

ANNEX

NOTES TO THE FINANCIAL STATEMENTS OF 31 DECEMBER 2011

(Translation of notes originally issued in Portuguese – Note 31)
(Amounts expressed in thousands of euros)

I. INTRODUCTORY NOTE

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as “REN SGPS” or “the Company”), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A..

REN SGPS is the parent company of the REN Group, which is organized into two main segments Electricity and Gas, and two secondary businesses, in the areas of Telecommunications and Management of the Electricity Derivatives Market.

The Electricity business includes the following companies:

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

Contracts for the Maintenance of the Contractual Balance (Contratos para a Manutenção do Equilíbrio Contratual - CMEC contracts). The operations of this company include the trading of electricity produced and of the installed production capacity, with domestic 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, S.A., its main activity being management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded it, the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree -Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water domain, monitoring the use by others of the water resources needed to produce electricity from wave energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and the monitoring of it.

The Gas business covers 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 it has direct participations.

opposition of the Competition Authority. The positive opinion was issued by the Competition Authority on 21 January 2011. Only after issuance of this positive opinion the Company's capital was reduced through repayment of Enagás' shares of 2,574,460 Euros and 3,233,500 Euros, respectively.

b) REN Gasodutos, S.A., founded on 26 September 2006, indirectly owned by REN SGPS, the capital of which was paid up through integration into it of the gas transport infrastructures (network; connections; compression). The company's object is to transport natural gas at high pressure and overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in the Portugal. It includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the infrastructures and installations necessary for this, in accordance with the law and its public service concession, as well as any other related services.

c) REN Armazenagem, S.A., founded on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's object consists of the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities.

On 15 November 2010 the Board of Directors approved a restructuring operation of the natural gas company.

On 30 March 2011, after the capital increase through payment in kind of 539,272,988 Euros relating to the capital of the companies REN Gasodutos, S.A. and REN Armazenagem S.A., REN Gás S.A. became sole shareholder of the two companies.

The following companies are fully owned by REN Gasodutos, S.A.:

– Gasoduto Campo Maior – Leiria – Braga, S.A., founded on 20 January 1995, its operations consisting of the transport of natural gas under high pressure between Campo Maior, Leiria and Braga.

On 12 April REN SGPS, S.A. sold to REN Serviços S.A. its participation in REN Gás S.A.

– Gasoduto Braga-Tuy, S.A., founded on 20 January 1995, its operations consisting of the transport of natural gas under high pressure between Braga and Tuy.

Therefore the above subsidiaries are indirectly fully owned by REN SGPS as its subsidiary REN Serviços, S.A. (fully owned by REN SGPS) is sole shareholder of REN Gás, S.A.

On 17 December 2010 a contract was entered into between REN Gasodutos, S.A. and Enagás, S.A. "Relating to the release of Enagás, S.A. from the Portuguese part of the joint natural gas supply project to Portugal and Spain". The contract included a suspending clause in relation to the reduction of the Company's capital through Enagás S.A. and is only effective with the non-

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

The operations of REN Gasodutos, S.A., REN Armazenagem S.A. and REN Atlântico S.A. are carried out under three concession contracts granted separately for periods of 40 years as from 26 September 2006.

The telecommunications business includes the following company:

RENTELECOM – Comunicações, S.A. was founded under Order 128/2001 of 22 October of the Minister of the Economy and public deed drawn up on 7 December 2001. The company started operating on 1 January 2002, having as its object the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services, as well as the realization of any complementary, subsidiary or accessory activities, directly or through participations in other companies.

The company's capital totals 100 thousand Euros, represented by 20,000 shares of five euros each. At 31 December 2011 the capital was fully owned by REN – Redes Energéticas Nacionais, SGPS, S.A.

The Electricity Derivatives Market Management business includes the following companies:

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

- a) management of the organized energy term contracting market;
- b) intermediary of the agents for purposes of commercial relationships in the Iberian Electricity Market;

- c) management of other markets of electricity based products;
- d) Rendering of liquidation services in the organized electricity markets;
- e) Rendering of liquidation services for standard transactions in non-organized energy markets;
- f) Rendering of organization services for markets in the electric system operations area.

As a result of delays in the start-up of MIBEL – Mercado Ibérico de Electricidade, OMIP only started operating on 3 July 2006.

OMIP is the sole shareholder of OMIClear - Sociedade de Compensação de Mercados de Energia, S.A., which has the corporate objective of clearing futures and options operations.

Following the Santiago Agreements, OMIP SGPS, S.A. was incorporated, being 90% owned by REN SGPS, and began operating on 16 September 2010, 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), and Omiclear – Sociedade de Compensação de Mercados de Energia, S.A..

In the process of creating the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in conformity with an Agreement between the Portuguese Republic and the Kingdom of Spain regarding the forming of an Iberian electric energy market, in October and December 2011 REN SGPS sold, for 9,153,254 Euros, 55% of the share capital of OMIP, Operador do Mercado Ibérico (Portugal), SGPS, S.A., through transmission of lots of shares representing 5% of the capital of the company, becoming holder of 35% of the

capital of the company. Supplementary capital contributions of 4,545,200 Euros were also transferred in that transaction.

At the same time, REN acquired 10% of the capital of OMEL, Operador del Mercado Ibérico de Energía, S.A., Spanish pole of the Sole Operator, for 3,166,800 Euros.

In conformity with the Iberian Agreement, REN must also sell a further 25% of the capital of OMIP, Operador do Mercado Ibérico (Portugal), SGPS, S.A., under the same conditions as those above, so that REN's final participation in that company is 10%.

Other businesses:

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

The accompanying financial statements were approved by the Board of Directors meeting of 1 March 2012. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors believes that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, and the conceptual framework, accounting and financial reporting standards and interpretations applicable for the year ended 31 December 2011 (generally accepted accounting principles in Portugal or NCRF).

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

3.1 BASES OF PRESENTATION

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The accompanying financial statements reflect only the Company's separate accounts, prepared as required by law for approval by the Shareholders' Meeting. As explained in Note 3.2 investments are stated in accordance with the equity method.

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), for approval in separate, which reflect, as of 31 December 2011, in relation to the accompanying separate financial statements, the following differences:

Total net assets	(928.415)
Total liabilities	(963.799)
Non controlling interests	-
Net profit for the period	(8.036)
Total revenue	(672.916)

At 31 December 2011, the differences between net profit and equity (separate and consolidated financial statements) result essentially from the fact that the subsidiaries record actuarial gains and losses relating to employee benefits in accordance with the "corridor" method, this effect being appropriated by the Company in applying the equity method to value investments in subsidiaries. In the consolidated financial statements prepared in accordance with IFRS, actuarial gains and losses on these employee benefits are recorded directly in equity, and the fact of the investment in OMIP SGPS being recorded in accordance with the equity method, the gain on the sale of 55% having been recognized in accordance with this method and in the consolidated accounts, prepared in accordance with IFRS, this participation is recorded at revaluated cost.

3.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded based on the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. In addition dividends received from these companies are recorded as decreases in the amount of the investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired as of the acquisition date is recognized as goodwill and is maintained in the amount of the investment. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as income for the year.

A valuation of investments is made when there are indications that an asset can be

impaired, any impairment losses being recognized as cost in the statement of profit and loss.

When the Company's proportion of the accumulated losses of a subsidiary or associate exceeds its book value, the investment is stated by zero, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional require the recognition of a liability. If these companies subsequently report profits, the Company only starts recognizing its share of those profits after its share of the profits equals the losses not recognized.

Unrealized gains on transactions with subsidiaries and associates are eliminated in proportion to the Company's interest in them, by corresponding entry to the caption investment. Unrealized losses are also eliminated but only up to the point that such loss does not result in the transferred asset being impaired.

3.3 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Cost includes the purchase price of the assets, costs directly attributable to their acquisition and costs incurred to prepare the assets to start operating.

Current repair and maintenance costs are charged to the statement of profit and loss for the period in which they are incurred.

Tangible fixed assets are depreciated on a straight-line basis over their estimated period of useful life, as from the date they are ready for use.

The estimated periods of useful life of tangible fixed assets are as follows:

	YEARS
Transport equipment	from 4 to 6 years
Administrative equipment	from 3 to 10 years

The useful lives of the assets are reviewed annually. Changes in useful lives are treated as changes in accounting estimates and are applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the book value of the asset, these being recorded in the statement of profit and loss in the year of sale.

3.4 LEASES

Leases, in which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract point a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date. The lease liability is recognized net of interest costs in the caption Borrowings. Interest costs included in the lease payments and depreciation of the leased assets are recognized in the consolidated statement of profit and loss in the period they refer to.

In operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

Contingent lease payments are recognized as costs of the period in which they are incurred.

3.5 FINANCIAL ASSETS AND LIABILITIES

The Company chose to apply in full IAS 32 - Financial Instruments: Presentation and IAS 39 - Financial Instruments Recognition and Measurement, in accordance with paragraph 2 of the NCRF 27.

The Board of Directors decides upon the classification of financial assets at

the time of their initial recognition in accordance with the purpose of their acquisition.

