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

Consolidated Financial Statements
30 September 2014

(Translation of consolidated financial statements originally issued in Portuguese – Note 32)

Consolidated financial statements

30 September 2014

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

Index

1. ECONOMIC AND FINANCIAL PERFORMANCE

1.1 3rd Quarter 2014 results

MAIN INDICATORS

In the 3rd quarter of 2013, EBITDA was 374.2M€, a decrease of 3.4% (-13.2M€) when compared with the same period of the last year. This reduction is mainly driven by the decrease in hydro land remuneration (-5.9M€), due to regulatory changes in the calculation methodology of the rate of return of these assets, and to the reversal of an impairment of receivable debts in the previous year (-5.3M€).

On the other hand, financial results increased by 26.3M€ (+25.0%), reflecting the decrease in the average cost of debt, from 5.62% to 4.67%, as well as, in net debt (-36.2M€; -1.5%), to 2,432.0M€.

Despite the positive evolution in financial results, net income reached 84.9M€, decreasing 4.9% (-4.4M€) comparatively to same period of the previous year, mainly due to the energy sector extraordinary levy in 2014 (18.8M€). Recurrent net income increased 20.5% (+18.0M€).

Capex stood at 69.3M€, a decrease of 40.8M€ (-37.0%), of which -31.9M€ in the electricity segment and -8.7M€ in the gas segment. Transfers to RAB fell 75%, from 55.4M€ to 13.8M€. On the other hand, average RAB increased 1.2% (+40.8M€).

Main indicators [Millions of Euros]	**September 2014**	**September 2013**	**Change %**
EBITDA	374.2	387.4	-3.4%
Net financial income [1]	-79.0	-105.3	25.0%
Net income	84.9	89.3	-4.9%
Recurrent net income	106.0	87.9	20.5%
Total Capex	69.3	110.1	-37.0%
Transfers to RAB[2] (at historic costs)	13.8	55.4	-75.0%
Average RAB[3] (at reference costs)	3,459.5	3,418.6	1.2%
Net debt	2,432.0	2,468.2	-1.5%
Average cost of debt	4.67%	5.62%	-0.95 p.p.

[1] 3rd quarter of 2014 excludes the Financial cost as of the interconnection capacity auctions between Spain and Portugal (0.4M€) - known as FTR (Financial Transaction Rights), that were reclassified to Revenues.
[2] Includes direct acquisitions RAB related.
[3] Includes the value of Enondas regulated asset base, which is now considered materially relevant. For comparison purposes, the values for the previous year were adjusted in accordance.

OPERATIONAL RESULTS - EBITDA

EBITDA stood at 374.2M€, a decrease of 13.2M€ (-3.4%) when compared to the same period of the previous year.

This decrease was mainly driven by the following:

- The reversal of an impairment of receivable debts in 2013, a non-recurrent effect (-5.3M€);

- The reduction of 5.9M€ (-98.0%) in hydro land remuneration, explained by the regulatory changes to the calculation methodology of the rate of return. In 2013, the rate of return was calculated based on the interbank mid-swap rate with the term closest to the hydro land legal amortization period. The new legislation establishes a 0.06% transitory rate of return for 2014, and a variable rate of return from 2015 onwards, being subject to the evaluation of REN's performance regarding its responsibilities as system operator;

- Decrease of 4.1M€ (-2.1%) in RAB remuneration, essentially as a result of the decrease of 4.6M€ in Natural Gas, reflecting the decrease in the rate of return, from 8.00% to 7.51%. The RoR for Natural Gas is indexed to the evolution of the daily average of 10Y Portuguese Bonds;

- The reduction of 2.8M€ (-3.6%) in revenues from opex, reflecting the group's operational costs reduction;

- Reduction of own works revenues (-4.0M€; -21.4%), essentially in financial own works, affected by the decrease in the average value of assets in progress and average cost of debt.

On the other hand, contributing favourably to the evolution of EBITDA were:

- The reduction in the group's Opex (-3.3M€), of which -1.2M€ in personnel costs and -2.1M€ in external costs;

- The positive evolution of NG smoothing effect (+4.3M€; 49.0%);

- The increase of 2.5M€ (+1.8%) in depreciation recovery (net from subsidies), consistent with the increase in the asset base.

EBITDA [Millions of Euros]	September 2014	September 2013	Change %
1) Revenues of Assets	**346.9**	**350.9**	**-1.1%**
Return on RAB	192.7	196.8	-2.1%
Smoothing differences and neutrality effect (gas)	-4.4	-8.7	-49.0%
Hydro land remuneration	0.1	6.0	-98.0%
Lease revenues from hydro protection zone	0.6	0.6	-1.1%
Remuneration of fully depreciated assets	6.5	6.2	4.2%
Recovery of depreciation (net from subsidies)	138.1	135.6	1.8%
Subsidies depreciation	13.3	14.4	-7.1%
2) Revenues from Opex	**74.2**	**77.0**	**-3.6%**
3) Other revenues	**13.5**	**13.7**	**-1.3%**
4) Own works (capitalised in Investment)	**14.5**	**18.5**	**-21.4%**
5) Construction revenues (ex. Own works)	**54.8**	**91.5**	**-40.1%**
6) OPEX	**74.6**	**78.0**	**-4.3%**
Personnel costs [4]	39.5	40.7	-3.0%
External Costs	35.1	37.2	-5.7%
7) Construction costs	**54.8**	**91.5**	**-40.1%**
8) Provisions	**0.2**	**-0.1**	**n.m**
9) Impairment	**0.0**	**-5.3**	**n.m**
EBITDA (1+2+3+4+5-6-7-8-9)	**374.2**	**387.4**	**-3.4%**

[4] 3rd quarter of 2013 includes reclassification of training, seminar and staff fuel costs, from external costs to staff costs (0.42M€).

NET INCOME

In the 3rd quarter of 2014, net income stood at 84.9M€, which represents a 4.9% (-4.4M€) reduction comparatively with the same period of the previous year. Note that this reduction reflects the effect of the extraordinary levy to the energy sector established in 2014's State Budget Law (-18.8M€ until September), as well as the decrease in EBITDA (-13.2M€; -3.4%). These negative effects were partially offset by the positive evolution in the group's financial results, which increased 26.3M€ (+25.0%) driven by the reduction of both average cost of debt, which dropped from 5.62% to 4.67%, and net debt, which stood at 2,432.0M€ (-36.2M€; -1.5%).

When adjusted for non-recurring items, Recurrent Net Income increased by 20.5% (+18.0M€). The non-recurring items considered in the third quarter of both 2013 and 2014 were the following:

i) In 2014: i) cost of carry of European Investment Bank escrow account of 3.3M€ (2.2M€ after taxes); and ii) Energy sector extraordinary levy, as established in 2014 State budget law (18.8M€)

ii) In 2013: i) cost of carry of European Investment Bank escrow account of 3.5M€ (2.4M€ after taxes); ii) annulment of the provision for impairment of receivables worth 5.3M€ (3.8M€ after taxes);

Net Income [Millions of Euros]	**September 2014**	**September 2013**	**Change %**
EBITDA	**374.2**	**387.4**	**-3.4%**
Depreciations	151.4	150.2	0.8%
Net financial income	-79.0	-105.3	-25.0%
Taxes	58.9	42.6	38.2%
Net income	**84.9**	**89.3**	**-4.9%**
Nonrecurring items	**21.0**	**-1.4**	**n.m.**
Recurrent Net Income	**106.0**	**87.9**	**20.5%**

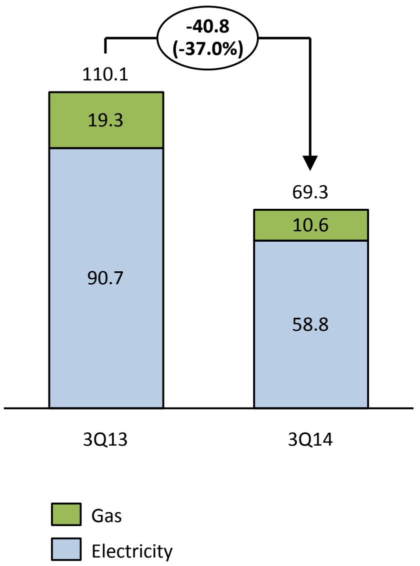
1.2 Average RAB and investment

CAPEX AND AVERAGE RAB

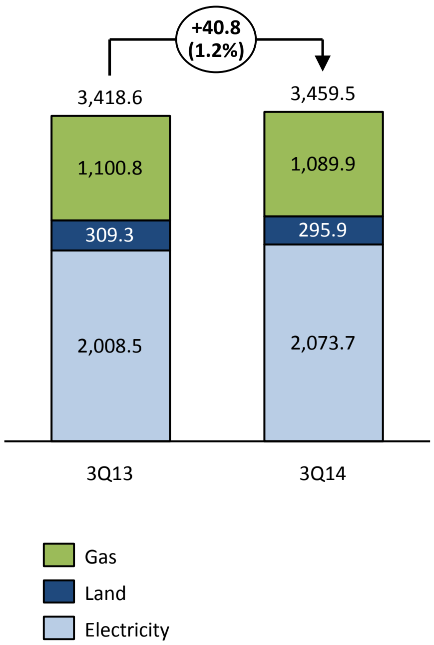
In the 3rd quarter of 2014, capex stood at 69.3M€, representing a decrease of 40.8M€ comparatively to the same period of 2013, of which -31.9M€ in the electricity segment (-35.2%) and -8.7M€ (-45.3%) in Natural Gas. In electricity, we highlight the projects of integration in the network of the new hydroelectric power plants of Venda Nova III and Salamonde II (18.1 M€) and the projects of reinforcement of the transmission grid through the integration of Special Regime Producers (12.0M€). In natural gas, we emphasize the construction of underground storage cavern C6 (6.5M€). Transfers to RAB decreased 41.6M€ (75.0%), of which -41.5M€ in electricity and -0.1M€ in natural gas.

Average RAB increased 40.8M€ (+1.2%) and stood at 3,459.5M€. In electricity, the regulated asset base grew 51.8M€ (+2.2%), resulting from an increase of 114.1M€ in assets with premium and a decrease of 62.3M€ in assets without premium. In Natural Gas, the average RAB decreased by 10.9M€, driven by the decrease in REN Atlântico (-19.2M€).

