Report and Accounts for the REN Group 2009

REN

Redes Energéticas Nacionais

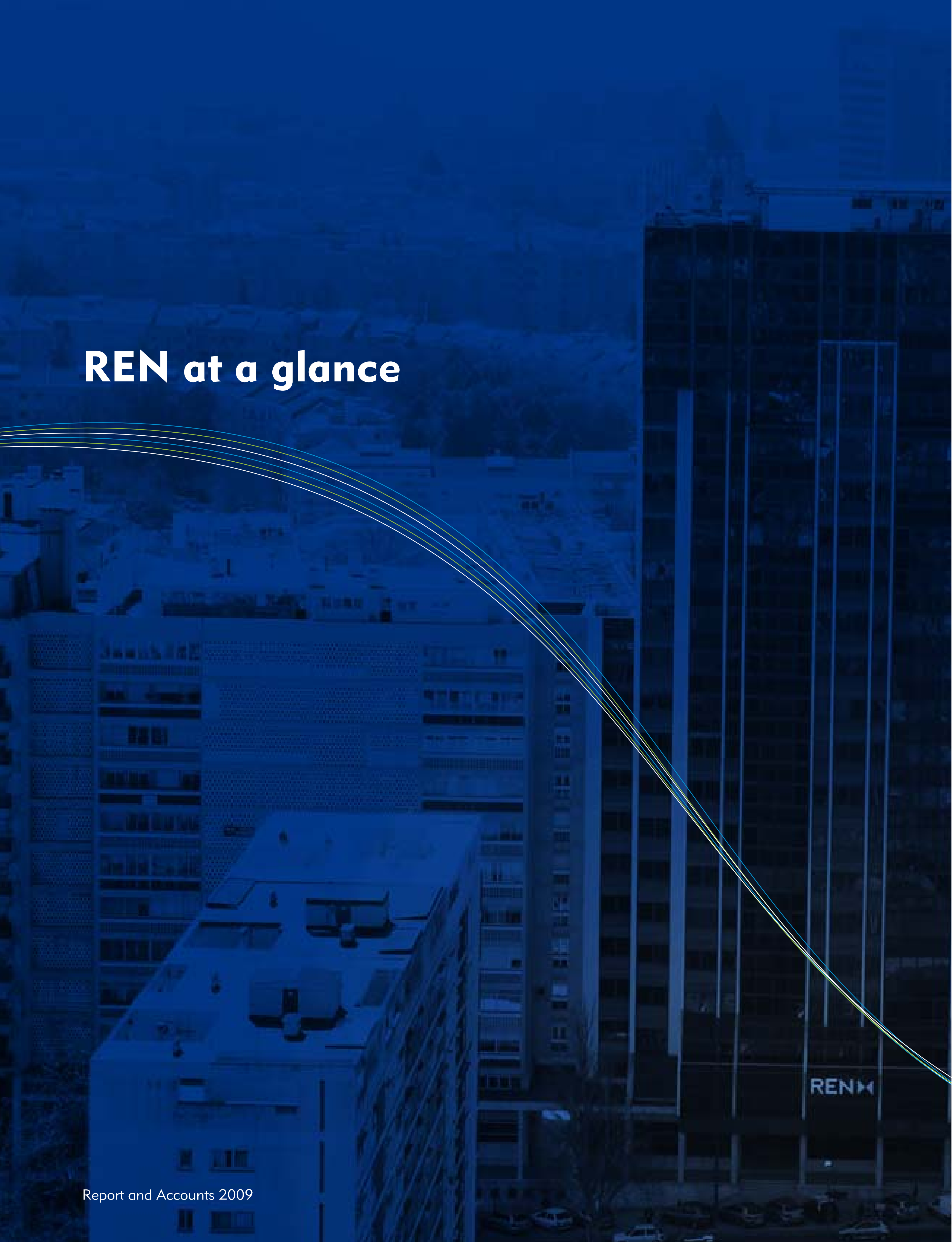
Year 2009

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

Report and Accounts 2009

Contents

REN at a glance



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Profile

REN's main business is to manage energy transmission and transport systems. It is one of just a few European operators active in both electricity and natural gas.

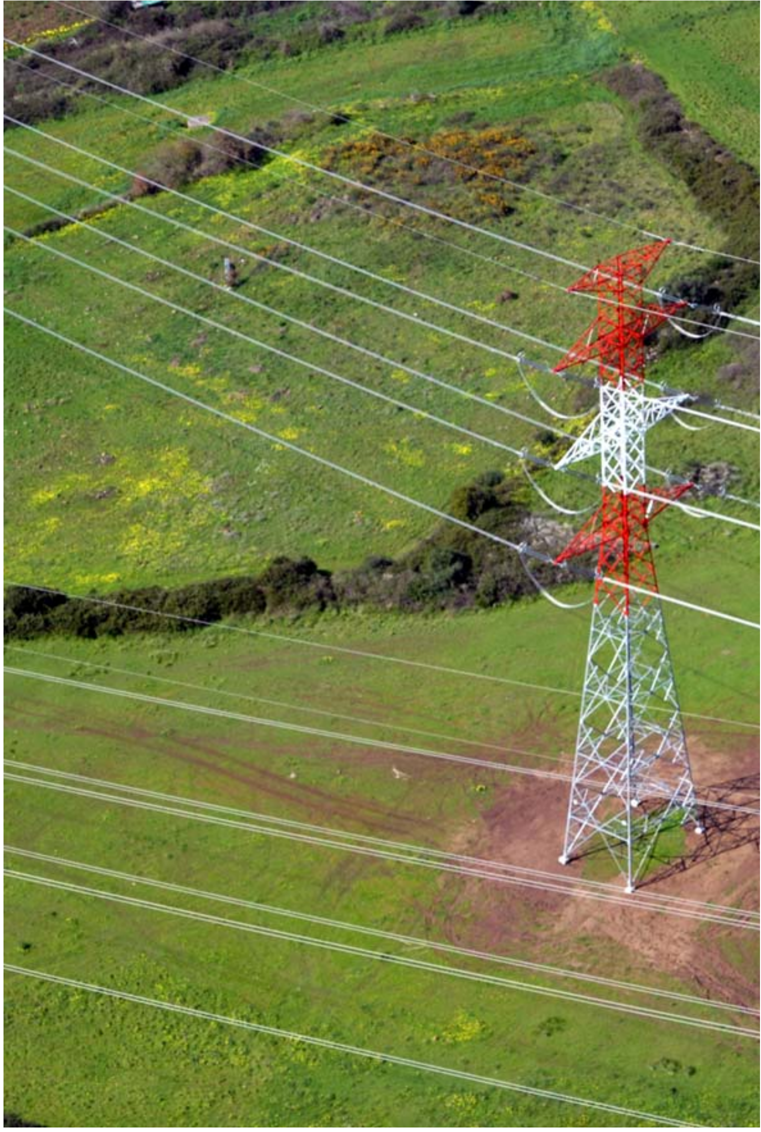
REN operates essentially in two business areas:

• the transmission of very high voltage electricity and overall technical management of the National Electricity System, for which it holds a 50-year public service concession dating from 2007; and

• the high-pressure transport of natural gas and overall technical management of the National Natural Gas System, plus the reception, storage and regasification of liquefied natural gas (LNG) and underground storage of natural gas, under three 40-year public service concessions dating from 2006.

Through its 90% holding in Operador do Mercado Ibérico de Energia (Pólo Português), S.G.M.R., S.A. (OMIP), which manages the Iberian market's electricity derivatives market and its clearing house, REN is active in promoting the energy market in the Iberian Peninsula.

Since 2002, REN has also been involved in the telecommunications sector via RENTELECOM. This company was founded to exploit the surplus capacity of operator and safety telecommunications networks, which are essential for the transmission and transport of electricity and natural gas.
The forecast consumption of electricity and natural gas in Portugal offers important growth potential within a stable regulatory environment.



Mission statement, vision and values

Mission

REN's mission is to guarantee the uninterrupted supply of electricity and natural gas at the lowest possible cost while meeting criteria of quality and safety, maintaining a balance between supply and demand in real time, safeguarding the legitimate interests of all involved in the market and reconciling its missions as a system manager and grid operator.

Vision

Our vision is to be one of the most efficient European electricity and natural gas system operators, creating value for our shareholders within a framework of sustained development.

Values

Guaranteed supply
Performing concession activities, which include developing interconnections, storage infrastructure and unloading terminals so as to guarantee an uninterrupted supply of energy, which entails making capacity available which is sufficient for the markets' needs, and to satisfy all quality criteria, thus creating the right technical conditions for the Iberian electricity and natural gas markets.

Impartiality
Guaranteeing to all energy market agents (producers, network and other infrastructure operators, suppliers and consumers) access to the networks and other infrastructures in a transparent and non-discriminatory manner.

Efficiency
Performing all of our tasks meticulously in terms of production efficiency and making the best use of all resources, so contributing to the country's development by improving the population's well-being and creating value for our shareholders.

Sustainability
Managing our business in accordance with the principles of sustainable economic, social and environmental development, supporting research and development, and realising the potential of our human resources by means of technical, behavioural and ethical training.

Strategy

To fulfil our mission of being one of Europe's most efficient energy-transport networks, in accordance with our values, REN has drawn up the following strategy:

• to encourage environmental sustainability and research and development, taking initiatives that will minimize the impact of our business on the environment and which keep us at the technological forefront of network management;

• to focus on the main regulated activities in Portugal, developing electricity grids and natural gas networks, and preparing them for long-term needs, as well as making the best of our technical know-how;

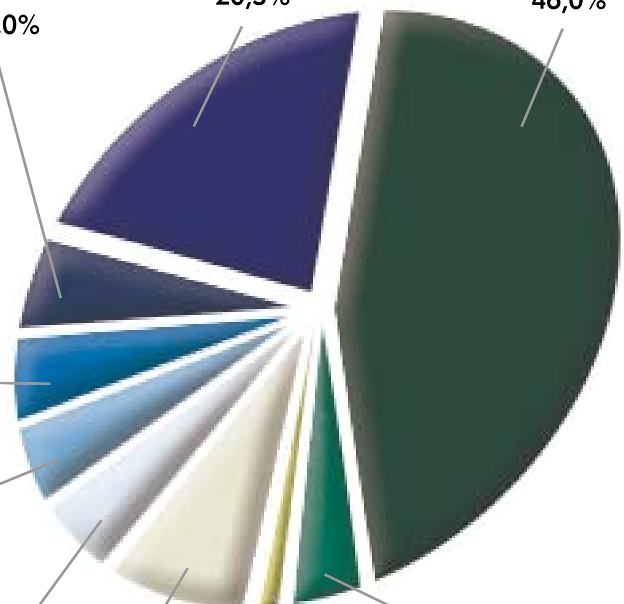
• to create an integrated energy infrastructure, being a leader in the integration of transmission, transport, storage and management of the electricity grid and natural gas network infrastructures;

• to improve operating performance and service quality, with the accent on cost efficiency and improved network and system safety and reliability;

• to follow an efficient equity policy, optimising our equity structure and maintaining a solid credit rating; and

• to maximise shareholder earnings, by creating value and maintaining a competitive level of dividend pay-out.

Shareholder structure



	31-Dec-2009	
	No. Shares	**% Capital**
Capitalpor	245,645.340	46.00%
Parpública	20,826.000	3.90%
Caixa Geral de Depósitos	6,073.255	1.14%
Logoenergia	45,045.306	8.44%
Gestfin	27,687.445	5.18%
EDP	26,700.000	5.00%
Oliren	26,700.000	5.00%
Red Electrica de España	26,700.000	5.00%
Free float	10,622.654	20.34%

Chairperson's statement

Dear Shareholders,

Portugal has experienced a veritable revolution in the energy sector in recent years. This upheaval has taken a number of forms: the separation of the infrastructures owned by the companies responsible for generating or supplying energy, the progressive privatisation of the main energy companies, greater competition in the electricity and natural gas sectors, enhanced by the growing integration of the two Iberian markets, and finally Portugal's leading international position in renewable energies.

This revolution is having a profound impact on REN's activity. As the company that owns and operates the electricity transmission and natural gas transport, storage and regasification infrastructures,

The whole Group made a remarkable effort to meet the challenges of the national energy strategy and in particular the incorporation into the grid of an increasing amount of wind power.

it is up to REN to create the right conditions for interconnecting new electricity generating stations to the grid and ensure a permanent balance between supply and demand and a high degree of security of supply, even in adverse meteorological conditions.

The new profile of electricity generation, in which renewable sources represent a growing weight, has been posing new challenges in grid planning and operation. In very simple terms, the transmission grid needs to be more resilient and more "intelligent" to cope with variations in rain and wind conditions. This is why a substantial part of REN's investments in electricity have gone towards densifying the grid and increasing the amount of software incorporated in its infrastructure.

On the other hand, the increasingly renewable profile of our electricity generation facilities means growing importance for natural gas in the mix of fossil fuel sources. Indeed, combined-cycle natural gas power stations represent the best thermoelectric generation technology for offsetting variations in wind power in the event of hydroelectric generation not being sufficient to do so, which is the case in dry years. The more important role being played by combined cycles requires appropriate facilities for receiving, storing and transporting natural gas, i.e. assets to be built and/or operated by REN.

It was in this scenario that 2009 witnessed the largest investment in REN's history and, at the same time, the best overall quality of service indicator, measured by equivalent interruption time. The whole Group made a remarkable effort to meet the challenges of the national energy strategy and in particular the incorporation into the grid of an increasing amount of wind power.

The start-up of new facilities is the main barometer of the company's growth. And 2009 beat all records in this field too, by bringing into operation ?310 million in new electricity assets and ?74 million in new natural gas assets.

We completed the construction of around 430 km of electricity lines and four new substations and switching stations. These new infrastructures boast cutting-edge technology, such as the acoustic insulation used at some facilities, software for telecommunications and protection command and control and the installation of around 11 km of underground cables to reduce environmental impacts in urban and semi-urban areas.

Where natural gas was concerned, we finished building 19 km of pipelines, established a connection with the Lares combined-cycle power station (Figueira da Foz) and started up the third underground storage cavern at Carriço (Pombal), which increased maximum underground natural gas storage capacity by 62%. I would like to highlight the fact that, after almost 10 years, investment in natural gas infrastructures in Portugal is once again substantial, involving the construction of high pressure pipelines and new storage capability and the start of work on doubling the capacity of the Sines LNG terminal.

All these investments are part of the business plan announced in April, on REN's first Investor's Day. It's an ambitious plan that shows a group experiencing sustainable growth, concentrating on its core business and focusing fully on the construction and operation of safe, efficient energy infrastructures. When all is said and done, REN's success is the success of all energy consumers in that it means a diversified, secure energy supply and an increasingly fluid, integrated market for the benefit of end users, i.e. businesses and households.

Another priority of REN's management team has been increasing efficiency in its operating activities. With this in mind, we drafted in-house plans aimed specifically at reducing operating costs and unit investment costs. Take the Sinergias project, which is designed to rationalise the Group's back-office activities, and the plan to optimise procurement and grid operation activities.

The restructuring of our Group's debt continued in 2009, with new issues on the euro market – public and by private placement – and a new contract with the EIB. As a result, the average maturity of REN's debt is now around five years, as opposed to two before the restructuring. In addition, the average cost of the debt has gone down to about 3.86%.

In short, the next few years are full of challenges in terms of energy infrastructures. Security of supply is at the top of the European agenda. Companies' ability to compete depends on open, competitive, interconnected markets. Environmental concerns demand the reconfiguration of all electricity generation facilities in order to make use of renewable resources. As a grid and system operator, REN must remain at the centre of this transformation in the energy scenario.

REN today is a group with an extremely attractive outlook for investors. It combines a low risk profile, sustained growth prospects of around 10% a year and a highly attractive dividend yield.

I would like to thank our shareholders for their trust and the support they have given to our main strategic options, thereby allowing us the necessary stability and growth conditions.

A word of acknowledgement goes to the supervisory bodies for their diligence and support in initiatives to improve REN's performance at all levels.

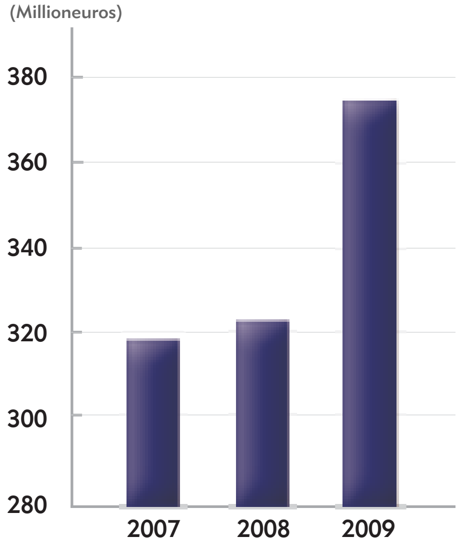
Lastly, the REN team is the Group's main resource, and its enthusiasm, professionalism and expertise guarantee to all stakeholders that the company will be up to meeting the huge challenges ahead.

Rui Cartaxo
Chairperson
REN - Redes Energéticas Nacionais

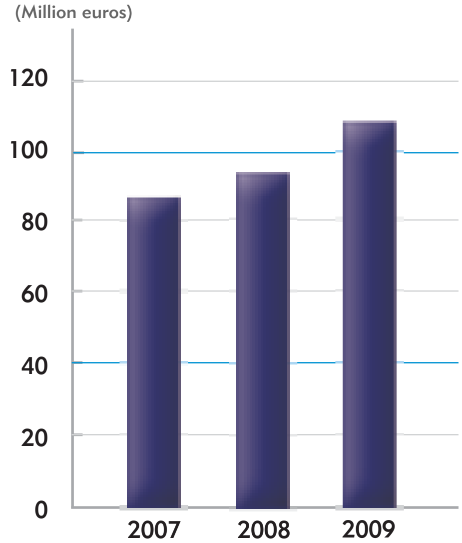
Main indicators

Operating result (Million euros)	2007	2008	2009	Δ%
EBITDA	388.9	366.7	409.2	12%
Recurrent EBITDA	318.1	322.3	374.1	16%
EBITDA margin	63.7%	60.4%	69.7%	
EBIT	264.9	237.0	249.5	5%
Net financial results	-77.5	-65.0	-64.5	-1%
Earnings before tax	187.4	172.0	184.9	8%
Net profit	145.2	127.4	134.0	5%
Recurrent Net profit	87.8	94.8	108.2	14%

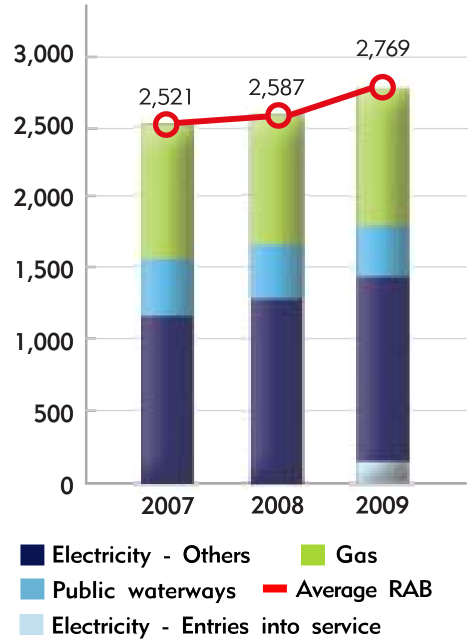
Recurrent EBITDA
(Millioneuros)



Recurrent net profit
(Million euros)

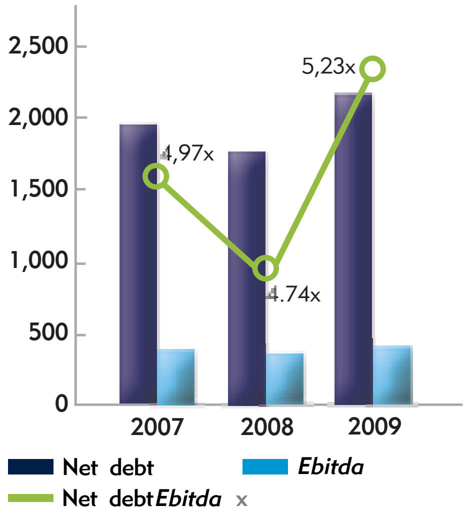


Average RAB
(Million de euros)

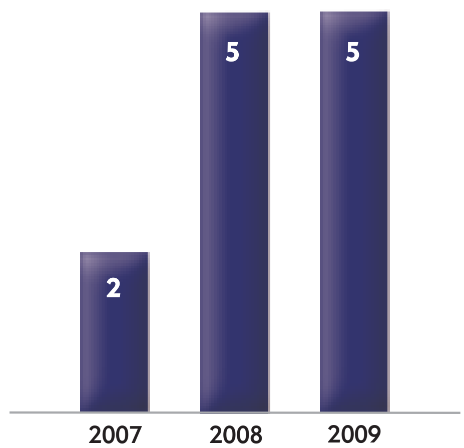


Assets, investment and debt	2007	2008	2009	Δ%
Return on assets *%*	6.73%	6.08%	6.15%	
Investment (Capex) *milhões de euros*	249.9	313.5	466.3	49%
Net debt *milhões de euros*	1,931.2	1,738.1	2,138.9	23%
Net debt/*EBITDA* *x*	4.97x	4.74x	5.23x	
Remunerated debt - average maturiy *anos*	2	5	5	

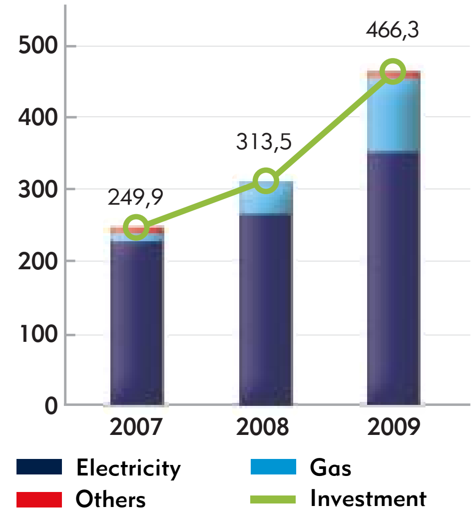
Net debt/*EBITDA*
(Million euros)



Average maturity of the debt
(years)



Investment
(Million euros)

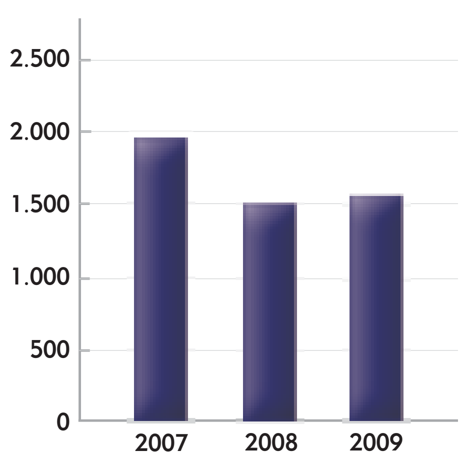


REN shares

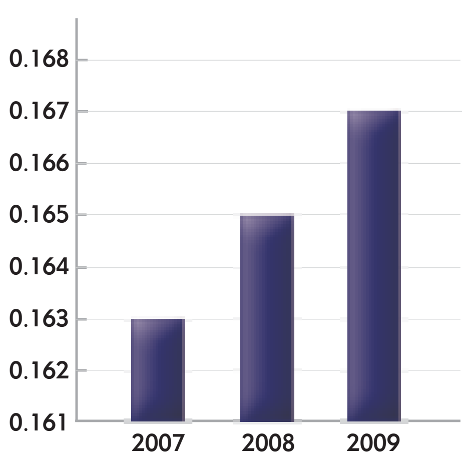
	2007	2008	2009
Year-end closing share price *euros*	3.620	2.835	3.000
Appreciation during the year *%*	31.6%	21.7%	5.8%
Market cap *million euros*	1,933	1,514	1,602
Net profit per share *euros*	0.27	0.24	0.25
Dividend per share *euros*	0.163	0.165	0.167
Payout ratio *%*	59.9%	69.2%	66.5%
Dividend yeld *%*	4.5%	5.8%	5.6%

[1] Start of trading in July 2007

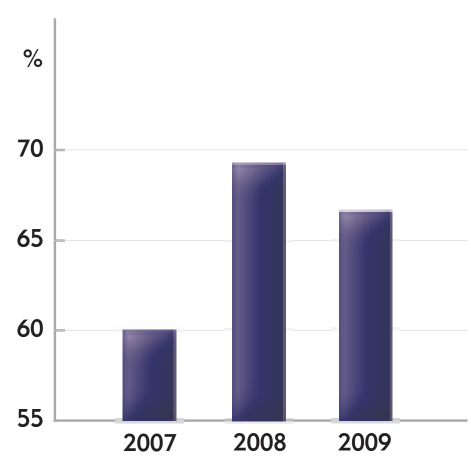
Stock market capitalization
(Million euros)



Dividend per share
(Euros)



Payout ratio
(%)

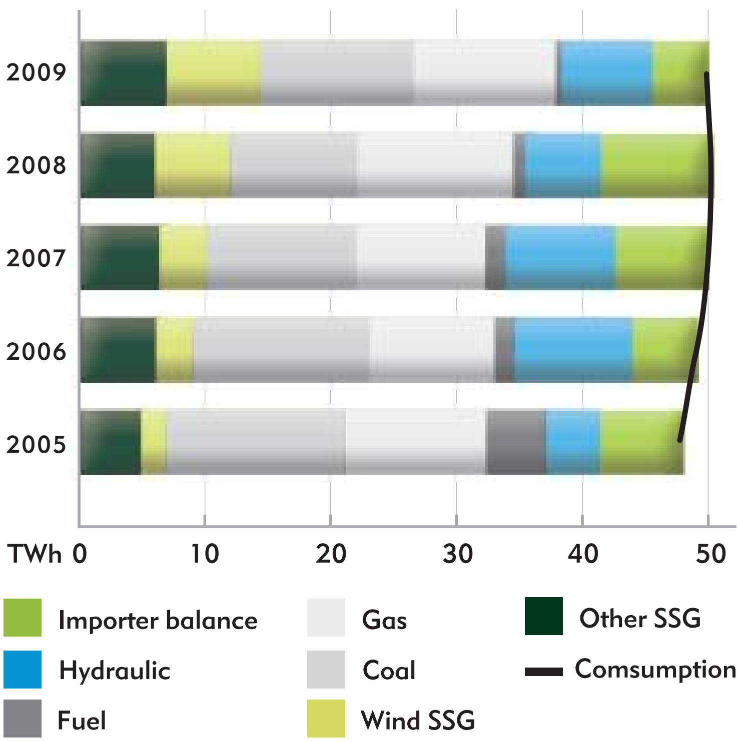


Technical indicators

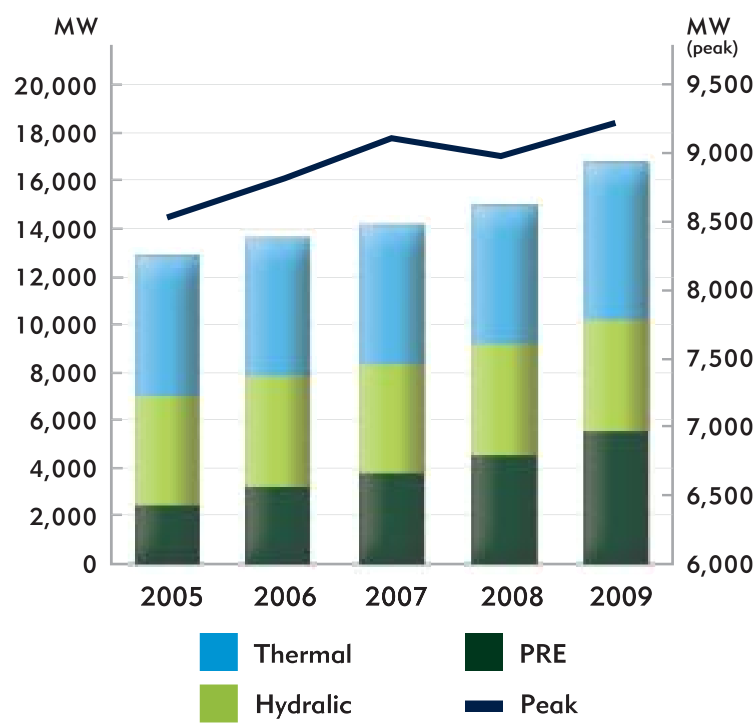
Electricity

	2005	2006	2007	2008	2009
Electricity consumation - annual change *%*	5.4%	2.6%	1.8%	1.1%	-1.4%
Installed power *GW*	12,817	13,628	14,139	14,924	16,738
Equivalent interruption time *minutes*	0.49	0.57	0.74	1.29	0.42

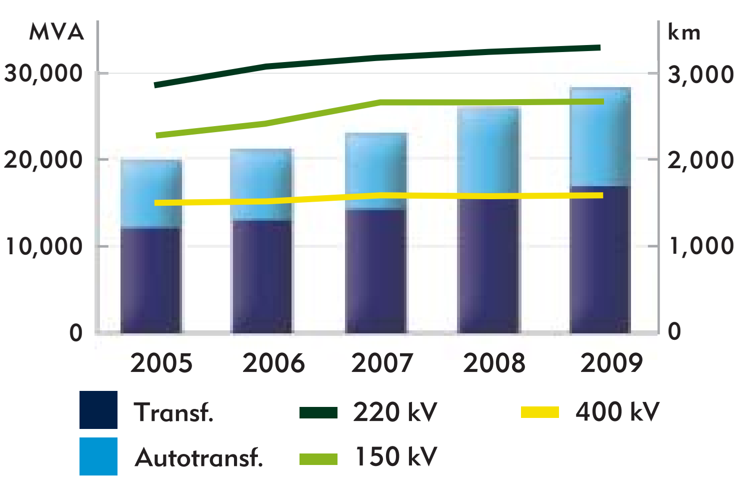
Consumption satisfaction



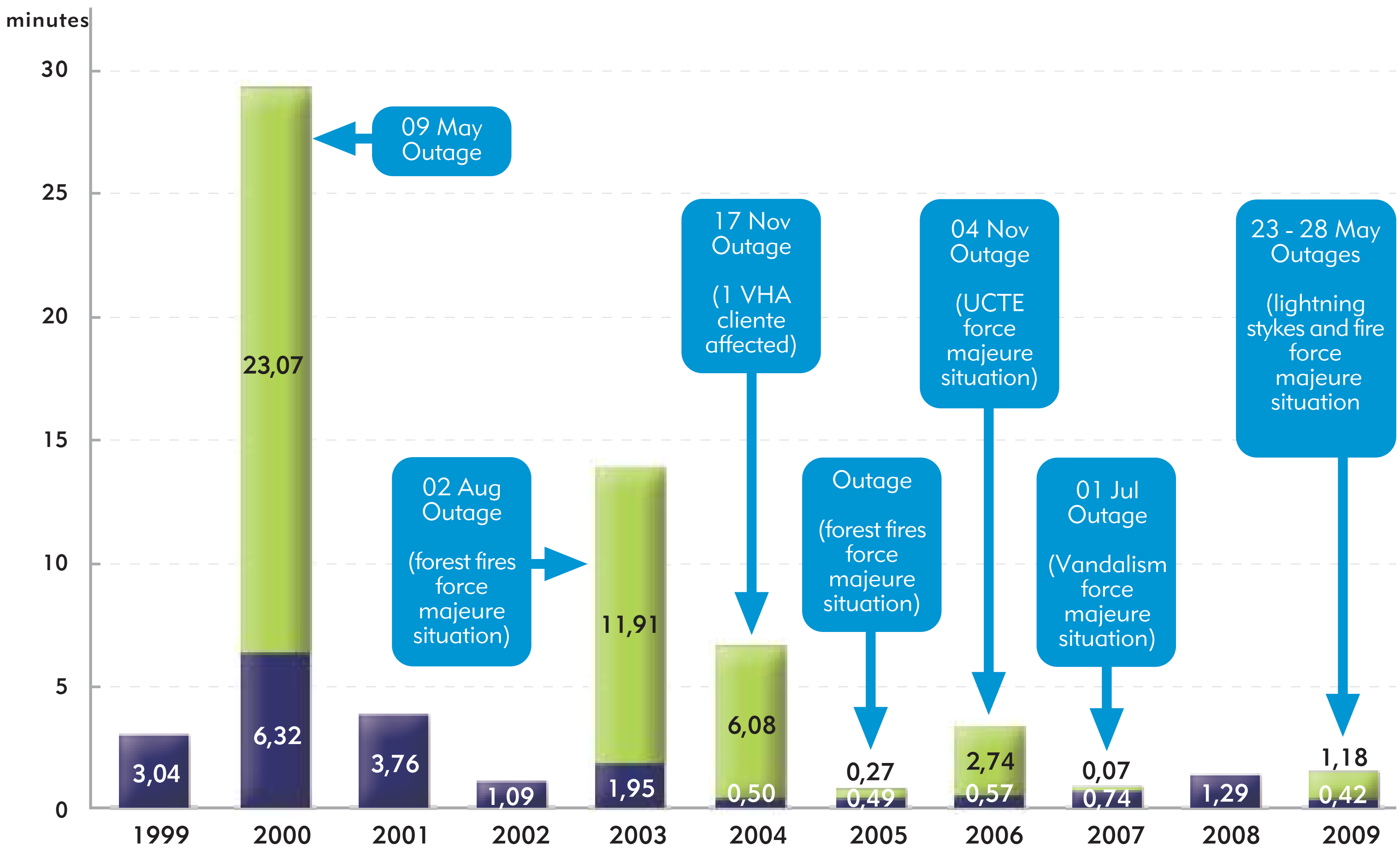
Installed power



Line length and transformer capacity



Equivalent interruption time

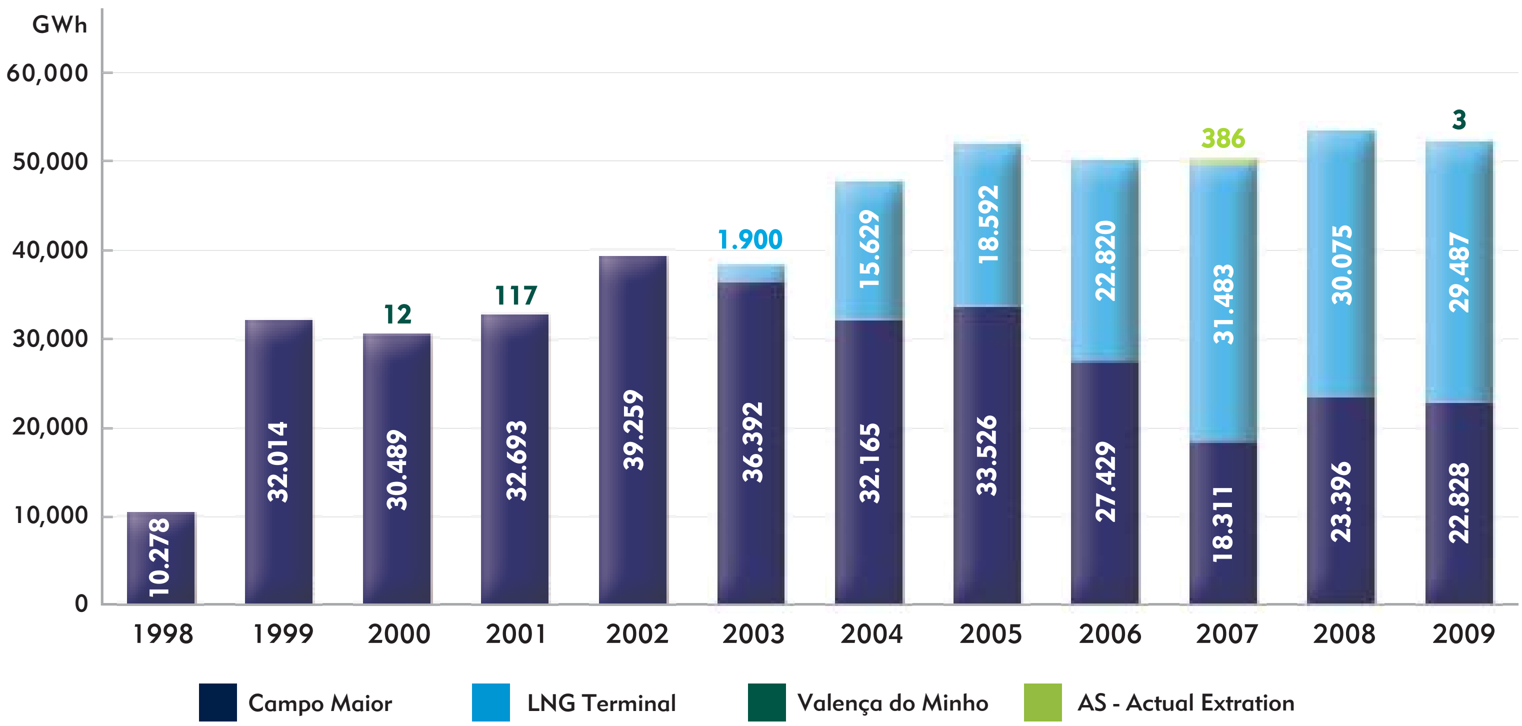


Natural gas

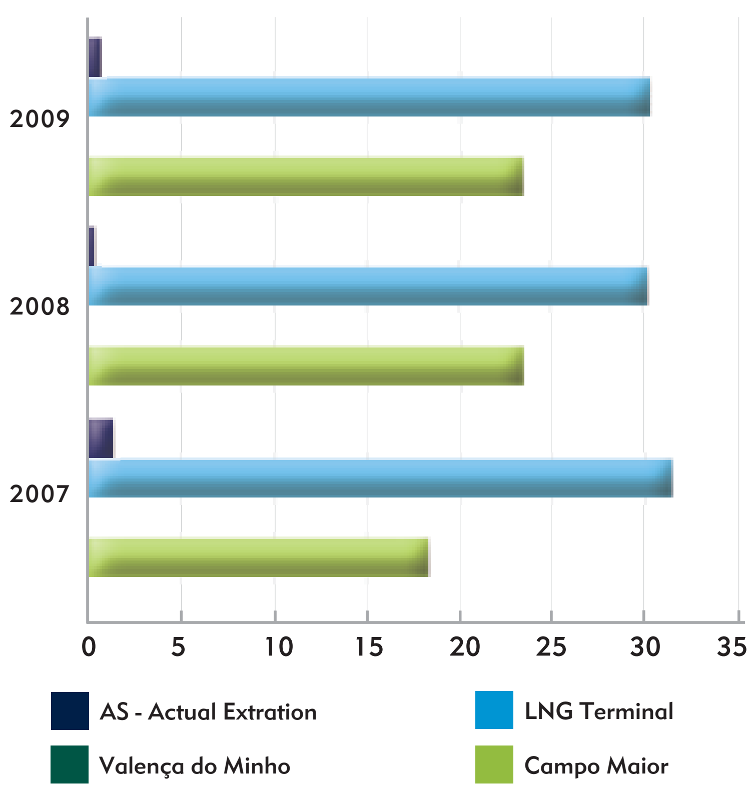
	2007	2008	2009
Natural gas consumption - annual changel, %	6.5%	9.4%	-1.0%
Entries into the RNTGN, TWh	51.1	53.9	54.3
Exits from the RNTGN, TWh	51.3	53.9	54.4
RNTGN expansion, km	1,218	1,248	1,267
Underground gas storage capacity (million de m3) (*)	66.3	66.3	138.2

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

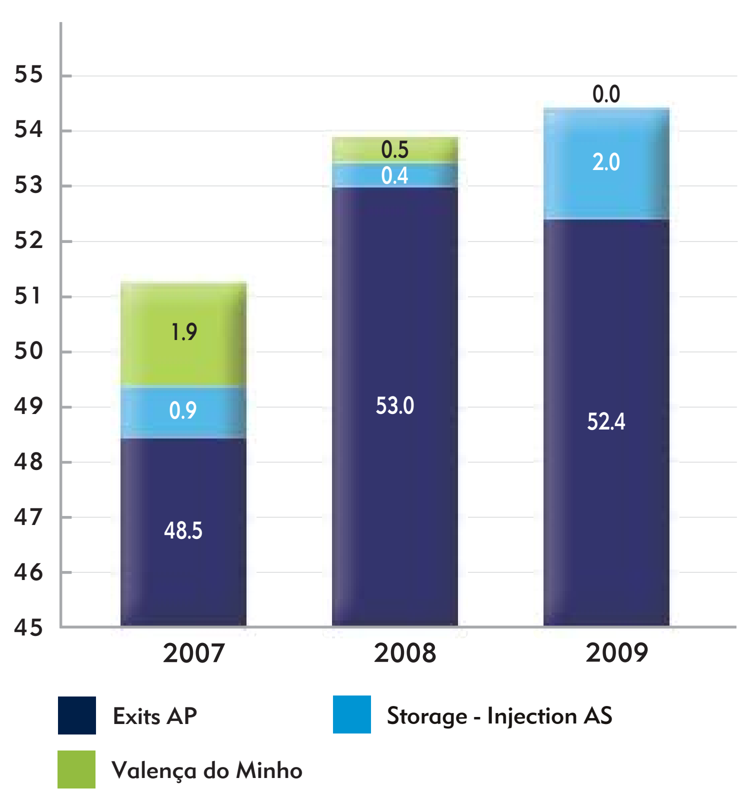
Consumption satisfaction (RNTGN)



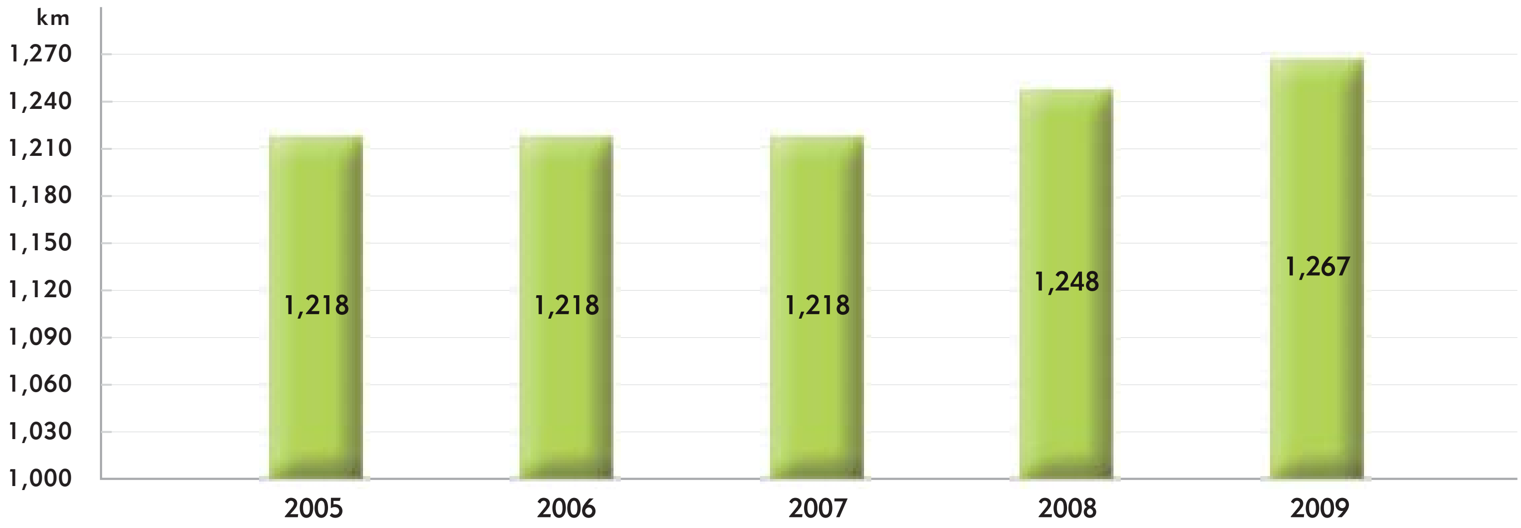
Entries into the RNTGN, TWh



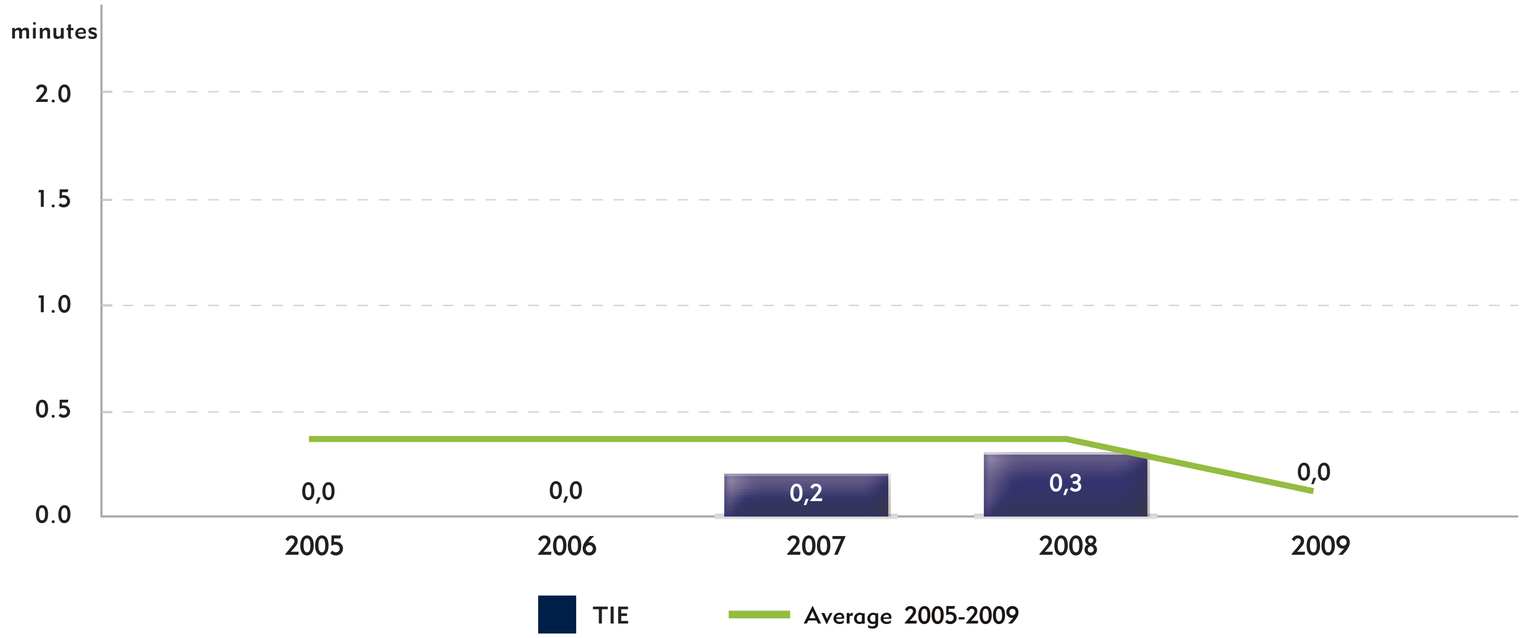
Exits from the RNTGN, TWh



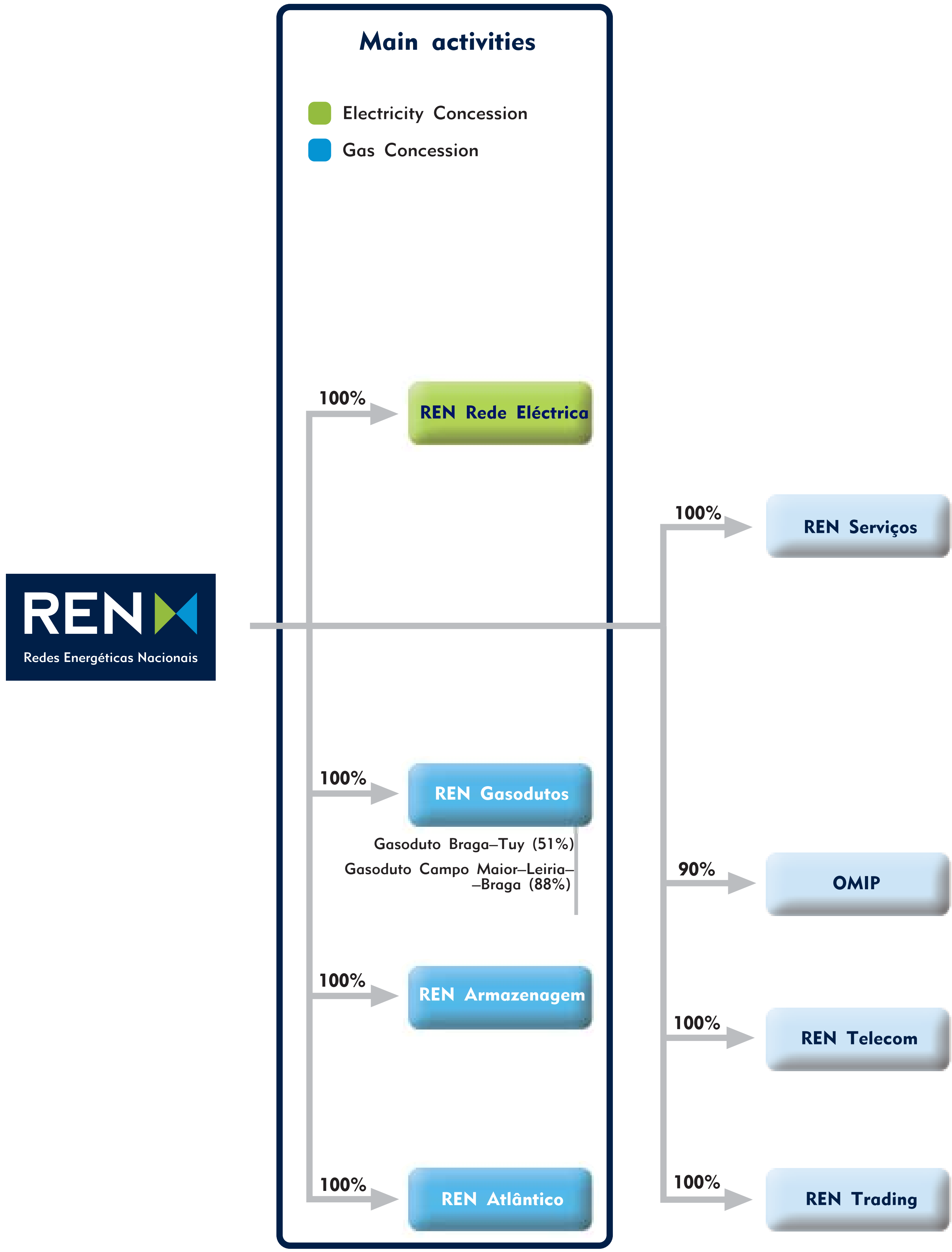
Length of the pipelines



Equivalent Interruption Time (TIE)



Corporate structure of the REN Group as at 31 December 2009



Governing bodies of REN – Redes Energéticas Nacionais, SGPS, S.A. as at 31 December 2009

Shareholders' general meeting

José Manuel Ribeiro Sérvulo Correia
Chairperson

Duarte Vieira Pestana de Vasconcelos
Vice-Chairperson

Company secretary

Pedro Cabral Nunes
Incumbent

Daniela Alexandra Pizarro Pinto de Sá
Substitute

Salaries committee

João Manuel de Castro Plácido Pires
Chairperson

Francisco Manuel Marques Bandeira
Member

José Alexandre Oliveira
Member

Supervisory bodies

Auditing committee

José Luís Alvim Marinho
Chairperson

José Frederico Vieira Jordão
Member

Fernando António Portela Rocha de Andrade
Member

Statutory auditor

J. Monteiro & Associados, SROC
Incumbent

Salvador Figueiredo Vás e Lima
Substitute

Board of directors

José Rodrigues Pereira dos Penedos
Chairperson (mandate suspended)

Rui Manuel Janes Cartaxo
Substitute Presidente

Aníbal Durães dos Santos
Member

Victor Manuel da Costa Antunes Machado Baptista
Member

João Caetano Carreira Faria Conceição
Member co-opted onto the board on 2009-05-11

Luís Maria Atienza Serna
Member

Gonçalo José Zambrano de Oliveira
Member

Manuel Carlos Mello Champalimaud
Member

José Isidoro d'Oliveira Carvalho Neto
Member

Filipe Maurício Botton
Member

José Luís Alvim Marinho
Member

José Frederico Vieira Jordão
Member

Fernando António Portela de Rocha Andrade
Member

Executive committee

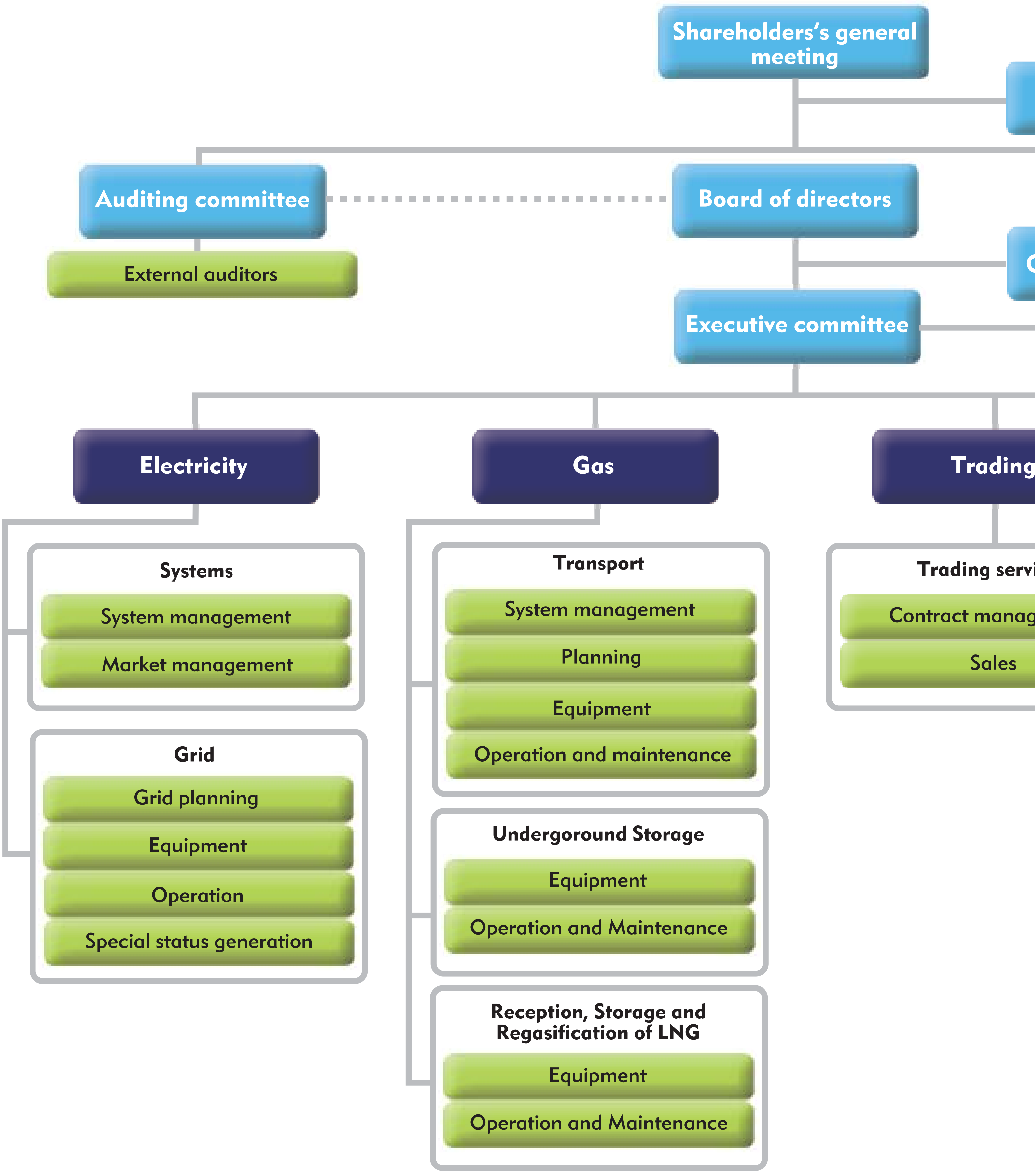
Rui Manuel Janes Cartaxo
Chairperson

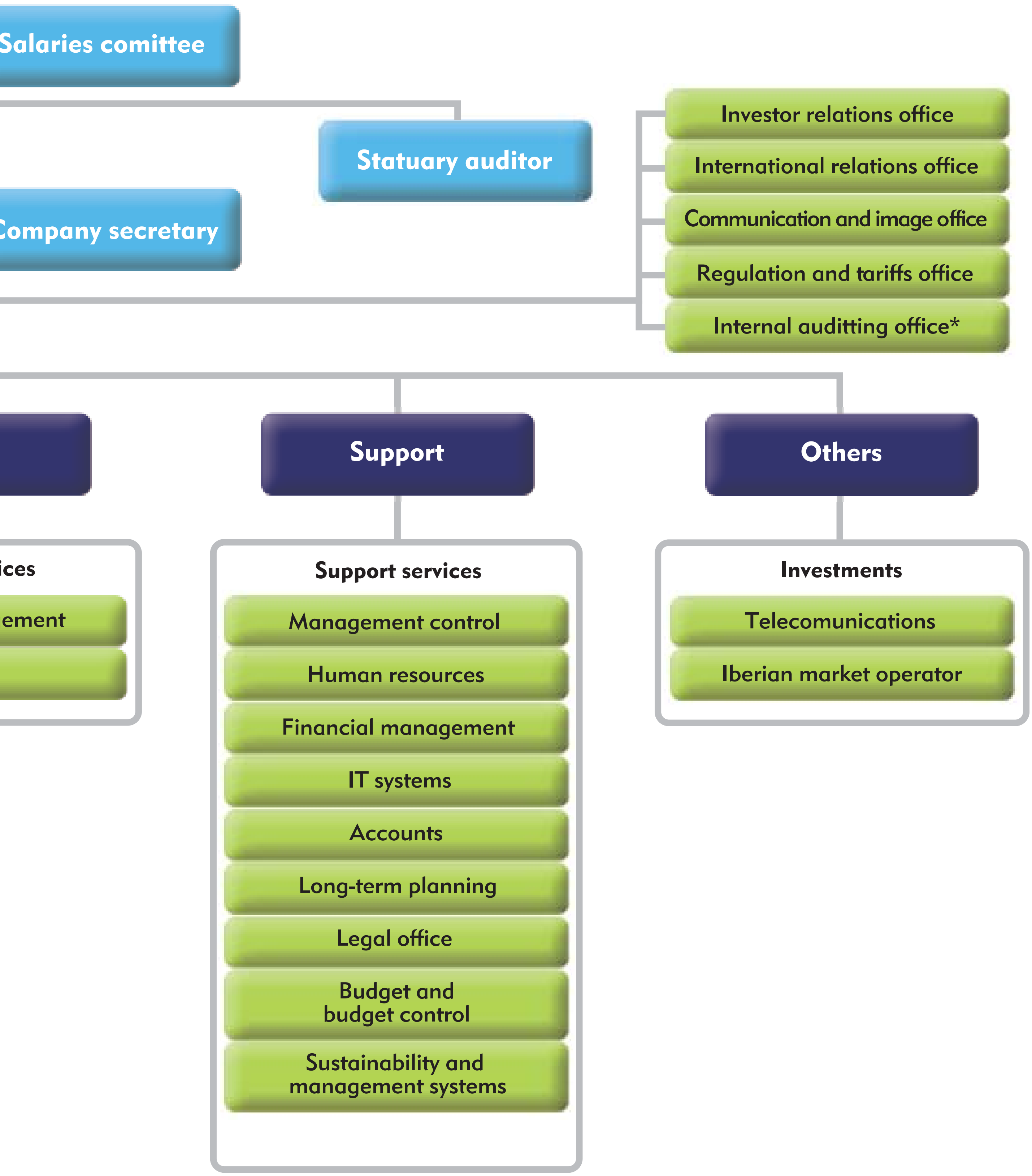
Aníbal Durães dos Santos
Member

Victor Manuel da Costa Antunes Machado Baptista
Member

João Caetano Carreira Faria Conceição
Member

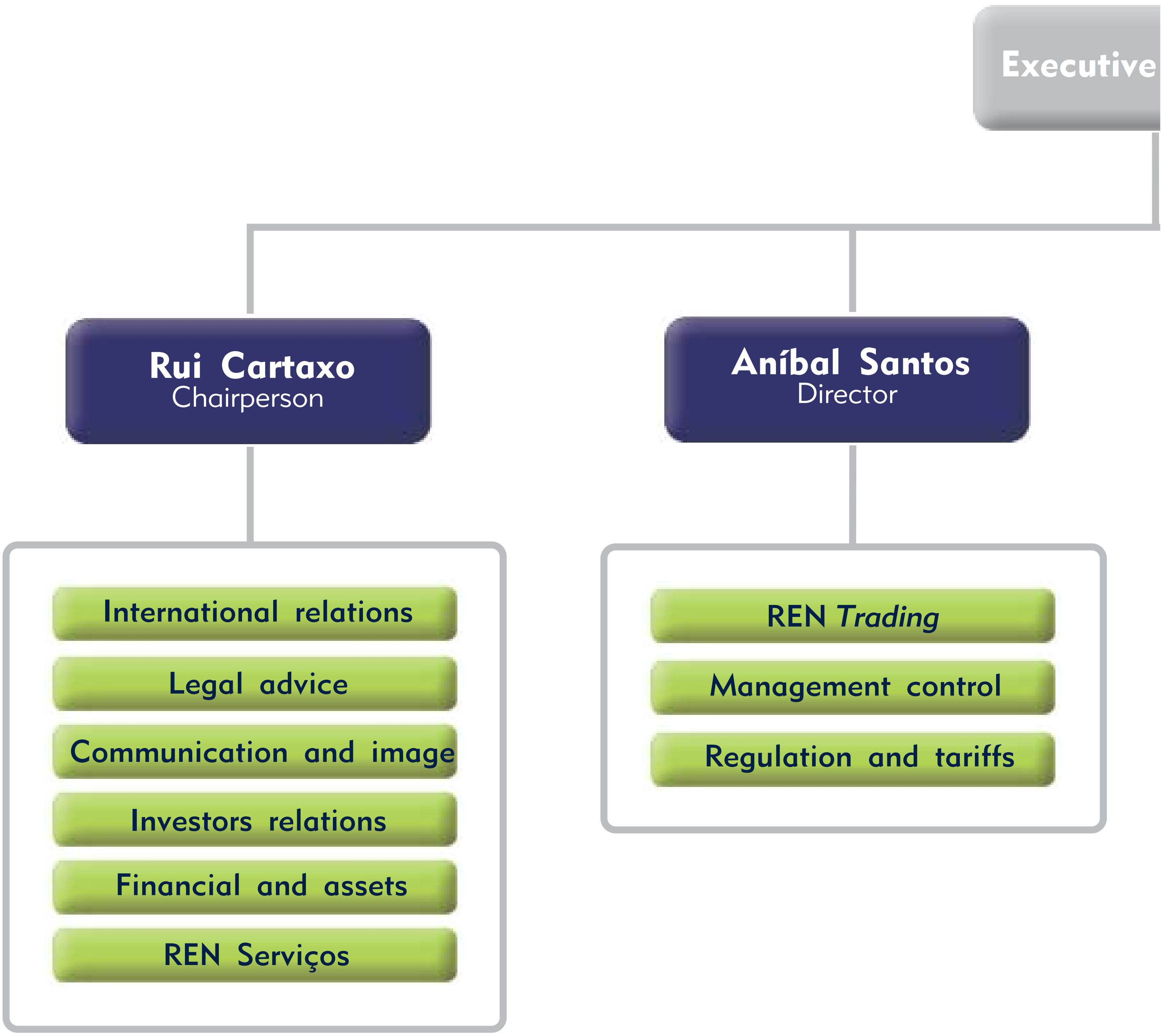
Organic Structure

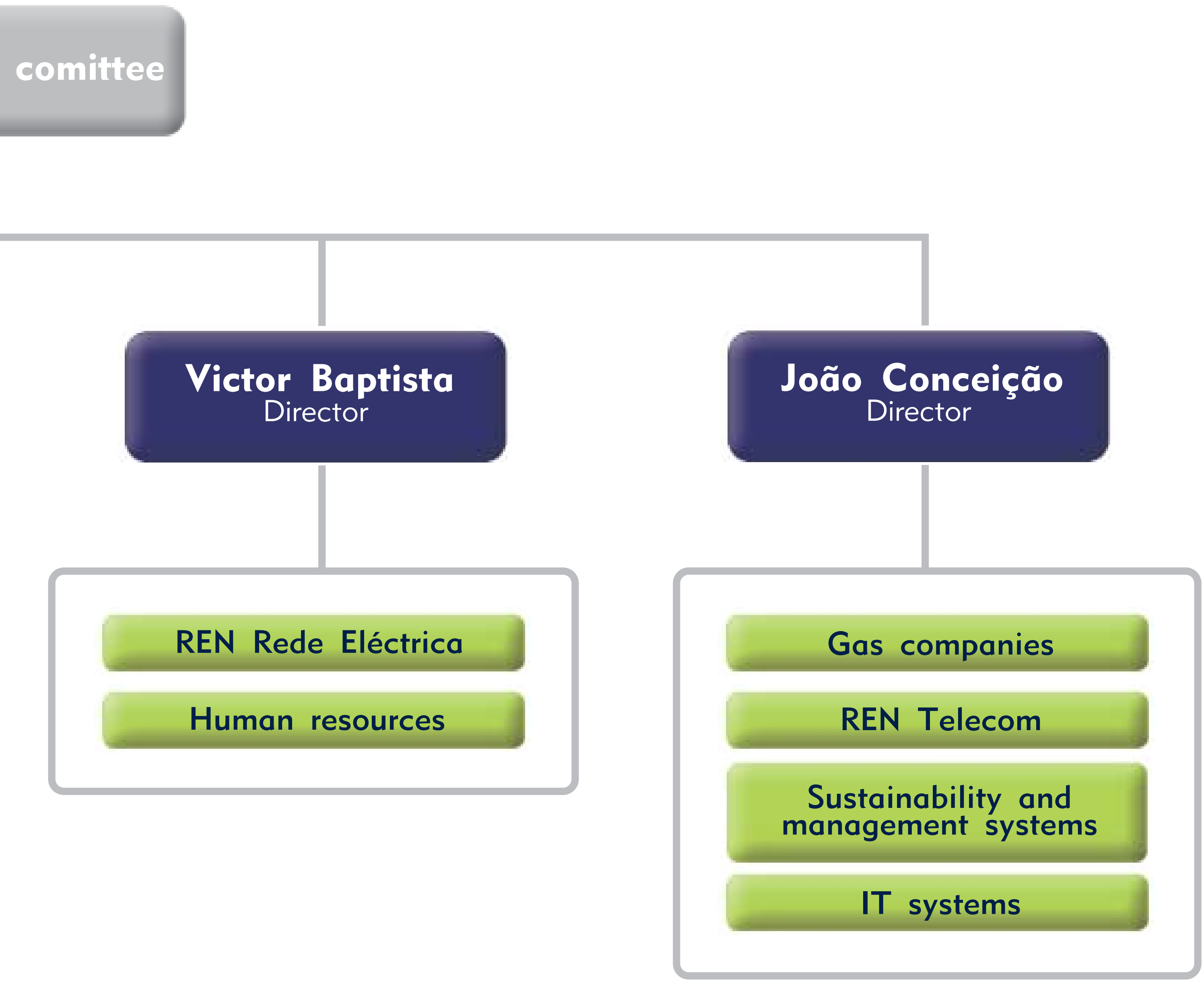




* Reporting directly to the Auditing Comittee.

Executive committee – Departmental breakdown




comittee
Victor Baptista
Director
João Conceição
Director
REN Rede Eléctrica
Human resources
Gas companies
REN Telecom
Sustainability and management systems
IT systems

Management report

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Business activity in 2009

Main occurrences in 2009

January

Start of the new electricity regulatory period (Jan 2009-Dec 2011), with several changes to the regulations: a remuneration premium for the new investment programme was introduced, standard costs were applied to new investments, and recognised maximum costs were applied as part of operating overheads; incentives were introduced for the use of assets at the end of their useful life, and an incentive was introduced for making network infrastructure available.

Amendment of the Santiago de Compostela agreement on the Iberian Market Operator (OMI) was approved by the Portuguese Parliament.

As from 1 January the opening up of the Portuguese natural gas market included customers whose annual consumption exceeds 10,000 m^3.

February

The 2009-2014 Transport Network and Transmission Grid Development and Investment Plan was made available for public debate.

REN announced the augmentation of its 2009 investment plan.

REN issued €300M of bonds under its Euro Medium-Term Notes (EMTN) plan.

March

ERSE elected to place REN Gasodutos in charge of changes to natural gas suppliers, during which about 320 changes of supplier were made.

April

REN organised its first Investor Day at its Bucelas premises, involving investors and financial analysts, during which the new 2009-14 Business Plan was presented, involving €2.5B of investment and a commitment to the sustained growth of dividend pay-outs.

The United Nations Global Compact graded REN's 2007 sustainability report as “notable“.

A contract was signed for expansion of the Sines Liquefied Natural Gas Terminal, which will double its capacity.

May

As part of the process of improving in-house controls, an Internal Auditing Office was established, reporting directly to the Auditing Committee.

A gas pipeline was completed, connecting EDP's Lares combined cycle power station (800 MW), and natural gas supplies began.

June

REN issued 10 billion yens (about €75M) of 15-year bonds as private placements under its EMTN plan.

REN Armazenagem's third cavity entered into operation. This increased underground natural gas storage capacity by 55 million m^3.

The contract was awarded to install 26 power transformers (€61M), and Falagueira's second autotransformer (€10M) entered into operation.

July

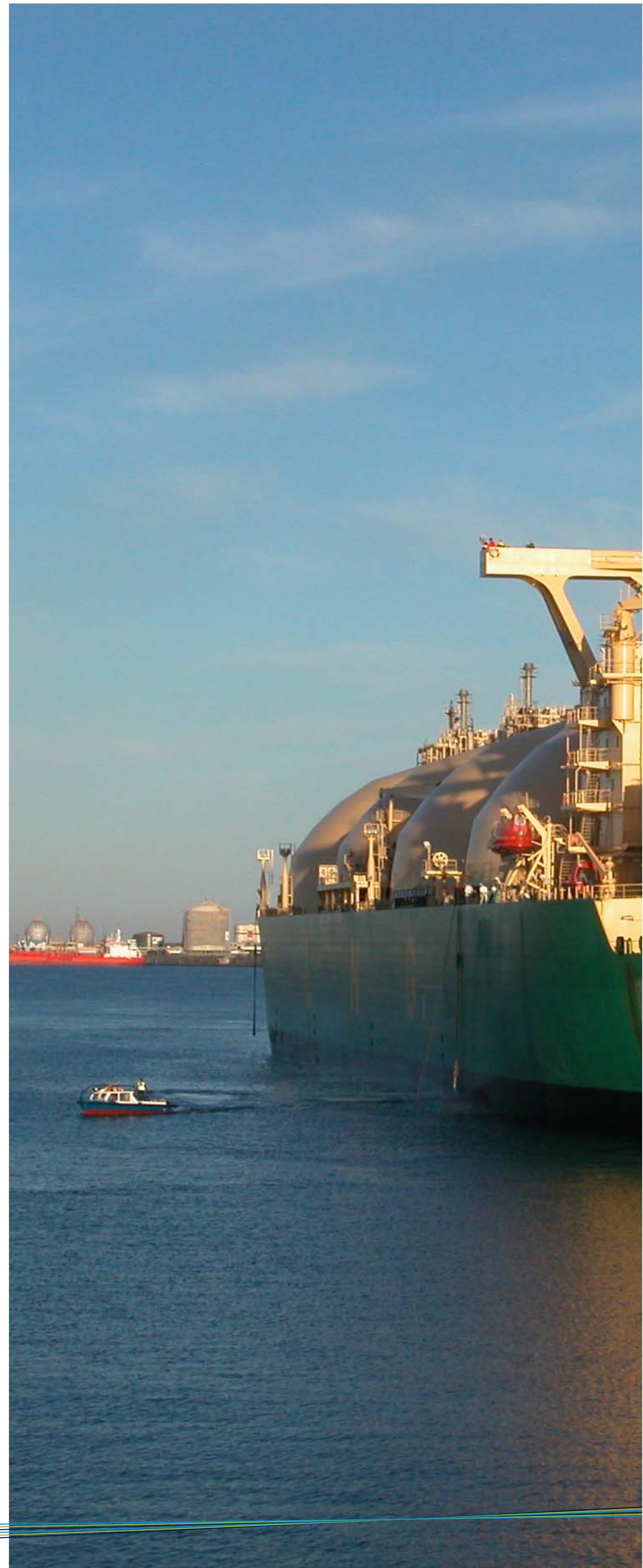
REN won the award for the "Company with the best stock-market performance in 2008", awarded by Deloitte, *Semanário Económico* and *Diário Económico*.
A long-term financing agreement worth €150M was entered into with the European Investment Bank (EIB) to fund investment in the Portuguese natural gas system.
Contracts were entered into for eight gas-insulated substations and six underground power lines (€146M).
Certification renewal took place for the Quality, Environmental and Safety-Management Systems of REN Gasodutos, REN Atlântico and the LNG terminal.