FINANCIAL ASSETS

Financial assets may be classified into the following categories, after their initial recognition:

- Financial assets at fair value through profit and loss – includes non-derivative financial assets acquired for short-term trading and assets designated at fair value through profit and loss at the inception date;
- loans granted and receivables – includes non-derivative financial assets with fixed or determinable payments that are not listed in an active market;
- Investments to be held to maturity – includes non-derivative financial assets with fixed or determinable payments and fixed maturities, that the entity intends and has the capacity to hold until the maturity date; and
- Available-for-sale financial assets – includes non-derivative financial assets designated as available-for-sale at inception date or other financial assets not classified in any of the other financial asset categories. Available-for-sale financial assets are recognized as non-current assets unless management intends to sell them within 12 months of the statement of financial position date.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which the Company commits itself to purchase or sell the asset.

Financial assets at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recognized in the statement of profit and loss caption net

financial costs for the period in which they arise, which also includes interest income and dividends received.

Loans and receivables are classified as "Trade and other receivables" in the statement of financial position, and are carried at amortized cost using the effective interest rate method, less any impairment loss. An impairment loss of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Available-for-sale financial assets are initially recognized at fair value including transaction costs. In subsequent periods these assets are adjusted to fair value, the changes in fair value being recognized in a fair value reserve within Equity. Dividends and interest income from available-for-sale financial assets are recognized in the statement of profit and loss caption other financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, the Company establishes fair value through valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets included in the category "at cost or amortized cost" are subject to impairment tests at each financial statement date. Such financial assets are impaired when there is objective evidence that, as a result of one or more

happenings that occur after their initial recognition, their estimated future cash flows are affected.

Impairment losses to be recognized on financial assets measured at amortized cost corresponds to the difference between the book value of the asset and its present value as of the date of reporting the new estimated future cash flows discounted at the original effective interest rate.

Impairment losses to be recognized on financial assets measured at cost correspond to the difference between the book value of the asset and the best estimate of the fair value of the asset as of the financial statement date.

Impairment losses are recognized in the statement of profit and loss caption "Impairment losses" in the period they are determined.

If subsequently the impairment loss decreases and such decrease can be objectively related to an occurrence that happened after recognition of the loss, this must be reversed to the statement of profit and loss. The reversal must be recognized up to the amount that would have been recognized (amortized cost) if the loss had not been initially recognized. The reversal of impairment losses is recognized in the statement of profit and loss caption "Reversal of impairment losses". The reversal of impairment losses on investments in equity instruments (measured at cost) is not permitted.

Financial liabilities

IAS 39 establishes the classification of financial liabilities in two categories:

- i) Financial liabilities at fair value through profit and loss; and
- ii) Other financial liabilities.

Other financial liabilities include "Borrowings" and "Trade and other payables" after initial recognition. Trade and other payables are initially recognized at fair value and subsequently adjusted to amortized cost, using the effective interest rate method.

Financial liabilities are derecognized when the related obligations are settled, cancelled or expire.

3.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are measured at fair value. The method for recognizing gain and loss in fair value depends upon the designation made of the derivative financial instruments. If they are trading financial derivative instruments, gains and losses are recognized in the statement of profit and loss captions financial costs or income. When they are designated as hedging derivative financial instruments, the recognition of gains and losses depends on the nature of the item hedged, it being a fair value hedge or a cash flow hedge.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recognized as financial assets or liabilities, respectively.

A derivative financial instrument is recorded as non-current if its remaining period to maturity is more than 12 months and it is not expected to be realized or settled within 12 months.

HEDGE ACCOUNTING

In hedging its interest rate and exchange rate risk the Company contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting rules are:

- Adequate documentation of the hedge;
- The risk to be covered is one of the risks described in IAS 39; and
- It is expected that the changes in fair value or cash flows of the hedged item, attributable to the risk covered, are virtually offset by changes in fair value of the hedging instrument.

At the inception of the hedge operation, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objectives, strategy for managing the risk and its assessment of the effectiveness of the hedging instrument to offset variations in the fair value and cash flows of the item hedged.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged. Variations in the fair value of the hedging instruments are recognized in the statement of profit and loss together with variations in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation of the exposure to variations of great probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recognized in the statement of profit and loss, whenever the ineffective part exceeds the limits established in IAS 39.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires, is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any amount recorded as "Other reserves – hedge reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

3.7 INCOME

Income includes the fair value of the income received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Income relating to services rendered refers to charges to subsidiaries corresponding to management costs.

Income relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest income is recognized in accordance with the effective interest method provided that it is probable that economic benefits flow to the company and they can be reliably measured.

3.8 CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTIES RELATING TO ESTIMATES

When preparing the accompanying financial statements, value judgments and estimates were made using assumptions that affect the amounts of assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements, of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

SIGNIFICANT ACCOUNTING ESTIMATES**3.8.1 ACTUARIAL ASSUMPTIONS**

Determination of future liabilities requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated as of the reporting date. The more sensitive assumptions refer to: the discount rates used to update the liability, the estimated return on assets and the mortality tables.

Liability for post employment benefits – Life assurance

The Company's costs with respect to life assurance are recognised over the period in which the employees become entitled to these benefits, the liability being reflected on the statement of financial position caption "Post employment benefits liabilities". Payments to the beneficiaries each year are recorded as reductions in the provisions.

The Company records costs relating to life assurance in accordance with NCRF 28.

3.8.2 PROVISIONS

Provisions are recognized when REN SGPS has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

3.8.3 FAIR VALUE

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, REN SGPS establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3.9 INCOME TAX

Income tax for the year recognized in the statement of profit and loss includes current income tax and deferred tax. Current and deferred tax are recognized in the statement of profit and loss, except when deferred tax relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been enacted on the date of the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, or temporary taxable differences that revert in the same period as the deductible temporary differences. At the end of each reporting period a revision is made

of the deductible temporary differences and they are adjusted based on the expectation of their future utilization.

3.10 FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

3.11 ACCRUAL BASES

The Company records income and expenses on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when they are received or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12 DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the time of their payment.

3.13 CAPITAL AND OWN SHARES

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

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14 CASH AND CASH EQUIVALENTS

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

3.15 FINANCIAL COSTS ON BORROWINGS

Financial costs on borrowings are recognized as costs in the period they are incurred.

3.16 SUBSEQUENT EVENTS

Events that occur after the statement of financial position date that provide

additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. CASH FLOW

For the purpose of the statement of cash flow, cash and cash equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents. The caption cash and cash equivalents at 31 December 2011 and 2010 is made as follows:

	11	10
Bank deposits repayable on demand	1,366	472
Treasury applications	58,800	102,400
	60,166	102,872
Bank overdrafts (Note 15)	–	(389)
	60,166	102,483

5. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets and accumulated depreciation and

impairment losses in the years ended 31 December 2011 and 2010 were as follows:

11

	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	TOTAL
Assets			
Beginning balance	488	146	634
Acquisitions	124	11	135
Sales/write offs	(153)	–	(153)
Ending balance	459	157	616
Accumulated depreciation and impairment losses			
Beginning balance	219	28	247
Depreciation for the year	122	27	149
Sales	(70)	–	(70)
Ending balance	271	55	326
Net assets	188	102	290

10

	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	TOTAL
Assets			
Beginning balance	348	59	407
Acquisitions	140	87	226
Ending balance	488	146	634
Accumulated depreciation and impairment losses			
Beginning balance	129	15	145
Depreciation for the year	90	13	103
Ending balance	219	28	247
Net assets	268	118	386

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2011 and 2010:

			11	10
	COST	DEPRECIATION	NET	NET
Transport equipment			177	235
	318	(140)	177	235

The minimum payments under finance lease contracts at 31 December 2011 and 2010 are as follows:

	PRESENT VALUE OF MINIMUM PAYMENTS		MINIMUM PAYMENTS	
	11	10	11	10
Up to 1 year	74	86	80	91
Frim 1 to 5 years	105	142	110	147
	179	228	190	238

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates at 31 December 2011 and 2010 were as follows:

31 DECEMBER 2011				
ENTITY	HEAD OFFICE	CAPITAL	ASSETS	EQUITY
Equity method:				
<i>Subsidiaries</i>				
REN - Rede Eléctrica Nacional. S.A.	Lisboa	586.759	2.895.578	674.544
REN Trading. S.A.	Lisboa	50	129.986	3.831
REN Atlântico. Terminal de GNL. S.A. (a)	Sines	13.000	365.441	78.082
RENTELECOM - Comunicações. S.A.	Lisboa	100	5.051	3.262
REN Serviços. S.A.	Lisboa	50	773.268	37.171
Enondas. Energia das Ondas. S.A.	Pombal	250	806	217
<i>Associates:</i>				
OMIP - Operador do Mercado Ibérico (Portugal). SGPS. S.A.	Lisboa	2.610	25.751	25.735