INVESTMENT (M€)



AVERAGE RAB (M€)



1.3 Quarterly statements of profit and loss and comprehensive income for the periods from 1 July 2014 to 30 September 2014 and 2013

Consolidated statements of profit and loss

(Amounts expressed in thousands of euros - tEuros)

	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
Sales	115	23
Services rendered	138,078	141,317
Revenue from construction of concession assets	33,301	51,202
Gains from associates and joint ventures	98	284
Operating subsidies	8	-
Other operating income	4,962	5,547
Operating income	**176,562**	**198,373**
Cost of goods sold	(185)	(62)
Cost with construction of concession assets	(28,831)	(44,802)
External supplies and services	(10,003)	(10,698)
Employee compensation and benefit expense	(13,026)	(12,481)
Depreciation and amortizations	(50,501)	(50,169)
Other expenses	(2,561)	(2,881)
Operating costs	**(105,107)**	**(121,093)**
Operating results	**71,455**	**77,281**
Financial costs	(29,818)	(42,606)
Financial income	2,610	3,001
Financial results	**(27,208)**	**(39,605)**
Profit before income taxes and CESE	**44,247**	**37,676**
Income tax expense	(11,339)	(12,431)
Extraordinary contribution on energy sector (CESE)	(6,266)	-
Net profit for the period	**26,642**	**25,244**
Attributable to:		
Equity holders of the Company	26,642	25,244
Non-controlled interest	-	-
Consolidated profit for the period	**26,642**	**25,244**
Earnings per share (expressed in euro per share)	0.05	0.05

Consolidated statements of comprehensive income

(Amounts expressed in thousands of euros - tEuros)

	01.07.2014 to 30.09.2014	01.07.2013 to 30.09.2013
Net Profit for the year	**26,642**	**25,244**
Other income and cost recorded in equity:		
Items that will be reclassified subsequently to profit or loss:		
Increase/(decrease) in hedging reserves - derivative financial instruments	(927)	1,596
Tax effect on hedging reserves	213	(438)
Gain/(loss) in fair value reserve - available-for-sale assets	7,230	(2,321)
Tax effect on fair value reserves	(1,663)	-
Comprehensive income for the year	**31,495**	**24,082**
Attributable to:		
Shareholders of the company	31,495	24,082
Non-controlling interests	-	-
	31,495	**24,082**

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of financial position as of 30 September 2014 and 31 December 2013

(Amounts expressed in thousands of Euros – tEuros)

	Notes	30.09.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	701	934
Goodwill		3,774	3,774
Intangible assets	5	3,795,506	3,877,420
Investments in associates and joint ventures	6	12,478	12,155
Available-for-sale financial assets	9	198,899	156,886
Derivative financial instruments	11	22,839	-
Other financial assets	8	100,362	102,274
Trade and other receivables	10	162,193	81,588
Deferred tax assets	7	71,069	67,800
		4,367,821	**4,302,831**
Current assets			
Inventories		1,625	1,880
Trade and other receivables	10	208,259	565,923
Current income tax recoverable	7	8,136	-
Other financial assets	8	66,035	22,728
Cash and cash equivalents	12	51,365	167,987
		335,421	**758,518**
Total assets	4	**4,703,242**	**5,061,349**
EQUITY			
Shareholders' equity:			
Share capital	13	534,000	534,000
Treasury shares	13	(10,728)	(10,728)
Reserves	13	307,971	271,634
Retained earnings		188,586	163,356
Net profit for the period		84,920	121,303
Total equity		**1,104,749**	**1,079,566**
LIABILITIES			
Non- current liabilities			
Borrowings	14	2,207,119	2,430,159
Liability for retirement benefits and others	15	124,069	126,231
Derivative financial instruments	11	24,143	34,320
Provisions	16	4,881	4,690
Trade and other payables	17	379,711	370,298
Deferred tax liabilities	7	95,182	73,956
		2,835,105	**3,039,654**
Current liabilities			
Borrowings	14	398,981	250,325
Provisions	16	1,073	1,213
Trade and other payables	17	362,535	642,973
Income tax payable	7	-	44,935
Derivative financial instruments	11	799	2,683
		763,388	**942,129**
Total liabilities	4	**3,598,493**	**3,981,783**
Total equity and liabilities		**4,703,242**	**5,061,349**

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 September 2014.

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Consolidated statements of profit and loss for the nine month periods ended 30 September 2014 and 2013

(Amounts expressed in thousands of Euros - tEuros)

	Notes	30.09.2014	30.09.2013
Sales	4 and 18	175	109
Services rendered	4 and 18	418,511	421,822
Revenue from construction of concession assets	4 and 19	69,310	109,966
Gains / (losses) from associates and joint ventures	6	324	(249)
Operating subsidies		10	-
Other operating income	20	15,921	19,798
Operating income		**504,250**	**551,446**
Cost of goods sold		(447)	(250)
Cost with construction of concession assets	19	(54,788)	(91,480)
External supplies and services	21	(25,779)	(28,655)
Employee compensation and benefit expense	22	(39,305)	(40,310)
Depreciation and amortizations	5	(151,413)	(150,175)
Provisions	16	(227)	82
Impairments		(28)	5,296
Other expenses	23	(9,100)	(8,748)
Operating costs		**(281,086)**	**(314,239)**
Operating results		**223,164**	**237,206**
Financial costs	24	(93,103)	(120,256)
Financial income	24	7,534	9,558
Investment income - dividends	9	6,200	5,377
Financial results		**(79,369)**	**(105,322)**
Profit before income tax and CESE		**143,795**	**131,884**
Income tax expense	7	(40,077)	(42,588)
Extraordinary contribution on energy sector (CESE)	25	(18,799)	-
Net profit for the period		**84,920**	**89,296**
Attributable to:			
Equity holders of the Company		84,920	89,296
Non-controlled interest		-	-
Consolidated profit for the period		**84,920**	**89,296**
Earnings per share (expressed in euro per share)	26	0.16	0.17

The accompanying notes form an integral part of the consolidated statement of profit and loss for the nine month period ended 30 September 2014.

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Consolidated statements of comprehensive income for the nine month periods ended 30 September 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

	Notes	30.09.2014	30.09.2013
Net Profit for the period		**84,920**	**89,296**
Other income and cost recorded in equity:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gains / (losses) - gross of tax		551	(912)
Tax effect on actuarial gains / (losses)	7	(171)	264
Items that will be reclassified subsequently to profit and loss:			
Increase/(decrease) in hedging reserves - derivative financial instruments	11	(2,006)	11,463
Tax effect on hedging reserves	7 and 11	461	(2,866)
Gain/(loss) in fair value reserve - available-for-sale assets	9	41,913	13,729
Tax effect on fair value reserves	7 and 9	(9,835)	-
Comprehensive income for the period		**115,834**	**110,975**
Attributable to:			
Shareholders of the company		115,834	110,975
Non-controlling interests		-	-
		115,834	**110,975**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the nine month period ended 30 September 2014.

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Consolidated statements of changes in equity for the nine month periods ended 30 September 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

		Attributable to shareholders								
Changes in the period	**Notes**	**Share capital**	**Treasury shares**	**Legal Reserve**	**Fair Value reserve (Note 9)**	**Hedging reserves (Note 11)**	**Other reserves**	**Retained earnings**	**Profit for the period**	**Total**
At 1 January 2013		**534,000**	**(10,728)**	**85,437**	**(4,093)**	**(26,612)**	**177,022**	**148,671**	**123,892**	**1,027,589**
Net profit of the period and other comprehensive income		-	-	-	13,729	8,598	-	(647)	89,296	110,975
Distribution of dividends	27	-	-	-	-	-	-	(90,120)	-	(90,120)
Transfer to other reserves		-	-	6,055	-	-	-	117,838	(123,892)	-
At 30 September 2013		**534,000**	**(10,728)**	**91,492**	**9,635**	**(18,015)**	**177,022**	**175,742**	**89,296**	**1,048,444**
At 1 January 2014		**534,000**	**(10,728)**	**91,492**	**20,886**	**(17,989)**	**177,245**	**163,356**	**121,303**	**1,079,566**
Net profit of the period and other comprehensive income		-	-	-	32,078	(1,544)	-	380	84,920	115,834
Distribution of dividends	27	-	-	-	-	-	-	(90,650)	-	(90,650)
Transfer to other reserves		-	-	5,804	-	-	-	115,500	(121,303)	-
At 30 September 2014		**534,000**	**(10,728)**	**97,295**	**52,964**	**(19,533)**	**177,245**	**188,586**	**84,920**	**1,104,749**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the nine month period ended 30 September 2014.

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Consolidated statements of cash flow for the nine month periods ended 30 September 2014 and 2013

(Amounts expressed in thousands of Euros – tEuros)

	Notes	30.09.2014	30.09.2013
Cash flow from operating activities:			
Cash receipts from customers		2,008,342 a)	1,625,020 a)
Cash paid to suppliers		(1,523,544) a)	(1,137,135) a)
Cash paid to employees		(47,212)	(36,813)
Income tax received/(paid)		(84,936)	(16,199)
Other receipts/(payments) relating to operating activities		(63,018)	(78,203)
Net cash flows from operating activities (1)		**289,632**	**356,670**
Cash flow from investing activities:			
Receipts related to:			
Derivative financial instruments		-	1,790
Other financial assets		15,795	101,931
Grants related to assets		177	3,368
Interests and other similar income		5,646	3,645
Dividends	9	7,180	6,292
Payments related to:			
Other financial assets	8	(57,172)	(205,470)
Investments in associates and joint ventures		-	(2,910)
Available-for-sale	9	(100)	(100)
Property, plant and equipment		(1)	(498)
Intangible assets - Concession assets		(84,347)	(117,079)
Net cash flows used in investing activities (2)		**(112,822)**	**(209,031)**
Cash flow from financing activities:			
Receipts related to:			
Borrowings		3,363,000	992,151
Interests and other similar income		74	17
Payments related to:			
Borrowings		(3,497,271)	(763,362)
Interests and other similar expense		(84,851)	(80,527)
Dividends	27	(90,650)	(90,120)
Net cash flows from/(used in) financing activities (3)		**(309,698)**	**58,159**
Net (decrease)/increase in cash and cash equivalents (1)+(2)+(3)		(132,888)	205,799
Cash and cash equivalents at the beginning of the year	12	167,126	61,246
Cash and cash equivalents at the end of the period	12	**34,238**	**267,045**
Detail of cash and cash equivalents			
Cash	12	21	21
Bank overdrafts	12	(17,127)	(6,943)
Bank deposits	12	51,343	273,967
		34,238	**267,045**

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the nine month period ended 30 September 2014.

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3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

(Translation of notes originally issued in Portuguese – Note 31)

1 GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" 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 held on 18 August 1994, with the objective of ensuring the overall management of the Public Electric Supply System (PES).

Up to 26 September 2006 the REN Group's operations were concentrated on the electricity business through REN – Rede Eléctrica Nacional, S.A.. On 26 September 2006, as a result of the unbundling transaction of the natural gas business, the Group 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 the 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..

Persuant to the 2nd reprivatization phase, approved by Decree-Law no. 106-B/2011, on 3 November (Decree-Law Reprivatisation), Parpública - Participações Públicas (SGPS), S.A. and Caixa Geral de Depósitos, S.A. sold, on 17 June 2014, a total of 58,740,000 shares with a nominal value of 1 euro, representing 11% of the share capital of REN SGPS.

The Group presently has two main business areas, Electricity and Gas, and a secondary business, in the area of Telecommunications.

The Electricity business includes the following companies:

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

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

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

The Gas business includes the following companies:

a) REN Gás, S.A., was founded on 29 March 2011, with the corporate objectives of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has participations.

b) REN Gasodutos, S.A. was founded on 26 September 2006, the capital of which was paid up through integration into the company of the gas transport infrastructures (network, connections, and compression);

c) REN Armazenagem, S.A. was founded on 26 September 2006, the capital of which was paid up through integration into the company of the underground gas storage assets;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company consist of the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilisation and maintenance of the necessary infrastructures.

The operations of these companies mentioned in points b) to d) are carried out under three concession contracts granted separately for periods of 40 years as from 2006.

The telecommunications business is managed by RENTELECOM Comunicações, S.A., the operations of which consist of the establishment, management and utilization of telecommunications systems and infrastructures, supplying communications services and optimizing the excess capacity of the fibre optics belonging to the REN Group.

REN SGPS also has the wholly owned subsidiary REN – Serviços, S.A., which has the objective of rendering services in the energetic areas and general services on the support of the business development, for related companies and third parties, receiving remuneration for these services, as well as the management of participations the company has in other companies.

On 10 May 2013 was incorporated REN Finance, B.V., wolly owned by REN SGPS, based in Netherlands, whose object is to participate, finance, collaborate and lead the management of related companies.

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

The objective of this company is to implement a Center for Research and Development in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

As of 30 September 2014 REN has also:

a) 40% interests in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (“OMIP SGPS”), having as its corporate object the management of participations in other companies as an indirect way of exercising economic activities. The company became the shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), which function is the management of the derivatives market in MIBEL and Omiclear – Sociedade de Compensação de Mercados de Energia, S.A. a company owned by the OMIP and which has the corporate object of clearing futures and options operations;

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

c) Two participations of 1% each, in the share capital of Enagás, S.A. and Red Eléctrica Corporación, S.A. (“REE”);

d) One participation representing 5.45% of the share capital in Medgrid, SAS and 7.5% participation in Hidroeléctrica de Cahora Bassa, S.A. (“HCB”).