September

Work began on expanding the Sines terminal, expected to last until 2012 and costing €180M.
A joint decision was announced with Enagás, our Spanish counterpart, on the new Mangualde-Zamora interconnection (stretching 205 km and with an estimated cost of €294M on the Portuguese side).
REN Atlântico completed the expansion of its berth, which has increased its ship unloading capacity by 30%.

October

A series of proposals was submitted to ERSE for the new natural gas regulatory period (from July 2010 to June 2013).
REN was awarded the CEEP/CSR Corporate Social Responsibility Label, as one of the top four of approximately 100 competing European companies.



November

Installation and final testing of one of the 200 kV underground circuits was completed, at an overall cost of €43.5M. The circuit connects the Alto de Mira Substation in the borough of Amadora with the Zambujal Substation in the borough of Lisbon.

December

The Court of Arbitration rejected the 45.3 million euro case brought before it by Galp Energia to contest the change in the purchase price of natural gas related regulated assets.
On 31 December, the highest percentage of energy generation from renewable resources was achieved, at 88%. In December, wind power accounted for 25% of consumption. The December figure for all consumption from renewable resources was 57%.
The European Network of Transmission System Operators for Gas (ENTSOG) was formed, with REN as one of its co-founders.
The first natural gas storage capacity auction was held.

Economic environment[1]

World economy

World economic activity continued to contract in the first half of 2009, under the strong influence of the international financial crisis. Once again, the leading economies saw negative growth, mainly owing to the decline in demand in an environment that was difficult both for companies and consumers.
Nevertheless, from the second quarter, the economic activity began to show clear signs of recovery, stimulated by signs of growth in the Asian economies and the return to growth in some leading economies in response to government measures.
Following on from a growth rate of 3.1% in 2008, it is estimated that world GDP shrank by 1.2% in 2009.
After an unprecedented fall in the first half of 2009, world trade started to show signs of turning around in the second half. During the year, world trade excluding the EU probably shrank by at least 12%.
With weaker global demand and lower raw-material prices, inflation rates fell noticeably during the year.
At the same time, the euro's value rose against the dollar with the gradual return to normal conditions on the international financial markets from March 2009.
As at 31 December the euro was trading at 1.44 dollars.

Euro zone

Following the longest and deepest recession since the euro was introduced, the Euro zone economy began to recover in the second half of 2009, with positive growth returning in the third quarter. The turnaround was the result of an improved foreign environment and monetary and fiscal stimulus packages which boosted market confidence. Despite such a significant improvement, GDP is estimated to have shrunk by about 4% in 2009.
The labour market situation continued to worsen, with an unemployment rate of 9.5% of the active population in 2009, compared to 7.5% in 2008.
While private consumption contracted by about 1% in 2009, investment fell sharply, by about 10.7% for the year.
Reflecting the collapse in world trade, exports are estimated to have fallen by 14.2% and imports by 12.5%. Net exports contributed very negatively to GDP growth in the first quarter, but they made a positive contribution throughout the second quarter, the fall in exports being less steep.
Average inflation, based on the HICP, is expected to be around 0.3%.
The public sector deficit as a proportion of GDP, which was 2% in 2008, is expected to be 6.4% in 2009. The deterioration was attributable to discretionary economic stimulation measures, such as tax cuts and increased social benefits, together with the sharp fall in tax revenues experience by a recession-hit economy.
The worsening public sector deficit combined with a shrinking economy and the need to fund governments' stimulation packages contributed to the steep rise in Member States' public debt, which is expected to climb from 69.3% of GDP in 2008 to 78.2% in 2009.

United States

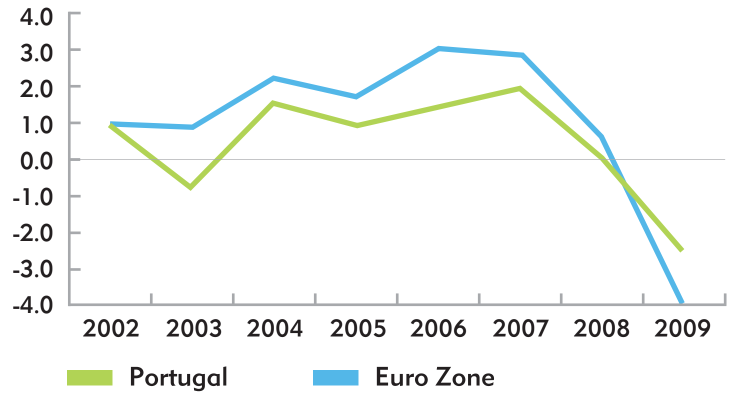
Following serious shrinkage starting in mid-2008, resulting in major job losses, the American economy began to recover in the third quarter of 2009, although unemployment remained high. GDP is estimated to have fallen by 2.5% for the year, as a result of lower private consumption, the steep fall in investment and reduced exports, despite a weaker dollar.
In the second half of the year, monetary and fiscal stimuli continued to stabilise the financial sector, and in the third quarter they boosted private consumption, particularly via incentives to buy vehicles. In the housing sector, where the financial crisis began in 2007, some signs of improvement were seen, with house prices showing an upward trend. Economic recovery was also encouraged by other positive factors, such as the reversal of the downward trend in stock-market quotations and the fall in the dollar.
Influenced by weak demand in the economy and continued credit restrictions, investment continued to fall in the second quarter, although not as sharply as before. Investment in 2009 is estimated to have shrunk by about 14.5%.

[1] The main sources of information used are the European Commission's forecasts published in November 2009: *European Economic Forecast - Autumn 2009*. For Portugal, the estimates were updated using the most recent publications of the Portuguese Ministry of Finance and the National Institute of Statistics (INE).

Interest rates

Measures by central banks to combat the financial crisis led to a fast and sharp reduction in interest rates. In May, the Central European Bank reduced its reference interest rate to a historic low of 1% - a 150-base-point reduction since the end of December 2008. For its part, the United States Federal Reserve decided to keep its Fed Funds Target Rate between 0% and 0.25%, which has been the case since December 2008.
Consequently, on the euro exchange market Euribor rates continued their downward trend, to reach historic lows. As at 31 December 2009, Euribor three-, six- and twelve-month rates were 0.700%, 0.994% and 1.248% respectively, about 200 base points down on the end of 2008.

Gross Domestic Product
(Percentage change)



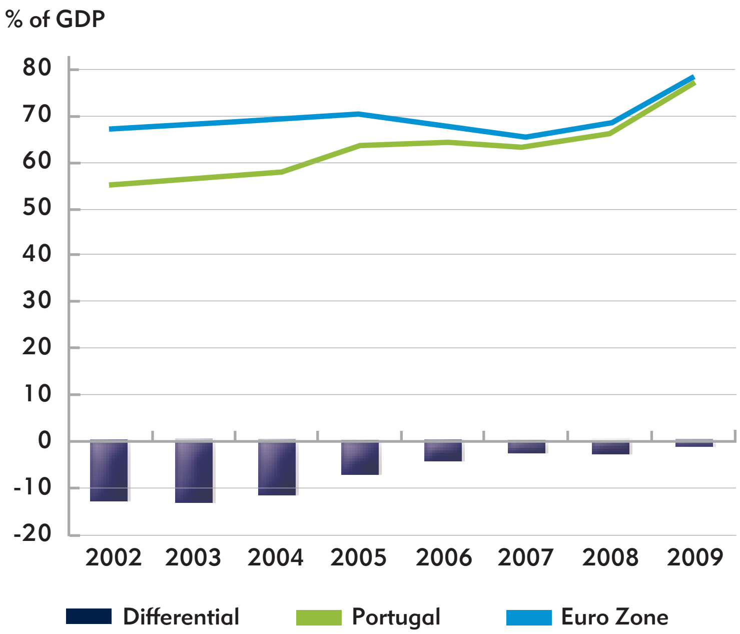
Source: European Commission, *Economic Forecast, Autumn 2009*; *Ministry of Finance - Report OE2010.*

Portuguese economy

In 2009, economic activity in Portugal was greatly influenced by the deteriorating international picture and GDP shrank by 2.6%. The decline was the result of a slight fall in private consumption and a major reduction in investment and exports, whose effect on domestic demand was only mitigated by the even sharper simultaneous fall in imports.
Despite the continued negative growth, the main components of demand reversed their downward trend from March onwards, as happened in the Euro zone as a whole. The improvement was brought about by extraordinary measures taken to stimulate the economy, which affected investment, exports, social welfare and jobs.

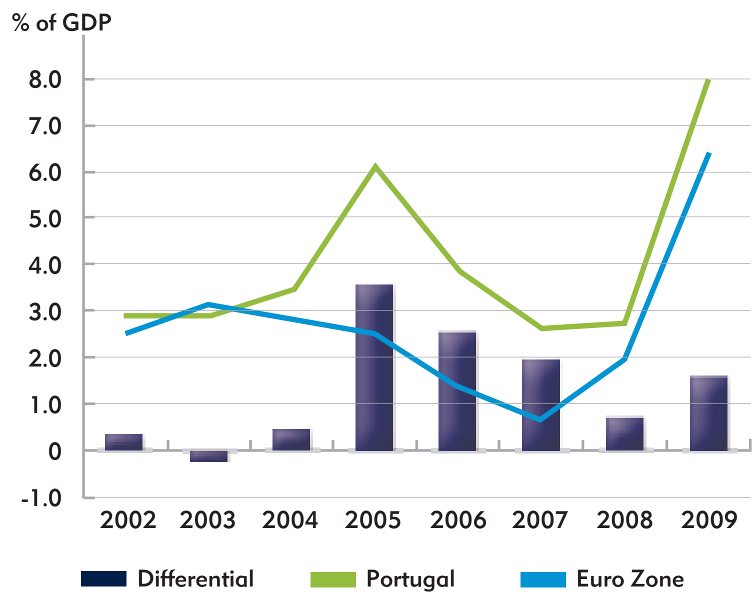
The 0.9% fall in private consumption in 2009, compared to 1.7% growth in 2008, was attributable to difficulties in obtaining credit, given that families were incurring gradually greater debt, while at the same time increased levels of savings meant that there was a slight rise in disposable income in real terms.
With regard to investment, estimates suggest an overall decline. Gross fixed-capital formation is thought to have fallen by 11.8% in 2009, following a 0.7% fall in 2008. The reasons for such a situation included the deterioration in confidence amongst economic players, and companies' low profitability.
The Portuguese economy in 2009 also suffered from a worsening unemployment rate, up from 7.6% in 2008 to 9.5%.
Exports of goods and services also performed poorly in 2009, down 12.0% (-0.5% in 2008). This fact reflected the economic difficulties suffered by Portugal's main trading partners, especially Spain, which takes about a quarter of all Portuguese exports. Nevertheless, with a 10.7% fall in imports in 2009 (+2.7% in 2008), net exports made a positive contribution to GDP growth.
Price rises began to slow at the end of 2008, and from the first quarter of 2009 prices even began to fall. It is estimated that the 2009 inflation rate, measured by the average change in HICP, was -0.9%, compared to +2.7% in 2008. That fall in prices was mainly attributable to changes in the price of oil and other raw materials.

Public debt



Source: European Commission, *Economic Forecast, Autumn 2009; Ministry of Finance - Report OE2010.*

Budget deficit



Source: European Commission, *Economic Forecast, Autumn 2009; Ministry of Finance - Report OE2010.*

The public sector deficit rose from 2.7% of GDP in 2008 to 9.3% in 2009. This was the result not only of lower tax revenues but also measures to combat the recession, particularly an increase in social benefits. Public expenditure was the only element of GDP not to perform negatively (up 2.6% in 2009), which illustrated the state's efforts to boost the economy.

During the year, the public debt rose from 66.3% to 76.6% of GDP.
The current account deficit, which is estimated to have fallen by 2.1 p.p. as a proportion of GDP between 2008 and 2009, mainly benefited from the reduction in the balance of goods and services, which in turn was associated with improved terms of trade.

Selected main economic indicators - 2009

(percentage)

	UE	Euro Zone	Portugal
GDP	-4.1	-4.0	-2.6
Unemployment	9.1	9.5	9.5
Public-sector deficit	6.9	6.4	9.3
Public Debt	73.0	78.2	76.6
HICP	1.0	0.3	-0.9

Sources: European Comission - *Economic Forecast, Autumn 2009; Ministry of Finance - Report OE2010; National Institute of Statistics*

Sectoral environment

Electricity and natural gas in a global context

In 2009, for the first time since 1981, world energy demand fell, by about 2%, as a consequence of the global economic crisis. However, despite that fall resulting from the overall situation, it is estimated that world energy consumption will quickly return to growth.
The two main energy challenges that we had to face during the year were guaranteeing a reliable, economically accessible energy supply and rapid convergence to an efficient, sustainable, low-carbon energy system.
According to the International Energy Agency (IEA)'s Reference Scenario, world primary energy consumption could rise by about 40% between 2007 and 2030, led by emerging Asian countries and followed by Middle-Eastern countries. Fossil fuels will continue to be the predominant source of primary energy (75%), with demand for coal rising more than that of any other fossil fuel, in absolute terms.
Also according to the IEA, global electricity demand is expected to grow around 2.5% by 2030 and about 80% of this growth will occur in non-OECD countries.
The primary energy mix for electricity generation will continue to change considerably. Renewable energies and rapid technological development will play an increasingly important role in electricity generation (from 18.5% in 2007 to 22.6% in 2030).

Access to electricity

Currently, over one fifth of the world's population has no access to electricity. With suitable economic and energy policies, universal access to electricity could be achieved via additional annual investment of about 35 billion dollars between now and 2030, at 2008 prices. That figure represents just 6% of the world investment in the electricity sector forecast in the IEA's Reference Scenario.
For natural gas, preliminary data for 2009 indicate that there was an approximately 3% fall in consumption, as a result of the shrinking economy.
In its Reference Scenario, the IEA forecasts that world natural gas consumption will grow by about 1.5% per annum up to 2030, with India and China having the highest growth rates. The electricity sector will continue to be the engine behind natural gas demand in all regions.

The funding difficulties caused by the recent crisis have resulted in the cancellation or postponement of several investment projects in the energy sector. Over the medium-term this could limit the capacity expansion needed to provide for increased demand, which may have a serious effect on security of supply and the sustainability of economic recovery.

European energy policy

The European Union's basic objective continues to be sustainable development. In this context, I would like to highlight EU policies aimed at an economy with low carbon emissions. At the same time, we are aiming at more efficient use of resources. We plan to achieve this goal by employing efficient technologies, sustainable means of transport and sustainable development of consumer behaviour.
Europe aims to become the world leader in renewable energies and low-carbon technologies. With a view to achieving that aim, in December 2008 the European Union passed its climate and energy package. This is the most ambitious reform ever of Europe's energy policy, and it contains measures to combat climate change and ensure a secure and adequate energy supply.
In 2009 a series of documents was published - the third energy-sector package - intended to establish the conditions for strengthening the internal energy (electricity and natural gas) market.
To support investment in the energy sector, in March the European Economic Recovery Plan was launched, which included about €4B for energy-related projects, and in December funding was approved for offshore wind-energy projects, projects involving new technologies for carbon capture and sequestration, and electricity-transmission and natural gas transport infrastructure projects.

Portuguese energy policy

In Portugal, the government's energy policy indicates that there will be continued investment in the use of renewable energies, especially wind and hydroelectric energy, but also photovoltaic and wave energy, the aim being to achieve and surpass the Community target set for Portugal. The government's policy is also to continue to encourage the introduction of electric vehicles onto the Portuguese market from a range of producers, at competitive prices, with a broad range of electricity supply points to ensure that the system is fully functional and to provide for users' convenience. At the same time, particular attention will continue to be paid to energy efficiency, via the implementation of plans to reduce energy consumption in public buildings and to encourage less energy-costly behaviour and choices.

Portuguese energy policy in perspective

In 2009, the International Energy Agency published a report entitled Energy Policies of IEA Countries - PORTUGAL 2009 Review. The report noted Portugal's efforts since 2004 to consolidate its energy policy and highlighted its significant progress in the following fields:

- liberalisation of the electricity and natural gas markets;
- improved security of supply; and
- a regulatory framework centred on energy

efficiency, especially with regard to buildings and in the industry and transport sectors.

Portugal is one of the IEA's leading countries as regards the penetration of hydroelectric and wind-generated power, and is also at the forefront with respect to its development of wave energy. The report also mentions some challenges that are still facing Portugal when it comes to achieving a more sustainable energy future, such as the need to be more competitive in the energy markets and step up coordination of energy R&D efforts.

Network infrastructure

Electricity

In 2009, we continued to develop the grid infrastructures: environmental protection, promotion of competition and improved security of supply: to protect the environment, encourage competition and improve security of supply. There has been major investment in transport and transmission grids and in the management and planning of systems which are being established throughout Europe, and in REN's case in Portugal. These are aimed at ensuring that the conditions exist to absorb the increase in electricity generation capacity derived from renewable sources, which is necessary if the EU's energy-policy objectives are to be met. Another important issue is the provision of more interconnections, as one element in the creation of the European internal market. The development of that market is based on a strategy of regional markets as an intermediate stage, to be followed by their integration into a single EU market.
Turning now to the MIBEL, in 2009 REN continued to work closely with its Spanish opposite its counterpart REE. Since 2002, that partnership has become closer as a result of activities carried out by joint working groups. New interconnections that have been agreed between the two Iberian systems will increase the capacity available for trading from the current 1,500 MW to over 3,000 MW from 2014. Situations in which the markets were separate, with different prices in each of the two countries, were reduced during 2009, falling from 37% of the time in January to about 12% in December. For the year as a whole, the markets were separate 20% of the time, compared to 62% in 2008.

Natural gas

The natural gas supply surplus increased in 2009 with the economic crisis. In the European Union, demand for natural gas in 2009 fell by between 8% and 9% compared to 2008, and was particularly notable in the industrial sector.
The impact of the crisis on the development of new infrastructure and the exploitation of new deposits is still difficult to assess. A clear illustration of that fact comes from Russia, where Gazprom announced that the Shtokman project, also involving Total (France) and StatoilHydro (Norway) might only be launched after 2013, depending on how the market develops. The Shtokman natural gas deposits in the Barents Sea have sufficient reserves to satisfy entire world demand for over a year.

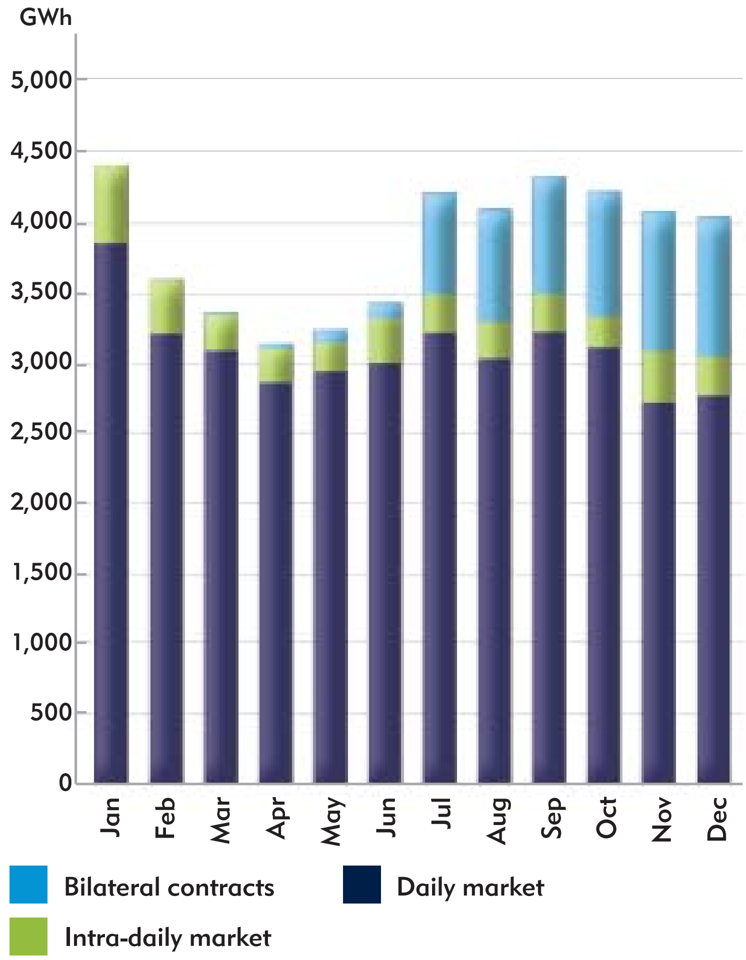
However, Gazprom, which currently supplies about 25% of all natural gas consumed in the EU, has delayed development of the deposits in the Arctic's Yamal Peninsula because of the roughly 36% drop in natural gas sales to Europe compared to 2008, resulting from the economic crisis.
Owing to the ongoing pricing dispute between Russia and Ukraine, 2009 saw the largest ever natural gas security-of-supply crisis.
Countries that have no storage capacity, principally those in Eastern Europe, suffered major interruptions in natural gas supply, illustrating once again that natural gas does not flow freely across borders.
This was because there is no physical interconnection capacity that can reverse the flow of natural gas in a west-east direction, or in some cases the lack of sufficiently rapid market mechanisms to deal with situations of this kind.
Following that crisis, new steps were taken to increase the flexibility and transparency of the European natural gas market. However, more investment will be required in diversifying sources and increasing the interconnection capacity between states, together with a major commitment to develop underground storage capacity.

Regional markets

MIBEL

With regard to activity on the MIBEL, the main way of contracting electricity in Portugal is still through participation in the daily market, which is responsible for 68% of all energy contracted. This is followed by bilateral agreements between market players (24%) and participation in the intra-daily markets (8%).

Energy traded on the market



In 2009, the average weighted contracted price on the Iberian daily market in the Portuguese area was about €39/MWh. During that period, average monthly prices on the daily market ranged from €53/MWh in January to €33/MWh in August.
In 2009, the website http://www.mercado.ren.pt/ was launched. It is managed by REN, as the body responsible for publishing information on the electricity markets in mainland Portugal, and inparticular it focuses on the markets for services provided by systems which it manages.

Liberalised market in Portugal

MIBGÁS

The development of MIBGÁS is one of the priorities of the Gas Regional Initiative - South (GRI-S), which encompasses France, Spain and Portugal. In 2009, its main concern was REN and Enagás's ongoing feasibility study of a third interconnection between the Portuguese and Spanish gas systems. The new pipeline would have a reversible capacity, and it is included in the European Economic Recovery Plan. The main advantages of that interconnection would be greater security of supply for both countries, and a joint improvement in their sources of supply, via the establishment of a connecting axis between two major underground storage facilities: Yela in Spain, which is under construction, and Carriço in Portugal, which is already being operated and developed. It provides immediate advantages for the liquidity of the natural gas market and because it provides flexibility for market players. The new interconnection will also be a development factor, by enabling natural gas to be supplied to inland north-east Portugal.

Electricity

In 2009, the tendency of the highest-voltage customers to leave the liberalised market went into reverse. As a result, there was a very significant rise in consumption supplied by the liberalised market, which at the end of 2009 accounted for about 30% of consumption within the national electricity system, as opposed to less than 2% at the end of 2008.
Following the Competition Authority's decision of 27 June 2008 to require energy management for the Aguieira and Raiva hydroelectric facilities to be transferred for a period of five years, in exchange for EDP starting to operate the Alqueva hydroelectric plant, Iberdrola Generación began to manage energy at the aforesaid facilities on 1 April 2009.
Currently there are 15 active market players, five of which are Portuguese, three of them being generators.

Natural gas

On 1 January 2009, the process of opening up the Portuguese market began to include customers whose annual consumption is over 10,000 m^3 (n), or 120 MWh.
In February 2009, in accordance with the Trade Relations Regulation, Galp Gás Natural, S.A., as the authorised distributor for the National Natural Gas System (SNGN), auctioned 300 million m^3 (n) via OMIP for delivery during the 2009-2010 gas year.
In June 2009, ERSE, the Energy Services Regulatory Authority, changed the Tariff Regulation so as to create a more flexible tariff structure for the use of infrastructure by short-term users, whose consumption is concentrated in time. The change related to access to the natural gas transport network and the LNG terminal at Sines. In the latter case, it also announced the creation from the start of 2010 of a mechanism to encourage LNG trading via take or pay agreements between the incumbent supplier and new low-volume suppliers who wish to use the Sines LNG terminal for deliveries to customers.
Also in 2009, ERSE released for public consultation a proposal to amend the regulation of the natural gas sector, which should take effect in the forth coming gas year (2010-2011).
In July 2009, the Directorate-General of Energy and Geology (DGEG) granted the Turbogás/Tapada do Outeiro and EDP/Lares power stations an exemption from constituting security reserves, owing to the fact that they can both be supplied by an alternative fuel.
Given the context, and with the entry into service of the REN-C4 cavern at the Carriço underground natural gas storage facility, ERSE, in consultation

with the SNGN's Overall Technical Manager, decided to release underground storage capacity for commercial use. The amount released is equivalent to the reserves released thanks to the aforesaid exemption during the 2009-2010 gas year, totalling 573 GWh, and will last for six months starting on 1 January 2010. The extraordinary process undertaken for the sale of that capacity involved advertising, planning and awarding capacity under the specific rules published on the ERSE and REN websites.

In the first quarter of 2009, in accordance with the Commercial Relations Regulation, ERSE temporarily awarded management of the process of changing the authorised distributor to the transport network operator, granting that body responsibilities for managing and monitoring the changes.

317 customers had turned to the liberalised market by the end of 2009, compared to just five customers who left that market.

At the end of 2009 there were 19 market players operating on the Portuguese natural gas market.

Demand and generation

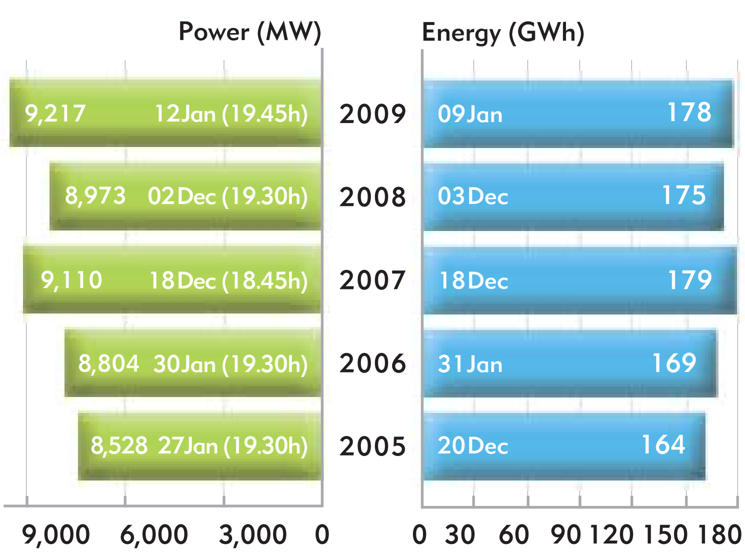
Electricity
In 2009, electricity consumption supplied by the public grid saw its first fall since 1981, at 49.9 TWh. That figure is 1.4% down on the previous year, or 1.8% when corrected for the temperature effect and the number of working days.

Consumption change

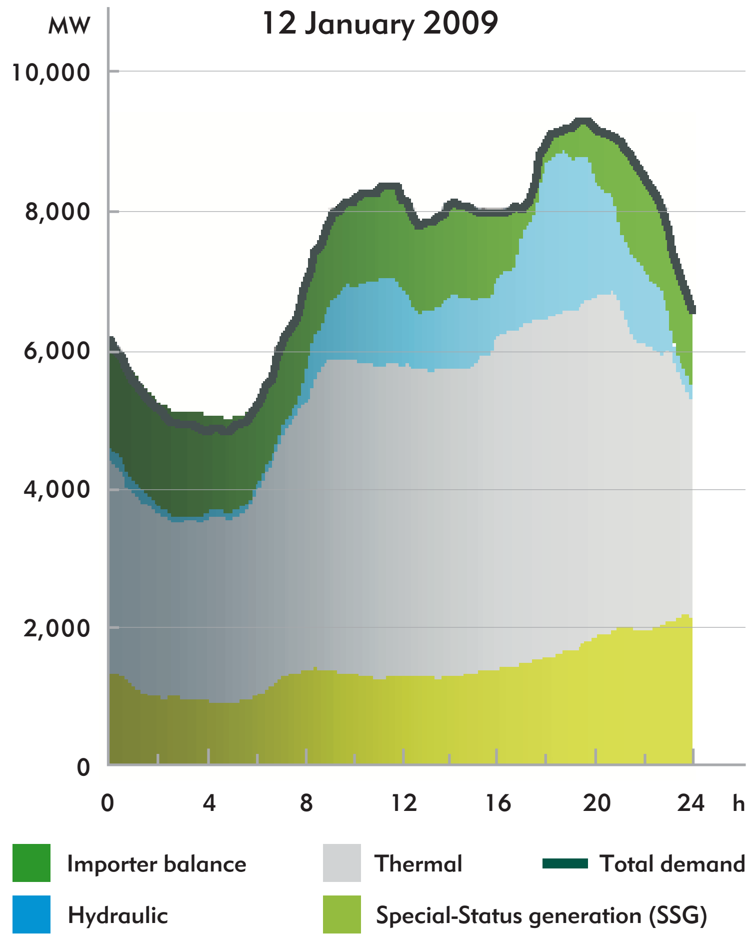
	Consumption (GWh)	Change (%)	Corrected change (%)
2005	47,940	5.4	4.7
2006	49,173	2.6	3.2
2007	50,059	1.8	2.4
2008	50,595	1.1	1.2
2009	49,865	-1.4	-1.8

Peak load demand occurred on 12 January, with 9,217 MW. This was a new record for the Portuguese grid, exceeding the previous record, from December 2007, by about 100 MW.

Annual peak demand and day of maximum consumption

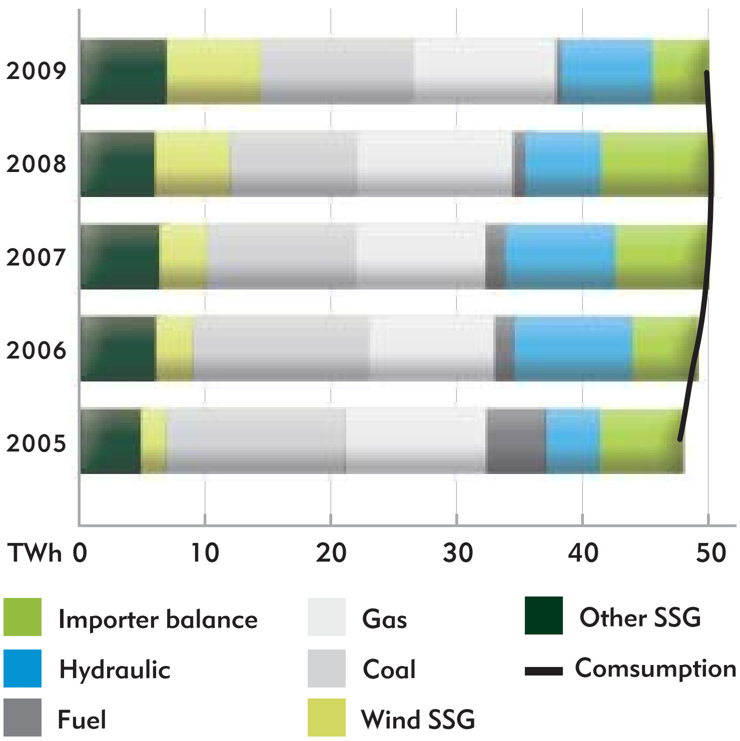


Load diagram of annual peak demand

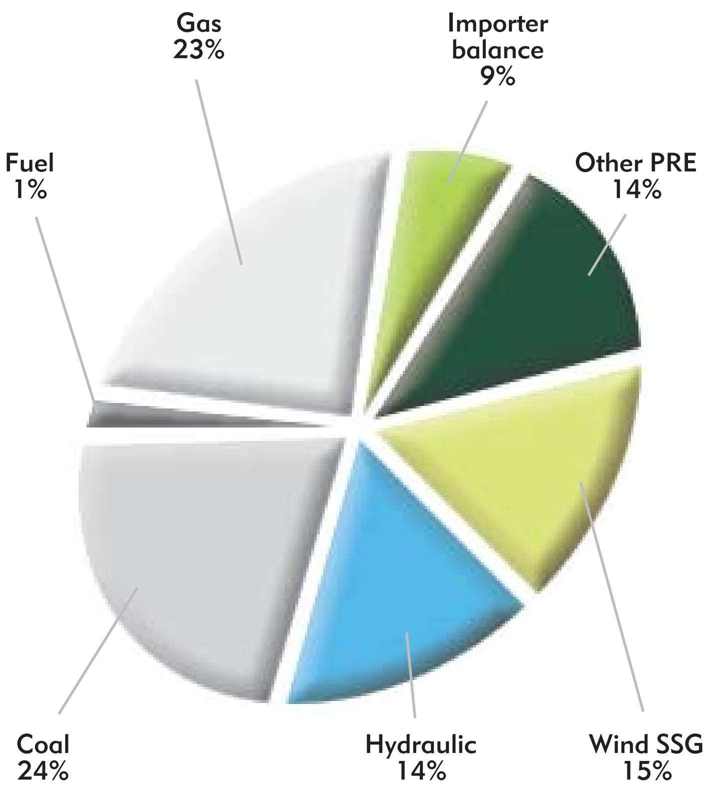


The hydroelectric capacity factor was below normal, with a factor of 0.77, but hydroelectric generation rose by 23% compared to 2008, providing for 14% of all consumption. The figure for thermal power generation was similar to 2008, representing 48% of consumption. In 2009, the Lares combined cycle power station entered into service, with two 435 MW natural gas powered units.
Special status generation continued the high growth of recent years, rising 25% and supplying 29% of consumption, of which 15% came from wind generation.

Consumption satisfaction
(in TWh)



Breakdown of power generation

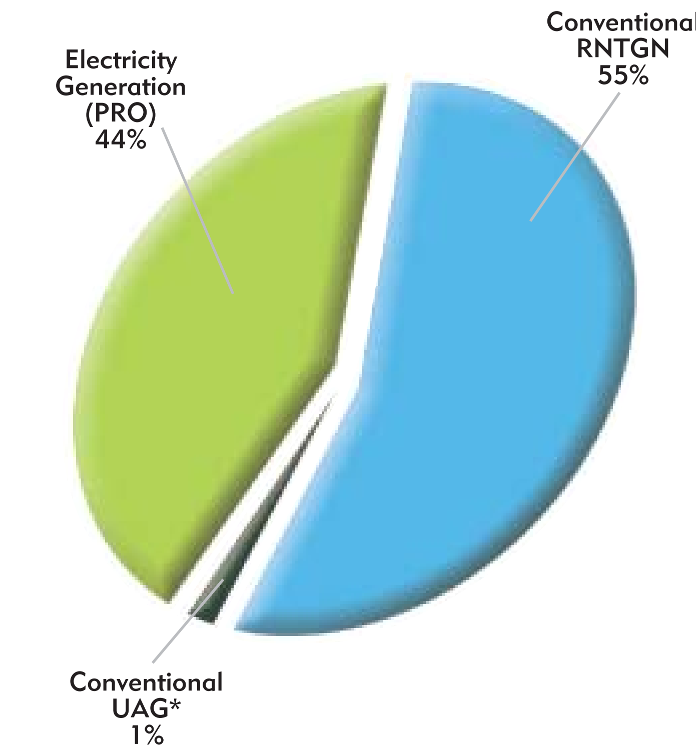


The importer balance was the lowest since 2003, providing for 9% of consumption. Occupation of importer capacity was around 53%.

Natural gas

In 2009, overall natural gas demand in Portugal totalled 53.0 TWh, which was about 1.0% down on 2008's figure of 53.5 TWh. This was the first time that demand had fallen since natural gas was introduced to Portugal in 1997. However, it was an insignificant fall when compared to that experienced in most European Union countries, and was the result of the economic and financial crisis.

Natural gas consumption (2009)



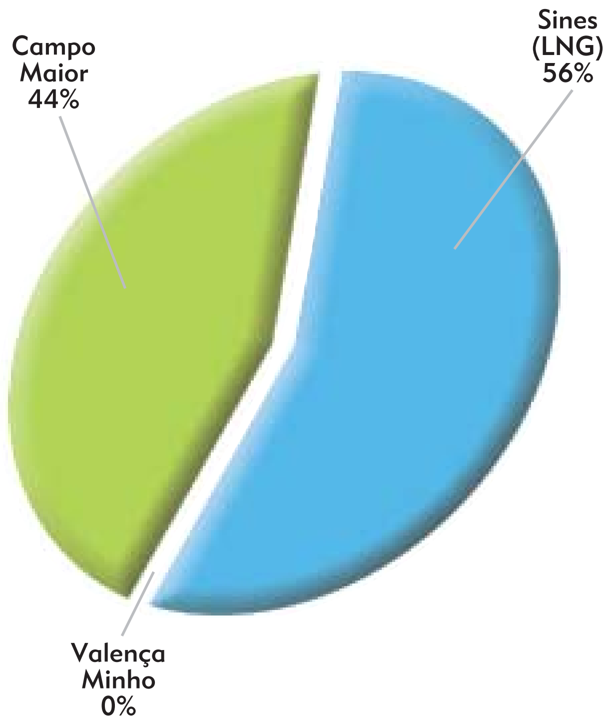
	GWh
Electricity Generation (PRO)	23,499
Conventional RNTGN	28,901
Conventional UAG *	568
Total	**52,968**

* Referenced to loads received at Sines LNGT

Thus, despite the observed rise in natural gas demand on the conventional market, meaning both the National Natural Gas Transport Network (RNTGN), by 4.6%, and local networks supplied by Autonomous Gas Units (UAGs), by 12.3%, the 7.3% fall in natural gas consumption for electricity generation under the ordinary regime (PRO) had a preponderant effect and resulted in an overall fall in demand for natural gas.
Natural gas supplied to the Portuguese market in 2009 breaks down as follows: 56% was LNG unloaded at the Sines terminal, and 44% was natural gas supplied to the RNTGN via interconnections with the Spanish gas network.

The proportion of natural gas to LNG in 2009 was similar to that for 2008 (43% natural gas and 57% LNG). LNG continues to predominate, owing to the make-up of the aforementioned basket of supply agreements. The fact that the technical capacity of the Sines terminal is still underused makes it the Portuguese point of entry with the greatest growth potential for importing natural gas. The use of Valença do Minho in the last two months of 2009, even though the use was very low-level, marks the start of diversification in imported natural gas, as it was carried out by operators already active on the Spanish market.

Natural gas supply (2009)

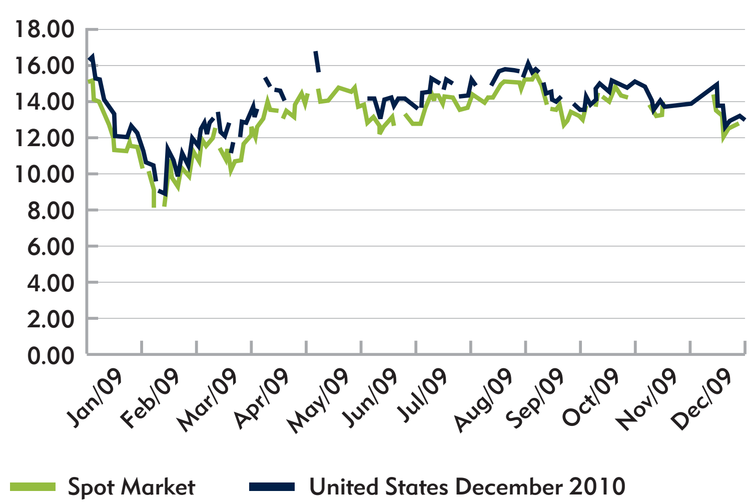


	GWh
Campo Maior	23,412
Sines (LNG)	30,242
Valença do Minho	3
Total	**53,657**

Emissions trading

In 2009, market prices for emissions allowances were greatly influenced by the world economic and financial crisis. At the start of the year, the decline in Europe's industrial output, and consequently in carbon emissions, pushed down the carbon price, which bottomed at €7,90/t_{CO2eq} in February. By the summer, the bullish mood of the financial markets made itself felt in European emissions allowance trading, and the value of allowances reached a high of €15,30/t_{CO2eq} in September. At the end of the year, allowances were trading at €12,6/t_{CO2eq}, a figure that will have been influenced by the outcome of the Copenhagen Summit.

Emissions trading, €/t_{CO2eq},



Source: Bloomberg

Energy efficiency

Decree-Law 319/2009 was published on 3 November 2009. It transposes Directive 2006/32/EC, on efficient end energy use and on energy services, into Portuguese law. The Directive sets a general indicative energy saving target of at least 9% by 2016, to be achieved via energy services and other means of improving energy efficiency.
As a result of the measures set forth in the National Plan of Action for Energy Efficiency (PNAEE) (2008-2015), also known as Portugal Efficiency 2015, end energy consumption could be reduced by 10% by 2015, offsetting the 1% per annum rise in Portugal's energy bill between now and that date For electricity, that target means achieving a 7% reduction in consumption by 2015.
Under the Plan for the Efficient Use of Electricity (PPEC) 2009-2010, fifty measures have been approved which could potentially save about 3,000 GWh - the equivalent of reducing CO_2 emissions by about one million tonnes.
As for electricity generation, with the entry on stream of new combined-cycle natural gas power stations and the decommissioning of fuel-oil power stations, average thermoelectric energy conversion efficiency is expected to exceed 50% by 2020.

Renewable energy

Although the mechanisms for supporting renewable special status generation in Portugal (excluding major hydro-electric generation) are based essentially on fixed feed-in tariffs, investment subsidies and tax benefits. Producers who opt for the market-oriented support mechanism can supplement their earnings on the organised market by trading certificates under the Renewable Energy Certificate System (RECS).
In 2009, REN, as the RECS certificate issuing body in Portugal, issued 140,239 certificates and redeemed 5,906 certificates.
To meet the new target set for Portugal with regard to the proportion of energy generated using renewable sources - 31% of primary energy - all sectors will need to make a contribution. The strategy put forward by the Portuguese government to achieve that target envisions that renewable sources will contribute 59% of all electricity generation by 2020.
The government's energy policy seeks to ensure that Portugal remains at the technological forefront of renewable energies, based on the following steps:

- consolidating its commitment to wind-generated energy, by aiming to increase total capacity to 8,500 MW;
- implementing the National Dam Plan and identifying ways of increasing output at existing facilities;
- launching a plan to develop small hydroelectric power stations, with a view to increasing current capacity by 50%; and
- increasing the current solar energy target (1500 MW) tenfold over ten years.

Electricity

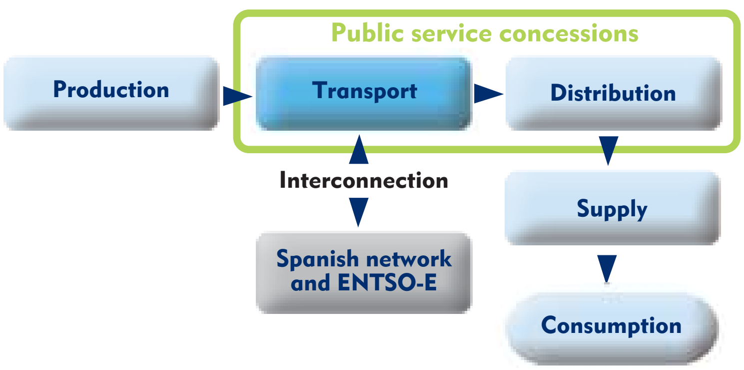
In the electricity sector, REN holds the concession for the National Transmission Grid (RNT) for 50 years as of 2007. Its activity includes:

- Planning, building, operating and maintaining the grid;
- Monitoring security of supply and performing the overall technical management of the National Electricity System (SEN);
- Offsetting imbalances in the electricity market.

At the same time, REN Trading manages energy supply agreements with Tejo Energia and Turbogás.

The RNT connects generators to consumption centres and guarantees a balance between supply and demand. The grid covers the whole of mainland Portugal and has eight interconnections with the Spanish grid: four 400 kV and three 220 kV interconnections and one 130 kV interconnection. The RNT delivery points supply industrial customers directly and residential and commercial customers indirectly through its distribution grid.
Through REN Trading, the REN group manages the two remaining PPAs. REN is also present in the operation of electricity markets through its shareholding in Operador do Mercado Ibérico de Energia (Pólo Português), S.A. (OMIP), the Portuguese centre of the Iberian market for trading electricity derivatives.

Concessions



The electricity sector in Portugal

Portugal's electricity sector upstream from end users consists of the generation, transmission, distribution, supply and trading of electricity.
As the holder of a 50-year public service concession as of 2007, REN is the only electricity transmission company in mainland Portugal. At the same time, it is responsible for the overall technical management of the National Electricity System and the planning, construction, operation and maintenance of the National Transmission Grid.
As the overall technical manager of the National Electricity System, REN schedules and controls the balance between the supply from generating units and demand for electricity in real time, so that any imbalances can be corrected. It is also responsible for checking the schedule of international power exchanges and managing mechanisms for solving congestion in interconnections.

Operation of the National Transmission Grid (RNT)

The main congestion occurring in the RNT in 2009 was associated with the unavailability of grid components and was solved by restricting electricity generation or making topological changes in the grid.

The most important cases of unavailability were located:

- At the Caniçada Switching Station following total remodelling / reconstruction work;
- In the Palmela-Sines 2 (400 kV) line, which was made unavailable to raise the line in a cork oak area;
- In the Batalha-Ribatejo (400 kV) and Carregado-Rio Maior 1, 2 and 3 (220 kV) lines due to posts downed by bad weather on 23 December;
- In the Portimão-Tunes 1 and 2 (150 kV) lines due to posts downed by bad weather on 23 December.

The congestion resulting from the fortuitous unavailability of the Batalha-Ribatejo (400 kV) and Carregado-Rio Maior 1, 2 and 3 (220 kV) lines was solved by a number of restrictions placed on electricity generation south of Santarém, particularly at the Ribatejo, Setúbal, Sines and Alqueva power stations. The congestion caused by the chance unavailability of the Portimão-Tunes 1 and 2 (150 kV) lines was solved by starting up the gas turbines at the Tunes Power Station.
In spite of the large number of posts affected by the storm on 23 December (18 in all, 15 of which collapsed completely), the RNT showed remarkable resilience and the incidents did not cause any supply

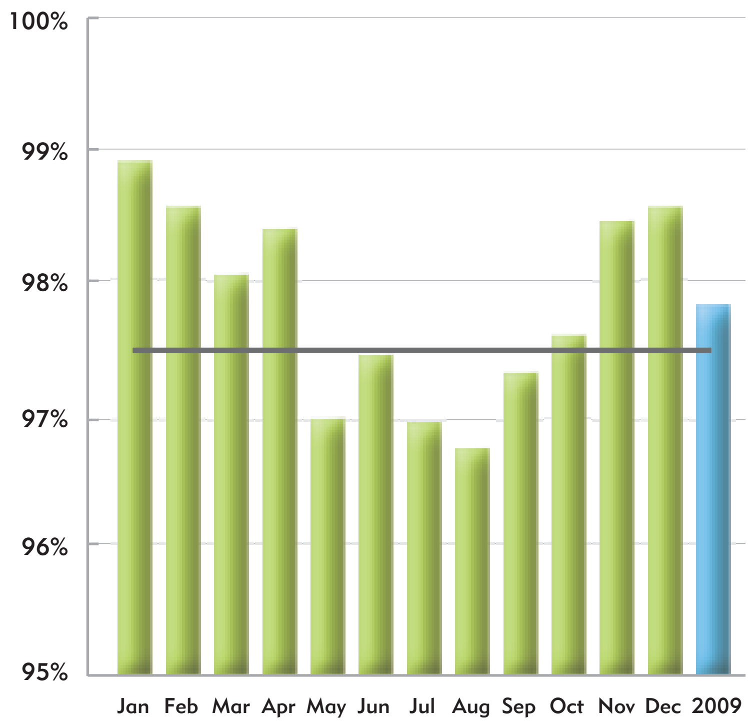
cuts to delivery points for distribution or consumers directly connected to the RNT.

In 2009, in addition to some of the incidents that affected RNT lines, there were also trips resulting in substantial loss of wind generation. This resulted in two incidents on 15 November, which caused an imbalance due to lack of generation in the National Electricity System higher than 1,000 MW, which is on the threshold of being classified a major incident by European standards. Following these incidents, REN and the different bodies operating in the electricity sector continued to introduce measures to adapt the behaviour of wind generation in the grid to technical requirements for guaranteeing continuity of supply.

For the 2009-2011 regulatory period, ERSE, the energy sector regulator, introduced a new availability indicator for the components of the electricity transmission grid called the *combined availability rate*. This indicator determines a monetary incentive or penalty for REN, depending on whether it is above or below the target of 97.5%.

In 2009, this indicator was 97.84% (i.e. above the 97.5% fixed by ERSE). Monthly figures were as follows:

Combined availability rate (2009)

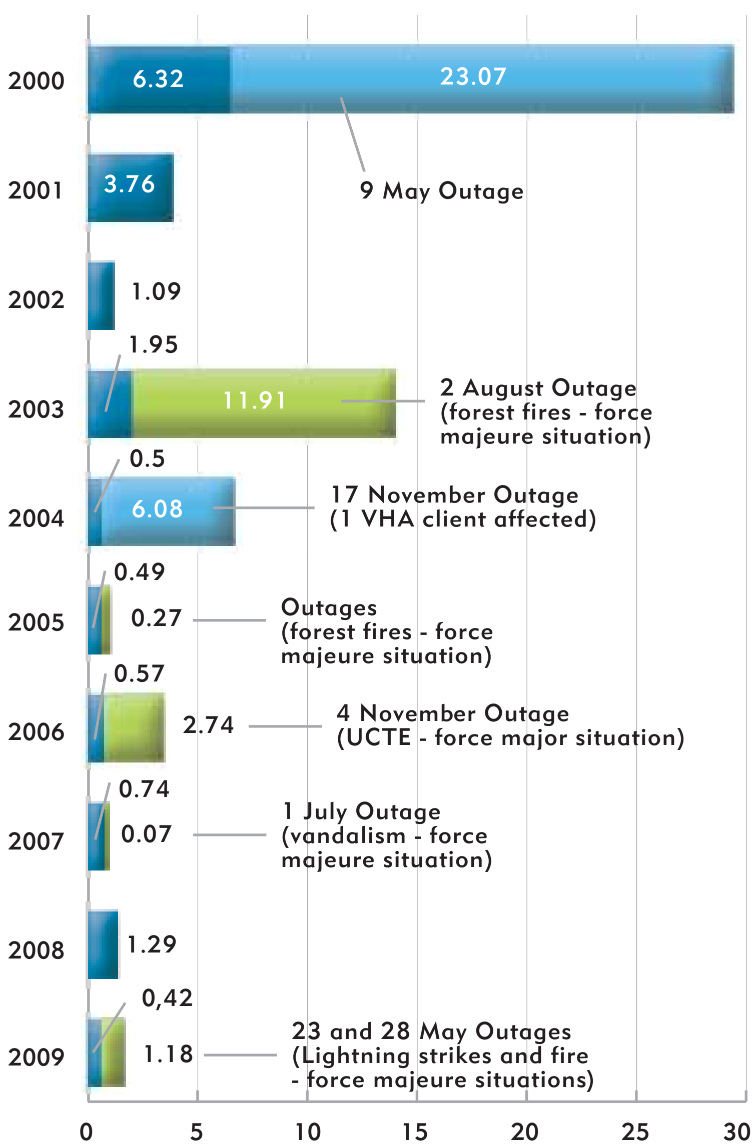


Quality of service

The quality of service in the RNT, which is regarded as security and continuity of the electricity supply with appropriate technical characteristics, was once again very high and *equivalent interruption time (EIT)* was 0.42 minutes, the best ever.
In other words, REN guaranteed supply of the different delivery points to customers 99.99992% of the time, i.e. 999 hours, 59 minutes and 57 seconds per 1,000 hours.

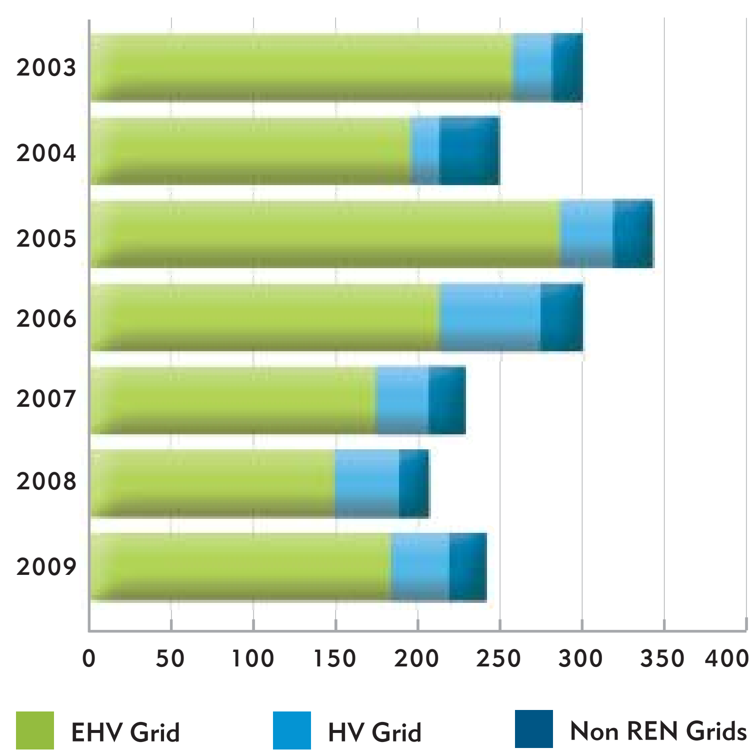
Equivalent Interruption Time - EIT

(minutes)



The graph illustrates the sustained trend towards improvement in continuity of service in recent years, not counting sporadic, exceptional situations. Cases of force majeure are not considered when calculating the EIT indicator.
In 2009, REN continued to monitor voltage wave quality at all RNT delivery and interconnection points. The measurements showed results, with very few, occasional, localised exceptions, within the values recommended in the *Quality of Service Regulations*.
The number of incidents and disruptions, 240, was 17.6% higher than in 2008. Of these, 185 originated in the extra high voltage (EHV) grid, 37 in the high voltage (HV) and 18 in other grids but with an impact on the EHV and HV grids.

Number of incidents

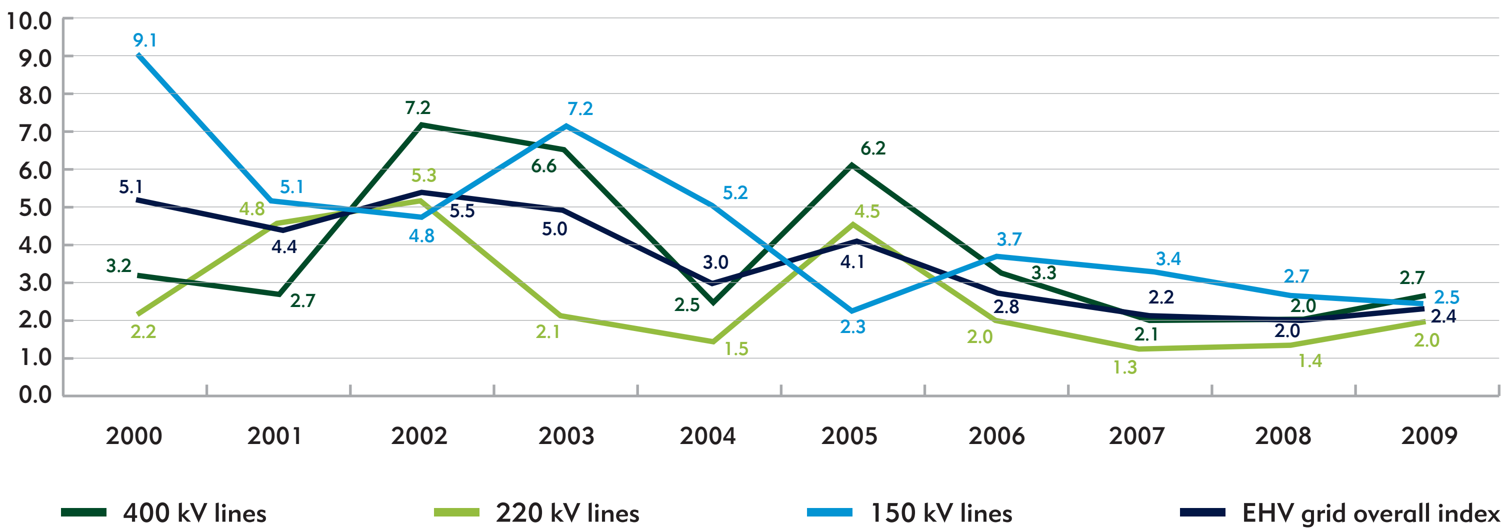


Only 11 (4.6%) of these incidents affected the electricity supply to customers.
Excluding fortuitous causes or force majeure, the energy not supplied (ENS) resulting from these incidents was estimated at 40.4 MWh.

Line performance

In 2009, the overall performance of the RNT lines was satisfactory. The overall availability rate of line circuits, including terminal panels, was 97.8%, slightly higher (+0.7%) than in 2008, in spite of a large amount of alteration and improvement work in the different grid circuits.
The graph below shows line performance by voltage level in recent years in terms of the number of defects per 100 kilometres of circuit.

Number of defects in RNT lines per 100 km of circuit



Although the figures for 2009 are slightly higher, they are still significantly lower than the average for the last 10 years. The overall index of the EHV grid rose 18.7% against 2008 to 2.35 defects per 100 km of circuit. This was due to an increase in the number of incidents caused by fire and lightning strikes (adverse environmental and weather conditions beyond REN's control).
In spite of the slight increase in 2009, the results prove the efficacy of preventive measures taken in recent years, which included:

- Renovation of a number of lines with upratings in transmission capacity, replacement of insulator chains and accessories and improvement of shielding against lightning strikes;
- Replacement of ceramic and glass insulators by composite insulators in critical lines located in highly polluted areas;
- Widespread installation of nesting platforms and bird perching prevention devices on the insulator chains in lines impacting birdlife (storks);
- Periodic visual inspection by helicopter using thermal imaging with infrared cameras and laser technology distance measurement for more effective intervention in geo-referencing anomalies;
- Monitoring for insulator contamination and more effective summer washing;
- Periodic inspections of vegetation and management of wood material in line corridors as part of municipal fire prevention plans.

Most of the incidents that affected REN installations originated in overhead lines (70%). Once again, the main causes were lightning strikes, 36%, and birds (storks), 24%.

Performance of substations

In general, our substations performed well and the number of faults in transformers was substantially lower than in 2008. The number of faults in circuit breakers was also down in 2009.
Overall availability of transformers and autotransformers (including their panels) was 98%, a very similar figure to 2008 (+0.1%), mainly thanks to remodelling and replacement of HV equipment and power transformers in 2009.

Investments in the National Transmission Grid (RNT)

A number of important efforts were completed in the RNT in 2009, with a view to increasing capacity for renewable energy reception, power exchanges with the Spanish grid and supply to distribution grids.

Main investments completed in 2009

In 2009, the new Lagoaça substation was opened in the municipality of Freixo de Espada à Cinta, which is still operating only as a 220 kV switching station in this phase. Some 220 kV lines located in this area of Douro Internacional were diverted to the new facility, including the two interconnection lines with the Spanish Aldeadávila substation.
The Caniçada 150 kV switching station, which now belongs to REN, S.A., underwent major remodelling to remedy the advanced obsolescence of its equipment.
In the Centro area, REN opened the new Tábua 220/60 kV substation and diverted the 220 kV Vila Chã - Pereiros 1 and 2 lines to it, the branch of the latter to the Pampilhosa da Serra wind farm and completed the construction of the 220 kV Penela - Tábua line.
In inland Alto Alentejo, the Falagueira -Estremoz line went into service, insulated for 400 kV but temporarily operating at 150 kV, which supplies the new Estremoz 150/60 kV substation.
In Lisbon, two 220 kV underground lines were set up between the Alto de Mira substation and Zambujal, where REN is going to build a new substation. Until the Zambujal 220/60 kV substation is opened, these two connections will operate at 60 kV and supply the existing EDP Distribuição substation.
Two 400 kV connections were also put into operation between the Lavos substation and the new Lares thermoelectric power station for connection to the grid.
We also put into service a 150/130 kV, 140 MVA transformer at the Pedralva substation, the second 400/150 kV, 450 MVA lag autotransformer at the Falagueira substation, the second 400/150 kV, 250 MVA autotransformer at the Ferreira do Alentejo substation, which came from Falagueira, and the first 400/150 kV, 450 MVA autotransformer at the Portimão substation.
Where the total number of new units was concerned, eight transformers (total power of 1,198 MVA) and two autotransformers (900 MVA) were put into service. REN also reinforced the transmission capacity of some lines in the Lisbon area and installed 50 Mvar in new condenser batteries.
Several 60 kV panels were built in RNT substations already on line to make it possible to perform and connect new special status generation, especially wind farms (in Frades, Vila Pouca de Aguiar and Carrapatelo).

Main investments in progress

To step up interconnection capacities between Portugal and Spain:

- In Douro Internacional, the 400 kV voltage level is being introduced at the Lagoaça substation and a 400 kV interconnection is being established between Lagoaça and the Spanish Aldeadávila substation. At the same time, another 400 kV circuit will also be set up to connect Lagoaça to the future Armamar substation;
- In the Algarve, a new 400 kV interconnection is being closed to link the future Tavira substation with the current Spanish Guillena facility.

To connect new special status generators to the RNT:

- The 220 kV grid in Trás-os-Montes, from Lagoaça in Douro Internacional to Valdigem, is being closed and will pass through the existing substations at Macedo de Cavaleiros and Vila Pouca de Aguiar and the future one in Valpaços;
- A 220 kV connection is being established between the Vila Pouca de Aguiar and Carrapatelo substations, going round Serra do Alvão to the north. Most of its route will be built as double 400+220 kV, thereby preparing for future inclusion in the PNBEPH grid located in the Alto Tâmega area;
- The Armamar substation will be opened and the operating voltage of the Armamar - Bodiosa - Paraimo axis will be changed to 400 kV;
- A new double 400+150 kV line is being built between Castelo Branco and Falagueira, though it will initially only operate at 150 kV.

To connect new major ordinary status power stations to the RNT:

• We are reinforcing the 220 kV axis going from the Picote switching station, which will be totally rebuilt, to the Lagoaça substation in order to distribute generation from new generation groups associated with increases in power at the Picote and Bemposta power stations. This reinforcement of the grid will be achieved with a new line, the first section of which will have only 220 kV and the second will be double, with in 400 kV and another 220 kV circuit;
• The new 400 kV connections are being completed between Batalha - Lavos and Lavos - Paraimo, in central Portugal, and the Marateca area - Fanhões, in the Lisbon/Setúbal area and the Lavos and Sines substations and the Pego switching station are being remodelled or enlarged for inclusion in the RNT of the new combined cycle natural gas power stations (Figueira da Foz, Pego and Sines) for which the DGEG has fixed a capacity reserve.

To supply consumption points and support distribution grids:

• In Minho, a new 150/60 kV substation is being set up in Vizela/Felgueiras;
• In Trás-os-Montes, the Valpaços 220/60 kV substation is being opened;
• In Porto, REN is creating a 220/60 kV injector at Prelada, a substation to which a 220 kV underground circuit will be built from Vermoim and remodelling to 220/60 kV the existing Ermesinde 150/60 kV substation with a level of 220 kV supplied by two new partially overhead and partially underground circuits;
• We are building the new Feira 400/60 kV substation in southern Douro Litoral;
• The Carregado - Rio Maior 1 connection is being converted to double 400+220 kV in the northern Lisbon area;
• In the Lisbon region, 220/60 kV substations are being opened at Zambujal and Alto de S. João, both supplied by two underground cables, the former from Alto de Mira (already built and in operation at 60 kV) and the second from Sacavém,
• In the Setúbal Peninsula, the second 150 kV Fernão Ferro -Trafaria line is being completed and 400 kV voltage is being introduced into the present Fernão Ferro substation, which will be completely remodelled;
• In the Algarve, a new 150 kV line is being set up between the Portimão and Tunes substations and a 400 kV line between the Portimão and Tavira substations and the Tavira substation will be opened at 400, 150 and 60 kV;
• The transmission capacity of some existing RNT lines is being increased.

To supply large high-voltage customers - planned:

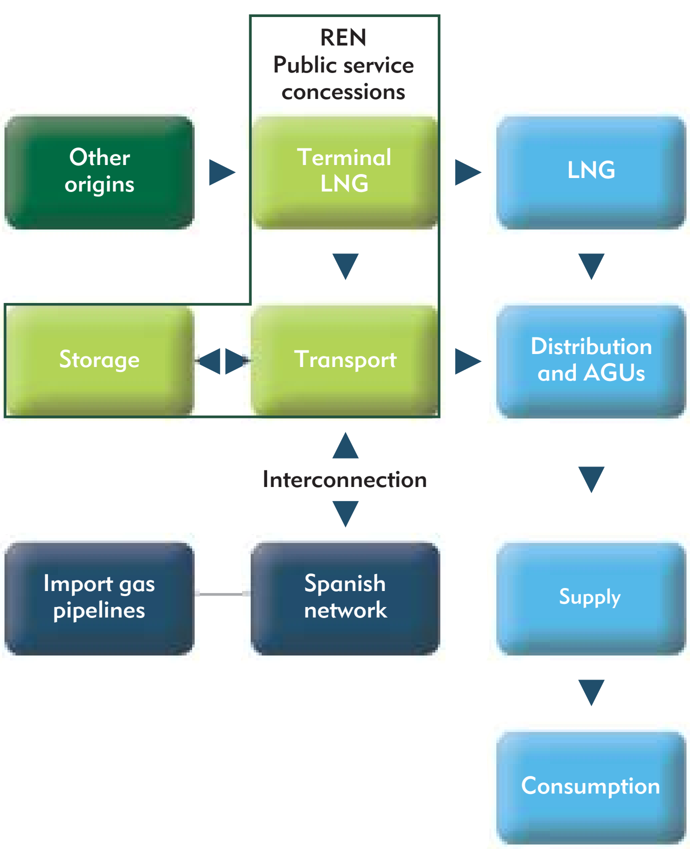
• In order to supply the high-speed railway line in the Portuguese section of the Lisbon - Madrid line, the plan is to change the operating voltage of the Falagueira - Estremoz line and Estremoz substation to 400 kV and close the 400 kV grid between Estremoz and Palmela by building the Estremoz - Divor (Évora) - Pegões - Palmela axis;
• We will establish supply connections to rail traction substations starting at the present RNT substation in Estremoz and in the future Divor and Pegões substations, all at 400 kV.

Natural gas

In the natural gas sector, REN holds the concession for the National Natural Gas Transport Network (RNTGN) for 40 years as of 2006 and its activities in this area are as follows:

- Planning, building, operating and maintaining the RNTGN;
- Monitoring security of supply and providing overall technical management of the National Natural Gas System (SNGN);
- Receiving, storing and regasifying liquefied natural gas (LNG); and
- Operating, building, maintaining and managing underground natural gas storage.

Natural gas



LNG - Liquefied natural gas I AGUs - Autonomous gas unit

The natural gas sector in Portugal

The National Natural Gas System comprises a number of activities performed almost entirely by REN subsidiaries. The most important are:

- REN Atlântico - the reception, storage and regasification of liquefied natural gas at the Sines LNG terminal;
- REN Armazenagem - underground natural gas storage;
- REN Gasodutos - overall technical management of the system, logistical operation of changes in supplier, the transport of natural gas and access to the natural gas transport network.

The activities that are not carried out by the REN Group, such as buying, selling and marketing natural gas and access to the natural gas distribution network are done by other entities in the system. They are coordinated by REN Gasodutos in its role as overall technical manager of the SNGN. In this capacity, REN manages and accompanies the balance between supply and demand through operational coordination between consumption and the programmes of market agents in the different high-pressure infrastructures. REN ensures that demand for capacity from the infrastructures and network can be processed and manages flows in order to maintain their feasibility. REN also monitors compliance with legal obligations and security of supply operations by market agents operating in the National Natural Gas System.
REN Gasodutos, a company owned 100% by REN, holds an exclusive public service concession for 40 years as of 2006. One of its main activities is the high-pressure transport of natural gas in the National Natural Gas Transport Network. This network consists of 1,267 kilometres of main pipelines and branches, which includes 186 pipeline stations, 42 of which are block valve isolating stations, 65 inserted junction stations, 78 regulating and metering stations and one international custody transfer station and also the despatch centre (a command centre for the entire national gas system) in Bucelas, Loures. For safety reasons, there is an alternative despatch centre in a different seismic area from Bucelas in central Portugal. The four REN Gasodutos operation and maintenance centres are in Sandim, Vila Nova de Gaia, in Pombal, in Portalegre and in Bucelas.
Under the public service concession, REN Atlântico, which is also owned 100% by REN, receives, stores and regasifies liquefied natural gas at the Sines LNG

terminal and delivers it to the National Natural Gas Transport Network. REN Atlântico is also responsible for loading tanker trucks at the request of market agents. The trucks take the gas to regasification units that supply local natural gas networks and are not connected to the transport network.
The underground storage concession held by REN Armazenagem, which is also owned 100% by REN, entails the injection, storage, extraction, treatment and delivery of natural gas.

Operation of the National Natural Gas Transport Network (RNTGN)

At the end of 2009, 19 market agents were operating in the Portuguese natural gas market:

- Five suppliers on a market basis: Galp Gás Natural, EDP Gás.Com, EDP Gestão Produção, Gas Natural Comercializadora and Endesa;
- 12 regulated suppliers: 11 CURr + 1 CURg;
- Two customers as market agents pursuant to the gas release programme of February 2009.