31 DECEMBER 2010				
ENTITY	HEAD OFFICE	CAPITAL	ASSETS	EQUITY
Equity method:				
<i>Subsidiaries</i>				
REN - Rede Eléctrica Nacional, S.A.	Lisboa	586.759	2.720.062	656.615
REN Trading, S.A.	Lisboa	50	173.313	(1.733)
REN Gasodutos, S.A.	Lisboa	404.931	936.779	455.942
REN Atlântico, Terminal de GNL, S.A. (a)	Sines	13.000	330.426	69.955
REN Armazenagem, S.A.	Pombal	76.386	139.950	83.331
RENTELECOM - Comunicações, S.A.	Lisboa	100	5.967	3.884
REN Serviços, S.A.	Lisboa	50	9.931	3.132
Enondas, Energia das Ondas, S.A.	Pombal	250	237	216
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisboa	2.610	17.232	17.285

(CONTINUATION)

					INVESTMENT HELD
ENTITY	NET RESULT	%	INVESTMENT	PROVISION (NOTE 14)	PROPORTIONAL AMOUNT OF RESULT (NOTE 24)
Equity method:					
<i>Subsidiaries</i>	79.535	100	674.544	–	79.535
REN - Rede Eléctrica Nacional. S.A.	3.563	100	3.831	–	3.563
REN Trading. S.A.	8.127	100	81.856	–	8.127
REN Atlântico. Terminal de GNL. S.A. (a)	2.407	100	3.262	–	2.407
RENTELECOM - Comunicações. S.A.	36.960	100	37.171	–	36.960
REN Serviços. S.A.	0	100	217	–	0
Associates:					
OMIP - Operador do Mercado Ibérico (Portugal). SGPS. S.A.	187	35	4.725	–	23
			805.605	–	130.616

(CONTINUATION)

					INVESTMENT HELD
ENTITY	NET RESULT	%	INVESTMENT	PROVISION (NOTE 14)	PROPORTIONAL AMOUNT OF RESULT (NOTE 24)
Equity method:					
<i>Subsidiaries</i>	(2.118)	100	–	(1.733)	(2.118)
REN - Rede Eléctrica Nacional. S.A.	41.982	100	455.942	–	41.982
REN Trading. S.A.	12.909	100	73.729	–	12.910
REN Atlântico. Terminal de GNL. S.A. (a)	5.213	100	83.331	–	5.213
RENTELECOM - Comunicações. S.A.	3.188	100	3.884	–	3.188
REN Serviços. S.A.	3.075	100	3.132	–	3.075
Associates:					
OMIP - Operador do Mercado Ibérico (Portugal). SGPS. S.A.	10	90	4.545	–	9
			1.281.394	(1.733)	129.074

As explained in the Introductory Note, in October 2011 REN SGPS lost its control over OMIP SGPS, becoming holder of only 35% of its capital.

The changes in these captions in 2011 and 2010 were as follows:

11

ENTITY	INVESTMENT - EQUITY METHOD			
	PROPORTION OF CAPITAL HELD (ASSETS)	GOODWILL	PROPORTION OF EQUITY HELD - PROVISIONS (NOTE I4)	TOTAL
Beginning balance	1.277.622	3.774	-1.733	1.279.661
Result appropriated by the equity method (Note 19)	128.990	–	1.733	130.723
Effect of the exit of the investment in REN Gasodutos	(455.942)	–	–	(455.942)
Effect of the exit of the investment in REN Armazenagem	(83.331)	–	–	(83.331)
Sale of OMIP SGPS	(7.388)	–	–	(7.388)
Supplementary capital contributions -Trading	2.000	–	–	2.000
Supplementary capital contributions - OMIP	7.438	–	–	7.438
Distribution of dividends by subsidiaries and associates	(67.557)	–	–	(67.557)
Ending balance	801.832	3.774	–	805.605

10

ENTITY	INVESTMENT - EQUITY METHOD			
	PROPORTION OF CAPITAL HELD (ASSETS)	GOODWILL	PROPORTION OF EQUITY HELD - PROVISIONS (NOTE I4)	TOTAL
Beginning balance	1.247.482	3.774	0	1.251.256
Result appropriated by the equity method (Note 19)	130.807	–	(1.733)	129.073
Distribution of dividends by subsidiaries and associates	(97.800)	–	–	(97.800)
Appropriation of changes in equity in subsidiaries	(3.171)	–	–	(3.171)
Foundation of companies	304	–	–	304
Ending balance	1.277.622	3.774	-1.733	1.279.661

On 7 April 2011 REN SGPS made a capital increase of 481,317 Euros in the subsidiary REN Gás, through payment in kind of all the shares held in REN Gasodutos (in the amount of 404,931

thousand Euros) and REN Armazenagem (in the amount of 76,386 thousand Euros). REN Gás, S.A. was sold by REN SGPS to REN Serviços in April 2011, this operation not having generated any

margin in the financial statements as of 31 December 2011.

Under the process to create the Sole Operator of the Iberian Electricity Market (OMI) and in conformity with the what was established in the Agreement between the Republic of Portugal and the Kingdom of Spain regarding the foundation of an Iberian market of electric energy, in October and December 2011 REN sold, for 9,153 thousand Euros, 55% of the capital of OMIP, Operador do

Mercado Ibérico (Portugal), SGPS, S.A. through the transmission of lots of shares representing 5% of the capital of the company, becoming holder of 35% of the capital of the company. Supplementary capital contributions of 4,545,200 Euros were also sold in the transaction. This sale generated a profit in 2011 of 5,163 thousand Euros (Note 19).

At 31 December 2011 and 2010 goodwill included in the caption "Investments - Equity method" was made up as follows:

ENTITY	YEAR OF ACQUISITION	INITIAL AMOUNT	11	10
			AMOUNT RECORDED	AMOUNT RECORDED
REN Atlântico, Terminal de GNL, S.A.	2006	3.774	3.774	3.774
		3.774	3.774	3.774

Goodwill represents the difference between the amount paid for the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. under the natural gas business unbundling process.

GOODWILL IMPAIRMENT TEST

REN made a goodwill impairment test at 31 December 2011 in terms of the cash generating unit to which REN Atlântico corresponds. REN Atlântico's business is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession, the most significant assumption in determining it being the rate of remuneration of the regulated assets. The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 8% (post-tax discount rate of 4.99%).

The recoverable amount obtained was 95,317 thousand Euros, which enables the net amount of the non-current asset

plus goodwill of 3,774 thousand Euros to be recovered.

8. INCOME TAX

The companies belonging to the REN group are taxed based on the special regime for the taxation of groups of companies ("RETGS"). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2008 to 2011 are still subject to review.

The calculation of income tax for the year includes a State surcharge of an additional 2.5% of taxable profit in excess of 2 million Euros.

Consequently the tax rate used to determine the amount of taxable and deductible temporary differences at 31 December 2011 was 29% (29% in 2010).

The Company's Board of Directors believes that any correction to the tax returns resulting from tax reviews /

inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2011 and 2010.

Income tax expense of the years ended 31 December 2011 and 2010 was as follows:

	11	10
Current tax	1.725	222
Adjustments relating to prior year income tax	(2.845)	1.032
Deferred tax	(910)	(216)
Income tax	(2.030)	1.038

Current income tax expense for 2011 and 2010 is made up as follows:

	11	10
Profit before income tax	114.583	106.240
Permanent differences		
Non tax deductible costs	18.565	27.910
Non taxable income	(140.675)	(132.705)
Temporary differences:		
Provision for life assurance and legal processes	14	6
Fair value of futures and unwind swap	474	(640)
Taxable profit	(7.039)	811
Cost /(credit) of income tax at the rate of 25%	(1.760)	203
Autonomous taxation	35	20
Current tax	(1.725)	222
Deferred tax	910	(216)
Adjustments relating to prior year taxes	2.845	1.032
Income tax	(2.030)	1.038

DEFERRED TAX

The amounts of deferred tax assets and liabilities as of 31 December 2011 and 2010 are made up as follows:

NATURE	31 DECEMBER 2011		31 DECEMBER 2010		"INCREASE / (DECREASE) IN THE PERIOD "	
	BASE	DEFERRED TAX	BASE	DEFERRED TAX	RESULTS	RESULTS
Deferred tax assets:						
Provision for legal processes	19	5	–	–	5	–
Provision for life assurance	1	0	6	2	(1)	–
Tax losses	–	–	4.205	1.051	(1.051)	–
Fair value of futures	–	–	1.572	456	(456)	–
Fair value of swaps	15.115	4.383	3.688	1.069	(48)	3.362
Deferred tax liabilities:						
Fair value of futures	–	–	2.212	642	(642)	–
Fair value of swaps	–	–	1.594	462	–	(462)
	–	–	3.806	1.103	(642)	(462)
Total					(910)	3.824

9. FINANCIAL ASSETS**TRADE AND OTHER RECEIVABLES**

Trade and other receivables at 31 December 2011 and 2010 are made up as follows:

	11	10
Non current		
Other receivables:	1.727.525	1.209.333
Group companies - loans (Note 26)		
Current:	197	51
Trade receivable		
Other receivables:	99.155	34.916
Group companies - Shareholders' loans (Note 26)	622.995	359.306
Group companies - treasury management (Note 26)	62.486	90.398
Group companies - RETGS (Note 26)	32.555	71.682
Group companies - Debtors (Note 26)	238	87
Other	817.428	556.389
	2.545.150	1.765.774

As of 31 December 2011 the Company give shareholders 'loans to subsidiaries in the amount 1,826 thousands of Euros, which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption "Other receivables – group" includes income tax charged to subsidiaries resulting from the adoption

of the special regime for taxation of groups of companies.