1.1 Companies included in the consolidation

The following companies were included in the consolidation perimeter as of 30 September 2014 and 31 December 2013:

Designation / adress	Activity	30 September 2014 % Owned Group	30 September 2014 % Owned Individual	31 December 2013 % Owned Group	31 December 2013 % Owned Individual
PARENT COMPANY:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
SUBSIDIARIES:					
Electricity segment:					
REN - Rede Electrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Av. Estados Unidos da América, 55 - Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
Telecommunications segment:					
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
Other segments:					
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuberstraat 93, Unit 205 1081 CN Amsterdam	Participate, finance, collaborate, conduct management of companies related to REN Group.	100%	100%	100%	100%
Natural gas segment:					
REN Atlântico , Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	100%	100%	100%
Owned by REN Gas, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço- Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-

There were no changes in the consolidation perimeter in 2014 with respect to what was reported on 31 December 2013.

1.2. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors at a meeting held on 6 November 2014. The Board of Directors believes that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards for interim financial statements as endorsed by the European Union (IAS 34).

2 BASIS OF PRESENTATION

The consolidated financial statements for the nine month period ended 30 September 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as endorsed by the European Union (IAS 34), therefore do not include all information required for annual financial statements so should be read in conjunction with the annual financial statements issued for the year ended 31 December 2013.

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

3 MAIN ACCOUNTING POLICIES

The consolidated financial statements were prepared for interim financial reporting purposes (IAS 34), on a going concern basis from the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting standards in force in the respective countries, adjusted in the consolidation process so that the financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the European Union in force for the years beginning as from 1 January 2014.

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

The accounting policies used to prepare these consolidated financial statements are consistent in all material respects, with the policies used to prepare the consolidated financial statements for the year ended 31 December 2013, as explained in the notes to the consolidated financial statements for 2013, except in what concern to the adoption of the new standards, interpretations, amendments and revisions endorsed by the European Union with mandatory application in the year beginning on or after 1 January 2014:

- IFRS 10 “Consolidated Financial Statements” (new) - This standard establishes the grounds for presenting consolidated financial statements, replacing on these matters IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation – Special Purpose Entities. This standard introduces as well new rules for determining control and consolidation perimeter.

- IFRS 11 “Joint Arrangements” (new) - This standard supersedes IAS 31 and SIC 13 – Jointly Controlled Entities and mainly address: (i) the definition of “jointly arrangements” empathizing the rights and obligations instead of its legal form; (ii) reduces the types of jointly agreements prevailing the following: “joint operations” and “joint ventures”; and (iii) eliminates the possibility of using the proportional consolidation model for “joint ventures”.

- IFRS 12 “Disclosure of interests in other entities” (new) - This standard provides expanded disclosures requirements relating to entity’s interests in subsidiaries, associates and joint arrangements.

- IAS 27 “Separate financial statements” (amendement) - This amendment was reviewed following the emission of IFRS 10, and contains the recording principles and disclosures for investments in associates in the separate financial statements.

- IAS 28 “Investments in associates and joint ventures” (amendement) - IAS 28 was reviewed following the issue of IFRS 11 and IFRS 12 and provides guidance on accounting for interests in associates and joint ventures in accordance with equity method.

- IAS 32 ‘Financial Instruments: Presentation’ (amended) This amendment clarifies the requirements that could allow an Entity to compensate financial assets and liabilities in the statement of financial position.

- IFRS 10, IFRS 11 and IFRS 12 (amendment) - Amendments to IFRS 10, IFRS 11 and IFRS 12 to clarify the rules of the transition to those standards.

- IFRS 10, IFRS 12 and IAS 27 (amendment) - Amendment to IFRS 10 clarifies, on one hand, the business model of investment entities ("Investment Entities") and, on the other hand, requires that its subsidiaries are measured at fair value through profit or loss, thereby creating an exception to the application of consolidation. Consequently, IAS 27 and IFRS 12 standards are changed accordingly, being eliminated the option to measure at cost or fair value (established in IAS 27) and created a set of specific disclosures for investment entities (through IFRS 12).

- IAS 36 "Impairment of assets" (amendment) - This amendment eliminates the disclosure requirements of the recoverable amount of a cash-generating unit with goodwill or intangible assets with indefinite useful lives to periods when it was not recorded any impairment loss or reversal of impairment. Introduces additional disclosure requirements for assets for which it was recorded an impairment loss or reversal of impairment and the recoverable amount of these aids has determined based on fair value less costs to sell.

- IAS 39 " Financial Instruments: Recognition and Measurement " (amendment) - This amendment will allow, under certain circumstances, the continuation of hedge accounting when a derivative designated as a hedging instrument is modified.

- IFRIC 21 “Levies” (new): Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

From this standards did not result significant impacts on the consolidated financial statements as of 30 September 2014. Nevertheless, the description of the accounting policies listed in section 3 of the notes to the financial statements as of 31 December 2013 are amended as follows:

a) Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the REN has cumulatively i) the ability to manage the relevant activities (activities that significantly affect the investee's results); ii) exposure, or rights, to variable results of investee; and iii) the ability to affect these results through the power it exercise, normally 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.

REN reassesses the power of a subsidiary if there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption “Non-controlling interests”.

The comprehensive income is attributable to the company’s shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for them to be consistent with Group’s accounting policies. Transactions (including unrealized gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 1.1.

b) Investments and joint-ventures

Investments in joint ventures (joint agreement whereby the parties that have joint control hold rights to the net assets of the agreement. Conceptually, joint control is the agreed sharing of control over an agreement which exists only when decisions about the relevant activities require the unanimous consent of the parties) are included in the consolidated financial statements by the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 6.

Standards, interpretations, amendments and revisions not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were not, until the date of preparation of these consolidated financial statements, been endorsed by the European Union:

Standard	Applicable for financial years beginning on or after	Resume
IFRS 9 - Financial instruments	01-Jan-18	This standard sets out requirements for the classification and mensuration of financial instruments.
Annual improvements to IFRS (2010 - 2012 cycle)	Several (01-Jul-14)	These improvements involve the revision of several standards, including IAS 16, IFRS 3 and IFRS 8.
Annual improvements to IFRS (2011 - 2013 cycle)	Several (01-Jul-14)	These improvements involve the revision of several standards, including IAS 40, IFRS 1 and IFRS 13.
IAS 19 - Employee benefits (Defined benefit plans: employee contributions)	01-Jul-14	This amendment clarifies the circumstances on which employee contribution plans for post-employment benefits are a reduction in the cost of short-term benefits.
IFRS 14 - Regulatory deferral accounts	01-Jan-16	IFRS 14 is an interim standard (waiting completion of the project on rate-regulated activities), applicable to entities adopting IFRS for the first time. It permits such entities to continue to apply their existing generally accepted accounting principles for the recognition, measurement , impairment, and derecognition of regulatory deferral balances. IFRS requires the presentation of regulatory deferral balances recognized separately from other assets and liabilities as well as expenses and income.
IFRS 15-Revenue from Contracts with Customers	01-Jan-17	This standard intended to replace the revenue standards (IAS 11 and IAS 18) and clarifies the principles of revenue recognition, consistently making its application to various transactions and economic activities.
Amends to IAS 16 and IAS 41: Agriculture: Bearer Plants	01-Jan-16	This amendment intends to change measurement of bearer plants. Under the proposal, bearer plants would be in the scope of IAS 16 allowing the use of the cost method instead of fair value. Nevertheless, the produce growing on bearer plants would continue to be measured at fair value less costs to sell under IAS 41.
Amends to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01-Jan-16	The amendments clarify that the method of depreciation and amortization based on the revenue generated by activities is not appropriate, except in very limited circumstances.
Amends to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01-Jan-16	This amendment require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) (i) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11, and (ii) disclose the information required by IFRS 3 and other IFRSs for business combinations.
Annual improvements to IFRS (2012 - 2014 cycle)	01-Jan-16	These improvements involve the revision of several standards, including IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, and IAS 34 Interim Financial Reporting
Amends to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01-Jan-16	The amendments results from an inconsistency between the requirements in IFRS 10 and IAS 28 (2011) in recognition of the gain from sale of a subsidiary (with loss of control) to an acquirer which is simultaneously an associated company or joint venture of the investor. This amendment establish that the gain should, on one hand, be recognized in full when the assets transferred meet the definition of a Business, under IFRS 3, and on the other hand, recognize only the partial gain resulting from the sale or contribution of assets that do not constitute a business.
Amends to IAS 27: Equity Method in Separate Financial Statements	01-Jan-16	The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

These standards were not yet endorsed by the European Union and, as such, were not adopted by the group in the period ended 30 September 2014.

4 SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment, Telecommunications.

The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007 and the pilot zone for electricity production from sea waves.

The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal and the underground storage of natural gas.
Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to 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 benefits.

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

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

The results by segment for the nine month period ended 30 September 2014 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**290,954**	**124,249**	**3,900**	**29,384**	**(29,802)**	**418,686**
Inter-segments	667	-	46	29,089	(29,802)	-
Revenues from exernal customers	290,287	124,249	3,854	295	-	418,686
Revenue from construction of concession assets	58,751	10,559	-	-	-	69,310
Cost with construction of concession assets	(46,847)	(7,941)	-	-	-	(54,788)
Gains from associates	-	-	-	324	-	324
External supplies and services	(31,217)	(16,841)	(1,532)	(14,147)	37,960	(25,779)
Employee compensation and benefit expense	(17,907)	(5,578)	(164)	(15,655)	-	(39,305)
Other expenses and operating income	13,037	1,370	(69)	203	(8,158)	6,384
Operating cash flow	266,770	105,819	2,134	109	-	374,832
Investment income - dividends	-	-	-	6,200	-	6,200
Non reimbursursable expenses						
Depreciation and amortizations	(109,625)	(41,582)	(9)	(198)	-	(151,413)
Provisions	(188)	-	-	(39)	-	(227)
Impairments	(22)	(5)	-	-	-	(28)
Financial results						
Financial income	1,267	11,620	88	131,223	(136,664)	7,534
Financial costs	(57,704)	(27,933)	(1)	(144,128)	136,664	(93,103)
Profit before income tax and CESE	**100,498**	**47,918**	**2,212**	**(6,833)**	**-**	**143,795**
Income tax expense	(30,913)	(13,642)	(556)	5,035	-	(40,077)
Extraordinary contribution on energy sector (CESE)	(13,455)	(5,343)	-	-	-	(18,799)
Profit for the year	**56,130**	**28,933**	**1,655**	**(1,798)**	**-**	**84,920**

Results by segment for the nine month period ended 30 September 2013 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	**291,936**	**125,993**	**4,258**	**30,649**	**(30,905)**	**421,930**
Inter-segments	699	299	110	29,797	(30,905)	-
Revenues from exernal customers	291,237	125,694	4,148	851	-	421,930
Revenue from construction of concession assets	90,680	19,286	-	-	-	109,966
Cost with construction of concession assets	(75,879)	(15,601)	-	-	-	(91,480)
Gains from associates	-	-	-	(249)	-	(249)
External supplies and services	(33,574)	(18,202)	(1,504)	(13,500)	38,125	(28,655)
Employee compensation and benefit expense	(17,822)	(6,120)	(185)	(16,182)	-	(40,310)
Other expenses and operating income	14,109	2,429	(12)	1,495	(7,220)	10,801
Operating cash flow	269,450	107,785	2,557	2,212	-	382,003
Investment income - dividends	-	-	-	5,377	-	5,377
Non reimbursursable expenses						
Depreciation and amortizations	(105,776)	(44,212)	(15)	(172)	-	(150,175)
Provisions	82	-	-	-	-	82
Impairment of trade receivables	5,296	-	-	-	-	5,296
Financial results						
Financial income	548	12,180	116	108,683	(111,969)	9,558
Financial costs	(53,702)	(27,577)	(1)	(150,944)	111,969	(120,256)
Profit before income tax	**115,898**	**48,175**	**2,656**	**(34,845)**	**-**	**131,884**
Income tax expense	(36,205)	(14,241)	(743)	8,601	-	(42,588)
Profit for the year	**79,693**	**33,934**	**1,914**	**(26,244)**	**-**	**89,296**