As part of the systemic management of infrastructures, REN began filling with natural gas and operating RENC-4, its third underground storage cavern at Carriço. During the year, we began commercial operation of the Lares Thermoelectric Power Station, the fourth natural gas power station operating in Portugal. It has an installed electric capacity of 430 MW in two generating sets and commercial operation began in September and October. These high-pressure consumption points have a joint maximum capacity of around 42 GWh a day. The DGEG granted exemption from the obligation to set up safety reserves for the Tapada do Outeiro and Lares power stations, articulated with the entry into service of the REN-C4 cavern at the underground natural gas storage facilities in Carriço. As a result, the ERSE, after consulting the overall technical manager of the SNGN, decided to free up underground storage capacity for commercial use in a quantity equivalent to the reserves released by the exemption in the 2009-2010 gas year. This totalled 573 GWh for a period of six months starting on 1 January de 2010 and constituted a sign of opening of the market for the single, congested SNGN infrastructure.

Operating performance

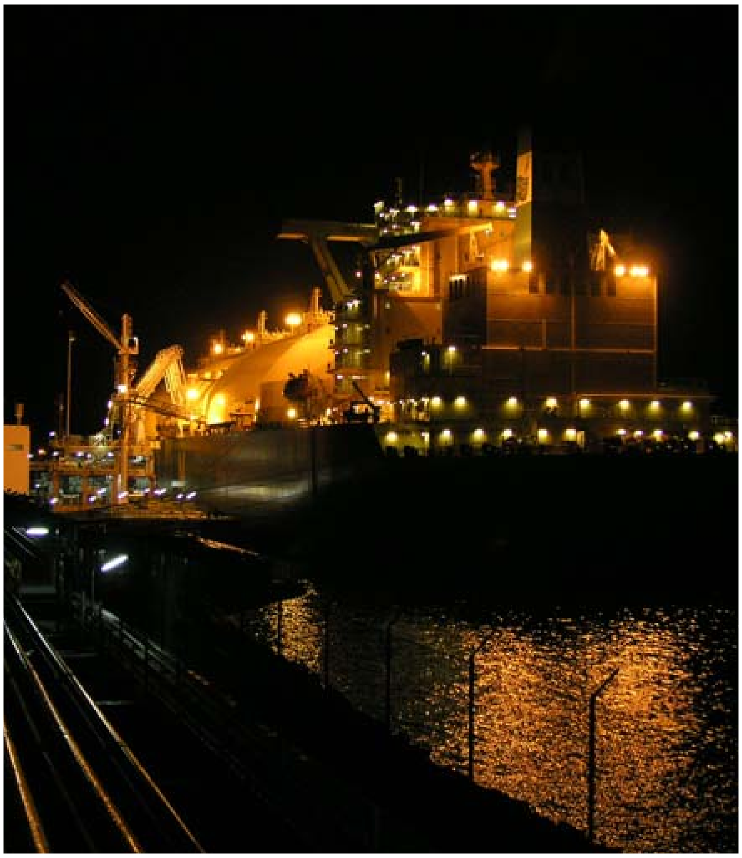
National Natural Gas Transport Network (RNTGN)

In 2009, excluding the quantities in international transit, natural gas entered the infrastructure operated by REN in its capacity as the National Natural Gas Transport Network concession holder essentially via Sines (56%), from LNG regasification at the REN Atlântico Sines Terminal. The remaining 44% came in at Campo Maior, mostly from Algeria, along the Mahgreb pipeline. A small amount also entered via Valença do Minho at the end of the year.

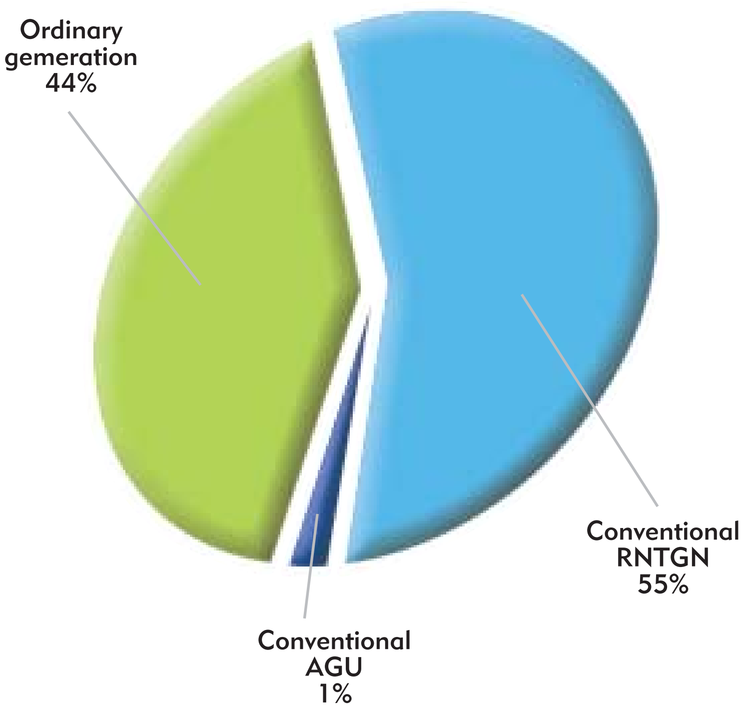
In 2009, 54,415 GWh[1] (around 4.57 bcm) were transported by the RNTGN. This includes national high-pressure consumption and injection of natural gas into underground storage, which totalled 2,015 GWh (around 0.169 bcm). Cushion gas and filling of the new REN-C4 cavern with operational gas, to a total of 1,416 GWh[1] (around 0.119 bcm) contributed to this substantial injection component. Demand for natural gas in Portugal in 2009 fell 1% against 2008, as shown in the table below:

Demand natural gas
(GWh)

	2008	2009	Variation (%)
Ordinary status electricity generation	25,343	23,499	-7.3
Conventional market RNTGN	27,642	28,901	4.6
Conventional market AGU	506	568	12.3
Total	**53,491**	**52,968**	**-1.0**



Relative weight of the above market segments

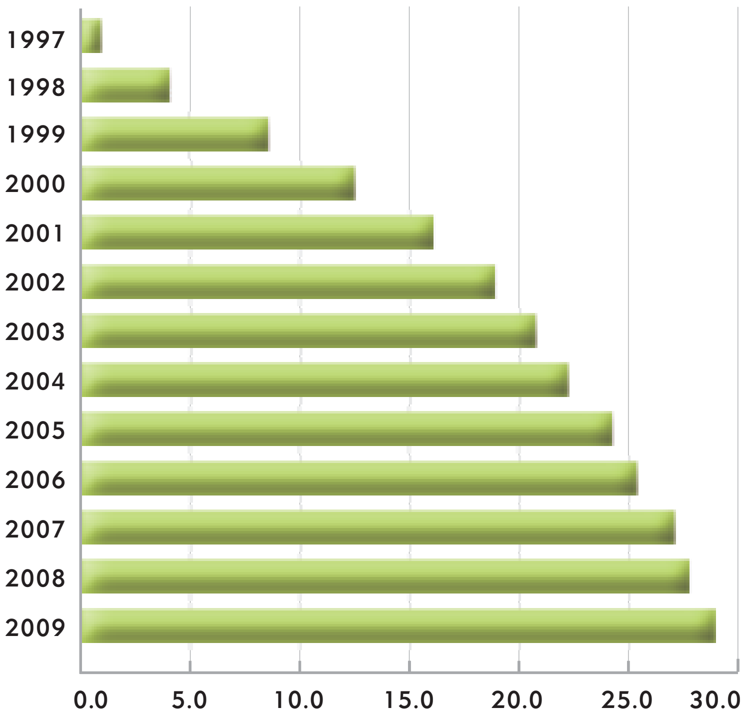


[1] Equivalence between energy given in kWh and normal m3 depends on the gas's upper calorie value, which varies, and so it is not possible to indicate the correct equivalent. The equivalency used for the calculations shown in m3 (n) was 1 m3(n) - 11.9 kWh.

The variation in the conventional market from 2008 to 2009 was in line with the growth trend since the start of the natural gas project in Portugal. In 2009, the slow-down in previous years was offset by the start of new industrial undertakings, as shown in the figure below:

Natural gas demand evolution - conventional market*

(TWh)

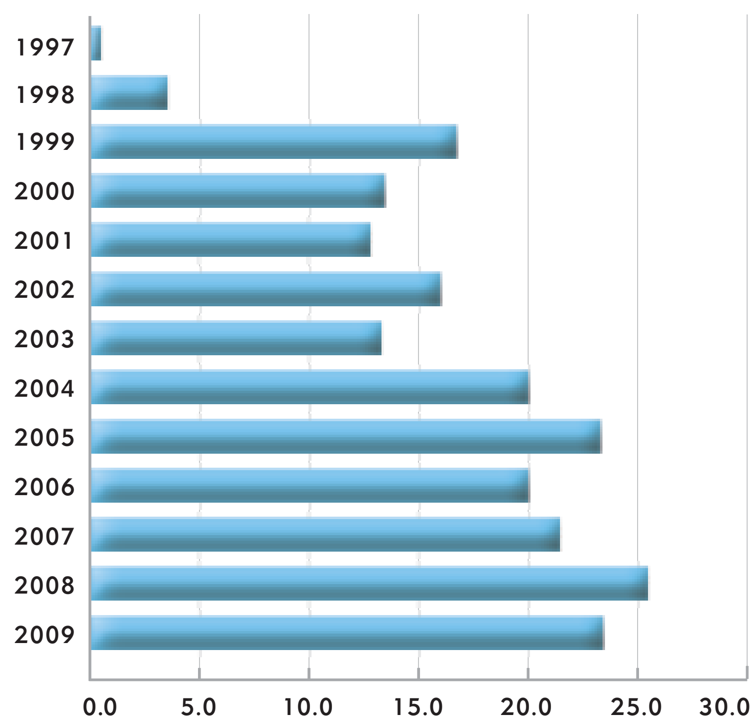


* The conventional market excludes demand for ordinary status electricity.

Where the ordinary status electricity generation market segment is concerned, annual consumption varies in accordance with installed thermoelectric capacity, the hydrologic status and the contribution from special-status electricity. The importance of the wind component is growing in this segment and its installed power in Portugal at the end of the year was 3,353 MW, which is some 30% more than at the end of 2008. Added to this is the market's effect on the selection of sources to meet electricity demand, given its sensitivity to variations in raw material prices. The combination of these factors results in volatility of annual consumption, as shown in the figure below:

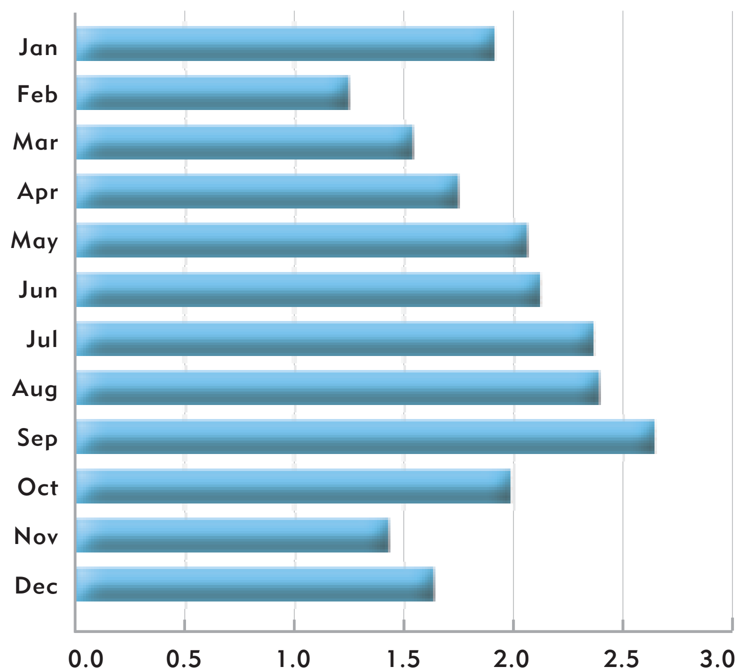
Natural gas demand evolution for ordinary status electricity generation segment

(TWh)



For the above reasons, and particularly hydrologic status, the competitiveness of natural gas over coal and an increase in the wind component, demand varied in this segment in 2009, as demonstrated by the graph below.

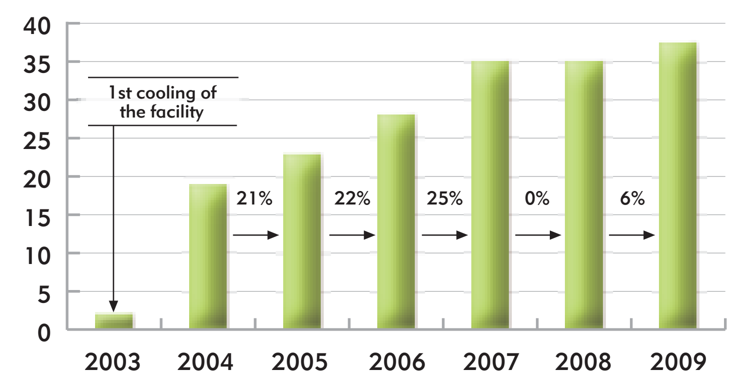
Natural gas demand in 2009 - ordinary status electricity generation
(TWh)



After the expansion that will increase its capacity, as a result of the construction of a new LNG tank and the installation of addition processing equipment, the Sines Liquefied Natural Gas Terminal will also enable Portugal to become a partner with reciprocity in the future enlarged Iberian gas market, MIBGÁS.

Unloading tankers
In 2009, 37 methane tankers (two more than in 2008) totalling 30,934 GWh, most of them from Nigeria but including six ships with LNG from other origins: Trinidad and Tobago, Belgium, Italy and Equatorial Guinea, were received and unloaded at Sines.

Unloading of ships
(number of ships)



LNG terminal
The Sines Liquefied Natural Gas Terminal is located at a deepwater Atlantic port with excellent access. This means that it plays an essential role in the Iberian gas system and is crucial in supplying the Portuguese gas system. It also meets the need to diversify the country's sources of supply of natural gas.
The growth of the national market and the need for flexibility of its agents resulting from demand from a market strongly influenced by the behaviour of the new combined-cycle power stations, which are subject to competition in the enlarged Mibel area, require increased capacity from this facility, in line with its Iberian counterparts. This is necessary in order to ensure easier access by more market agents, contribute to the development of the market in terms of competition and liquidity of the gas supply and increase security of supply of energy to Portugal.

The average load transferred by ship in 2009 was 122,876 m^3 or 54.9 tonnes of LNG, corresponding to 836 GWh of energy. This average is lower than in 2008 as the LNGT unloaded three loads from a small vessel (65,000 m^3).
The annual average unloading time (between safe berthing and readiness for unloading to the disconnection of the last loading arm) was 19 hours and 32 minutes.

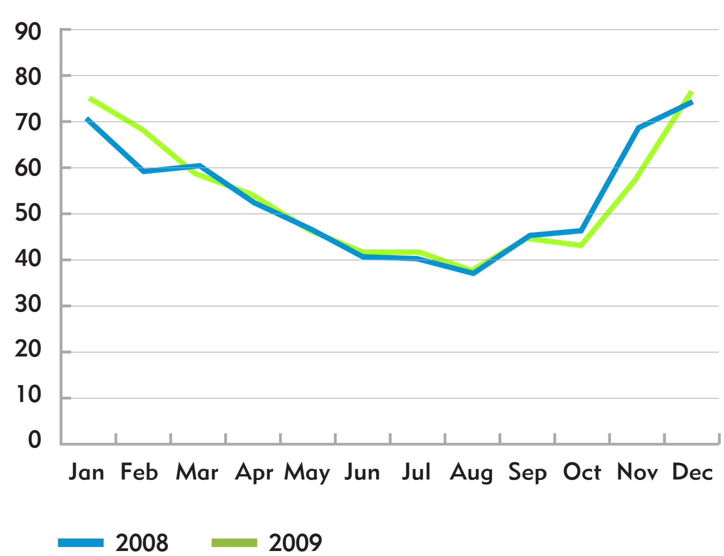
Send-out of natural gas to the RNTGN

In 2009, 2.5 bcm of natural gas to a total of 30,242 GWh were regasified for the RNTGN, which is 0.4% up on 2008 and 56% of all natural gas moved in the national transport network.
The send-out of natural gas was guaranteed for 8,745 hours out of a total of 8,760, which represents an availability quotient of 99.83%.
There was a general scheduled maintenance stoppage, in accordance with the terminal unavailability plan, with an interruption time 14 hours, which did not affect the overall natural gas supply.
In early 2009, six ships were received with LNG from Trinidad and Tobago, Belgium, Italy and Equatorial Guinea, in slightly different compositions from those received the rest of the year from the Bonny Island extraction and liquefaction platform in Nigeria.
Send-out profiles depend on the needs of the national transport network. The maximum daily send-out from the terminal, 161 GWh, occurred in July, for a daily average send-out of 83 GWh.

Filling tanker trucks

The profile of tanker truck filling was similar to that in 2008 (2,094 trucks loaded in 2009). The quantity of energy moved, 642 GWh, is still relatively low, around 2.1% of total energy moved by the terminal.

LNG despatched by road
(GWh)



Growth in this activity was sustained by an increase in national AGUs, especially in the north and south of the country. By the end of 2009, four new AGUs had been put into service.
The Spanish market accounted for 10% of LNG despatched by road and there was a reduction of around 50% against 2008, due to the start of loading of tankers at the Ferrol LNG Terminal in Galicia.

Underground storage

In June 2009, commercial operation of the third REN Armazenagem cavern, RENC-4, was started, after completion of the injection of cushion gas, during the first natural gas filling operations.
Considering the entire underground storage infrastructure, 634 GWh of natural gas were extracted and 1,920 GWh injected into the REN Armazenagem caverns. Company consumption totalled some 17 GWh. Total movement of natural gas at surface facilities totalled 2,691 GWh.
The table below compares quantities stored at the end of 2009 and 2008.

Stocks of natural gas at REN Armazenagem
(GWh)

31 December 2008	902
31 December 2009	1,465
Variation 2008 / 2009 (energy)	62%

Note: These figures do not include cushion gas

The quantities stored at the end of 2009 are 62% higher than those at the end of 2008.
As at 31 December 2009, the nominal capacities of the three REN Armazenagem caverns in operation were as follows.

Capacities of REN Armazenagem infrastructures
(GWh)

	2008	2009
Maximum capacity	1,063	1,705
Maximum commercially available capacity	788	1,645
Cushion gas	877	1,583

Notes:
- Cushion gas: volume of natural gas immobilised to maintain stable pressure in the caverns;
- Maximum capacity: maximum capacity minus cushion gas;
- Commercially available capacity: actual maximum after technical restrictions, after subtracting the capacity allocated to the overall technical manager of the SNGN for operating reserves.

The operating activities of REN Armazenagem in 2009 also included the award of a cleaning service contract for 20 wells in the water collection system in order to improve their productivity. This had a general impact on the management of water as a natural resource and on leaching.

Growth in the National Natural Gas Transport Network

In 2009, the existing infrastructure was complemented by the entry into service of around 19 km of new branches and new delivery points to supply natural gas to new customers, such as EDP Produção (Lares and Barreiro), Grupo Portucel companies, Beiragás (Vila Velha de Rodão) and Repsol (Sines).

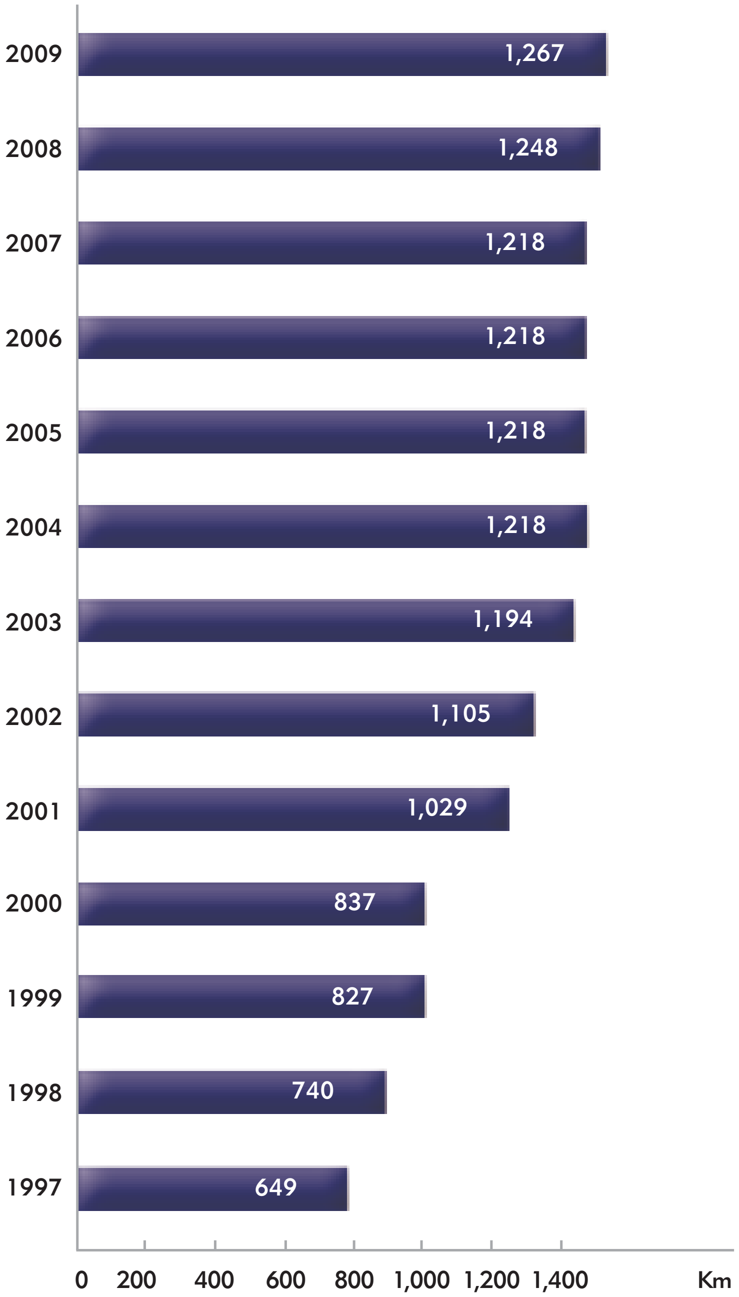
Construction of pipeline

At the end of 2009, the RNTGN comprised the following main infrastructures:

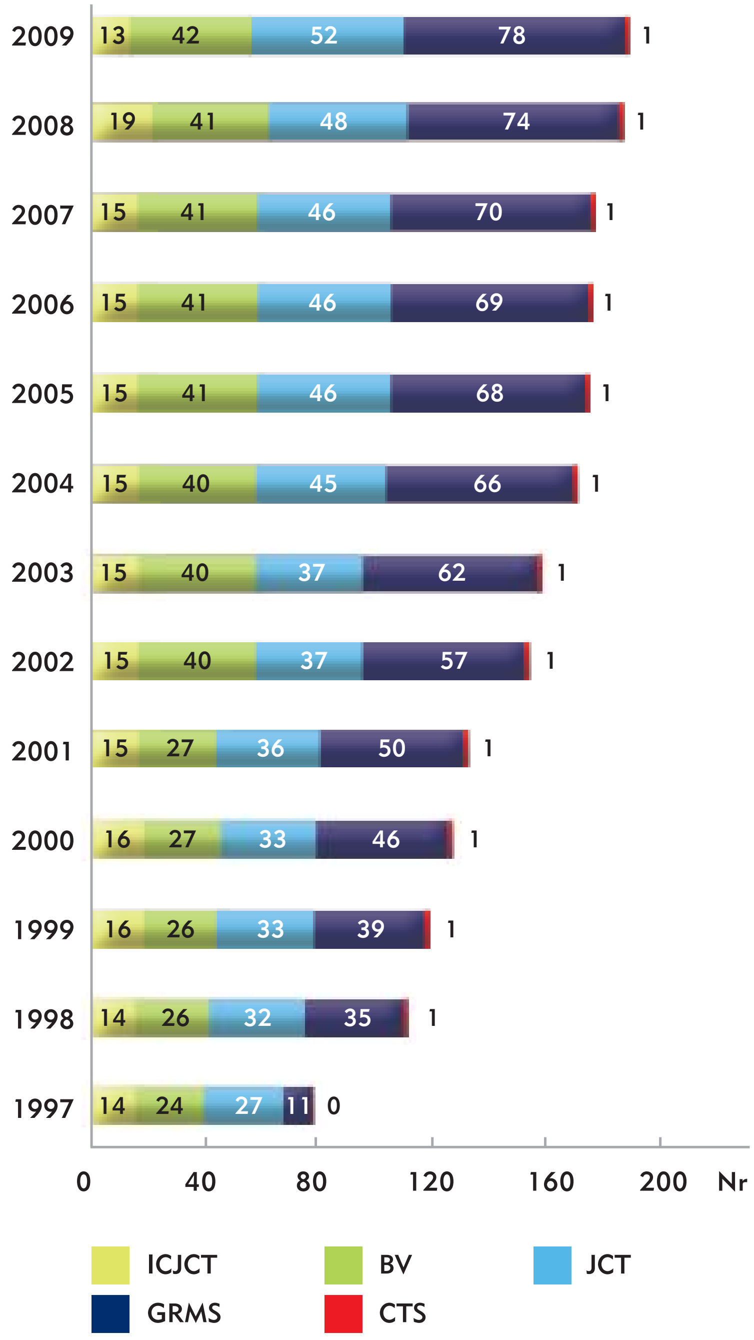
- High-pressure pipelines = 1,267 km;
- Junction Stations (JCT) = 52;
- Block valve isolating stations (BV) = 42;
- Inserted junction stations (ICJCT) = 13;
- Gas regulating and metering stations (GRMS) = 78;
- Custody transfer stations (CTS) = 1.

The following graphs show growth in infrastructure since 1997.

Extension of High Pressure Transport Network



RNTGN Stations

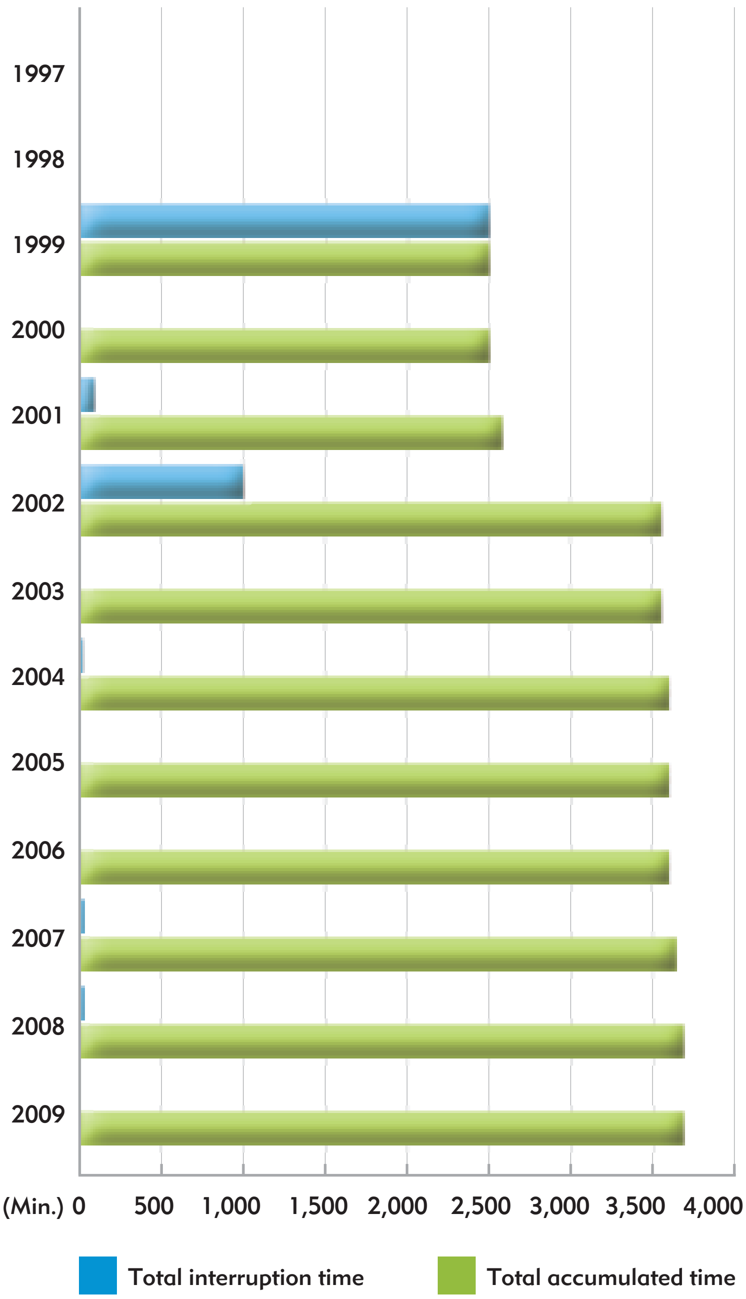


Quality of service

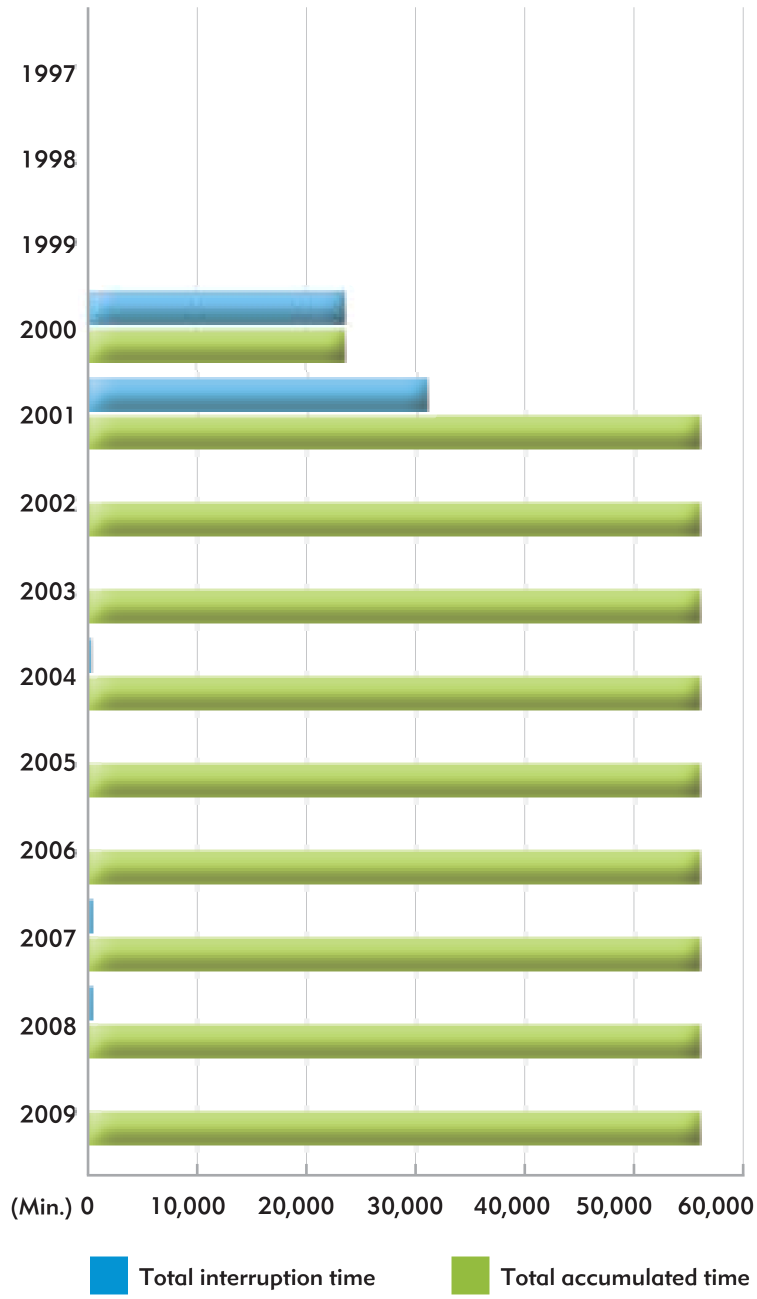
The continuity of service indicators for 2009 - 0 interruptions per exit point, 0 minutes per exit point and 0 minutes per interruption - are the result of an absence of interruptions in supply.
The indicators for natural gas were within the limits defined in the Quality of Service Regulations.

The following figures show annual and accumulated figures for controllable accidental and scheduled interruptions from the start of operation of the RNTGN.

Controllable Accidental Interruptions



Controllable Scheduled Interruptions



There were no incidents in the high-pressure transport infrastructure and the accumulated indicator of incidents of unintentional gas leaks published by the European Gas Pipeline Incident Data Group, to which REN Gasodutos belongs, was zero incidents per 1,000 km of exposed infrastructure per year.
Finally, with a view to ongoing improvement of relations with its stakeholders, in the first quarter of 2009 REN conducted an assessment of natural gas customers' perceived quality and satisfaction. This was the first natural gas customer satisfaction study conducted in the new business model, after the separation of the transport business and its transfer to REN.
The results showed that average overall satisfaction was positive (7.1 out of 10) and that distributors were the segment most satisfied with REN's performance (7.9).

International cooperation

In 2009, REN continued its cooperation with Enagás, the company that manages high-pressure natural gas transport in Spain, in order to coordinate the contribution of the two technical system managers to the construction of MIBGÁS. The plan for mutual operational assistance between them, which had been drawn up in 2007 and revised in 2008, was updated with regard to available transport capacities at international interconnection points.
As part of this collaboration between REN and Enagás for the construction of MIBGÁS, studies to assess the interest and feasibility of a new interconnection between the Portuguese and Spanish gas systems continued, taking into account an increase in security of supply and better functioning of the Iberian market.
Also as part of operational relations with Enagás and in order to comply with the guidelines drawn up by the European Regulators' Group for Electricity and Gas (ERGEG), as part of the initiatives for the southern European area (SGRI), REN Gasodutos also entered into a joint management agreement with its Spanish counterpart for the Badajoz/Campo Maior (IP39) and Tuy/Valença do Minho international interconnections.
At European level, a set of laws making up the third package for the European Union energy sector were published in July 2009, aimed at creating the right conditions for overcoming the remaining obstacles to the creation of a single European energy market.

In particular, Regulation 715/2009 set up the European Network of Transmission System Operators for Gas (ENTSOG) and defined its role in the preparation of network codes for the European gas market and the drafting and publication, every two years, of a non-binding ten-year EU-wide network development plan. It also established the resources for intensive cooperation with market agents and relevant government bodies.
ENTSOG was founded on 1 December 2009 and is based in Brussels. REN Gasodutos, in representation of Portugal, is one of the 31 founding members, 21 of which are members of EU-27.

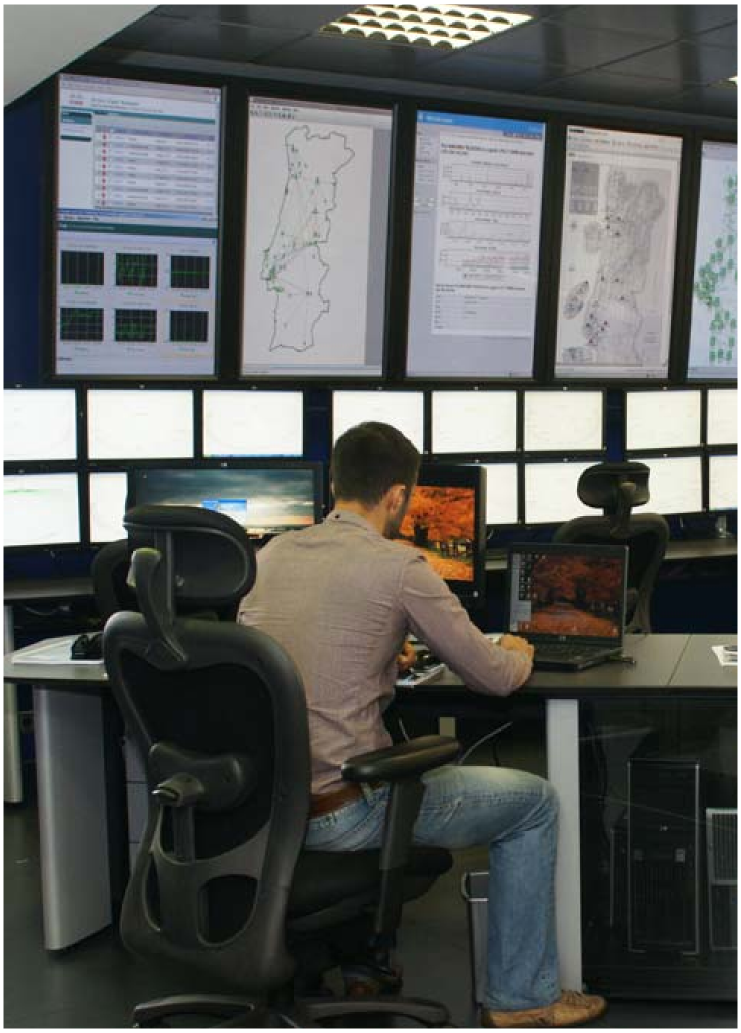
Other businesses

Management of power purchase agreements (PPAs) by REN Trading

Power purchase agreements (PPAs) not subject to early termination pursuant to Decree-Law 172/2006 of 23 August are now managed until their expiry by REN Trading, a company owned 100% by REN - Redes Energéticas Nacionais.
REN Trading therefore manages the PPA with Tejo Energia for the Pego thermoelectric power station (600 MW) and the PPA with Turbogás, for the Tapada do Outeiro thermoelectric power station (990 MW). The company's goal is to maximise earnings from the sale of energy and market system services and minimise the costs of PPAs, pursuant to ERSE Order 11210/2008.
In terms of organisation, REN Trading has three operating departments: Management, Supply and Development.
As part of its PPA management, REN Trading sells all energy and system services for the Pego and Turbogás power stations. Daily control of all the relevant information for the formation of expenses and validation of billing involved is the responsibility of Contract Management. It also monitors the market for CO_2 emissions allowances and manages the power stations' allocations and obligations in this area. This activity also entails monitoring the fuel markets (coal and natural gas) and their indexers, together with the natural gas consumption management agreement (AGC) with Galp Gás Natural.
The negotiations, which began in 2008, on the revision of the AGC with Galp Gás Natural continued in 2009. Their aim is to adapt the contract to the new legal framework of the natural gas sector and obtain better conditions for the purchase of natural gas for the Turbogás power station. In view of the complexity of the negotiations, it was not possible to complete them in 2009 and we hope to bring them to a close in early 2010.
In the area of contract management, REN's activity in the ETS - Emissions Trading Scheme grew considerably in terms of volumes traded. It also participated more in the Bluenext and Nord Pool exchanges and joined the largest forward market, the ECX (European Climate Exchange). REN Trading manages CO_2 emission allowances and establishes a carbon management strategy for the two power stations. It therefore entered into new contracts with entities involved in the CO_2 allowance market in order to buy and sell allowances and perform EUA (European Unit Allowances) swaps for CERs (Certified Emission Reductions).
In 2009, a new contract management activity began: hedging of coal purchases for the Pego power station. ISDA agreements were signed with some financial bodies and REN began hedging positions for the last quarter of 2009 and for 2010.
The sale of electricity by the Supply Department takes place mainly on the Iberian electricity market, through daily offers for sale on the OMEL.
REN Trading participated in the CESUR auctions held in 2009 in order to improve results and diversify the risk. It sold base load and peak period energy in the first, third and fourth quarter at highly favourable prices compared to the spot market therefore showing highly positive final results. It also took selling positions in financial contracts, which also benefited the final profit on sales.
The system services market grew in Portugal in 2009. The market's system manager contracts secondary regulation (teleregulation) and/or tertiary regulation (variation of load in real time), both essential services for the correct technical operation of the electricity system.
As a regulated company, the Ordinance 11210/2008 of 8 April of the Energy Service Regulator (ERSE) set out incentives defining ways for the company to share the benefits of regulated activities with electricity consumers. Annex II to this ordinance sets out the annual parameters for calculating incentives.
REN proposed that some of these parameters should be updated. As no timely reply was received from ERSE for the calculation of this year's incentives, the same parameters were used for 2009 as for 2008.
The final amount of the incentive is the result of the different facets of the company's activity, aimed at optimising the power stations' energy sales and minimising costs of purchasing natural gas of CO_2 emissions allowances.
The company's operating profits therefore correspond to the amount calculated for the incentives defined by ERSE, as follows.

Regulatory incentives for REN Trading:

1 - Incentive for the efficient market sale of power generated by Turbogás;
2 - Incentive for the efficient purchase of natural gas;
3 - Incentive for the efficient market sale of power generated at Pego;
4 - Incentive for the efficient management of CO_2 emission allowances;
5 - Incentive for the optimisation of swaps of EUAs for CERs on the CO_2 emission allowance market.



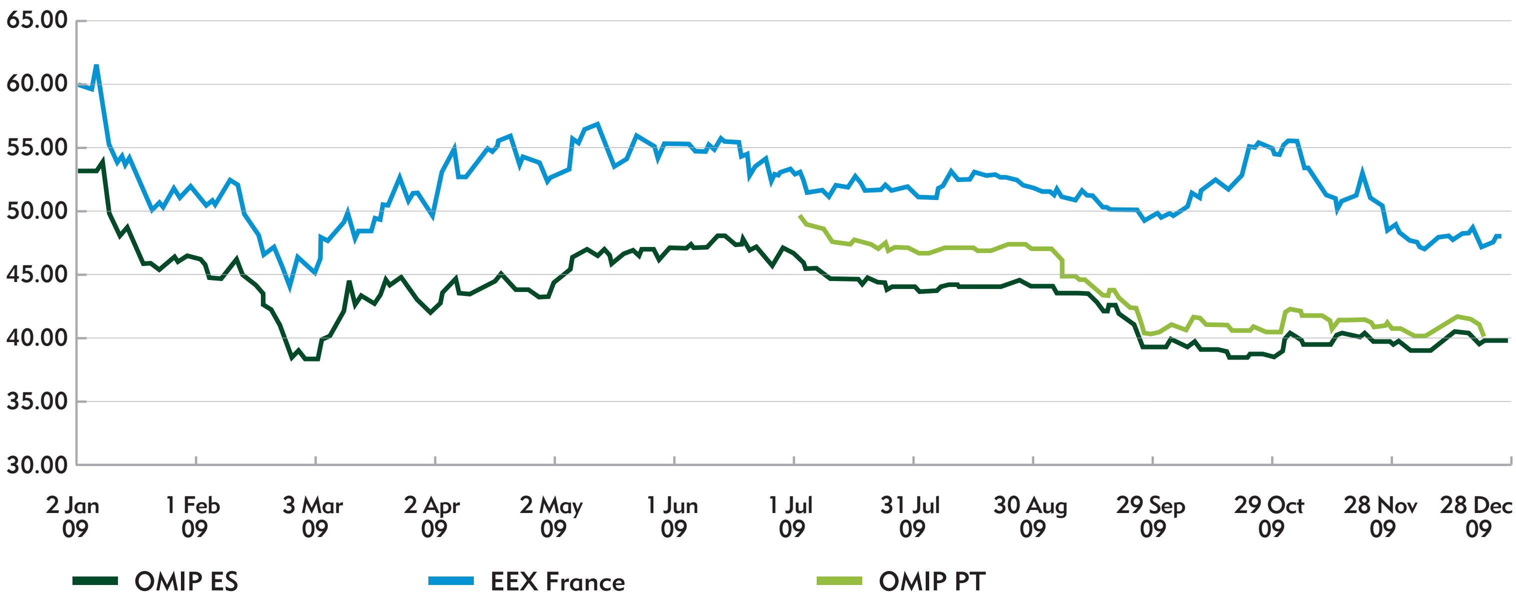
Operador do Mercado Ibérico de Electricidade (OMIP) [Iberian Energy Market Operator]

In 2009, the governments of Portugal and Spain decided to speed up the constitution of the Operador do Mercado Ibérico de Electricidade (OMI) and appointed as its president Mr Carvalho Netto, who was later elected Chairman of the Board of Directors of OMIP.
During the year, efforts were made to promote the liquidity of the MIBEL derivatives market. The results had a highly positive effect on activity, especially in terms of volumes traded, the number of participants and the notional value traded:

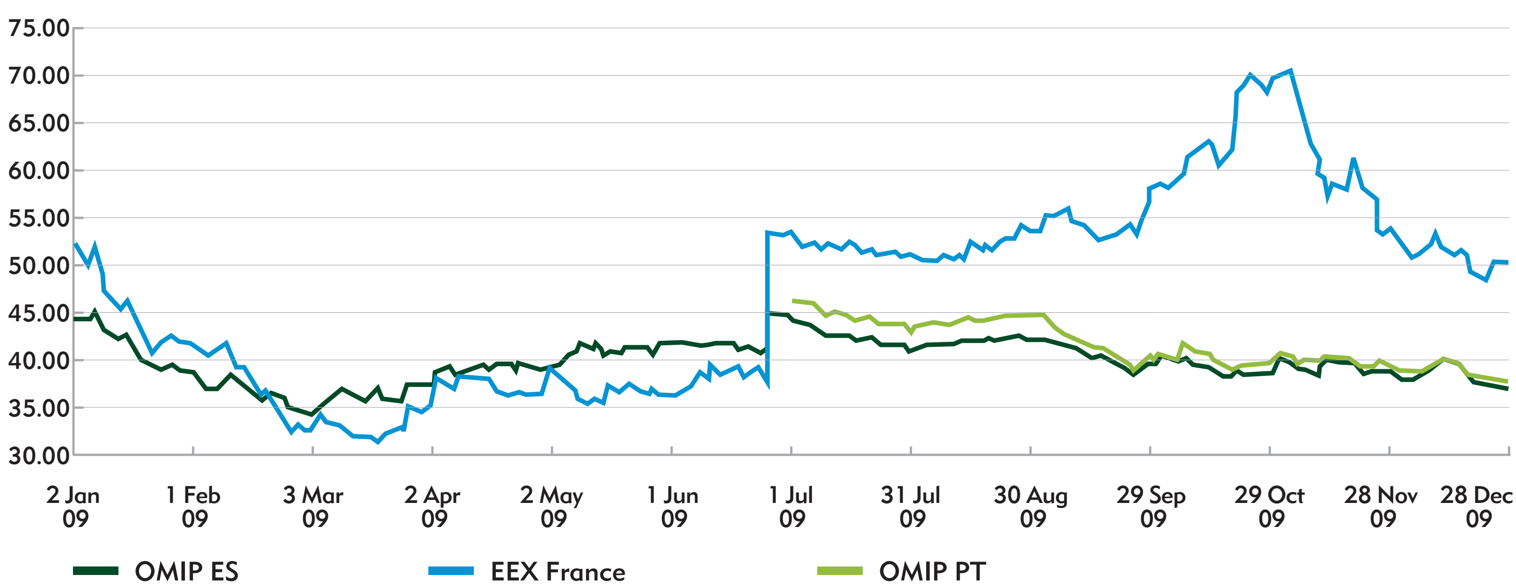
	2009	2008	Variation
Volume traded (TWh)	51	32	59%
Notional traded value (M€)	2,142	1,963	9%
Number of participations	46	38	21%

Where participants were concerned, by the end of 2009, 46 entities had joined the MIBEL derivatives market, as trading members (own account, third party account and own and third party account), clearing members (general and direct), physical settlement agents and financial settlement agents.
The number of OMIP participants increased by over 20% and their origin was further diversified: the United Kingdom, Switzerland, Germany, Belgium, Norway and the United States, in addition to Spain and Portugal.
Regarding the prices of contracts traded on the MIBEL derivatives market, with the exception of October and November, there was a high correlation between OMIP (Portuguese and Spanish zones) prices and those of its counterpart EEX, in France. Examples are the prices of annual and quarterly contracts, which are shown in the figures below.
It is important to note that the MIBEL prices were always lower than those in France in the 2010 contract and the difference between the prices in the Spanish MIBEL zone and France was €16.99.

Prices of the 2010 contract in Portugal* (OMIP PT), Spain (OMIP ES) and France (EEX France)



Prices of next quarter contracts in Portugal* (OMIP PT), Spain (OMIP ES) and France (EEX France)



* Launch of futures contracts for the Portuguese MIBEL zone on 1 July 2009

These results were largely due to the strategy of reinforcing the MIBEL derivatives market and the diversification of products and services. The following were the most important projects and initiatives:

• Marketing campaigns to promote OMIP and OMIClear as operators of reference for MIBEL forward products;
• Launch of futures contracts for the Portuguese MIBEL zone and swaps and forwards for the Spanish MIBEL zone;
• Promotion of OMIP market makers, which resulted in Deutsche Bank and Citigroup joining, together with EGL España;
• Creation of competitive commissions on trading, clearing and registration of bilateral operations;
• Migration of the OMIClear settlement system to Target 2, which fortified the clearing house's payment system;
• Auctions for the purchase of natural gas by REN Armazenagem for cushion gas in a cavern at Carriço and sale of natural gas (gas release) by Galp Gás Natural under the liberalisation of the market in Portugal;
• Specification and development of a computer system to support the change of supplier in the natural gas sector, under a contract with REN Gasodutos;
• Specification and development of a platform for "English and Dutch" auctions, which was used to sell natural gas from Galp Gás Natural;
• Start of the replacement of trading and clearing platforms with contracts ending in June 2010.

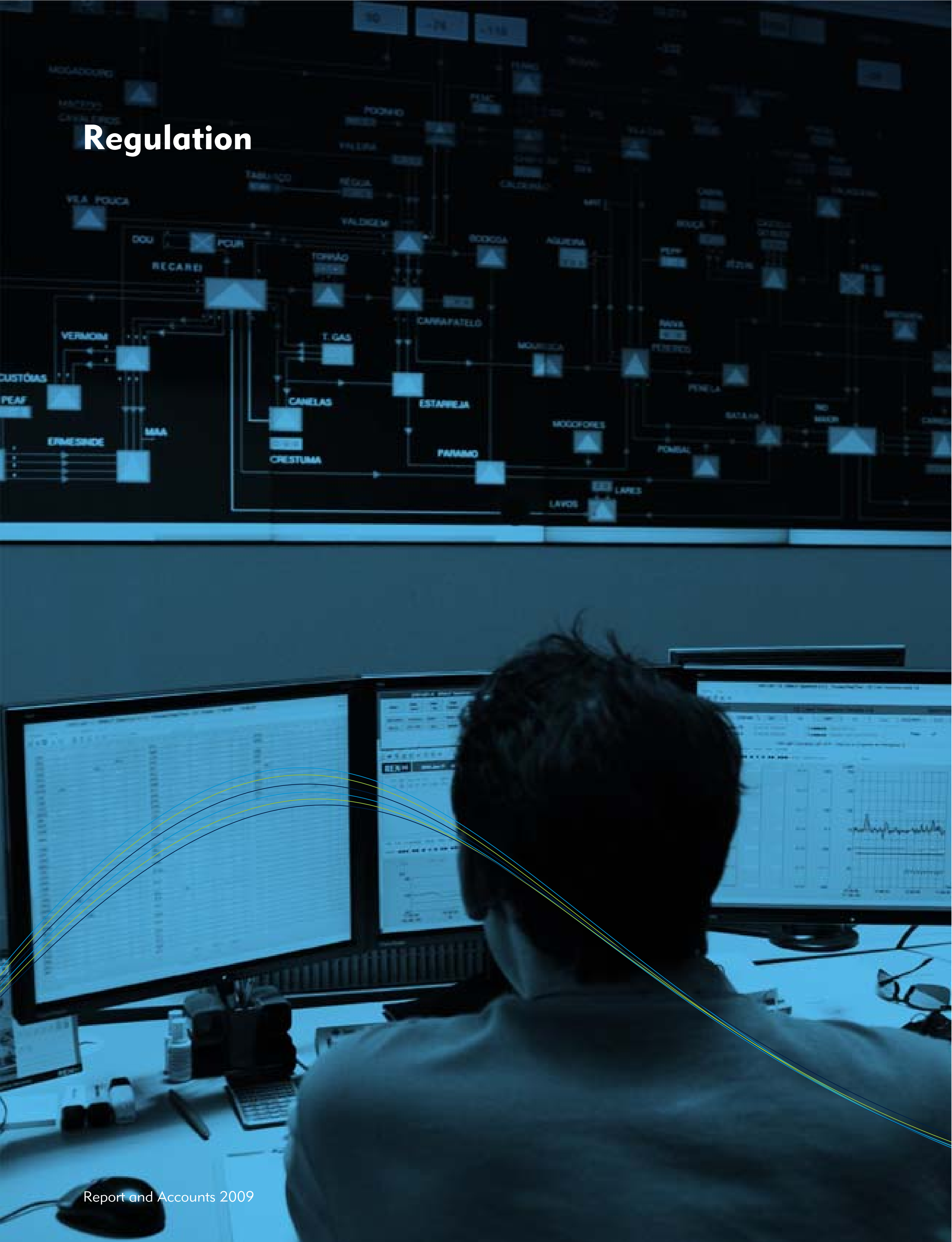
A number of important initiatives are planned for 2010.

After the recent publication in Spain of the amendments to the international agreement that set up the MIBEL, Operador do Mercado Ibérico (OMI) is expected to become a reality. The integration of the two Iberian operators may take place in 2010, which will have a positive influence on the development of the electricity market in the Iberian Peninsula.
The OMIP and OMIClear business plan for 2010 provides for initiatives to promote greater liquidity in the futures market, marketing campaigns to attract new participants, especially new market makers, and the introduction of new products. At the same time, we hope that the start-up of the new technological trading and clearing platforms will help achieve the two companies' growth goals by meeting their members' expectations.
Finally, OMIP and OMIClear will be pursuing their strategy of diversifying their portfolios of products and services in the energy sectors.

REN Telecom

The REN Group is represented in the telecommunications business by REN Telecom.
This company, which was originally set up to make use of the surplus capacity of the safety telecommunications network of REN - Rede Eléctrica Nacional, then extended its activity to the Group's other companies, particularly REN Gasodutos.
REN Telecom focuses its business activity on the sale, management and maintenance of telecommunications networks and systems and on voice and data services, lease of transmission circuits, lease of spaces, housing and offer of use of dark fibre for telecommunications and information systems.
In 2009 its commercial activity involved additional efforts in services to the energy and information systems sectors, which are its favoured markets.
This focus helped increase sales in 2009 and there was particular growth in private voice network, data and telecommunications system services and maintenance services for promoters and wind farms.
The 277% growth in sales was thanks to turnkey contracts in private voice network services.
Billing in the lease of circuits rose 22% against 2008, in line with the growth that began in 2007. It rose 12% on 2008 in the lease of dark fibre.
There was a slight fall against 2008 in income from the leasing of space, consisting of housing, towers and antennas and areas and container, as there was an influx of extraordinary earnings in 2008 resulting from pending regularisations from previous years.
We estimate that orders for housing services received in late 2009 will reverse this trend and we expect around 500% growth in this segment in 2010.
In spite of the difficulties experienced in the sector, we expect sustainable growth in the activity of REN Telecom in 2010, in line with recent years.
REN Telecom was audited by APCER in December 2009 with a view to NP EN ISO 9001, NP EN ISO 14001 and OHSAS 18001 certification of its integrated management, quality, environment and safety system, thereby contributing to high degrees of quality in its portfolio of services.
REN Telecom has resources that are essential to the development of telecommunications - infrastructures, transmission capacity, high availability and geographical coverage. Therefore, in 2010 it will continue to focus prudently on the most demanding business sectors, such as energy, telecommunications operators and IT service providers and provide services associated with the surplus capacity of its safety telecommunications network and other value-added telecommunications services.

Regulation


VILA POUCA
DOU
PCUR
RECAREI
VALDIGEM
TORRÃO
T. GAS
CARRAFATELO
VERMOIM
CUSTÓIAS
PEAF
ERMESINDE
MAIA
CANELAS
CRESTUMA
ESTARREJA
PARAMO
MOGOFORES
POMBAL
LAVOS
LARES

Electricity

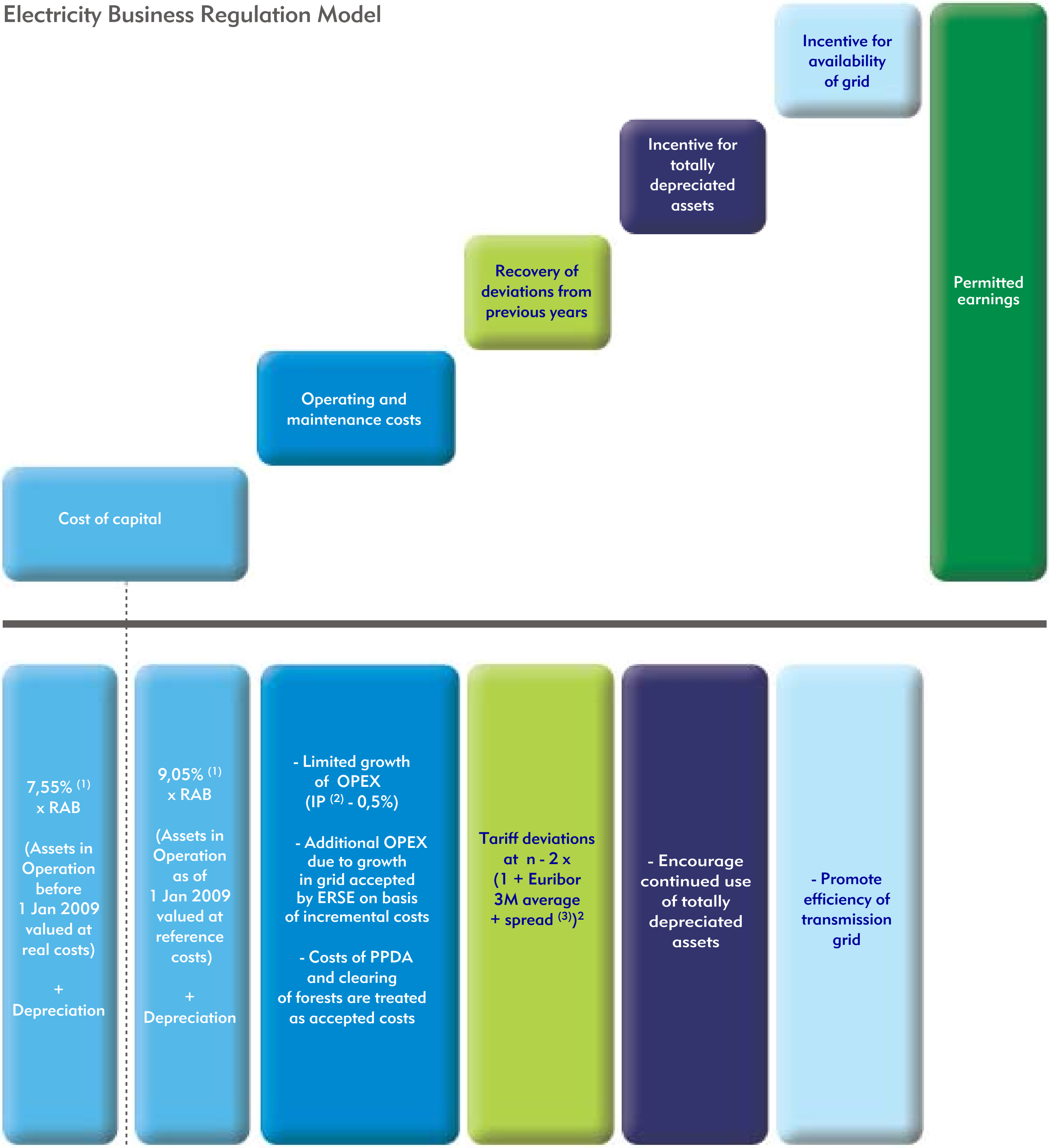
Regulated electricity assets

The REN Group performs three regulated activities in the electricity sector:

• Overall management of the system;
• Electricity transmission;
• Purchase and sale of electricity from the commercial agent, which consists of trading in the MIBEL of generation from the remaining power purchase agreements through REN Trading.

These two activities are remunerated by regulated tariffs, one for general use of the system (GUS) and the other for use of the transmission grid (UTG). The earnings from the third activity come essentially from sale on the market of electricity generation from the remaining PPAs. The GUS tariff reflects the positive or negative difference between earnings from these sales and the cost of the PPAs. These two tariffs are fixed annually by Entidade Reguladora dos Serviços Energéticos (ERSE) on the basis of economic and energy forecasts of demand, costs, earnings and investments, for example, and derive from an economic regulation model based on accepted costs and a remuneration rate for fixed assets in operation in each activity, net of subsidies. Some incentive mechanisms were included in this model in early 2009.
In December 2008, ERSE published new tariff regulations that introduced to the electricity transmission activity incentives for investment, reduction in operating and maintenance costs, grid availability and continued use of assets at the end of their useful lives, effective as of January 2009.
The incentive to investment consists of the introduction of reference costs for evaluating new investments. These investments are remunerated at reference costs based on a remuneration rate higher than the rate applied to other assets.
Although some costs still receive pass-through treatment, such as environmental costs and others resulting from amendments to legislation, most operating and maintenance costs (OPEX) are subject to a revenue cap approach.
These costs will grow in upcoming years on the basis of variations in the gross domestic product price index, minus an efficiency target set by ERSE, which is 0.5% for the current three-year regulatory period, plus the increase in OPEX resulting from annual growth in the transmission grid (in kilometres of lines and number of substation panels), calculated with the corresponding incremental costs also fixed by ERSE.
The incentive to maintain equipment at the end of its useful life is intended to encourage continued use of assets that are still in technical operating condition but are at the end of their working life. The amount of this incentive in 2009 was €1.96M. However, by ERSE decision, the amount for 2009 will only be included in 2010 tariff earnings.
The aim of the incentive to increase availability of the National Electricity Transmission Grid, which was also introduced in 2009, is to promote efficient operation and maintenance of the grid infrastructure. However, it is deferred for two years, which means that the incentive for 2009 will only be reflected in the results for 2011.
The tariffs fixed by ERSE also reflect tariff deviations that, two years later, reconcile forecast and actual costs and earnings (insofar as they are justifiable and accepted by ERSE).
The below figure shows the components of permitted earnings from electricity transmission.

Electricity Business Regulation Model



(1) Rate of return = 10-year Treasury Bills (calculated on the basis of average daily return of 10-year T-Bills 10 between 1 September of year t-2 and 31 August of year t-1) plus 300 b.p. for assets valued at real cost and with an additional premium of 150 b.p. for new investements valued at reference prices.
(2) Price Index implicit in GDP
(3) Spread: 0.5% (2007 and 2008); 1% (2009)

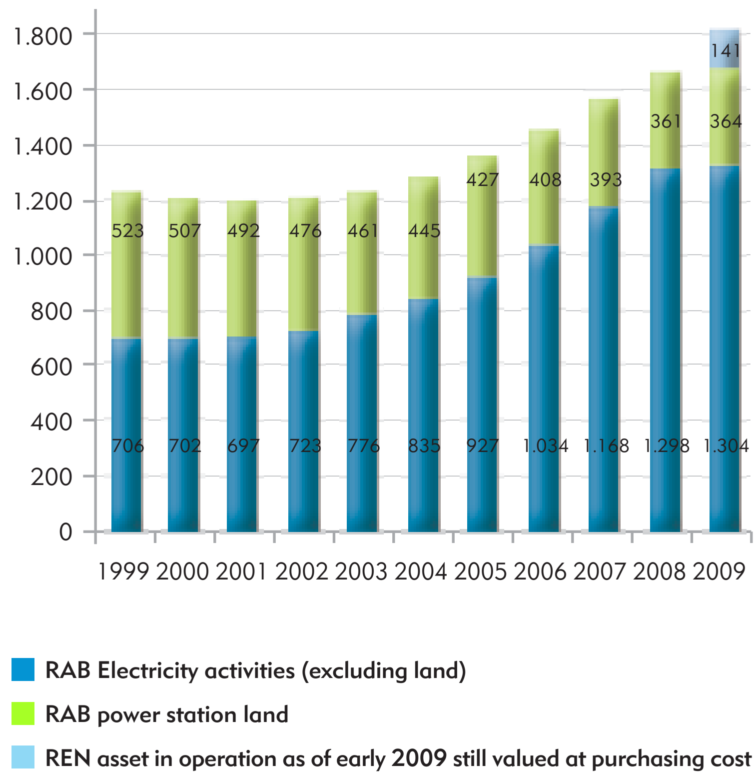
The mechanism for optimising management of PPAs and CO2 emission allowances set up in mid-2007 to encourage the commercial agent's trading activity, sharing gains from the optimisation between consumers and the company, was regulated and parameterised by ERSE in September 2008. In accordance with the mechanism's current parameters, the company's annual gains may be as much as €5M.

Remuneration of regulated electricity assets

The regulatory asset base (RAB) comprises assets net of subsidies for electricity transmission and general system management. The RAB is calculated on the basis of the rules of regulated accounting using historical costs. ERSE uses the arithmetic average of the RAB at the start and end of each year to calculate the remuneration.
For electricity transmission, the new tariff regulations, effective as of 2009, provide for an incentive mechanism for efficient investment, to be valued at reference prices. As of 2009, there are now two different bases of regulatory assets: the RAB values at accepted costs and the RAB valued at reference costs. In 2009, REN and ERSE agreed to task a study consultant to determine reference costs and this was completed in August. We are now awaiting publication by ERSE of the reference costs provided for in the regulations. Temporarily, REN and ERSE have considered the estimated RAB at reference costs to be the corresponding book expenses. In 2009, the average RAB in operation up to the end of 2008 at accepted costs was €1,257M and the average RAB at reference costs in operation as of 2009 was €141M. In this context, there are now also two remuneration rates and the rule for establishing them is the sum of return on 10-year Treasury Bills and a spread of 300 base points on assets in operation valued at real costs and an additional premium of 150 base points for new investments valued at reference prices. For 2009, in nominal terms before tax, this corresponds to 7.55% and 9.05%, respectively.
In overall system management, valuation of the RAB depends on a real-cost basis. In these cases the remuneration rate is 7.55%. The average RAB of overall system management in 2009 was €47M. The assets allocated to this activity also include land in the domain of public waterways, the remuneration of which is based on the inflation rate in September of the previous year, in accordance with Ordinance 481/2007 of 19 April. In 2009, the average RAB for land in the domain of public waterways was €364M and the remuneration rate was 2.9%.
The graph below shows the RAB for three different groups of assets.

Growth in the RAB - 1999 to 2009

Millions of euros

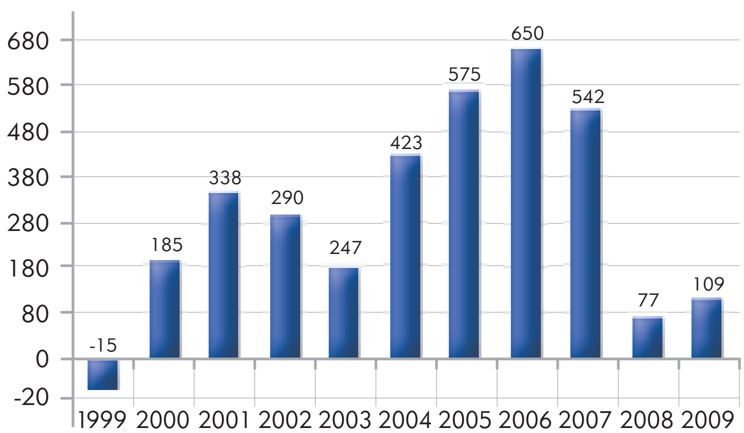


Stability of earning - permitted earnings

At the end of 2009, the balance of tariff deviations for REN's three regulated activities in the electricity sector was €108.5M.
The balance of the tariff deviation accounts for electricity transmission and overall system management was -€8,5M. Compared to previous years, the accumulated tariff deviation balance for these two activities fell considerably, due to the introduction of a new rule on acceptance of interruptibility costs (which are now included in each year's tariffs on the basis of forecasts).
The balance of the tariff deviation accounts for the purchase and sale of electricity rose considerably in

2009 to €117.0M at the end of the year. The main reason for the size of this deviation is the fact that the tariffs provided for a much higher market price than the actual one.
The graph below shows the balance of the tariff deviation accounts at end of each year between 1999 and 2009.

Balance of the tariff deviation accounts at the end of each year
Million euros



As in 2008, the balance of the tariff deviation in 2009 was lower than that of previous years. This reduction is largely due to the cessation of purchase of electricity which accounted for a major part of the deviation, owing to the difficulty in forecasting fuel prices.

Natural gas

Regulated natural gas assets

REN's natural gas infrastructures are operated by three companies:

- REN Gasodutos – high-pressure transport network
- REN Armazenagem – underground storage
- REN Atlântico – LNG reception and regasification terminal

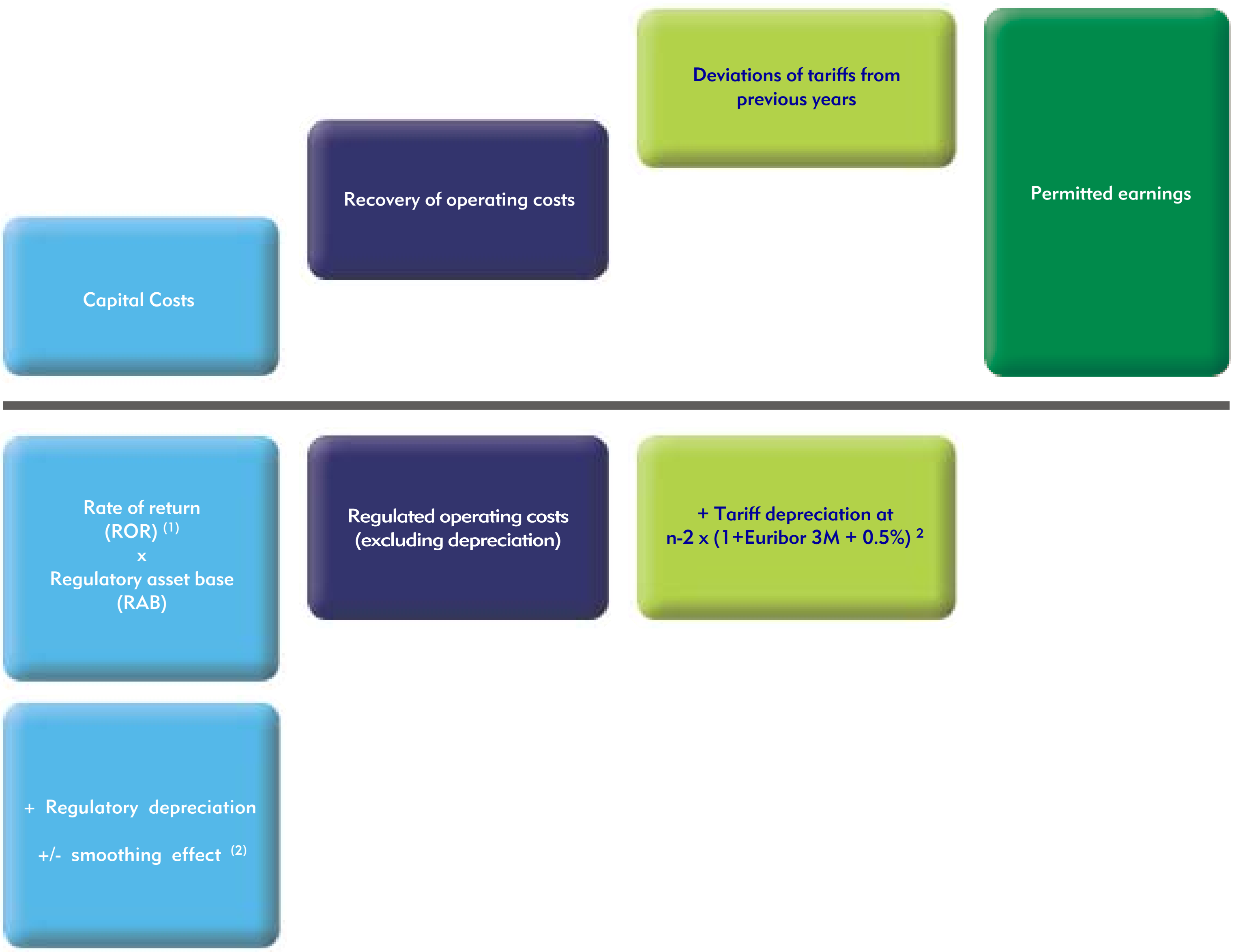
These logistics infrastructures are essential to the proper functioning of the market and in fostering natural gas transactions between market agents, satisfying demand and the movement of natural gas.
The high-pressure network is a logistical turnover platform between Portugal's supply sources, the two interconnections with the Spanish network by pipeline, the Sines Terminal and underground storage infrastructures. It supplies natural gas to the distribution networks, power stations and industries directly connected to high pressure, regardless of its origin. REN's natural gas infrastructures thus play an essential role in the management of the supply risks run by market agents in general and suppliers in particular.
These infrastructures are subject to legislation and regulations. Decree-Law 30/2006 and Decree-Law 140/2006 govern these companies' regulated activities. These REN subsidiaries are concession holders and their public service concession contract with the state is for 40 years as of date of signing, in late 2006. In particular, REN Gasodutos has an exclusive concession for the transport of natural gas in mainland Portugal. REN Gasodutos is the overall technical manager of the SNGN and, since early 2009, pursuant to regulatory requirements, has been appointed change of supplier manager, until a legal framework is created for a change of supplier logistics operator.
In the present legal and regulatory framework, REN's natural gas companies operate in a setting regulated by legislation, public service concession contracts, technical regulations issued by the Department of Energy and Geology (DGEG) and economic regulations published by the Energy Sector Regulator (ERSE).
Anticipating developments in regulations at European level, particularly following publication of the third GMI directive 2009/73/EC, REN's regulated natural gas companies now reflect total independence of decision and ownership under the law and are prepared for when the directive comes into force on 3 March 2011.
After the completion of publication of all regulations and additional provisions in 2008, 2009 was a year of regulatory stability in which only a few regulations were republished to include small adjustments. The first rules on solving congestion for underground storage were also published in 2009.
ERSE put up a draft regulatory revision for public discussion in 2009. The current regulations were published in September 2006, and the draft revision was the result of taking stock of the first two and a half years of activity at the time when the end of the current three-year regulatory period for high-pressure infrastructures is drawing to a close (July 2010).