OTHER FINANCIAL ASSETS

The caption "Other financial assets" in the amount of 5,667 thousand Euros (7,119 thousand Euros at 31 December 2010), corresponds to an investment in 126 participating units in the closed-ended fund "Luso Carbon Fund", with a maturity of 10 years. This investment is recorded at fair value through profit and loss, considering the value of the participating units of the fund.

10. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2011 and 2010 the Company had the following derivative financial instruments contracted:

31 DECEMBER 2011					
DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Interest rate Swaps	184.000.000 EUR	–	–	640	3.585
Interest rate Swaps	350.000.000 EUR	–	–	–	10.654
Cross currency swap	10.000.000.000 JPY	–	26.696	–	–
		–	26.696	640	14.239
Trading derivatives		1.144	–	1.095	–
Total derivatives designated to cash flows hedge		1.144	26.696	1.735	14.239

31 DECEMBER 2010					
DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	NOTIONAL	ASSETS		LIABILITIES	
		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Interest rate Swaps	384.000.000 EUR	–	–	2.803	2.875
Interest rate Swaps	200.000.000 EUR	–	1.553	–	–
Cross currency swap	10.000.000.000 JPY	–	19.146	–	–
		–	20.699	2.803	2.875
Trading derivatives		2.212	–	1.572	–
Total derivatives designated to cash flows hedge		2,212	20,699	4,376	2,875

The amount recorded in this caption relates to five interest rate swaps, one

cross currency swap and two forward start interest rate swap contracts that

were contracted by REN SGPS to hedge the risk of fluctuation of future interest and foreign exchange rates.

The amounts presented include interest receivable or payable at 31 December 2011 relating to these financial

instruments, in the net payable amount of 2,614 thousand Euros.

The features of the swaps contracted at 31 December 2011 and 2010 are as follows:

REFERENCE VALUE	PAYMENT PERIODS	Receipt/payment	MATURITY DATE	FAIR VALUE AT 31.12.2011	"FAIR VALUE AT 31.12.2010"
Interest rate swaps					
50 000 tEuros	"Interest counting periods: payable: 5 February, May, August and November – interest settled quarterly; receivable: 5 February, May, August and November – interest settled quarterly."	REN receives Euribor 3M and pays 2,19%	May 2012	(197)	(781)
134 000 tEuros	"Interest counting periods: payable: 15 March, June, September and December – interest settled quarterly;	REN receives Euribor 3M and pays 2,28%	June 2012	(443)	(2,094)
50 000 tEuros	receivable: 15 March, June, September and December – interest settled quarterly;" Interest counting periods :payable: 27 April and October – interest settled half yearly receivable: 27 April and October - interest settled half yearly	REN receives Euribor 6M and pays 2,26%	October 2014	(1,224)	-
50 000 tEuros	Interest counting periods :payable: 27 April and October – interest settled half yearly receivable: 27 April and October - interest settled half yearly	REN receives Euribor 6M and pays 2,23%	October 2014	(1,209)	-
50 000 tEuros	Interest counting periods: payable: 12 Jan and Jul, interest settled half yearly; - receivable: 12 Jan and Jul, interest settled half yearly.	REN receives Euribor 6M and pays 2,15%	July 2014	(1,152)	-
334 000 tEuros					
200 000 mEuro	- payable: 16 April, interest settled annually; - receivable: 16 of each month, interest settled monthly	REN receives Euribor 1M and pays 1,68%	Abril de 2011	-	(2,803)
				(4,225)	(5,678)
Forward-start swaps:					
100 000 tEuros	"Interest counting periods: payable: 15 March, June, September and December – interest settled quarterly; receivable: 15 March, June, September and December – interest settled quarterly."	REN receives Euribor 3M and pays 2,72%	December 2016	(5,211)	847
100 000 tEuros	"Interest counting periods: payable: 15 March, June, September and December – interest settled quarterly; receivable: 15 March, June, September and December – interest settled quarterly."	REN receives Euribor 3M and pays 2,77%	December 2016	(5,443)	706
200 000 tEuros				(10,654)	1,553
Cross-currency swap:					
10 000 000 000 JPY 72 899 tEuros	"Interest counting periods: payable: 26 June and December – interest settled half yearly; receivable: 26 June and December – interest settled half yearly."	REN receives 2,71% and pay 5,64% (annual) up to June 2019 and Euribor 6M + 190 p.b. from that date to maturity	June 2024	26,696	19,146
10 000 000 000 JPY				26,696	19,146
Total				11,817	15,021

SWAPS:**CASH FLOW HEDGES**

The Company hedges part of its future payments of interest on borrowings, bonds issued and commercial paper through designation of interest rate swaps on which it pays a fixed rate and receives a variable rate with a notional value 334,000 thousand Euros (384,000 thousand Euros at 31 December 2010). 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 relate. The object of this hedging is to transform loans at variable interest rates to fixed rates, the credit risk not being hedged. The fair value of the interest rate swaps at 31 December 2011 was 4,225 thousand Euros negative (5,678 Euros negative at 31 December 2010).

The Company also has two forward-start interest rate swaps starting in 2012 for the purpose of hedging interest rate fluctuations on the Company's recurring debt. The instruments have a notional value of 200,000 thousand Euros, REN paying a fixed rate and receiving a variable rate. The risk hedged is the variable rate indexer to which the interest coupons of the loans relate. The objective of this hedge is to transform the variable rate borrowing into a fixed rate, the credit risk not being covered. The fair value of the interest rate swaps at 31 December 2011 was 10,654 thousand Euros negative (1,553 thousand Euros positive at 31 December 2010).

In addition, the Company hedges its exposure to cash flow risk on its bond issuance of 10,000 million JPY resulting from foreign exchange rate risk, through a cross currency swap with the main characteristics equivalent to the debt issued. The same hedging instrument is used to hedge the fair value of the exchange rate risk of the bond issue through the forward start swap component which will only start in June 2019. The 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 31 December 2011 was 26,696 thousand Euros positive (19,146 thousand Euros positive at 31 December 2010). The underlying exchange variation (borrowing) for 2011, in the amount of approximately 7,762 thousand Euros, was offset by a similar variation in the hedging instrument in the statement of profit and loss.

The amount recorded in reserves relating to the above mentioned cash flow hedges was 14,793 thousand Euros (1,607 thousand Euros in December 2010).

	FAIR VALUE	DEFERRED TAXES IMPACT	HEDGING RESERVES
1 January 2010	(7.556)	2.002	(5.554)
Changes in fair value	5.949	(1.537)	4.412
31 December 2010	(1.607)	466	(1.142)
1 January 2011	(1.607)	466	(1.142)
Changes in fair value	(13.185)	3.824	(9.362)
31 December 2011	(14.793)	4.290	(10.503)

FAIR VALUE HEDGE

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

FUTURES

The Company, through its subsidiary REN Trading, S.A., has carried out some financial operations in the energy, coal and CO₂ emission licence futures market, through entering into standard contracts with International Swaps and Derivatives Association Inc. ("ISDA") as well as through participation in futures trading exchanges.

The Company and REN Trading entered into an agreement under which REN Trading manages the financial derivative contracts on account and for the benefit of REN SGPS, therefore ensuring a clear and transparent separation between these businesses, always on a predefined basis, continuously monitored as being of low exposure to risk.

This financial derivatives contract in the futures market does not imply any physical liquidation of the underlying assets, being an activity of a purely financial nature, merely the financial management of assets, not being confused with regulated activities of the Commercial Agent.

The fair value of the futures energy contracts and CO₂ licences at 31 December 2011 and 2010 was as follows:

	CURRENT ASSET	CURRENT LIABILITY
Financial contracts in the energy market for 2012	570	–
Financial contracts in the energy market for 2013	392	–
CO ₂ licences	–	1.095
Carbon financial contracts 2012	182	–
Fair value at 31 December 2011	1.144	1.095

	CURRENT ASSET	CURRENT LIABILITY
Financial contracts in the energy market for 2011	1.941	–
CO ₂ licences	271	–
Carbon financial contracts	–	1.572
Fair value at 31 December 2010	2.212	1.572

The change in fair value of trading derivatives that were recognized in profit and loss, together with the change in fair value of the assets or liabilities attributable to the risk hedged were 592 thousand Euros negative at 31 December 2011 (640 thousand Euros positive at 31 December 2010).

The loss recognized in 2011 was recorded in the caption "Other income and expenses" so as to have the result of

the financial energy contracts in a single caption in the statement of profit and loss (Note 22).

II. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The assets recognised in this caption at 31 December 2011 and 2010 correspond to equity instruments held in strategic market entities in the Spanish electricity market, as follows:

	% HELD	ENTITY	11	10
OMEL - Operador del Mercado Ibérico de Energía (Polo Espanhol)	10.00%	REN. SGPS	3.167	–
Red Electrica Corporacion,S.A. ("REE")	1.00%	REN. SGPS	44.760	47.651
Enagás, S.A	1.00%	REN. SGPS	34.125	35.617
Total			82.051	83.267

The changes in the year ended 31 December 2011 in this caption were as follows:

	OMEL	REE	ENACAS	TOTAL
1 January 2010	–	52.551	36.835	89.386
Fair value adjustment	–	(4.900)	(1.218)	(6.119)
31 December 2010	–	47.651	35.617	83.267
1 de Janeiro de 2011	–	47.651	35.617	83.268
Acquisitions	3.167	–	–	3.167
Fair value adjustment	–	(2.891)	(1.493)	(4.383)
31 de Dezembro de 2011	3.167	44.760	34.125	82.051

The participations in REE and Enagás are recorded at fair value determined based on the stock closing cotation as of 31 December 2011.