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

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

Assets and liabilities by segment as well as capital expenditures for the nine month period ended 30 September 2014 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	524,870	-	1,425,297	(1,950,167)	-
Property, plant and equipment and intangible assets	2,609,229	1,186,310	16	652	-	3,796,207
Other assets	348,671	433,770	4,577	3,985,810	(3,865,794)	907,035
Total assets	**2,957,900**	**2,144,950**	**4,593**	**5,411,760**	**(5,815,961)**	**4,703,242**
Total liabilities	**2,373,625**	**962,387**	**1,706**	**4,126,569**	**(3,865,794)**	**3,598,493**
Capital expenditure - total	**58,756**	**10,555**	**-**	**20**	**-**	**69,331**
Capital expenditure - property, plant and equipment (Note 5)	1	-	-	20	-	21
Capital expenditure - intangible assets (Note 5)	58,754	10,555	-	-	-	69,310
Investments in associates (Note 6)	-	-	-	10,885	-	10,885
Investments in joint ventures (Note 6)	-	-	-	1,593	-	1,593

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2013 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	541,564	-	1,456,412	(1,997,976)	-
Property, plant and equipment and intangible assets	2,660,102	1,217,353	24	875	-	3,878,354
Other assets	621,027	448,016	5,505	3,931,271	(3,822,824)	1,182,994
Total assets	**3,281,129**	**2,206,933**	**5,529**	**5,388,558**	**(5,820,800)**	**5,061,349**
Total liabilities	**2,656,583**	**995,035**	**1,825**	**4,151,164**	**(3,822,824)**	**3,981,783**
Capital expenditure - total	**157,584**	**29,883**	**-**	**374**	**-**	**187,841**
Capital expenditure - property, plant and equipment (Note 5)	3	-	-	374	-	377
Capital expenditure - intangible assets (Note 5)	157,581	29,883	-	-	-	187,464
Investments in associates (Note 6)	-	-	-	10,610	-	10,610
Investments in joint ventures (Note 6)	-	-	-	1,545	-	1,545

The liabilities included in the segment "Others" are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, B.V. for financing the several activities of the Group.

The captions of the statement of financial position and profit and loss for each segment result of the amounts considered directly in the individual financial statements of each company that belongs to the Group included in the perimeter of each segment, corrected with the reversal of the intra-segment transactions.

5 TANGIBLE AND INTANGIBLE ASSETS

During the nine month period ended 30 September 2014, the changes in tangible and intangible assets in the period were as follows:

	1 January 2014			Changes					30 September 2014		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(96)	6	-	-	-	(3)	-	103	(99)	3
Transport equipment	1,386	(579)	806	20	(112)	-	(181)	67	1,294	(694)	600
Office equipment	231	(131)	100	-	(3)	-	(25)	3	228	(153)	75
Property, plant and equipment in progress	21	-	21	1	-	-	-	-	22	-	22
	1,740	**(806)**	**934**	**21**	**(115)**	**-**	**(210)**	**70**	**1,646**	**(946)**	**701**

	1 January 2014			Changes					30 September 2014		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets:											
Concession assets	6,806,422	(3,014,064)	3,792,358	1,647	(1,322)	12,190	(151,203)	1,302	6,818,937	(3,163,965)	3,654,972
Concession assets in progress	85,062	-	85,062	67,662	-	(12,190)	-	-	140,534	-	140,534
	6,891,483	**(3,014,064)**	**3,877,420**	**69,310**	**(1,322)**	**-**	**(151,203)**	**1,302**	**6,959,471**	**(3,163,965)**	**3,795,506**
Total of property, plant and equipment and intangible assets	**6,893,224**	**(3,014,870)**	**3,878,354**	**69,331**	**(1,437)**	**-**	**(151,413)**	**1,372**	**6,961,117**	**(3,164,910)**	**3,796,207**

During the year ended 31 December 2013, the changes in tangible and intangible assets in the year were as follows:

	1 January 2013			Changes					31 December 2013		
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs	Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
Property, plant and equipment											
Transmission and electronic equipment	103	(83)	19	-	-	-	(13)	-	103	(96)	6
Transport equipment	1,170	(502)	668	358	(142)	-	(219)	142	1,386	(579)	806
Office equipment	222	(102)	120	18	(10)	-	(38)	9	231	(131)	100
Property, plant and equipment in progress	20	-	20	1	-	-	-	-	21	-	21
	1,515	**(688)**	**827**	**377**	**(151)**	**-**	**(270)**	**151**	**1,740**	**(806)**	**934**

	1 January 2013			Changes					31 December 2013		
	Cost	Accumulated amortization	Net book value	Additions	Disposals and write-offs	Transfers	Amortization charge	Amortization - disposals, write-offs and other reclassifications	Cost	Accumulated amortization	Net book value
Intangible assets											
Concession assets	6,563,836	(2,814,944)	3,748,892	4,454	(2,389)	240,521	(200,973)	1,854	6,806,422	(3,014,064)	3,792,358
Concession assets in progress	142,572	-	142,572	183,011	-	(240,521)	-	-	85,062	-	85,062
	6,706,408	**(2,814,944)**	**3,891,464**	**187,464**	**(2,389)**	**-**	**(200,973)**	**1,854**	**6,891,483**	**(3,014,064)**	**3,877,420**
Total of property, plant and equipment and intangible assets	**6,707,923**	**(2,815,632)**	**3,892,291**	**187,841**	**(2,541)**	**-**	**(201,242)**	**2,004**	**6,893,224**	**(3,014,870)**	**3,878,354**

The additions recorded during the nine month period ended 30 September 2014 refer essentially to rights over the investments on construction/renovation and expansion of electrical and gas transportation grid.

The main additions verified in the periods ended 30 September 2014 and 31 December 2013 are made up as follows:

	30.09.2014	31.12.2013
Electricity segment		
Power line construction (220 KV)	2,749	64,462
Power line construction (400 KV)	19,232	708
Other power line constructions	1,644	6,072
Construction of new substations	12,243	19,011
Substation Expansion	16,340	53,918
Other renovations in substations	2,150	3,363
Improvements to telecommunications and information system	1,970	6,949
Pilot zone construction - wave energy	162	394
Improvements in buildings related to concession	233	1,172
Other assets	2,032	1,534
Gas segment		
Expansion and improvements to gas transmission network	3,112	23,288
Construction project of cavity underground storage of natural gas in Pombal	6,633	5,645
Construction project and operating upgrade - LNG facilities	810	950
Others segment		
Other assets	20	374
Total of additions	**69,331**	**187,841**

The main transfers that were concluded and began activity during the periods ended 30 September 2014 and 31 December 2013 are made up as follows:

	30.09.2014	31.12.2013
Electricity segment		
Power line construction (220 KV)	247	71,044
Power line construction (400 KV)	-	289
Other power line constructions	-	6,652
Construction of new substations	-	32,576
Substation Expansion	8,655	71,762
Other renovations in substations	1,707	6,226
Other assets	556	5,090
Gas segment		
Expansion and improvements to natural gas transmission network	1,014	44,920
Construction project of cavity underground storage of natural gas in Pombal	11	1,273
Construction project and operating upgrade - LNG facilities	-	689
Total of transfers	**12,190**	**240,521**

The intangible assets in progress as of 30 September 2014 and 31 December 2013 are as follows:

	30.09.2014	31.12.2013
Electricity segment		
Power line construction (150KV/220KV e 400KV)	39,660	16,281
Substation Expansion	30,129	22,000
New substations projects	22,244	10,001
Other projects	6,662	4,411
Improvements in buildings related to concession	2,279	2,046
Gas segment		
Expansion and improvements to natural gas transmission network	8,988	7,172
Construction project of cavity underground storage of natural gas in Pombal	29,547	22,925
Construction project and operating upgrade - LNG facilities	1,025	226
Total of assets in progress	**140,534**	**85,062**

Financial costs capitalized in intangible assets in progress in the period ended 30 September 2014 amounted to 3,427 thousand Euros (6,897 thousand Euros as of 30 September 2013), while overhead and management costs capitalized amounted to 11,094 thousand Euros (11,589 thousand Euros as of 30 September 2013) (Note 19).

As of 30 September 2014 and 31 December 2013, the net book value of the intangible assets financed through lease contracts was as follows:

	30.09.2014	31.12.2013
Cost	3,692	4,270
Accumulated depreciation and amortization	(1,369)	(1,750)
Net book value	**2,323**	**2,521**

6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 30 September 2014 and 31 December 2013, the financial information regarding the financial investments held is as follows:

	Activity	Head office	Financial information 30 September 2014 Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Other comprehensive income	Total comprehensive income	Interest owned %	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	1,106	29,390	271	2,223	851	688	-	688	40	10,885	275
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	6,498	38	3,335	15	40,926	97	-	97	50	1,593	48
												12,478	**324**

	Activity	Head office	Financial information 31 December 2013 Current assets	Non current assets	Current Liabilities	Non current Liabilities	Revenues	Net profit/(loss)	Other comprehensive income	Total comprehensive income	Interest owned %	Carrying amount	Group share of profit / (loss)
Equity method:													
Associate:													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	868	29,450	680	2,292	1,356	744	557	1,301	40	10,610	(405)
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	7,599	-	4,509	-	841	90	-	90	50	1,545	45
												12,155	**(361)**

Associates

The changes in the caption “Investments in associates” during the period ended 30 September 2014 were as follows:

	Associates
At 1 January 2014	**10,610**
Effect of aplying the equity method	275
At 30 September 2014	**10,885**

Joint ventures

The movement in the caption "Investments in joint ventures" during the period ended 30 September 2014 was as follows:

Joint ventures	
At 1 January 2014	**1,545**
Effect of aplying the equity method	48
At 30 September 2014	**1,593**

Following a joint agreement for a technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), it was incorporated in May 2013 a R&D center in Portugal, dedicated to power systems designated – Centro de Investigação em Energia REN – STATE GRID, S.A. ("Centro de Investigação") jointly controlled by the two entities.

This Entity aims to become a platform for international knowledge, a catalyst for innovative solutions and tools, applied to the planning and operation of transmission power.

As of 30 September 2014 and 31 December 2013, the financial information regarding the joint venture held is as follows:

	Other financial information 30 September 2014					
	Cash and cash equivalents	Current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture						
Centro de Investigação em Energia REN - STATE GRID, S.A.	4,454	3,335	(6)	37	(2)	(35)

	Other financial information 31 December 2013					
	Cash and cash equivalents	Current financial liabilities	Depreciations and amortizations	Financial income	Financial costs	Income tax-(cost)/income
Joint venture						
Centro de Investigação em Energia REN - STATE GRID, S.A.	2,966	4,509	-	-	-	(32)

7 INCOME TAX

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

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or apeals in progress, in which case the period can be extended or suspended, depending on the circumstances.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 30 September 2014.