The proposed measures include the end of the smoothing of the earnings of REN Gasodutos and its limitation to a seven-year transition period for REN Atlântico, together with the end of financial information based on the gas year as a reference for calculating earnings and tariffs. Following the public discussion, ERSE will be publishing new regulations, most likely in early 2010. Their contents will depend entirely on the regulator and may or not reflect the proposals submitted.

Remuneration of regulated natural gas assets

The regulatory asset base (RAB) incorporates the value of assets recognised under the regulations for calculating permitted earnings. This asset base reflects investments that have been made to increase the capacity of existing infrastructures, for example.

Natural gas regulation model

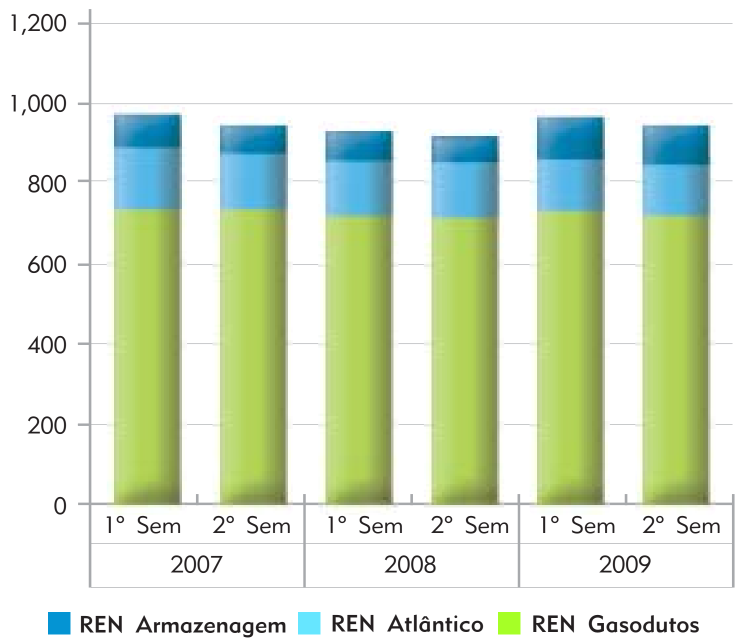


(1) 8% until June 2001
(2) Cost of smoothed capital for the year: smoothed tariff x quantity of year.
Smoothed tariff: the ratio dividing the 'current value' of costs of future capital until the end of the concession, calculated at an update rate equal to the ROR, by the 'current value' of quantities over the same period usisng the defined 'quantity update rate' (both rates are defined by ERSE).

The most significant investments include REN Atlântico's project to raise the capacity of the LNG terminal, with completion expected in 2012, and a 65% increase in the underground storage capacity of REN Armazenagem with the commissioning of a new natural gas storage cavern, which will substantially increase the capacity of REN's infrastructures.

The natural gas companies' RAB was as follows up to the end of 2009:

RAB
Million euros



An important investment stepped up storage capacity subject to frequent congestion and work began on increasing the LNG storage and emission capacity of the Sines Terminal. This has resulted in greater flexibility in the scheduling and reception of ships so that more users will be able to use its services and storage and emission can adapt to their needs, without interfering with each other.
The growth in the RAB proves REN's investment outlay to accommodate the granter's energy policy and promote competition, the competitiveness of its infrastructures and security of supply. Other measures are being studied to stimulate the development of the gas market in Portugal, in line with the future creation of MIBGÁS and growing needs of a market that can still be considered emerging.

Stability of earnings - permitted earnings

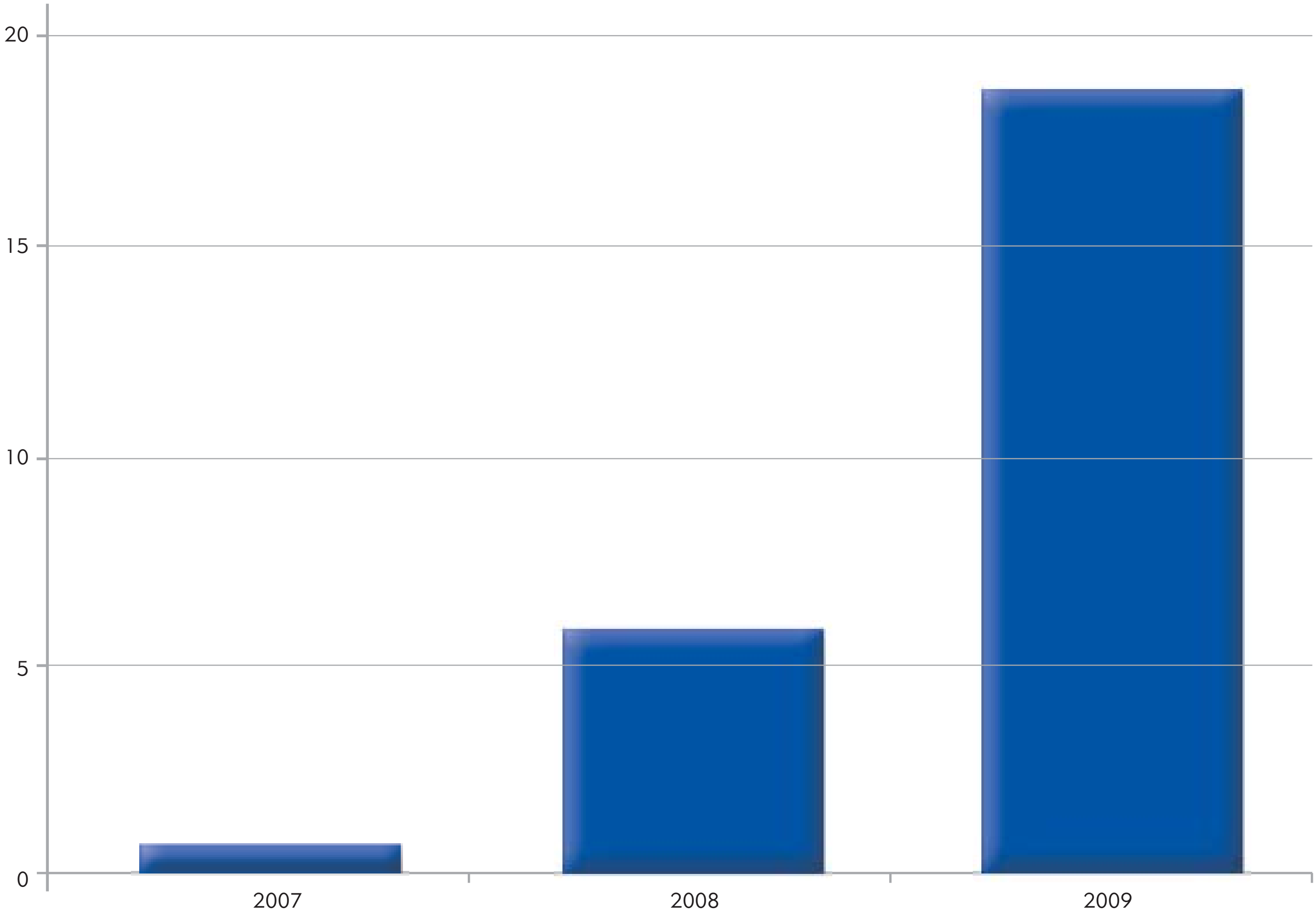
The remuneration of REN companies with regulated activities in the natural gas sector is set out in the tariff regulations, which define permitted earnings. The regulation period is three years, during which parameters are stabilised and tariffs are revised annually on the basis of the regulator's estimates of quantities.
These earnings come essentially from regulation by cost of service, which remunerates fixed assets at a rate defined by the regulator for each regulation period. Recognised operating costs are also included in the tariffs.
Since permitted earnings come mainly from the RAB remuneration rate (cost of capital), they are associated with its growth and the establishment of the permitted remuneration rate or rate of return. Given that this rate is fixed for three-year periods, stability of earnings arises from the changes in the RAB, which is reduced by depreciation and increased by investment.
The RAB of the REN natural gas companies increased, thanks to necessary investments to raise capacity in a market like Portugal's, where consumption has grown more than the average of nearby European countries, even in times of economic crisis, like 2009.
The regulated activities of REN Gasodutos are the high-pressure transport of natural gas and the overall technical management of the SNGN. The former is remunerated by the UTN (use of the transport network) tariff and the latter by the GUS (general use of the system) tariff.
Storage is operated by REN Armazenagem and is subject to a tariff for the use of underground storage in proportion to the energy stored each day and the daily volumes injected and extracted.
REN Atlântico is responsible for the reception, storage and regasification of LNG, which is remunerated by a tariff for use of the reception, storage and regasification terminal, which includes the prices of regasification capacity used, energy processed and storage used each day. Gas tanker trucks have a specific tariff for each load.
Pursuant to the tariff regulations, in June 2009 ERSE issued its Natural Gas Tariffs and Prices for the 2009-2010 Gas Year based on the regulation parameters published in 2007 for the 2007-2008 to 2009-2010 regulation period. It defines permitted earnings and prices for each regulated activity.
The permitted capital costs result from a smoothing

process based on a formula published by the regulator, which, simply put, consists of dividing the current value of future earnings up to the end of the concession by the sum of the quantities in the same period updated at a discount rate set by the regulator.

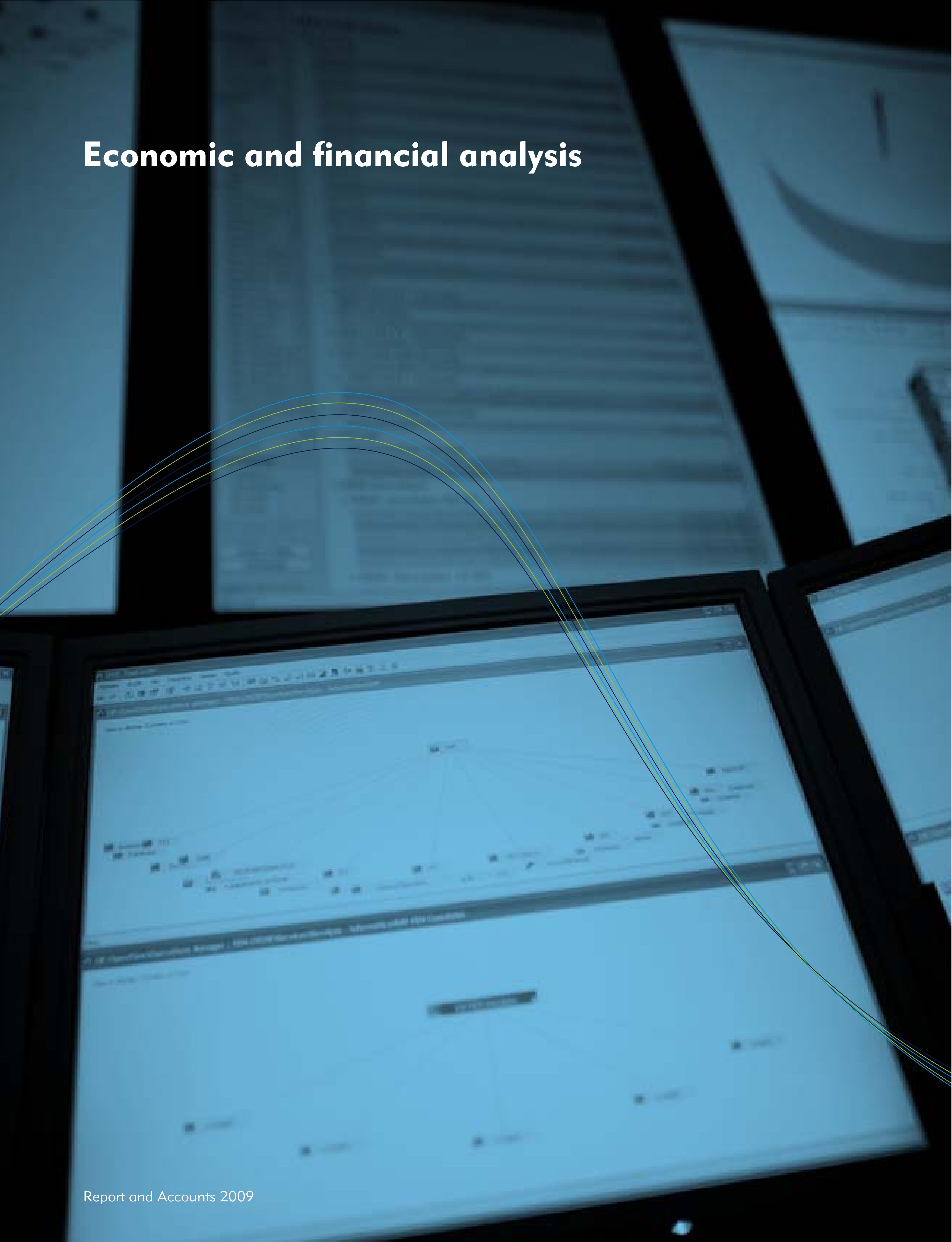
The recovery of earnings through tariffs entails calculating them on the basis of estimated values of tariff variables, which leads to systematic deviations, since it is impossible to accurately forecast the intensity of use employed in estimating tariff variables. Deviations are recovered two years after they occur and this amount is remunerated at a regulated rate equal to three-month Euribor plus 50 base points. Tariff deviations were as follows in 2009:

Balance of tariff deviations accounts at the end of each year

Million euros



Economic and financial analysis



Analysis of 2009 financials

The recurrent net income of REN underwent significant growth in 2009, mainly due to the expansion of the regulated asset base. This growth, in turn, is demonstration of the investment effort the company has undertaken, which represents high values for new assets brought into service. These investments had a direct impact on recurrent EBITDA, which increased by 16.1% on the previous year.
Despite the acceleration of investment, which meant the growth of debt, financial income did not worsen, owing to the decline in interest rates. Thus, the results in 2009 for the financial component remained unchanged from 2008.
Hence, the combination of the strong growth of recurrent EBIT and unvarying financial income generate a significant improvement to recurrent net income, which increased 14.1% on 2008.
The net book profit (IFRS) grew significantly less than the recurrent profit, as a result of the impact of the non-recurrent items - these were +€25.8M in 2009 and +€32.6M in 2008. The net profit in 2009 was thus €134.0M (up 5.2% on 2008).
The impact of non-recurrent items in 2009 was due to the following accounting procedure adjustments decided by REN, with the agreement of the Group's new external auditor:

• The Company began to report tariff deviations under revenue and costs when they occur - as opposed to them being reported when they are reflected in the actual tariff - in accordance with the concept of changes in accounting estimates enshrined in IAS 8;
• The service life applying to the depreciation of power lines and substations was made identical to that used for regulatory purposes (and which corresponds to the Portuguese Chart of Accounts criterion), i.e. 30 years. This change complies with one of the requirements of the new national accounting standardisation system, which requires the use of a single depreciation criterion from 2010;
• The cancellation of the €22.8M provision that had been set up for the sale of Pego.

If the service life applying to the depreciation of power lines and substations had been applied in 2008, the recurrent net profit would have grown by 22%.
The following table compares the change of selected financials from 2008 to 2009.

Selected financials from 2008 to 2009

Million euros

	Jan-Dec.08	Jan-Dec.09	Var.%
Recurrent EBITDA	322.3	374.1	16.1%
Financial income	-65.0	-64.5	-0.8%
Income before tax	171.9	184.9	7.6%
Net income	127.4	134.0	5.2%
Recurrent net income	94.8	108.2	14.1%

EBITDA development

The following table details the components of EBITDA for REN:

	Dec 08 M€	Dec 09 M€	Var. %
Return on RAB (Electricity)	99.5	121.3	21.8 %
Return on RAB (Gas)	74.5	75.7	1.6%
Other operating revenue	50.0	50.4	0.7%
Use of provision		36.3	
Costs of PPAs	69.0	89.1	29.1%
Recovery of OPEX (Electricity)	67.3	66.4	-1.3%
Recovery of depreciation OPEX (Electricity)	94.9	102.0	7.4%
Recovery of OPEX (Gas)	30.7	33.4	9.0%
Recovery of depreciation OPEX (Gas)	36.8	39.8	8.1%
Smoothing differences (Gas)	0.2	15.6	9,737.2%
Tariff Deviations (Electricity and Gas)	-1.6		
Commercial gains	5.4	5.4	0.8%
Interest on tariff deficit/deviations	13.4	6.4	-52.0%
Income from land deficit	67.2		
Total Revenue	**607.3**	**641.8**	**5.7%**
External supplies and services	78.9	78.7	-0.2%
Costs for use of gas pipelines	23.1	23.2	0.5%
Other external supplies and services	55.8	55.5	-0.5%
Personnel costs	49.7	48.0	-3.4%
Depreciation	129.7	159.8	23.2%
Costs of PPAs	69.0	89.1	29.1%
Provisions	28.0	1.0	-96.5%
Other operating costs	15.1	15.8	4.7%
Total Costs	**370.4**	**392.4**	**5.9%**
EBIT	**237.0**	**249.5**	**5.3%**
Depreciations	129.7	159.8	23.2%
EBITDA	**366.7**	**409.2**	**11.6%**
Non-recurrent revenue - income from land deficit	67.2		
Non-recurrent costs - provision to cover capital gain	22.8		
Cancellation of provision to cover capital gain on land at Pego		22.8	
Recognition of tariff deviations		12.4	
Adjusted EBITDA	**322.3**	**374.1**	**16.1%**

Revenue

Revenue from the return on electricity RAB grew 21.8% as a result of growth of both RAB and the rate of return. The growth of the RAB reflected the entry into service of assets valued at €309M, ?173M of which was in the final quarter. The rate of return on assets that came into service by 31 December 2008 increased from 7% to 7.55% from 1 January 2009, and the assets coming into service after that date benefited from a 1.5% premium on the 7.55%.

In the natural gas sector, the growth of revenue from the return on the RAB was 1.6%, although the acceleration of investment in infrastructures and the lengthy construction phase cause entries into service to still slightly outstrip depreciations. The entry into service of the third underground storage cavern in June 2009 is to be highlighted.

Revenue from deviation interest and the tariff deficit fell €7.0M because the period from January to April 2008 still included interest from the tariff deficit paid on 16 April of that year.

Operating costs

OPEX costs declined in comparison with the preceding year, due to the decrease in personnel costs and external supplies and services. The personnel cost savings were brought on by the decrease of variable remunerations and the increased immobilisation of structural expenses associated with the investment effort. The decrease of the External supplies and services item was due to a change of accounting criteria in November, which comprised the immobilisation of structural expenses, already reported as "capitalised production costs" according to regulated accounting. External supplies and services would have grown by 4.7%, in line with the growth in activity, if that criterion had not been altered.

Smoothing effect on revenue

The smoothing mechanism for capital revenue consists of calculating the unit cost for each year (a ratio that divides the "current value" of the cost of future earnings until the end of the concession, discounting the regulatory rate of return on assets, by the "current value" of the quantities for the same period using the "quantities update rate", both of which are defined by ERSE.) The unit cost calculated in this manner, multiplied by the forecast quantities for the year, defines the capital revenues permitted for the year.

The calculation of the smoothing mechanism of some activities/duties of the natural gas companies takes into account the value of investments planned up to the end of the concession. Since the forecast of such investments was revised upwards in 2009, considering the updated information on the costs of the Sines LNG Terminal expansion project, in particular, the overall impact of the smoothing mechanism led to a €15.6M increase in revenue compared to the non-smoothed situation.

Average RAB and investment

Investment in 2009 amounted to €466.3M, 48.8% up on 2008.

Total average RAB grew 7.0% as a result of the entries into service that amounted to €383.9M for the year (€309.7M relating to the electricity segment and €74.2M for the natural gas segment).

Average RAB and investment

Million euros

	Jan-Dec 08	Jan-Dec 09	Var.%
Total Average RAB	**2,587.3**	**2,769.0**	**7.0%**
Electricity - Substations an Lines - coming into service in 2009		140.9	
Electricity - others	1,284.4	1,304.2	1.5%
Hidro Land	379.3	363.8	-4.1%
Gas	923.6	960.0	3.9%
Capex	313.5	466.3	48.8%
Electricity	268.1	355.3	32.5%
Gas	45.0	110.7	145.7%
Others	0.3	0.4	33.3%

Investment

Electricity

In 2009, REN invested a total of €466M. The largest investments were mainly in electricity, especially projects associated with the Armamar Substation, at around €36M. However, the project with the highest individual cost was the expansion of the capacity of the Sines natural gas terminal, which is still underway.

The construction of the Armamar Substation and the reinforcement of existing lines in Vale do Douro (the most costly investment in electricity in 2009) will make it possible to channel added electricity generation capacity to the coast (Greater Porto area) and to the centre and south of the country. The entry

REN REDE ELÉCTRICA
(Main projects)

€35.8 M
Armamar substation and lines

€24.8 M
Lagoaça substation and lines

€19.0 M
Batalha-Lavos line and panels

€16.7 ME
Estremoz substation and line

€14.2 M
Alto Mira-Zambujal 1 and 2 (underground cable)

€12.7 M
Tábua substation and lines

Total: €355.3 M

REN GASODUTOS
(Main projects)

€10.8 M
Barreiro branch

€9.7 M
Leça branch

€6.1 M
Change of 6 inserted junction stations to junction stations

Total: €46.6 M

REN ATLÂNTICO
(Main projects)

€42.1 M
Sines terminal expansion project

€0.4 M
Enlargement of Jetty

Total: €44.3 M

REN ARMAZENAGEM
(Main projects)

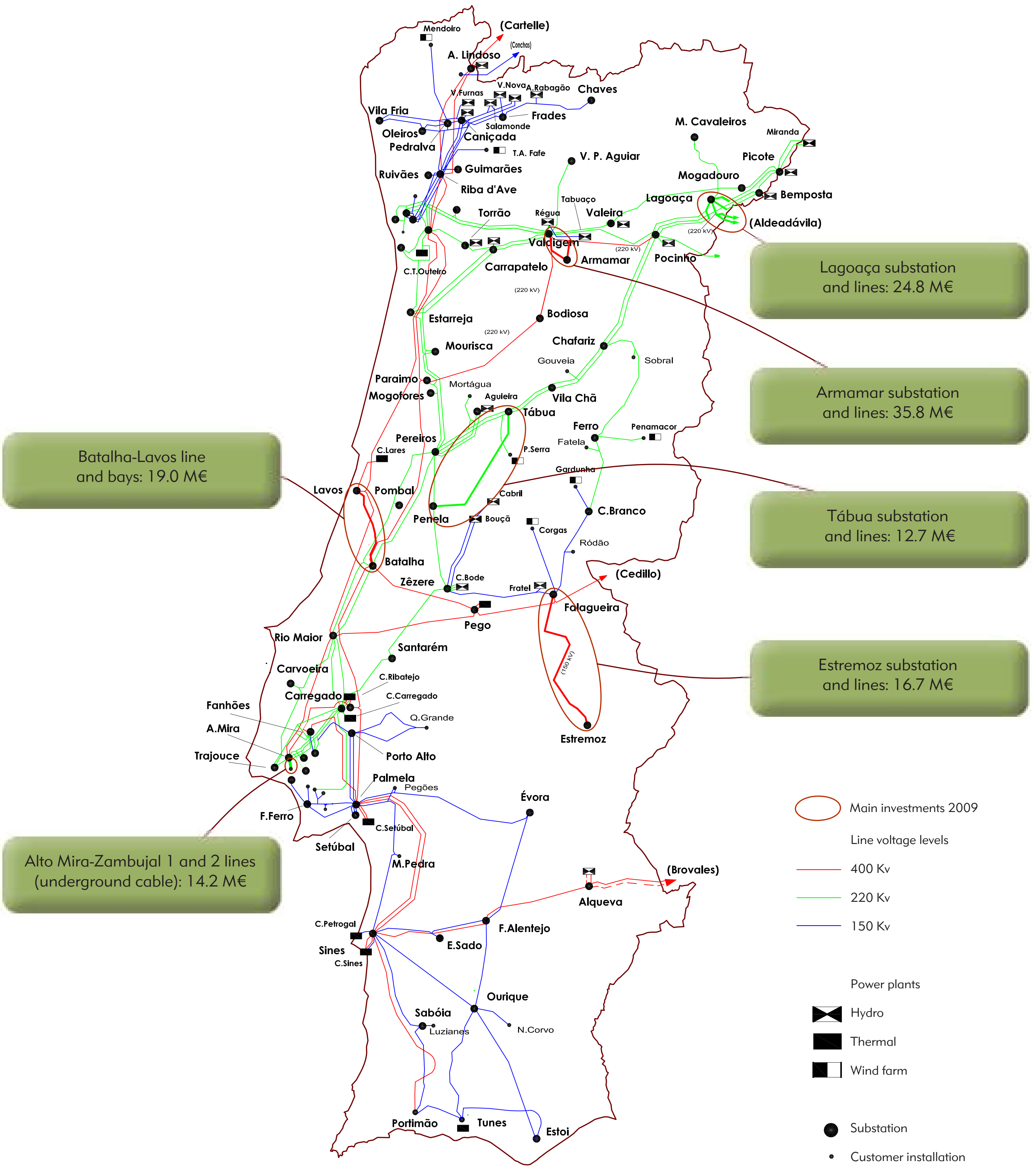
€18.2 M
Cavern 04

Total: €19.8 M

Electricity	Gas	Outher business
€355.3 M	€110.7 M	€0.4 M

Total investment of the group in 2009: €466.3 M

REN: Main Investments 2009 (Electricity)



into service in its initial phase of the Lagoaça Substation and its lines, also a substantial investment, represented a very important improvement in the entire Douro grid. It made it possible to increase regional RNT capacity by the extension of the 400 kV grid to the Trás-os-Montes border area, increasing reception of the region's growing renewable generation and strengthen the interconnection with Spain.

In the Centro region, the new 220/60 kV Tábua substation was opened and the nearby 220 kV lines were diverted to it, and the 220 kV Penela – Tábua line was also built. These investments improved the supply from regional distribution grids and the security of supply of renewable generation in the region.

New 400 kV connections were also made during the year, particularly the Batalha – Lavos line in central Portugal and the remodelling and/or enlargement of the Lavos and Sines substations and the Pego switching station, for correct, safe integration in the RNT of the new combined-cycle natural gas power stations (Figueira da Foz, Pego and Sines).

Two 220 kV underground lines were installed in the Lisbon area between the Alto de Mira Substation and Zambujal, where REN will be building a new substation and where one belonging to EDP Distribuição already exists. Until the 220/60 kV Zambujal Substation opens, these two lines will operate at 60 kV.

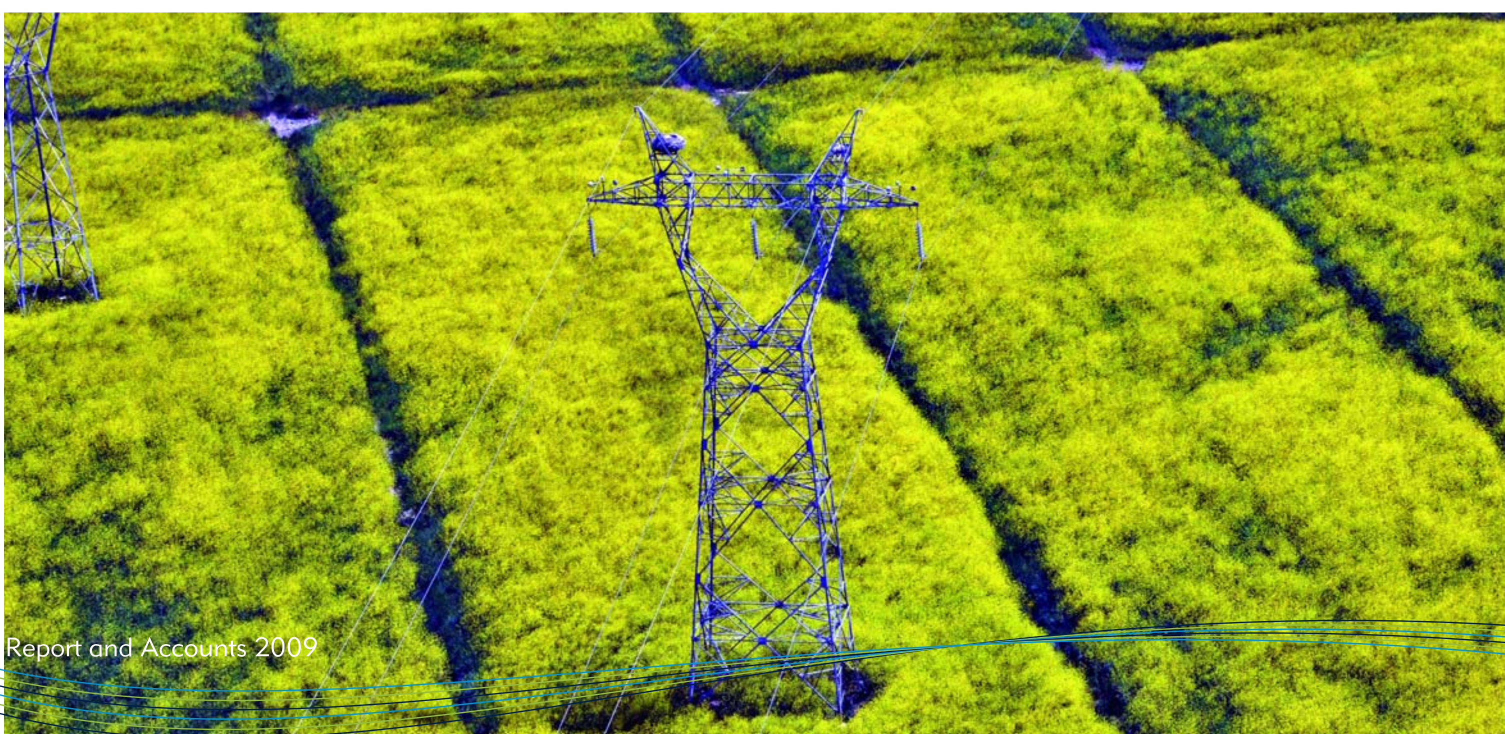
In inland Alto Alentejo the Falagueira – Estremoz line went into service to supply the new Estremoz Substation. This investment guarantees security of supply of the region, which is highly dependent on support from the Spanish grid, and will also supply the future high-speed railway.

Natural gas

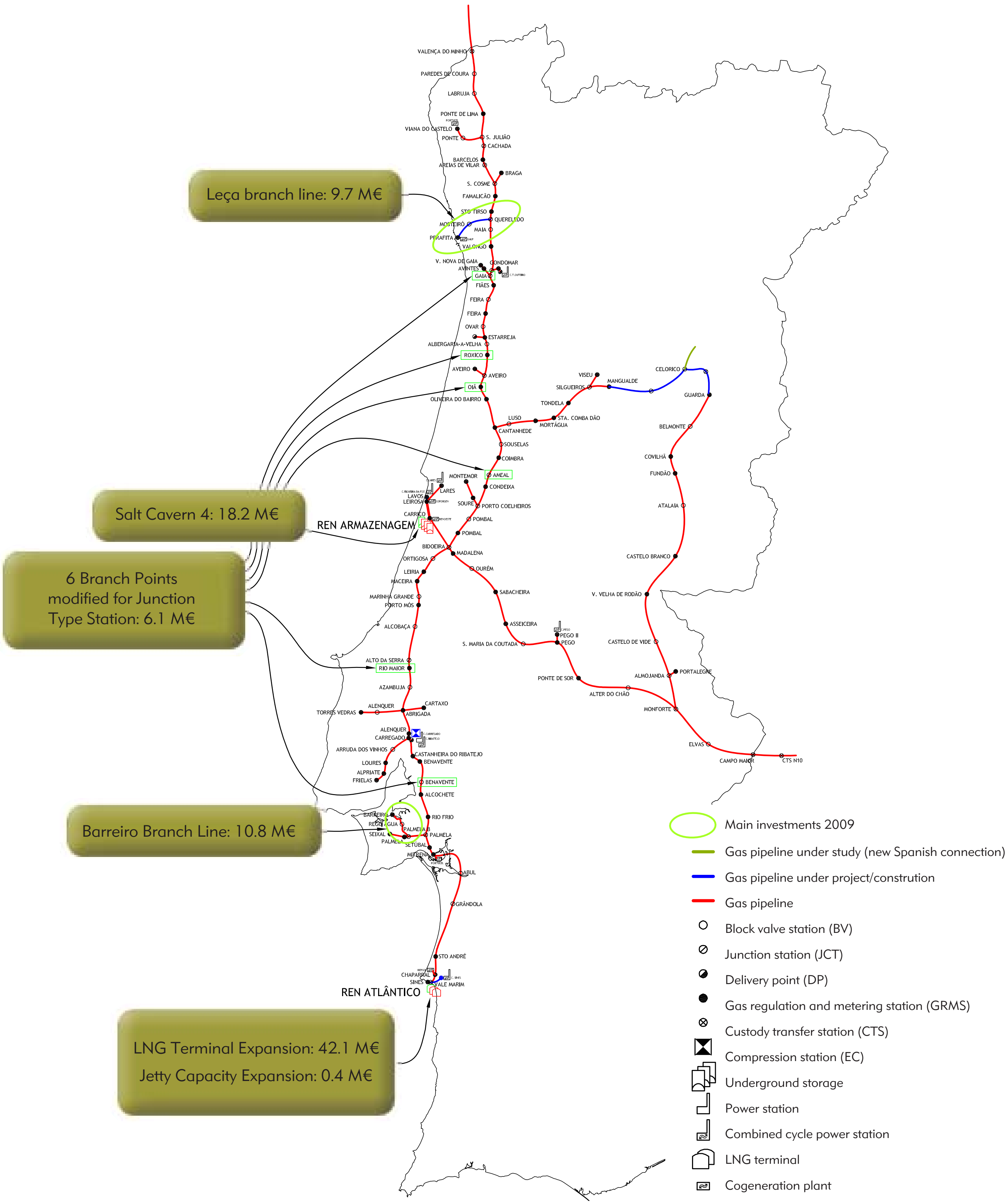
In 2009, REN Atlântico enlarged its berthing dock in Sines, which can now receive ships with a larger payload capacity. While before it could only accommodate ships with a liquefied natural gas capacity of 165,000m3, the limit is now 215,000m3 LNG, i.e. 30% more. This limit is related to ships with this capacity that began being constructed in 2007. They represent a new generation (called Q-Flex) of more technologically advanced methane tankers that use 40% less fuel than conventional vessels. REN Gasodutos continued to implement the RNTIAT Development and Investment Plan for the three gas years between 1 July 2008 and 30 June 2011.

This includes the construction and entry into service of a new 15.6 km extension branch and a new regulating and metering station to supply EDP – Gestão de Produção de Energia in Barreiro and the construction of a new branch to supply the Porto refinery of Galp Energia in Leça da Palmeira (23.5 km). The change of 14 RNTGN stations from ICJCT to JCT was also important and work was completed at six of these.

At REN Armazenagem, the entry into commercial operation of the third underground storage cavern (RENC–4) was important as it increased the quantities of natural gas stored by 62% against 2008.



REN: Main Investments 2009 (gas)



Financing and debt

In 2009, the REN Group continued the restructuring of its debt, which began in 2008, with three main goals:

• To prolong average maturity in order to make it more appropriate to the long-term nature of assets on the balance sheet;
• To diversify sources of financing;
• To reduce the liquidity risk.

Financing

In order to achieve these goals the following operations were carried out in 2009:

• In February, the initial REN SGPS bond issue of December 2008 was reopened to issue another €300M, fungible with the original issue, bringing the total to €800M;
• In April, there was a private placement bond issue of €50M, maturing in December 2013;
• In June, there was a private placement 15-year bond issue of 10 billion yen on the Japanese market, in which the exchange risk was hedged in a cross-currency swap;
• In July, REN negotiated a new €150M loan with the European investment Bank (EIB) in two €75M tranches, one of 17 and the other of 20 years to finance natural gas projects;
• During the year, REN renegotiated several underwritten commercial paper programmes to extend their maturity.

All the bond issues were under the REN SGPS Euro Medium Term Notes (EMTN) programme.

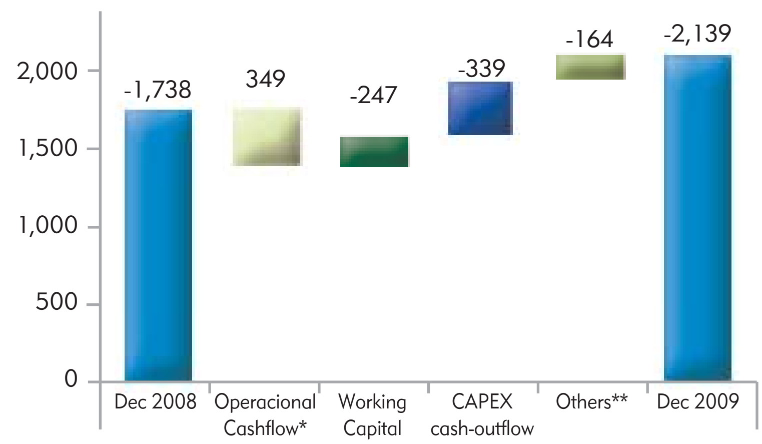
Debt

At the end of 2009, the REN Group's net consolidated debt was €2,139M, which is €401M, or 23.1%, more than in 2008. This was largely due to the investment programme implemented in 2009, the amount of which was much higher than in 2008.

The 2009 bond issues and the new financing from the EIB altered the Group's debt structure and made it possible to extend its average maturity, improve the liquidity position and reduce the refinancing risk.

Net debt

Million euros



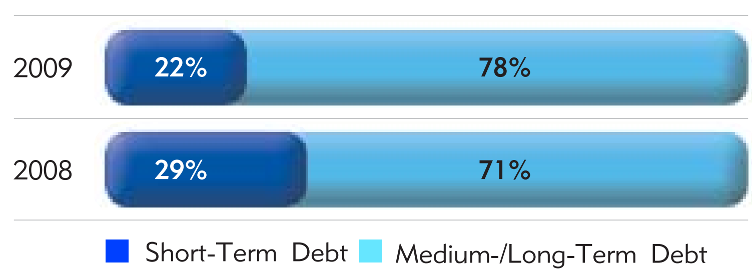
* Operational cash-flow = Operational income + Depreciation + Provisions
** "Others" include net financial income and payment of dividends.

Financial debt (€M)

	2009	2008	Variation	
(IFRS)			**absolute**	**%**
Net financial debt	2,138.9	1,738.1	400.8	23.1%
Gross financial debt	2,208.8	1,839.6	369.2	20.1%
Cash and cash equivalents	69.9	101.4	-31.5	31.1%

As at 31 December 2009, the Group's medium- and long-term debt accounted for 78% of its consolidated debt, as opposed to 71% one year before, and the average maturity of the total debt was 5 years.

Short and Medium-/Long-Term Debt



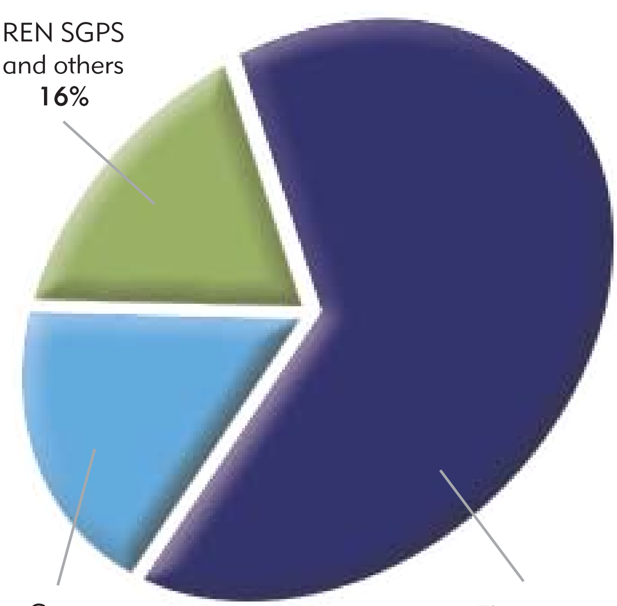
The financings obtained in 2009 also improved the balance between the different sources by reducing the weight of commercial paper and increasing that of bond issues.

Souces of financing (€M)

(Principal)	2009	2008	Variation		Weight
			abs.	%	2009
Commercial paper	555.0	649.0	-94.0	-14.5%	25.3%
European Investment bank	670.7	640.5	30.2	4.7%	30.5%
Bond issues	922.9	500.5	422.4	84.4%	42.0%
Overdrafts	45.3	41.9	3.4	8.1%	2.1%
Leasing	4.0	3.9	0.1	1.9%	0.2%

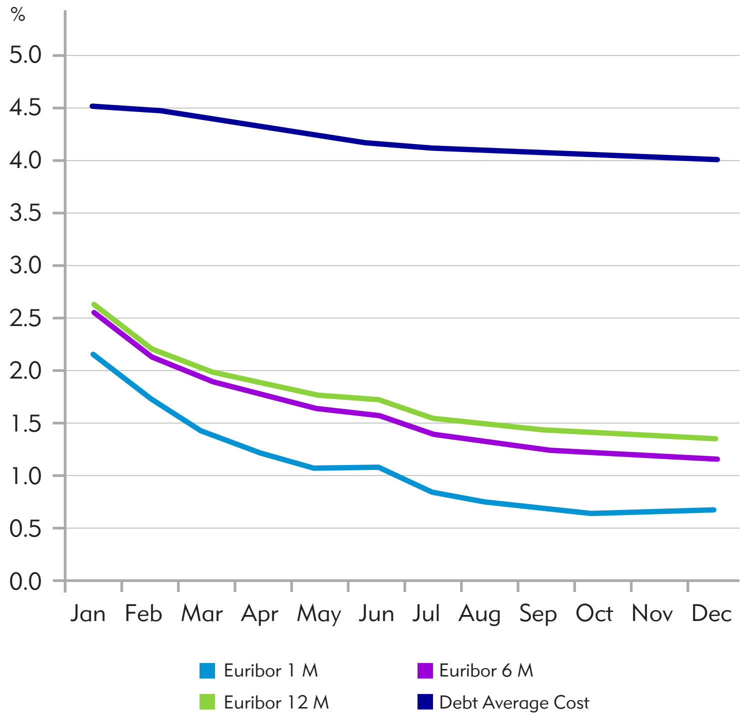
Around 63% of the Group's debt was associated with the electricity business, 21% with the gas business and the remaining 16% with REN SGPS in 2009.

Allocation of the Net Debt by Business



The costs of net financing rose € 0.8M in 2009 against 2008, from € 76.2M to € 77.0M. This moderate increase was due to a general fall in reference interest rates in 2009, which largely offset the rise in debt in the same period. The average cost of the remunerated debt in 2009 was 3.86%, which is 94 base points lower than in 2008, when it was 4.8%. Owing to an active policy of using swaps for interest-rate risk management, the fixed-rate component rose during the year. These operations were governed by the market circumstances, with record low interest rates, which enabled us to pursue interest-rate risk management aimed at a sustainable reduction in the cost of medium- and long-term debt and in the volatility of financial commitments.

Evolution of interest rates and of the accumulated debt average cost in 2009



At the end of 2009, the credit risk rating of REN SGPS was A+ with negative outlook at Standard & Poor's and A2 with stable outlook at Moody's. The Standard & Poor's revision to negative outlook on 7 December 2009 was due to the revision of Portugal's credit risk.

Environment, society and *governance* (ASG)

Environment

REN feels that the creation of value for society and its shareholders within the framework of the public service concession that it holds in the energy sector is associated with effective protection of the environment.

Climate change

The fight against climate change is a factor that REN takes into account when preparing its strategy for developing the National Transmission Grid (RNT), especially by incorporating the goals set in the following reference documents:

- The Kyoto Protocol;
- The European Union Sustainable Development Strategy;
- Green Paper, A European Strategy for Sustainable, Competitive and Secure Energy;
- An Energy Policy for Europe;
- The European Climate Change Programme (ECCP);
- The European Action Plan for Energy Efficiency;
- Portuguese National Sustainable Development Strategy 2005-2015;
- Portuguese National Energy Strategy;
- Portuguese National Programme for Climate Change 2006;
- Portuguese National Programme for Dams with High Hydroelectric Potential (PNBEPH) 2007-2020.

In this context, the development of the RNT has been aimed at incorporating electricity generated, up to 45% of gross consumption, from renewable sources, such as hydroelectric energy, wind power, biomass and solar and wave energy. Where wave energy is concerned, the government has awarded REN a contract to manage a pilot area for technological development in order to encourage national and international research and investment in an energy source of high potential but that involves as yet unsolved technological difficulties.
As an energy transport system manager (TSO), REN plays an active role in reversing the causes of climate change, for example when it efficiently and safely collects the power generated from renewable sources.
REN devotes special attention to the risks posed to its activity by climate change, such as the deterioration of its infrastructures as a result of forest fires or extreme weather conditions like high winds and floods. Where the risk of forest fires is concerned, REN maintains protection strips and corridors in cooperation with local authorities and the Civil Defence Service, from the drafting of plans to actual fire fighting operations.
Regarding high winds, REN adopts prudent mechanical structural design criteria and has taken advantage of the improvement programme for RNT lines, which is aimed first and foremost at increasing the grid's transmission capacity to carry out mechanical reinforcement operations based on even more prudent criteria.
REN also devotes special attention to the possibility of floods, due to their effect on the stability of pylon foundations in lines in flood areas, such as those near the River Tagus and Mondego. In this case the structural design that REN uses is compatible with the worst flood case scenario.

Preservation of the environment

In May 2009, an updated version of REN's Declaration of Quality, Environment and Safety Policy was approved and published. In it REN makes a commitment to adopt a socially responsible environmental preservation model.
This attitude with regard to the environment is reflected in constantly ensuring compliance with the law, identifying and minimising environmental impacts and setting goals for improving our environmental performance. These goals include rational use of natural resources, the prevention of pollution and the development and use of renewable energies.
The environmental impact of the activities of the REN companies is assessed for all plans for electricity grid and natural gas network infrastructures. The appropriate instruments are used to assess impacts in each phase: planning, design, construction, operation, maintenance and post-obsolescence dismantling, in accordance with international standards. The result of this assessment, which is reviewed periodically, serves as a basis for the implementation of measures to reduce and mitigate impacts.
In 2009, for the first time we conducted a strategic evaluation of REN's electricity transmission grid development and investment plan for 2009-2014, which also includes a forecast of development of the grid up to 2019. In addition to environmental, social and economic aspects, the plan also takes account of the main challenges of expanding the

grid, such as growth in demand and connection to new licensed or planned, ordinary or special status generation plants.

Minimisation of the environmental impact of REN's activities is therefore taken into account right in the initial stage of plans for expanding the company's infrastructures, when measures are taken to offset any negative environmental effects. In addition to these measures, REN has developed environmental requirements that must be met within its own activities and those of the service providers that it hires.

Compensatory measures for new investment projects in the National Electricity Gird in 2009 included a programme to offset the fact that the Armamar-Lagoaça 400 kV line, Lagoaça-Aldeadávila 1 400 kV line and Pocinho-Aldeadávila 1 and 2 220 kV lines pass through Parque Natural do Douro Internacional and the River Távora Valley.

REN Trading also plays an important role in controlling environmental impacts, in that its management of the Tejo Energia and Turbogás power stations is subject to the rules and limits set out in the national emission allowance plan and therefore the European market on which these allowances are traded.

Owing to CO2 emission caps, REN Trading's decisions to place the electricity from these power stations on the market always take account of the volume of emissions and their costs in terms of CO2 allowances. There are therefore times when the inclusion of CO2 emission costs in total generation costs of the Pego coal-burning power station affects its ability to compete on the electricity market and therefore results in the replacement of its power by one that pollutes less, such as that from Turbogás, a natural gas power station.

Environmental performance management

Activities to improve environmental performance are enshrined in four environmental performance plans, one for each concession holder. These plans are regulation instruments introduced by ERSE aimed at voluntary measures to improve the environmental performance of its concessionaires. The measures in them cover areas such as the promotion of biodiversity, improvement of the appearance and landscaping of their infrastructures, research into electrical and magnetic fields, use of renewable energies and environmental training for employees.

Some of REN's environmental actions are undertaken in

partnership with environmental NGOs, universities, research institutes and government bodies. A good example of a partnership of this nature is the agreement with Instituto da Conservação da Natureza e da Biodiversidade, the implementation of which continued in 2009, under the Business & Biodiversity initiative.
REN's environmental intervention is closely associated with its activities in other fields, such as management of quality of service and occupational hygiene, health and safety and the prevention of serious accidents. As a corollary of its work in these areas, the scope of certification REN SGPS management systems, which included the electricity grid, REN Serviços and REN Trading, was expanded and APCER – Associação Portuguesa de Certificação extended triple quality, environment and safety certification to REN Gasodutos and REN Atlântico. In late 2009, certification audits were conducted in the three areas at REN Armazenagem and REN Telecom. As a result, all REN companies had quality, environment and safety certification at the end of 2009.
REN's 2009 sustainability report describes the company's environment activities in detail and describes the main environmental risks and the way in which regulations are implemented.

Society

REN's good corporate citizenship takes many different forms. They include a study of the effects of the company's activities on its surroundings, social, educational and cultural interaction with the community and the protection of fauna.

Electromagnetic fields and human health

In 2009, REN organised sessions to clarify the possible effects of electromagnetic fields on human health. They attracted large audiences, who listened to specialists in health and human genetics.
They emphasised the opinion of the World Health Organization (WHO) that no relationship has been demonstrated between electromagnetic fields and a very rare form of leukaemia. According to the International Agency for Research on Cancer, the comparative carcinogenic potential for humans of different agents is as follows:

Electromagnetic fields and human health

Effect	Agent
Human carcinogens	Asbestos
	Alcoholic beverages
	Benzene
	Mustard gas
	Radon
	Solar radiation
	Tobacco
	X-rays and gamma rays
Probably carcinogenic to humans	Creosote
	Diesel exhaust fumes
	Formaldehyde
	PCBs
Possibly carcinogenic to humans	Caffe
	Very low frequency magnetic fields
	Petrol exhaust fumes
	Fiberglass
	Styrene

Nonetheless, in spite of this scientific finding, REN promotes strict compliance with international standards on exposure limits for its workers and the general public. In this context, REN has adopted the WHO recommendation that national authorities establish a protection programme that includes measuring electromagnetic fields so that precautions can be taken. REN also feels that research programmes should be organised to reduce the uncertainty of the scientific evidence. REN therefore supported the MEDEA project set up by Sociedade Portuguesa de Física (SPF) to encourage students at schools to measure and understand the electromagnetic fields around them. All the participating schools were given electric and magnetic field meters and the students were asked to submit a report on the results of their measurements. The students were challenged with presenting a project using their measurements. A panel of judges appointed by the SPF chose the winners. Also in this area, a television series entitled *O Condoninho da Renata* was designed to awaken young people's interest in energy efficiency and the company's activities, including the issue of electromagnetic fields.

Associated with this series is 24-hour real-time observation of a stork's nest on a REN pylon. Increasing use of the internet raised the awareness of a large number of people to the way in which this bird can live in harmony with the company's infrastructures.

Interaction with the community

Participation in scientific projects
REN participates in a number of R&D projects in different areas. The most important projects started in 2009 were as follows:

PEGASE
One of the aims of this four-year project is to define the information requirements for integrated monitoring of the security of the European electricity transmission grid. The project covers the high and extra-high voltage transmission grids in Europe and it is being implemented by a consortium of 20 participants, including electricity system operators, specialised companies and recognised research centres working on the analysis of energy systems and applied mathematics.

MERGE - Mobile Energy Resources in Grids of Electricity
Headed by INESC Porto, the aim of the MERGE project, which has a budget of €.5M, is to prepare the European electricity system for the mass use of electric cars, as a result of the need to reduce pollutant gas emissions and the future oil shortage. The project consists of finding ways of minimising the need to reinforce electricity grid and generation infrastructures in order to avoid excessive costs, which would have to be borne by electric vehicle users. It is intended to help build an intelligent system that will adapt electric vehicle battery charges to the availability of the resources of electricity grid infrastructure, taking account of the characteristics of the European electricity systems. MERGE involves 16 companies and institutions, including REN.

Sponsorship of cultural activities
REN has a policy of assisting cultural activities. In recent years, it has sponsored hundreds of cultural initiatives, including cinema, photography, documentaries, animation, theatre and music. The most important were Dias da Música at CCB, the purchase of unpublished Fernando Pessoa correspondence and the digitisation and restoration

of documents at the national archive at Torre do Tombo. REN is a founding member of Fundação de Serralves and a patron of Centro Nacional de Cultura. More than 50 cultural bodies receive support from REN.

Support for educational, social and recreational associations

In 2009, REN continued its philanthropic activity by means of monetary contributions to different types of association, in particular:

- Universities
- Municipal councils
- Parish councils
- Youth centres
- Child development centres
- Environmental education associations
- Amateur sports clubs
- Student unions
- Portugal's Paralympics Committee
- Portuguese Red Cross
- United Nations Global Compact

Protection of fauna

Participation in LIFE projects

In 2009, REN was a partner in two European LIFE projects (for nature conservation promoted by the European Union) that will be lasting for several years: one for preserving Bonelli's eagle and the other steppe birds (bustard, little bustard and lesser kestrel).

Protection of the white stork

The white stork (Ciconia Ciconia) is one of the most characteristic and well-loved birds in Portugal. Once an endangered species, they have been changing their habits, one of which is choosing REN infrastructures to build their nests. The number of storks using electricity pylons has been increasing fast and so, today, when we look at a pylon we usually see a white stork on top. As a result, Ciconia Ciconia has become indissociable from the company. Every day of the year, REN manages around 1,700 nests and transfers them to safer places. At the same time, the company currently has a rehousing plan that includes monitoring and counting nests and also developing and installing devices for keeping storks away from the most sensitive points of its lines. Proof of the success of these protection measures is the increasing numbers of storks that stay in Portugal all year round.

Governance

Investing wisely requires an understanding of the financial and non-financial factors that affect the value of a company. Of particular relevance among the non-financial factors, in addition to environmental impact and the quality of interactions with the community, is the manner in which the company is managed and controlled. Important issues in this field are the relationship between shareholders and management body, between majority and minority shareholders and between the management and supervisory bodies.

Distribution of capital and shareholder structure

The majority of REN's share capital is held by strategic shareholders, dominated by entities – Parpública (46%), Capitalpor (3.9%) and Caixa Geral de Depósitos (1.1%) – wholly owned by the Portuguese State. The remaining 49% of the capital is divided among two active companies of the energy sector – EDP – Energias de Portugal (5%) and Red Eléctrica de España (5%) – three investment vehicles – Oliren (5%), Gestfin (5.2%) and Logoenergia (8.4%) – and the markets, where around 20.3% of shares are freely traded.

Share classes

49% of the capital of REN is composed of class A shares, which give the right to information, to vote in general meetings, to challenge the resolutions of the governing bodies and to be paid dividends. These shares can be freely traded although they are subject to the statutory protection scheme as regards not exercising the right to vote, which applies to the acquisition of shares exceeding the legal limits - 5% and 10%, as established in Decrees-Law 29/2006 and 30/2006 of 15 February.
The remaining 51% of the share capital consists of class B shares, not yet privatised, which enshrine not only the rights inherent in ownership of class A shares but are also not governed by the above-mentioned protection scheme.
The company is not aware of any impediment, besides the referred to legal restrictions, to the free trading of shares, including shareholder agreements relative to the assignment of either securities or voting rights.
Each share of REN corresponds to one vote, irrespective of class.

Governance model

REN's governance model aims to be transparent and effective, by separating the powers of the board of directors - which is responsible for drawing up company strategy and monitoring its implementation - from the executive committee, delegated by the board of directors with operational duties.
The audit committee is responsible for supervising the activity of both bodies, while a statutory auditor is in charge of examining the financial statements.

General meeting

The general meeting of REN, which is composed of all its shareholders, is the company's highest body. It is responsible, among other duties, for appointing the board of directors, the audit committee, the statutory auditor and the salaries committee.

Board of directors

The board of directors of REN was composed of twelve directors in office at the end of 2009 - four executive directors and eight non-executive directors. Three of the non-executive directors formed the audit committee.
The board of directors is responsible for, among its many duties, defining the company's strategy and its organisational structure, as well as approving high-value investments and monitoring their implementation.
The resolutions of the board of directors are generally approved by a majority of votes of the directors, cast in person or by representation.
In 2009, the non-executive directors played a substantial role in the formulation of business strategy and they were actively involved in its implementation. They also closely followed the activities of the executive directors, promoting, in particular, the strengthening of the internal control systems and of the management of various types of risk. In this context, an Audit Office was established. This is an internal body, with the objective of implementing the Group's transparency policy.
The board of directors met 12 times during the year.

Executive committee

The current executive committee is composed of four directors, appointed by the board of directors by resolution of 27 November 2009.
The executive committee is responsible for the day-to-day management of REN in accordance with the strategy defined by the board of directors.
The executive committee's duties are detailed in the report on corporate governance and include the management of the group of companies that make up REN, the allocation of resources, fostering synergies and monitoring the implementation of the policies that are defined for the different areas.
The powers delegated in the executive committee by the board of directors require that this body meets regularly and diligently. In line with these guidelines, the executive committee met 49 times in 2009.
The work of the board of directors and also the executive committee complies with the rules that have been created to formalise the functioning of these two governing bodies.

Audit committee and statutory auditor

Supervisory functions are performed by an audit committee and statutory auditor.
The audit committee is composed of three members, appointed by the general meeting.
The audit committee is responsible for overseeing the

management of the company and safeguarding compliance with the law and the articles of association, checking the accuracy of the accounting documents and supervising their audit, supervising the process of preparing and disclosing financial information, proposing to the general meeting the appointment of the statutory auditor and convening the general meeting in situations where it is required to do so, and whenever the chair of that body fails to do such.

The audit committee met 16 times in 2009.

The statutory auditor has the powers and duties established in law and it shall, in particular, carry out all checks and examinations required for the revision and statutory certification of the accounts.

The remuneration of the members of the governing bodies is established by a salaries committee elected by the general meeting for a three year term of office, coinciding with the mandate of all the other governing bodies.

The members of the board of the general meeting are remunerated through an attendance fees system.

Salaries committee

The remuneration of executive directors has a fixed component and a variable component. The variable component, which may not exceed the amount of the fixed portion, reflects the goal of creating long term value for shareholders since its calculation takes into account, among other factors, the achievement of strategic objectives and the efficient management of the group.

The remuneration of non-executive directors, including the members of the audit committee, is fixed. All issues concerning this field are covered in more detail by the Corporate Governance Report.

Human resources

Human resources

REN needs highly qualified staff in order to properly fulfil its mission, which revolves around highly technological areas. This makes the group's human resource policy even more demanding and it has been aimed at promoting and motivating employees and achieving increasing levels of satisfaction.
2009 witnessed an important stage in the development of REN's human resources. For the first time, in an environment of peaceful labour relations, the Group downsized and began a process of rejuvenating its employee universe.
We also made a substantial effort in terms of vocational training, increasing the number of training hours by more than 28%, with more than double the employees receiving training compared to 2008.

Characterisation of REN's human resources

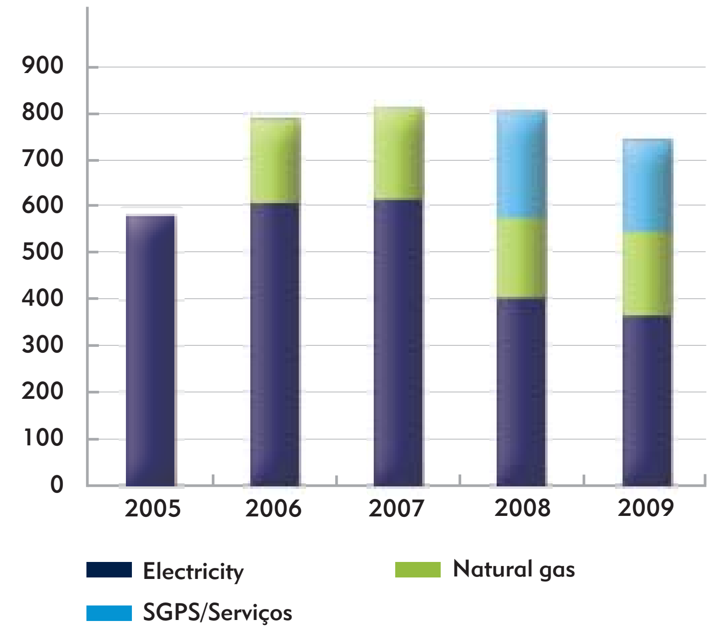
Until 2006 all REN's employees were allocated solely to the electricity sector. After the acquisition of the regulated natural gas assets in late 2006, the Grope began to divide its staff between the two sectors, though with electricity still predominating. At the end of 2009, almost half of our employees worked in the electricity sector.

Number of REN Group employees at year end

	2006	2007	2008	2009
Electricity	607	617	406	368
Natural gas	187	196	173	181
SGPS / Serviços			228	197
Total	**794**	**813**	**807**	**746**

When REN Serviços was incorporated in 2008, employees who were not specifically allocated to the electricity or natural gas operating sectors were transferred to the new company, where services and common departments were concentrated.

Employees by sector



In 2009, the total number of employees fell around 8%, from 807 on 31 December 2008 to 746 on 31 December 2009. This net reduction of 61 employees was the result of 18 admissions and 79 leaving, as shown in the table below:

The average age of employees in the REN Group companies went down slightly in 2009, to 44.6 years, with a predominance of the *45 to 54 age group*, which accounted for around 1/3 of the total.

Number of employees 2009

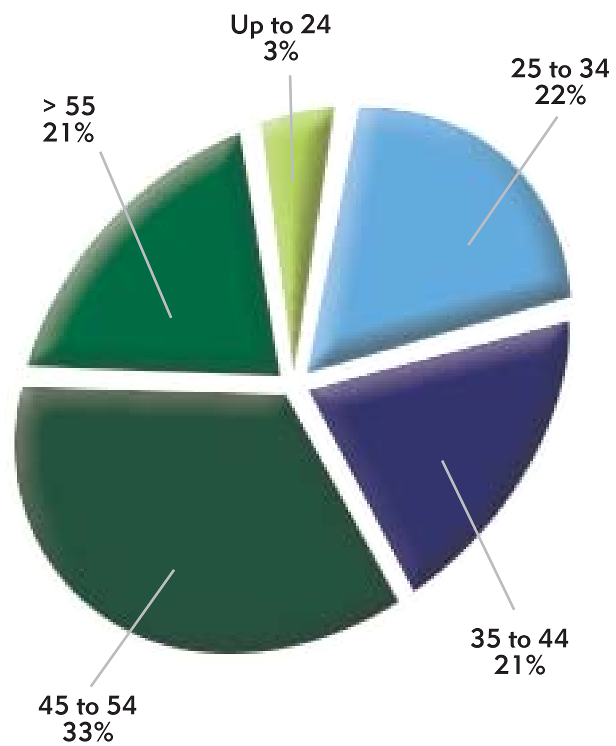
Admitted	
Fixed-term contracts	7
Vocational internships	6
End of official secondment	3
Indefinite contracts	1
End of unpaid leave	1
Total	**+18**

Left	
Pre-retirement	68
End of fixed-term contract	3
Official secondment	3
Appointments GB - Company Secretary	2
End of internship	1
Retirement age reached	1
Start of unpaid leave	1
Total	**-79**

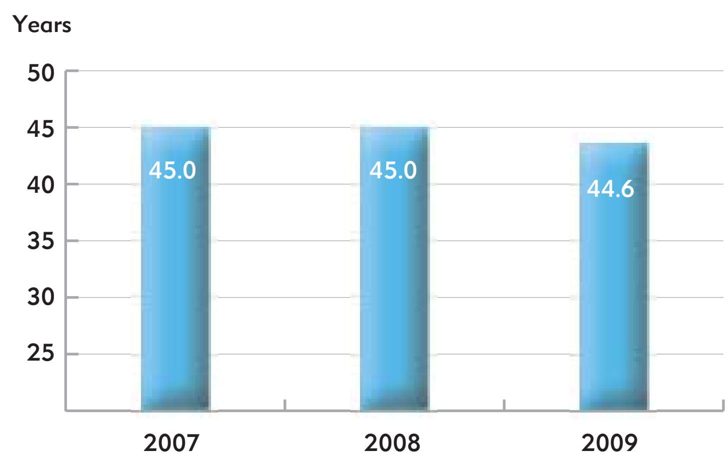
Number of employees

2008	**2009**
807	**746**

Employees by age group

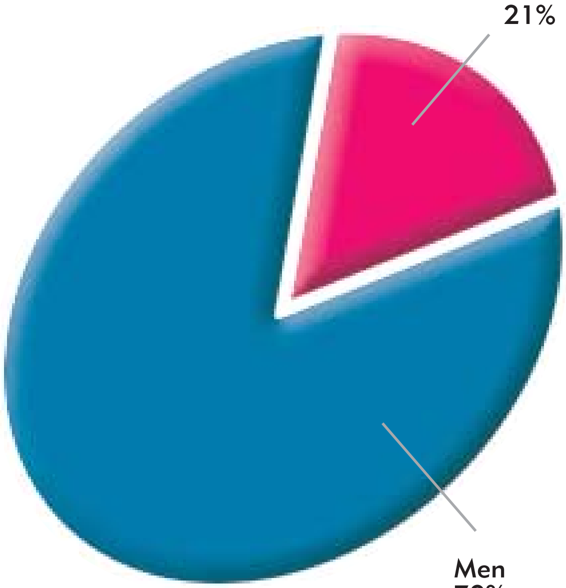


Average age of employees in the REN Group



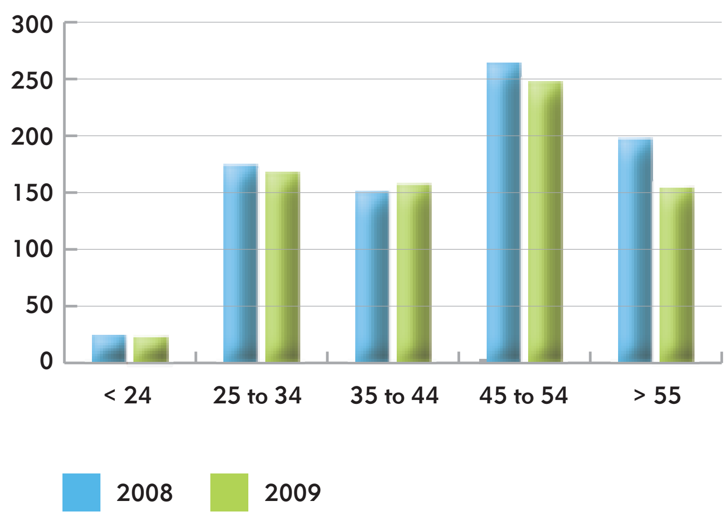
The balance between men and women remained practically unchanged with men accounting for 79% of the total:

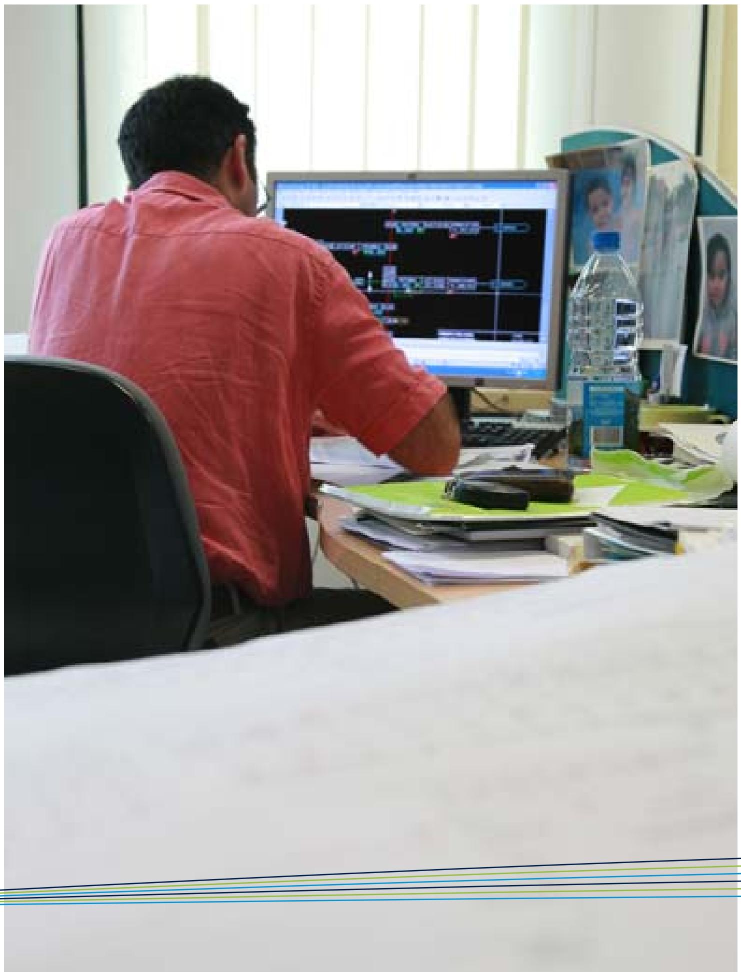
Employees by gender



After some employees had opted for the pre-retirement programme offered by the company, there was a substancial reduction in the higher age groups against 2008:

REN employees by age 2008-2009





In 2009, the REN Group's employees continued to show high levels of qualifications and more than half had university degrees.

Employes qualifications

Level of education	Number of employees	Total's %
9th grade	96	13%
12th grade	270	36%
Honours or foundation degree	346	46%
PhD or Master's	34	5%
Total	**746**	**100%**

Training

REN continued to enhance its employees' skills in 2009 and organised training in technical and behavioural areas and quality, environment and safety (QES).