Red Eléctrica de España ("REE") is the Spanish entity responsible for managing the electricity network in Spain. REN, SGPS acquired a 1% participation in

REE as part of an agreement between the Portuguese and Spanish Governments. REE is listed in Euronext – Spain and the financial asset was recorded on the statement of financial position at the market price on 31 December 2011, which resulted in the recognition of a fair value reduction of 2,891 thousand Euros.

ENAGÁS is the entity responsible for the transport and management of the natural gas system in Spain. REN, SGPS acquired a 1% participation in Enagás as part of a strategic partnership agreement, the asset having been recorded at the market price at 31 December of 2011, which resulted in the recognition of a fair value reduction of 1,493 thousand Euros.

In the process to create the Sole Operator of the Iberian Electricity Market

(Operador Único do Mercado Ibérico de Electricidade - OMI) and in conformity with an Agreement between the Portuguese Republic and the Kingdom of Spain regarding the forming of an Iberian electric energy market, REN SGPS and REN acquired 10% of the shares of OMEL, Operador del Mercado Ibérico de Energia, S.A., Spanish pole of the Sole Operator, for 3,166,800 Euros.

The participation in OMEL is recorded at cost as OMEL has a specific activity and is not a listed company. No adjustment was made at 31 December 2011 as there were no indications of impairment.

The adjustments to fair value of available-for-sale financial assets are recognized in the equity caption "Fair value reserve":

FAIR VALUE ADJUSTMENT:	11	10
Fair value variation	(4.383)	(6.118)
Deferred tax impact	-	(496)
Net adjustment in equity	(4.383)	(6.614)

In 2011 REE and Enagás distributed dividends of 2,538 and 2,001 thousand Euros (2,001 and 1,789 thousand Euros

in 2010), respectively. These amounts were recognized in the statement of profit and loss caption "Dividends" (Note 25).

12. DEFERRALS

At 31 December 2011 and 2010 the caption "Deferrals" was made up as follows:

	11	10
Deferred costs:		
Prepaid insurance	38	115
Other costs	47	13
	85	128

13. EQUITY INSTRUMENTS

SHARE CAPITAL

The Company's subscribed and paid up capital at 31 December 2011 was made up of 534,000,000 shares of 1 euro each.

Share capital at 31 December 2011 and 2010 is made up as follows:

	NUMBER OF SHARES	CAPITAL
Capital	534.000.000	534.000.000
	534.000.000	534.000.000

The main shareholders at 31 December 2011 were as follows:

	Number of shares	CAPITAL %
Parública, SGPS, S.A.	266.471.340	49.90%
Caixa Geral de Depósitos, S.A.	6.285.281	1.18%
EDP - Energias de Portugal, S.A.	26.700.000	5.00%
EGF - GCF, S.A.	44.935.176	8.41%
Gestmin, SGPS, S.A.	30.135.818	5.64%
Oliren, SGPS, S.A.	26.700.000	5.00%
Red Eléctrica Corporación, S.A.	26.700.000	5.00%
Treasury shares	3.881.374	0.73%
<i>Free float</i>	102.191.011	19.14%
	534.000.000	100.00%

At 31 December 2011 and 2010 the Company had the following own shares:

	NUMBER OF SHARES	PERCENTAGE OF CAPITAL	AMOUNT
Own shares	3.881.374	0.7268%	10.728

There were no purchases or sales of own shares in 2011.

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

LEGAL RESERVE

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2011 the caption "Legal reserve" amounted to 79,809 thousand Euros (74,445 thousand Euros in 2010).

DISTRIBUTIONS

The dividends paid during the years ended 31 December 2011 and 2010, amounted to 89,060 thousand Euros (0,167 Euros per share) and 88,530 thousand Euros (0,166 Euros per share), respectively.

OTHER RESERVES

The caption "Other Reserves" includes changes in the fair value of assets held for sale and derivative financial instruments hedging cash flows.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only

be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used. At 31 December 2011, the Company had in equity the non distributable negative amount of 24,747 thousand Euros (11,003 thousand Euros negative in 2010) relating to decreases resulting from the application of fair value.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

GUARANTEES GIVEN

At 31 December 2011 and 2010 the Company had given the following bank guarantees:

BENEFICIARY	PURPOSE	BEGINNING	11	10
"Direção Geral de Geologia e Energia"	Guarantee complete fulfillment of the obligations of the "Transport of Natural Gas Concession Contract through RNT de Gás Natural".	9/25/06	10.000	10.000
BEI	For loan covenants	6/26/06	284.675	244.591
Fortia - Energia para Grandes Consumidores	Financial contracts under the ISDA contract (International Swaps and Derivatives Association, Inc.)	4/19/11	1.000	-

PROVISIONS

At 31 December 2011 and 2010 the caption "Provisions" was made up as follows:

	11		10	
	NON-CURRENT (NOTE 7)	CURRENT	NON-CURRENT (NOTE 7)	CURRENT
Beginning balance	1.733	12.470	-	982
Increases	-	15.280	1.733	12.470
Utilization	(1.733)	-	-	(982)
Ending balance	-	27.749	1.733	12.470

The caption provisions at 31 December 2011 corresponds to the provision to cover the contingency relating to litigation with Amorim Energia over dividends received from GALP Energia in 2006, which was recorded in 2010 following notification of the decision of the Arbitration Court of the International Chamber of Commerce (ICC) of Paris on 16 March 2010 and corresponding addendum of 8 July 2010, requiring REN to pay 20,300 thousand Euros, equivalent to half of the amount claimed by Amorim Energia, plus interest. On 17 November 2011 REN was notified of the decision of Cour d'Appel de Paris, denying the request to annul the CCI Agreement.

At 31 December, based on a legal analysis of the arbitration court decision and related addenda, REN decided to increase the provision from 14,874 thousand Euros to 27,749 thousand Euros, corresponding to the full amount of the process plus interest up to that date, to cover the risk of the process (Notes 28 and 29).

15. FINANCIAL LIABILITIES

At 31 December 2011 and 2010 the captions "Suppliers" and "Other payables" were made up as follows:

	11	10
Current		
Current suppliers	150	153
Group	2.045	860
National	481	43
Foreign	2.676	1.056
Other payables:		
Investment suppliers	4	57
Group companies - RETGS (Note 26)	4.928	—
Group companies - shareholders' loans (Note 26)	—	3.260
Group companies - treasury management (Note 26)	139.155	—
Accrued costs:		
Remunerations	360	419
Other	3.021	240
Other creditors (Note 26)	939	32.086
Others	(3)	—
	148.404	36.062
	151.080	37.118

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

BORROWINGS

The borrowings are made up, in terms of maturity (current and non current) and nature, as follows:

	11	10
Non-current:		
Commercial Paper	555.000	227.000
Bonds	1.100.123	942.039
Bank loans	574.760	609.675
Finance lease (Note 6)	105	142
	2.229.987	1.778.856
Current:		
Commercial Paper	–	260.000
Bank loans	34.916	34.916
Bank overdrafts (Note 4)	–	389
Finance lease (Note 6)	74	86
Interest payable	14.971	12.314
Interest receivable	(4.742)	(3.778)
	45.219	303.927
	2.275.206	2.082.784

At 31 December 2011 the Company had ten active commercial paper programs amounting to 1,200,000 thousand Euros, having used 555,000 thousand Euros. Extension of the terms of all the commercial paper programs resulted in their classification as non-current. At 31 December 2011 the amount of bank loans was circa 610,000 thousand Euros.

In 2011 the Company issued bonds totalling 150,000 thousand Euros, which maturity is July and October 2014.

The REN Group's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative

Pledge, and Gearing. The borrowings from EIB – European Investment Bank include covenants relating to change in shareholder control and covenants relating to rating: (i) in the event of change in shareholder control, if EIB makes a negative assessment of its credit position motivated by the new shareholder Group, it can be required to provide a guarantee acceptable to EIB; (ii) in the event of ratings below the levels specified, the Group can also be called to provide a guarantee acceptable to EIB.

At the end of 2011, the Company also had the following credit lines contracted and not used:

VARIABLE INTEREST RATES:	11	10
Short term	70.000	120.000

The credit lines maturing in up to 1 year are automatically renewable annually or quarterly (if they are not rescinded in the

contractually specified period for that purpose) or by agreement between the parties prior to their maturity.

16. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2011 and 2010 the caption "State and other public entities" was made up as follows:

	11	10
CURRENT ASSETS		
Income tax	14.015	–
VAT receivable	1	2
State and Public entities - Asset	14.016	2

	11	10
CURRENT LIABILITIES		
Income tax	–	59.741
VAT payable	208	241
Retained income tax	93	113
Social support contribution	68	53
State and Public entities - Liability	369	60.148

The companies belonging to REN group are taxed based on the special regime for taxation of group of companies ("RETGS").