In 2014, in accordance Law 2/2014, January 16, the Group is taxed at a Corporate Income Tax rate of 23%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit and (i) a state surcharge of an additional 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros,(ii) an additional 5% of taxable profit between 7,500 thousand Euros and 35,000 thousand Euros, and (iii) 7% over the taxable profit in excess of 35,000 thousand Euros.
The tax rate used in the valuation of temporary taxable and deductible differences as of 30 September 2014, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax registered in the nine months period ended on 30 September 2014 and 2013 is detailed as follows:

	30.09.2014	30.09.2013
Current income tax	34,974	51,618
Adjustaments of income tax from previous year	(3,309)	(586)
Deferred income tax	8,412	(8,443)
Income tax	**40,077**	**42,588**

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

	30.09.2014	30.09.2013
Consolidated profit before income tax	**143,795**	**131,884**
Permanent differences		
Positive equity variation	(6)	(98)
Non deductible costs	618	256
Non taxable income	(3,131)	(333)
Timing differences		
Tariff deviations	(30,991)	28,743
Provisions and impairments	52	(6,030)
Revaluations	3,742	5,006
Pension, medical assistence and life insurance plans	(1,612)	(954)
Fair value of financial instruments	-	(124)
Taxable income	112,469	158,350
Tax rate	25,938	39,600
State surcharge tax	6,672	8,799
Municipal surcharge	1,971	2,889
Autonomous taxation	392	329
Current income tax	34,974	51,618
Deferred income tax	8,412	(8,443)
Deferred income tax	8,412	(8,443)
Adjustments of estimated tax in previous years	(3,309)	(586)
Income tax	**40,077**	**42,588**
Effective tax rate	**27.87%**	**32.29%**

Income tax

The caption "Income tax" payable and receivable as of 30 September 2014 and 31 December 2013 is detailed as follows:

	30.09.2014	31.12.2013
Income tax:		
Corporate income tax - estimated tax	(34,974)	-
Corporate income tax - payments on account	40,628	-
Income withholding tax by third parties	2,481	-
Income tax receivable	**8,136**	**-**
Corporate income tax - estimated tax	-	(67,941)
Corporate income tax - payments on account	-	19,987
Income withholding tax by third parties	-	3,020
Income tax payable	**-**	**(44,935)**

Deferred taxes

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

	30.09.2014	30.09.2013
Impact on the statement of profit and loss		
Deferred tax assets	2,978	1,028
Deferred tax liabilities	(11,391)	7,416
	(8,412)	8,443
Impact on equity		
Deferred tax assets	291	(2,602)
Deferred tax liabilities	(9,835)	-
	(9,544)	(2,602)
Net impact of deferred taxes	**(17,957)**	**5,842**

The changes in deferred tax by nature was as follows:

Change in deferred tax assets - September 2014

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Others	Total
At 1 January 2014	**1,749**	**39,128**	**21,548**	**5,373**	**2**	**67,800**
Increase/decrease through reserves	-	(171)	-	461	-	291
Reversal through profit and loss	-	(500)	-	-	(2)	(502)
Increase through profit and loss	19	-	3,462	-	-	3,480
Change in the period	19	(671)	3,462	461	(2)	3,269
At 30 September 2014	**1,767**	**38,457**	**25,010**	**5,835**	**1**	**71,069**

Change in deferred tax assets - December 2013

	Provisions /Impairments	Pensions	Tariff deviations	Derivative financial instruments	Others	Total
At 1 January 2013	**3,483**	**30,684**	**18,185**	**8,858**	**5**	**61,215**
Increase/decrease through reserves	-	8,955	-	(3,445)	-	5,509
Reversal through profit and loss	(1,775)	(1,519)	(726)	(39)	(2)	(4,061)
Increase through profit and loss	41	1,009	4,088	-	-	5,138
Change in the period	(1,735)	8,444	3,362	(3,484)	(2)	6,586
At 31 December 2013	**1,749**	**39,128**	**21,548**	**5,373**	**2**	**67,800**

Deferred tax assets at 30 September 2014 correspond mostly to liabilities for benefit plans granted to employees and tariff deviations liabilities to be settled in subsequent years.

Evolution of deferred tax liabilities - September 2014

	Tariff deviations	Revaluations	Fair value of Available-for-sale financial assets	Total
At 1 January 2014	**44,666**	**28,486**	**805**	**73,956**
Increase/decrease through equity	-	-	9,835	9,835
Reversal trough profit and loss	-	(1,144)	-	(1,144)
Increase through profit and loss	12,534	-	-	12,534
Change in the period	12,534	(1,144)	9,835	21,226
At 30 September 2014	**57,200**	**27,343**	**10,640**	**95,182**

Evolution of deferred tax liabilities - December 2013

	Tariff deviations	Revaluations	Fair value of Available-for-sale financial assets	Total
At 1 January 2013	**52,373**	**30,424**	**-**	**82,797**
Increase/decrease through equity	-	-	805	805
Reversal trough profit and loss	(7,708)	(1,937)	-	(9,645)
Change in the period	(7,708)	(1,937)	805	(8,840)
At 31 December 2013	**44,666**	**28,486**	**805**	**73,956**

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

The legal documents that establish these revaluations were the following:

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

8 FINANCIAL ASSETS AND LIABILITIES

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

September 2014

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	51,365	-	-	-	-	-	51,365	51,365
Trade and other receivables	10	370,452	-	-	-	-	-	370,452	370,452
Other financial assets		-	-	-	-	2,858	163,539	166,397	166,397
Available-for-sale financial assets	9	-	-	-	198,899	-	-	198,899	198,899
Income tax receivable	7	-	-	-	-	-	8,136	8,136	8,136
Derivative financial instruments	11	-	22,839	-	-	-	-	22,839	22,839
Total financial assets		**421,817**	**22,839**	**-**	**198,899**	**2,858**	**171,675**	**818,088**	**818,088**
Liabilities									
Borrowings	14	-	-	-	-	-	2,606,099	2,606,099	2,736,759
Trade and other payables	17	-	-	-	-	-	422,902	422,902	422,902
Income tax payable	7	-	-	-	-	-	-	-	-
Drivative financial instruments	11	-	24,600	342	-	-	-	24,942	24,942
Total financial liabilities		**-**	**24,600**	**342**	**-**	**-**	**3,029,002**	**3,053,944**	**3,184,604**

December 2013

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives	Available-for-sale	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	12	167,987	-	-	-	-	-	167,987	167,987
Trade and other receivables	10	647,510	-	-	-	-	-	647,510	647,510
Other financial assets		-	-	-	-	2,839	122,163	125,002	125,002
Available-for-sale financial assets	9	-	-	-	156,886	-	-	156,886	156,886
Total financial assets		**815,498**	**-**	**-**	**156,886**	**2,839**	**122,163**	**1,097,386**	**1,097,386**
Liabilities									
Borrowings	14	-	-	-	-	-	2,680,483	2,680,483	2,807,253
Trade and other payables	17	-	-	-	-	-	681,371	681,371	681,371
Income tax payable	7	-	-	-	-	-	44,935	44,935	44,935
Drivative financial instruments	11	-	36,661	342	-	-	-	37,003	37,003
Total financial liabilities		**-**	**36,661**	**342**	**-**	**-**	**3,406,790**	**3,443,793**	**3,570,563**

The caption "Fair value through profit and loss", in the amount of 2,858 thousand Euros corresponds to the Group's investment in the closed fund "Luso Carbon Fund" with a maturity of 10 years.

The caption "Financial Assets" includes a pledge bank deposit given to the EIB of 106,367 thousand Euros and a bank deposit with maturity over 3 months, amounting to 57,172 thousand Euros.

Loans obtained, as mentioned in Note 3.6, of the consolidated financial statements for the year ended 2013, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 11) which are measured at fair value (at 30 September 2014 was 416,890 thousand euros and at 30 September 2013 was 391,841 thousand euros). Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

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

The range of market rates used to calculate the fair value ranges between 0.197 % and 1.643 % (maturities of one day, and fifteen years, respectively).

The fair value of borrowings contracted by the Group at 30 September 2014 is 2,736,759 thousand euros (at 31 December 2013 was 2,807,253 thousand euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 30 September 2014 in accordance with the following hierarchy levels of fair value:

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

		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale financial assets	Shares	153,775	41,357	-	195,133
Financial liabilities at fair value	Fair value hedge derivatives	-	22,839	-	22,839
Other investments	Treasury funds	2,858	-	-	2,858
		156,633	**64,196**	**-**	**220,830**
Liabilities:					
Financial liabilities at fair value	Loans	-	416,890	-	416,890
Financial liabilities at fair value	Cash flow hedge derivatives	-	24,600	-	24,600
Financial liabilities at fair value through profit and loss	Negotiable derivatives	342	-	-	342
		342	**441,490**	**-**	**441,832**

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

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

Financial risk management policies

Since the last annual report period until 30 September 2014, there were no significant changes in the financial risk management of the Company compared to the risks disclosed in the consolidated financial statements as of 31 December 2013. A description of the risks can be found in Section 4 - Financial Risk Management of the consolidated financial statements for the year ended 2013.

9 ASSETS AVAILABLE FOR SALE

The assets recognised in this caption as of 30 September 2014 and 31 December 2013 correspond to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	30.09.2014	31.12.2013
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	92,810	65,654
Enagás, S.A.	Madrid	Spain	1.00%	60,966	45,360
Med Grid SAS	Paris	France	5.45%	600	500
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	41,357	42,205
				198,899	**156,886**

The changes in this caption were as follows:

	OMEL	Med Grid	HCB	REE	ENAGAS	Total
At 1 January 2013	**3,167**	**400**	**38,400**	**50,493**	**38,542**	**131,002**
Acquisitions	-	100	-	-	-	100
Fair value adjustments	-	-	3,805	15,161	6,818	25,784
At 31 December 2013	**3,167**	**500**	**42,205**	**65,654**	**45,360**	**156,886**
At 1 January 2014	**3,167**	**500**	**42,205**	**65,654**	**45,360**	**156,886**
Acquisitions	-	100	-	-	-	100
Fair value adjustments	-	-	(848)	27,155	15,606	41,913
At 30 September 2014	**3,167**	**600**	**41,357**	**92,810**	**60,966**	**198,899**

The interests held in REE and Enagás are recorded at fair value determined based on the shares closing quotations as of 30 September 2014.

Red Eléctrica Corporácion, S.A. (“REE”) is the transmission system operator of electricity in Spain. REN, SGPS acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 30 September 2014.

ENAGÁS is the transmission system operator of natural gas in Spain. REN, SGPS acquired a 1% stake in Enagás as part of a strategic partnership agreement. Enagás is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 30 September 2014.

The Group increase holds 5.45% of the share capital in Medgrid S.A.S. This project consists in an international partnership to promote and develop the Mediterranean interconnection electric network, allowing the transportation of clean electricity produced in Africa to Europe.

REN SGPS holds 2.060.661.943 shares which represents 7.5% of Hidroeléctrica de Cahora Bassa S.A. share capital and voting rights, as a result of the conditions established in the agreement signed on 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. (“Parpublica”), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value.

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

As there are no available market price for the above referred investments (MedGrid and OMEL), and as it is not possible to determine the fair value of the period using comparable transactions, these shares are recorded at its acquisition cost deducted of impairment losses as described in Note 3.6 of the consolidated financial statements for the year ended 2013, being REN understanding that there is no evidence of impairment loss of these investments at the reporting date.

The adjustments to fair value of available-for-sale financial assets are recognised in the equity caption "Fair value reserve" that as of 30 September 2014 and 31 December 2013 had the following amounts:

	Fair value reserve (Note 13)
1 January 2013	**(4,093)**
Changes in fair value	25,784
Tax effect	(805)
31 December 2013	**20,886**
1 January 2014	**20,886**
Changes in fair value	41,913
Tax effect	(9,835)
30 September 2014	**52,964**

In the nine month periods ended 30 September 2014 and 2013 the dividends attributable to the Group are as follows:

	30.09.2014	30.09.2013
Red Eléctrica Corporación, S.A. ("REE")	2,462	2,286
Enagás, S.A.	1,824	1,635
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	57	50
Hidroeléctrica de Cahora Bassa	1,858	1,405
	6,200	**5,377**

These amounts were recognized in the statement of profit and loss caption "Financial income" and were received 7,180 thousand Euros in nine month period ended 30 September 2014 (6,292 thousand Euros in nine month period ended 30 September 2013).