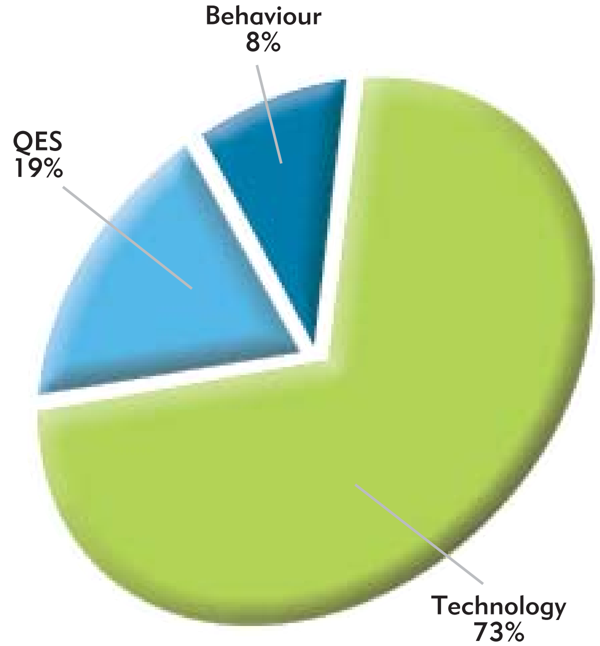
Regarding the number of training hours in each area in 2009, technology, at 73% of the total, clearly predominated over QES and behavioural training.

Training

	2008		2009	
Training area	**Participants**	**Hours**	**Participants**	**Hours**
Technology	548	8,807	1,714	12,634
QES	207	2,060	213	3,188
Behaviour	119	2,588	85	1,427
Total	**874**	**13,454**	**2,012**	**17,248**

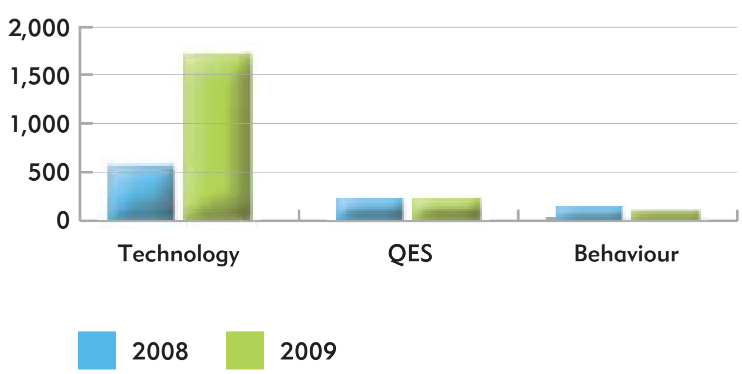
Training by area in 2009

(percentage)



The number of employees participating in training courses increased 63% on 2008. Training focused on technology, in which the number of participants more than trebled, and QES, where training increased 55%.

Training area



Performance evaluation

In the first quarter of 2009, the performance of around 92% of REN's employees in 2008 was evaluated. This effort, which was necessary to determine variable remuneration, resulted in the start-up of the *Eficiência A+* project, which was aimed at improving and harmonising management practices and performance evaluation methods. REN also conducted surveys of training needs and resulting career plans.

Health insurance

On 31 December 2009, all the group's employees were covered by one of the two existing health plans, which also cover spouses and offspring up to the age of 25. The two plans date back to the companies that today make up the REN Group. The complementary plan to the National Health System covers 502 employees and the health insurance plan covers the remaining 236. All new employees are covered by the health insurance plan.

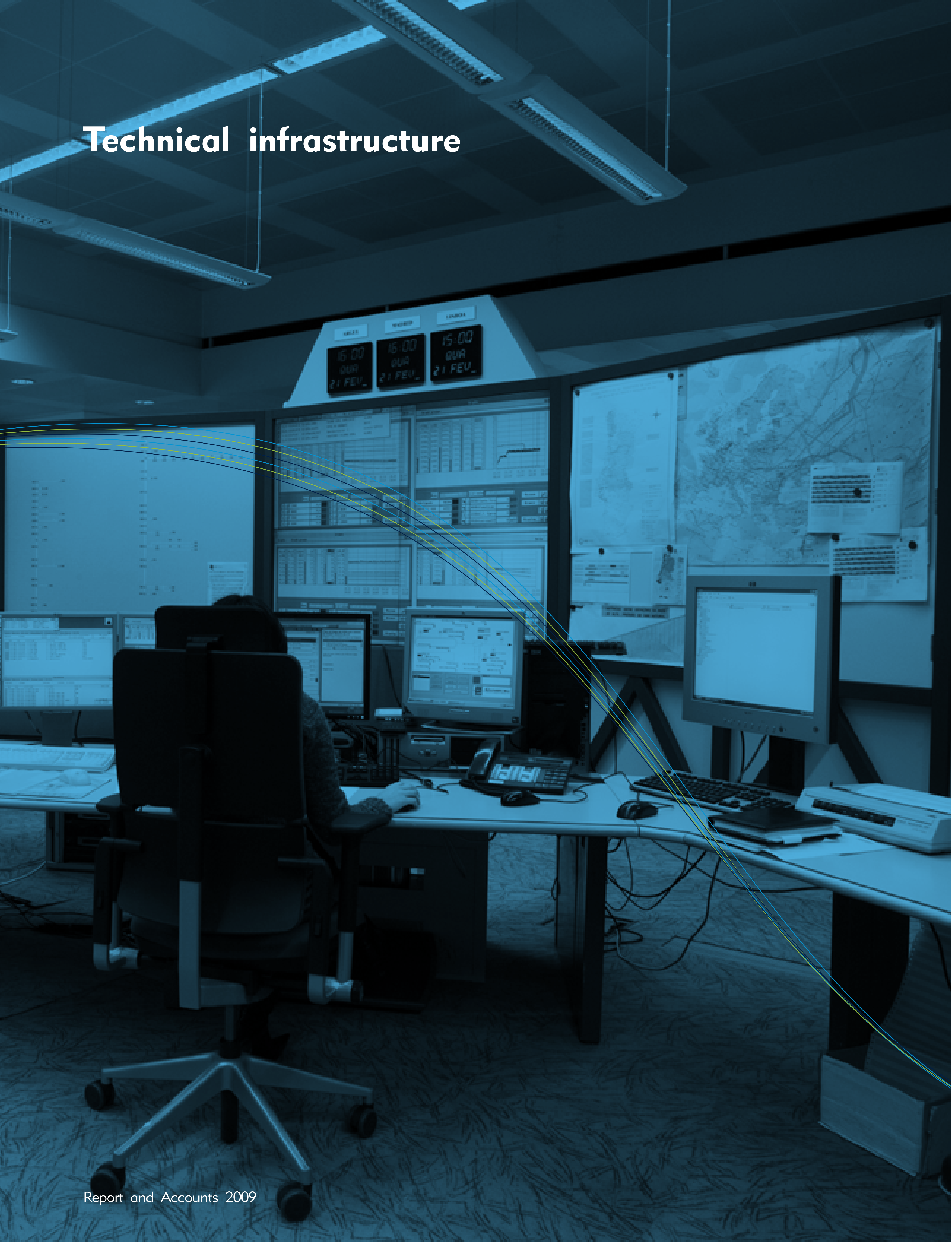
Retirement and pre-retirement plans

As part of our downsizing programme, we continued and practically completed a pre-retirement programme in 2009. It began in 2008 and will continue to have effects in 2010, although there will be fewer people involved. This downsizing is part of a policy to rejuvenate and adapt the profiles of the Group's human resources.

Occupational safety of service providers

In 2009, service providers worked 2,064,470 hours on the construction of extra-high voltage (EHV) lines and substations. There were 25 occupational accidents during the year, but no fatalities, which corresponds to a rate of 2.4 accidents per 100,000 workers, which is considerably lower than the latest rate published for the construction sector, which was 5.4.
The work in question entails special risks, the most important of which are electrocution and falls from height. For this reason, REN complies strictly with all safety procedures, which are supervised and coordinated by specialised teams. Another of REN's requirements in this context was for the workers involved in the construction to attend safety courses. Since 2007, REN has organised technical safety sessions for its contractors and two annual performance awards have been set up - Safety Management in EHV Line Construction Work and Safety Management in EHV Substation Construction in order to reward and encourage good performance on occupational health and safety. An important criterion in choosing the winners of these awards is meeting REN's annual accident rate targets, particularly in terms of frequency and severity rates.

Technical infrastructure



Electricity

The transmission and interconnection network at the end of 2009 was composed of 290 very high voltage lines and branches – 131 lines and branches at 150 kV, 116 lines and branches at 220 kV and 43 lines at 400 kV – 61 transformer substations and 12 switching stations.

There is a Grid Operation Centre to control the grid and a Grid Command and Control Centre to manage the national electricity grid.

Grid Operation Centre

Grid Command and Control Centre

A corporate telecommunications Network supported on the above-mentioned infrastructures is used to transmit data, commands to grid elements and communications in general.
The Transmission and Interconnection Grid carries electricity from the major hydroelectric, thermal and wind power generating plants to the transformer substations where it is delivered at 60 kV to the national distribution grid. The Transmission and Interconnection Grid provides the link to the European Transmission Grid, by means of seven connections with the Spanish transmission grid, and it also directly delivers very high voltage electricity to some consumers.

The Transmission and Interconnection Grid at the end of 2009 possessed 7,569 km of VHV lines, carried on 16,735 supports:

- 150 kV, 2,670 km on 5,612 supports;
- 220 kV, 3,290 km on 7,072 supports;
- 400 kV, 1,609 km on 4,051 supports.

Connection with the Spanish transmission grid is provided by one 130 kV line between Minho and Galicia, three 220 kV lines at the Douro Internacional region and four 400 kV lines - two between Minho and Galicia, one at the Tejo Internacional region and the other between Alentejo and Spanish Estremadura. 28,235 MVA were installed at the 61 VHV transformer substations:

- 150/30 kV	120 MVA;
- 150/60 kV	5,420 MVA;
- 150/130 kV	290 MVA;
- 220/60 kV	9,644 MVA;
- 220/150 kV	951 MVA;
- 400/60 kV	2,210 MVA;
- 400/150 kV	5,540 MVA;
- 400/220 kV	4,050 MVA.

The Grid Operation Centre remotely controls all transmission grid elements. It is manned continuously in shifts by two engineers. The Grid Command and Control Centre monitors the safety conditions of the national electricity system and maintains the balance between generation, consumption and interconnection with the European network. It too is continuously manned in shifts by two engineers.

Line Lengths and Transformer Capacity

	2009	2008	Change (%)
Line Length (km)	**7,569**	**7,513**	**0.7**
400 kV	1,609	1,589	1.3
220 kV	3,289	3,257	1.0
150 kV	2,671	2,667	0.1
Number of substations and switching stations	**73**	**69**	**5.8**
Transformer capacity (MVA)	**28,235**	**26,194**	**7.8**
Autotransformation (MAT/MAT)	10,701	9,921	7.9
Transformation (MAT/AT)	17,534	16,273	7.7

Natural gas

The natural gas infrastructures of REN comprise the National Natural Gas Transport Network (RNTGN), the Sines LNG Terminal and the natural gas underground storage facility at Carriço.
At the end of 2009, the RNTGN comprised the following main infrastructures:

- 1,267 km of high-pressure gas pipeline;
- 52 junction stations for pipeline branching;
- 42 block valve stations;
- 13 T-branch connection stations;
- 78 gas regulating and metering stations;
- 1 custody transfer station.

National Natural Gas Transport Network

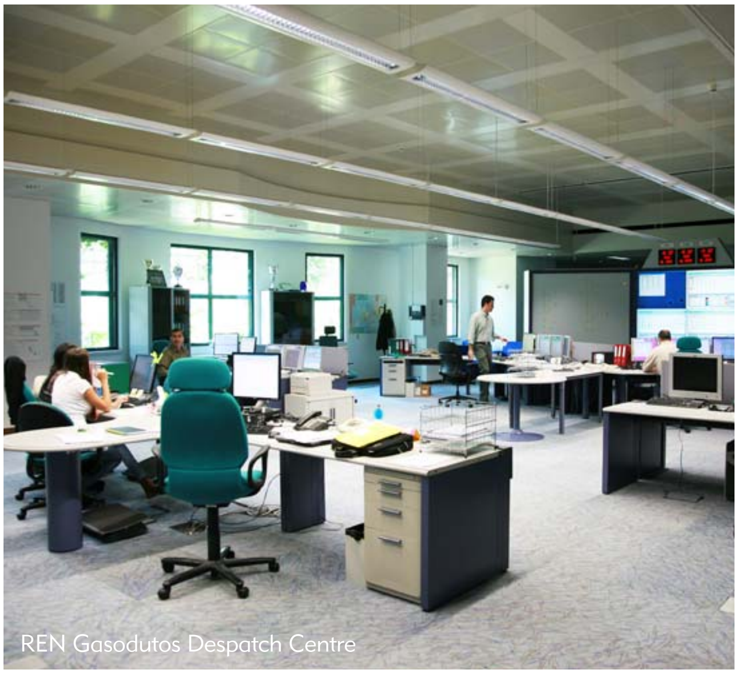
		Ø (mm)	km
Block 1	Setúbal - Leiria	700	173
Block 2	Leiria - Gondomar	700	164
	Gondomar - Braga	500	50
Block 3	Campo Maior - Leiria	700	220
Block 4	Braga - Valença	500	74
Block 5	Monforte - Guarda	300	184
Block 6	Mealhada - Viseu	500	68
Block 7	Sines - Setúbal	800	87
High-pressure branches		150 - 700	247
		Total	**1 267**

The technical capacity of the relevant points of the RNTGN was as follows:

Technical capacity of the RNTGN

Entry	**GWh per day**	**Mm^3(n) per day**
Sines (LNGT)	193	16.3
Carriço (Extraction AS)	86	7.3
Campo Maior (IP39)	134	11.3
Valença do Minho (IP40 - import)	23	1.9
Exit		
Carriço (Injection AS)	32	2.7
Valença do Minho (IP40 - export)	20	1.7
Exit by GRMS (total)	671	56.6

The RNTGN, which went into operation in 1997, is supervised from a latest-generation National Despatch Centre using redundant telecommunication systems supported by optic technology. Pipeline stations are interconnected with the Sines LNG terminal and Carriço (Pombal) underground storage. All the systems have digital communication, particularly for reading network entry and exit flows, which results in quality of information and supervision response at best-practice level.

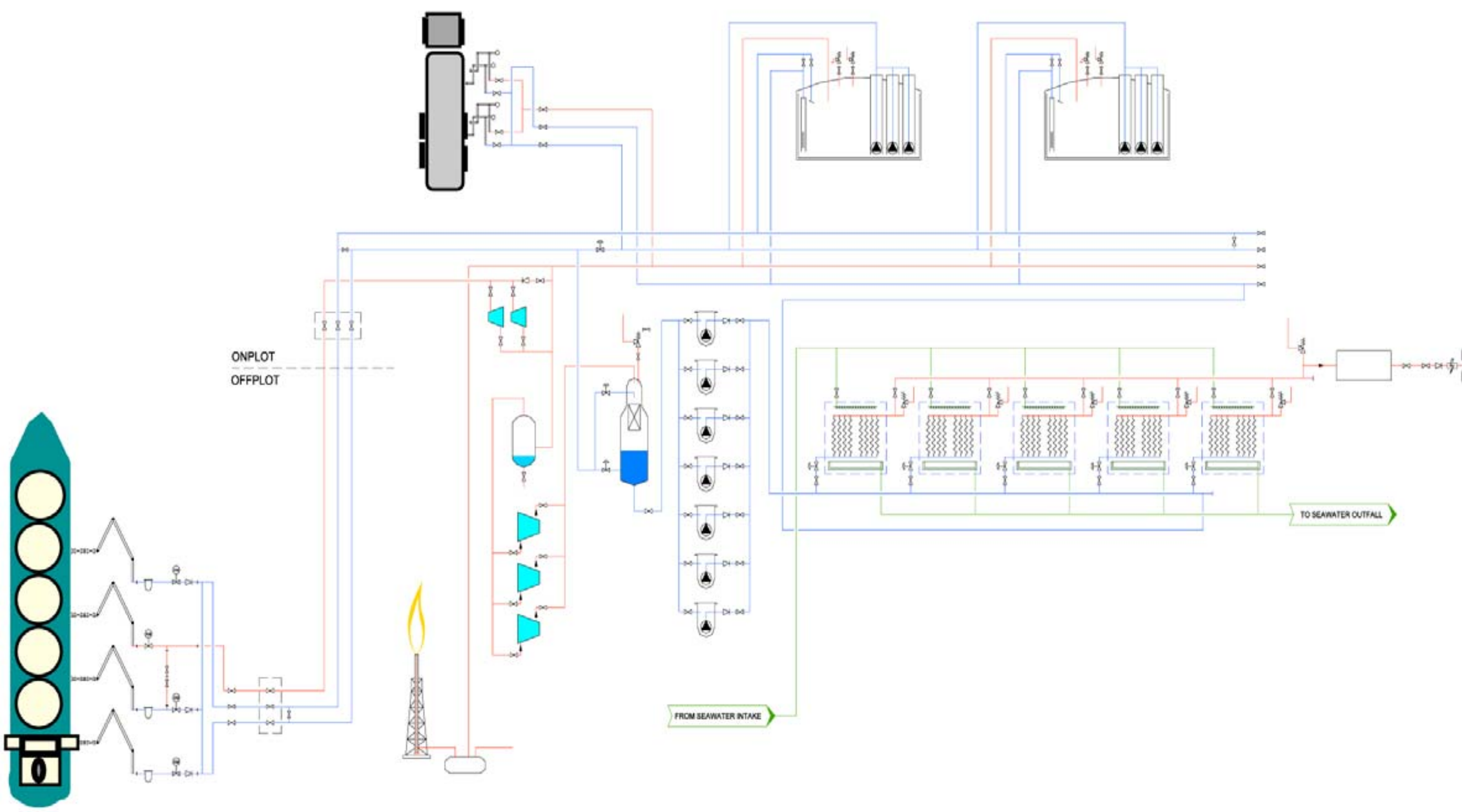


REN Gasodutos Despatch Centre

Until 2012, the LNG terminal will be stepping up its emission and storage capacity. This terminal consists of a berthing dock for ships, two cryogenic LNG tanks and pressurisation and vaporisation systems using seawater, without burning fuel, and is an essential part of the system. At the end of 2009 its main characteristics were as follows:

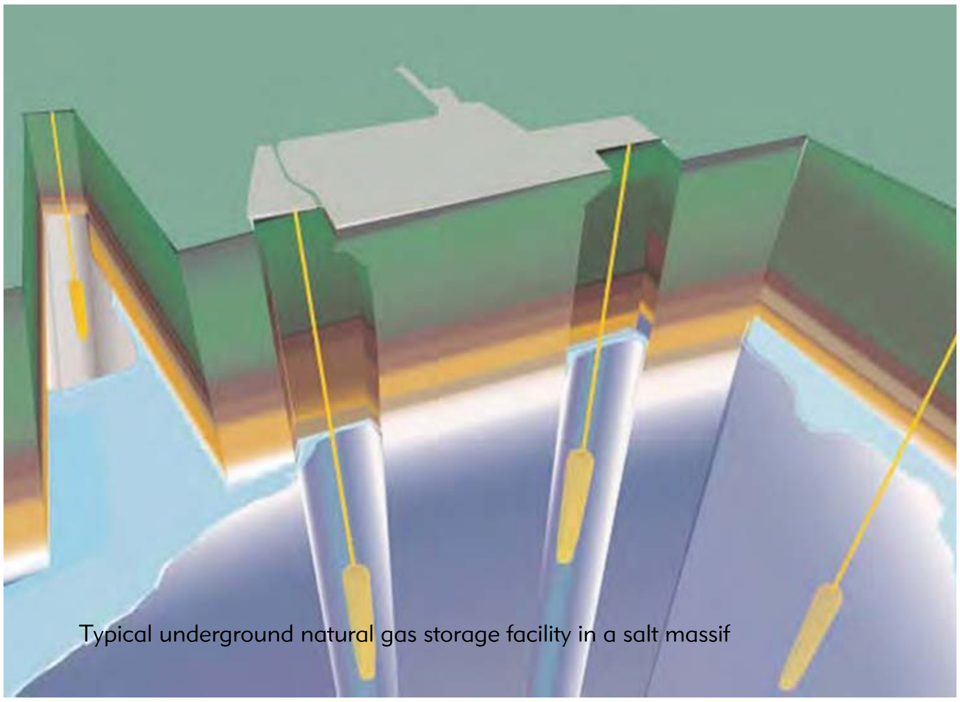
• regasification capacity of 5.25 bcm of natural gas per year;
• 5 atmospheric vaporisers with a capacity of 225,000 m3(n)/h each;
• Reception capacity for methane tankers:
  - volumes between 40,000 and 210,000 m3 LNG;
  - average unloading time for 1 standard ship: 15 hours;
• operational storage capacity in tanks: 2 x 120,000 m3 LNG;
• Emission capacity:
  - nominal: 675,000 m3(n)/h @ 5.25bcm;
  - peak (85% availability): 900,000 m3(n)/h;
• Filling of tanker trucks: 3,000 trucks a year @ 0.08 bcm.

Diagram of Sines Liquefied Natural Gas Terminal



Low pressure   High pressure

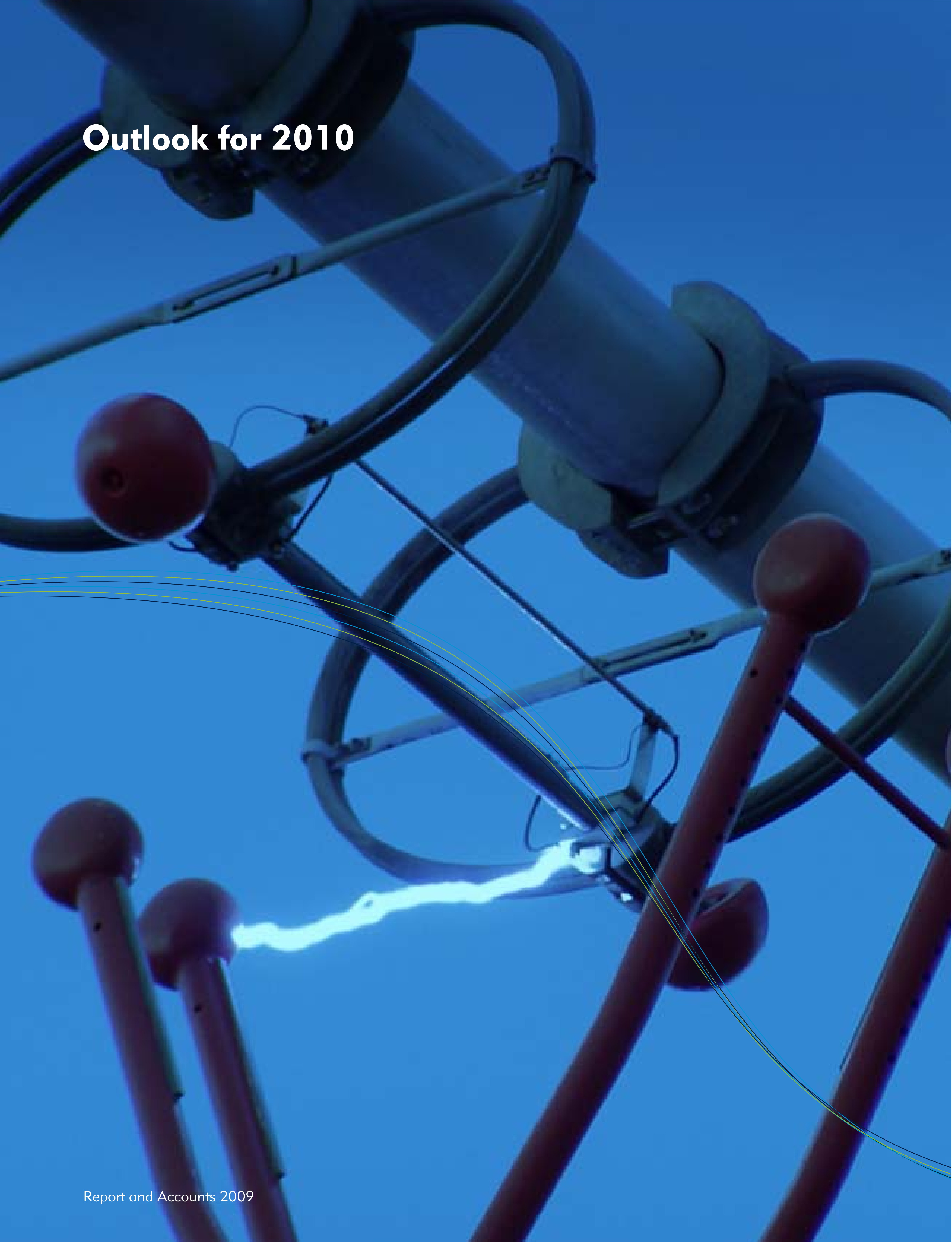
Underground storage is done in salt caverns at great depth interconnected with a gas station that makes it possible to manage the quantities stored by injection using natural gas compressors or extraction with natural gas dehydration systems for subsequent injection into the transport network. The REN gas station also interconnects with caverns belonging to another concession holder. For the construction of salt caverns, REN has a leaching station that, together with a water collection system and system for discharging brackish water into the sea, makes it possible to build more caverns at any time.


Typical underground natural gas storage facility in a salt massif

At the end of 2009, the characteristics of the underground natural gas storage facilities in the REN Armazenagem concession were as follows:

- 3 caverns in operation;
- Maximum capacity: 1.71 TWh <> 142.5 Mm3(n);
- Capacities of the surface station:
    - injection: 110,000 m3(n)/h (32 GWh/day);
    - extraction: 300,000 m3(n)/h (86 GWh/day);
- Surface station operated by REN Armazenagem.

Outlook for 2010



Outlook for 2010

REN is going through a phase of profound transformation, which goes hand-in-hand with its role as a trailblazer in the changes in the energy sector, especially with regard to Portugal's emerging leadership in the renewables sector.

REN's transformations can be seen in its human resources, which constitute the company's main asset. Over the years, REN has built a well-deserved technical reputation based on quality of service indicators that have placed it among the best companies in the European Union. This reputation has been priceless in leveraging the rejuvenation of our staff and has enabled us to attract specialists who will guarantee the future in this crucial facet of the Group's activity. In 2010, we expect to recruit young talents for the company's operational areas, making use of the space created by downsizing in 2009.

Where physical infrastructure is concerned, in 2010 and subsequent years we will continue our considerable investment in order to face up to the country's energy challenges. As in 2009, an important part of the investment will go towards connecting new renewable generation power stations – wind and hydroelectric power.

Investments in densifying the transmission grid, the growing "intelligence" of infrastructures and the development of Iberian interconnections are also associated with the incorporation of new generation power stations and the challenges of safety of the system and a balance between energy supply and demand. In the natural gas area, investments will continue to go essentially towards upgrading the REN Atlântico terminal and increasing system safety in response to the challenges posed by higher demand due to the new gas power stations. The amount invested in 2010 is expected to exceed that in 2009, as the Sines project will be entering a more intense phase.

REN will continue to keep a close eye on the financial markets and ensure the financing of investments at competitive costs and appropriate management of financial risks. The challenges here are great, due to the worsening of public deficits throughout the European Union associated with the 2008-2009 recession. Two factors will continue to work in our favour, however. They are our great financial solidity and the company's presence in the international market on the basis of the EMTN programme.

In short, 2010 is a year of great challenges, though the dynamics of a growing, changing company gives all who work there additional motivation to beat these challenges to the benefit of all its stakeholders.

Final remarks

Final remarks

The Board of Directors would like to acknowledge all those who, in 2009, gave their support to the fulfilment of the Company's goals:

• To the Company's employees, for their dedication, commitment and high degree of professionalism in the performance of their duties, in harmony with the goals set;
• To the shareholders, for the support and confidence demonstrated at different times in the Company's life;
• To the Audit Committee, the Statutory Auditor and the External Auditor for the essential services they provided.

Lisbon, 26 February 2010

The Board of Directors

Rui Manuel Janes Cartaxo

Aníbal Durães dos Santos

Victor Manuel da Costa Antunes Machado Baptista

João Caetano Carreira Faria Conceição

Luís Maria Atienza Serna

Gonçalo José Zambrano de Oliveira

Manuel Carlos Mello Champalimaud

José Isidoro d'Oliveira Carvalho Neto

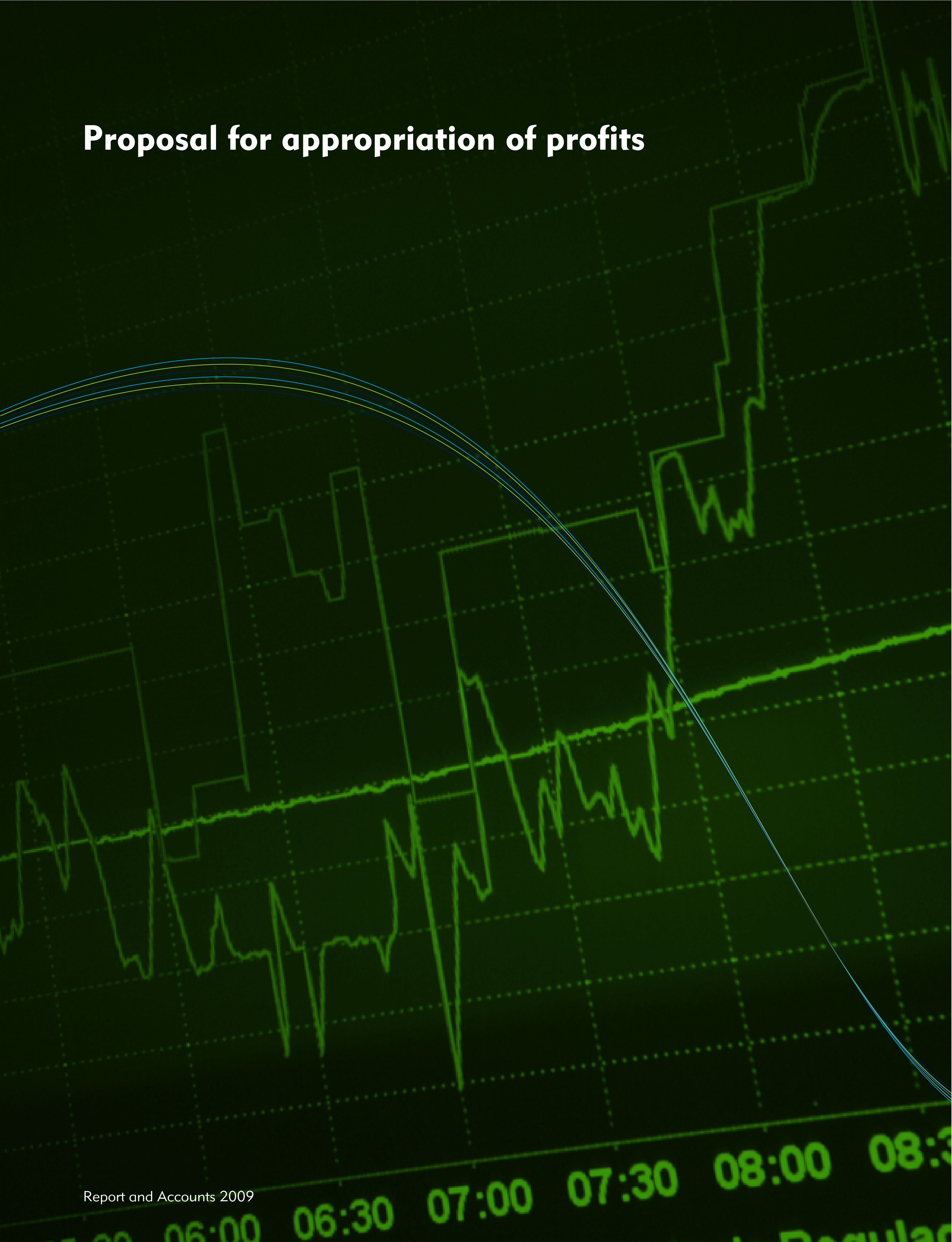
Filipe Maurício Botton

José Luís Alvim Marinho

José Frederico Vieira Jordão

Fernando António Portela de Rocha Andrade

Proposal for appropriation of profits



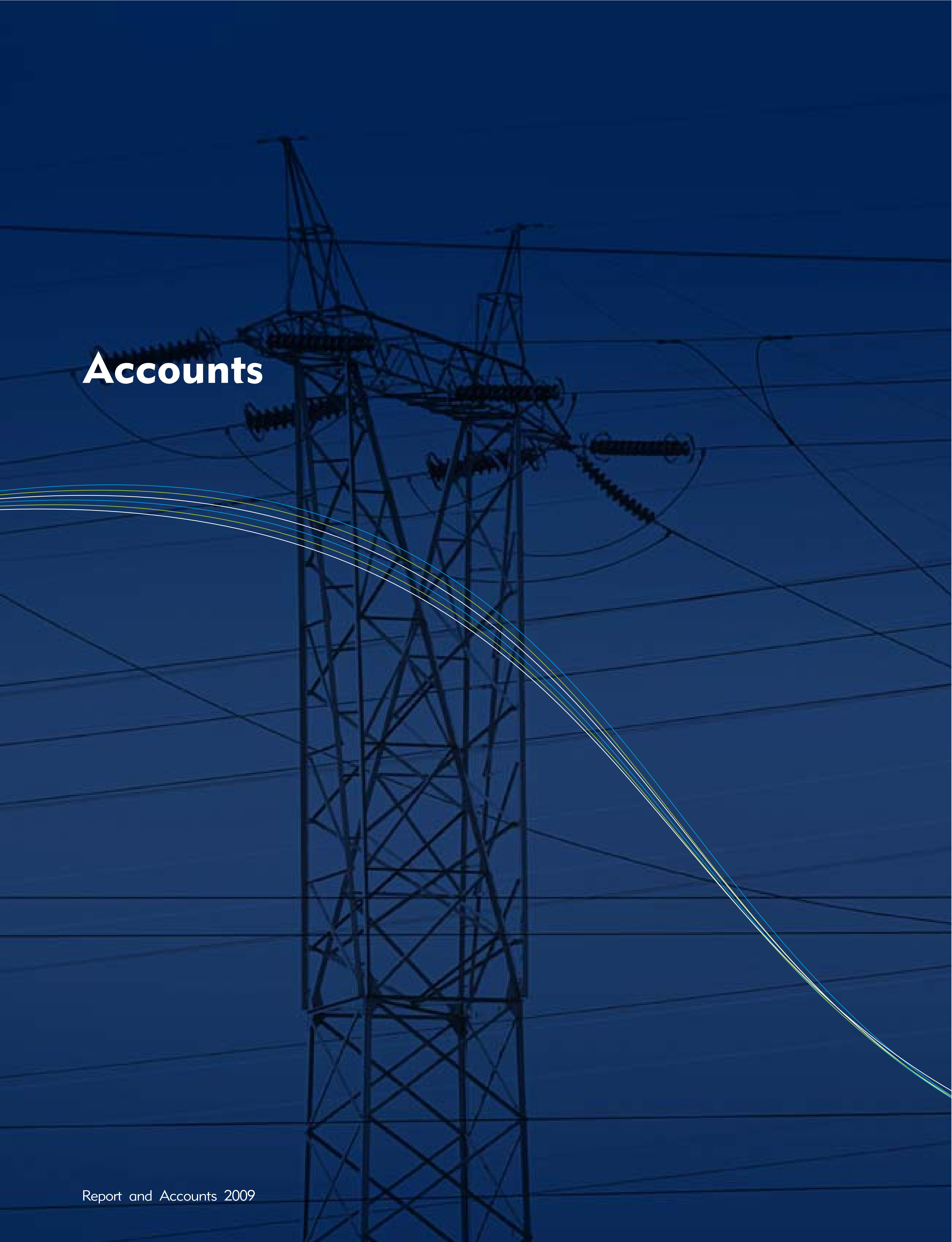
Proposal for appropriation of profits

The consolidated net income of REN SGPS for the 2009 financial year was €134,046,810.44 (one hundred and thirty-four million forty-six thousand eight hundred and ten euros and forty-four cents). The Board of Directors, considering the information reported herein, and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33 and 66(5) of the Portuguese Companies Code, proposes that the net income for the 2009 financial year of €144,493,679.21 (one hundred and forty-four million four hundred and ninety-three thousand six hundred and seventy-nine euros and twenty-one cents), be appropriated as follows:

• To the legal reserve - €7,224,683.96 (seven million two hundred and twenty-four thousand six hundred and eighty-three euros and ninety-six cents);

• To dividends - €89,178,000 (eighty-nine million one hundred and seventy-eight thousand euros), corresponding to the sharing out of 66.527% of the consolidated income of REN SGPS, S.A. in 2009, which totalled €134,046,810.44 (one hundred and thirty-four million forty-six thousand eight hundred and ten euros and forty-four cents), and is equivalent to a gross dividend per share of €0.167;

• To free reserves the sum of €48,090,995.25 (forty-eight million ninety thousand nine hundred and ninety-five euros and twenty-five cents).



Accounts

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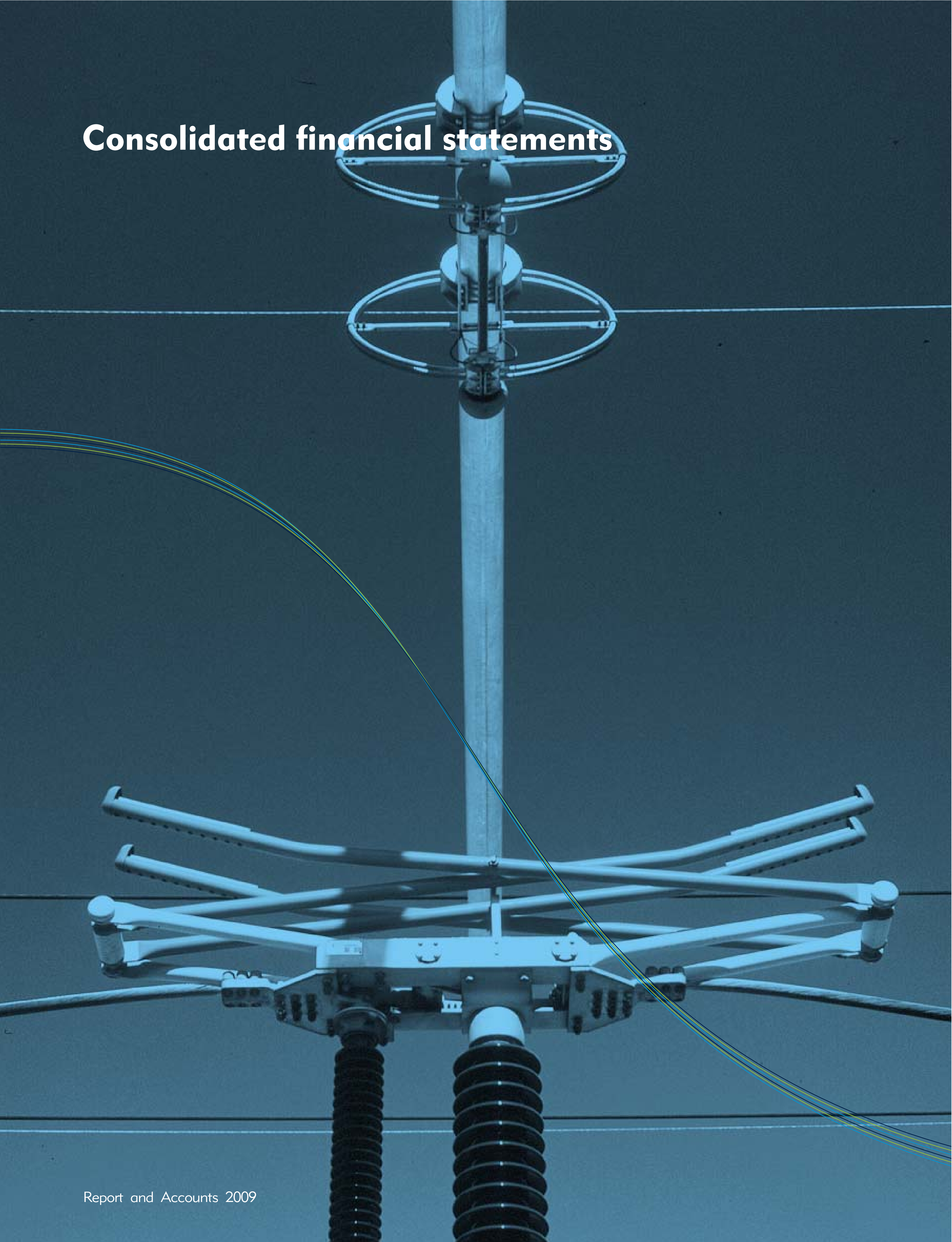


Consolidated financial statements

Consolidated statements of financial position as of 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese - Note 39)

(Amounts expressed in thousands of euros - tEuros)

		31 December	
ASSETS	**Notes**	**2009**	**2008**
Non-current assets			
Tangible fixed assets	7 and 9	3,451,876	2,847,243
Goodwill	8	3,774	3,774
Interest in joint ventures	10	11,063	9,716
Deferred tax assets	11	37,627	46,147
Available-for-sale financial assets	12 and 13	90,419	86,924
Other financial assets	12	7,276	-
Trade and other receivables	12 and 14	44,122	90,393
		3,646,157	**3,412,876**
Current assets			
Inventories	15	23,789	8,364
Trade and other receivables	12 and 14	426,527	263,856
Income tax receivable	12	25,115	-
Guarantee deposits	12 and 16	102,637	35,604
Derivative financial instruments	17	-	876
Cash and cash equivalents	12 and 18	69,888	101,431
		647,955	**410,131**
Total assets		**4,294,113**	**3,823,007**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	534,000	534,000
Treasury shares	19	(10,728)	(6,619)
Other reserves	20	161,638	164,160
Retained earnings	20	177,067	192,156
Profit for the year attributable to equity holders of the Company	20	134,107	127,405
		996,085	**1,011,102**
Minority interest		514	574
Total equity		**996,599**	**1,011,676**
LIABILITIES			
Non- current liabilities			
Borrowings	12 and 21	1,711,320	1,298,530
Deferred income tax liabilities	11	81,586	92,333
Retirement and other benefit liabilities	22	69,846	45,198
Derivative financial instruments	12 and 17	10,149	-
Provisions for other liabilities and charges	23	4,307	33,524
Trade and other payables	12 and 24	399,508	351,060
		2,276,716	**1,820,645**
Current liabilities			
Borrowings	12 and 21	497,456	541,026
Provisions for other liabilities and charges	23	981	25,300
Trade and other payables	12 and 24	419,726	296,426
Income tax payable	31	-	92,331
Guarantee deposits	12 and 16	102,637	35,604
		1,020,799	**990,686**
Total liabilities		**3,297,515**	**2,811,331**
Total equity and liabilities		**4,294,113**	**3,823,007**

(a) - Please see Note 9 - Investment Properties.

The accompanying notes form an integral part of the consolidated statements of financial position as of 31 December 2009.

Consolidated statements of profit and loss for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese - Note 39)
(Amounts expressed in thousands of euros - tEuros)

	Notes	Year ended 31 December 2009	2008
Sales	25	1,299	437
Services rendered	25	550,179	493,994
Other income	29	25,809	103,778
Gains / (Loss) on Joint ventures	10	10,033	9,142
Operating revenue		**587,321**	**607,351**
Cost of goods sold		(1,120)	(530)
External supplies and services	26	(78,735)	(78,889)
Personnel costs	27	(48,039)	(49,740)
Depreciation	7	(159,758)	(129,721)
Provisions for liabilities and charges	23	53,536	(27,971)
Other expenses	28	(103,751)	(83,545)
		(337,867)	**(370,396)**
Operating profit		**249,454**	**236,955**
Finance costs	30	(75,970)	(90,338)
Finance income	30	8,103	22,996
Dividends received from investments	30	3,338	2,367
Profit before tax		**184,925**	**171,980**
Income tax	11 and 13	(50,878)	(44,552)
Net profit for the year		**134,047**	**127,427**
ATTRIBUTABLE TO:			
Shareholders		134,107	127,405
Minority interest		(60)	22
		134,047	**127.427**
PROFIT PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS DURING THE YEAR (EXPRESSED IN EUROS)			
Basic		0.25	0.24
Diluted		0.25	0.24

The accompanying Notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2009.

Consolidated statements of other comprehensive income for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of recognised income and expense originally issued in Portuguese - Note 39)

(Amounts expressed in thousands of euros - tEuros)

		Year ended 31 December	
	Notes	2009	2008
Consolidated net profit for the year	**20**	**134,047**	**127,427**
OTHER COMPREHENSIVE INCOME			
Decrease in hedging reserves - derivative financial instruments		(7,556)	-
Actuarial gains and losses - before income tax	22	(27,144)	(19,964)
Variation in the value of thermic land	9	(42,849)	-
Net fair value gain on available-for-sale financial assets - before income tax	12 and 13	3,496	(15,838)
Regularizations on tangible fixed assets		(4,621)	-
Other variations		671	-
Tax effect on items directly recorded in equity	11	21,090	7,389
Total other comprehensive income for the year		**77,134**	**99,014**
ATTRIBUTABLE TO:			
Shareholders		77,194	98,992
Minority interest		(60)	22
		77,134	**99,014**

The accompanying notes form an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2009.

Consolidated statements of changes in equity for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of recognized income and expense originally issued in Portuguese - Note 39)
(Amounts expressed in thousands of euros - tEuros)

		Attributable to the shareholders									
Changes in the year	**Notes**	**Share capital**	**Treasury shares**	**Legal reserve**	**Fair value reserve**	**Hedging reserve**	**Other reserves**	**Retained earnings**	**Net profit for the year**	**Minority interest**	**Total**
At 1 January 2008		**534,000**	**-**	**61,137**	**7,460**	**-**	**83,993**	**174,033**	**145,150**	**555**	**1,006,328**
Total recognised income and expense for the year		-	-	-	(13,739)	-	-	(14,674)	127,405	22	**99,014**
Acquisition treasury shares		-	(6,619)	-	-	-	-	-	-	-	**(6,619)**
Dividends distributed		-	-	-	-	-	-	(87,045)	-	(3)	**(87,048)**
Transfer to other reserves		-	-	6,083	-	-	19,225	119,842	(145,150)	-	**-**
At 31 December 2008		**534,000**	**(6,619)**	**67,221**	**(6,279)**	**-**	**103,218**	**192,156**	**127,405**	**574**	**1,011,676**
Attributable to the shareholders											
At 1 January 2009		**534,000**	**(6,619)**	**67,221**	**(6,279)**	**-**	**103,218**	**192,156**	**127,405**	**574**	**1,011,676**
Total recognised income and expense for the year		-	-	-	3,032	(5,553)	-	(54,392)	134,107	(60)	**77,134**
Acquisition treasury shares	19	-	(4,109)	-	-	-	-	-	-	-	**(4,109)**
Dividends distributed		-	-	-	-	-	-	(88,102)	-	-	**(88,102)**
Transfer to other reserves		-	-	-	-	-	-	127,405	(127,405)	-	-
At 31 December 2009		**534,000**	**(10,728)**	**67,221**	**(3,247)**	**(5,553)**	**103,218**	**177,067**	**134,107**	**514**	**996,599**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2009.

Consolidated statements of cash flows for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of recognized income and expense originally issued in Portuguese - Note 39)
(Amounts expressed in thousands of euros - tEuros)

		Year ended 31 December	
CASH FLOW FROM OPERATING ACTIVITIES	**Notes**	**2009**	**2008**
Received from customers		1,636,126	2,614,752
Paid to suppliers		(1,312,341)	(1,843,905)
Paid to personnel		(53,665)	(48,890)
Income tax paid		(148,990)	(100,934)
Other payments and receipts from operating activities		(3,948)	-
Net flow from operating activities (1)		**117,181**	**621,023**
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts related to:			
Investments		-	15,062
Fixed assets		-	25
Investment subsidies		32,632	65,026
Dividends		12,014	8,484
Payments related to:			
Investments		-	(43,425)
Purchases of fixed assets		(387,017)	(264,689)
Net cash used in investing activities (2)		**(342,372)**	**(219,517)**
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts related to:			
Borrowings		11,010,571	31,782,188
Interests		22,016	8,711
Payments related to:			
Borrowings		(10,652,338)	(32,017,007)
Interest		(91,403)	(130,142)
Purchase of treasury shares	19	(4,109)	-
Dividends	33	(88,102)	(87,064)
Net cash from/(used in) financing activities (3)		**196,636**	**-443,314**
Net decrease in cash and cash equivalents (4)=(1)+(2)+(3)		**(28,555)**	**(41,808)**
Cash and cash equivalents at the beginning of the year	18	60,407	102,215
Reclassification of other financial assets	12	(7,276)	-
Cash and cash equivalents at de end of the year	**18**	**24,576**	**60,407**
Detail of cash and cash equivalents			
Cash	18	1	1
Bank overdrafts	18	(45,312)	(41,023)
Bank deposits		69,887	85,226
Other applications		-	16,203
		24,576	**60,407**

The accompanying notes form an integral part of the consolidated statement of cash flows for the year ended 31 December 2009.

Notes to the consolidated financial statements as of 31 December 2009

1. General information

REN - Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 - Lisbon, was formed from the spin-off of the EDP Group, in accordance with Decree-Laws 7/91 of 8 January and 131/94 of 19 May, approved by the Shareholders' General Meeting 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, SA. On 26 September 2006, as a result of the unbundling transaction of the natural gas business, the Group underwent a significant change with the purchase of assets and financial participations relating to the transport, storage and re-gasification of natural gas activities, comprising a new business.
In the beginning of 2007 the Company was transformed into a holding company and, after transfer of the electricity business to a new company formed on 26 September 2006, named REN - Serviços de Rede, S.A., changed its name to REN - Rede Eléctrica Nacional, S.A..
The Group presently has two main business areas, Electricity and Gas, and two secondary businesses, in the areas of Telecommunications and Management of the Electricity Derivatives Market.

The electricity business includes the following companies:

a) REN - Rede Eléctrica Nacional, S.A., founded on 26 September 2006, the activities of which are carried out under a concession contract for a period of 50 years as from 2007 and establishes the overall management of the Public Electricity Supply System (PES);
b) REN Trading, S.A., founded on 13 June 2007, the main function of which is the management of electricity purchase contracts (EPC) 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 CMEC contracts. The operations of this company include the trading of electricity produced and of the installed production capacity, with domestic and international distributors.

The gas business covers the following companies:

a) REN Gasodutos, S.A.
This company was founded on 26 September 2006, the capital of which was paid up through integration of the gas transport infrastructures (network; connections; compression);
b) REN Armazenagem, S.A.
This company was founded on 26 September 2006, the capital of which was paid up through integration of the gas underground storage assets;
c) REN Atlântico, Terminal de GNL, S.A.
This company was acquired under the acquisition of the gas business, previously called "SGNL - Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company consist of the supply, reception, storage and re-gasification of natural liquefied gas through the GNL maritime terminal, being responsible for the construction, utilisation and maintenance of the necessary infrastructures.

The operations of these companies are carried out under three concession contracts granted separately for periods of 40 years as from 2006.
In addition REN Gasodutos, S.A. has participations in two companies founded under joint venture with the Spanish gas transporter, Enagás, to which REN Gasodutos ceded the transport rights to specific gas pipelines (Braga-Tuy and Campo Maior - Leiria - Braga).
The telecommunications business is managed by RENTELECOM Comunicações, S.A., the operations of which consist of the establishment, management and utilisation of telecommunications systems and infrastructures, supplying communications services and benefitting from the excess capacity of the fibre optics belonging to the REN Group.
Management of the Electricity Derivatives Market is carried out by OMIP - Operador do Mercado Ibérico de Energia (Pólo Português), S.A.. This entity was founded to organise the Portuguese division of MIBEL, providing management of MIBEL's Derivatives Market together with OMIclear (Clearing Agent for the energy market), a company founded and fully owned by OMIP, the role of which is to be the clearing agent and central counterparty for operations realized in the term market. OMIP started operating on 3 July 2006.
REN Serviços, S.A. started operating in January 2008, its operations consisting of the rendering of any

general administrative, financial, regulating, personnel management, salary processing, management and maintenance of the non-fixed assets and fixed assets, negotiation and supply of consumables or services and in general any other services of that type, usually known as back-office services, being remunerated for these, both for related group companies and any third parties.

Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors in a meeting held on 26 February 2010. The Board of Directors believes that the financial statements fairly reflect REN's Group operations, as well as its financial position and financial performance and its cash flows.

2. Information on the concession contracts awarded to REN

2.1 Electricity concession contract

The concession for the use of National Transport Network ("NTN") was awarded to REN, SA in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) with a view to the management of the Public Electric Supply system (PES), utilization of NTN as well as the development of the necessary infrastructures.
The objective of this concession contract consists of the following activities:

(i) Purchase and sale of Electricity
In this area REN, SA operated until 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 available production excesses. REN had the right to retain 50% of the commercial profit obtained from these services.
As from 1 July 2007, upon termination of the majority of acquisition contracts (EAC), REN manages two remaining EAC's not terminated, with Tejo Energia and Turbogás, through REN Trading, placing the energy of these producers in the market.
The tangible assets allocated to this activity are remunerated in the same way as the electricity transport assets.

(ii) Transmission of Electricity
This is REN's main activity, the object being the transmission of electricity through the National Transmission Network to distributors in HT (high tension), to consumers connected to the National Transmission Network and VHT (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.
The model concession contract ensures contractual equilibrium through the recovery of depreciation and remuneration of the investment made in the concession's assets and recovery of the eligible operating costs.

(iii) Overall Management of the System
The objective of this activity is the overall management of the electricity system, REN being responsible for the technical management through coordination, at the points connected to the National Transmission System, the transit of electric energy of the production installations, the distribution networks, in MT and HT, and of the consumers connected to the National Transmission Network, through dispatch orders.
The overall management of the system has also ensured contractual equilibrium through the recovery of depreciation of the concession's assets and remuneration of the investments made.
Remuneration is calculated based on the average net amount of the assets allocated to the activity.
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. This is the case of OMIP, which manages the Electricity Derivatives Market through MIBEL and its subsidiary OMIclear, that functions as a clearing house.
The concession was granted for a period of 50 years as from 15 January 2007. The assets considered as concession assets are those acquired by REN from RNT, which include:

- 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 functioning; and
- the telecommunication, telemetry and telecommand 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 rights of way;
- the locations for the installation of the electricity producers, the ownership of which belongs to REN;
- other moveable or fixed assets necessary for the operation of the activities under concession; and
- the legal relationships directly related to the concession, such as labour, works, location, the rendering of services, the reception and delivery of electric energy, as well as the rights to use water resources and transport through networks located outside the concession area.

REN must, during the concession period, maintain the assets and related means in good functioning order, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.
REN is the owner and has title to the concession's assets up to its termination. The assets can only be used for the purposes of the concession. On the date the concession terminates, the assets related to it 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 assets allocated to the concession.
The concession can be terminated by agreement between the parties, by rescission, by redemption and by expiry of the term. Termination of the concession involves transmission to the State of the assets related to the concession.
The concession contract can be rescinded by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: distancing from 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, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the concessionaire 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 loss of 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, this concession contract can be extended for the maximum period of one year, as a leasing, rendering of services or any other legal form of contract.

2.2 Transport of Gas and Overall Management of the System

The concession to use the National Natural Gas Transmission Network was awarded to REN - Gasodutos, S.A. under Decree-Law 140/2006 of 26 July 2006, with the objective 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 rendering of public service regime.
The concession contract covers the following activities:

(i) Transport of Gas

This one of REN - Gasodutos, S.A.'s activities, and has the objective of ensuring the transport of gas through the infrastructures that make up the high pressure national network, as well as distribution to SNGN or industrial consumers connected directly to the National Natural Gas Transport Network. This activity includes not only the reception and distribution of gas through the high pressure transport network, but also operation and maintenance of all the infrastructures and connections belonging to the National Natural Gas Transport Network.
The model of the concession contract ensures contractual equilibrium through recovery of the eligible operating costs and remuneration of the assets, which includes: recovery of depreciation of the assets; and remuneration at an interest rate fixed by the regulator (ERSE), calculated as a proportion between the current accumulated value of the units transported and the total estimated units to be transported through the infrastructure, during the concession period.

(ii) Overall 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.
This concession was granted for a period of 40 years as from the date of signature of the contract. The assets considered as concession assets are those acquired by REN from Transgás and include:

- the high pressure gas pipelines used to transport gas, and related pipes and antennae;
- 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 the gas metres placed in the installations of users.

In addition, the concession assets also include:

- the real estate owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related rights of way;
- 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 period of the concession, maintain the assets and related means in good functioning order, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.
REN Gasodutos, S.A. is the owner and has title to the concession's assets. The assets can only be used for the purposes of the concession. On the date the concession terminates, the assets related to it 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 assets allocated to the concession.
The concession can be terminated by agreement between the parties, by rescission, by redemption and by expiry of the term. Termination of the concession involves transmission to the State of the assets related to the concession.
The concession contract can be rescinded 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 maintenance and repair of the infrastructures that compromise the quality of the services.
The conceding entity can cancel the concession whenever motives of public interest justify this, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the concessionaire 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 loss of 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, this concession contract can be extended for the maximum period of one year, as a leasing, 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 of the LNG terminal was awarded to REN Atlântico, S.A. under Decree-Law 140/2006 of 26 July 2006, to carry out the following activities under the rendering of public services regime:

a) Reception, storage, treatment and regasification of liquid natural gas unloaded from methane tankers in the Port of Sines;
b) the injection of high pressure natural gas in the National Natural Gas Transport Network (Rede Nacional de Transporte de Gás Natural - RNTGN) or its dispatch by specialised trucks; and
c) The construction, utilisation, maintenance and expansion of the LNG Terminal infrastructures (buildings, tanks, gas pipelines, etc.).

The model of the concession contract ensures contractual equilibrium through recovery of the eligible operating costs and remuneration of the assets, which includes: recovery of depreciation of the assets; and remuneration at an interest rate fixed by the regulator (ERSE), calculated as a proportion between the current accumulated value of the units unloaded and regassified, and the total estimated units to be regasified through the infrastructure, during the concession period.

This concession was granted for a period of 40 years as from the date of signature of the contract. The assets considered as concession assets are those acquired by the REN Group from Transgás and include:

- 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 of natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane tankers; 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, SA, where the above mentioned equipment is installed as well as the related right of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico, SA must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the necessary repairs, renewals and adaptations necessary keep the assets in the required technical conditions.
REN - Atlântico, S.A. is the owner of and has the assets of the concession. These assets may only be used for the purposes of the concession. At the concession termination date 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 rescission, redemption or maturity. Cancellation of the concession results in transmission of all the concession assets to the State. The Concession contract can be rescinded by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: imminent failure or interruption of the concession operations; deficiencies in the management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service. The conceding entity can redeem the concession, whenever the public interest justifies this, but only after a 15 year period has elapsed 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 loss of 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, this concession contract can be extended for the maximum period of one year, with a leasing, rendering of services or any other legal form of contract.

2.4 Natural gas underground storage

Concession for the operation of underground storage was awarded to REN - Armazenagem, S.A. under Decree-law 140/06 of 26 July of 2006, to carry out the following activities, under a rendering of public service regime:

a) 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
b) construction, utilisation, maintenance and expansion of the underground storage chambers.

The model of the concession contract ensures contractual equilibrium through recovery of depreciation of the assets of the concession and remuneration of the investments made in the concession of the assets and recovery of the operating costs relating to the operations of the concession. This concession was granted for a period of 40 years as from the date of signature of the contract.
The assets considered as concession assets are those acquired by the REN Group from Transgás and include:

- the underground natural gas chambers 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 chambers.

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

• the property owned by REN - Armazenagem, SA, 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 chambers;
• the cushion gas relating to each chamber;
• any intellectual or industrial rights owned by REN Armazenagem, SA; and
• all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, SA must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the necessary repairs, renewals and adaptations necessary keep the assets in the required technical conditions.

REN - Armazenagem, S.A. is the owner of and has the assets of the concession. These assets may only be used for the purposes of the concession.

At the concession termination date 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 rescission, redemption or maturity. Cancellation of the concession results in transmission of all the concession assets to the State.

The Concession contract can be rescinded by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: imminent failure or interruption of the concession operations; deficiencies in the management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service.

The conceding entity can redeem the concession, whenever the public interest justifies this, but only after at least 15 year period has elapsed 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 loss of 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, this concession contract can be extended for the maximum period of one year, with a leasing, rendering of services or any other legal form of contract.

3. Main accounting policies

The main accounting policies used in preparing the consolidated financial statements are described below. The policies have been applied consistently in the years presented.

3.1 Basis of preparation

The consolidated financial statements were prepared on a going concern basis, at historical cost, except for the derivative financial instruments and available-for-sale financial assets, which are recorded at fair value, as from the books and accounting records of the companies included in the consolidation, maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements conform to International Financial Reporting Standards as endorsed by the European Union, in force for the years starting on 1 January 2009. It is understood that International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective SIC and IFRIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been endorsed by the European Union are considered as being part of these standards. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in conformity 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 the 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 financial statements are presented in thousands of euros - tEuros.

Adoption of new standards, interpretations, amendments and revisions
a) The following standards, interpretations, amendments and revisions endorsed by the European Union, with mandatory application for financial years beginning on or after 1 January 2009, were adopted for the first time in the year ended 31 December 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The 2007 revision of IAS 1 introduced changes in terminology, including new names for captions in financial statements, as well as changes in the form and content of the statements. REN presents all the changes to equity resulting from transactions with the shareholders in the consolidated statement of changes in equity. All the changes in equity resulting from transactions with non-shareholder entities are presented in two separate statements (a consolidated statement of profit and loss and a consolidated statement of other comprehensive income).
- IFRS 8, 'Operating segments'. Adoption of this standard did not have a significant impact on the REN Group's segment reporting.
- IAS 23, 'Borrowing costs' (revised). This revision introduced the requirement to capitalise costs of borrowing relating to assets that qualify, the option to record them in the statement of profit and loss for the period in which they are incurred therefore being eliminated. Adoption of this standard did not have a significant impact on the REN Group's consolidated financial statements as it had already adopted this standard.
- IFRS 2, 'Share based payments' (amended). Consists of the clarification of the definition of vesting conditions, introduction of the concept of non-vesting conditions and clarification of the treatment of cancellations. Adoption of this change did not have any impact on the REN Group's consolidated financial statements.
- IAS 32 / IAS 1 (amended), 'Financial instruments': presentation (amended). These amendments changed the criteria for classifying a financial instrument between an equity instrument and a liability instrument, enabling some financial instruments that can be repurchased to be classified as equity instruments. Consequently the amendment to IAS 1 - 'Presentation of financial statements'. This change did not have any impact on the REN Group's consolidated financial statements.
- IFRS 1 / IAS 27 (amended), 'First time adoption of IFRS' (amendments). These amendments cover measurement of the cost of investments in subsidiaries, jointly controlled entities and associations in the initial adoption of IFRS and the recognition of dividends from subsidiaries in consolidated financial statements. This change did not have any impact on the REN Group's consolidated financial statements.
- IFRIC 13, 'Client fidelity programs'. This interpretation states that bonuses granted to clients as part of a sales transaction are recorded as a separate component of the transaction. This interpretation did not have any impact on the REN Group's consolidated financial statements.
- IAS 39 'Reclassification of financial assets' (amendments). These amendments permit, in certain limited conditions, the reclassification of non derivative financial instruments from the fair value through profit and loss and available for sale categories to other categories.
- IAS 39' Eligible hedged items (amendements). This deals with clarifications relating to the following hedge accounting matters: (i) identification of inflation as a hedged risk and (ii) hedging with options.
- IFRS 7 'Disclosures regarding measurement at fair value and liquidity risk' (amendments). These amendments to IFRS 7 increase the disclosures required regarding the fair value of financial instruments and liquidity risk.

Improvements to international financial reporting standards - 2007. This process involved the revision of 32 accounting standards.

Up to the date of approval of these financial statements the following standards, interpretations, amendments and revisions, with mandatory application in future financial years have been endorsed by the European Union:

• IFRS 3 (revised), 'Concentration of activities'
IAS 27 (2008 revision) ' Consolidated and separate financial statements'
This revision is of mandatory application in years starting on or after 1 July 2009 and introduces some changes in terms of the recording of concentrations of business activities, namely: (a) measurement of interests without control (previously referred to as minority interests); (b) the recognition and subsequent measurement of contingent payments; (c) the treatment of direct costs relating to the concentration; and (d) the recording of transactions relating to the purchase of interests in entities already controlled and sales of interests without that resulting in loss of control. This revision will have an impact on future concentrations of activities to be made by REN.
The revision to IAS 27 has not yet been endorsed by the European Union. After revision, the standard comes to require that transactions with "interests not controlled" are recorded in equity when there is no change in control over the entity. When there is a change in control over the entity, any remaining interest in the entity is re-measured at fair value by corresponding entry to profit and loss for the year. This revision will have an impact on future concentrations of activities to be made by REN.
• IFRIC 12, 'Concession services' (to be applied in the years starting on or after 1 July 2010). IFRIC 12 establishes how operators of concession services must apply the IFRS in recording investment obligations assumed and rights obtained resulting from signature of the concession contracts. This interpretation applies to the REN Group's operations, and the estimated impact of its adoption on the REN Group's consolidated financial statements is still under study at this time.
• IFRIC 16, 'Hedging of investments in foreign operations' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines on hedge accounting for net investments in foreign operations. This interpretation has no impact on the REN Group's consolidated financial statements.
• IFRIC 9 and IAS 39 (amended/revised), 'Revaluation of embedded derivatives'. This amendment clarifies in which circumstances subsequent reappraisal of the obligation to separate an embedded derivative is permitted. This amendment will be applied by the REN Group in the year it becomes effective.
• IFRIC 15, 'Real estate construction contracts' (to be applied in the years starting on or after 1 January 2010). This interpretation covers the way to assess if an agreement to construct a property is within the scope of IAS 11 - 'Construction contracts' or IAS 18 - "Income and how the income should be recognised'. This interpretation has not yet been adopted by the European Union. This interpretation will not impact the Group's consolidated financial statements.
• IFRIC 17, 'Distributions in kind to the shareholders' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines on the correct recording of assets other than cash distributed to shareholders as dividends. This interpretation has not yet been endorsed by the European Union. This interpretation will be applied by the REN Group in the year it becomes effective.
• IFRIC 18, 'Transfers of assets by clients' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines with respect to the recording by operators of tangible fixed assets "of clients". This interpretation is significant for the utilities sector as it establishes the accounting treatment to be given to agreements in which the entity rendering the service receives from the client an asset that will be used in connecting the client or other clients to the service network or that enables the client to access the service network. This interpretation will be applied by the REN Group in the year it becomes effective.

These standards although endorsed by the European Union, have not been adopted by the Group in the year ended 31 December 2009 as their adoption is not yet mandatory. Their adoption is not expected to have a significant impact on the financial statements.
Draft standards under discussion, issued by the IASB, but not yet approved:

• Rate Regulated Activities - " Exposure Draft" (ED/2009/8) - In July 2009 the IASB issued an exposure draft relating to " Rate Regulated Activities", its main principles being:

i) Recognition in the financial statements of an entity, of regulated assets and liabilities where the regulator allows an entity to recover costs previously incurred or where the regulator requires return of the amounts previously received and allows the entity to obtain specific remuneration in its regulated activities by adjustment to the prices charged to its clients;
ii) Measurement of regulated assets and liabilities at the present value of expected cash flows to be recovered or returned, respectively, as a result of the

regulation, not only on their initial recognition but also at the end of the period of the financial report;
iii) Inclusion of disclosures that identify and explain the amounts of regulated assets and liabilities recognized in the financial statements so as to ensure that the users of the financial statements have an understanding of the nature and financial effect of its regulated activities.

The Group is analysing and accompanying the discussion calendar and conclusion of this Exposure Draft, which is of significant importance to the REN Group in its operations.

3.2 Service Concessions

The Group has four concessions for the operation and development of the NTN, and the overall management of the national electricity system as well as operation and development of the National Natural Gas Transmission Network, the natural liquefied gas terminal, the natural gas underground storage and the overall management of the natural gas system. The assets acquired/constructed by REN under these concession contracts, referred to as concession assets, comprise mainly property, plant and equipment assets.
In accordance with IFRIC 12, a service concession agreement, typically involves a private sector entity (the operator) that constructs the infrastructure used to provide the public service or develops it (for example, by increasing its capacity) and operates and maintains that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices, and arrangements for resolving disputes.
A common feature of these contracts is the public service nature of the obligation undertaken by the operator. Public policy requires that the services related to the infrastructure must be provided to the public, irrespective of the identity of the party that operates the services. The concession contract obliges the operator to provide the services to the public on behalf of the public sector entity.
Other common features of the contracts are:

a) the party that awards grants the concession (the conceding entity) is a public sector entity, including a governmental body, or a private sector entity to which the responsibility for the service has been assigned.
b) the operator is responsible for at least the management of the infrastructure and related services and does not merely act as an agent on behalf of the conceding entity.
c) the contract sets the initial prices to be levied by the operator and regulates price revisions over the period of the concession contract.
d) the operator is obliged to hand over the infrastructure to the conceding entity in a specified condition at the end of the period of the contract, for a residual value, irrespective of which party financed its construction.

Except for the situations of "build-own-operate", when applying IFRIC 12 the operator should generally not recognise the infrastructure used to provide the conceded services as its property, plant and equipment. Rather, the operator should record the rights it receives in exchange for constructing the infrastructure using:

i) the financial asset model - if the conceding entity has the responsibility for paying the operator for the concession services; or
ii) the intangible asset model - if users have the responsibility for paying the operator for the conceded services.

At this stage the REN Group is analysing the impact of applying IFRIC 12. This interpretation is of mandatory application in the years beginning on or after 1 January 2010, having been endorsed by the European Union on 25 March 2009.

3.3 Consolidation principles

The consolidation methods used by the Group are as follows:

a) Participations in subsidiaries
Subsidiaries are all entities (including special purpose entities) over which REN has the power to govern the financial and operating policies generally associated with direct or indirect control of more than one 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method. The entities that qualify as subsidiaries are listed in Note 36.

b) Goodwill
Differences between the cost of acquisition of investments in subsidiaries, jointly controlled companies and associated companies 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 recognising goodwill in subsidiary companies or in jointly controlled companies).
Goodwill generated on acquisitions after 1 January 2004 (date of transition to IFRS) is not amortised, but is subject to impairment tests at least annually to verify the existence of losses. Impairment losses are recorded immediately in the statement of financial position as a deduction from the value of the asset by corresponding entry to the statement of profit and loss, not being reversed subsequently.
If the initial recording of a concentration of business activities can be determined only provisionally at the end of the period in which the concentration occurs because the fair value to be attributed to the identifiable assets, liabilities and contingent liabilities acquired or cost of the acquisition can only be determined on a provisional basis, the Group records the concentration using the provisional amounts. The provisional amounts are adjusted when the fair value of the assets and liabilities is determined objectively, to occur within a period of twelve months after the date of acquisition. Goodwill or any other gain recognized will be adjusted as from the date of acquisition by an equal adjustment to the fair value as of the date of acquisition of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for periods prior to conclusion of the initial recording of the concentration is presented as if the initial recording had been concluded as of the date of the acquisition. This includes any depreciation, amortization or any other additional profit and loss effect recognized as a result of concluding the initial recognition.
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.
REN applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Losses attributable to minority interest which exceed its participation in the subsidiary are fully recognised by REN, except when minority interests have contractually assumed additional responsibilities over the subsidiary.
The accounting policies of subsidiaries are changed whenever necessary, so as to ensure that accounting policies are applied consistently for all the Group companies.
Investments in subsidiaries are always consolidated.

c) Joint ventures
The Group's interests in jointly controlled entities are recorded in accordance with the equity method of accounting. The Group's share of joint venture profits or losses is recognised in the statement of profit and loss as an operating result and its share of any changes in reserves is recognised in reserves.
Unrealised gains or transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture.
The accounting policies of joint ventures are changed whenever necessary to ensure consistency with the policies adopted by the Group.
The presentation of joint ventures is determined based on shareholders' agreements that regulate joint control.