17. DEFERRALS (LIABILITIES)

At 31 December 2011 and 2010 the liability caption "Deferrals" was made up as follows:

	11	10
Deferrals (liabilities)		
Dividends		745
Other income to be recognized - Resale option of REN SGPS of 10% of OMIP		745
		60.148

18. REVENUE

The income recognized by the Company in the year ended 31 December 2011 and 2010 was as follows:

	11	10
Services rendered		
Technical and administrative management of the REN Group (Note 26)	11.013	10.218
	11.013	10.218

19. GAINS AND LOSSES ON SUBSIDIARIES AND ASSOCIATES

The gain with subsidiaries in the years ended 31 December 2011 and 2010 was made up as follows:

	11	10
Subsidiaries:		
REN REDE ELÉCTRICA NACIONAL. S.A.	79.535	64.849
REN GASODUTOS. S.A. (Note 7)	–	41.982
REN ATLÂNTICO. S.A.	8.127	12.909
REN ARMAZENAGEM. S.A. (Note 7)	–	5.213
RENTELECOM – COMUNICAÇÕES S.A.	2.407	3.188
REN SERVIÇOS. S.A.	36.960	3.075
OMIP. SGPS. S.A.	107	9
ENONDAS – ENERGIA DAS ONDAS. S.A.	0	(34)
REN TRADING. S.A.	3.563	(2.118)
Associates::		
OMIP. SGPS. S.A.	23	–
Gain on the sale of OMIP SGPS (Note 7)	5.163	–
	135.886	129.073

20. SUPPLIES AND SERVICES

The caption “Supplies and services” for the years ended 31 December 2011 and 2010 is made up as follows:

	11	10
Specialized services	5.729	3.084
Services rendered to group companies (Note 26)	1.804	1.573
Publicity and promotional expenses	809	952
Travel and lodging	480	249
Other	1.265	796
	10.087	6.655

21. PERSONNEL COSTS

The caption “Personnel costs” for the years ended 31 December 2011 and 2010 is made up as follows:

	11	10
Board of directors	1.484	1.930
Personnel	2.539	1.375
Charges on remuneration	688	432
Performance bonuses	–	158
Other	5	77
Insurance	93	46
	4.809	4.018

PERSONNEL EMPLOYED

During the years ended 31 December 2011 and 2010 the average number of personnel employed by the Company was 39 and 21, respectively.

22. OTHER INCOME

The caption "Other income" for the years ended 31 December 2011 and 2010 is made up as follows:

	11	10
Futures	391	5.938
Supplementary income	14	530
Other	122	14
	527	6.482

The caption "Other income" corresponds essentially to gain on the financial energy contracts in the amount of 391 thousand Euros in December 2011, less recognized unrealized losses of 592 thousand Euros (5,938 thousand Euros at 31 December 2010). The unrealized gain on financial contracts in 2010 was recognized in the

caption increase and decrease in fair value.

23. OTHER EXPENSES

The caption "Other expenses" for the years ended 31 December 2011 and 2010 is made up as follows:

	11	10
Donations	573	618
Subscriptions	159	122
Taxes	203	103
Prior year adjustments	360	58
Other	57	1
	1.352	902

24. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption "Interest and similar income and costs" for the years ended 31 December 2011 and 2010 is made up as follows:

	11	10
Interest and similar costs		
Interest on bonds issued	57.007	51.026
Bank borrowings	18.649	13.827
Interest on commercial paper issued	21.176	8.929
<i>Swaps</i>	6.674	9.018
Centralized treasury management	1.193	644
Other financial assets Luso Carbon (Note 9)	1.452	157
Other	590	51
	106.741	83.653
Interest and similar income:		
Interest on shareholders' loans (Note 26)	81.868	56.005
Interest on centralized treasury management (Note 26)	15.883	7.671
Interest on bank deposits	3.283	159
	101.034	63.835

25. DIVIDENDS

During the years ended 31 December 2011 and 2010 the Company received the following dividends from financial assets held for sale:

	11	10
Dividends received:		
- REE	2.538	2.001
- Enagás	2.001	1.789
	4.540	3.790

26. RELATED PARTIES

During the years ended 31 December 2011 and 2010 the following transactions were carried out with related parties:

11

ENTITY	SERVICES RENDERED (NOTE 18)	INTEREST AND SIMILAR INCOME (NOTE 24)	SUPPLIES AND SERVICES (NOTE 20))	INTEREST AND SIMILAR COSTS (NOTE 24)
REN – Rede Eléctrica Nacional. S.A.	6.150	64.853	787	
REN Trading. S.A.	139	354	330	682
REN Serviços. S.A.	1.205	24.609	574	155
RENTELECOM – Comunicações. S.A.	102	97	113	113
Gasoduto Campo Maior–Leiria–Braga	–	28	–	14
Gasoduto Braga–Tuy	–	–	–	20
REN Gás	–	–	–	208
Enondas	4	11	–	–
REN Gasodutos. S.A.	2.349	5.443	–	–
REN Armazenagem. S.A.	243	642	–	–
REN Atlântico. Terminal de GNL. S.A.	821	1.714	–	–
	11.013	97.751	1.804	1.193

10

RELATED PARTY	SERVICES RENDERED (NOTE 18)	INTEREST AND SIMILAR INCOME (NOTE 24)	SUPPLIES AND SERVICES (NOTE 20)	OTHER EXPENSES	INTEREST AND SIMILAR COSTS
REN – Rede Eléctrica Nacional. S.A.	5.903	55.637	565	–	-
REN Trading. S.A.	104	1.591	330	–	-
REN Serviços. S.A.	1.464	6	620	–	27
RENTELECOM – Comunicações. S.A.	35	–	58	–	24
REN Gasodutos. S.A.	2.037	5.147	–	4	-
REN Armazenagem. S.A.	153	325	–	–	-
REN Atlântico. Terminal de GNL. S.A.	522	969	–	1	-
	10.218	63.675	1.573	5	51

At 31 December 2011 and 2010 the Company had the following balances with related parties:

11

RELATED PARTY	CURRENT TRADE AND OTHER RECEIVABLES (NOTE 9)	NON-CURRENT RECEIVABLES (NOTE 9)	TRADE AND OTHER PAYABLES (NOTE 15)
REN – Rede Eléctrica Nacional. S.A.	449.524	1.050.000	342
REN Trading. S.A.	28.854	–	59.669
REN Serviços. S.A.	121.355	609.760	7.078
REN Gasodutos. S.A.	187.820	–	1
REN Armazenagem. S.A.	25.411	–	–
REN Atlântico. Terminal de GNL. S.A.	2.673	67.765	–
Gasoduto Campo Maior–Leiria–Braga	28	–	27.319
Gasoduto Braga–Tuy	–	–	3.570
ENONDAS	543	–	–
REN Gás	45	–	45.014
OMI CLEAR. S.A.	–	–	–
OMIP S.A.	–	–	–
RENTELECOM – Comunicações. S.A.	935	–	2.179
	817.190	1.727.525	145.172

11

RELATED PARTY	CURRENT TRADE AND OTHER RECEIVABLES (NOTE 9)	NON-CURRENT RECEIVABLES (NOTE 9)	TRADE AND OTHER PAYABLES (NOTE 15)
REN – Rede Eléctrica Nacional. S.A.	282.405	1.050.000	195
REN Trading. S.A.	68.844	–	31.871
REN Serviços. S.A.	3.858	–	1.193
REN Gasodutos. S.A.	174.733	134.675	–
REN Armazenagem. S.A.	20.066	–	–
REN Atlântico. Terminal de GNL. S.A.	6.388	24.657	–
OMI CLEAR. S.A.	(108)	–	–
OMIP S.A.	7	–	–
ENONDAS	5	–	–
RENTELECOM – Comunicações. S.A.	–	–	2.239
	556.199	1.209.332	35.498

27. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of REN were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN in the years ended 31 December 2011 and 2010 was as follows:

	11	10
Salaries and other benefits	1.540	1.930

There are no loans granted to the members of the Board of Directors.

REN be required to pay an indemnity in the amount of the Dividends.

28. OTHER MATTERS

DISAGREEMENT WITH AMORIM ENERGIA B.V.

Following the sale by REN – Redes Energéticas Nacionais, SGPS, S.A. (REN) to Amorim Energia BV in September 2006 of the participation held by REN in the capital of Galp Energia, SGPS, SA, the parties had a disagreement as to which party the dividends distributed by Galp Energia, SGPS, S.A. in July 2006 should belong and agreed to constitute an arbitration court in Lisbon to decide.

On 16 March 2010 REN was notified of the arbitration decision, with one vote against, which condemned it to pay 20,334,883.91 Euros to Amorim Energia B.V., equivalent to half of the amount requested by the latter and corresponding to half of the amount of the Dividends, plus accrued interest.

On 20 July 2010 REN brought a claim against Amorim Energia B.V., in Cour d'Appel in Paris, requesting annulment of the decision of the CCI Arbitration Court as it believed that it could make its position prevail.