10 TRADE AND OTHER RECEIVABLES

Trade and other receivables as of 30 September 2014 and 31 December 2013 are made up as follows:

	30 September 2014			31 December 2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	166,305	155	166,460	488,794	155	488,949
Impairment of trade receivables	(844)	-	(844)	(822)	-	(822)
Trade receivables net	165,461	155	165,616	487,972	155	488,127
Tariff deviations	34,327	162,037	196,365	74,631	81,432	156,063
State and Other Public Entities	8,471	-	8,471	3,320	-	3,320
Trade and other receivables	**208,259**	**162,193**	**370,452**	**565,923**	**81,588**	**647,510**

The most significant amounts in trade receivables are the receivables from (i) EDP – Distribuição de Energia, S.A. in the amount of 78,804 thousand Euros (398,712 thousand Euros as of 31 December 2013), (ii) Galp in the amount of 11,940 thousand Euros (20,216 thousand Euros as of 31 December 2013), and (iii) a deferral asset in the amount of 6,266 thousand Euros related to the extraordinary contribution on energy sector (Note 25).

As of 31 December 2013, the receivables from EDP - Distribuição de Energia, S.A. includes a billing adjustment related to CMEC invoices issued in 2012 in the amount of 299,917 thousand Euros, which are also reflected in the trade and other payables caption (Note 17) due to EDP Gestão da Produção de Energia, S.A. invoicing. This transaction consists in a pass-through, being off set in the Group consolidated financial statement of profit and loss.

Changes to the impairment losses for trade receivable and other accounts receivable are made up as follows:

	30.09.2014	31.12.2013
Begining balance	**(822)**	**(6,118)**
Increases	(22)	-
Reversal	-	5,296
Ending balance	**(844)**	**(822)**

During the year ended 31 December 2013, Group REN reversed the impairment loss related to the tariff deficit interests recorded in the period of 2008, in the amount of 5,296 thousand Euros, due to the commitment of the Portuguese State for the liquidation the above mentioned receivable. REN Group received this amount on 3 January 2014.

11 DERIVATIVE FINANCIAL INSTRUMENTS

As of 30 September 2014 and 31 December 2013 the REN Group had the following derivative financial instruments contracted:

		30 September 2014			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	325,000 TEUR	-	-	457	15,823
Interest rate and currency swaps	10,000,000 TJPY	-	-	-	8,321
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	22,839	-	-
		-	22,839	457	24,143
Negotiable derivatives		-	-	342	-
Derivative financial instruments		**-**	**22,839**	**799**	**24,143**

		31 December 2013			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	425,000 TEUR	-	-	2,341	15,997
Interest rate and currency swaps	10,000,000 TJPY	-	-	-	10,847
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	-	-	7,476
		-	-	2,341	34,320
Negotiable derivatives		-	-	342	-
Derivative financial instruments		**-**	**-**	**2,683**	**34,320**

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

The amount recorded in this caption relates to eight interest rate swaps and one cross currency swap contracted by REN SGPS to hedge the risk of fluctuation of future interest and foreign exchange rates

The amounts presented above include the amount of interest receivable or payable at 30 September 2014 relating to these derivatives financial instruments, in the total net receivable amount of 3,762 thousand Euros (1,781 thousand Euros payable at 31 December 2013).

The main features of the derivatives financial instruments contracted associated with financing operations is, at 30 September 2014 and 31 December 2013, detailed as follows:

	Reference value	Currency	REN's payments	REN's receipts	Maturity	Fair value at 30/09/2014	Fair value at 31/12/2013
Cash flow hedge:							
Interest rate swaps	325 000 TEuros	EUR	[1.89%; 2.77%]	[0.08%;0.44%] - floating rates	[Oct-2014; Sept-2017]	(16,280)	(18,338)
Interest rate and currency swaps	10 000 000 000 JPY / 72 899 TEuros	EUR/JPY	5.64% (floating rate starting 2019)	2.71%	2024	(8,321)	(10,847)
						(24,600)	**(29,185)**
Fair value hedge:							
Interest rate swaps	400 000 TEuros	EUR	[0.76%;0.83%] - floating rates	1.72%	2020	22,839	(7,476)
						22,839	**(7,476)**
					Total	**(1,761)**	**(36,661)**

The periodicity of paid and received flows of the derivative financial instruments portfolio is quarterly and half-yearly contracts to the cash flow hedge contracts and semi-annual and annual basis for derivative designated as a fair value hedge.

The detail of the notional reference of cash flows and fair value hedge derivatives is presented in the following table:

	2014	2015	2016	2017	2018	Following years	Total
Interest rate swap (cash flow hedge)	50,000	-	200,000	75,000	-	-	325,000
Interest rate and currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	-	-	-	-	400,000	400,000
Total	**50,000**	**-**	**200,000**	**75,000**	**-**	**472,899**	**797,899**

<u>Swaps:</u>

Cash flow hedges

The Group hedges part of its future payments of interests on borrowings and bond issues through the interest rate swaps agreements, on which REN pays a fixed rate and receives a variable rate with a total notional amount of 325,000 thousand Euros (425,000 thousand Euros at 31 December 2013). This is the hedging of the interest rate risk on payments of interest at variable rates on recognized financial liabilities. The risk covered is the variable rate indexer to which the borrowing interest coupons relates. The objective of this hedging is to convert loans at variable interest rates to fixed interest rates, the credit risk not being hedged. The fair value of the interest rate swaps at 30 September 2014 was 16,280 thousand Euros negative (18,338 Euros negative at 31 December 2013).

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

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

The fair value of the cross currency swap at 30 September 2014 was 8,321 thousand Euros negative (10,847 thousand Euros negative at 31 December 2013).

The underlying exchange variation (borrowing) was negative on the nine month period ended 30 September 2014, in the amount of 3,307 thousand Euros, and was offset by a similar variation in the hedging instrument in the statement of profit and loss (a positive variation of 12,158 thousand Euros was verified at 30 September 2013).

In the nine month period ended 30 September 2014 the inefficient component variation recorded in the income statement amounted to 3,465 thousand Euros positive (744 thousand Euros negative at 30 September 2013).

The amount recorded in reserves relating to the above mentioned cash flow hedges was 25,368 thousand Euros (23,362 thousand Euros at 31 December 2013).

The changes in this caption (Note 13) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves
1 January 2013	**(35,431)**	**8,819**	**(26,612)**
Changes in fair value and ineffectiveness	12,069	(3,445)	8,624
31 December 2013	**(23,362)**	**5,373**	**(17,989)**
1 January 2014	**(23,362)**	**5,374**	**(17,989)**
Changes in fair value and ineffectiveness	(2,006)	461	(1,544)
30 September 2014	**(25,368)**	**5,835**	**(19,533)**

Fair value hedge

During the year 2013, the company issued debt in the amount of 400,000 thousand Euros at a fixed rate. To manage the fair value floating of this issue debt, the company contracted two swaps on which REN pays a variable rate and receives a fixed rate, with a notional amount of 400,000 thousand Euros. The risk covered is the fixed rate index to debt issued. The covered risk is related with fair value floating of the debt issues according to the interest rate fluctuations. The objective of this hedging is to convert loans at fixed interest rates to variable interest rates, the credit risk not being hedged. The fair value of these interest rate swaps at 30 September 2014 was 22,839 thousand Euros positive (7,476 thousand Euros negative at 31 December 2013). The inefficient component variation recorded in the income statement was 541 thousand Euros.

Changes in the fair value of the debt issued resulting from the interest rate risk are recorded in the income statement to offset changes in the fair value of the hedge instrument recorded in the income statement. On the nine month period ended 30 September 2014, the debt fair value changes related to the interest rates risk recorded in the income statement was 25,049 thousand Euros (negative) (8,159 thousand euros at 31 December 2013).

Futures:

REN – Redes Energéticas Nacionais, SGPS, S.A., through its subsidiary REN Trading, S.A. has carried out some financial operations in the futures market of energy, coal and CO_2 emission licences, through contracts standardized by the International Swaps and Derivatives Association Inc. (“ISDA”) and through participation in futures trading exchanges.

REN SGPS and REN Trading signed an agreement under which REN Trading manages these derivative financial contracts on behalf of REN SGPS, thus ensuring clear and transparent separation between these businesses, always on a previously defined basis, continuously monitored with low exposure to risk.

These financial derivatives contracts in the futures market do not imply any physical liquidation of the underlying assets, being an activity of a purely financial nature, in a framework of financial management of assets, not being viewed as a regulated activity of the Commercial Agent.

As of 30 September 2014, the caption “negotiable derivatives” in current liabilities, include the fair value of the futures on carbon licences maturing on 31 December 2014, in the amount of 342 thousand Euros (342 thousand Euros at 31 December 2013).

12 CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents as of 30 September 2014 and 31 December 2013 are made up as follows:

	30.09.2014	31.12.2013
Cash	21	-
Bank deposits	51,343	167,987
Cash and cash equivalents in the statement of financial position	**51,365**	**167,987**
Bank overdrafts (Note 14)	(17,127)	(861)
Cash and cash equivalents in cash flow statement	**34,238**	**167,126**

13 EQUITY INSTRUMENTS

Share capital

REN’s subscribed and paid up share capital as of 30 September 2014 and 31 December 2013 was made up of 534,000,000 shares of 1 euro each.

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

The composition of the shareholder structure changed due to the reprivatization process ended in June 2014, with the sale of shares held by Parpública – Participações Públicas

(SGPS), S.A. and by Caixa Geral de Depósitos, S.A..The shareholder composition is detailed in Note 29.

Treasury shares

As of 30 September 2014 REN SGPS had the following treasury shares:

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

No treasury shares were acquired or sold during the nine month period ended 30 September 2014.

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

Reserves and retained earnings

The caption "Reserves" in the amount of 307,971 thousand Euros includes:

- Legal reserves, in the amount of 97,295 thousand Euros: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. The reserve can only be used to cover losses or to increase capital.

- Fair value reserves includes changes in the fair value of held for sale assets (52,964 thousand Euros), as detailed in Note 9;

- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 19,533 thousand Euros) as detailed in Note 11.

- Other reserves, in the amount of 177,245 thousand Euros: This caption is used for: (i) applying the year end net profit. The amount included in this caption can be disbursed to shareholders with the exception imposed by the Commercial Company Code regarding own shares (Free reserves); and (ii) changes in equity of investees, recorded by the equity method.

In accordance to the legislation in place in Portugal, increase in capital as a result of the incorporation of fair value (fair value reserves and hedging reserves) can only be disbursed to shareholders when the assets that gave place to its fair values have been sold, exercised, extinct, settled or used.

