REN

Driving Energy

REPORTS & ACCOUNTS 2019

2019
A year in numbers

REN

REN Investidores

REN Energia

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on a single platform. Download our app at:

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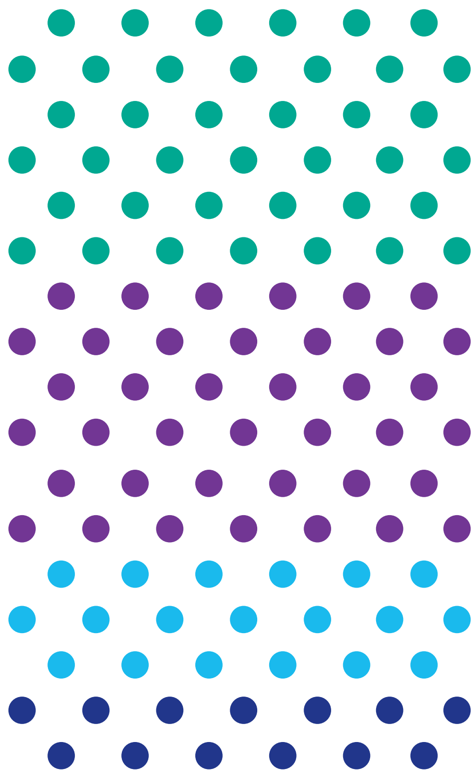
Electricity and natural gas indicators