On 15 July 2007 the Arbitration Court specially constituted for the purpose by agreement between the parties issued a decision, with one vote against, judging the action brought about by Amorim Energia BV as invalid and recognizing definitively the right of REN to maintain the dividend.

On September 2010 Amorim Energia B.V. brought a special process against REN to revise the foreign arbitration sentence, requesting recognition in Portugal of the arbitration decision issued on 16 March in Paris by the CCI Court, so that it could be executed in Portugal. In October 2010 REN presented its opposition to the proposal of Amorim Energia.

In December 2007 REN was notified of a second arbitration process requested by Amorim Energia B.V., this time with headquarters in Paris, under the auspices of the International Chamber of Commerce ("CCI") regarding the matter relating to the "Shareholders Agreement relating to GALP ENERGIA, SGPS, S.A." signed on 29 December 2005, between REN, AMORIM and ENI PORTUGAL INVESTMENT, S.p.A. ("Shareholder Agreement"), especially with respect to the dividends.

Subsequently, on 17 November 2011 REN was notified of the decision of Cour d'Appel in Paris, which denied the request to annul the CCI Decision.

In any case, following the opposition presented by REN, the action proposed by Amorim Energia B.V. continued pending, in September 2010, with the objective of recognition in Portugal of the CCI Decision, development of the process being awaited.

In the second arbitration, carried out by the ICC, Amorim Energia B.V., based largely on different facts, requested that

On 31 December REN, based on a legal analysis of the arbitration decision and

related addendum, decided to increase the provision from 14,847 thousand Euros to 27,749 thousand Euros, corresponding to the full amount of the process plus interest to that date (Note 14), so as to cover the risk resulting from the process (Note 29).

NEW MEMBERS OF THE BOARD OF DIRECTORS

In March 2011 the Directors Gonalo Oliveira, Luis Atienza, Manuel Champalimaud and Filipe de Botton presented their resignation to the President of the Board of Directors, being substituted at the Shareholders' Annual General Meeting held on 15 April, by the following entities: Logoplaste, Gesto e Consultoria Financeira, S.A. (currently called EGF, Gesto e Consultoria Financeira, S.A.), Gestmin, SGPS, S.A., Oliren, SGPS, S.A. and Red Elctrica Corporaci3n, S.A..

In compliance with the requirements of item 4 of article 390 of the Commercial Company Code, these entities appointed the following individuals to exercise the functions of member of the Board of Directors in their own name:

Luis Guedes da Cruz Almeida

(appointed on 27/07/2011);

Jos Manuel Flix Morgado

(appointed on 14/09/2011);

Gonalo Xavier de Arajo

(appointed on 14/09/2011);

Luis Atienza

(appointed on 14/09/2011).

29. SUBSEQUENTS EVENTS

NEW MEMBERS OF THE BOARD OF DIRECTORS

On 2 January 2012 the Director Joo Nuno de Oliveira Jorge Palma presented his resignation from the position of Executive Director and Chief Financial Officer to the President of the Board of Directors, it having been decided until the appointment of a new Chief Financial

Officer, that Rui Manuel Janes Cartaxo would accumulate these functions.

DISAGREEMENT WITH AMORIM ENERGIA B.V.

On 26 January 2012, 27,837 thousand Euros was paid relating to the amount claimed plus interest accrued up to the date of payment (Note 28) on the Amorim Energia B.V. process.

SECOND PRIVATIZATION OF THE COMPANY

On 2 February 2012 the Council of Ministers, in accordance with information transmitted to Parpblica, selected Oman Oil Company S.A.O.C. ("Oman Oil") and State Grid International Development Limited ("State Grid") to acquire distinct lots of shares of the Company, amounting together to all the shares subject to direct sale under the 2nd phase of the privatization of REN.

Oman Oil will acquire 80 100 000 shares, representing 15% do of REN's capital, for the price of 205,056,000 Euros, including a premium of 23% in relation to the market price of the shares on 1 February 2012.

State Grid will acquire 133 500 000 shares, representing 25% of REN's capital, for the price of 387,150,000 Euros, including a premium of 40% in relation to the market price of the shares on 1 February 2012.

The Presidency of the Council of Ministers published in the Official Journal of the Republic of 8 February 2012, resolution 13/2012 that selects the purchasers of the direct sale relating to the 2nd phase of REN's above mentioned privatization process.

AMENDMENTS TO CONCESSION CONTRACTS

On February 21, 2012, the following additions to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National

Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were changed with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information

by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

30. DISCLOSURES REQUIRED BY LAW

Fees invoiced by the statutory auditor

Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

31. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards ("NCRF"). In the event of discrepancies, the Portuguese language version prevails.

The Accountant n.º 30275
The Board of Directors:

Rui Manuel Janes Cartaxo
(President and CEO)

José Frederico Vieira Jordão
(Member of the Audit Committee)

Aníbal Durães dos Santos
(Executive Director)

Fernando António Portela Rocha de Andrade
(Member of the Audit Committee)

João Caetano Carreira Faria Conceição
(Executive Director)

Luis Guedes da Cruz Almeida
(Director appointed by EGF, Gestão e Consultoria Financeira, S.A. on 27/07/2011)

João Manuel de Castro Plácido Pires
(Executive Director)

Luis Maria Atienza Serna
(Director appointed by Rede Eléctrica Corporación, S.A. on 14/09/2011)

José Isidoro de Oliveira Carvalho Netto
(Director)

Gonçalo Xavier de Araújo
(Director appointed by Oliren, SGPS, S.A. on 14/09/2011)

José Luís Alvim Marinho
(President of the Audit Committee)

José Manuel Félix Morgado
(Director appointed by Gestmin, SGPS, S.A. on 14/09/2011)

Note - The remaining pages of this report were signed by the COMPANY SECRETARY, Pedro Cabral Nunes, and by the Accountant, Maria Teresa Martins.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

CONSOLIDATED ACCOUNTS

Within the scope of the attributions it has been granted, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised the compliance with the law, regulations and the articles of association, supervised the compliance with accountability policies and practices, and supervised the process of preparation and disclosure of financial information, the statutory auditing, and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and of the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statements of REN – Redes Energéticas Nacionais, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2011, which comprise the Consolidated Financial Position Statement, evidencing a total of 4,473,675 thousand Euros and 1,037,439 thousand Euros of equity capital, including a consolidated net result of 120,576 thousands of Euros, Consolidated Profit and Loss Accounts, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee analysed the Legal Accounts Certification and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor, which has been agreed by the Audit Committee.

Within the context of the executed analysis, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regularity and quality of the Company's accounting information.

Taking into consideration the aforesaid, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by the applicable accounting, legal and statutory provisions, wherefore it recommends its approval by the General Shareholders Meeting.

Lisbon, March 1, 2012

José Luis Alvim (President)

José Frederico Jordão (member)

Fernando António Portela Rocha de Andrade (Member)

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REPORT AND OPINION OF THE AUDIT COMMITTEE

INDIVIDUAL ACCOUNTS

Within the scope of attributions it has been granted, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A., supervised compliance with the law, regulations and the articles of association, supervised compliance with accountability policies and practices, and supervised the process of preparation and disclosure of financial information, the statutory auditing, and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and of the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statements of REN – Redes Energéticas Nacionais, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2011, which comprise the Balance Sheet as of December 31, 2011, evidencing a total of 3,545,260 thousand Euros and 1,072,823 thousand Euros of equity capital, including a net result of 112,553 thousands of Euros, the Profit and Loss Accounts by Natures, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee analysed the Legal Accounts Certification and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor, which has been agreed by the Audit Committee.

Within the context of the analysis performed, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regularity and quality of the Company's accounting information.

Taking into consideration the aforesaid, it is the opinion of the Audit Committee that the Individual Financial Statements and Management Report, as well as the proposal expressed therein, abide by the applicable accounting, legal and statutory provisions, wherefore it recommends its approval by the General Shareholders Meeting.

Lisbon, March 1, 2012

José Luis Alvim (President)

José Frederico Jordão (member)

Fernando António Portela Rocha de Andrade (Member)

STATUTORY AUDIT REPORT AND AUDITORS` REPORT CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 39)

Introduction

1. In accordance with the applicable legislation, we present the Statutory Audit Report and Auditors` Report on the consolidated financial information contained in the Directors` Report and the consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (“the Company”) and subsidiaries (“the Group”) which comprise the Consolidated Statement of Financial Position as of 31 December 2011 that presents total assets of 4,473,675 thousand Euros and equity of 1,037,439 thousand Euros, including a consolidated net profit of 120,576 thousand Euros, the Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results and comprehensive income from their operations, the consolidated changes in their equity and their consolidated cash flows; (ii) the preparation of historical financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced its operations and the operations of the companies included in the consolidation, their financial position and comprehensive income.
3. Our responsibility is to examine the financial information contained in the above mentioned documents of account, including verifying if, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and issue a professional and independent opinion, based on our examination.