14 BORROWINGS

The segregation of borrowings between current and non-current and by nature, as of 30 September 2014 and 31 December 2013 was as follows:

	30 September 2014	31 December 2013
Non-current		
Bonds	1,339,296	1,444,440
Bank Borrowings	747,394	784,042
Commercial Paper	119,000	200,000
Finance Lease	1,429	1,676
	2,207,119	**2,430,159**
Current		
Bonds	163,500	150,000
Bank Borrowings	100,198	71,194
Commercial Paper	105,000	30,000
Bank overdrafts (Note 12)	17,127	861
Finance Lease	727	719
Accrued interest	35,146	24,778
Prepaid interest	(22,717)	(27,227)
	398,981	**250,325**
	2,606,099	**2,680,483**

At 30 September 2014 borrowings settlement plan was as follows:

	2014	2015	2016	2017	2018	Following years	Total
Debt - Non current	-	115,180	522,202	96,346	406,377	1,067,013	2,207,119
Debt - Current	83,297	315,684	-	-	-	-	398,981
	83,297	**430,864**	**522,202**	**96,346**	**406,377**	**1,067,013**	**2,606,099**

Detailed information regarding bond issues as of 30 September 2014 is as follows:

30 September 2014					
Emission date	**Maturity**	**Initial Amount**	**Debt Outstanding**	**Interest rate**	**Periodicity of interest payment**
REN SGPS private emission					
27/04/2011	27/10/2014	TEUR 100.000 (i)	TEUR 50.000	Floating rate (ii)	Bi-Annual
'Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	TEUR JPY 10.000.000 (i)	TEUR JPY 10.000.000	Fixed rate (ii)	Bi-Annual
08/03/2012	09/03/2015	TEUR 63.500 (i)	TEUR 63.500	Fixed rate	Bi-Annual
21/09/2012	21/09/2016	TEUR 300.000	TEUR 300.000	Fixed rate EUR 6.25%	Bi-Annual
28/09/2012	28/09/2015	TEUR 50.000 (i)	TEUR 50.000	Fixed rate	Annual
10/12/2012	10/12/2015	TEUR 100.000 (i)	TEUR 100.000	Fixed rate	Bi-Annual
16/01/2013	16/01/2020	TEUR 150.000 (i)	TEUR 150.000	Floating rate	Quarterly
31/01/2013	31/01/2018	TEUR 300.000	TEUR 300.000	Fixed rate EUR 4.125%	Annual
17/10/2013	16/10/2020	TEUR 400.000	TEUR 400.000	Fixed rate EUR 4.75% (ii)	Annual

(i) These emissions correspond to private placements.

(ii) These emissions has interest currency rate swaps associated

The Group has five active commercial paper programmes, in the amount of 775,000 thousand Euros, of which 551,000 thousand Euros are available. From the total amount of commercial paper programs, 575,000 thousand Euros have subscription guarantee.

The bank loans are mainly (542,261 thousand Euros) represented by EIB loans.

In April 2014 the Group signed a credit facility with Bank of China in the aggregate amount of 200,000 thousand Euros. At 30 September 2014 the Group had used 10.000 thousand Euros of this credit facility.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not terminated in the contractually specified period for that purpose).

As a result of the fair value hedge related to the debt emission, in the amount of 400,000 thousand Euros (Note 11), was recognized an increase in the debt as a result of fair value changes concerning interest rate risk, in the amount of 16,890 thousand Euros negative (an decrease in the debt of 8,159 thousand Euros at 31 December 2013).

REN obtained a bank loan providing its share capital stakes in Red Eléctrica Corporación and in Enagás as collateral. REN mantains in full the rights inherent to such shareholdings, including voting rights and dividends.

The REN financial liabilities have the following main types of covenants: *Cross default*, *Pari Passu*, *Negative Pledge*, *Gearing* (ratio of total consolidated equity to the amount of the

Group's total conceded assets). The Group's Gearing ratio comfortably meets the limits set by contract, being on 30 September 2014 above the minimum in 94% (on 31 December 2013 was 86% above the limit).

The borrowings from EIB – European Investment Bank include ratings covenants. In the event of ratings below the levels specified, REN can be called to provide a guarantee acceptable to EIB.

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

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

15 POST-EMPLOYMENT BENEFITS AND OTHER BENEFITS

REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service bonuses, retirement bonuses and a death grant (referred to as "other benefits"). The Group also grants their employees life assurance plans. There were no changes compared to 31 December 2013 in the benefits granted to the employees.

As of 30 September 2014 and 31 December 2013 the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	30.09.2014	31.12.2013
Liability on the statement of financial position		
Pension plan	88,049	90,579
Healthcare plan and other benefits	35,870	35,514
Life assurance plan	150	138
	124,069	**126,231**

During the nine month period ended 30 September 2014 and 30 September 2013 the following operating expenses were recorded regarding benefit plans with employees:

	30.09.2014	30.09.2013
Charges to the statement of profit and loss (Note 22)		
Pension plan	4,286	3,556
Healthcare plan and other benefits	1,247	1,379
Life assurance plan	12	13
	5,545	**4,948**

The amounts reported to 30 September 2014 result from the projection of the actuarial valuation as of 31 December 2013 for the nine month period ended 30 September 2014, considering the estimated increase in salaries for 2014.

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

	30.09.2014	31.12.2013
Annual discount rate	3.25%	3.25%
Expected percentage of serving employees elegible for early retirement (more than 60 years of age and 36 years in Service) by Collective Work Agreement	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement - Management act	20.00%	20.00%
Rate of salary increase	3.30%	3.30%
Pension increase	1.70%	1.70%
Inflation rate	2.00%	2.00%
Medical trend	3.50%	3.50%
Management costs (per employee/year)	219 €	219 €
Expenses medical trend	2.00%	2.00%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

16 PROVISIONS

The changes in provisions in the reported periods is as follows:

	30.09.2014	31.12.2013
Begining balance	**5,903**	**7,220**
Increases	227	226
Reversing	-	(438)
Utilization	(176)	(1,105)
Ending balance	**5,954**	**5,903**
Current provision	1,073	1,213
Non-current provision	4,881	4,690
	5,954	**5,903**

As of 30 September 2014 the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision in the amount of 1,073 thousand Euros, related to the Group's restructuring plan in course.

17 TRADE AND OTHER PAYABLES

The caption "Trade and other payables" as of 30 September 2014 and 31 December 2013 was made up as follows:

	30 September 2014			31 December 2013		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 8)	119,725	-	119,725	436,441	-	436,441
Other creditors						
Other creditors (Note 8)	139,748	27,820	167,569	50,456	28,058	78,514
Tariff deviations (Note 8)	11,699	50,336	62,035	23,265	29,459	52,724
Fixed assets suppliers (Note 8)	48,661	-	48,661	83,065	-	83,065
Tax payables (Note 8) (i)	19,062	-	19,062	25,898	-	25,898
Deferred income						
Grants related to assets	17,789	301,555	319,344	19,119	312,781	331,901
Accrued costs						
Holidays and holidays subsidies (Note 8)	5,850	-	5,850	4,728	-	4,728
Trade and other payables	**362,535**	**379,711**	**742,246**	**642,973**	**370,298**	**1,013,272**

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

As of 30 September 2014 the caption "Other creditors" includes mainly the amount of 61,925 thousand euros relating to the amounts received by the Portuguese State which should be applied by REN and later returned to the National Electric System for the purposes of the tariff deficit reduction and mitigation of the impact of tariff costs to energy policy, in accordance with applicable law, and also the recognition of the entire obligation for the extraordinary contribution on energy sector in the amount of 25,065 thousand Euros (Note 25).

As of 31 December 2013, the caption "Current suppliers " includes the correction of the "CMEC" of 2012 invoiced by EDP – Gestão da Produção de Energia, S.A., in the amount of 299,917 thousand Euros, also reflected under caption "Trade and other receivables "(Note 10) through the invoice issued to EDP – Distribuição de Energia, S.A. This transaction sets a pass-through in the consolidated income statement of REN.

18 SALES AND SERVICES RENDERED

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

	30.09.2014	30.09.2013
Goods:		
Domestic market	175	109
	175	109
Services:		
Electricity transmission and overall systems management	286,600	288,155
Natural gas transmission	91,524	89,493
Regasification	23,290	26,436
Underground gas storage	9,346	9,673
Telecommunications network	3,768	4,131
Trading	3,418	2,608
Others	565	1,326
	418,511	421,822
Total sales and services rendered	**418,686**	**421,930**

19 REVENUE AND COSTS FROM CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets for the nine month periods ended 30 September 2014 and 30 September 2013 is the following:

	30.09.2014	30.09.2013
Revenue from construction of concession assets		
- Acquisitions	54,788	91,480
- Own work capitalised :		
Financial expenses (Note 5)	3,427	6,897
Overhead and management costs (Note 5)	11,094	11,589
	69,310	**109,966**
Cost of construction of concession assets		
- Acquisitions	54,788	91,480
	54,788	**91,480**

20 OTHER OPERATING INCOME

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

	30.09.2014	30.09.2013
Recognition of investment subsidies	13,342	14,354
Supplementary income	1,255	1,397
Financial contracts	-	1,659
Others	1,324	2,388
	15,921	**19,798**

The caption “Financial contracts” refers to gains on financial operations in the futures market for energy, coal, and carbon emission licences, through contracts standardized by the International Swaps and Derivatives Association Inc. (“ISDA”), as well as through participation in futures trading exchanges. The operations are merely financial not involving physical deliveries.

21 EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the nine month periods ended 30 September 2014 and 2013 is made up as follows:

	30.09.2014	30.09.2013
Gas transport subcontracts	1,959	2,044
Maintenance costs	6,180	6,115
Fees relating to external entities i)	5,982	6,065
Cross border interconnection costs ii)	795	1,129
Electric energy costs	2,944	3,420
Insurance costs	2,109	2,115
Reserve capacity costs	-	1,028
Publicity costs	864	879
Security and surveillance	1,246	1,353
Other (less than 700 thousand Euros)	3,699	4,508
External supplies and services	**25,779**	**28,655**

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

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

22 PERSONNEL COSTS

Personnel costs are made up as follows:

	30.09.2014	30.09.2013
Remuneration		
Board of directors	1,733	1,619
Personnel	24,653	26,142
	26,387	27,762
Social charges and other expenses		
Post-employement and other benefits cost (Note 15)	5,545	4,948
Charges on remuneration	5,509	5,757
Social support costs	176	138
Other	1,687	1,705
	12,918	12,548
Total personnel costs	**39,305**	**40,310**

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

23 OTHER OPERATING COSTS

Other operating costs are made up as follows:

	30.09.2014	30.09.2013
ERSE operating costs i)	6,746	6,571
Donations	95	132
Taxes	732	656
Quotizations	935	874
Others	592	514
	9,100	**8,748**

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

24 FINANCIAL COSTS AND INCOME

Financial costs and income are made up as follows:

	30.06.2014	30.06.2013
Financial costs		
Interest on loans and other similar costs	92,020	117,961
Derivative financial instruments	134	845
Losses on other financial assets	-	865
Other financial costs	950	586
	93,103	**120,256**
Financial income		
Interest and other similar income	3,288	7,657
Derivative financial instruments	4,228	1,900
Gains on other financial assets	18	-
	7,534	**9,558**

25 EXTRAORDINARY CONTRIBUTION ON ENERGY SECTOR

In accordance Law 83-C/2013, December 31, energy operators has to make an extraordinary payment in 2014, which is calculated, in the case of regulated companies, focusing over the highest value between the value of the regulated assets and the net book value, as of 1st January 2014, over which is applied the rate of 0.85%.

To the extent that it is a present obligation whose facts originating already occurred, with timing and amounts certain or ascertainable, REN recorded liabilities in the amount of 25,065 thousand Euros (Note 17), a deferral asset in the amount of 6,266 thousand Euros and the related expense for the nine months period ended 30 September 2014 in the amount of 18,799 thousand Euros.

26 EARNINGS PER SHARE

Earnings per share attributable to REN's shareholders were calculated as follows:

		30.09.2014	30.09.2013
Consolidated net profit used to calculate earnings per share	(1)	84,920	89,296
Number of ordinary shares outstanding during the period (Note 13)	(2)	534,000,000	534,000,000
Effect of treasury shares (Note 13) (average number of shares)		3,881,374	3,881,374
Number of shares in the period	(3)	530,118,626	530,118,626
Basic earnings per share (euro per share)	**(1)/(3)**	**0.16**	**0.17**

Basic earnings per share are the same as diluted earnings as there is no situation that could originate dilution effects.

27 DIVIDENDS PER SHARE

During the General Shareholders Meeting held on 3 April 2014, the shareholders approved the distribution of dividends with respect to the net profit of 2013, in the amount of 91,314 thousand Euros, corresponding to a gross dividend amount of 0.171 Euros per share, which include 664 thousand Euros attributable to treasury shares, having been paid to the shareholders an amount of 90,650 thousand Euros.