3.4 Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and benefits that are different from those of other business segments. A geographical segment is engaged in providing products or services, within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.
The REN Group only discloses segment information by business segment, since the Group operates only in Portugal. The transactions of the group company OMIclear, although referring essentially to the sale of future contracts within MIBEL, are not material for the presentation of geographical segment information.
REN identified the Executive Committee as the entity responsible for making operating decisions.
The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.
Determination of the segments was made based on the information analysed by the Executive Committee, which resulted in two new segments in relation to those previously reported.
The REN Group is organised in two main business segments: Electricity and Gas and two secondary segments: telecommunications and management of the electricity derivatives market. The Electricity segment includes the transmission of very high

tension electricity and overall management of the public electricity supply system. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal and underground storage of natural gas. The other segments (telecommunications and management of the electricity derivatives market) are also presented separately although they do not qualify for disclosure.
Financial information relating to income of the identified business segments is included in Note 6.

3.5 Foreign currency translation

i) Functional currency translation
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.

ii) Transactions and balances
Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised as finance costs in the statement of profit and loss if relating to borrowings and in other operating income and costs in the case of all the other balances/ transactions.

iii) Rates used
The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Exchange rates used

Currency	2009	2008
USD	1.4406	1.3917
CHF	1.4836	1.4850
GBP	0.8881	0.9525
SEK	10.2520	10.8700
NOK	8.3000	9.7500
DKK	7.4418	7.4506
RON	4.2363	4.0225
JPY	133.1600	-

3.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the cost of assets acquired after that date.
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. Subsequent expenditure, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset.
Tangible fixed assets in progress corresponds to fixed assets in construction, it is recorded at cost less any impairment losses and is depreciated as from the time the investment projects are completed or available for use.
Repair and maintenance costs are charged to the statement of profit and loss for the period in which they are incurred.
Tangible fixed assets allocated to the concession is depreciated on a straight-line basis over its estimated period of useful life, as from the date it is available for use, considering that at the end of the concession the Group has the right to receive the net book value of the assets.
Property, plant and equipment not allocated to the concession is depreciated on a straight-line basis

over its estimated period of useful life. Land is not depreciated.
The estimated periods of useful life of the more significant items of Property, Plant and Equipment are as follows:

Estimated useful life of PPE

	Years
Buildings and other constructions	Between 25 and 50 years
Land	
Thermal (until 1988)	30 years
Thermal (as from 1989)	24 years
Hydroelectric	60 years
Machinery and equipment	
Electricity transmission	Between 10 and 30 years
Natural gas transport	Between 6 and 45 years
Liquified terminal	Between 5 and 25 years
Underground storage	Between 10 and 50 years
Other specific technical assets	Between 5 and 10 years
Transport equipment	Between 4 and 6 years
Tools	Between 4 and 10 years
Office and IT furniture and fittings	Between 3 and 10 years
Other PPE	Between 10 and 20 years

Whenever there are indications of impairment of tangible 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 of the net sales price of an asset and its value in use, value in use being calculated at the 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 recorded is in accordance with the consumption standards of the assets. Changes in useful lives are treated as changes in accounting estimates and are applied prospectively.
Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the book value of the asset, these being recorded in the consolidated statement of profit and loss.

3.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and depreciation but are tested annually for impairment. Assets that have finite useful lives are reviewed as to impairment whenever events or changes in circumstances indicate that the carrying amount at which they are recognised in the consolidated financial statements may not be recoverable.
Therefore, whenever, the fair value of an asset is lower than its carrying amount, the Group must decide if the loss is permanent and definite, and if so an impairment loss is recognised. When the loss is not considered as permanent, the assumptions used to support this conclusion must be disclosed.
An impairment loss is recognized by the amount of the excess of the book value of the asset in relation to its recoverable amount, recoverable amount being the greater of the fair value of the asset less the costs to sell it or its value in use. In order to determine impairment, assets are allocated to the lowest level for which there is a separate identifiable cash flow (cash generating units).
Non-financial assets, other than goodwill, for which an impairment loss has been recognised, are evaluated at each reporting date regarding reversal of the impairment loss previously recognised.
For the assets valued in accordance with the depreciated cost model, impairment losses and any eventual reversals are recognised in the consolidated statement of profit and loss.
Amortization and depreciation of assets is recalculated prospectively in accordance with the recoverable amount adjusted for impairment losses recognised.

3.8 Financial assets

The Board of Directors decides the classification of financial assets at the time of initial recognition, in accordance with the purpose for which the financial assets were acquired and reassesses that classification at each reporting date.
Financial assets may be classified into the following categories:

i) financial assets at fair value through profit or 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 to be 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 recognised as non-current assets unless management intends to sell them within 12 months of the balance sheet date.

Purchases and sales of investments in financial assets are recognised 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 and transaction costs are 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 recognised in the statement of profit and loss caption net financial costs for the period in which they arise, which also includes interest income and dividends received.

Available-for-sale financial 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. 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.

Loans and receivables are classified as "Trade and other receivables" in the balance sheet (Note 3.11), and are carried 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.

At each balance sheet reporting date REN assesses whether there is objective evidence that its financial assets are impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the equity instrument below its cost is considered an indicator that it is impaired. If there is evidence of loss in value of available-for-sale financial assets, the accumulated loss - determined as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss - is removed from equity and recognised in the consolidated statement of profit and loss. Impairment losses on equity instruments, recognised in the statement of profit and loss, are not reversible through the consolidated statement of profit and loss.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all risks and rewards of ownership.

3.9 Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the transaction date, being subsequently recorded at fair value. The method of recognising 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 recognized in the statement of profit and loss caption "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.

In an operation to hedge fair value of an asset or liability ("fair value hedge"), the carrying amount of the respective asset or liability, measured in accordance with the defined accounting policy, is adjusted to reflect the fair value change attributed to the hedged risk. Variations in the fair value of hedging derivatives are recognized in the statement of profit and loss together with variations in the fair value of the hedged assets and liabilities attributed to the hedged risk.

In an operation to hedge exposure to variations in future cash flows of high probability ("cash-flow hedge"), the effective part of fair value changes in the hedging derivative is recognized in reserves, being transferred to the statement of profit and loss in the periods the fair value changes of the hedged item affects profit and loss. The ineffective part of the hedge is recognized in the statement of profit and loss when it occurs.

3.10 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 weighted average cost method.
Gas in the gas pipelines and gas stored in the LNG terminal and underground chambers, is the property of the infrastructure users. The REN Group does not buy, sell or hold stock of gas.

3.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently adjusted to amortised cost using the effective interest rate method, less any provision for impairment. Impairment of trade and other receivables is recorded, when there is objective evidence that REN will not be able to collect all the amounts due in accordance with the original terms of the transactions. Identified impairment losses are recognised in the statement of profit and loss caption "Impairment of trade and other receivables" being subsequently reversed when there are indications that the impairment has decreased or ceased to exist.

3.12 Novation of receivables

The group company OMIclear operates as the clearing house for the electricity derivatives market of MIBEL. OMIclear performs a series of functions required for the regular and correct clearing and settlement of operations, namely:

i) admission of participants in the registration, clearing and settlement of operations;
ii) support in the registration of operations and respective clearing and settlement;
iii) taking on the position of Central Counterparty in the registered operations;
iv) definition of the formula and consequently the calculation and management of the guarantees to be given by the participants for the registration of operations and from carrying out Clearing Member functions;
v) control of the risk taken on by the holders of registered positions.

OMIclear takes the position of Central Counterparty in all operations registered, ensuring compliance with the obligations of both parties. Once an operation is registered OMIclear manages the resulting positions, through its neutral position, functioning as buyer for the a seller and as seller for the buyer.
Derivatives are recognised at fair value at the trade date, which is zero. Changes in the fair value of derivatives after the trade date are adjusted daily via cash settlement making the fair value of the derivatives to be zero again. Guarantee deposits received are recognised on the Balance sheet as an asset, the liability to the participant being recognised as a liability. Bank guarantees and non cash collateral are not recognised in the Balance sheet, in accordance with IAS 39 - Financial instruments.

3.13 Restricted deposits

OMIclear receives cash deposits from participants to guarantee compliance with future contracts, which are deposited in separate bank accounts in name of the company. However, use of these deposits is restricted to the situations in which one participant in a futures contract enters into default, and OMIclear is obliged to clear the position with the other counterpart. Restricted deposits are booked as an asset and a liability to the participant. Restricted cash is repaid when the participant terminates the negotiation of futures contracts with MIBEL.

3.14 Cash and cash equivalents

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 "Borrowings" caption in current liabilities on the balance sheet, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

3.15 Share capital and treasury shares

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.
Treasury shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with company law REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, limiting the amount of reserves available for distribution.
Treasury shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.16 Financial liabilities

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 include "Borrowings" (Note 3.17) and "Trade and other payables". Trade and other payables are initially recognised at fair value and subsequently adjusted to amortised cost, using the effective interest rate method.
Financial liabilities are derecognised when the related obligations are settled, cancelled or expire.

3.17 Borrowings

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 borrowings, using the effective interest method.
Borrowings are classified as current liabilities unless REN has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

3.18 Income tax

Income tax expense includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when related to items recognised directly in equity. The amount of income tax payable is determined based on the net profit before tax, adjusted in accordance with tax legislation.
Deferred tax is recognised using the liability method based on the balance sheet considering the temporary differences between the tax base of assets and liabilities and their amounts in the consolidated financial statements.
Deferred income tax is calculated using tax rates in force or substantially enacted at the balance sheet 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 profit 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.

3.19 Employee benefits

REN grants supplementary retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus and death subsidy.

i) REN - Rede Eléctrica Nacional, S.A. pension plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefits plan, with an autonomous fund established, to which all the liabilities are transferred and contributions are made to cover the liabilities which fall due in each period.
The liability for payment of the pensions is estimated annually by independent actuaries using the projected unit credit method. The present value of the liability for the defined benefit is determined by discounting payments of future benefits using the interest rate for highly rated bonds in the same currency in which the benefits are paid and with similar maturities to those of the liability assumed.
The liability for retirement benefits recognised on the balance sheet corresponds to the present value of the liability for the benefits as of the balance sheet date less the fair value of the assets of the plan, together with adjustments for past service costs.
Actuarial gains and losses determined in a year and for each benefit plan granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

ii) REN - Rede Eléctrica Nacional, S.A. medical assistance plan and other benefits
The liabilities assumed relating to healthcare are not funded, 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.

iii) Life assurance contracts
The gas segment companies provide their employees with life assurance benefits. The costs are recognized during the period in which they serve. This liability is covered by a specific provision.

3.20 Provisions
Provisions are recognised when REN 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 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, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

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.

3.21 State subsidies and others
These refer to subsidies received for investment in tangible fixed assets and are recognised as deferred income in the caption "Trade and other payables".
Subsidies received from the Portuguese State and the European Union are recognised at their fair value when there is reasonable certainty that the subsidy will be received.
Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as subsidies received.
Subsidies are subsequently credited to the consolidated statement of profit and loss on a systematic basis in accordance with depreciation of the related assets.
Operating subsidies are recognised in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.22 Income and expenses
Income and costs 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 for this.

Tariff deviations
In regulated activities the regulator establishes the criteria for allocating income and costs to future years, through adjustment of the tariff applicable to future years.
Up to 2008 tariff deviations were recorded as income and costs for the years in which they were incorporated in the tariff by the Regulator.
A re-analysis of the degree of precision of the estimates made internally regarding tariff deviations within the regulated framework in force, which showed the reliability of the amounts estimated, as well as the virtually certain probability of the realization of these assets and settlement of these liabilities resulted that in 2009 that the Group started recognizing asset and liability tariff deviations in the year in which they are generated, treating this matter as a change in estimates in accordance with IAS 8.

3.23 Revenue

Electicity segment
Revenue recognition for concession activities is determined based on the information of the electricity transmitted to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission and overall management of the electricity system.
As regards the intermediation activity relating to the sale and purchase of electricity (agent role), REN recognises as revenue, the remuneration obtained over the net book value of the assets allocated to this activity.
As regards 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), this is remunerated through an incentive mechanism.
To stimulate the "Commercial Agent" activity, in the beginning of 2008 ERSE established a mechanism to optimise the management of the PPA's, a mechanism to optimise the management of CO2 emission licences, as well as the parameters to be in place

in calculating the incentives established. The revenue obtained from application of these mechanisms, is a major part of the results obtained by the "Commercial Agent" activity.
The revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator.
In accordance with regulatory terms the tariffs to be charged to final clients (home consumers, industry and others), are determined annually by each component of the system, such as: generation, transmission and distribution. REN, SA's revenue relates mainly to electricity transmission and overall management of the electricity system.
The tariff for electricity transmission is to recover:

i) depreciation of the concession assets classified as electricity transmission equipment;
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 to the activity, payroll and others), less the revenue obtained from electricity transmission charged to third parties.

The tariff for overall management of the system is to recover:

i) depreciation of the concession assets relating to overall management of the system;
ii) depreciation 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 (relating to the activity, payroll and others);
vi) operating costs of the regulator.

Gas segment
Revenue from the gas concession operations is determined based on:

i) information relating to the gas units unloaded and regasificated of units in the LNG terminal,
ii) the gas units injected, stored and extracted in the underground chambers; and
iii) the capacity used and gas units transmitted through the high pressure transmission network.

The revenue is calculated in accordance with the tariffs determined by the regulator as from 1 of July 2007. Up to 30 June 2007, revenue was recognised in accordance with the transition agreements signed with Transgás the main user of the gas capacity of the gas assets owned by the REN Group.

Telecommunications segment
Revenue from the telecommunications segment results from services rendered by the group company Rentelecom, through the rent of fibre optics, benefiting from of 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.

Revenue from management of the Derivatives Market
Management of the electricity derivatives market, under MIBEL results in the payment of a commission fee for each operation negotiated. Revenue from these transactions is received at the time of payment.

3.24 Leasing

The lease of property, plant and equipment, in which REN has substantially all the risks and rewards incidental to ownership of an asset, is classified as a finance lease. Agreements which an analysis of one or more matters of the contract point a finance lease are also classified as finance leases. All other leases are classified as operating leases.
Finance lease contracts are initially recognised at the lower of the fair value of the leased assets or the present value of the minimum lease payments, each determined at the inception date. The lease liability is recognised net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognised in the consolidated statement of profit and loss in the period they refer to.
The property, plant and equipment acquired through finance leases is depreciated at the shorter of the estimated useful life of the asset and the lease term, when the Group does not have a purchase option at the end of the contract, or at its estimated useful life when the Group has the intention of acquiring the asset at the end of the contract.
In operating lease contracts, the lease payments due are recognised as expenses in the consolidated statement of profit and loss, on a straight-line basis over the lease term.

4. Financial risk management policies

4.1 Financial risk factors

REN's activities expose it to a variety of financial risks: including credit risk, liquidity risk and cash flow interest rate risk.

REN has 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 Group's financial performance.

Risk management is carried out by the financial management department under the 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 excess liquidity.

i) Exchange rate risk

REN has limited exposure to exchange rate risk.

In 2009 REN issued bonds totalling 10,000 million Yens ("JPY"), the risk of which to variations in exchange rates is fully hedged by a cross currency swap of the same amount.

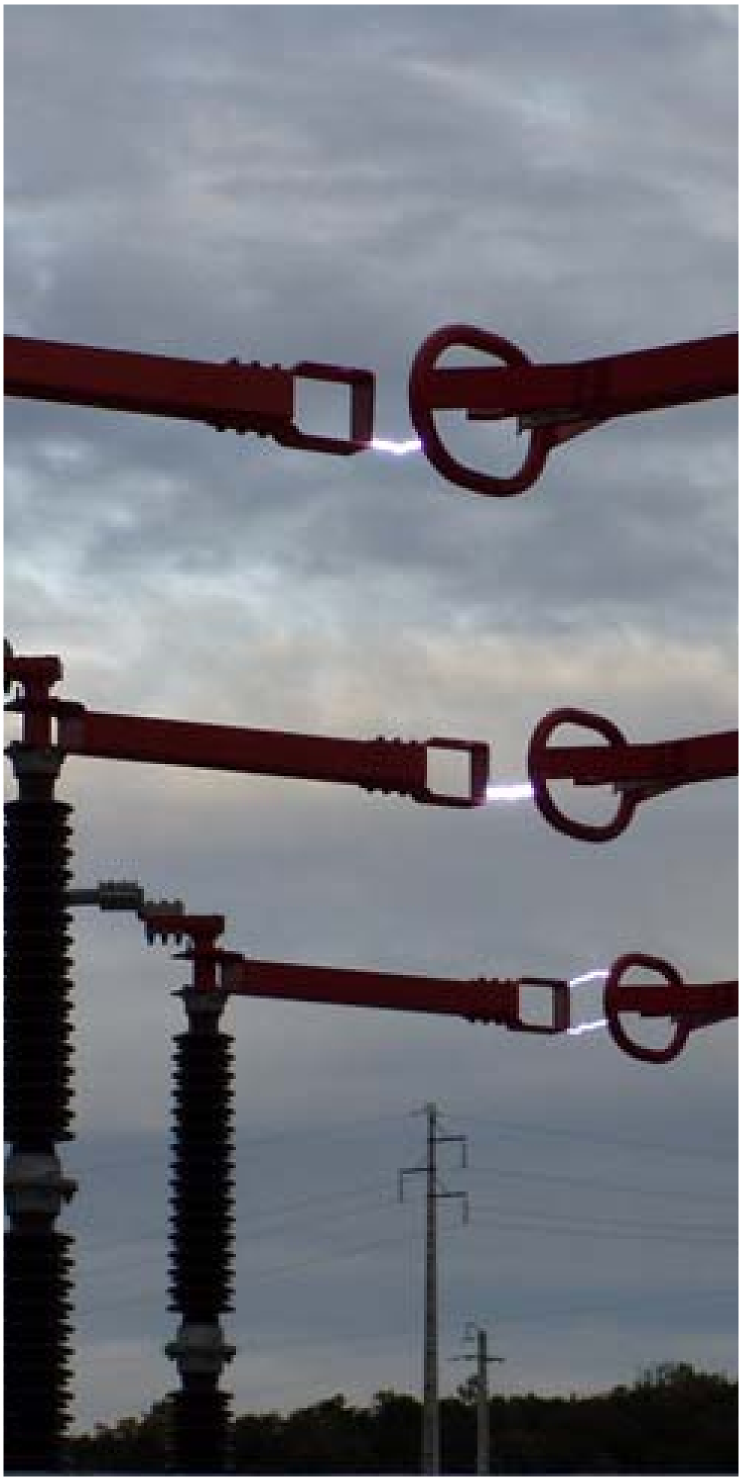
An adverse variation of 5% in the forward exchange rate of Euro/JPY, all other factors remaining constant, would have a negative impact on equity of around 4.1 million Euros, if the Company had not contracted the above derivative financial instrument.

ii) Credit risk

REN's credit risk is not significant, since a substantial part of services rendered is recognised through amounts invoiced to electricity and natural gas distributors. REN's small number of clients is a result of the nature of the Portuguese electricity and gas market, and so Group's credit risk does not increase due to this situation.

The Group's financial applications, classified as "Cash and cash equivalents" are contracted essentially with financial institutions with credit ratings equal to or greater than A-.

In the derivative financial instrument area REN selects the counter parties considering their rating by independent agencies of reference. In addition, the financial settlement of cash flows relating to derivative financial instruments, except for exchange rate swaps, is made at the net amount, which reduces the credit risk inherent in the receipt of such flows.



iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, as well as by negotiating credit limits that enable, not only to ensure that the treasury needs of the REN Group are met, but also provide some flexibility to enable the shocks outside its operations to be dealt with.

The following table shows REN's financial liabilities by contracted residual maturity intervals and includes derivative financial instruments for which the related flows are made at the net amount. The amounts presented in the table refer to contractual non-discounted cash-flows:

(in thousands of euros - tEuros)

	31 December 2008			
2008	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Borrowings				
Finance leases	1,223	2,563	0	3,786
Bank loans	68,203	252,811	525,692	846,706
Commercial paper	454,502	200,000	0	654,502
Bonds	31,875	627,500	0	659,375
Bank overdrafts	41,643	-	-	41,643
	597,446	**1,082,874**	**525,692**	**2,206,012**
Derivative financial instruments	1,571	-368	-	1,203
Trade and other payables	271,139	-	-	-
2009				
Borrowings				
Finance leases	1,475	2,621	0	4,096
Bank loans	57,431	276,130	492,832	826,393
Commercial paper	405,392	157,753	0	563,145
Bonds	56,489	1,023,892	112,529	1,192,910
Bank overdrafts	45,312	-	-	45,312
	566,099	**1,460,396**	**605,361**	**2,631,856**
Derivative financial instruments	5,494	7,474	-	12,968
Trade and other payables	402,474	-	-	-

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts (Not applicable to 2008): are as follows:

Gross-settled derivative financial instruments

(in thousands of euros - tEuros)

	31 December 2009			
	Less than 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Cross Currency Interest Rate Swap				
Outflows	4,157	16,709	102,336	123,202
Inflows	2,035	8,152	94,415	104,602

iv) Interest rate risk
The risk relating to interest rate fluctuation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the 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 the market rates of interest, its operating cash flows are significantly affected by changes in the market rates of interest. Increases in the market rates of interest generate substantial increases in cash flows and vice-versa.
REN is exposed to interest rate risk, mainly due to borrowings. Borrowings at variable interest rates expose REN to cash flow risk, whenever interest rates change. Borrowings at fixed interest rates expose REN to fair value risk, whenever interest rates change.
The REN Group analyses its exposure to interest rate risk on a dynamic basis. In 2009 REN contracted 4 interest rate swaps to hedge the risk of fluctuation of variable interest rates.
A sensitivity analysis was made based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2009 and 2008, with the following assumptions:

- Changes in market interest rates affecting interest income and costs of variable financial instruments;
- Changes in market interest rates affecting only results or equity in relation to fixed interest rate financial instruments if they are recognised at fair value;
- Changes in market interest rates affecting the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other assets and liabilities are estimated discounting current net amounts of future cash flows, using market rates at the end of the year.

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 2009 would result in a decrease of profit before tax of around 1.2 million Euros (8.2 million Euros in 2008) and an increase in equity of around 4.2 million Euros (not applicable to 2008).

v) Price risk
REN's exposure to price risk results essentially fromits investment in REE and Enagás. A negative variation of 10% in the price of shares of REE and Enagás at 31 December 2009 would have a negative impact on equity of 8.9 million Euros (8.6 million Euros in 2008).

vi) Regulated activity risk
Gains recognised 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.

vii) Clearing house
OMIclear being the entity responsible for managing the Clearing Platform of the Iberian derivatives markets, it assumes the role of the central counterparty on derivatives negotiated (mainly futures contracts), becoming the buyer in relation to a seller position and seller in relation to a buyer.
OMIclear virtually eliminates or reduces a series of risks, specifically:

i) Credit - of one of the parties not honouring its contractual commitments in relation to the other;
ii) Financial Settlement - centrally ensuring the debits and credits of the operation multilaterally;
iii) Operational - maintaining market control and supervision of the market's procedures and mechanisms;
iv) Systemic - taking into account the introduction multilateral netting.

4.2 Capital risk management
The REN Group's objective relating to the management of capital, which is a broader concept than the capital disclosed on the face of balance sheet, is to maintain an optimal capital structure, through rational use of debt and maintenance of a solid credit rating to enable the cost of capital to be reduced.
The contracting of debt is analysed periodically considering the following aspects:

i) the needs of CAPEX in regulated assets;
ii) the remuneration rate of regulated assets as determined in the tariff regulations in force; and
iii) the dividend policy in place.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings less cash and cash equivalents as presented in the

consolidated balance sheet). Total capital is calculated as equity (as presented in the consolidated balance sheet) plus net debt.
In 2009 REN's strategy was to maintain a gearing ratio of between 60% and 70%. Gearing ratios at 31 December 2009 and 2008 were as follows:

	Notes	2009	2008
Total borrowings	21	2,208,776	1,836,667
Less: Cash and cash equivalents	18	(69,888)	(101,431)
Net debt		2,138,888	1,735,236
Equity		996,599	1,011,676
Total		3,135,486	2,746,922
Gearing		68%	63%

4.3. Recording of derivative financial instruments

As part of its agency activity in the management of the PPA's of TejoEnergia and Turbogás, the group company REN Trading negotiates future electricity acquisition contracts in the Spanish and French markets, and forward CO2 emission licence contracts. These contracts do not qualify as derivative financial instruments to be recognised in the Group's financial statements, given that they are equivalent to derivatives for “own use”, under the responsibilities assumed with management of the PPA's.
OMIP the entity managing the MIBEL derivatives market, and more specifically OMIclear, 90% owned by OMIP, monitors its activities, as central counterparty in negotiations of electricity derivatives (mainly futures contracts), becoming the buyer in relation to a seller position and seller in relation to a buyer, through novation, balancing all the positions.
The Group hedges part of the future payments of interest on loans, bonds issued and commercial paper through the assignment of interest rate swaps, in which it pays a fixed interest rate and receives a variable interest rate, with a notional value of 384,000 thousand Euros (0 in 2008). This is an interest rate risk hedge relating to the payment of interest at a variable rate resulting from financial liabilities recognised. The risk covered is the indexing factor of the variable rate to which the interest coupons on the borrowings relate. The objective of this hedging is to transform the variable interest rate borrowings into fixed interest rate borrowings, the credit risk not being hedged. The fair value of the interest rate swaps at 31 December 2009 was 6,066 thousand Euros negative.
In addition, REN covers its exposure to cash flow risks on its 10,000 million JPY bonds resulting from exchange risk through a cross currency swap, the main characteristics of which are equivalent to the debt. The same hedging instrument is used to cover the fair value interest rate risk on the bonds through the forward start swap component that only starts in June 2019. The changes in fair value of the hedging instrument are also deferred 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 being recorded in profit and loss. The credit risk is not hedged. The fair value of the cross currency swap at 31 December 2009 was 4,083 thousand Euros negative.
The amount of 7 556 thousand Euros relating to the above mentioned cash flow hedges was recorded in reserves.

Fair value hedges

In February 2009 the Group contracted an interest rate swap to hedge the fair value of an issuance of 300,000 thousand Euros. This hedge was discontinued in November 2009, and at that date the instrument hedged had a fair value adjustment resulting from the hedge of 677 thousand Euros. This amount will be amortised to profit and loss in accordance with the effective interest rate method over the period to maturity of the hedged instrument.

5. Critical accounting estimates

The estimates and assumptions with impact on REN's 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:

Critical estimates and judgements

5.1 Provisions
The REN Group periodically analyses the existence of possible obligations resulting from past events that should be recognised or disclosed.
The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these obligations 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
The 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 more sensitive assumptions refer to: the discount rates used to update the liability, the estimated return on 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 depreciation method to be used are essential for determining the amount of depreciation to be recognised in the consolidated statement of profit and loss for each year.
These two assumptions are determined based on the Board of Directors best judgements for the assets and business, considering also the practices of international companies operating in the same 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 capital; 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 flows trends and amounts.

5.5 Concession contract
As mentioned in concession service policies (Note 3.2), IFRIC 12 applies to the concessions awarded to the REN Group. This interpretation has not yet been endorsed by the European Union, and although it only deals with an interpretation and is not a new standard, the REN Group decided not to make any changes in the accounting treatment currently given to the concession contracts.

6. Segment Reporting

6.1 Primary reporting format - business segments
The REN Group is organised in two main business segments, Electricity and Gas and two secondary segments. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the electricity purchasing contracts (CAE) not terminated at 30 June 2007. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal and the underground storage of natural gas.
Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to a single user, which is also the main user of the high pressure gas transport system, it was considered that it is subject to the same risks and returns.
The other segments (telecommunications and management of the electricity derivative market) are also presented separately although they do not qualify for disclosure.

The results by segment for the year ended 31 December 2008 were as follows:

	Electricity	Gas	Telecom.	Electricity market operator	Others	Group
Total sales and services rendered	453,172	142,841	4,168	4,053	15,646	619,879
Inter-segment sales and services	(106,976)	(-882)	(392)	(1,551)	(-15,646)	-125,448
Sales and services rendered	**346,196**	**141,958**	**3,775**	**2,502**	**0**	**494,431**
Operating results by segment	187,834	59,202	3,194	(-1,450)	(-18,601)	230,179
Finance cost	(64,455)	(-9,516)	(385)	(105)	(-15,877)	(90,338)
Finance income	9,821	5,724	-	200	7,251	22,996
Gain on joint ventures	-	9,142	-	-	-	9,142
Profit before income tax						**171,979**
Income tax expense						**(44,552)**
Net profit for the period						**127,427**
Other expenses:						
Depreciation	84,710	44,335	12	620	44	129,721
Provisions	27,971	-	-	-	-	29,971

Inter-segment transactions are carried out under normal market conditions, equivalent to transactions with third parties.
Assets and liabilities by segment at 31 December 2008 as well as capital expenditure for the year then ended were as follows:

	Electricity	Gas	Telecom.	Electricity market operator	Others	Group
Assets	2,425,912	1,222,316	5,918	56,615	102,530	3,813,291
Investment in joint ventures	-	9,716	-	-	-	9,716
Total assets	**2,425,912**	**1,232,032**	**5,918**	**56,615**	**102,530**	**3,823,007**
Liabilities	669,001	346,941	493	44,951	1,749,944	2,811,331
Capital expenditure	268,135	45,033	-	96	202	313,465

Results by segment for the year ended 31 December 2009 were as follows:

	Electricity	Gas	Telecom.	Electricity market operator	Others	Group
Total sales and services rendered	486,790	177,720	5,534	4,922	28,990	703,956
Inter-segment sales and services	(120,607)	(815)	(633)	(1,433)	(28,990)	(-152,478)
Sales and services rendered	**366,183**	**176,905**	**4,901**	**3,489**	**0**	**551,478**
Operating results by segment	165,304	99,511	1,007	(1,290)	(-15,079)	249,453
Finance cost	49,445	14,481	1	19	12,024	75,970
Finance income	311	2,648	44	45	8,394	11,442
Profit before income tax						**184,925**
Income tax expense						**(50,878)**
Net profit for the period						**134,047**
Other expenses:						
Depreciation	113,321	46,028	35	288	86	159,758
Provisions	-	-	-	-	981	981

Assets and liabilities by segment at 31 December 2009 as well as capital expenditure for the year then ended were as follows:

	Electricity	Gas	Telecom.	Electricity market operator	Others	Group
Assets	2,722,452	1,309,886	4,604	109,074	135,032	4,281,048
Investment in joint ventures	-	11,063	-	-	-	11,063
Total assets	**2,722,452**	**1,320,949**	**4,604**	**109,074**	**135,032**	**4,292,111**
Liabilities	797,121	356,082	767	104,384	2.039,161	3,297,515
Capital expenditure	355,258	110,650	-	391	8	466,307

Assets by segment consist primarily of assets of the concession, classified under the captions property, plant and equipment and trade and other receivables. They exclude available-for-sale financial investments included under “Others”. Liabilities by segment include operating liabilities, except for borrowings contracted for non-operating activities, included under “Others”.

Capital expenditure comprises additions to tangible fixed assets (Note 7).
The majority of REN Group companies operate exclusively in one geographical area, Portugal. Only the group company OMIP that manages the Iberian electricity derivatives market and OMIclear the clearing house for that market operate on an Iberian basis. However, these transactions are not material for disclosure as a geographical segment.

7. Tangible fixed assets

The changes in tangible fixed assets in the in the year ended 31 December 2008 were as follows:

Consolidated

	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools	Office furniture and fittings	Construction in progress	Total
AT 31 DECEMBER 2007								
Cost	1,703	97,212	3,758,857	4,771	3,327	30,989	161,614	4,058,472
Accumulated depreciation	-	(31,453)	(1,345,596)	(2,975)	(2,603)	(21,525)	-	(1,404,152)
Net book value	**1,703**	**65,759**	**2,413,261**	**1,796**	**724**	**9,464**	**161,614**	**2,654,320**
Additions	-	0	9,226	3,201	360	1,420	299,257	313,465
Sales	-	-	0	(162)	-	(12)	-	(174)
Transfers and disposals	2,088	95	214,986	(250)	0	2,566	(225,251)	(5,766)
Depreciation for the year	-	(2,915)	(109,116)	(841)	(335)	(3,867)	-	117,074
Depreciation of sales	-	-	0	117	-	10	-	127
Depreciation of transfers/disposals	-	-	2,010	241	(0)	93	-	2,344
Closing net book value	**3,791**	**62,939**	**2,530,367**	**4,103**	**749**	**9,674**	**235,619**	**2,847,243**
AT 31 DECEMBER 2008								
Cost	3,791	97,307	4,820,407	7,560	3,688	34,963	235,619	5,203,336
Accumulated depreciation	-	(34,368)	(1,961,360)	(3,457)	(2,939)	(25,289)	-	(2,027,413)
Net book value	**3,791**	**62,939**	**2,859,047**	**4,103**	**749**	**9,674**	**235,619**	**3,175,923 (a)**

(a) See Note 9 - Investment properties

The changes in tangible fixed assets in the year ended 31 December 2009 were as follows:

(Em milhares de euros)

	Land	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools	Office furniture and fittings	Construction in progress	Total
AT 31 DECEMBER 2008								
Cost	3,791	97,307	4,820,407	7,560	3,688	34,963	235,619	5,203,336
Accumulated depreciation	-	(34,368)	(1,961,360)	(3,457)	(2,939)	(25,289)	0	(2,027,413)
Net book value	**3,791**	**62,939**	**2,859,047**	**4,103**	**749**	**9,674**	**235,619**	**3,175,923 (a)**
Reposal of the net book value (a)	-	-	63,795	-	-	-	-	63,795
Additions	-	120	9,850	1,740	348	1,001	453,247	466,306
Sales	-	-	(22)	(1,004)	-	(8)	-	(1,034)
Transfers and disposals	4,285	(3,456)	373,149	(377)	43	1,311	(379,904)	(4,949)
Depreciation for the year	-	(2,754)	(151,391)	(1,311)	(368)	(3,935)	-	(159,758)
Depreciation of sales	-	-	22	940	-	7	-	969
Depreciation of transfers/disposals	-	315	(90,305)	320	(20)	315	-	(-89,375)
Closing net book value	**8,076**	**57,165**	**3,064,146**	**4,410**	**753**	**8,365**	**308,962**	**3,451,876**
AT 31 DECEMBER 2009								
Cost	8,076	93,971	5,267,179	7,919	4,079	37,268	308,962	5,727,454
Accumulated depreciation	-	(36,806)	(2,203,033)	(3,509)	(3,326)	(28,903)	-	(2,275,577)
Net book value	**8,076**	**57,165**	**3,064,146**	**4,410**	**753**	**8,365**	**308,962**	**3,451,876**

(a) See Note 9 - Investment properties.

Additions in the electricity business in the year ended 31 December 2009 refer essentially to investment in the construction/ renewal and expansion of substations and power lines, which is recorded in Machinery and equipment.
Additions in the gas business correspond to the construction of the third storage chamber (which started functioning in the first half of 2009), connections to new clients, the construction of one GRMS station, and project to construct the third tank in the Sines terminal.
In the transition from the Portuguese Official Chart of Accounts to IFRS, the useful life of the substation equipment and transmission lines was extended to 35 and 40 years, respectively, amortization in 30 years being maintained in the non-consolidated financial statements of REN Rede Eléctrica Nacional, S.A. in accordance with the Portuguese Official Chart of Accounts. That same basis was also used in the regulated accounts.
Knowing that the new accounting standards (Normas Contabilísitcas de Relato Financeiro - NCRF) in becoming closer to IFRS will require the adoption of a single depreciation criterion as from 2010 the Company opted to restate its IFRS accounts to the depreciation rates currently used in the Portuguese Official Chart of Accounts approved by the Regulator with cost being accepted.
Therefore on 1 January 2009 accumulated depreciation was increased by 82 107 thousand Euros by corresponding entry to retained earnings. As a consequence of the revision of the useful lives of substation equipment and transmission lines referred above de depreciation (net of subsidies) of the year, have increased by 16,506 thousands of Euros.
In addition, the Company standardised the criteria for capitalizing overhead costs, considered and accepted by the Regulating Entity, through the recording of an increase of 13,691 thousand Euros in tangible fixed assets by corresponding entry to an increase in retained earnings and so net adjustments in tangible fixed assets by corresponding entry to retained earnings, considering also the effect of the transfer of land of the electricity generating plants in the amount of 63,795 thousand Euros from investment properties to tangible fixed assets, as explained in Note 9, amounted to 4,621 thousand Euros at 1 January 2009.
Financial costs capitalised in tangible fixed assets in 2009 amounted to 9,213 thousand Euros (8,828 thousand Euros in 2008).

The net book value of the assets acquired through finance lease at 31 December 2009 was as follows:

	2009	2008
Cost	6,254	5,052
Accumulated depreciation	(1,949)	(1,139)
Net book value	**4,305**	**3,913**

Depreciation of tangible fixed assets has been charged to consolidated statement of profit and loss caption "Depreciation", except for 733 thousand Euros (1,143 thousand Euros in 2008) that was capitalised in construction in progress.

8. Goodwill

The difference between the amount paid for the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. under the natural gas business unbundling process, at 31 December 2009 was as follows:

	2009	2008
At 31 December 2008		
Cost	3,774	3,774
At 31 December 2009		
Cost	3,774	3,774
Net book value	**3,774**	**3,774**

Impairment test for Goodwill

REN made an impairment test of goodwill at 31 December 2009 in terms of the cash generating unit ("CGU") to which REN Atlântico corresponds. The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount of the CGU was determined based on value-in-use calculations. The cash flows projections considered the expected regulatory terms in place for the remaining term of the concession, the most significant assumption in determining it being the rate of remuneration of the regulated assets. The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 8% (post-tax discount rate of 6.12%).
The recoverable amount obtained was 167,797 thousand Euros, which enables the net amount of the fixed asset plus goodwill of 3,774 thousand Euros to be recovered.

9. Investment Properties

Investment properties were composed of land of the hydroelectric and thermal power plants and other land and buildings allocated to REN's conceded activities.
The land relating to the hydroelectric plant was valued at fair value on the date of transition to IFRS as endorsed by the European Union, the positive difference then determined being recorded as a non-current asset by corresponding entry to accumulated reserves. These assets were subsequently valued as of the transition date, in accordance with the depreciated cost method, considering that cost basis.
On the other hand, upon transition to IFRS the land relating to the Pego, Tapada do Outeiro and TER thermal plants was valued at fair value, the positive difference being recorded in the caption investment properties by corresponding entry directly to accumulated reserves. However, the basis for recording that difference in the Group's equity, that assumes the right to retain the inflow of cash relating to the sale of that land, is not supported by legislation covering the treatment of land relating thermal plants.
For this reason in 2009 the Group adjusted that initial transition entry which resulted in a decrease of 31,494 thousand Euros net of deferred tax in accumulated reserves by corresponding entry to:

i) the recording of a decrease of 20,094 thousand Euros in the balance of the caption investment properties relating to land of the Tapada do Outeiro and TER thermal plants not sold;
ii) the recording of an account payable of 22,755 thousand Euros relating to the selling price of the land of the Pego plant sold in 2007; and
iii) the recording of the corresponding deferred tax liability of 11,600 thousand Euros.

In addition, in 2009 consideration of the land of the electricity generating plants as investment property was re-analysed.
The assets that upon transition to IFRS were considered in this caption, are all assets that are being remunerated by the tariff, the depreciation of which is accepted as regulated cost.
In fact these assets are not effectively unrelated to the other concession assets, being an integral part of a same cash generating unit, in which there are no indications of impairment considering the way in which they are remunerated.
In this respect it was decided to adjust the way in which these assets were recognisd and measured on the date of transition to IFRS, reclassifying them to tangible fixed assets and treating them for accounting purposes in the same way as that followed in the non-consolidated financial statements prepared in accordance with the Portuguese Official Chart of Accounts, that is considering their depreciated historical cost.
Therefore on 1 January 2009 the balance of the caption investment properties was transferred to tangible fixed assets, the effect of the increase in assets, in the amount of 63 795 thousand Euros, being recorded by corresponding entry to an increase in retained earnings.

The changes in "Investment Properties" as of 31 December 2009 and 2008 were made up as follows:

	2009	2008
At 31 December 2008		
Cost	420,120	505,248
Acumulated depreciation	(91,440)	(77,650)
Net book value (a)	**328,680**	**427,598**
Depreciation	-	(13,790)
Disposal	-	(85,128)
Transfer to tangible fixed assets	(328,680)	-
	(328,680)	**(98,918)**
At 31 December 2009		
Cost	-	420,120
Acumulated depreciation	-	(91,440)
Net book value (a)	**-**	**328,680**

(a) This amount was transfered to tangible fixed assets as of January 2009

10. Interests in joint ventures

As explained in Note 1, with the acquisition of the natural gas transport business, the REN Group acquired two joint ventures with Enagás, the entity responsible for natural gas transport in Spain.
The joint ventures were founded to jointly manage some sections of REN Gasodutos, SA's gas pipelines, with the allocation of a part of the transport capacity to each of the partners, so as ensure its maximum utilisation. The profitability of these companies is ensured by the two partners (REN and Enagás), through fixing of the annual price payable for each unit of natural gas transported.
The changes in the caption Interests in Joint Ventures in the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
1 January 2009	**9,716**	**9,025**
Gains	10,033	9,142
Dividends received	(8,686)	(8,451)
31 December 2009	**11,063**	**9,716**

The assets and liabilities as of 31 December 2009, and revenue and costs generated since acquisition, as recognised in the non-consolidated accounts of the joint venture companies, are as follows:

	2009		2008	
	Braga-Tuy gas pipeline	**Campo Maior-Leiria-Braga gas pipeline**	**Braga-Tuy gas pipeline**	**Campo Maior-Leiria-Braga gas pipeline**
Assets				
Non current	13,695	70,148	14,420	73,873
Current	5,598	14,244	4,370	8,367
	19,293	**84,392**	**18,790**	**82,240**
Liabilities				
Non current	5,847	19,234	7,622	25,076
Current	6,333	24,075	4,283	17,481
	12,180	**43,309**	**11,905**	**42,557**
Equity	7,113	41,083	6,885	39,683
	7,113	**41,083**	**6,885**	**39,683**
Operations during the year				
Revenue	3,767	27,710	3,828	24,960
Costs	(2,430)	(14,084)	(2,660)	(15,248)
Net profit	1,337	10,626	1,168	9,712
Direct % participation	51%	88%	51%	88%
	682	**9,351**	**595**	**8,546**

The interest in the joint ventures was acquired under the natural gas unbundling business, being part of the assets transferred to the group company REN Gasodutos. At the date of acquisition, the fair value of the interest in these joint ventures corresponds to the pre-acquisition dividends (profit generated up to September 2006) receivable from the companies. The remaining amount of equity in the entities was considered as nil, due to the fact that all the gains generated by the entities after the coming into force of the tariff regulations will revert to the tariffs. The dividends received in 2009 refer to REN Gasodutos's share of the profits generated by the companies in 2008, available for distribution.

11. Deferred tax assets and liabilities

The amounts of deferred tax assets and liabilities recognised in the consolidated financial position as of 31 December 2009 are stated by their gross value. The effect of the changes in the deferred tax captions in 2009 and 2008 was as follows:

	2009	2008
Equity		
Deferred income tax	21,090	7,389
Statement of profit and loss	**21,090**	**7,389**
Deferred income tax	(18,863)	105,354
Current income tax	(32,016)	(149,906)
Total (Note 31)	**(50,878)**	**(44,552)**

Impact of the changes on deferred tax

	2009	2008
Impact on the statement of profit and loss		
Deferred income tax assets	(6,782)	20,481
Deferred income tax liabilities	(12,081)	84,873
	(18,863)	105,354
Impact on equity		
Deferred income tax assets	(1,738)	6,250
Deferred income tax liabilities	22,828	1,139
	21,090	7,389
Net impact of deferred income tax	**2,227**	**112,744**

The changes in the deferred tax asset and liability captions in 2009 and 2008 were as follows:

Deferred tax assets - Changes in the years ended 31 December 2008 and 31 December 2009

	Provisions	Tax losses	Pensions	Investment properties	Available--for-sale assets	Tariff deviations	Others	Total
At 1 January 2008	**8,176**	**-**	**7,424**	**-**	**-**	**-**	**3,816**	**19,416**
Increase/decrease through equity	-	-	5,290	-	960	-	-	6,250
Reversal through profit and loss	(23)	-	(737)	-	-	-	(111)	(872)
Increase through profit and loss	7,436	23	-	11,580	-	-	2,314	21,353
Changes in the year	**7,413**	**23**	**4,553**	**11,580**	**960**	**-**	**2,203**	**26,731**
At 31 December 2008	**15,588**	**23**	**11,977**	**11,580**	**960**	**-**	**6,019**	**46,147**
At 1 January 2009	**15,588**	**23**	**11,977**	**11,580**	**960**	**-**	**6,019**	**46,147**
Increase/decrease through equity	-	-	7.193	(5.551)	(464)	-	(2,916)	(1,738)
Reversal through profit and loss	(14,185)	-	540	-	-	-	(1,011)	(14,656)
Increase through profit and loss	-	1,028	(1,201)	(6,029)	-	14,243	(167)	7,874
Changes in the year	**(14,185)**	**1,028**	**6,532**	**(11,580)**	**(464)**	**14,243**	**(4,094)**	**(8,520)**
At 31 December 2009	**1,402**	**1,051**	**18,509**	**(0)**	**496**	**14,243**	**1,925**	**37,627**

Deferred tax liabilities - Changes in the years ended 31 December 2008 and 31 December 2009

	As agent	Transmission equipment	Tariff deviations	Investments properties	Revaluations	Available--for-sale assets	Others	Total
At 1 January 2008	**109,647**	**18,369**	**-**	**10,691**	**38,451**	**1,139**	**48**	**178,345**
Increase/decrease through equity	-	-	-	-	-	(1,139)	-	(1,139)
Increase through statement of profit and loss	-	4,697	-	-	-	-	232	4.929
Decrease through statements of profit and loss	(76,660)	-	-	(10,691)	(2,403)	-	(48)	(89,802)
Changes in the year	**(76,660)**	**4,697**	**-**	**(10,691)**	**(2,403)**	**(1,139)**	**184**	**(86,012)**
At 31 December 2008	**32,987**	**23,066**	**-**	**-**	**36,048**	**-**	**232**	**92,333**
At 1 January 2009	**32,987**	**23,066**	**-**	**-**	**36,048**	**-**	**232**	**92,333**
Increase/decrease through equity	-	(23,066)	-	-	-	-	238	(22,828)
Increase through statements of profit and loss	-	-	47,973	-	-	-	-	47,973
Decrease through statement of profit and loss	(32,987)	-	-	-	(2,435)	-	(470)	(35,892)
Changes in the year	**(32,987)**	**(23,066)**	**47,973**	**-**	**(2,435)**	**-**	**(232)**	**(10,747)**
At 31 December 2009	**0**	**-**	**47,973**	**-**	**33,613**	**-**	**-**	**81,586**

The tax revaluations result from updating the value of assets in accordance with the Portuguese Official Chart of Accounts based on legislation which defines currency devaluation coefficients. The impact on deferred income tax reflects the non tax deductibility of 40% of the revaluation.

12. Financial assets and liabilities by IAS 30 category

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

2008	Credits and receivables	Available-for-sale financial assets	Assets/liabilities at fair value through profit and loss	Other financial liabilities	Non-financial assets/liabilities	Total
Assets						
Cash and cash equivalents	101,431	-	-	-	-	101,431
Guarantee deposits received	35,604	-	-	-	-	35,604
Trade and other receivables	343,479	-	-	-	10,769	354,248
Derivative financial instruments	-	-	876	-	-	876
Available-for-sale financial assets	-	86,924	-	-	-	86,924
Total financial assets	**480,514**	**86,924**	**876**	**-**	**10,769**	**579,083**
Liabilities						
Borrowings	-	-	-	1,836,677	-	1,836,677
Guarantee deposits payable	-	-	-	35,604	-	35,604
Trade and other payables	-	-	-	271,139	376,347	647,486
Total financial liabilities	**-**	**-**	**-**	**2,143,420**	**376,347**	**2,519,767**

2009	Notes	Credits and receivables	Derivative financial instruments designated as hedging instruments	Available-for-sale financial assets	Other financial assets/ liabilities	Non-financial assets/ liabilities	Total
Assets							
Cash and cash equivalents	18	69,888	-	-	-	-	69,888
Guarantee deposits received	16	102,637	-	-	-	-	102,637
Trade and other receivables	14	455,939	-	-	-	14,710	470,648
Other investments		-	-	-	7,276	-	7,276
Available-for-sale financial assets	13	-	-	90,419	-	-	90,419
Total financial assets		**628,463**	**-**	**90,419**	**7,276**	**14,710**	**740,868**
Liabilities							
Borrowings	21	-	-	-	2,208,775	-	2,208,775
Guarantee deposits payable	16	-	-	-	102,637	-	102,637
Trade and other payables	24	-	-	-	425,429	393,804	819,234
Derivative financial instruments	17	-	10,149	-	-	-	10,149
Total financial liabilities		**-**	**10,149**	**-**	**2,736,841**	**393,804**	**3,140,795**

In 2009 the Company reclassified the amount of 7,276 thousand Euros to the caption "Other investments". This amount corresponds to the Company's investment in the closed fund "Luso Carbon Fund", with a maturity of 10 years.

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 2009 in accordance with the following levels of fair value seniority in accordance with IFRS 7:

- 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 liquid market prices but rather on valuation models. The main inputs of the models used are taken from the market; and
- Level 3: the fair value of financial instruments is not based on liquid market prices, but rather on valuation models, for which the main inputs are not taken from the market.

Description		Level 1	Level 2	Level 3	Total
Assets					
Available-for-sale financial assets	Shares	90,419	-	-	90,419
Liabilities					
Financial liabilities at fair value recognised in reserves	Hedging derivatives	-	(10,149)	-	(10,149)

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 or historical information about the entities to which they refer:

	2009	2008
Trade and other receivables		
AA-	85,382	124,478
A+	-	-
A	-	-
A-	-	52,963
Others without ratings	385,266	165,210
Total trade and other receivables	**470,648**	**342,651**
Cash and cash equivalents		
AAA	1,940	-
AA	3,008	39
AA-	10	2,850
A+	452	6
A	64,434	98,535
Without ratings	44	
Total bank deposits	**69,888**	**101,430**

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.
In the area of overdue or impaired credits:

i) Trade and other receivable include an amount of 823 thousand Euros which have been adjusted for impairment, for which there is pending litigation process;
ii) There are some fairly old credits relating to transactions with group companies, EDP for which the credit risk is considered as nil.

13. Available for sale Financial assets

The assets recognised in this caption at 31 December 2009 correspond to equity instruments held in strategic market entities in the Spanish electricity market, as follows:

	% owned	Owner	2009	2008
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	10.00%	OMIP	1,033	1,033
Red Electrica de España, S.A.	1.00%	REN, SGPS	52,551	48,733
ENAGAS	1.00%	REN, SGPS	36,835	37,157
Total			**90,419**	**86,924**

The changes in this caption in 2009 and 2008 are as follows:

	OMEL	REE	ENAGAS	Total
At 31 December 2007	**1,033**	**58,534**	**-**	**59,568**
Acquisitions	-	-	43,195	43,195
Fair value adjustment	-	(9,801)	(6,038)	(15,839)
At 31 December 2008	**1,033**	**48,733**	**37,157**	**86,924**
Fair value adjustment	-	3,818	(322)	3,496
At 31 December 2009	**1,033**	**52,551**	**36,835**	**90,419**

As OMEL is not a listed company and there have been no recent market transactions with its shares, REN decided to maintain the financial asset at cost, as it has not been possible to determine its fair value. Red Eléctrica de España ("REE") is the Spanish entity responsible for managing the electricity network in Spain. REN, SGPS acquired a 1% participation in REE as part of an agreement between the Portuguese and Spanish Governments. REE is listed in Euronext - Spain and the financial asset was recorded on the balance sheet at the market price on 31 December 2009, which resulted in the recognition of a fair value gain of 3,818 thousand Euros.

ENAGÁS is the entity responsible for the transport and management of the natural gas system in Spain. REN, SGPS acquired a 1% participation in Enagás as part of a strategic partnership agreement, the asset having been recorded at the market price at 31 December of 2009, which resulted in the recognition of a fair value loss of 322 thousand Euros.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve" (Note 20):

	Fair value adjustment
Gross fair value adjustment	3,496
Deferred income tax (Note 11)	(464)
Net fair value adjustment in equity	**3,032**

In the year ended 31 December 2009 REE and Enagás distributed dividends of 1,732 and 1,554 thousand Euros, respectively. These amounts were recognized in the statement of profit and loss caption "Finance income".

14. Trade and other receivables

Trade and other receivables at 31 December 2009 are made up as follows:

(i) The most significant amount in trade receivables is the receivable from EDP - Distribuição de Energia, SA in the amount of 65,495 thousand Euros (52,963 thousand Euros in 2008).
(ii) The Agency balance refers to amounts receivable resulting from the REN's Group's intermediation activity in the acquisition and sale of electricity.
The variation in 2009 results from the transfer of the balance to the caption "Tariff deviations".
(iii) The loans to joint ventures, refers to loans to Sociedade Gasoduto Campo-Maior-Leiria-Braga acquired in the unbundling transactions. The loan bears interest at the higher of the average cost of the debts of REN Gasodutos' and Enagás.

There are no differences between the book value and fair value of trade and other receivables in the periods presented. The non-current balances bear interest at market rates.
As a result of the Group having adopted the policy of recognising tariff deviations on assets and liabilities in 2009 when they occur, at 31 December 2009 the Group presented the amount of 181,031 thousand Euros in the caption "Trade and other receivables" and an account payable of 53,747 thousand Euros in the caption "Trade and other payables" relating to tariff deviations receivable to be delivered to the tariff, determined in the electricity and natural gas segments.

Trade and other receivables

	2009			2008		
	Current	Non current	Total	Current	Non current	Total
Trade and other receivables (i)	236,893	4,083	240,976	185,668	155	185,823
Impairment of trade receivables	(823)	-	(823)	(828)	-	(828)
Trade receivables net	**236,070**	**4,083**	**240,153**	**184,840**	**155**	**184,995**
Agent balance	-	-	-	56,359	68,119	124,478
Tariff deviations (ii)	157,958	23,073	181,031	-	-	-
Loans to "joint ventures" (iii)	16,966	16,966	33,932	11,059	22,119	33,178
State and other public entities	15,533	-	15,533	11,597	-	11,597
Trade and other receivables	**426,527**	**44,122**	**470,649**	**263,856**	**90,393**	**354,248**

This change results from re-analysis of the degree of precision of the estimates made internally regarding tariff deviations, under the regulatory framework currently in force, which showed the reliability of the amounts estimated, as well as the virtual certain probability of the realization of these assets and settlement of the liabilities, and so this matter was considered as a change in estimates under IAS 8 (Note 3.20).

15. Inventories

Inventories at 31 December 2009 and 2008 are made up as follows:

	2009	2008
Goods	226	260
Miscellaneous materials	23,563	8,104
Inventories	**23,789**	**8,364**

The increase in inventories in 2009 compared to 2008, refers essentially to the acquisition of material to be used in REN Gasodutos' projects in 2010.

16. Guarantee deposits

Guarantee deposits refer to deposits given by the participants in the electricity derivatives market, operated by the group company OMIclear. These assets are considered as restricted cash as explained in Note 3.13.
The amounts recognized in the statement of financial position as of 31 December 2009 and 2008 are as follows:

	2009	2008
Cash deposits of participants	102,637	35,604
Amounts owed to participants	(102,637)	(35,604)

17. Derivative financial instruments

At 31 December 2009 and 2008 the REN Group had the following derivative financial instruments contracted:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - non-current	-	10,149	-	-
Interest rate swaps - current	-	-	876	-
	-	**10,149**	**876**	**-**

The amount recognised in interest rate swaps refers to 4 interest rate swap contracts, contracted by REN SGPS with the objective of reducing the risk to which its bonds are exposed.
The features of the swaps contracted at 31 December 2009 are as follows:

Reference value	Payment periods	Receipt/payment	Maturity date	Fair value at 31 Dec 2009
200,000 mEuro	Interest counting periods: payable: 26 June and December - interest settled half yearly: 16 of each month - interest settled annually	REN receives Euribor 1M and pays 1,681%	April 2011	
				(3,927)
10,000,000,000 JPY 72,899 mEuros	Interest counting periods: payable: 16 de Abril - interest settled monthly; receivable: 26 June and December - interest settled half yearly	REN receives 2,71% and pays 5,64% /annual) up to June 2019 and Euribor 6M + 190 b.p. from that date to maturity	June 2024	
				(4,083)
50,000 mEuro	Interest counting period: payable: 5 February, May, August and November - interest settled quarterly; receivable: 5 February, May, August, November and December - interest settled quarterly	REN receives Euribor 3M and pays 2,1925%	May 2012	
				(576)
134,000 mEuro	Interest payment periods: payable: 15 March, June, September e December - interest settled quarterly receivable: 15 March, June, September and December - interest settled quarterly	REN receives Euribor 3M and pays 2,275%	June 2012	
				(1,563)
			Total	**(10.149)**

Fair value of Carbon licences (CO2)
REN has CO2 licence forward contracts negotiated for its own use, with the physical delivery in December 2010, 2011 and 2012. Their fair value was revised at 31 December 2009 by application of the quotations as of those dates known at 31 December 2009, it having been determined that the liability is not significant.

18. Cash and cash equivalents

The caption cash and cash equivalents at 31 December 2009 and 2008 is made as follows:

	2009	2008
Cash	1	1
Bank deposits	69,887	101,430
	69,888	**101,431**

The effective interest rates on short term bank deposits are indicated in Note 21.
The amounts considered as cash and cash equivalents in the consolidated statement of cash flows for the years ended 31 December 2009 and 2008 are made up as follows:

	2009	2008
Cash	1	1
Bank overdrafts	(45,312)	(41,023)
Bank deposits	69,887	101,429
Cash and cash equivalents	**24,576**	**60,407**

19. Share capital

REN's subscribed and paid up share capital at 31 December 2009 is made up of 534,000,000 shares of 1 euro each.
Share capital at 31 December 2009 is made up as follows:

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

In 2009 REN acquired 1,382,672 treasury shares corresponding to 0.2589% of its capital.
At 31 December 2009 REN SGPS had the following treasury shares:

	Number of shares	Share Capital	Amount
Treasury shares	3,881,374	0.7268%	(10,728)

20. Other reserves and retained earnings

The captions "Other reserve" and "Retained earnings" had the following changes in the years ended 31 December 2009 and 2008:

Other reserves and retained earnings - Changes recorded

	Attributable to the shareholders						
	Legal Reserve	Fair Value reserve	Other reserves	Retained earnings	Net profit of the year	Minority interest	Total
At 31 December 2007	**61,137**	**7,460**	**83,993**	**174,033**	**145,150**	**555**	**472,329**
Actuarial gains/ (losses)	-	-	-	(14,674)	-	-	(14,674)
Fair value reserve (net)	-	(13,739)	-	-	-	-	(13,739)
Gain/(loss) recognised in equity	**61,137**	**(6,279)**	**83,993**	**159,359**	**145,150**	**555**	**443,916**
Net profit for the year	-	-	-	-	127,405	22	127,427
Total gain recognised in 2008	**61,137**	**(6,279)**	**83,993**	**159,359**	**127,405**	**22**	**127,427**
Dividends distributed	-	-	-	(87,045)	-	(3)	(87,048)
Transfer to other reserves	6,083	-	19,225	119,842	(145,150)	-	-
At 31 December 2008	**67,221**	**(6,279)**	**103,218**	**192,156**	**272,555**	**577**	**571,342**
Actuarial gains/ (losses)	-	-	-	(4,297)	-	-	(19,951)
Fair value reserve (net)	-	3,032	-	-	-	-	(2,521)
Gain/(loss) recognised in equity	**67,221**	**(3,247)**	**103,218**	**137,764**	**127,405**	**574**	**427,381**
Net profit for the year	-	-	-	-	134,107	(60)	134,047
Total gain recognised in 2009	**67,221**	**(3,247)**	**103,218**	**137,764**	**261,512**	**514**	**561,428**
Dividends distributed	-	-	-	(88,102)	-	-	(88,102)
Transfer to other reserves	-	-	-	127,405	(127,405)	-	-
At 31 December 2009	**67,221**	**(3,247)**	**103,218**	**177,067**	**134,107**	**514**	**473,326**

The legal reserve has not yet been fully recorded in terms of the law (20% of share capital), so a minimum of 5% of net profit for the year is to be appropriated to it. This reserve can only be used to cover losses or to increase Share Capital.
The amount of 34,441 thousand Euros includes essentially adjustments to tangible fixed assets and investment properties, net of tax, as explained in Notes 7 and 9.

21. Borrowings

The segregation of borrowings between current and non-current and by nature, at year end was as follows::

	2009			2008		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Commercial Paper	400,000	155,000	555,000	449,000	200,000	649,000
Bonds	-	922,899	922,899	-	500,000	500,000
Bank Borrowings	40,503	630,209	670,712	47,024	595,712	642,736
Bank overdrafts	45,312	-	45,312	41,023	-	41,023
	485,815	**1,708,108**	**2,193,923**	**537,047**	**1,295,712**	**1,832,759**
Finance Lease	1,415	2,558	3,973	1,100	2,818	3,918
Accrued interest	12,819	654	13,473	6,751	-	6,751
Prepaid interests	(2,593)	-	(2,593)	(3,872)	-	(3,872)
	497,456	**1,711,320**	**2,208,776**	**541,026**	**1,298,530**	**1,839,556**

REN has subscribed to seven Commercial paper programs amounting to 925,000 thousand Euros, 555,000 thousand Euros having been used at 31 December 2009.
In 2009 the following operations were carried out by REN SGPS under the EMTN (European Medium Term Notes) program:

- In February the initial bond issue of REN SGPS realized in December 2008 was reopened, under which 300,000 thousand Euros were issued, together with the initial issue, increasing the total amount to 800,000 thousand Euros;
- In April a private placement of bonds totaling 50,000 thousand Euros, maturing in December 2013, was issued;
- In June a private placement of bonds totaling 10 million Yens (72 899 thousand Euros), maturing in 15 years, was issued.

Bank borrowings are not secured by REN's assets.
All borrowings including bank overdrafts are negotiated in Euros.

At the end of 2009, REN also had the following credit lines negotiated and not used:

	2009	**2008**
Variable interest rates		
Short term	120,000	120,386
Medium and long term	-	-
	120,000	**120,386**

The credit lines maturing in up to 1 year are automatically renewable annually or quarterly.
The credit lines maturing in more than 1 year have no defined limits.

Borrowings

The exposure of the Group's borrowings to changes in interest rates on the contractual repricing dates at the balance sheet date is as follows:

	2009	2008
6 months or less	530,256	967,680
6 - 12 months	37,209	-
1 - 5 years	1,419,917	250,000
Over 5 years	161,229	617,958
	2,148,611	**1,835,638**

The effective interest rates on the balance sheet dates were as follows:

	2009	2008
Bank deposits	3.86%	5.19%
Borrowings and Commercial Paper	2.24%	4.80%

The book value and fair value of the borrowings were as follows:

	Book value		Fair value	
	2009	2008	2009	2008
Commercial Paper	555,000	649,000	555,106	647,844
Bank loans	670,712	640,511	669,230	614,881
Bonds	922,899	500,000	937,339	499,576
Bank overdrafts	45,312	-	45,312	-
	2,193,923	**1,789,511**	**2,206,987**	**1,762,301**

Fair value is calculated in accordance with the discounted cash flow method, using the interest rates at the balance sheet date, in accordance with each type of borrowing. Since the borrowings are negotiated at variable interest rates their carrying amounts are similar to their fair values.

Finance leases

	2009	2008
Finance lease liabilities		
- minimum lease payments		
Up to 1 year	1,475	1,223
From 1 to 5 years	2,620	2,950
More than 5 years	-	-
	4,095	**4,173**
Future finance charges on finance leases	(122)	(255)
Present value of finance lease liabilities	**3,973**	**3,918**

The present value of finance lease liabilities is as follows:

	2009	2008
Up to 1 year	1,415	1,100
From 1 to 5 years	2,558	2,818
More than 5 years	-	-
	3,973	**3,918**

22. Retirement and other benefit liabilities

As explained in Note 3.19 REN - Rede Eléctrica Nacional, S.A. grants supplementary retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as "other benefits" in Note 22.2).

22.1 - a) Pension plan

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous pension fund, to which it has transferred all the liability and the necessary contributions to cover its costs, as they fall due in each year.
In 2009 the subsidiary REN - Rede Eléctrica Nacional, S.A. contributed 4,538 thousand Euros to the REN Pension Fund to cover its liability.
The assets of the REN Pension Fund at 31 December 2009 and 2008 were as follows:

	2009	2008
Bonds	26,560	23,846
Share	11,815	8,706
Investment funds	2,110	2,271
Term deposits	4,489	3,028
Total	**44,974**	**37,851**

The assets of the Pension plan do not include shares of REN or non-current assets. The expected rate of return of the plan's assets for 2009 was determined based on an estimate of the expected long term return of the fund's assets and the planned investment strategy.

Evolution of the assets of the Pension Fund in 2009 and 2008 was as follows:

	2009	2008
At 1 January	**37,851**	**42,570**
Contributions to the Fund	4,538	2,038
Actuarial gains / (losses)	2,003	(7,586)
Benefits paid	(1,636)	(1,595)
Expected return on plan assets	2,218	2,424
At 31 December	**44,974**	**37,851**

Employees that fulfill certain predefined conditions of age and length of service and opt to take early retirement, as well as those that agree with the Company to take pre-retirement are also included in the plans.
The liability and corresponding annual costs are determined annually by an independent actuary through actuarial calculations, using the projected unit credit method, based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the time of the calculations.
At 31 December 2009 and 2008 the Group had the following liability for retirement and other benefits:

Liability on the Balance sheet

	2009	2008
Pension plan	40,327	18,103
Medical assistance plan and others	29,438	27,025
Life assurance plan	81	70
	69,846	**45,198**

Costs in the Statement of Profit and Loss

	2009	2008
Pension plan	4,138	1,554
Medical assistance plan and others	2,211	2,160
Life assurance plan	11	10
	6,360	**3,724**

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

Actuarial assumptions

	2009	2008
Annual discount rate	5.17%	6.00%
Expected percentage of the active employees eligible for early retirement (more 60 years of age and 36 years in service)	10.00%	10.00%
Expected percentage of serving employees eligible for early retirement (between 55 and 60 years of age)	-	10.00%
In 2009 (Change in actuarial assumptions)	45.00%	-
In 2010 (Change in actuarial assumptions)	45.00%	-
In following years (Change in actuarial assumptions)	5.00%	-
Annual salary growth rate	3.30%	3.30%
Annual pension growth rate	2.25%	2.25%
Annual growth rate of Social security pensions	2.00%	2.00%
Inflation rate	2.00%	2.00%
Annual growth rate of health costs (over 8 years)	4.50%	4.50%
Annual growth rate of health costs (after the 8 year period)	4.00%	4.00%
Management costs (by employee/year)	150€	150€
Rate of increase in management costs - up to 2007	4.50%	4.50%
Rate of increase in management costs - after 2007	2.70%	2.70%
Rate of return on assets	5.45%	5.99%
Mortality table	TV 88/90	TV 88/90

The changes in assumptions of the plans relating to the employees eligible for early retirement, results from REN's expectation that more employees will go into that retirement regime before their estimated

In 2009 the annual discount rate used decreased from 6% to 5.17% reflecting the expected long term decrease in market interest rates.

If the discount rate of 4.93% had been used to calculate the REN Group's liability at the balance sheet date, the liability of the pension plan would be greater by 1,566 thousand Euros, and the liability of the health care plan and other benefits would be greater by 1,044 thousand Euros.
The amount of the liability recognised in the consolidated statement of financial position determined as follows:

	2009	2008
Present value of the liability	85,300	55,954
Fair value of the plan assets	(44,973)	(37,851)
	40,327	**18,103**

The changes in the present value of the underlying liability of the pension plan were as follows:

Reconciliation of the pension plan liability

	2009	2008
At 1 January	**55,954**	**42,563**
Current Service costs	1,412	587
Interest costs	4,944	3,391
Benefits paid	(4,938)	(4,794)
Actuarial(gains)/losses	27,928	14,207
At 31 December	**85,300**	**55,954**

The significant amount recorded as actuarial gains/losses in 2009 results from the change in REN's actuarial assumptions, regarding the entry of employees into pre-retirement before reaching 60 years of age. In compliance with the Group's accounting policies for the recognition of actuarial gains and losses that amount was recorded directly in equity.

The impact on the consolidated statement of profit and loss for the year was as follows:

	2009	2008
Current service costs	1,412	587
Interest costs	4,944	3,391
Estimated return on the fund's assets	(2,218)	(2,424)
Total charged to personnel costs	**4,138**	**1,554**

22.2 Healthcare and other benefits

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific reserve. The amount of the liability recognized in the balance sheets is as follows:

	2009	2008
Present value of the liability	29,438	27,025
Obligation in the Statement of financial position	**29,438**	**27,025**

The changes in the amount of the liability for healthcare and other benefits were as follows:

Reconciliation of the liability for healthcare and other benefits

	2009	2008
At 1 January	**27,025**	**27,963**
Current service costs	433	528
Interest costs	1,662	1,523
Benefits paid	(950)	(1,270)
Actuarial losses / (gains)	1,152	(1,829)
Other benefits	116	109
At 31 December	**29,438**	**27,025**

Effects of the plan on the consolidated statements of profit and loss:

	2009	2008
Current service costs	433	528
Interest costs	1,662	1,523
Other benefits	116	109
Total charged to employees costs	**2,211**	**2,160**

22.3 Life Assurance

The amount of the liability recognized on the consolidated balance sheet was determined as follows:

	2009	2008
Covering provision	81	70
Total liability	**81**	**70**

The impact of the life assurance plan on the consolidated statement of profit and loss was as follows:

	2009	2008
Increase in the provision for the liability	11	10
Total charged to personnel costs	**11**	**10**

23. Provisions

The changes in provisions in the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Beginning balance	**58,824**	**30,853**
Increases	981	28,059
Decreases	(54,517)	(88)
Ending balance	**5,288**	**58,824**
Current provision	981	25,300
Non-current provision	4,307	33,524
	5,288	**58,824**

The decreases recorded in provisions correspond essentially to: reversal of the provision of 22,755 thousand Euros recorded in 2008 for land of the Pego plant as a result of the matter referred to in Note 9; and reversal of the provision of 25,300 thousand Euros recorded in 2007 for deviations to be returned to the tariff, which subsequently became unnecessary due to the recognition as from 2009 of tariff deviations receivable and payable (Note 14).