Scope

4. Our examination was performed in accordance with the auditing standards (“Normas Técnicas e as Directrizes de Revisão/Auditoria”) issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated financial statements and assessing if, in all material respects, the information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the

consolidated financial information contained in the Directors' Report is in accordance with the other consolidated documents of account, and making the verifications required by items 4 and 5 of article 451 of Commercial Companies Code. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. and subsidiaries as of 31 December 2011, the consolidated results and comprehensive income from their operations, the consolidated changes in their equity and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as endorsed by the European Union, applied on a consistent basis between years, and that the financial information contained in them is, in the terms defined in the standards mentioned in the paragraph 4 above, complete, true, timely, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the financial information contained in the consolidated Directors' Report is in accordance with the consolidated financial statements of the year and the report on corporate governance practices includes the items required of the Company in accordance with article 245-A of the Securities Market Code.

Lisbon, 1 March 2012

Deloitte & Associados, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

STATUTORY AUDIT REPORT AND AUDITORS' REPORT
SEPARATE FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese - Note 31)

Introduction

1. In accordance with the applicable legislation, we present the Statutory Audit Report and Auditors' Report on the financial information contained in the Directors' Report and the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("the Company") which comprise the Statement of Financial Position as of 31 December 2011 that presents total assets of 3,545,260 thousand Euros and equity of 1,072,823 thousand Euros, including a net profit of 112,553 thousand Euros, the Statements of Profit and Loss by Nature, Changes in Equity and Cash Flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of financial information that presents a true and fair view of the financial position of the Company, the results and comprehensive income from its operations, the changes in its equity and its cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles in Portugal and that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced its operations, its financial position and results.
3. Our responsibility is to examine the financial information contained in the above mentioned documents of account, including verifying if, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and issue a professional and independent opinion, based on our examination.

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e as Diretrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Our examination also included assessing the adequacy of the accounting policies used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the financial statements and assessing if, in all material respects, the information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the financial information contained in the Directors' Report is in accordance with the other documents of account, as well as the verifications required by items 4 and 5 of article 451 of the Commercial Companies Code. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion the financial statements referred to in paragraph 1 above, present fairly, for the purposes of the paragraph 7 below, in all material respects, the financial position of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as of 31 December 2011, the results and the comprehensive results of its operations, the changes in its equity and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal and the information contained therein is, in the terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Emphasis

6. The financial statements referred to in paragraph 1 above refer to the Company on an individual basis and were prepared in accordance with generally accepted principles in Portugal for approval and publication in accordance with current legislation. As mentioned in Note 3.2 to the financial statements, investments in subsidiary companies are recorded in accordance with the equity method. As required by current legislation the Company has prepared consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, for separate publication.

Report on other legal requirements

7. It is also our opinion that the financial information contained in the Directors' Report is in agreement with the financial statements for the year and the report on corporate governance practices includes the matters required of the Company in accordance with article 245-A of the Securities Market Code (Código dos Valores Mobiliários).

Lisbon, 1 March 2012

Deloitte & Associados, SROC S.A.
Represented by Jorge Carlos Batalha Duarte Catulo

Extract of Minutes No. 1/2012

On the twenty seventh March of the year two thousand and twelve, at half past ten a.m., at the Company's auditorium, located at Rua Cidade de Goa no. 4, at Sacavém, Municipality of Loures, was held the Annual General Meeting of REN – Redes Energéticas Nacionais, SGPS, S.A., a listed company (hereinafter called "REN or "Company"), with registered office at Avenida dos Estados Unidos da América, no. 55, in Lisbon, legal entity number 503 264 032, registered with the Commercial Registry Office of Lisbon under same number, with the share capital of € 534,000,000.00. The meeting was held in a location other than the Company's registered office, due to the fact that the respective premises would not enable the meeting to be held in satisfactory conditions, since REN is a listed company and a high number of Shareholders attending or represented was expectable. -----

(...)

Therefore, it was confirmed that a total of 87 Shareholders attended or were duly represented, corresponding to 84.869% of the share capital (9 attending Shareholders, holders of 87,990 shares representing 0.016% of the share capital and 78 duly represented Shareholders, holders of 453,111,676 shares, corresponding to 84.852% of share capital). Furthermore, it was confirmed that, at a later moment and before the voting concerning Item One on the agenda, a total of 88 Shareholders attended or were duly represented, holders of 453.399.666 shares, corresponding to 84.906% of the share capital (9 attending Shareholders, holders of 87,990 shares representing 0.016% of the share capital and 79 duly represented Shareholders, holders of 453,311,676 shares, corresponding to 84.890% of share capital). The list of attendants, drawn up by the General Meeting's support services and the proxy letters are filed with the minutes of the meeting. -----

(...)

The Chairman of the Board of the General Meeting commenced the works of the session, with the following agenda: -----

Item One – Resolve on the approval of the consolidated and individual accounts' reporting documents referring to the financial year ended on 31 December 2011, notably the global management report, the legal certification of the accounts, the opinion of the supervising body, the activity report of the Audit Committee and the corporate governance report. -----

Item Two – Resolve on the proposal for the allocation of profits in relation to the financial year ended on 31 December 2011. -----

Item Three – Perform the general appraisal of the management and supervision of the Company, in accordance with article 455 of the Portuguese Companies Code. -----

Item Four – Resolve on the granting of authorization to the Board of Directors for the acquisition and sale of own shares by REN and subsidiaries of REN.-----

Item Five – Resolve on the granting of authorization to the acquisition and sale of own bonds or other own debt securities by REN and subsidiaries of REN.-----

Item Six – Resolve on a statement of the Remuneration Committee on the remuneration policy of the members of the management and supervisory bodies of the Company.-----

Item Seven – Resolve on the addition of a new article 7-A to REN's by-laws.-----

Item Eight – Resolve on the amendment of article 11 of REN's by-laws, through the addition of a new number 3. -----

Item Nine – Resolve on the amendment of article 12 of REN's by-laws, through the modification of the respective number 3.-----

Item Ten – Resolve on the addition of a new number 3 in article 27 of REN's by-laws. -----

Item Eleven - Resolve on the election of the members of the corporate bodies of REN for the three year period of 2012 to 2014.-----

(...)

As there were no more registrations for the Shareholders to speak, the voting procedure began and the proposal related to **Item One** was approved by a unanimity of the votes issued (with 453,399,666 votes issued, representing 84.906% of the share capital, corresponding to 453,399,666 shares – 453,395,836 votes in favour, 0 against and 3,830 abstentions). -----

Proceeding with the next item on the agenda, the Chairman of the Board of the General Meeting gave the floor to the Chairman of the Board of Directors, who framed the Board of Directors' proposal on **Item Two** on the agenda, transcribed into these minutes: -----

“According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (hereinafter “REN”), in the year ended in December 31, 2011, it has been established as net income, in the IFRS consolidated accounts, an amount of 120 576 499, 52 Euros (one hundred and twenty million, five hundred and seventy six thousand, four hundred and ninety nine Euros and fifty two cents), and in the individual accounts, in accordance with SNC, the amount of 112 552 875, 21 Euros (one hundred and twelve million, five hundred and fifty two thousand, eight hundred and seventy five Euros, and twenty one cents). -----

In view of the above, and in accordance with and for the purposes of no. 1 of article 28 of REN's by-laws and articles 31 to 33, paragraph f) of no. 5 of article 66, articles 294 and 295 and no. 2 of article 376, all from the Portuguese Companies Code, the Board of Directors hereby proposes that the net income of the year 2011, established in the individual financial statements in the abovementioned amount of 112 552 875, 21 Euros (one hundred and twelve million, five hundred and fifty two thousand, eight hundred and seventy five Euros, and twenty one cents) be distributed as follows:-----

To the legal reserve – 5 627 643, 76 (five million, six hundred and twenty seven thousand, six hundred and forty three Euros and seventy six cents); -----

As dividends – 90 246 000,00 (ninety million, two hundred and forty six thousand Euros) corresponding to a distribution of 75,845% of the consolidated income of REN, SGPS, S.A. in 2011, which amounts to 120 576 499, 52 Euros (one hundred and twenty million, five hundred and seventy six thousand, four hundred and ninety nine Euros and fifty two cents), equivalent to a gross dividend value per share of 0,169 €;-----

To retained earnings – 16 679 231, 45 Euros (sixteen million, six hundred and seventy nine thousand, two hundred and thirty one Euros, and forty five cents). “-----

Then, the Chairman of the Board of the General Meeting started the voting procedure concerning **Item Two**, concerning the allocation of the financial results of the year ended in 31 December 2011, having been approved by the unanimity of the votes issued (with 453,399,666 votes issued, representing 84.906% of the share capital, corresponding to 453,399,666 shares – 453,397,176 votes in favour, 0 against and 2,490 abstentions). -----
(...)

The Chairman of the Board of the General Meeting, on his own behalf and on behalf of the other members of the Board of the General Meeting, expressed his gratitude to the corporate bodies of REN and, mainly, to the Shareholders by the way they have contributed to the smooth progress of work, and ended the meeting at half past one p.m., for which the present minutes are drawn up, to be signed by the Chairman, by the Vice-Chairman and by the Secretary of the Board of the General Meeting. -----

Chairman of the Board of the General Meeting

(Agostinho Pereira de Miranda)

Vice-Chairman of the Board of the General Meeting

(Duarte Vieira Pestana de Vasconcelos)

Company Secretary

(Pedro Cabral Nunes)