Electrical power consumption supply 2019



26%
Wind

17%
Hydro

5.5%
Biomass

2.1%
Photovoltaic

Financial **indicators**

188.6M€
Investment

3,753.3M€
Average RAB

118.9M€
Net income

NTG
50.3 TWh
Electrical power consumption

NTGGN
67.9 TWh
Natural gas consumption

Performance and **environmental Indicators**

684
Employees

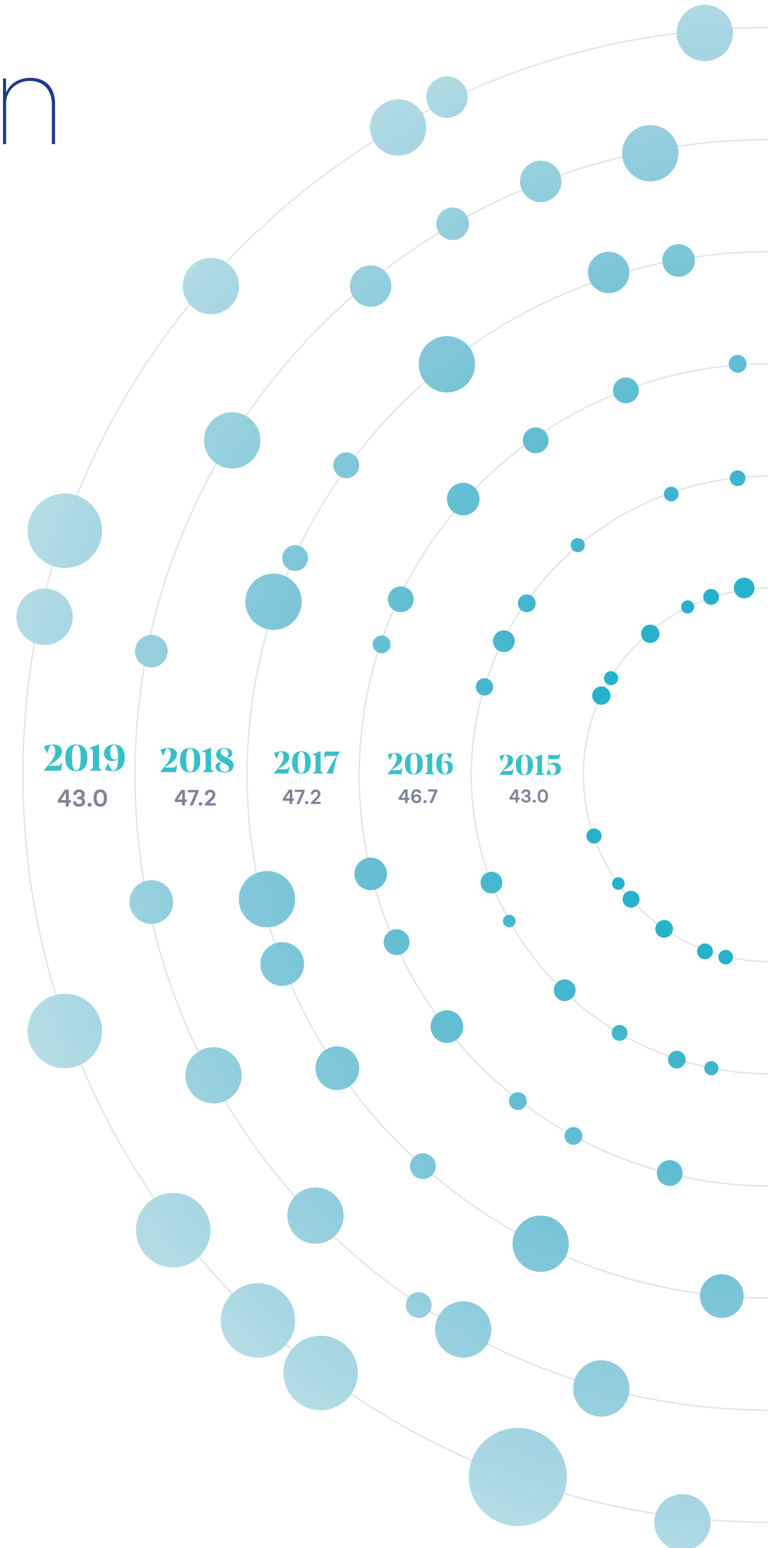
29,858 hours
Training

74,856
Trees

Technical indicators

National Transmission Grid

Transmitted energy TWh



2019

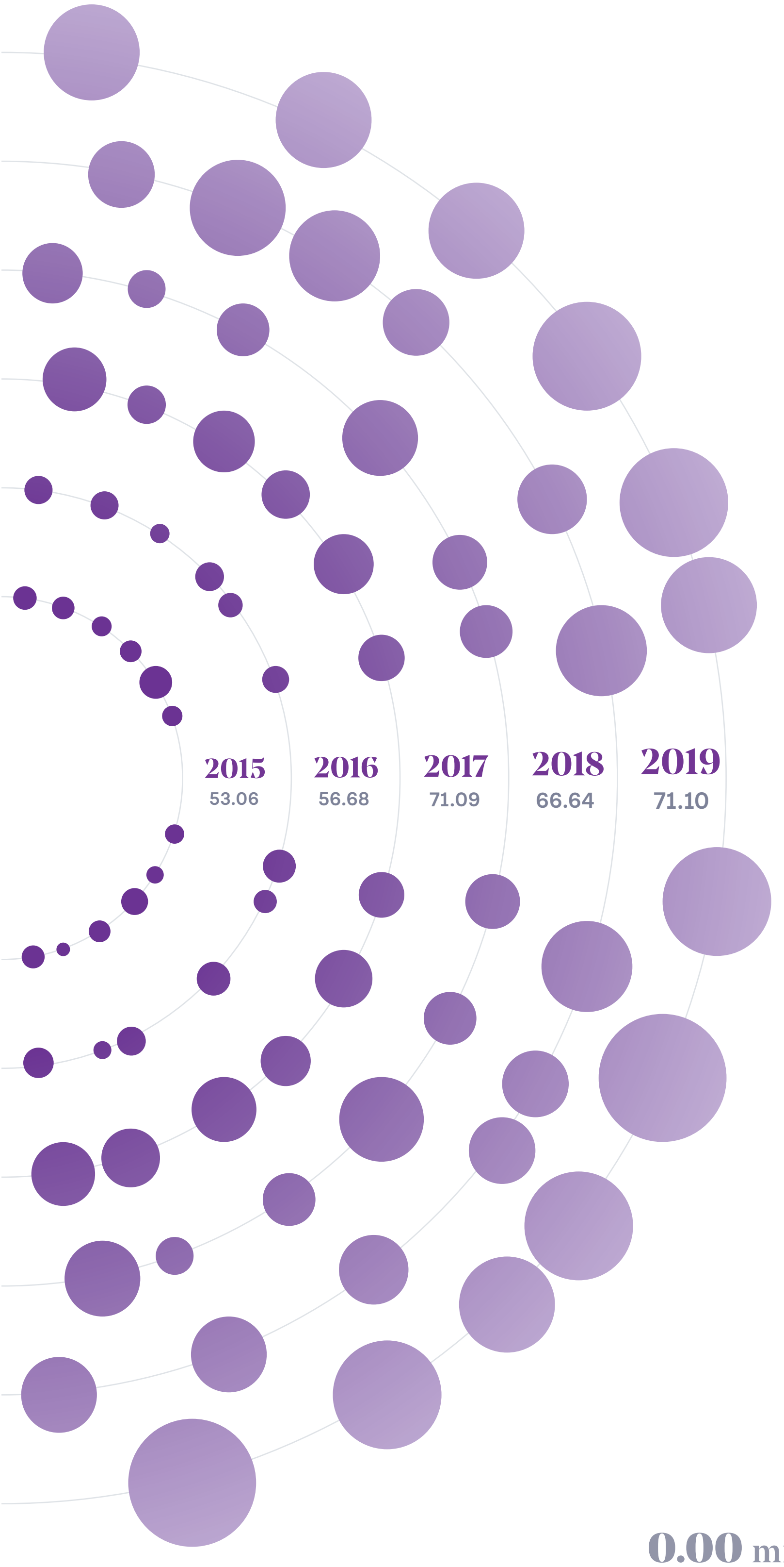
RNT

43.0 TWh

Transmitted energy

0.72 min.