24. Trade and other payables

The caption "Trade and other payables" at 31 December 2009 and 2008 is made up as follows:

	2009			2008		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables						
Current suppliers	203,949	-	203,949	147,298	-	147,298
Other creditors						
Other creditors	59,903	31,984	91,887	44,935	-	44,935
Fixed assets suppliers	129,593	-	129,593	78,905	-	78,905
Tax payables (1)	4,145	-	4,145	2,627	-	2,627
Deferred income						
Grants related to assets	17,252	367,524	384,776	16,903	351,060	367,963
Acrued costs						
Holidays and holidays subsidies	4,883	-	4,883	5,553	-	5,553
Other accrued costs	-	-	-	205	-	205
Trade and other payables	**419,726**	**399,508**	**819.234**	**296,426**	**351,060**	**647,486**

1) The balance of State and Other Public Entities relates to VAT, Corporate Income Tax and other taxes payable.

The increase in the caption trade and other payables at 31 December 2009 in relation to the preceding year results essentially from an increase in the account payable by the subsidiary relating to Costs of Maintenance of the Contractual Balance (Custos da Manutenção do Equilíbrio Contratual - "CMEC") and increase in the caption suppliers of fixed assets due to the investment cycle in progress to expand and modernize the electricity transmission network.

25. Sales and services rendered

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

	2009	2008
Sale of goods		
Domestic market	1,298	437
	1,298	**437**
Services rendered		
Electricity transmission and overall systems management	362,438	339,981
Natural gas transmission	122,702	100,159
Regasification	38,610	33,763
Underground gas storage	15,428	7,883
Telecommunications network	3,768	3,492
Trading	3,097	5,409
Electricity services	1,479	181
Others	2,658	3,126
	550,179	**493,994**
Total sale of goods and services rendered	**551,478**	**494,431**

26. External supplies and services

External supplies and services are made up as follows:

	2009	2008
Subcontracts and transport of gas	23,239	23,122
Maintenance costs	22,059	17,097
Fees relating to external entities ii)	14,264	16,095
Cross border interconnection costs	5,894	6,293
Electric energy costs	4,203	4,070
Insurance costs	2,817	2,940
Reserve capacity costs i)	1,529	1,502
Publicity and promotional expenses	1,470	1,428
Other (less than 1,000 thousand Euros)	3,261	6,342
External supplies and servicess	**78,735**	**78,889**

i)Excess capacity costs correspond to costs incurred by REN relating to production available required from producers, to maintain the system operational at all times. These costs are recorded in the overall management of the system activities in accordance with the regulatory model currently in force.
ii) The fees paid to external entities refer to specialized work and fees paid by REN for contracted services and specialized studies.

27. Personnel costs

Employee compensation and benefits expense in the years ended 31 December 2009 and 2008 were as follows:

	2009	2008
Remuneration		
Board of directors	4,193	4,394
Personnel	22,492	25,208
	26,686	**29,602**
Social charges		
Post-employment and other benefits cost	6,360	3,724
Performance bonuses	4,004	3,815
Charges on remunerations	7,453	7,314
Social support costs	2,218	2,130
Other	1,318	3,155
Sub-total	**21,353**	**20,138**
Personnel costs	**48,038**	**49,740**

The average number of employees in the Group in 2009 was 798 (817 in 2008).

28. Other operating expenses

Other operating expenses are made up as follows:

	2009	2008
Excess CAE costs not terminated ii)	(89,096)	(69,004)
ERSE operating costs i)	(9,723)	(9,463)
Donations	(1,722)	(1,007)
Taxes	(744)	(1,224)
Market operations costs		
OMIP/Omiclear	(884)	(285)
Dismantling of power lines	(229)	(1,008)
Sales of tangibles	(134)	(28)
Loss on inventories	(46)	(64)
Others	(1,174)	(1,463)
	(103,751)	**(83,545)**

i) The caption ERSE operating costs correspond to amounts debited by ERSE, to be recovered through electricity and gas tariffs.

ii) The Overall Management of the System tariff includes, in the revenue of REN Rede Eléctrica Nacional, S.A., the excess costs of the CAE not terminated, that is, the tariff covers the difference which REN Trading determines between the fixed and variable costs incurred with the two CAE's and the amount of the sale of electricity placed on the market. The amount included "Other operating expenses" refers to costs incurred by REN Trading relating to the CAE's still in force with Turbogás and Tejo Energia.

29. Other operating income

Other operating expenses are made up as follows:

	2009	2008
Amortisation of investment subsidies	17,252	14,658
Interconnection income - coverage of costs i)	5,458	8,324
Supplementary income	867	952
Rent from investment properties ii)	-	9,450
Receipt of land deficits 99-2003 iii)	-	67,152
Others	2,232	3,242
	25,809	**103,778**

i) The amount recognized as "interconnection income" results from the decision taken by ERSE, to allocate part of the rent received to cover the cost of cross border connections incurred in the year, recognized in "External supplies and services".
ii) Income from buildings and land classified as investment properties as well as the lease of some equipment. In 2009, considering the reclassification made of assets included in this caption, being treated the same way as the other concession assets, the income determined is included in the caption "Sales and services rendered".
iii) The receipt of the tariff deficit in April 2008, gave rise to income of 67 152 thousand Euros resulting from the difference between the amount of the write-off of due to realization of the land (85 128 thousand Euros) and the amount of the deficit received (152 ,279 thousand Euros).

30. Finance costs and income

Finance costs and income (including dividends received) are made up as follows:

	2009	2008
Interest expense		
Borrowings	75,970	90,338
	75,970	**90,338**
Finance costs		
Interest income	2,308	22,120
Liquidation of swaps	5,795	876
Dividends received from investments	3,338	2,367
Finance income	**11,441**	**25,363**

31. Income tax

Income tax calculated at the normal rate and impact recognized in the caption income tax in the statement of profit and loss are as follows:

	2009	2008
Current income tax	32,016	149,906
Deferred income tax	18,863	(105,354)
Income tax (Note 11)	**50,878**	**44,552**

The tax rate used to value the tax differences at 31 December 2009 is 26.5% (in 2008: 26.5%).

The reconciliation between the nominal tax rate and the effective tax rate is as follows:

	2009	2008
Consolidated profit before income tax	184,925	171,980
Tax rate	26.5%	26.5%
	49,005	**45,575**
Non deductible costs	6,018	808
Non taxable income	(3,357)	(3,171)
Loss generated on deferred tax	(1,251)	1,317
Effect of correcting deferred tax	-	(460)
Autonomous taxation	464	483
Income tax	**50,878**	**44,552**
Current income tax	32,016	149,906
Deferred income tax	18,863	(105,354)
Income tax	50,878	44,552
Effective tax rate	**27.5%**	**25.9%**

The tax rate used to determine the amount of tax on the consolidated financial statements was as follows:

	2009	2008
Income tax rate	25.00%	25.00%
Municipal surcharge	1.50%	1.50%
	26.50%	**26.50%**

32. Earnings per share

Earnings per share for the years ended 31 December 2009 and 2008 were calculated as follows:

		2009	2008
Consolidated net profit used to calculate earnings per share	(1)	134,047	127,427
Number of ordinary shares outstanding during the period (Note 20)	(2)	534,000,000	534,000,000
Effect of treasury shares		3,166,532	477,322
	(3)	**530,833,468**	**533,522,678**
Basic earnings per shared (euro per share)	(1) / (3)	0.25	0.24

33. Dividends per share

Dividends paid in 2009 and 2008 amounted to 88,102 thousand Euros (0.165 Euros per share) and 87,064 thousand Euros (0.163 Euros per share), respectively.

34. Commitments

The commitments assumed relating to investments contracted and not yet realized by the REN Group at 31 December 2009 and 2008 were as follows:

	2009	2008
Power lines	122,015	27,992
Substations	185,186	159,022
Gas pipelines	6,658	-
Sines Terminal	133,704	-
Underground gas storage	741	-
	448,304	**187,014**

There are commitments relating to rights of way in the gas and electricity segments, that have not yet been quantified, the cost of which will be allocated exclusively to investments in progress.

35. Guarantees given

At 31 December 2009 the REN Group had given the following bank guarantees:

The guarantee given to EIB refers to the transfer to REN of the loans of the gas companies.

Beneficiary	Purpose	Beginning	2009	2008
European Community	To comply with the contractual requirements of the loan contract	12-16-2003	692	691
Municipality of Viseu Court	Guarantee relating to the expropriation of 63 lots for the Bodiosa substation	10-22-2004	206	206
Braga and Castelo Branco Municipality Courts	Guarantee relating to the expropriation of lots for the Pedralva and C. Branco substations	02-15-2006	800	800
Municipal Council of Silves	Guarantee for works in Tunes	05-04-2006	352	352
Municipality of Anadia Court	Guarantee to the expropriation of 111 lots for the Paraimo substation	04-26-2005	432	432
Gondomar Council Court	Guarantee given relating to process 1037/2001	11-09-2005	150	150
Penela e Ansião Council Court	Guarantee given for the expropriation of 83 lots for the Penela substation	06-30-2006	703	703
Vieira do Minho Council Court	Guarantee given for the expropriation of 29 lots for the Frades substations	08-03-2006	558	558
Torres Vedras Council Court	Guarantee given for the expropriation of 11 lots for the Carvoeira substations	12-13-2006	297	297
Macedo de Cavaleiros Council Court	Guarantee given for the expropriation for the Olmos substations	02-14-2007	190	190
Direcção Geral de Geologia e Energia	Guarantee of the process in progress	09-26-2006	20,000	20,000
Municipal Council of Seixal	Guarantee of the process in progress	-	3,853	3,853
EIB	In guarantee of loans	-	332,024	443,454
Loures Tax Department	Guarantee of the process in progress	-	-	1,342
Lisbon Tax Department	Guarantee of the process in progress	-	1,080	1,080
Tábua Council Court	Expropriation of plots of land	-	171	171
Vila Pouca de Aguiar Council Court	Expropriation of plots of land	-	81	81
OMEL - Operador del Mercado Español de Electricidad	Guarantee of payments resulting from intervention in Trading as buyer in the Spanish market	06-26-2007	2,000	2,000
Lisbon Municipality Judge	Guarantee of the process in progress	12-10-2008	115	-
Armamar Council Court	Expropriation of plots of land	11-03-2008	732	-
Ministry of the Economy and Innovation	Guarantee of the settlement executing debt nº 7873/2006	12-30-2008	1	-
Fortis	Financial contracts under the ISDA contract (International Swaps and Derivatives Association, Inc.)	06-17-2009	2,000	-
EP - Estradas de Portugal	Installation of RNT Gas perforating infrastructures RNT de Gás Natural - Ramal Industrial de Leça	07-15-2009	5	-
Mogadouro Municipality Judge	Guarantee payment of the costs of acquiring land for expansion of the Mogadouro substation	07-30-2009	18	-
EP - Estradas de Portugal - Branch Regional de Santarém	RNTGN - CCC Pego - connection of the Tagus Thermoelectric Plant Energia (Pego) Crossing over EN 118 - km 142.295	08-25-2009	5	-
Tavira Municipality Judge	Guarantee the expropriation of 38 plots of land located in the parish of Cachopo, Municipalitty of Tavira, for the installation of the Tavira substation	09-24-2009	163	-
			366,626	**476,359**

The guarantee given to EIB refers to the transfer to REN of the loans of the gas companies.

36. Companies included in the consolidation perimeter

The following companies were included in the consolidation perimeter as of 31 December 2009:

Company / address	Activity	Reference date	Equity
Telecommunications sector			
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 Lisboa	Telecommunications network operator	Dec 09	1,439
Electricity sector			
OMIP - Operador do Mercado Ibérico de Energia, S.A. Av. Estados Unidos da América, 55 Lisboa	Management of MIBEL transactions	Dec 09	4,979
OMI Clear - Sociedade de Compensação de Mercados de Energia, S.A. Av. Estados Unidos da América, 55 Lisboa	Clearing house for futures electricity purchase contracts	Dec 09	3,048
REN - Rede Eléctrica Nacional, S.A. Av. Estados Unidos da América, 55 Lisboa	Operator of the very high tension national network transmission lines	Dec 09	649,392
REN Trading, S.A. Av. Estados Unidos da América, 55 Lisboa	Purchase and sale, import and export of electricity and natural gas	Dec 09	1,046
Natural Gas Sector			
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 Vila de Rei, Bucelas	Operator of the National Natural Gas Transmission Network and manages the natural gas business	Dec 09	450,558
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte Carriço - Pombal	Development, maintenance and operation of the underground storage system	Dec 08	83,097
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	Dec 09	57,341
Joint ventures owned by REN Gasodutos, S.A.			
Gasoduto Braga-Tuy	Gas transport	Dec 09	7,113
Gasoduto Campo Maior - Leiria - Braga	Gas transport	Dec 09	41,083
Other			
REN - Serviços, S.A. Av. Estados Unidos da América, 55 Lisboa	Back Office	Dec 09	156
Total			**1,299,252**

Assets	Liabilities	Revenue	Profit / (loss)	% Owned Group	Individual	Book value
10,672	9,233	5,534	782	100.00%	100.00%	1,439
5,668	689	2,696	11	90.00%	90.00%	4,481
4,122	1,075	1,395	8	90.00%	0.00%	2,743
2,604,971	1,955,569	941,035	57,621	100.00%	100.00%	2,743
200,389	199,343	771,882	695	100.00%	100.00%	1,046
871,493	420,935	115,906	38,504	100.00%	100.00%	450,558
141,697	58,600	13,010	5,242	100.00%	100.00%	83,097
308,864	251,523	42,743	13,827	100.00%	100.00%	57,341
19,293	12,180	3,686	1,337	51.00%	51.00%	3,628
84,392	43,309	24,418	10,626	88.00%	88.00%	36,153
6,142	5,987	18,041	104	100.00%	100.00%	156
4,257,703	**2,958,443**	**1,940,346**	**128.757**			**1,290,034**

37. Related-party transactions

At 31 December 2009 the REN Group was listed in Euronext - Lisbon, having as reference shareholders: Capitalpor, SGPA (the State), the EDP Group and Caixa Geral de Depósitos (Note 19).
The following are related entities:

Shareholders
- EDP Group:

EDP, Energia de Portugal, S.A.
EDP Distribuição - Energia, S.A.
EDP Serviços Universal, S.A.
EDP Valor - Gestão integrada de serviços, S.A.
EDP Gestão da Produção da Energia
SÃvida, S.A.
Labelec, S.A.

- Grupo CGD:

Caixa Geral de Depósitos
Caixa BI

Joint ventures
- Sociedade Gasoduto Campo Maior Leiria Braga
- Sociedade Gasoduto Braga-Tui

The REN Group realised the following transactions with these entities:

37.1 Transactions and balances with shareholders and their affiliated entities

Following is a summary of the affiliated entities in which the shareholders of the REN Group have participations:

Sales and services rendered

	2009	2008
Electricity - EDP	948,813	796,796
Other services - EDP	13,212	2,091
Total	**962,025**	**798,887**

The amounts shown as sales refer to energy resulting from the role of REN Trading as agent in relation to the CAE of the Pego (Tejo Energia) and Tapada do Outeiro (Turbogás) plants.

Purchase of products and services

	2009	2008
Purchase of products		
Electricity - EDP	370,440	340,196
	370,440	**340,196**
Purchase of services		
Other services - EDP	11,543	5,351
Interest on Commercial paper - CGD	769	7,817
Commission on borrowings - CGD	284	266
Other interest - CGD	10	22
	12,606	**13,456**

The amounts shown as products purchased are recognized in the caption "Trade and other receivables", as a result of the intermediation role of REN in the purchase and sale of electricity.

Debtor and Creditor balances
The balances at the end of 2009 resulting from transactions with related parties are as follows:

	2009	2008
Related parties - debtors		
EDP - Trade receivables	62,436	50,476
EDP - Other receivables	3,067	2,487
	65,503	**52,963**
Related parties - creditors		
EDP - Trade payables	4,843	10,012
EDP - Other payables	2,421	2,240
CGD - Borrowings (Commercial paper)	100,000	-
	107,264	**12,252**

37.2 Transactions with joint ventures

The transactions in 2009 and balances at the end of the year with joint ventures were as follows:

Transactions

	2009	2008
Services rendered		
Gasoduto Braga - Tuy	358	358
Gasoduto Campo Maior - Leiria - Braga	21,164	21,164
	21,522	**21,522**
Purchase of services		
Gasoduto Braga - Tuy	854	848
Gasoduto Campo Maior - Leiria - Braga	5,331	5,292
	6,185	**6,140**
Financial costs		
Gasoduto Campo Maior - Leiria - Braga	887	1,771

The purchase of services by the REN Group refers to amounts paid for natural gas transmission through the gas pipelines referred to, in accordance with the utilization of capacity of each gas pipeline and price agreed between the joint venture partners, REN Gasodutos, SA and ENAGÁS.

Debtor and creditor balances

	2009	2008
Related parties - debtors		
Gasoduto Braga - Tuy	297	61
Gasoduto Campo Maior - Leiria - Braga	2,074	357
	2,371	**418**
Related parties - creditors		
Gasoduto Braga - Tuy	72	297
Gasoduto Campo Maior - Leiria - Braga	4,233	2,116
	4,305	**2,413**
Current loans		
Gasoduto Campo Maior - Leiria - Braga	**33,932**	**40,054**

37.3 Transactions with Auto Vila Reciclagem de Resíduos Industriais

Gonçalo José Zambrano de Oliveira, member of REN Redes Energéticas Nacionais, SGPA, S.A's Board of Directors is also administratior of the company Auto Vila Reciclagem de Resíduos Industriais, S.A. As a result of public bids, Auto-Vila has rendered services to REN- Rede Electrica Nacional, S.A. under a contract to manage waste, having in 2009 invoiced the amount of 10.4 thousand Euros (0.1 thousand Euros in 2008).

37.4 Remuneration of the management

The Board of Directors of REN were considered in accordance with IAS 24 to be the only key elements in the management of the Group. Remuneration of the Board of Directors of REN in the year ended 31 December 2009 amounted to 3,152 thousand Euros (4,395 thousand Euros in 2008).

	2009	2008
Remuneration and other short term benefits	3,152	4,395
	3,152	**4,395**

38. Other matters

38.1 Disagreement with GALP Energia, SGPS, S.A.

In accordance with the contracts entered into between the parties, the acquisition of natural gas regulated assets occurred in September 2006, REN having paid GALP a global base price of 526,254,679.52 Euros. The base price was contractually subject to an adjustment mechanism, through valuations made by three first rate international banks after the introduction of the regulatory framework for the natural gas sector.
The adjustment mechanism specifies that the final price of the natural gas regulated assets corresponds to the arithmetic average of the three valuations made by the banks, except if any valuation differs by more than 20% from the average of the three valuations, in which case it is excluded.
In June 2007 the three valuating banks produced their respective valuation reports. None of the valuations differed by more than 20% from the average. Considering the mathematical average of

the three valuations the amount that was paid by REN and the financial charges agreed contractually, the adjustment of the price for the purchase and sale of the regulated assets was fixed at 24,026,484.87 Euros, which amount REN paid to GALP in the beginning of July 2007.
Through a letter dated 9 June 2008, in accordance with the terms of the contracts entered into between the parties, REN was notified of GALP's intention to assign to an arbitration court the settlement of their dispute regarding the amount of the price adjustment paid for the natural gas regulated assets resulting from the valuations made by the three financial institutions.
In the meantime the arbitration court was established and, on 20 November 2008 GALP presented its initial petition. In summary, GALP alleges that the valuation made by one of the banks is not in compliance with the criteria established in the contracts, and that it should be excluded for purposes of determining the price adjustment for the acquisition and sale of the regulated assets. GALP also alleges that the valuations made by the other two banks contain technical errors that should be corrected by the Arbitration court.
GALP requested that REN be required to pay 40,697,947.78 Euros plus accrued interest amounting to 4,033,552.00 Euros as well as interest up to the date of payment in full. In addition, GALP requested that REN be required to pay 26,864,500.00 Euros plus accrued interest of 2,662,526.00 Euros as well as interest up to the date of payment in full.
Furthermore GALP requested that REN be required to pay 12,232,708.00 Euros plus accrued interest of 1,212,377.00 Euros as well as interest up to the date of payment in full.
In January 2009 REN presented its disagreement.
In summary, REN states that, in the legal and contractual terms applicable to this case, the valuations made by the banks cannot be investigated in the terms requested by GALP, considering that none of the valuations differed more than 20% from the average of the three valuations. REN also states that the valuations contested by GALP comply with all the criteria established contractually, there being no grounds to exclude any of the valuations.
On 18 January 2009 REN was notified by the Arbitration Court that judged the case brought by Galp - Gás Natural, S.A., GDP - Gás de Portugal, SGPS, SA and Galp Energia SGPS SA Sociedade Aberta (jointly referred to as "GALP") totally without merit, absolving REN of all the requests made by Galp.

38.2 Disagreement Amorim Energia B.V.

On 19 December 2007 REN was notified of the presentation to the International Chamber of Commerce, of an arbitration request by Amorim Energia BV against REN, under which REN is accused of violating emerging obligations or related to the "Shareholders Agreement relating to GALP ENERGIA, SGPS, S.A." entered into on 29 December 2005 between REN, AMORIM and ENI PORTUGAL INVESTMENT, S.p.A.. The arbitration location is Paris, France.
In summary, Amorim Energia B.V. alleges that the unlawful acts supposedly performed by REN caused damage to the amount of dividends distributed by GALP with respect to the 2005 profits and received by REN in July 2006 as a shareholder of GALP (Euros 40,669,798 -"Dividends"). In addition, Amorim Energia BV requires an indemnity of the same amount received by REN as the result of a mechanism to permanently update the Shareholders Agreement, consistent with the application of the Euribor 3 month interest rate to the price to be paid by Amorim Energia BV for its participation in GALP (Euros 20,644,972.00). Amorim Energia BV also demands that REN be required to pay interest for late payment at the applicable legal rate as from the presentation of the arbitration petition up to the date of payment in full of the amounts claimed or an adjustment for inflation as from 12 September 2006 up to the date of full payment of the amounts claimed.
However, it is necessary to emphasize that in 2006 REN and Amorim Energia BV maintained a difference regarding who had the right to receive dividends under the Shareholders' Agreement. On 15 June 2005, an Arbitration Court set out especially by agreement between the parties issued a judgement pronouncing the action brought by Amorim Energia BV to be totally without merit and recognizing REN's right to maintain the dividends of 40,669,797.82 received from GALP. The arbitration judgement is final and became "res judicata".
REN contested the jurisdiction of an Arbitration Court functioning under the CCI to assess any of the claims made by Amorim Energia BV, also claiming inadmissibility of the claims made by Amorim Energia BV, due to renouncement/violation of the arbitration award made in Lisbon on 15 June 2007 as "res judicata" and in any case if the Court decides to judge the merit of the Arbitration Petition, sustained its total inadmissibility as it was unfounded.
The Arbitration Court has already been constituted and on 3 June 2008 the Terms of Reference were signed by the members of the Court and representatives of the parties. After presentation of

the parties the hearings were carried out in the beginning of February 2009. The Arbitration Court will issue its judgment on the admissibility of the claims made by Amorim Energia. Should it decide to have jurisdiction, the Arbitration Court will pronounce itself on the claims. Notification of the Arbitration Agreement is awaited.
REN believes that the arbitration process in progress does not determine the existence of a present obligation as (at least) it is more probable that it does not imply the recognition or recording of any liability for REN in relation to Amorim Energia BV relating to the requests made than the reverse situation (that of the total or partial validity of the arbitration process).

39. 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 2009. In the event of discrepancies, the Portuguese language version prevails.

The Accountant	The Executive Committee
Nº 30 375	Rui Manuel Janes Cartaxo - President
Maria Teresa Martins	Aníbal Durães dos Santos
	Victor Manuel da Costa Antunes Machado Baptista
	João Caetano Carreira Faria Conceição

Statement set forth in Article 245(1), sub-paragraph c) of the Portuguese Securities Code

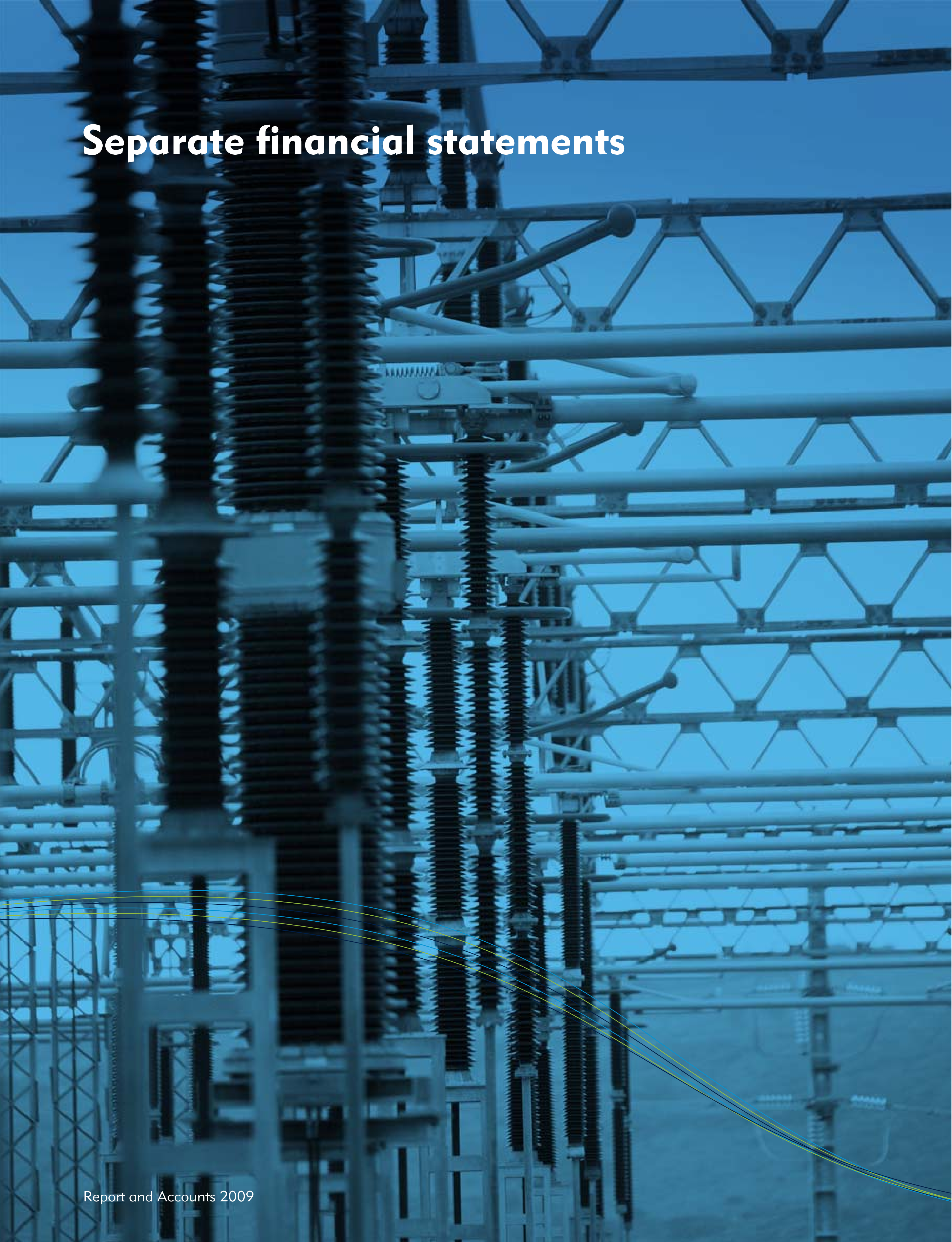
Pursuant to Article 245(1), paragraph c), of the Portuguese Securities Code, each member of REN - Redes Energéticas Nacionais, SGPS, S.A.'s Board of Directors, identified below by their names, subscribed the following declaration[1]:
"I hereby declare, in accordance with Article 245(1), sub-paragraph c), of the Portuguese Securities Code that, to the extent of my knowledge, acting in the capacity and scope of duties to which I have been assigned and based upon the information made available within the Board of Directors and/or the Executive Committee, as applicable, the condensed financial statements have been drawn up in accordance with the applicable accounting standards, provide a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and the companies included within its scope of consolidation, and that the management report related to the 2009 financial year faithfully reflects the major events that have occurred in such period and the impact in the respective financial statements, also being provided therein a description of the principal risks and uncertainties for the following financial year."

Rui Manuel Janes Cartaxo (Chairman of the Board of Directors in replacement)
Aníbal Durães dos Santos (Executive Director)
Victor Manuel da Costa Antunes Machado Baptista (Executive Director)
João Caetano Carreira Faria Conceição (Executive Director)
Luís Maria Atienza Serna (Director)
Gonçalo José Zambrano de Oliveira (Director)
Manuel Carlos Mello Champalimaud (Director)
José Isidoro d'Oliveira Carvalho Netto (Director)
Filipe Maurício de Botton (Director)
José Luís Alvim Marinho (Chairman of the Audit Committee)
José Frederico Vieira Jordão (Member of the Audit Committee)
Fernando António Portela Rocha de Andrade (Member of the Audit Committee)

Lisbon, 26 February 2010

1 The originals of these individual statements are available at the Company's registered office.

Separate financial statements



Separate financial statements

Statements of financial position as of 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese – Note 28)

(Amounts expressed in thousands of euros - tEuros)

		31 December	
ASSETS	**Notes**	**2009**	**2008**
Non-current			
Tangible fixed assets	6	263	340
Investments in subsidiaries	7	1,102,856	1,102,856
Deferred tax assets	8	3,723	959
Available-for-sale financial assets	9 and 10	89,386	85,890
Other investments	13	7,276	-
Other receivables	11	1,234,113	220,020
		2,437,617	1,410,065
Current			
Trade and other receivables	11	501,506	1,192,454
Income tax recoverable	10 and 11	24,998	-
Derivative financial instruments	12	-	876
Cash and cash equivalents	9 and 13	3,439	7,578
		529,943	1,200,908
Total Assets		**2,967,560**	**2,610,973**
EQUITY			
Capital and reserves attributable to the shareholders			
Share capital	14	534,000	534,000
Treasury shares	14	(10,728)	(6,619)
Other reserves	15	161,638	164,160
Retained earnings	15	71,895	161,061
Net profit for the year attributable to the shareholders	15 and 22	144,494	(1,513)
Total equity		901,299	851,089
LIABILITIES			
Non-current			
Borrowings	16	1,573,241	1,154,668
Derivative financial instruments	12	10,149	-
Deferred tax liabilities	8	-	232
		1,583.390	1,154,900
Current			
Borrowings	16	445,421	491,391
Provisions	9 and 27	982	-
Trade and other payables	9 and 17	36,468	21,201
Income tax payable		-	92,391
		482,871	604,983
Total Liabilities		2,066,261	1,759,883
Total equity and liabilities		**2,967,560**	**2,610,973**

The accompanying notes form an integral part of the separate statements of financial position as of 31 December 2009.

Statements of profit and loss for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese – Note 28)
(Amounts expressed in thousands of euros – tEuros)

	Notes	31 December 2009	31 December 2008
Services rendered	25.1	9,963	9,485
Total services rendered		**9,963**	**9,485**
External supplies and services	18 and 25.2	(4,773)	(4,973)
Personnel costs		(4,675)	(4.204)
Depreciations		(85)	(49)
Provision for risks and charges	26	(982)	-
Other operating costs	19	(1,701)	(1,001)
Other operating income	19	158,728	2,358
		146,512	**7,869**
Operating profit		156,475	1,616
Finance costs	20, 25.2 and 25.3	(77,447)	(61,687)
Finance income	20 and 25.1	61,109	58,802
Dividends from investments	10	3,286	-
		(13,052)	**(2,885)**
Profit before tax		143,423	(1,269)
Income tax	21	1,071	(244)
Net profit/(loss) for the year		144,494	(1,513)
EARNINGS PER SHARE (EXPRESSED IN EUROS PER SHARE)			
- basic	22	0.2722	0.0028
- diluted	22	0.2722	0.0028

The accompanying Notes form an integral part of the separate statement of profit and loss for the year ended 31 December 2009.

Statements of Other comprehensive income for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese – Note 28)
(Amounts expressed in thousands of euros - tEuros)

	Notes	31 December 2009	31 December 2008
Net profit/(loss) for the year		**144,494**	**(1,513)**
Other comprehensive income:			
Decrease in hedging reserves - derivative financial instruments		(7,556)	-
Net fair value gain on available-for-sale financial assets - before income tax	10	3,496	(15,838)
Tax effect on items directly recorded in equity		1,538	2,099
Total other comprehensive income for the year		**141,972**	**(15,252)**

The accompanying notes form an integral part of the separate statement of recognised income and expense for the year ended 31 December 2009.

Statement of changes in equity for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese – Note 28)
(Amounts expressed in thousands of euros – tEuros)

	Atributable to the shareholders							
Changes in the year	Share capital	Treasury shares	Legal reserve	Fair value reserve	Other reserves	Retained earnings	Net profit for the year	Total
2008								
At 1 January 2008	**534,000**	**-**	**61,137**	**7,460**	**83,993**	**242,672**	**30,740**	**960,002**
Total recognised income and expense for the year	-	-	-	(13,739)	-	-	(1,513)	(15,252)
Acquisition treasury shares	-	(6,619)	-	-	-	-	-	(6,619)
Dividends distributed	-	-	-	-	-	(87,042)	-	(87,042)
Transfer to other reserves	-	-	6,084	-	19,225	5,431	(30,740)	0
At 31 December 2008	**534,000**	**(6,619)**	**67,221**	**(6,279)**	**103,218**	**161,061**	**(1,513)**	**851,089**
2009								
At 1 January 2009	**534,000**	**(6,619)**	**67,221**	**(6,279)**	**103,218**	**161,061**	**(1,513)**	**851,089**
Total recognised income and expense for the year	-	-	-	3,032	(5,554)	-	144,494	141,972
Acquisition treasury shares	-	(4,109)	-	-	-	-	-	(4,109)
Dividends distributed	-	-	-	-	-	(88,110)	-	(88,110)
Transfer to other reserves	-	-	-	-	-	(1,056)	1,513	457
At 31 December 2009	**534,000**	**(10,728)**	**67,221**	**(3,247)**	**97,664**	**71,895**	**144,494**	**901,299**

The accompanying notes form an integral part of the separate statement of changes in equity for the year ended 31 December 2009.

Statements of cash flows for the years ended 31 December 2009 and 2008

(Translation of consolidated statements of financial position originally issued in Portuguese – Note 28)
(Amounts expressed in thousands of euros – tEuros)

	Notes	31 December 2009	31 December 2008
CASH FLOW FROM OPERATING ACTIVITIES			
Received from subsidiaries		117,812	97,836
Paid to suppliers and subsidiaries		(10,698)	(54,877)
Paid to personnel		(4,236)	(3,859)
Payment of income tax		(148,634)	12,362
Net flow from/(used in) operating activities		**(45,756)**	**51,462**
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts related to:			
Investments		-	6.097
Dividends	19	162,009	-
Payments related to:			
Loans to subsidiaries		-	(1,090,423)
Investments		-	(43,425)
Purchases of tangible fixed assets		(9)	(85)
Net cash flow from/(used in)used in investing activities		**162,000**	**(1,127,837)**
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts related to:			
Borrowings		10,977,228	16,170,924
Interest		68,282	3,309
Payments related to:			
Borrowings		(10,987,088)	(14,944,916)
Interest and similar costs		(79,569)	(59,592)
Purchase of treasury shares		(4,109)	-
Dividends	23	(88,110)	(87,042)
Net cash from/(used in) financing activities		(113,366)	1,082,683
Net increase in cash and cash equivalents		2,878	6,309
Cash and cash equivalents at de begining of the year		7,393	1,084
Reclassification to other non-current investments	13	(7,276)	-
Cash and cash equivalents at de end of the year	**13**	**2,995**	**7,393**

Cash and cash equivalents	31 December 2009	31 December 2008
Bank overdrafts	(444)	(185)
Bank deposits	3,439	105
Other cash equivalents	-	7,473
	2,995	**7,393**

The accompanying notes form an integral part of the separate statement of cash flows for the year ended 31 December 2009.

Notes to the separate financial statements

(Translation of consolidated statements of recognized income and expense originally issued in Portuguese – Note 28)
(Amounts expressed in thousands of euros – tEuros)

1. General information

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN SGPS" or "the Company"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.
At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A..
REN – Redes Energéticas Nacionais, SGPS, S.A. is the parent company of the REN Group, which is organized into two main segments Electricity and Gas, and two secondary businesses, in the areas of Telecommunications and Management of the Electricity Derivatives Market.

Electricity business

A REN – Rede Eléctrica Nacional, S.A. was founded by public deed on 26 September 2006, a capital increase having been made on 5 January 2007 by transfer of the assets and liabilities relating to the concession to operate the National Very High Tension Electricity Transmission Network.
The purpose of this company is the transmission of electricity and overall technical management the National Electrical System, considering the security and continuous supply of electricity throughout the continent and manage and operate the National Transmission of Electricity Network, which includes the transmission of electricity, planning, construction, maintenance and operation of the infrastructures necessary for that in accordance with the law and the public service concession contract of which it is the holder.
The Company's capital is 586,759 thousand Euros, represented by 586,758,984 shares of one euro each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..
A REN Trading, S.A. was founded on 13 June 2007. The main function of the company is to manage the electricity purchase contracts (Contratos de aquisição de energia - "CAE") of Turbogás, S.A. and Tejo Energia, S.A., that were did not terminated on 30 June 2007, date of the entry into force of the new CMEC contracts (Custos de manutenção e equilíbrio Contratual - "CMEC"). The operations of this company include the trading of electricity produced and of the installed production capacity, with domestic and international distributors.
The company's capital totals 50 thousand Euros, represented by 50,000 shares of one euro each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..

Gas business

A REN Gasodutos, S.A. was founded by public deed on 26 September 2006 in compliance with a decision of the Government, under Resolution of the Council of Ministers 85/2006 published in the Journal of the Republic nº 125, B series of 30 June.
The company's purpose is to transport high pressure natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of the supply of natural gas throughout the continent.
This company is responsible for operating the National Natural Gas Transport Network, covering the transport of natural gas, planning, construction, maintenance and operation of the necessary infrastructures and installations for this in accordance with the law and the public service concession contract of which it is the holder, as well as any other related activities.
REN – Gasodutos, S.A.'s capital totals 404,931 thousand Euros, represented by 404,931,169 shares of one euro each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..
REN Gasodutos, S.A. has a participation in two joint ventures with the Spanish gas transport company Enagás, S.A., to which REN Gasodutos transferred the transport rights over specific gas pipelines (Braga-Tuy and Campo Maior - Leiria - Braga).
REN Armazenagem, S.A. was founded by public deed on 26 September 2006 in compliance with a decision of the Government, under Resolution of the Council of Ministers 85/2006 published in the Journal of the Republic nº 125, B series of 30 June.
The purpose of this company is the underground storage of natural gas and the construction,

operation and maintenance of the necessary infrastructures and installations for this in accordance with the law and the public service concession contract of which it is the holder, as well as any other related activities.
REN – Armazenagem, S.A.'s capital totals 76,386 thousand Euros, represented by 76,385,561 shares of one euro each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..
REN Atlântico, Terminal de GNL, S.A. was founded on 14 April 1999. Its name was changed by public deed on 26 September 2006 to REN – Atlântico, Terminal de GNL, S.A. Its purpose is the reception, storage and regasification of liquid natural gas (LNG) in LNG ocean terminal and the construction, operation and maintenance of the necessary infrastructures and installations for this in accordance with the law and the public service concession contract of which it is the holder, as well as any other related activities.
The company's capital totals 13,000 thousand Euros, represented by 13,000,000 shares of one euro each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..

Telecommunications business

RENTELECOM – Comunicações, S.A. was founded under Order 128/2001 of 22 October of the Minister of the Economy and public deed drawn up on 7 December 2001. The company started operating on 1 January 2002, having as its object the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services, as well as the realization of any complementary, subsidiary or accessory activities, directly or through participations in other companies.
The company's capital totals 100 thousand Euros, represented by 20,000 shares of five euros each. At 31 December 2009 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A..

Management of the Electricity Derivatives Market

A OMIP – Operador do Mercado Ibérico de Energia, S.A. was founded under Order 360/ME/2003 of 6 June of the Minister of the Economy and by deed drawn up on 16 June 2003. The company started operating on 10 December 2003, having as its object the organization and management of a supporting system for the realization of transactions and liquidations in the Iberian Energy Market, being responsible for:

a) management of organized energy term contracting market;
b) intermediary of the agents for purposes of commercial relationships in the Iberian Electricity Market;
c) management of other markets of electricity based products;
d) rendering of liquidation services in the organized electricity markets;
e) Rendering of liquidation services for standard transactions in non-organized energy markets;
f) rendering of services relating to the organization of markets in the area of the operation of the electricity system.

As a result of delays in the start up of the Iberian Electricity Market (MIBEL – Mercado Ibérico de Electricidade), OMIP only started operating on 3 July 2006.
OMIP's capital totals 2,500 thousand Euros, represented by 250,000 shares of ten euros Nacionais, SGPS, S.A. and 10% by OMEL – Compañia Operadora del Mercado Español de Electricidad, S.A..
OMIP is the sole shareholder of OMIClear - Sociedade de Compensação de Mercados de Energia, S.A., which has the corporate objective of clearing futures and options operations.

Other businesses

REN SGPS also has a participation in REN – Serviços, S.A., which has the objective of rendering services in the areas of administration, finance, regulations, personnel management, salary processing, management and maintenance of moveable and immovable assets, negotiation and supply of consumables and services of the same type, usually referred to as back office services, for related companies and third parties, receiving remuneration for this.

1.1 Approval of the separate financial statements

These separate financial statements were approved by the Board of Directors in a meeting held on 26 February 2010. In the opinion of the Board of Directors these financial statements reflect fairly the operations of REN SGPS, S.A., as well as its financial position, financial performance and cash flows.

2. Accounting policies

The main accounting policies used in preparing the financial statements are described below. The policies have been applied consistently in the separate financial statements the years presented.

The separate financial statements were prepared on a going concern basis, at historical cost, except for the derivative financial instruments and available-for-sale financial assets, which are recorded at fair value, as from the Company's books and accounting records, maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements conform to International Financial Reporting Standards as endorsed by the European Union, in force for the years starting on 1 January 2009. It is understood that International Financial reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective SIC and IFRIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been endorsed by the European Union are considered as being part of these standards. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in conformity 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 the income and expenses 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 Notes 4 and 5.

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

Adoption of new standards, interpretations, amendments and revisions

a) The following standards and interpretations are of mandatory application for financial years beginning on or after 1 January 2009:

• IAS 1 (revised), 'Presentation of financial statements'. REN SGPS presents all the changes to equity resulting from transactions with the shareholders in the statement of changes in equity. All the changes in equity resulting from transactions with non-shareholder entities are presented in two separate statements (a statement of profit and loss and a statement of other comprehensive income).

• IAS 23, 'Borrowing costs' (revised). This revision introduced the requirement to capitalise costs of borrowing relating to assets that qualify, the option to record them in the statement of profit and loss for the period in which they are incurred therefore being eliminated. Adoption of this standard did not have a significant impact on REN SGPS's financial statements as it had already adopted this standard.

• IFRS 2, 'Share based payments' (amended). Consists of clarification of the definition of vesting conditions, introduction of the concept of non-vesting conditions and clarification of the treatment of cancellations. Adoption of this change did not have any impact on REN SGPS's separate financial statements.

• IAS 32 / IAS 1 (amendment), 'Financial instruments': presentation (amended). These amendments changed the criteria for classifying a financial instrument between an equity instrument and a liability instrument, enabling some financial instruments that can be repurchased to be classified as equity instruments. Consequently the amendment to IAS 1 - 'Presentation of financial statements'. This change did not have any impact on REN SGPS's separate financial statements.

• IFRS 1 / IAS 27 (amended), 'First time adoption of IFRS' (amendments). These amendments cover measurement of the cost of investments in subsidiaries, jointly controlled entities and associations in the initial adoption of IFRS and the recognition of dividends from subsidiaries in separate financial statements of the parent company. This change did not have any impact on REN SGPS's separate financial statements.

• IFRIC 13, 'Client fidelity programs'. This interpretation states that bonuses granted to clients as part of a sales transaction are recorded as a separate component of the transaction. This interpretation did not have any impact on REN SGPS's separate financial statements.

• IAS 39 'Reclassification of financial assets' (amendments). These amendments permit, in certain limited conditions, the reclassification of non derivative financial instruments from the fair value through profit and loss and available for sale

categories to other categories.
• IAS 39' Eligible hedged items (amendments). This deals with clarifications relating to the following hedge accounting matters: (i) identification of inflation as a hedged risk and (ii) hedging with options.
• IFRS 7 'Disclosures regarding measurement at fair value and liquidity risk' (amendments). These amendments to IFRS 7 increase the disclosures required regarding the fair value of financial instruments and liquidity risk.

Improvements to international financial reporting standards – 2007. This process involved the revision of 32 accounting standards.
Up to the date of approval of these financial statements the following standards, interpretations, amendments and revisions, with mandatory application in future financial years have been endorsed by the European Union:

• IFRS 3 (revised), 'Concentration of activities' IAS 27 (2008 revision) ' Consolidated and separate financial statements'. This revision is of mandatory application in years starting on or after 1 July 2009 and introduces some changes in terms of the recording of concentrations of business activities, namely: (a) measurement of interests without control (previously referred to as minority interests); (b) the recognition and subsequent measurement of contingent payments; (c) the treatment of direct costs relating to the concentration; and (d) the recording of transactions relating to the purchase of interests in entities already controlled and sales of interests without that resulting in loss of control. This revision will have an impact on future concentrations of activities to be made by REN.
• IAS 27 (revised 2008), 'Separate financial statements' (applicable to years starting on or after 1 July 2009). The revision to this standard has not yet been endorsed by the European Union. After revision, the standard comes to require that transactions with 'interests not controlled' be recorded in equity when there is no change in control over the entity. When there are changes in control over the entity, any remaining interest in the entity is restated to fair value by corresponding entry to profit and loss for the year. This revision will have an impact on future concentrations of activities to be made by REN SGPS.
• IFRIC 16, 'Hedging of investments in foreign operations' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines on hedge accounting for net investments in foreign operations. This interpretation has no impact on REN SGPS's separate financial statements.
• IFRIC 9 and IAS 39 (amendments/revised), 'Revaluation of embedded derivatives'. This amendment clarifies in which circumstances subsequent reappraisal of the obligation to separate an embedded derivative is permitted. This amendment will be applied by REN SGPS in the year it becomes effective.
• IFRIC 15, 'Real estate construction contracts' (to be applied in the years starting on or after 1 January 2010). This interpretation covers the way to assess if an agreement to construct a property is within the scope of IAS 11 – 'Construction contracts' or IAS 18 – "Income and how the income should be recognized'. This interpretation has not yet been adopted by the European Union. This interpretation will not impact REN SGPS's separate financial statements.
• IFRIC 17, 'Distributions in kind to the shareholders' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines on the correct recording of assets other than cash distributed to shareholders as dividends. This interpretation has not yet been endorsed by the European Union. This interpretation will be applied by REN SGPS in the year it becomes effective.
• IFRIC 18, 'Transfers of assets by clients' (to be applied in the years starting on or after 1 July 2009). This interpretation provides guidelines with respect to the recording by operators of tangible fixed assets "of clients". This interpretation is significant for the utilities sector as it establishes the accounting treatment to be given to agreements in which the entity rendering the service receives from the client an asset that will be used in connecting the client or other clients to the service network or that enables the client to access the service network. This interpretation will be applied by REN SGPS in the year it becomes effective.

These standards although endorsed by the European Union, have not been adopted by the Company in the year ended 31 December 2009 as their adoption is not yet mandatory. Their adoption is not expected to have a significant impact on the financial statements.
Draft standards under discussion, issued by the IASB, but not yet approved:
Rate Regulated Activities – " Exposure Draft" (ED/2009/8) – In July 2009 the IASB issued an exposure draft relating to " Rate Regulated Activities", its main principles being:

i) Recognition in the financial statements of an entity, of regulated assets and liabilities where the regulator allows an entity to recover costs previously incurred or

where the regulator requires return of the amounts previously received and allows the entity to obtain specific remuneration in its regulated activities by adjustment to the prices charged to its clients;
ii) Measurement of regulated assets and liabilities at the present value of expected cash flows to be recovered or returned, respectively, as a result of the regulation, not only on their initial recognition but also at the end of the period of the financial report;
iii) Inclusion of disclosures that identify and explain the amounts of regulated assets and liabilities recognized in the financial statements so as to ensure that the users of the financial statements have an understanding of the nature and financial effect of its regulated activities.
The Company is analysing and accompanying the discussion calendar and conclusion of this Exposure Draft, which is of significant importance to the REN Group in its operations.

3. Summary of main accounting policies

The main accounting policies used to prepare these financial statements are explained below. These policies were applied consistently to all the years presented, unless otherwise indicated.

3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which REN SGPS has the power to decide the financial and operating policies, generally associated with direct or indirect control of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether REN SGPS controls another entity. Entities that qualify as subsidiaries are listed in Note 8.
Participations in subsidiaries are recorded at cost less pre-acquisition dividends and possible impairment losses. Dividends received from subsidiaries are recorded as income for the year, when the right of the shareholder is established, which occurs by decision of the Shareholders' General Meeting.
These financial statements refer to the Company in non-consolidated terms, the investments in subsidiaries being recorded at cost. The Company will present separate consolidated financial statements which will include the financial statements of the companies in which it has a majority participation or management control. Therefore these financial statements do not consider the effect of a full consolidation of assets, liabilities, income and costs.

3.2 Foreign currency translation

(i) Functional currency

Items included in the financial statements of each of the REN SGPS are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'), the Euro. The separate financial statements of REN SGPS and related notes are presented in thousands of Euros, unless otherwise indicated.

(ii) Foreign currency balances and transactions

Foreign currency transactions are translated to 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 translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised as finance costs in the statement of profit and loss if relating to borrowings and in other operating income and costs in the case of all the other balances/ transactions.

3.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.
Cost includes the purchase price of the asset, costs directly attributable to their acquisition and costs incurred to prepare the assets to start operating.
Current repair and maintenance costs are charged to the statement of profit and loss for the period in which they are incurred.
Tangible fixed assets is depreciated on a straight-line basis over its estimated period of useful life, as from the date it is ready for use.
The estimated useful life of tangible fixed assets is as follows:

Estimated useful life of tangible fixed assets

	Years
Transport equipment	from 4 to 6
Administrative equipment	from 3 to 10

The useful life of the assets is reviewed at the end of each year so that the depreciation recorded is in accordance with the consumption standards of the assets. Changes in useful lives are treated as changes in accounting estimates and are applied prospectively.
Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the book value of the asset, these being recorded in the statement of profit and loss.

3.4 Financial assets

The Board of Directors decides the classification of financial assets at the time of initial recognition, in accordance with the purpose for which the financial assets were acquired and reassesses that classification at each reporting date.
Financial assets may be classified into the following categories:

vii) financial assets at fair value through profit or 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;
viii) loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;
ix) investments to be 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
x) 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 balance sheet date.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which REN SGPS commits itself to purchase or sell the asset.
Financial assets at fair value through profit and loss are initially recognised at fair value and transaction costs are 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 recognised in the statement of profit and loss caption net financial costs for the period in which they arise, which also includes interest income and dividends received.
Available-for-sale financial 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. Dividends and interest income from available-for-sale financial assets are recognised in the statement of profit and loss caption other 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 SGPS 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.
Loans granted and receivables are classified as "Trade and other receivables" in the balance sheet, and are carried at amortised cost using the effective interest rate method, less any impairment loss.
Impairment loss 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.
At each balance sheet reporting date REN SGPS assesses whether there is objective evidence that its financial assets are impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the equity instrument below its cost is considered as an indicator that it is impaired. If there is evidence of loss in value of available-for-sale financial assets, the accumulated loss – determined as the difference between cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss – is removed from equity and recognised in the consolidated statement of profit and loss. Impairment losses on equity instruments, recognised in the statement of profit and loss, are not reversible through the consolidated statement of profit and loss.
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.

3.5 Cash and cash equivalents

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 "Borrowings" caption in current liabilities on the balance sheet, and are included in the statement of cash flows, as cash and cash equivalents.

3.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Treasury shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with company law REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, limiting the amount of reserves available for distribution. Treasury shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.7 Financial liabilities

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 include "Borrowings" (Note 3.8) and "Trade and other payables". Trade and other payables are initially recognised at fair value and subsequently adjusted to amortised cost, using the effective interest rate method.

3.8 Borrowings

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 statement of profit and loss over the term of the borrowings, using the effective interest method.
Borrowings are classified as current liabilities unless REN SGPS has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

3.9 Derivative financial statements

Derivative financial instruments are initially recorded at fair value at the transaction date, being subsequently valued at fair value. The method of recognizing 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 recognized in the statement of profit and loss caption "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.
In an operation to hedge fair value of an asset or liability ("fair value hedge"), the carrying amount of the respective asset or liability, measured in accordance with the defined accounting policy, is adjusted to reflect the fair value change attributed to the hedged risk. Variations in the fair value of hedging derivatives are recognized in the statement of profit and loss together with variations in the fair value of the hedged assets and liabilities attributed to the hedged risk.
In an operation to hedge exposure to variations in future cash flows of high probability ("cash-flow hedge"), the effective part of fair value changes in the hedging derivative is recognized in reserves, being transferred to the statement of profit and loss in the periods the fair value changes of the hedged item affects profit and loss. The ineffective part of the hedge is recognized in the statement of profit and loss when it occurs.

3.10 Income tax

Income tax expense includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when related 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 legislation.
Deferred tax is recognised using the liability method based on the balance sheet considering the temporary differences between the tax base of assets and liabilities and their amounts in the separate financial statements.
Deferred income taxes is calculated using tax rates in force or substantially enacted at the balance sheet 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 profit 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, temporary taxable 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.
The Company is covered in terms of Corporate

Income Tax by the special regime for the taxation of groups of companies. Consequently, the changes recorded by subsidiaries relating to estimated income tax, withholdings made by third parties and payments on account are recorded in REN - Redes Energéticas Nacionais, SGPS, S.A.'s balance sheet in the caption "Income tax payable/receivable" by corresponding entry to "Other accounts receivable/payable".

3.11 Provisions

Provisions are recognised when REN SGPS 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 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, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.
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 (Note 25).

3.12 Leasing

The tangible fixed assets, in which REN has substantially all the risks and rewards incidental to ownership of an asset, is classified as a finance lease. Agreements which an analysis of one or more matters of the contract point a finance lease are also classified as finance leases. All other leases are classified as operating leases.
Finance lease contracts are initially recognised at the lower of the fair value of the leased assets or the present value of the minimum lease payments, each determined at the inception date. The lease liability is recognised net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognised in the consolidated statement of profit and loss in the period they refer to.
The tangible fixed assets acquired through finance leases is depreciated at the shorter of the estimated useful life of the asset and the lease term, when the Group does not have a purchase option at the end of the contract, or at its estimated useful life when the Group has the intention of acquiring the asset at the end of the contract.
In operating lease contracts, the lease payments due are recognised as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.13 Income and accruals basis

Income includes the fair value of the services rendered, net of tax and discounts, received or receivable.
Services rendered are recognized in the period to which they relate in accordance with the accruals basis. The amounts recognized as services rendered refer to amounts charged to subsidiaries on account of management costs.
Income relating to dividends from subsidiaries is recognized when the right to receive them is attributed to the shareholders.
Interest income is recognized on an accruals basis, considering the amount of the liability and the effective interest rate over the period and to maturity.
Income and costs are recorded in the period to which they relate, independently of when they are received or paid, in accordance with the accruals basis.
Differences between the amounts received and paid and the corresponding income and costs are recorded in accruals and deferrals in the captions "Receivables" and "Payables". .

3.14 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 up to the time of their payment.

3.15 Contingent assets and liabilities

Contingent liabilities in which the possibility of the outflow of funds affecting future financial benefits is only possible, are not recognized in the separate financial statements, but are disclosed in notes, unless the possibility of the outflow of funds affecting future benefits is remote, in which case they are not disclosed.
Contingent assets are not recognised in the separate financial statements, but disclosed in the notes when a future financial benefit is probable.

3.16 Subsequent events

Events that occur after the balance sheet date that provide additional information on conditions that existed at the balance sheet date are reflected in the separate financial statements. Events that occur after the balance sheet date that provide additional information on conditions that existed after the balance sheet date, if material, are disclosed in the notes to the separate financial statements.

4. Financial risk management policies

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: including credit risk, liquidity risk and cash flow interest rate risk.

REN SGPS has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the financial management department under the 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 excess liquidity.

i) Exchange rate risk

REN has limited exposure to exchange rate risk. In 2009 REN issued bonds totalling 10,000 million Yens ("JPY"), the risk of which to variations in exchange rates is fully hedged by a cross currency swap of the same notional amount.

As of 31 December 2009, an adverse variation of 5% in the forward exchange rate of Euro/JPY, all other factors remaining constant, would have a negative impact on equity of around 4.1 million Euros, if the Company had not contracted the above derivative financial instrument.

ii) Credit risk

REN SGPS's transactions correspond essentially to centralised management of the Group's treasury, the amounts receivable relating to shareholders' loans and treasury loans made to subsidiary companies. The credit risk of subsidiaries is small as a significant part of the services rendered is recognized by the issuance of invoices to electricity and gas distributors, under relationships established by the electricity and natural gas market regulator.

REN SGPS's financial applications, classified as "Cash and cash equivalents" are contracted essentially with financial institutions with credit ratings equal to or greater than A-.

In the derivative financial instrument area REN selects the counter parties considering their rating by one of the independent agencies of reference. In addition, the financial settlement of cash flows relating to derivative financial instruments, except for exchange rate swaps, is made at the net amount, which reduces the credit risk inherent in the receipt of such flows.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, as well as by negotiating credit limits that enable, not only to ensure that the treasury needs of the REN Group are met, but also provide some flexibility to enable the shocks outside its operations to be dealt with.

The following table shows REN's financial liabilities by contracted residual maturity intervals and includes derivative financial instruments for which the related

REN's financial liabilities by contracted residual maturity intervals

(Amounts expressed in thousands of euros – tEuros)

	31 December 2009			
	Less than 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Borrowings:				
Finance leases	64	98	-0	162
Bank loans	46,201	230,200	355,056	631,.456
Commercial paper	405,392	157,753	-	563,146
Bonds	56,489	1,023,892	112,529	1,192,910
Bank overdrafts	444	-	-	444
	508,591	1,411,943	467,586	2,388,119
Derivative financial instruments	5,494	-	-	12,968
Trade and other payables	36,468	-	-	36,468
	550,552	1,419,417	467,586	2,437,555

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
			31 December 2008	
Borrowings:				
Finance leases	111	174	-	285
Bank loans	55,858	195,987	376,475	628,320
Commercial paper	454,502	200,000	-	654,502
Bonds	31,875	627,500	-	659,375
Bank overdrafts	307	-	-	307
	542,653	1,023,661	376,475	1,942,790
Derivative financial instruments	1,571	(368)	-	1,203
Trade and other payables	21,201	-	-	21,201
	563,854	1,023,661	376,475	1,963,990

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

Derivative financial instruments, financial settlement of which is made at gross amounts

(Amounts expressed in thousands of euros – tEuros)

	Less than 1 year	From 1 to 5 years	More than 5 years	Total
			31 December 2009	
Hedging derivative financial instruments				
Cross Currency Interest Rate Swap				
Outflows	4.157	16.709	102.336	123.202
Inflows	2.035	8.152	94.415	104.602

flows are made at the net amount. The amounts presented in the table refer to contractual non-discounted cash-flows:

iv) Interest rate risk

In terms of financial liabilities, REN is exposed interest rate risk mainly on its borrowings. Borrowings at variable rates expose REN to cash flow risks resulting from changes in exchange rates. Borrowings issued at fixed interest rates expose REN to fair value risk resulting from changes in interest rates.

REN analyses its exposure to interest rate risk on a dynamic basis. In 2009 REN contracted 4 interest rate swaps to hedge the risk of fluctuation of interest rates.

A sensitivity analysis was made based on REN SGPS's total debt less applications in funds and cash and cash equivalents as of 31 December 2009 and 2008, with the following assumptions:

• Changes in market interest rates affecting interest income and costs of variable financial instruments;
• Changes in market interest rates affecting only results or equity in relation to fixed interest rate financial instruments if they are recognised at fair value;
• Changes in market interest rates affecting the fair value of derivative financial instruments and other financial assets and liabilities;
• Changes in the fair value of derivative financial instruments and other assets and liabilities are estimated discounting current net amounts of future cash flows, using market rates at the end of the year.

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 2009 would result in a decrease of profit before tax of around 1.2 million Euros (8.2 million Euros in 2008) and an increase in equity of around 4.2 million Euros (0 in 2008).

v) Price risk

REN's exposure to price risk results essentially from its investment in REE and Enagás. A negative variation of 10% in the price of shares of REE and Enagás at

31 December 2009 would have a negative impact on equity of 8.9 million Euros (8.6 million Euros in 2008).

4.2 Capital risk management

REN SGPS's objective relating to the management of capital, which is a broader concept than the capital disclosed on the face of balance sheet, is to maintain an optimal capital structure, through rational use of debt and maintenance of a solid credit rating to enable the cost of capital to be reduced.
The contracting of debt is analysed periodically considering the following factors: i) the treasury needs of the subsidiaries resulting from CAPEX in regulated assets; ii) the remuneration rate of regulated assets as determined in the tariff regulations in force; and iii) the dividend policy in place.
REN SGPS also monitors its total capital based on the gearing ratio, which is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings less cash and cash equivalents as presented in the balance sheet). Total capital is calculated as equity (as presented in the consolidated balance sheet) plus net debt.
In 2009 REN's strategy was to maintain a gearing ratio of between 60% and 70%. Gearing ratios at 31 December 2009 and 2008 were as follows:

Gearing ratios
(Amounts expressed in thousands of euros – tEuros)

	Dec. 2009	Dec. 2008
Total borrowings (Note 17)	2,018,662	1,646,059
Less: cash and cash equivalents (Note 14)	(3,439)	(7,578)
Net debt	2,015,223	1,638,481
Equity	901,299	851,089
Total capital	2,916,522	2,489,570
Gearing	69%	66%

4.3 Recording of derivative financial instruments

REN SGPS hedges part of the future payments of interest on loans, bonds issued and commercial paper through the assignment of interest rate swaps, in which it pays a fixed interest rate and receives a variable interest rate, with a notional value of 384,000 thousand Euros. This is an interest rate risk hedge relating to the payment of interest at a variable rate resulting from recognised financial liabilities. The risk covered is the indexing factor of the variable rate to which the interest coupons on the borrowings relate. The objective of this hedge is to transform the variable interest rate borrowings into fixed interest rate borrowings, the credit risk not being hedged. The fair value of the interest rate swaps at 31 December 2009 was 6,066 thousand Euros negative.
In addition, REN covers its exposure to cash flow risks on its 10,000 million JPY bonds resulting from exchange risk through a cross currency swap, the main characteristics of which are equivalent to the debt. The same hedging instrument is used to cover the fair value interest rate risk on the bonds through the forward start swap component that only starts in June 2019. The changes in fair value of the hedging instrument are also deferred 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 being recorded in profit and loss. The credit risk is not hedged. The fair value of the cross currency swap at 31 December 2009 is 4,083 thousand Euros negative.
The amount of 7,556 thousand Euros relating to the above mentioned cash flow hedges was recorded in reserves.

Fair value hedge

In February 2009 REN SGPS contracted an interest rate swap to hedge the fair value of an issuance of 300 000 thousand Euros. This hedge was discontinued in November 2009, and at that date the instrument hedged had a fair value adjustment resulting from the hedge of 677 thousand Euros. This amount will be amortized to profit and loss in accordance with the effective interest rate method over the period to maturity of the hedged instrument.

5. Critical estimates and judgements

The estimates and assumptions with impact on REN SGPS's 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::

5.1 Provisions

REN SGPS periodically analyses the existence of possible obligations 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 obligations 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 Participations in subsidiaries

As REN SGPS opted to measure at cost in its separate financial statements, the participations in subsidiaries, it is necessary at each financial statement date to assess the existence of indications of loss in value that requires the realization of impairment tests.

The Board of Directors makes its valuations based on indicators such as operating results generated by the subsidiaries and evolution of their activities. If there are no indications of impairment at the date of the financial statements, REN SGPS does not make impairment tests.

6. Tangible fixed assets

Tangible fixed assets at 31 December 2009 correspond mainly to vehicles acquired under finance lease and administrative equipment, totalling 263 thousand Euros.

7. Investments in subsidiaries

Investments in subsidiaries at 31 December 2009 were as follows:

Subsidiaries

(Amounts expressed in thousands of euros – tEuros)

	2009	2008
REN - Rede Eléctrica Nacional S.A.	586,759	586,759
REN - Gasodutos S.A.	404,931	404,931
REN - Armazenagem S.A.	76,386	76,386
REN - Atlântico, Terminal de GNL S.A.	32,580	32,580
OMIP - Operador do Mercado Ibérico de Energia S.A.	2,000	2,000
RENTELECOM - Comunicações SA	100	100
REN Trading SA	50	50
REN Serviços SA	50	50
	1,102,856	1,102,856

Investments in subsidiaries are state at cost.

Information relating to subsidiaries:

Information relating to subsidiaries

(Amounts expressed in thousands of euros – tEuros)

			2009		2008	
Subsidiaries	**Location**	**% Capital**	**Equity**	**Net result for the year**	**Equity**	**Net result for the year**
REN - Rede Eléctrica Nacional S.A.	Lisbon	100%	649,392	57,621	686,999	43,709
REN - Gasodutos S.A.	Bucelas	100%	450,558	38,504	461,473	28,662
REN - Armazenagem S.A.	Pombal	100%	83,097	5,242	86,191	4,154
REN - Atlântico, Terminal de GNL S.A.	Sines	100%	57,341	13,827	43,513	7,059
OMIP - Operador do Mercado Ibérico de Energia S.A.	Lisbon	90%	4,979	11	4,978	22
RENTELECOM - Comunicações SA	Lisbon	100%	1,439	782	1,304	308
REN Trading SA	Lisbon	100%	1,046	695	6,065	5,631
REN Serviços SA	Lisbon	100%	156	104	83	33
			1,248,008	116,786	1,290,606	89,578

8. Deferred tax

Deferred tax recognized in the financial statements is as follows:

Deferred tax recognized

(Amounts expressed in thousands of euros – tEuros)

	2009	2008
Deferred tax assets	1,225	-
Deferred tax liabilities	232	(232)
	1,457	(232)
	1,540	2,099
Deferred tax assets	1,540	2,099
Net impact of deferred tax	2,996	1,866

The changes in deferred tax assets and liabilities were as follows:

Deferred tax assets and liabilities

(Amounts expressed in thousands of euros – tEuros)

	Deferred tax assets	Deferred tax liabilities	Total
At 1 January 2008	-	(1,139)	(1,139)
Increase/decrease through equity	959	1,139	2,099
Increase through profit and loss	-	(232)	(232)
Changes in the period	959	907	1,866
At 31 December 2008	959	(232)	727
At 1 January 2009	959	(232)	727
Increase/decrease through equity	1,540	-	1,540
Increase through profit and loss	1,224	-	1,224
Reversal through profit and loss	-	232	232
Changes in the period	2,764	232	2,996
At 31 December 2009	3,723	(0)	3,723

The changes in deferred tax were as follows:

Deferred tax

(Amounts expressed in thousands of euros – tEuros)

	2009	2008
Liabilities		
Derivative financial instruments	(232)	232
Available-for-sale assets	-	(1,139)
Assets		
Available-for-sale assets	(463)	959
Tax losses carried forward	1,051	-
Derivative financial instruments	2,176	-
Changes in the year	2,996	727

9. Financial assets and liabilities by category

Os The Company's financial assets classified in accordance with IAS 39 are as follows:

Company's financial assets classified in accordance with IAS 39

(Amounts expressed in thousands of euros – tEuros)

	Credits and amounts receivable	Available-for-sale financial assets	Assets/liabilities at fair value through profit and loss	Other financial liabilities	Other non-financial assets and liabilities	Total
2008						
Assets						
Cash and cash equivalents			-	-	-	7,578
Other accounts receivable			-	-	132	1,412,473
Derivative financial instruments			876	-	-	876
Available-for-sale assets			-	-	-	85,890
Total financial assets			876	-	132	1,506,818
Liabilities						
Borrowings			-	1,646,059	-	1,646,059
Trade and other payables			-	20,479	722	21,201
Total financial liabilities			-	1,666,538	722	1,667,260
2009						
Assets						
Cash and cash equivalents			-	-	-	3,439
Other accounts receivable			-	-	-	1,735,619
Income tax recoverable			-	-	24,998	24,998
Other financial instruments			7,276	-	-	7,276
Available-for-sale assets			-	-	-	89,386
Total financial assets			-	-	24,998	1,860,718
Liabilities						
Borrowings			-	2,018,662	-	2,018,662
Trade and other payables			-	36,468	-	36,468
Provisions			-	-	982	982
Total financial liabilities			-	2,055,130	982	2,056,112

Estimated fair value – assets measured at fair value. In 2009 the Company reclassified the amount of 7,276 thousand Euros to the caption "Other investments". This amount corresponds to the Company's investment in the closed fund "Luso Carbon Fund", with a maturity of 10 years.
The following table presents the Company's assets and liabilities measured at fair value at 31 December 2009 in accordance with the following levels of fair value seniority in accordance with IFRS 7:

- 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 liquid market prices but rather on valuation models. The main inputs of the models used are taken from the market; and
- Level 3: the fair value of financial instruments is not based on liquid market prices, but rather on valuation models, for which the main inputs are not taken from the market.

Company's assets and liabilities measured at fair value at 31 December 2009
(Amounts expressed in thousands of euros – tEuros)

		Level 1	Level 2	Level 3	Level 4
Assets					
Available-for-sale financial assets a	Shares	89,386	-	-	89,386
Liabilities					
Financial liabilities at fair value recognised in fair value reserves	Cash flow hedging derivatives	-	(10,149)	-	(10,149)

10. Available-for-sale financial assets

The amounts recognized in this caption at 31 December 2009 and 2008 correspond to the following entities:

The amounts recognized
(Amounts expressed in thousands of euros – tEuros)

	% held	2009	2008
Red Relectrica de España S.A. (REE)	1.00%	52,551	48,733
Enagás S.A. (Enagás)	1.00%	36,835	37,157
		89,386	85,890

The investment in these companies resulted from the exchange of strategic participations in similar electricity and gas transport companies for the Spanish market. The investment in REE was acquired in the second half of 2007 and the investment in Enagás was acquired in the first half of 2008.
As the above entities are listed on the Madrid stock exchange ("IBEX 35"), determination of fair value was made based on the listed price as of the reporting dates, the following variations in fair value having been recorded in the years ended 31 December 2009 and 2008:

Variations in fair value
(Amounts expressed in thousands of euros – tEuros)

	REE	Enagás	Total
2008			
Balance at 1 January 2008	58,534	-	58,534
Cost	-	43,195	43,195
Valuation at fair value	(9,801)	(6,037)	(15,838)
Balance at 31 December 2008	48,733	37,157	85,890
2009			
Balance at 1 January 20089	48,733	37,157	85,890
Valuation at fair value	3,818	(322)	3,496
Balance at 31 December 2009	52,551	36,835	89,386

Red Eléctrica de España ("REE") is the Spanish entity responsible for managing the electricity network in Spain. REN, SGPS acquired a 1% participation in REE as part of an agreement between the Portuguese and Spanish Governments. REE is listed in Euronext – Spain and the financial asset was recorded on the balance sheet at the market price on 30 December 2009, which resulted in the recognition of a fair value gain of 3,818 thousand Euros.
ENAGÁS is the entity responsible for the transport and management of the natural gas system in Spain. REN, SGPS acquired a 1% participation in Enagás as part of a strategic partnership agreement, the asset having been recorded at the market price at 30 December of 2009, which resulted in the recognition of a fair value loss of 322 thousand Euros.
The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve" (Note 16):

Adjustment to fair value
(Amounts expressed in thousands of euros – tEuros)

	Fair value	
Change in fair value	(3,743)	(7,238)
Impact of deferred tax	496	959
Net adjustment in equity	(3,247)	(6,279)

In the year ended 31 December 2009 REE and Enagás distributed dividends of 1,732 and 1 554 thousand Euros, respectively. These amounts were recognized in the statement of profit and loss caption "Dividends from affiliated companies".

