exchange

MERGE
Mobile Energy Resources for Grids of Electricity

METSO
Mediterranean Transmission System Operators

MIBEL
Iberian Electricity Market

MLT
Medium- and Long-Term

MODPEHS
Modular Development of a pan-European Electricity Highway System

MTSP
Municipal Tax on Sale of Property

NATO
North Atlantic Treaty Organization

NG
Natural Gas

OECD
Organisation for Economic Co-operation and Development

OHS
Occupational Health and Safety

OHSAS
Occupational Health and Safety Advisory Services

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMI
Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energía (Pólo Português), S.A. [Portuguese Cluster]

PAPI
Pen and Paper Interview

PDIR
Development and Investment Plan of the Electricity Transmission Network

PDIR
Development and Investment Plan of the RNTIAT

PEGASE
Pan European Grid Advanced Simulation and State Estimation

PNALE
Portuguese Emission Licence Award Plan

PNBEPH
Portuguese Plan for High Hydraulic Potential Dams

PNDI
Natural Park of International Douro

PNLE II
Portuguese Emission Licence Award Plan

POC
Portuguese Official Accounting Plan

PPA
Power Purchase Agreements

PPDA
Environmental Performance Promotion Plan

PPEC
Plan for the Promotion of the Efficient Use of Electricity

PRE
Subsidised producers

PREN
Plan for the Rationalization of Energy Consumption

PRV
Variable Remuneration Program

PSP
Portuguese Police Force

QAS
Quality, Environment and Safety

QP
Permanent Staff

QSR
Quality of Service Regulation

QUERCUS
National Association for Nature Conservation

R&D
Research & Development

RDC
Research and Development Committee

RDI
Industrial Data Network

RDI
Research, Development & Innovation

RECAPE
Environmental Compliance Report on the Execution Project

RECS
Renewable Energy Certificate System

REIVE
Power lines with Smart Electric Vehicles

REN TELECOM
REN TELECOM – Comunicações, S.A.

RES
Renewable Energy Sources Directive

RH
Human Resources

RNDGN
National Natural Gas Distribution Network

RNT
National Electricity Transmission Network

RNTGN
National Natural Gas Transmission Network

RNTIAT
National Natural Gas Transmission Network, Storage Infrastructure and LNG Terminals

SAP
Systems of applications and products for data processing

SDC
System Development Committee

SDH

Synchronous Digital Hierarchy

SEN
National Electricity System

SEP
Public Electricity Supply System

SGCIE
Intensive Energy Consumption Management System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding Company

SGRI
South Gas Region Initiative

SIFIDE
System of Tax Incentives for Research and Development

SIGQAS
Integrated Management System for Quality, Environment and Safety

SNGN
National Natural Gas System

SOC
System Operations Committee

SRPV
Service of Private Voice Networks

SS
Substation

SSSV
Safety Valves on Surface

TEE
Transmission of Electrical Power

TEN
Trans-European Networks

TSO
Transmission System Operators

TYNDP
Ten-Year Network Development Plan

UGS
Tariff of Global Use of the System

URT
Tariff of Use of the Transmission Network

VHV
Very High Voltage

VHVL
Very High Voltage Lines

ZCA
Hunting Area

ZPE
Special Protection Areas

UNITS

bcm	109 cubic metres
cent	Euro cents
CO_2	carbon dioxide
EUR	Euro
€	Euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt hour
k€	thousand of Euro
km	kilometre
kV	kilovolt
kWh	kilowatt hour
m^3	cubic metre
$m^3(n)$	normal cubic metre (volume of gas measured at 0^o Celsius and at the pressure of 1 atmosphere)
M€	million Euros
mEuros	thousand of Euro
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt hour
p.p.	percentage points
s	second
t	tonne
tcm	1012 cubic metres
tCO_2eq	Tonne of CO_2 equivalent
TWh	terawatt-hour

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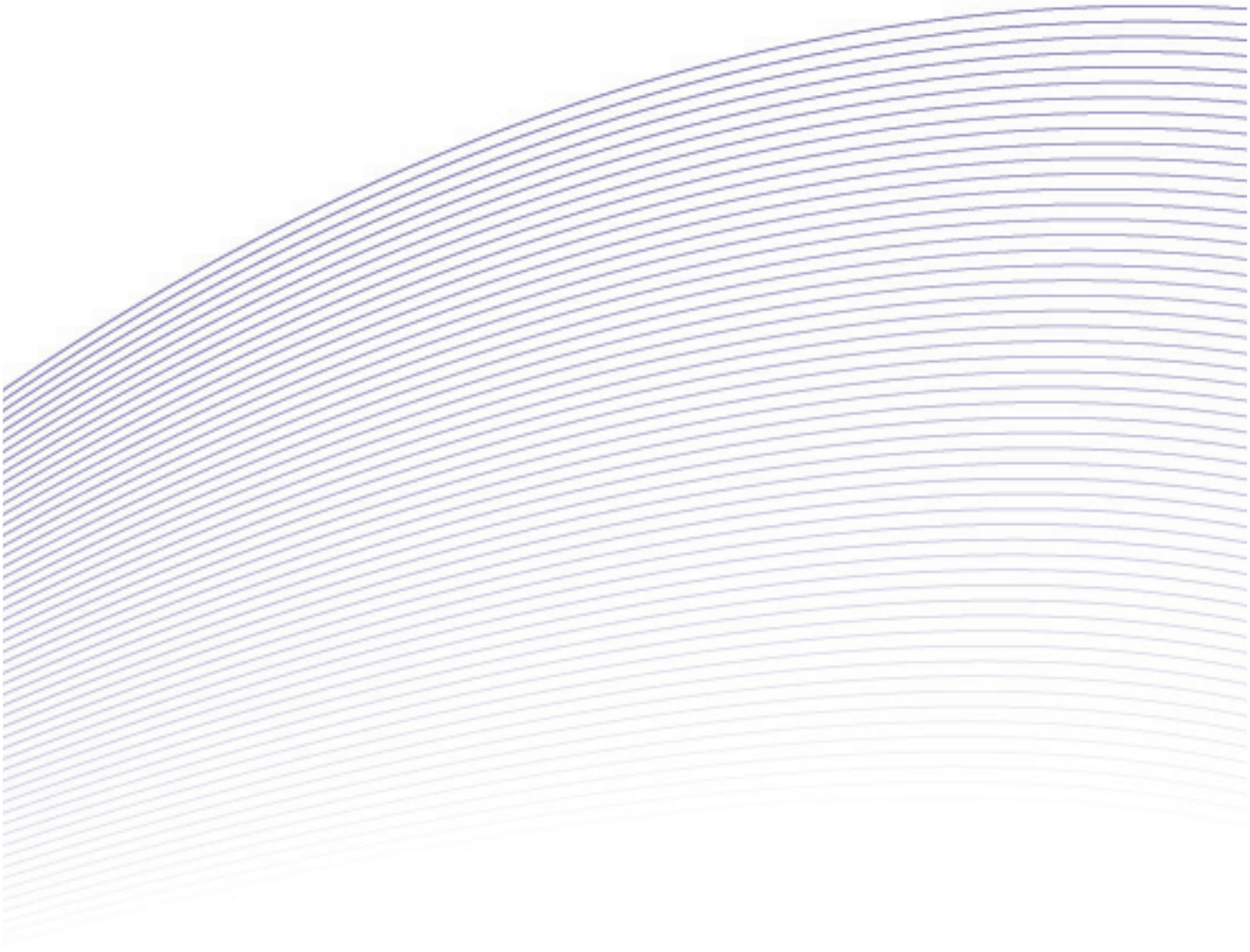

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