The distribution of dividends with respect to the net profit of 2012 amounted to 90,780 thousand Euros (0.17 Euros per share). From this amount, 660 thousand Euros were attributable to treasury shares, having been paid to the shareholders an amount of 90,120 thousand Euros.

28 GUARANTEES GIVEN

As of 30 September 2014 and 31 December 2013 the REN Group had given the following guarantees:

Beneficiary	Scope	30.09.2014	31.12.2013
European Community	To comply with the contractual requirements of the loan contract	177	-
EP - Estradas de Portugal	To guarantee compliance with the obligations assumed	84	84
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	205	205
NORSCUT - Concessionária de Auto-estradas, SA	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
Fortia - Energia para Grandes Consumidores	Financial contract under the ISDA contract (International Swaps and Derivatives Association, Inc.)	-	1,000
OMEL - Operador del Mercado Español de Electricidad	To guarantee payments resulting from trading participation as purchaser in the Spanish market	-	2,000
Municipal Council of Silves	Guarantee for expropriation processes	352	352
Municipal Council of Odivelas	Guarantee for expropriation processes	1,119	1,119
Municipal Council of Aveiro	Guarantee for expropriation processes	43	43
Municipal Council of Seixal	Guarantee for expropriation processes	4,079	4,079
Municipal Council of Vila Nova de Gaia	Guarantee for expropriation processes	2	2
Judge of District Court	Guarantee the suspension of process nº 412/13	5,549	5,549
Direcção Geral de Geologia e Energia	To guarantee compliance with the obligations assumed resulting from the contract relating to the public service concession	20,500	20,500
European Investment Bank	To guarantee loans	275,556	318,225
OMIClear, C.C., S.A.	To guarantee compliance with the obligations assumed	2,000	-
Instituto da Segurança Social, I.P.	Ensure the suspension of tax enforcement proceedings	511	-
		310,377	**353,359**

29 RELATED PARTIES

Main shareholders and shares held by corporate bodies

As of 30 September 2014 and 31 December 2013, the shareholder structure of Group REN was as follows:

	30.09.2014		31.12.2013	
	Number of shares	%	Number of shares	%
Treasury shares	133,500,000	25.00%	133,500,000	25.00%
Fidelidade - Companhia de Seguros, S.A.	80,100,000	15.00%	80,100,000	15.00%
EGF - Gestão e Consultoria Financeira, S.A.	31,326,951	5.87%	31,326,951	5.87%
Oliren, SGPS, S.A.	26,707,335	5.00%	26,707,335	5.00%
Red Eléctrica Corporación, S.A.	26,700,000	5.00%	26,700,000	5.00%
EDP - Energias de Portugal, S.A.	26,700,000	5.00%	26,700,000	5.00%
Gestmin, SGPS, S.A.	25,562,462	4.79%	31,326,951	5.87%
Mazoon B.V. (Oman Oil Company S.A.O.C. Group)	15,997,488	3.00%	45,019,666	8.43%
State Grid Europe Limited (State Grid Group)	3,881,374	0.73%	3,881,374	0.73%
Parpublica - Participações Públicas (SGPS), S.A.	-	-	52,871,340	9.90%
Caixa Geral de Depósitos, S.A.	-	-	6,290,967	1.18%
Free float	163,524,390	30.62%	100,902,367	18.90%
	534,000,000	**100.00%**	**565,326,951**	**105.87%**

Transaction over REN shares by the Board of Directors

At June 2014, within the public offer of REN’s shares, Mr. Emílio Rui Vilar, Chairman of the Board of Directors and Chief Executive Officer, acquired 10,000 of REN’s shares.

Besides the above situation, didn’t occur any other transactions carried out by Corporate Bodies in relation to the consolidated financial statements as of 31 December 2013.

Remuneration of the Board of Directors

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

Remuneration of the Board of Directors of REN, SGPS in the nine month period ended 30 September 2014 amounted to 1,733 thousand Euros (1,619 thousand Euros on 30 September 2013), as shown in the following table:

	30.09.2014	30.09.2013
Remuneration and other short term benefits	1,733	1,619
	1,733	**1,619**

Transactions with group or dominated companies

In its activity REN maintains transactions with Group entities or with dominated parties. The terms in which these transactions are held are substantially identical to those practiced between independent parties in similar operations.

In the consolidation process the amounts related to such transactions or open balances are eliminated (Note 3.2 of the notes to the consolidated financial statements as of 31 December 2013) in the consolidated financial statements.

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

Balances and transactions held with associates and other related parties

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

Revenue

	30.09.2014	30.09.2013
Sales and services rendered		
Invoicing issued- EDP	1,041,304	975,244
Invoicing issued- OMIP	463	13
Invoicing issued - North China International Power (State Grid Group)	140	20
Invoicing issued - REE	383	-
Invoicing issued - Centro de Investigação em Energia REN - State Grid	72	-
Financial income		
Interest on financial aplications-CGD [1]	-	280
Dividends received		
REE	2,462	2,286
	1,044,824	**977,843**

[1] Within the reprivatization process this entity is no longer part of the shareholder structure since 17 June.

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

Costs

	30.09.2014	30.09.2013
External supplies and services		
Invoicing received-EDP	463,985	377,396
Invoicing received-OMIP	178	-
Invoicing received - REE	767	-
Invoicing received - Norfin - Serviços, S.A.[1]	3	7
Invoicing received - Fidelidade - Companhia de Seguros, S.A.	2	-
Invoicing received - CMS Rui Pena & Arnaut[2]	100	-
Financial costs		
Interests on Commercial paper - CGD [3]	-	2,163
Borrowings fees - CGD [3]	-	888
Derivative financial instruments [3]	-	6,956
	465,035	**387,410**

[1] Entities related to EGF - Gestão e Consultoria Financeira, S.A. Group.
[2] Entity related to the Board member José Luís Arnaut.
[3] Within the reprivatization process this entity is no longer part of the shareholder structure since 17 June.

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

Balances

As of 30 September 2014 and 31 December 2013 the balances resulting from transactions with related parties were as follows:

	30.09.2014	31.12.2013
Trade and other receivables		
EDP - Trade receivables	87,965	408,798
EDP - Guarantees	155	155
EDP - Other receivables	1,306	1,274
OMIP - Other receivables	1	915
OMIP - Guarantees	-	1,173
Oman Oil - Other receivables	1	1
Centro de Investigação em Energia REN - State Grid - Other receivables	239	186
Centro de Investigação em Energia REN - State Grid - Trade receivable	260	301
REE - Trade receivables	20	3
Cash and cash equivalents		
CGD - Bank deposits [1]	-	1,710
	89,947	**414,517**
Trade and other payables		
EDP - Trade payables	3,586	304,178
EDP - Other payables	-	-
OMIP - Other payables	57	1,128
OMIP - Guarantees	27	27
Centro de Investigação em Energia REN - State Grid - Other payables	-	15
Norfin Sociedade Gestora de Fundos - Guarantees[2]	9	9
Norfin Serviços, S.A.[2]	-	5
Fidelidade - Companhia de Seguros, S.A.	1	-
CMS - Rui Pena & Arnaut - Trade payables[3]	13	27
REE - Trade payables	11	-
Borrowings		
CGD - Borrowings (Commercial paper) [1]	-	30,000
CGD-Overdrafts [1]	-	-
CGD - Finance lease [1]	-	1,841
	3,704	**337,230**

[1] Within the reprivatization process this entity is no longer part of the shareholder structure since 17 June.

[2] Entities related to EGF - Gestão e Consultoria Financeira, S.A. Group.

[3] Entity related to the Board member José Luis Arnaut.

30 OTHER ISSUES

REN agrees to the partial transfer of Galp Energia natural gas underground storage concession business

REN carries out through REN Armazenagem, a company wholly owned by REN, the concession business for a natural gas underground storage activity in Portugal.

Galp Energia also carries out, through its fully owned company Transgás Armazenagem, a natural gas underground storage concession business located at Carriço, Pombal.

REN and Galp Energia have agreed, in July 2014, to the partial transfer of the concession business owned by the latter, including the transmission of its two existing cavities, the rights for the construction of two additional ones, and rights and obligations associated with these assets, on an operation to be formalized by a partial business transfer in favour of REN Armazenagem of Transgás Armazenagem natural gas underground storage concession business.

This transaction is subjected to the applicable legal and contractual approvals and the confirmation that from this transaction no regulatory changes will occur, which is expected to be known until the end of the current year.

The price to be paid for the partial concession business transfer is EUR 71,742,329.47 (seventy one million, seven hundred and forty two thousand, three hundred and twenty nine euros and forty seven cents) with the 30th of June 2014 as reference date, this value is subject to an adjustment dependent on the transaction actual closing date.

At the transaction closing date, REN will be the owner of the totality of the underground storage infrastructures in operation in the national territory

ERSE's Decision on the Certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. as Transmission Grid Operators

ERSE has issued on 9 September 2014 a decision regarding the Certification of REN - Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. as electricity transmission and natural gas grid operators, under a full ownership unbundling, in the condition of observing, within eight months, a set of certification conditions meant to grant the operators independence ("Decision").

The conditions imposed by ERSE's Decision include:

- Restrictions concerning shareholders of REN – Redes Energéticas Nacionais, SGPS, S.A. ("REN SGPS"): the shareholders that control companies whose object is the generation or supply of electricity or the production or supply of natural gas, are prevented from exercising any rights held in REN SGPS, notwithstanding their right to receive dividends, unless when the absence of conflicts of interests is recognized by the certifying entity.
- Restrictions concerning members of the Board of Directors or Supervisory Board of REN SGPS and the Transmission Grid Operators ("TGO"), which:
    a) Cannot be appointed by shareholders that control or hold rights over companies whose object is the generation or supply of electricity or the production or supply of natural gas;
    b) Are not allowed to be part of corporate bodies in companies whose object is the generation or supply of electricity or the production or supply of natural gas.
- Amendment to the REN SGPS's by-laws, in order to comply with the restrictions included in the two bullets above.
- Communication to ERSE, in a timely manner, of any material change that involves the conditions that were analysed within the certification proceedings.

ERSE's Decision defines additional measures of functional unbundling, as per the situation of REN Trading, S.A., and of supervision of the activities developed by REN Group and also makes reference to the current shareholders of REN SGPS and the members of the Board of Directors and Supervisory Board of REN SGPS and the TGOs.

ERSE will proceed with the analysis of the compliance with the certification conditions that are set forth in the decision within an eight-month period.

31 SUBSEQUENT EVENTS

There are no subsequent events to report.

32 EXPLANATION ADDED FOR TRANSLATION

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

The Accountant

Maria Teresa Martins

The Board of Directors

Emílio Rui Vilar
(President of the Board of Directors and of the Executive Committee)

José Folgado Blanco
(Member of the Board of Directors designated by Red Eléctrica Corporación, S.A.)

João Faria Conceição
(Member of the Board of Directors and of the Executive Committee)

Francisco João Oliveira
(Member of the Board of Directors designated by OLIREN, SGPS, S.A.)

Gonçalo Morais Soares
(Member of the Board of Directors and of the Executive Committee)

José Luis Arnaut
(Member of the Board of Directors)

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

Luís Amado da Silva
(Member of the Board of Directors)

Mengrong Cheng
(Member of the Board of Directors)

José Luís Alvim
(Member of the Board of Directors and President of the Audit Committee)

Haibin Wan
(Member of the Board of Directors)

José Frederico Jordão
(Member of the Board of Directors and of the Audit Committee)

Hilal Al-Kharusi
(Member of the Board of Directors)

Aníbal Durães dos Santos
(Member of the Board of Directors and of the Audit Committee designated by Parpública - Participações Públicas (SGPS), S.A.)

Manuel Champalimaud
(Member of the Board of Directors designated by Gestmin, SGPS, S.A.)

Note – The remaining pages of this Report and Accounts (3rd quarter of 2014) were initialed by the Company Secretary, Pedro Cabral Nunes, and the Accountant, Maria Teresa Martins.