11. Other receivables

Other receivables at 31 December 2009 and 2008 are made up as follows:

Other receivables

(Amounts expressed in thousands of euros – tEuro

			2009			2008
	Current	Non-current	Total	Current	Non-current	Total
Group companies						
Shareholders' loans i)	44,082	1,234,113	1,278,195	1,059,909	220,020	1,279,929
Treasury management ii)	386,631	-	386,631	21,137	-	21,137
Consolidated taxation regime iii)	64,362	-	64,362	99,523	-	99,523
Other debtors - Group	2,039	-	2,039	1,882	-	1,882
State and other public entities	24,998	-	24,998	3	-	3
Other debtors	13	-	13	10	-	10
Accruals and deferrals						
Accrued income iv)	4,244	-	4,244	9,926	-	9,926
Deferred costs	135	-	135	63	-	63
Total	526,504	1,234,113	1,760,617	1,192,454	220,020	1,412,474

i) Shareholders' loans at 31 December 2009 and 2008 refer to the following entities:

Shareholders' loans

(Amounts expressed in thousands of euros – tEuro

Entity	2009	2008
REN - Rede Eléctrica Nacional S.A.	1,050,000	993,000
REN Gasodutos S.A.	204,507	264,363
REN Atlântico S.A.	23,688	22,567
	1,278,195	1,279,929

The loans bear interest at the Euribor 3 month rate plus a spread of 0.5% (REN – Rede Eléctrica Nacional, S.A.), Euribor 6 month rate plus a spread of 3% (REN Atlântico, S.A.) and an interest rate defined by EIB (REN Gasodutos, S.A.).

ii) Treasury management
In 2008 REN SGPS and its subsidiaries made a Framework Agreement of Centralised Treasury Management under which REN SGPS is responsible for coordinating, centralizing and administrating the REN Group's treasury deficits and excesses.

Interest is calculated on a daily basis on the principal effectively used and paid monthly in arrears, except possibly in the first and last interest counting period which may be of shorter duration.

iii) Consolidated taxation regime
The REN Group companies belong to the Special Regime for the Taxation of Groups of Companies (Regime especial de tributação do Grupo de Sociedades - "RETGS") for Corporate Income Tax purposes. Consequently, estimated corporate income tax, withholdings by third parties and payments on account are recorded on the balance sheet as accounts payable and receivable of REN SGPS in accordance with the amounts recorded by the subsidiaries.

iv) The amount recorded as accrued income corresponds to accrued interest income on shareholders' loans to the subsidiaries.

12. Derivative financial instruments

At 31 December 2009 and 2008 the REN SGPS had the following derivative financial instruments contracted:

Derivative financial instruments contracted

(Amounts expressed in thousands of euros – tEuro

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – non-current	-	10,149	-	-
Interest rate swaps – current	-	-	876	-
	-	10,149	876	-

The amount recognized in interest rate swaps refers to 4 interest rate swap contracts, contracted by REN SGPS with the objective of reducing the risk to which its bonds are exposed.
The main features of the interest rate swaps contracted with financial institutions are as follows:

The main features of the interest rate swaps contracted with financial institutions

(Amounts expressed in thousands of euros – tEuro

	Payment periods	Receipt by REN	Payment by REN	Maturity date	Fair value at 31.12.2009
200.000 tEur	- payable: 16 Apr annual settlement of interest; - receivable: day 16 of each month monthly settlement of interest.	Euribor 1	1.68%	Apr 2011	(3,927)
10.000.000.000 JPY 72.899 tEur	- payable: 26 June and Dec half yearly settlement of interest; - receivable: 26 June and Dec half yearly settlement of interest.	2.71%	5.64% (annual) up to Jun 2019 and Euribor 6M +190 b.p. from that date	Jun 2024	(4,083)
50.000 tEur	- payable: 5 Feb, May, Aug and Nov quarterly settlement of interest; - receivable: 5 Feb, May, Aug and Nov quarterly settlement of interest.	Euribor 3M	2.19%	May 2012	(576)
134.000 tEur	- payable: 15 Mar, Jun, Sep rand Dec quarterly settlement of interest;	Euribor 3M	2.28%	Jun 2012	(1,563)
				Total	(10,148)

The amounts shown include accrued interest income and cost up to 31 December 2009, relating to the financial instruments, in the net amount of accrued cost of 2,594 thousand Euros.

13. Cash and cash equivalents

The caption cash and cash equivalents at 31 December 2009 and 2008 is made as follows:

The caption cash and cash equivalents

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Bank deposits	3,439	105
Other cash equivalents	-	7,473
	3,439	7,578

The amounts considered as cash and cash equivalents in the statement of cash flows for the years ended 31 December 2009 and 2008 are made up as follows:

The amounts considered as cash and cash equivalents in the statement of cash flows

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Bank overdrafts	(444)	(185)
Bank deposits	3,439	105
Other cash equivalents	-	7,473
	2,995	7,393

In 2009 the Company reclassified the amount of 7,276 thousand Euros to the caption "Other investments". This amount corresponds to the Company's investment in the closed fund "Luso Carbon Fund", with maturity in 10 years.

14. Share capital

REN SGPS's subscribed and paid up share capital at 31 December 2009 is made up of 534,000,000 shares of 1 euro each.
In 2009 REN SGPS acquired 1,382,672 treasury shares corresponding to 0.2589% of its capital.
At 31 December 2009 REN SGPS had the following treasury shares:

Treasury shares

	Number of shares	% of capital	Amount
Treasury shares	3,881.374	0.7268%	(10,728)

15. Other reserves and retained earnings

The captions "Other reserve" and "Retained earnings" had the following changes in the year ended 31 December 2009:

"Other reserve" and "Retained earnings" in the year ended 31 December 2009

(Amounts expressed in thousands of euros – tEuro

	Distributable to the shareholders					
	Legal reserve	Fair value reserve	Other reserves	Retained earnings	Net profit for the year	Total
At 1 January 2009	67,221	(6,279)	103,218	161,061	(1,513)	323,708
Fair value gain/(loss)	-	3,032	(5,554)	-	-	(2,522)
Accumulated gain/(loss) recognised in equity	67,221	(3,247)	97,664	161,061	(1,513)	321,186
Net loss for the year	-	-	-	-	144,494	144,494
Dividends distributed	-	-	-	(88,110)	-	(88,110)
Appropriation to other reserves	-	-	-	(1,056)	1.,513	457
At 31 December 2009	67,221	(3,247)	97,664	71,895	144,494	378,027

The captions "Other reserve" and "Retained earnings" had the following changes in the years ended 31 December 2008:

"Other reserve" and "Retained earnings" in the year ended 31 December 2008

(Amounts expressed in thousands of euros – tEuro

	Distributable to the shareholders					
	Legal reserve	Fair value reserve	Other reserves	Retained earnings	Net profit for the year	Total
At 1 January 2008	61,137	7,460	83,993	242,672	30,740	426,002
Fair value gain/(loss)	-	(13,739)	-	-	-	(13,739)
Accumulated gain/(loss) recognised in equity	61,137	(6,279)	83,993	242,672	30,740	412,263
Net profit for the year	-	-	-	-	(1,513)	(1,513)
Dividends distributed	-	-	-	(87,042)	-	(87,042)
Appropriation to other reserves	6,084	-	19,225	5,431	(30,740)	-
At 31 December 2008	67,221	(6,279)	103,218	161,061	(1,513)	323,708

The legal reserve has not yet been fully recorded in terms of the law (20% of share capital), so a minimum of 5% of net profit for the year is to be appropriated to it. This reserve can only be used to cover losses or to increase Share Capital.
The other reserves correspond to free reserves decided by the shareholders in shareholders' general meetings that approve the net results for the year and can be used freely by the shareholders.

16. Borrowings

The division of borrowings between current and non-current and by nature, at 31 December 2009 and 2008 was as follows:

Current and non-current borrowings

Current and non-current borrowings

(Amounts expressed in thousands of euros – tEuro

	2009			2008		
	Current	Non-current	Total	Current	Non-current	Total
Commercial paper	400,000	155,000	555,000	449,000	200,000	649,000
Bonds	-	922,899	922,899	-	500,000	500,000
Bank loans	34,916	494,591	529,507	39,520	454,507	494,027
Bank overdrafts	444	-	444	185	-	185
	435,360	1,572,490	2,007,851	488,705	1,154,507	1,643,213
Finance leases	63	97	160	99	161	260
Accrued and deffered assets	5,653	-	5,653	6,439	-	6,439
Accrued and deffered liabilities	4,345	654	4,999	(3,853)	-	(3,853)
	445,421	1,573,241	2,018,662	491,391	1,154,668	1,646,059

REN SGPS has subscribed to seven Commercial paper programs amounting to 925,000 thousand Euros, 555,000 thousand Euros having been used at 31 December 2009.
In 2009 the following operations were carried out by REN SGPS under the EMTN (European Medium Term Notes) program:

• In February the initial bond issue of REN SGPS realized in December 2008 was reopened, under which 300,000 thousand Euros were issued, together with the initial issue, increasing the total amount to 800,000 thousand Euros;
• In April a private placement of bonds totaling 50,000 thousand Euros, maturing in December 2013, was issued;
• In June a private placement of bonds totaling 10 million Yens (72,899 thousand Euros), maturing in 15 years, was issued.

Bank borrowings are not secured by REN's assets. All borrowings including bank overdrafts are negotiated in Euros.
At the end of 2009, REN SGPS also had the following credit lines negotiated and not used:

The credit lines maturing in up to 1 year are automatically renewable annually or quarterly. The credit lines maturing in more than 1 year have no defined limits.

credit lines negotiated and not used

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Variable interest rates:		
Short term	70,000	120,386
Medium/Long term	-	-
	70,000	120,386

Borrowings

The exposure of the Group's borrowings to changes in interest rates on the contractual repricing dates is as follows:

The exposure of the Group's borrowings

(Amounts expressed in thousands of euros – tEuro)

	2009	2008
Up to 6 months	527,503	1,147,550
From 6 months to 1 year	34,375	-
1 to 5 years	1,394,120	-
More than 5 years	51,408	500,000
	2,007,406	1,647,550

The effective interest rates on the balance sheet dates were as follows:

The interest rates on the balance sheet dates

	2009	2008
Bank deposits	3.86%	5.19%
Loans and commercial paper	2.24%	4.80%

The book value and fair value of the borrowings were as follows:

The book value and fair value of the borrowings

(Amounts expressed in thousands of euros – tEuro)

	Net book value	
	2009	2008
Commercial paper	555,000	649,000
Bank borrowings	529,507	494,027
Bonds	922,899	500,000
Bank overdrafts	444	185
	2,007,851	1,643,212

	Fair value	
	2009	2008
Commercial paper	555,106	647,844
Bank borrowings	517,258	462,316
Bonds	937,339	499,576
Bank overdrafts	444	185
	2,010,147	1,609,921

value is calculated in accordance with the discounted cash flow method, using the interest rates at the balance sheet date, in accordance with each type of borrowing. Since the borrowings are negotiated at variable interest rates their carrying amounts are similar to their fair values at 31 December 2009.

17. Trade and other payables

Trade and other payables at 31 December 2009 and 2008 are made up as follows:

Trade and other payables

(Amounts expressed in thousands of euros – tEuro)

	2009	2008
Trade and other payables	537	1,608
Group companies		
Treasury management i)	-	14,350
Consolidated income tax regime ii)	33,972	4,228
Suppliers - Group	101	7
Other creditors - Group	530	287
State and other public entities	306	219
Accrued costs		
Vacation and vacation pay	164	399
Others	858	104
Total	36,468	21,201

i) Treasury management

In 2008 REN SGPS and its subsidiaries established a Central Treasury Management Framework Contract under which REN SGPS has responsibility for coordinating, centralizing and managing the treasury deficits and excesses.
Interest is calculated on a daily basis on the capital effectively used and paid monthly in arrears, except possibly in the first and last interest counting periods which may be shorter.

ii) Consolidated income tax regime

The REN Group companies belong to the Special Regime for the Taxation of Groups of Companies (Regime especial de tributação do Grupo de Sociedades - "RETGS") for corporate income tax purposes. Consequently, estimated income tax, withholdings by third parties and payments on account are recorded in the balance sheet as accounts payable and receivable of REN SGPS in accordance with the amounts recorded by the subsidiaries.

18. External supplies and services

External supplies and services at 31 December 2009 and 2008 are made up as follows:

External supplies and services

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Specialised services	1,743	1,589
Cost of services rendered by subsidiaries	1,063	785
Cost of publicity	965	1,428
Cost of common services	327	536
Others (less than 1,000 thousand Euros)	676	635
External supplies and services	4,773	4,973

19. Other operating costs and income

Other operating costs and income for the years ended 31 December 2009 and 2008 are made up as follows:

Other operating costs and income

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Other operating costs		
Donations	1,432	816
Subscriptions	145	109
Taxes	107	62
Others	17	15
	1,701	1,002
Other operating income		
Gain on investments - dividends received		
REN - Rede Eléctrica Nacional S.A.	95,228	
REN Gasodutos S.A.	49,419	
REN Armazenagem S.A.	7,675	
REN Trading S.A.	5,714	
Other companies (less than 1,000 t Euros)	687	2,329
Other income	5	29
	158,728	2,358

REN SGPS has the exclusive purpose managing investments, its income being from its management role and the results of the subsidiaries it controls. In 2009 it received dividends relating to the years 2007 and 2008 and so the amount of income shown above is not comparable with the year ended 31 December 2008.

20. Finance costs and income

Finance costs and income for the years ended 31 December 2009 and 2008 are made up as follows:

Finance costs and income

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Finance costs		
Interest on bonds issued s	49,193	1,857
Other loans	15,481	5,661
Interest on commercial paper issues l	11,900	51,248
Interest on centralised treasury management a	203	671
Other finance costs	670	2,250
	77,447	61,687
Finance income		
Interest on shareholders' loans	53,288	50,492
Gain on derivatve financial instruments	4,919	3,768
Interest on centralised treasury management	2,721	288
Interest on deposits	15	3,309
Fair value of swaps	-	876
Other finance income	165	69
	61,109	58,802

increase in interest and finance costs on bonds issued results from bonds issued in 2009 under the EMTN Program, which only occurred in the last quarter of 2008.

21. Income tax

Income tax calculated for the years ended 31 December 2009 and 2008 includes current tax and deferred tax, as follows:

Income tax calculated

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Current income tax	(386)	(12)
Deferred income tax (Note 9)	1,457	(232)
Income tax	1,071	(244)

Reconciliation of income tax calculated at the nominal tax rate and income tax reflected in the statement of profit and loss is as follows:

The statement of profit and loss
(Amounts expressed in thousands of euros – tEuro

	2009	2008
Profit/(loss) before tax	143.423	(1.269)
Nominal income tax rate	26,5%	26,5%
	38.007	(336)
Non deductible costs (provisions, finance costs and others)	5.092	-
Loss generated without deferred tax	(1.251)	1.318
Non taxable income - dividends	(42.932)	(749)
Autonomous taxation	13	12
	(1.071)	244
Current income tax	386	12
Deferred tax	(1.457)	232
Total	(1.071)	244

22. Earnings per share

Earnings per share for the years ended 31 December 2009 and 2008 were calculated as follows:

Earnings per share
(Amounts expressed in thousands of euros – tEuro

		2009	2008
Net profit/(loss) for the year	(1)	144.494	(1.513)
Nº of ordinary shares outstanding during the year		534.000.000	534.000.000
Effect of treasury shares		3.166.532	477.322
	(3)	530.833.468	533.522.678
Basic earnings per share	(1)(3)	0,2722	-0,0028
Diluted earnings per share	(1)(3)	0,2722	-0,0028

Em 31 de Dezembro de 2009 e 2008, não existiram quaisquer efeitos diluitivos com impacto no resultado líquido por acção.

23. Dividends per share

By decision of the Shareholders' General Meeting held on 30 March 2009 dividends of 88,110 thousand Euros were paid in April 2009 relating to the year 2008.

24. Responsibilities not reflected on the balance sheet

The following bank guarantees were given by REN SGPS at 31 December 2009 and 2008:

Bank guarantees given by REN SGPS

(Amounts expressed in thousands of euros – tEuro

Beneficiary	Purpose	Start date	2009	2008
Direcção Geral d Geologia e Energia	Gas transport Concession activities	20009-06-25	10,000	10,000
EIB	Borrowings	2006-09-26	204,589	369,581
			214,589	379,581

25. Transactions with related entities

REN SGPS was majority owned by Capitalpor at 31 December 2009:

Transactions with related entities

	Acções	%
Capitalpor Portuguesa SGPS, S.A.	245,645,340	46.00%
Logoenergia, SGPS, S.A.	44,875,950	8.4%
Gestfin, SGPS, S.A.	27,471,645	5.14%
EDP - Energias de Portugal, S.A.	26,694,578	5.00%
Párpublica	20,826,000	3.90%
Oliren, SGPS, S.A.	26,700,000	5.00%
Red Eléctrica Corporation, S.A.	26,700,000	5.00%
CGD	6,408,000	1.20%
Free Float	108,678,487	20.35%
	534,000,000	100.00%

Related entities are as follows.

Related entities

Shareholders
EDP Group
EDP - Energias de Portugal, S.A.
CGD Group
Caixa Geral de Depósitos
Caixa BI

Group companies
REN - Rede Eléctrica Nacional, S.A.
REN Trading, S.A.
REN Gasodutos, S.A.
REN Armazenagem, S.A.
REN Atlântico, Terminal de GNL, S.A.
RENTELECOM - Comunicações, S.A.
OMIP - Operador do Mercado Ibérico de Energia, S.A.
REN Serviços. S.A.
OMIClear - Sociedade de Compensação de Mercados de Energia, S.A

Join Ventures
Gasoduto Campo MAior - Leiria - Braga, S.A
Gasoduto Braga - TUV, SA..

25.1 Income – Group companies

The Company had the following transactions with those group companies during the year:

Transactions with group companies

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Services rendered		
REN - Rede Eléctrica Nacional, S.A.	5.757	5.469
REN Trading, S.A.	102	98
REN Serviços. S.A.	1.425	1.371
RENTELECOM - Comunicações, S.A.	34	33
REN Gasodutos, S.A.	1.987	1.890
REN Armazenagem, S.A.	149	141
REN Atlântico, Terminal de GNL, S.A.	509	484
	9.963	9.485

Finance income - Interest on shareholders' loans and treasury management		
REN - Rede Eléctrica Nacional, S.A.	47.287	42.734
REN Serviços. S.A.	30	7
REN Gasodutos, S.A.	6.476	6.355
REN Armazenagem, S.A.	95	-
REN Atlântico, Terminal de GNL, S.A.	1.099	1.684
REN Trading, S.A.	1.023	-
	56.010	50.779

Service Purchases – Shareholders

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Purchase of services and personnel		
REN - Rede Eléctrica Nacional, S.A.	574	346
RENTELECOM - Comunicações, S.A.	35	-
REN Trading, S.A.	-	643
REN Serviços. S.A.	636	536
	1.245	1.526

Finance costs - Treasury management interest		
REN - Rede Eléctrica Nacional, S.A.	17	28
REN Gasodutos, S.A.	19	-
REN Armazenagem, S.A.	5	-
RENTELECOM - Comunicações, S.A.	44	-
REN Serviços. S.A.	0	-
REN Trading, S.A.	116	643
	203	671

25.2 Service Purchases – Shareholders

Purchase of services

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Interest on commercial paper - CGD	737	5.159
Commission on loans - CGD	197	109
	934	5.268

25.3 Remuneration of the Board of Directors

The Board of Directors of REN were considered in accordance with IAS 24 to be the only key elements in the management of the Group. Remuneration of the Board of Directors of REN in the year ended 31 December 2009 was as follows:

Remuneration of the Board of Directors

(Amounts expressed in thousands of euros – tEuro

	2009	2008
Salaries and other short term benefits	2.871	3.205
	2.871	3.205

There are no loans granted to members of the Board of Directors.

25.4 Balances with related parties – Group

The balances resulting from transactions with related parties at 31 December 2009 and 2008 are as follows::

The balances with related parties

(Amounts expressed in thousands of euros – tEuro

	2009	2008
REN - Rede Eléctrica Nacional, S.A.	4.996	110.806
REN Trading, S.A.	156	15
REN Serviços. S.A.	186	782
REN Gasodutos, S.A.	840	10.440
REN Armazenagem, S.A.	42	33
REN Atlântico, Terminal de GNL, S.A.	114	421
OMIClear - Soc. de Comp. de Mer. de Energia, S.A.	(33)	-
OMIP - Ope. do Mercado Ibérico de Energia, S.A.	(69)	3
RENTELECOM - Comunicações, S.A.	49	41
	6.281	122.542

Trade and other payables

(Amounts expressed in thousands of euros – tEuro)

	2009	2008
REN - Rede Eléctrica Nacional, S.A.	(515)	(71)
REN Serviços. S.A.	(101)	(87)
RENTELECOM - Comunicações, S.A.	(15)	-
OMIP - Ope. do Mercado Ibérico de Energia, S.A.	-	(44)
OMIClear - Soc. de Comp. de Mer. de Energia, S.A.	-	(33)
REN Trading, S.A.	-	(18,373)
REN Gasodutos, S.A.	-	(24)
REN Armazenagem, S.A.	-	(239)
	(631)	(18,871)

25.5 Balances with related parties – Shareholders

The balances resulting from transactions with shareholders at 31 December 2009 and 2008 are as follows:

Related parties - creditors

(Amounts expressed in thousands of euros – tEuro)

	2009	2008
CGD - Borrowings (Commercial paper) (Note 17)	100,000	-
	100,000	-

26. Provisions for other risk and charges

The changes in the provisions for other risks and charges were as follows:

Changes in the provisions for other risks

(Amounts expressed in thousands of euros – tEuro)

Balance at 1 January 2009	**-**	**-**
Provision for life assurance	1	-
Provision for taxes	981	-
Balance at 31 December 2009	**982**	**0**

The amount reflected in the caption provision for taxes results from additional Corporate Income Tax and Value Added Tax assessments for the year 2006, received at the end of 2009.

27. Other matters

27.1 Disagreement with GALP Energia, SGPS, S.A.

In accordance with the contracts entered into between the parties, the acquisition of natural gas regulated assets occurred in September 2006, REN having paid GALP a global base price of 526,254,679.52 Euros. The base price was contractually subject to an adjustment mechanism, through valuations made by three first rate international banks after the introduction of the regulatory framework for the natural gas sector. The adjustment mechanism specifies that the final price of the natural gas regulated assets corresponds to the arithmetic average of the three valuations made by the banks, except if any valuation differs by more than 20% from the average of the three valuations, in which case it is excluded.

In June 2007 the three valuating banks produced their respective valuation reports. None of the valuations differed by more than 20% from the average. Considering the mathematical average of the three valuations the amount that was paid by REN and the financial charges agreed contractually, the adjustment of the price for the purchase and sale of the regulated assets was fixed at 24,026,484.87 Euros, which amount REN paid to GALP in the beginning of July 2007.

Through a letter dated 9 June 2008, in accordance with the terms of the contracts entered into between the parties, REN was notified of GALP's intention to assign to an arbitration court the settlement of their dispute regarding the amount of the price adjustment paid for the natural gas regulated assets resulting from the valuations made by the three financial institutions.

In the meantime the arbitration court was established and, on 20 November 2008 GALP presented its initial petition. In summary, GALP alleges that the valuation made by one of the banks is not in compliance with the criteria established in the contracts, and that it should be excluded for purposes of determining the price adjustment for the acquisition and sale of the regulated assets. GALP also alleges that the valuations made by the other two banks contain technical errors that should be corrected by the Arbitration court.

GALP requested that REN be required to pay 40,697,947.78 Euros plus accrued interest amounting to 4,033,552.00 Euros as well as interest up to the date of payment in full. In addition, GALP requested that REN be required to pay 26 864 500.00 Euros plus accrued interest of 2 662,526.00

Euros as well as interest up to the date of payment in full. Furthermore GALP requested that REN be required to pay 12,232,708.00 Euros plus accrued interest of 1,212 377.00 Euros as well as interest up to the date of payment in full.
In January 2009 REN presented its disagreement. In summary, REN states that, in the legal and contractual terms applicable to this case, the valuations made by the banks cannot be investigated in the terms requested by GALP, considering that none of the valuations differed more than 20% from the average of the three valuations. REN also states that the valuations contested by GALP comply with all the criteria established contractually, there being no grounds to exclude any of the valuations.
On 18 January 2009 REN was notified by the Arbitration Court that judged the case brought by Galp – Gás Natural, S.A., GDP – Gás de Portugal, SGPS, SA and Galp Energia SGPS SA Sociedade Aberta (jointly referred to as "GALP") totally without merit, absolving REN of all the requests made by Galp.

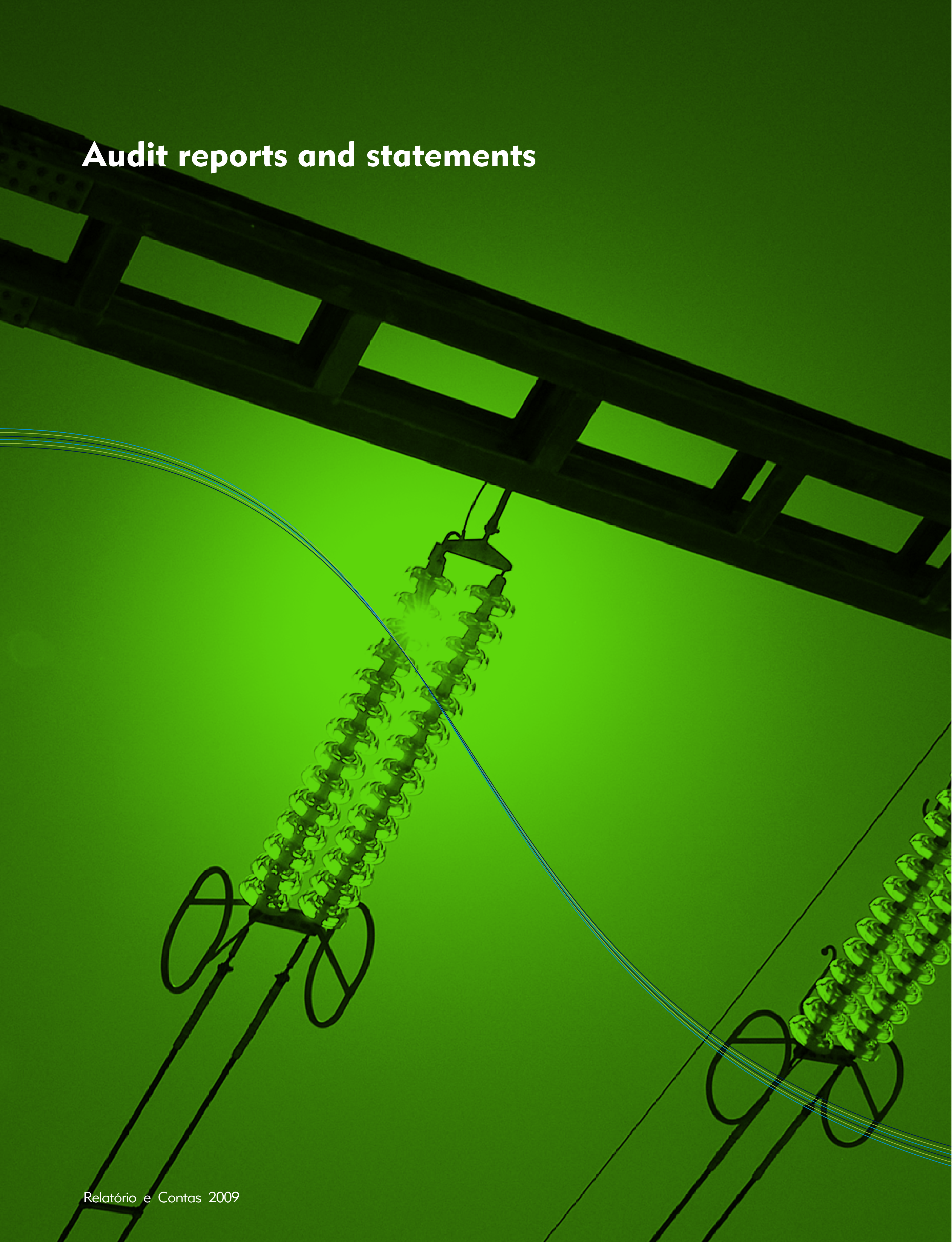
27.2 Disagreement Amorim Energia B.V.

On 19 December 2007 REN was notified of the presentation to the International Chamber of Commerce, of an arbitration request by Amorim Energia BV against REN, under which REN is accused of violating emerging obligations or related to the "Shareholders Agreement relating to GALP ENERGIA, SGPS, S.A." entered into on 29 December 2005 between REN, AMORIM and ENI PORTUGAL INVESTMENT, S.p.A.. The arbitration location is Paris, France.
In summary, Amorim Energia B.V. alleges that the unlawful acts supposedly performed by REN caused damage to the amount of dividends distributed by GALP with respect to the 2005 profits and received by REN in July 2006 as a shareholder of GALP (Euros 40,669,798 –"Dividends"). In addition, Amorim Energia BV requires an indemnity of the same amount received by REN as the result of a mechanism to permanently update the Shareholders Agreement, consistent with the application of the Euribor 3 month interest rate to the price to be paid by Amorim Energia BV for its participation in GALP (Euros 20,644,972.00). Amorim Energia BV also demands that REN be required to pay interest for late payment at the applicable legal rate as from the presentation of the arbitration petition up to the date of payment in full of the amounts claimed or an adjustment for inflation as from 12 September 2006 up to the date of full payment of the amounts claimed.
However, it is necessary to emphasize that in 2006 REN and Amorim Energia BV maintained a difference regarding who had the right to receive dividends under the Shareholders' Agreement. On 15 June 2005, an Arbitration Court set out especially by agreement between the parties issued a judgement pronouncing the action brought by Amorim Energia BV to be totally without merit and recognizing REN's right to maintain the dividends of 40,669,797.82 received from GALP. The arbitration judgement is final and became "res judicata".
REN contested the jurisdiction of an Arbitration Court functioning under the CCI to assess any of the claims made by Amorim Energia BV, also claiming inadmissibility of the claims made by Amorim Energia BV, due to renouncement/violation of the arbitration award made in Lisbon on 15 June 2007 as "res judicata" and in any case if the Court decides to judge the merit of the Arbitration Petition, sustained its total inadmissibility as it was unfounded.
The Arbitration Court has already been constituted and on 3 June 2008 the Terms of Reference were signed by the members of the Court and representatives of the parties. After presentation of the parties the hearings were carried out in the beginning of February 2009. The Arbitration Court will issue its judgment on the admissibility of the claims made by Amorim Energia. Should it decide to have jurisdiction, the Arbitration Court will pronounce itself on the claims. Notification of the Arbitration Agreement is awaited.
REN believes that the arbitration process in progress does not determine the existence of a present obligation as (at least) it is more probable that it does not imply the recognition or recording of any liability for REN in relation to Amorim Energia BV relating to the requests made than the reverse situation (that of the total or partial validity of the arbitration process).

28. 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 2009. In the event of discrepancies, the Portuguese language version prevails.

Audit reports and statements



Russell Bedford

J. MONTEIRO & ASSOCIADOS
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

Rua Augusto Macedo, 10 C, Escritório 2
1600-794 Lisboa
Portugal

Tel.: (+351) 21 712 07 34
Fax: (+351) 21 712 07 41
E-mail: jmsroc@jmsroc.pt
www.jmsroc.pt

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT PREPARED BY AN AUDITOR ENLISTED AT THE PORTUGUESE SECURITIES MARKET COMMISSION (CMVM) ABOUT THE CONSOLIDATED FINANCIAL INFORMATION

(Translation of a report originally issued in Portuguese)

INTRODUCTION

1. In compliance with the applicable legislation, we present the Legal Certification of Accounts and Audit Report on the consolidated financial information contained in the Board of Directors' Consolidated Report and in the attached consolidated financial statements of the year ended in 31 December 2009 of **REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.**, comprising: the Statements of financial position for the year ended December 31, 2009, (which shows a total of tEUR 4.294.113 and a shareholders' equity of tEUR 996.599, including minority interests of tEUR 514 and a consolidated profit of tEUR 134.047), the Consolidated Income Statement for the year ended December 31, 2009, the Consolidated Statement of comprehensive income, the Consolidated Statement of changes in equity and the Consolidated Statement of cash flows for the year ended December 31, 2009, and the corresponding explanatory Notes to the consolidated financial statement as at December 2009.

RESPONSIBILITIES

2. The Company's Board of Directors is responsible for:

   - the preparation of the Board of Directors' Consolidated Report and of the consolidated financial statements, which present a true and fair view of the financial position of the group of companies included in the consolidation, the recognized income and expenses, the comprehensive income, the consolidated results of its operations and the consolidated cash flows;

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SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

- the historical financial information, to be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and to be complete, true, actual, clear, objective and licit, as required by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários - CMVM*);
- the adoption of adequate accounting principles and policies;
- the maintenance of appropriate internal control systems; and
- the information of any relevant fact that influenced the activity of the group of companies included in the consolidation, their financial position or results.

3. Our responsibility consists in verifying the financial information contained in the referred accounting documents, namely if it is complete, true, actual, clear, objective and licit, as required by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários - CMVM*), in order enable us to express a professional and independent report, based on our examination.

BASIS OF OPINION

4. We have conducted our examination in accordance with the technical standards and recommendations issued by the Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that we plan and perform the examination so as to obtain a reasonable assurance as to whether the consolidated financial statements are free from material misstatements. Accordingly, our examination included:

   - the verification that the financial statements of the companies included in the consolidation have been properly audited, and in those significant cases where this was not the case, the verification, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and an assessment of the significant estimates and judgments defined by the Board of Directors, used in the preparation of the financial statements;
   - checking the consolidation operations and the proper application of the equity method;

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SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

- an assessment of whether the accounting policies adopted and their disclosures are appropriate, considering the circumstances;
- the verification whether the principle of continuity is valid;
- an assessment whether the overall presentation of the consolidated financial statements is adequate; and
- an assessment whether the consolidated financial information is complete, true, actual, clear, objective and licit.

5. Our examination also included the verification of the compliance of financial information included in the Board of Directors' Consolidated Report with the consolidated financial statements.

6. We believe that the examination carried out provides a reasonable basis to express our opinion on the financial statements.

OPINION

7. In our opinion, the consolidated financial statements referred to above present a true and fair view in all material aspects, of the consolidated financial position of **REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.** at 31 December 2009, the recognized income and expenses, the comprehensive income, the consolidated result of its operations and the consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the information contained is complete, true, actual, clear, objective and licit.

Lisbon, February 26, 2010

J. MONTEIRO & ASSOCIADOS
Sociedade de Revisores Oficiais de Contas, Lda.
Enlisted at the Portuguese Securities Market Commission nº 9155
Represented by:

José Manuel Carlos Monteiro

Russell Bedford

J. MONTEIRO & ASSOCIADOS
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

Rua Augusto Macedo, 10 C, Escritório 2
1600-794 Lisboa
Portugal

Tel.: (+351) 21 712 07 34
Fax.: (+351) 21 712 07 41
E-mail: jmsroc@jmsroc.pt
www.jmsroc.pt

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT PREPARED BY AN AUDITOR ENLISTED AT THE PORTUGUESE SECURITIES MARKET COMMISSION (CMVM) ABOUT THE INDIVIDUAL FINANCIAL INFORMATION

(Translation of a report originally issued in Portuguese)

INTRODUCTION

1. In compliance with the applicable legislation, we present the Legal Certification of Accounts and Audit Report on the individual financial information contained in the Board of Directors' Report and in the separated attached financial statements of the year ended in December 31, 2009 of **REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.**, comprising: the Statement of financial position as at December 31, 2009, (which shows a total of tEUR 2.967.560 and a shareholders' equity of tEUR 901.299, including a profit of tEUR 144.494), the Income Statement for the year ended December 31, 2009, the Statement of comprehensive income for the year ended December 31, 2009, the Statement of changes in equity for the years ended December 31, 2009 and the Statement of cash flows for the year ended December 31, 2009, and the corresponding explanatory Notes to the separated financial statements.

RESPONSIBILITIES

2. The Company's Board of Directors is responsible for:

   - the preparation of the Board of Directors' Report and of the separated financial statements, which present a true and fair view of the Company's financial position, the comprehensive income, the recognized income and expenses, the results of its operations and the cash flows;

Russell Bedford

J. MONTEIRO & ASSOCIADOS
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

- the historical financial information, to be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and to be complete, true, actual, clear, objective and licit, as required by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários - CMVM*);
- the adoption of adequate accounting principles and policies;
- the maintenance of an appropriate internal control system; and
- the information of any relevant fact that influenced its activity, financial position or results.

3. Our responsibility consists in verifying the financial information contained in the referred accounting documents, namely if it is complete, true, actual, clear, objective and licit, as required by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* - CMVM), in order enable us to express a professional and independent report, based on our examination.

BASIS OF OPINION

4. We have conducted our examination in accordance with the technical standards and recommendations issued by the Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that we plan and perform the examination so as to obtain a reasonable assurance as to whether the financial statements are free from material misstatements. Accordingly, our examination included:

    - the verification, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and an assessment of the significant estimates and judgments defined by the Board of Directors, used in the preparation of the financial statements;
    - an assessment of whether the accounting policies adopted and their disclosures are appropriate, considering the circumstances;
    - the verification whether the principle of continuity is valid;

J. MONTEIRO & ASSOCIADOS
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS

- an assessment whether the overall presentation of the financial statements is adequate; and
- an assessment whether the financial information is complete, true, actual, clear, objective and licit.

5. Our examination also included the verification of the compliance of financial information included in the Board of Directors' Report with the financial statements.

6. We believe that the examination carried out provides a reasonable basis to express our opinion on the financial statements.

OPINION

7. In our opinion, the financial statements referred to above present a true and fair view in all material aspects, of the financial position of **REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.**, at 31 December 2009, the recognized income and expenses, the comprehensive income, the result of its operations and the cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the information contained is complete, true, actual, clear, objective and licit.

Lisbon, February 26, 2010

J. MONTEIRO & ASSOCIADOS
Sociedade de Revisores Oficiais de Contas, Lda.
Enlisted at the Portuguese Securities Market Commission nº 9155
Represented by:

José Manuel Carlos Monteiro

Audit report of financial statements

AUDIT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a consolidated audit report originally issued in Portuguese – Note 39)

INTRODUCTION

1. We have examined the consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Company") and subsidiaries ("the Group"), which include the Consolidated Statement of Financial Position at 31 December 2009 that reflects a total of 4,294,113 thousand Euros and shareholders' equity of 996,599 thousand Euros, including a consolidated net profit of 134,047 thousand Euros and the Consolidated Statements of Profit and Loss, the Consolidated statement of other comprehensive income, Changes in Equity and Cash Flows for the year then ended and the corresponding notes.

RESPONSIBILITIES

2. The preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, their consolidated other comprehensive income, the consolidated changes in their shareholders' equity and their consolidated cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of appropriate systems of internal control are the responsibility of the Board of Directors. Our responsibility is to express a professional and independent opinion on these consolidated financial statements, based on our examination.

SCOPE

3. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation were appropriately examined, assessing the adequacy of the accounting principles used, their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements and assessing that in all material respects the financial information is complete, true, current, clear, objective and licit . We believe that our examination provides a reasonable basis for expressing our opinion.

OPINION

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. and subsidiaries as of 31 December 2009, their consolidated other comprehensive income, consolidated changes in their equity and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Lisbon, 26 February 2010

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

AUDIT REPORT
SEPARATE FINANCIAL STATEMENTS

(Translation of an audit report originally issued in Portuguese – Note 28)

INTRODUCTION

1. We have examined the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Company"), which comprise the Statement of Financial Position as of 31 December 2009, that totals 2,967,560 thousand Euros and equity of 901,299 thousand Euros, including a net profit of 144,494 thousand Euros, the Statements of Profit and Loss, the Statement of Other Comprehensive Income, Changes in Financial Position and Cash Flows for the year then ended and the corresponding notes.

RESPONSIBILITIES

2. The preparation of financial statements that present a true and fair view of the financial position of the Company, its other comprehensive income, changes in equity and cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of appropriate systems of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements, based on our examination.

SCOPE

3. Our examination was performed in accordance with the auditing standards (Normas Técnicas e as Directrizes de Revisão/Auditoria) issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors used in their preparation. Our examination also included assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

OPINION

4. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, in all material respects, the financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of 31 December 2009 and its statement of other comprehensive income, changes in equity and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

EMPHASIS

5. The financial statements referred to in paragraph 1 above refer to the Company's operations on a separate non-consolidated basis and were prepared for approval and publication in accordance with current legislation. As explained in Note 3.1 to the financial statements, investments in subsidiaries are stated at cost. As required by current legislation, the Company has prepared consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for separate publication.

Lisbon, 26 February 2010

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

REN - REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

CONSOLIDATED ACCOUNTS

Under the powers conferred to it, the Audit Committee followed the progress of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiary companies, oversaw the compliance with law, regulations and articles of association, monitored the compliance with accounting policies and practices and supervised the preparation and disclosure of financial information, statutory accounts, the effectiveness of the internal control systems, risk management, as well as the independence and activity of the statutory auditor and the external auditor, including in relation to the capacity of independence in the provision of non-audit services.

The Audit Committee has also examined the financial information contained on the Management Report and Accounts and the consolidated financial statements of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. for the financial year ending on 31 December 2009, which contain the consolidated statements of the financial position on 31 December 2009, the consolidated statements of the results regarding the financial year ended on 31 December 2009, the consolidated statements on the comprehensive income, the consolidated statements on the changes on equity and the consolidated statements on cash flows for the year ended on 31 December 2009, and the respective Annex to the consolidated financial statements for December 2009, as well as the Consolidated Management Report drawn up by the Board of Directors regarding the 2009 financial year.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information drawn up by the Statutory Auditor, which obtained its agreement.

In addition, the Audit Committee reviewed the Audit Report on the consolidated financial information drawn up by the External Auditor, which also received its agreement.

Pursuant the analysis carried out, the Audit Committee has also supervised the compliance and accuracy of the accounting policies, procedures and practices and the valuation methods adopted, as well as the regularity and quality of the Company's accounting information.

In light of the above, the Audit Committee believes that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal contained therein, are in accordance with the applicable accounting, legal and statutory provisions, and thus, recommends its approval in the Annual General Meeting.

Lisbon, 26 February 2010

José Luis Alvim (Chairman of the Audit Committee)
José Frederico Jordão (Member of the Audit Committee)
Fernando António Portela Rocha de Andrade (Member of the Audit Committee)

REN - REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

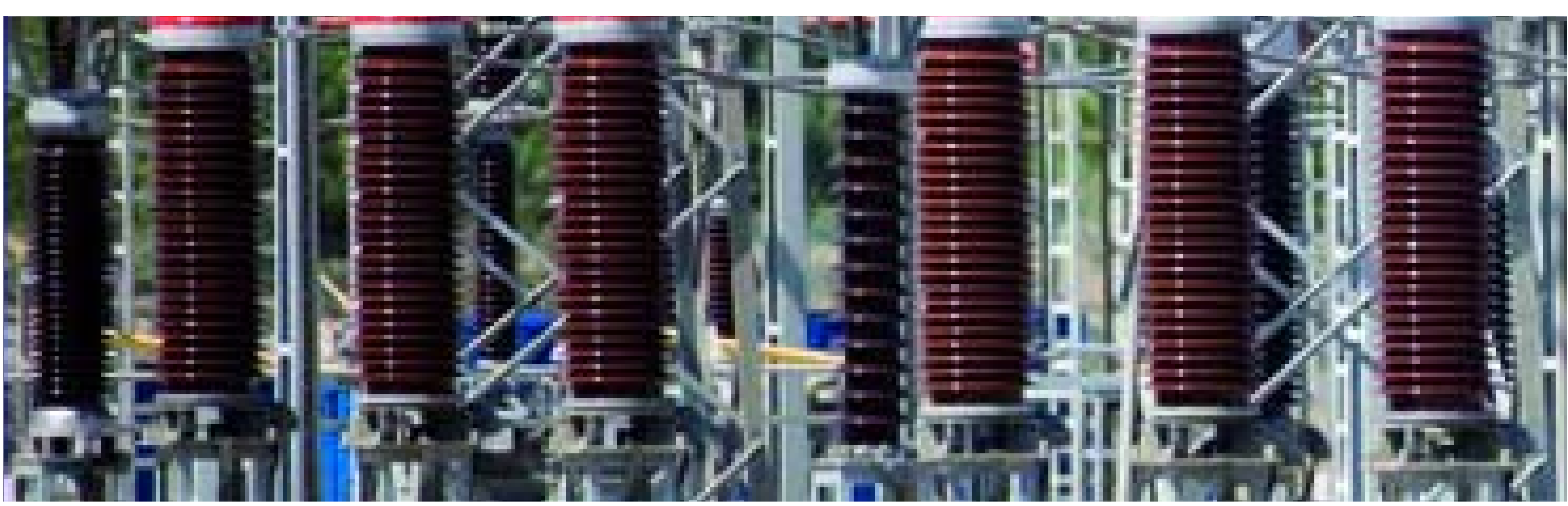
REPORT AND OPINION OF THE AUDIT COMMITTEE

INDIVIDUAL ACCOUNTS

Under the powers conferred to it, the Audit Committee followed the progress of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiary companies, oversaw the compliance with law, regulations and articles of association, monitored the compliance with accounting policies and practices and supervised the preparation and disclosure of financial information, statutory accounts, the effectiveness of the internal control systems, risk management, as well as the independence and activity of the statutory auditor and the external auditor, including in relation to the capacity of independence in the provision of non-audit services.
The Audit Committee has also examined the financial information contained in the Management Report and Accounts and the individual financial statements of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. for the financial year ending on 31 December 2009, which contain the financial position statements on 31 December 2009, the results statements regarding the financial year ended on 31 December 2009, the comprehensive income statements, the changes on equity statements, the cash flow statements for the year ended on 31 December 2009 and the respective Annex to the individual financial statements.
The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information drawn up by the Statutory Auditor, which obtained its agreement.
In addition, the Audit Committee reviewed the Audit Report on the individual financial information drawn up by the External Auditor, which also received its agreement.
Pursuant the analysis carried out, the Audit Committee has also supervised the compliance and accuracy of the accounting policies, procedures and practices and the valuation methods adopted, as well as the regularity and quality of the Company's accounting information.
In light of the above, the Audit Committee believes that the Individual Financial Statements and Consolidated Management Report, as well as the proposal contained therein, are in accordance with the applicable accounting, legal and statutory provisions, and so, recommends its approval in the Annual General Meeting.

Lisbon, 26 February 2010

José Luis Alvim (Chairman of the Audit Committee)
José Frederico Jordão (Member of the Audit Committee)
Fernando António Portela Rocha de Andrade (Member of the Audit Committee)



Extract from minutes of the General Meeting of Shareholders

Extract of the Minutes no. 1/2010

On the 15th of March of the year two thousand and ten , at ten a.m., at the Company's auditorium, located at EN 116, Bucelas, Municipality of Loures, was held the General Meeting of REN – Redes Energéticas Nacionais, SGPS, S.A., a public company (hereinafter called "REN" or "Company"), that has its registered office at Avenida dos Estados Unidos da América, no. 55, in Lisbon, with the share capital of € 534 000 000.00, holder of the corporate person identification card number 503 264 032 and registered at the Commercial Registry Office of Lisbon under the same number , in accordance with the call notice published on February 12, 2010 in the Internet sites of the Ministry of Justice, the Portuguese Securities Market Commission (CMVM) and REN. --

(...)

The Chairman of the General Meeting's Board commenced the works of the session, with the following agenda:

(...)

Item Two – Decide on the approval of the consolidated and individual accounts' reporting documents for the financial year that ended on December 31, 2009, in particular the global management report, legal certification of accounts, opinion of the audit body, activity report of the Audit Committee and the corporate governance report. --------------------------------

Item Three – Decide on the proposal for the distribution of the financial year end results ------------

Item Four – General appraisal of the company's management and supervisory corporate bodies auditing activities, under the terms of the provisions established in article 455 of the Portuguese Companies Code. --

(...)

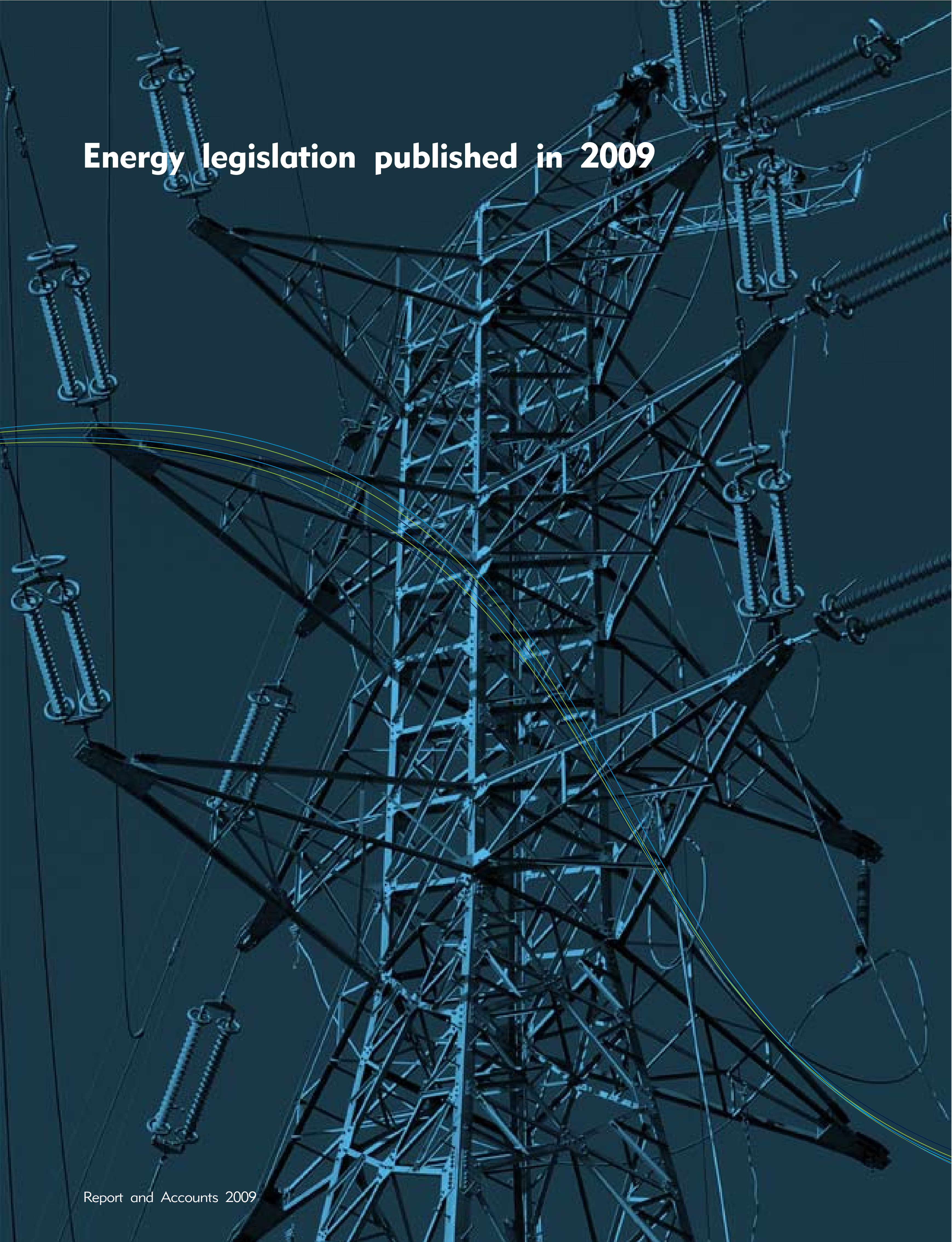
Given that no further shareholders had registered to speak, the voting procedure commenced, and the proposal related to **Item Two** was unanimously approved by the votes issued (with 433,145,843 votes in favour, 0 votes against and 469,468 abstentions). Proceeding to the next item on the agenda, the Chairman of the General Meeting's Board clarified that the proposal presented by the Board of Directors in relation to **Item Three** of the agenda had been made available in due time, included within the materials supplied to the General Meeting, thus dispensing with the need to read it, and its respective content is transcribed into the present minutes: --

"REN SGPS' consolidated net result in the 2009 financial year was € 134,046,810.44 (one hundred and thirty four million, forty six thousand, eight hundred and ten euros and forty four cents). ----------

In light of the above, the Board of Directors, under the terms of article 28 of the Bylaws of REN SGPS, S.A. and articles 31 to 33 and 66, no. 5 of the Portuguese Companies Code, proposes that the net result for the 2009 financial year, determined in the individual financial statements, in accordance with the International Financial Reporting Standards, in the amount of € 144,493,679.21 (one hundred and forty four million four hundred and ninety three thousand, six hundred and seventy nine euros and twenty-one cents), shall be appropriated as follows:

To the legal reserve - € 7,224,683.96 (seven million two hundred and twenty four thousand, six hundred and eighty three euros and ninety six cents); ----------
To dividends - € 89,178,000 (eighty nove million, one hundred and seventy eight thousand euros), corresponding to a distribution of 66.527% of the consolidated result of REN SGPS, S.A. in the 2009 financial year - that was € 134,046,810.44 (one hundred and thirty four million, forty six thousand, eight hundred and ten euros and forty four cents), and equivalent to distribution of the gross dividend amount per share of € 0.167; ------------------------------
To the free reserve, the amount of € 48,090,995.25 (forty eight million ninety thousand, nine hundred and ninety five euros and twenty five cents). -----------
(...)
The Chairman of the General Meeting's Board then invited shareholders to vote upon the proposal related to **Item Three**, in relation to appropriation of the net result for the financial year that ended on December 31, 2009. The proposal was unanimously approved by the votes issued (with 433,592,809 votes in favour, 0 votes against and 22,502 abstentions).
In the discussion of **Item Four** on the agenda, the Chairman of the General Meeting's Board informed all those present that the General Meeting's Board had only received one proposal, subscribed by the Shareholders, Capitalpor – Participações Portuguesas, SGPS, S.A., Parpública – Participações Públicas (SGPS), S.A. and Caixa Geral de Depósitos; S.A., that was also subscribed, during the works of the session, by the Shareholder, António Alberto França de Oliveira, acting on its own behalf and in representation of the Shareholder, Bento da Rocha Cabral Scientific Research Institute. The proposal had been made available in due time, included within the materials supplied to the General Meeting, thus dispensing with the need to read it, and its respective content is transcribed into the present minutes: ---
"By means of the present document, a proposal is made to the General Meeting of REN – Redes Energéticas Nacionais, SGPS, S.A. to carry out a general appraisal of the company's management and supervision activities, in accordance with the provisions established in article 455 of the Portuguese Companies Code, in accordance with the following terms: --
A vote of positive appraisal and praise for the Board of Directors for pursuit of its management functions during the 2009 financial year;------------------------------
A vote of positive appraisal and praise for the Audit Committee for pursuit of its auditing functions during the 2009 financial year; --------------------------------------
A vote of positive appraisal and praise for the Chartered Accountant (ROC) for pursuit of its functions during the 2009 financial year."----------------------------
The Chairman of the General Meeting's Board then invited all those present to vote upon the proposal related to **Item Four** of the agenda, which was unanimously approved by the votes issued (with 433,581,319 votes in favour, 0 votes against and 33,992 abstentions). ---
(...)

Energy legislation published in 2009



Report and Accounts 2009

Energy legislation published in 2009

Electricity

ERSE Ordinance 59/2009
of 2 January, D.R. 1, Série II
Approves tariffs and prices for electricity and other services in 2009 and regulation parameters for 2009-2011

Decree-Law 23/2009
of 20 January, D. R. 13, Série I
Amends Decree-Law 172/2006 of 23 August and transposes into Portuguese law Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 on measures to guarantee security of supply of electricity and investment in infrastructures

ERSE Ordinance 3827/2009
of 30 January, D.R. 21, Série II
Approves schedule loss profiles and consumption profiles to be applied from 1 January to 31 December 2009

Ministerial Order MEI 5579-A/2009
of 18 February, D. R. 34, Suplemento, Série II
Corrected tariff stability

Parliamentary Resolution 12/2009
of 2 March, D. R. 42, Série I
Promotion of hydroelectric plants

Parliamentary Resolution 17/2009
of 23 March, D. R. 57, Série I
Approves the agreement revising the agreement between Portugal and Spain on the constitution of an Iberian electricity market signed in Braga on 18 January 2008

Presidential Decree 21/2009
of 23 March, D. R. 57, Série I
Ratifies the agreement revising the agreement between Portugal and Spain on the constitution of an Iberian electricity market signed in Braga on 18 January 2008

ERSE Ordinance 9244/2009
of 2 April, D.R. 65, Série II
Establishes the monitoring of reference prices and average prices charged by electricity suppliers

ERSE Ordinance 9974/2009
of 14 April, D.R. 72, Série II
Amends the System Manager Manual of Procedures with regard to the balance sheet and supply units for power stations in the Mondego, Tejo and Zêzere river basins

ERSE Ordinance 9975/2009
of 14 April, D.R. 72, Série II
Approves the method for calculating the value of security deposits associated with electricity supplies

Ministerial Order MEI – DGEG 10956-A/2009
of 29 April, D. R. 83, Suplemento, Série II
Announces a new period for submitting requests for prior information for connection to the independent network of electricity installations

ERSE Ordinance 15816/2009
of 10 July, D.R. 132, Série II
Approves the method for codifying electricity delivery points

ERSE Ordinance 18138/2009
of 5 August, D.R. 150, Série II
Approves the incentive mechanism and parameters for increasing availability of RNT elements and the incentive parameters for keeping on equipment at the end of its useful life

Ordinance 865/2009
of 13 August, D. R. 156, Série I
Determines coefficient Z applicable to electric power stations that use geothermal energy in mainland Portugal for projects of great depth and high enthalpy

Regulation (EC) 713/2009
of the European Parliament and of the Council of 13 July, OJEU 211, Series L, 14 August Institutes an Agency for the Cooperation of Energy Regulators

Regulation (EC) 714/2009
of the European Parliament and of the Council of 13 July, OJEU 211, Series L, 14 August
Lays down the conditions on access to the network for cross-border exchanges of electricity and revokes Regulation (EC) 1228/2003

Directive 2009/72/EC
of the European Parliament and of the Council of 13 July, OJEU 211, Series L, 14 August
Lays down common rules for the internal market in electricity and revokes Directive 2003/54/EC

Law 83/2009
of 26 August, D. R. 165; Série I
Authorises the government to set up a special regime on expropriations necessary for building hydroelectric plants in the National Programme of Dams with High Hydroelectric Potential and the hydroelectric plants at Ribeiradio - Ermida and Baixo Sabor

ERSE Ordinance 20218/2009
of 7 September, D.R. 173, Série II
Revises the regulations on business relations in the electricity sector

Council of Ministers Resolution 81/2009
of 7 September, D. R. 173, Série I
Sets the goals and new measures for the Electricity Mobility Programme in Portugal and approves the electricity mobility model

Decree-Law 246/2009
of 22 September, D. R. 184, Série I
Makes the first amendment to Decree-Law 4/93 of 8 January, which approves the Regulations on Electrical Installation Rates

Decree-Law 319/2009
of 3 November, D. R. 213, Série I
Transposes into Portugal law Directive 2006/32/EC of the European Parliament and of the Council of 5 April in energy end-use efficiency and public energy services and aims at increasing cost effectiveness in energy end use

ERSE Ordinance 27599/2009
of 24 December, D.R. 248, Série II
Revises and republishes the Electricity Sector Tariff Regulations

ERSE Ordinance 27650/2009
of 28 December, D.R. 249, Série II
Tariffs and prices for electricity in 2010

Natural gas

ERSE Ordinance 1 800/2009
of 14 January, D.R. 9, Série II
Approves the rules on the natural gas auction for the 2009-2010 gas year

ERSE Ordinance 1 801/2009
of 14 January, D.R. 9, Série II
Approves the Guide on Measurement, Reading and Publication of Data for the natural gas sector

ERSE Ordinance 1 802/2009
of 14 January, D.R. 9, Série II
Quarterly revision for energy prices in natural gas tariffs in the first quarter of 2009

ERSE Ordinance 6 973/2009
of 5 March, D.R. 45, Série II
Approves procedures and time limits in the management of the change of natural gas seller

ERSE Ordinance 9 677/2009
of 7 April, D.R. 68, Série II
Quarterly revision for energy prices in natural gas tariffs in the second quarter of 2009.

ERSE Ordinance 13 964/2009
of 18 June, D.R. 116, Série II
Amends tariff regulations of the natural gas sector – more flexible tariffs

ERSE Ordinance 14 148/2009
of 23 June, D.R. 119, Série II
Natural gas tariffs and prices for the 2009-2010 gas year

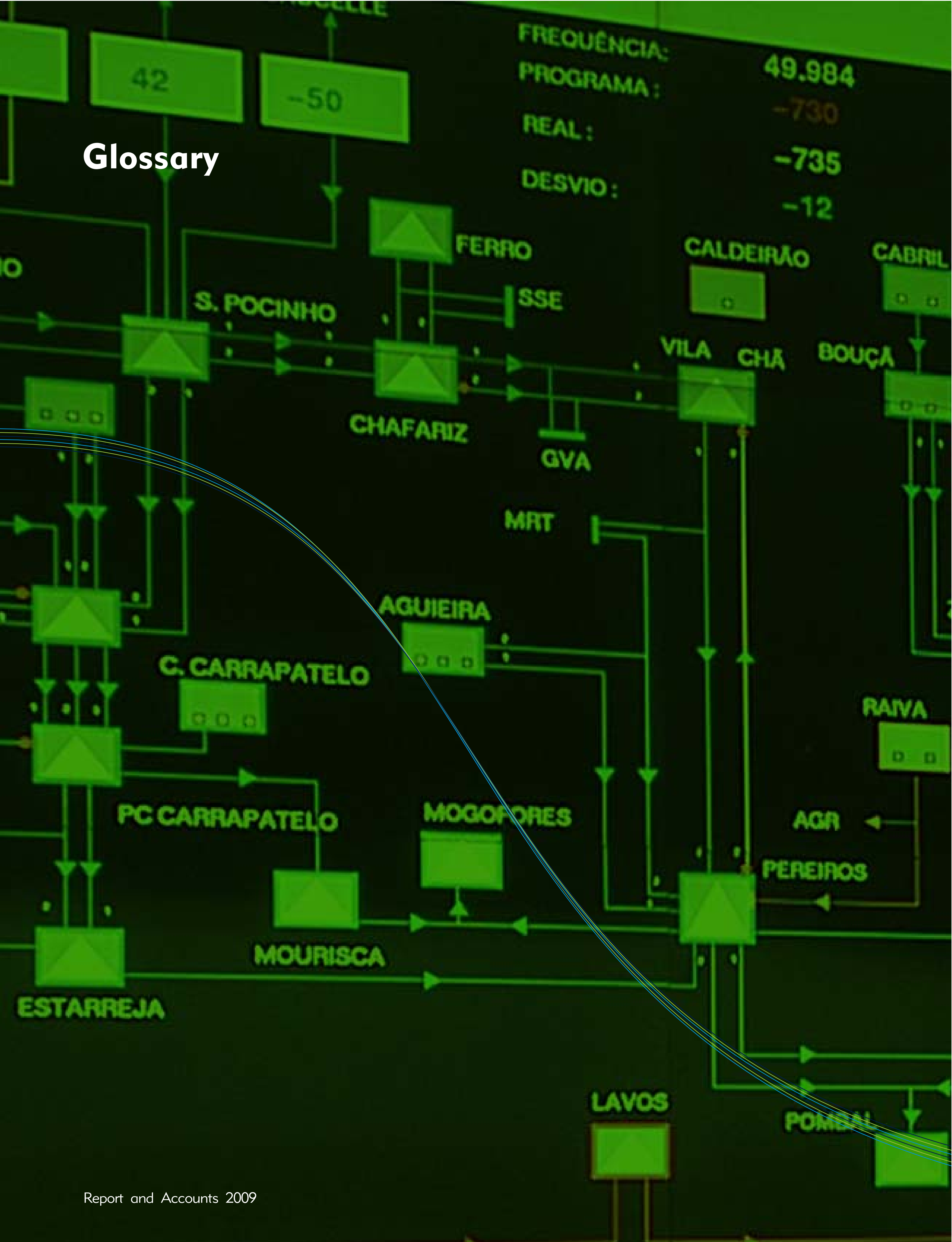
ERSE Ordinance 16 874/2009
of 22 July, D.R. 140, Série II
Alterations to the manual of system operation procedures and the compensation procedures of the natural gas sector

Regulation (EC) 663/2009
of the European Parliament and of the Council of 13 July, OJEU 200, Series L, 31 July
Programme to aid economic recovery by granting financial assistance to projects in the field of energy

Directive 2009/73/EC
of the European Parliament and of the Council of 14 August, OJEU 211, Series L
Establishes common rules for the internal market in natural gas and revokes Directive 2003/55/EC

Regulation (EC) 715/2009
of the European Parliament and of the Council of 13 July, OJEU 211, Series L, 14 August
Establishes the conditions for access to the natural gas transport network and revokes Regulation (EC) 1775/2005

Glossary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PROGRAMA:
REAL:
DESVIO:
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-735
-12
42
-50
FERRO
SSE
CALDEIRÃO
CABRIL
S. POCINHO
VILA
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BOUÇA
CHAFARIZ
GVA
MRT
AGUIEIRA
C. CARRAPATELO
RAIVA
PC CARRAPATELO
MOGOFORES
AGR
PEREIROS
MOURISCA
ESTARREJA
LAVOS
POMBAL

Financial glossary

Capex
Investment at total costs in the purchase or improvement of tangible fixed assets

Debt to equity ratio
Net debt / equity

Dividend per share
Ordinary dividend / total number of shares

EBIT
Earnings before interest and taxes (operating profit)

EBITDA
Earnings before interest, taxes, depreciation and amortization

EBITDA Margin

EBITDA/turnover

Net debt
Short- and long-term financial debt – cash in hand

Payout ratio
Ordinary dividends/net profit

Return on assets (ROA)
EBIT/net assets

Return on equity (ROE)
Net profit/equity

Turnover
Sales and services

Technical glossary

Acronyms

AGC
Natural Gas Consumption Management Agreement

CER
Certified Emissions Reductions

CESUR
Energy Contracts for Delivery to Supplier of Last Resort

CIGRÉ
International Council on Large Electric Networks

CMVM
Portuguese Stock Exchange Comission

DGEG
Department of Energy and Geology

DR
Portuguese Official Gazette

DRS
Disaster Recovery System

DWDM
Dense Wavelength Division Multiplexing

EC
European Commission

ECX
European Climate Exchange

EDP
Energias de Portugal, S.A.

EGIG
European Gas pipeline Incident Data Group

EHV
Extra high voltage

EIB
European Investment Bank

EIT
Equivalent Interruption Time

EMTN
Euro Medium Term Notes

ENS
Energy Not Supplied

ERGEG
European Regulators Group for Electricity and Gas

ERSE
Energy Services Regulatory Authority

ETA
Electricity Transmission Activity

ETS
Emissions Trading Scheme

ETSO
European Transmission System Operators

EU
European Union

EURELECTRIC
Union of the Electricity Industry

GDP
Gross Domestic Product

GDP
Gás de Portugal, SGPS, S.A.

GHG
Greenhouse gases

GMRS
Gas Regulating and Metering Station

GRM
Gas Regulating and Metering Station

GVA
Gross Value Added

HCPI
Harmonised Consumer Price Index

HV
High Voltage

IDN
Industrial Data Network

IEA
International Energy Agency

IFRSs
International Financial Reporting Standards

INE
National Institute of Statistics

IP
Internet Protocol

IRC
Corporate Income Tax

ISDA
International Swap and Derivatives Association

IVA
Value Added Tax

LNG
Liquefied natural gas

MEFF
Spanish Options and Futures Market

MIBEL
Iberian Electricity Market

MLT
Medium and Long Term

MTSP
Municipal Tax on Sale of Property

NG
Natural gas

NNTGN
National Natural Gas Transport Network

NTG
National Electricity Transmission Grid

OECD
Organisation for Economic Cooperation and Development

OMEL
Operador del Mercado Ibérico de Energía - Polo Español, S.A.

OMI
Iberian Energy Market Operator

OMIClear
Sociedade de Compensação de Mercados de Energia, S. A.

OMIP
Operador do Mercado Ibérico de Energia (Pólo Português), S.A.

OSSI
official social security institutions

OPEX
Operating and Maintenance Costs

PNALE
National Emission Allowance Plan

PNBEPH
National Programme for Dams of High Hydroelectric Potential

POC
Portuguese Official Accounting Standards

PPA
Power Purchase Agreement

PPDA
Environmental Performance Promotion Plan

PPEC
Plan for the Efficient Use of Electricity

RAB
Regulatory Asset Base

RCCP
Current ROE

RECS
Renewable Energy Certificate System

RENTELECOM
RENTELECOM-Comunicações, S.A.

REORT
European Network of Transmission System Operators for Gas

RES
Directive on Renewable Energy Sources

R&D
Research and development

RNDGN
National Natural Gas Distribution Network

RNTIAT
National LNG transport, storage infrastructure and terminal network

ROA
Return on Assets

SAP
Systems Applications and Products in Data Processing

SDH
Synchronous Digital Hierarchy

SE
Substation

IES
Independent Electricity System

SEN
National Electricity System

SEP
Public Electricity Supply System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding company

SGRI
South Gas Region Initiative

SNGN
National Natural Gas System

SQR
Service Quality Regulations

SRG
Special Regime Generators

SRPV
Private Voice Network Services

TEN
Trans European Networks

TSO
Transmission System Operators

UAG
Independent Gasification Units

UCTE
Union for the Coordination of Transmission of Electricity

UGS
Tariff for General Use of the System

URT
Tariff for Use of the Transmission Grid

USA
European Union Allowances

Unidades

bcm	10^9 cubic metres
cent.€	euro cents
CO2	carbon dioxide
EUR	euro
€	euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt hour
k€	thousands of euros
km	kilometre
kV	kilovolt
kWh	kilowatt hour
m^3	cubic metre
m^3(n)	normal cubic metre (volume of gas metered at 0º Celsius and at 1 atmosphere of pressure)re)
M€	millions of euros
mEuros	thousands of euros
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt hour
p.p.	percentage points
s	second
t	tonne
tcm	1012 cubic metres
tCO2eq	equivalent tonne of CO2
TWh	terawatt-hour

Conselho editorial e gráfico

SINÓPTICA

www.sinoptica.pt

Design e paginação

FP.DESIGN

Francisco Pacheco
fp.design@netcabo.pt

REN - Redes Energéticas Nacionais, SGPS, S.A.
Avenida dos Estados Unidos da América, 55
1749-061 LISBOA - Portugal
Tel: +351 210 013 500