Average Interruption Time



Transmitted energy TWh

0.00 min.
Supply interruption duration per offtake

2019

RNTGN
71.1 TWh
Transmitted energy

Energy is our driver

In every city, in every business, in every home there is an invisible force, one which brings us together... which unites us all. A force without interruption, on a journey which lasts 365 days a year, 24 hours a day, on 3 different continents.

Join us on the surprising journey we made in 2019.

01.

Message from the Chairman

An energy of continuity

def.: quality of that which is ongoing; continuous length or duration;
electricity - connection which forms part of an electric circuit.

For REN, continuity means maintaining excellence and operational efficiency, in a permanent commitment to a public service of excellence.

An uninterrupted path following the mission of REN.

01.

Message from the Chairman

“In 2019, we once again managed to achieve the vast majority of our objectives.

Gonçalo Morais Soares
CFO and member of the Executive Committee

Rodrigo Costa
Chairman of the Board of the Directors and the Executive Committee

João Faria Conceição
COO and member of the Executive Committee

The main goal of this text is to provide a foreword to the Report and Accounts for 2019. Without losing sight of this intention, I feel I must start by mentioning the difficult times we are experiencing and which are already having an effect on this year.

The Covid19 epidemic has suddenly changed our day-to-day lives. This new situation has made it particularly difficult to share a message with the positive and optimistic note I had originally intended. It is my expectation that this situation will be resolved and that we will return to a normal state of affairs very quickly. However,
it is not possible to ignore this new development and the climate of current concern.

I am writing these words in a break between a series of internal meetings where we analysed possible operating scenarios to meet the challenges we may be faced with.

At REN, we have the added responsibility of managing a complex system which ensures the supply of electrical power and natural gas to the entire country. This means that we have to be doubly careful. In addition to the concern we have for all of our employees, our efforts have also sought to simulate the risks of operating under extreme circumstances, with the goal of enabling our teams to deal with all of the challenges that may arise.

With respect to this report, I would like to recall that the pillars of our strategy remain unchanged: a focus on operations; financial stability and solidity; emphasis on training; and remaining at the forefront of technological developments.

In 2019, we once again managed to achieve the vast majority of our objectives.

We successfully implemented our infrastructure maintenance and development plans and with regard to quality and availability of service, our operations continue at the highest standards. On the financial front, ratings agencies have maintained our investment grade.

I would also like to highlight some of the topics which dominated our work last year.

One of the most important challenges all countries now face is that of energy transition.
Portugal is no exception, and REN has made a significant contribution in numerous areas.

We are fully committed to several government projects as part of the National Energy and Climate Plan 2030 (NECP). REN will continue to contribute to the goals set out in this document to make Portugal one of the first countries in the world to achieve carbon neutrality by 2050. We are collaborating with numerous official organizations in planning the reinforcement of renewable energy generation throughout the country, particularly in relation to a substantial increase in photovoltaic power in the coming years.

At the end of 2019, the Viana do Castelo wind offshore project, Windfloat, was successfully connected to the mainland by undersea cable. This pioneering work was designed by our teams in collaboration with the construction consortium and is already in operation, having fully complied with deadlines.

We executed our second investment outside Portugal and acquired 100% of the capital of Transemel, a small electricity transmission company in northern Chile. This investment was in line with the strategy to seek out investment options abroad to make up for the lack of growth opportunities in Portugal. I would like to point out that this acquisition does not change our main focus which is on operations in Portugal, which correspond to more than 95% of our revenue.

In 2019, coal-based power generation was the lowest ever in our country (10%), unlike that of natural gas which saw its weighting grow, contributing around 32% to electricity generation. Our Sines Terminal was responsible for more than 90% of the natural gas used in 2019 and reached a record number of 64 vessel unloading operations during the year.

It was also a year which saw very little rainfall and where summer brought challenges which continue to demand the full attention of our teams and attentive risk management. There was no let-up in our operations to clean the forest corridors where our power lines pass, nor in our vigilance against fires. In addition to these difficulties, adverse weather events also brought problems, such as storm Leslie, which caused some damage to our electricity transmission infrastructure.

The quality of our services is a reflection of a working team with around 700 professionals, which fulfill their mission all over the country, a mission which we all know is vital for everyone.

Our focus continues on the ongoing training of our employees and ensuring that they are provided with the best resources to carry out their work in an open and healthy environment. This formula is a company responsibility and is one which brings long-term positive effects.

Our commitment to the principles of the United Nations Global Compact (promotion of equal opportunities, gender diversity and inclusion) helps us continue to attract well-educated young people. These young people recognize that REN provides an environment which fosters inclusion and provides something which is increasingly rare these days: an exciting career and one which is seen by many as life-long .

Also with regard to meeting our obligations to society, we continue to implement policies and support projects which seek to ensure a fairer and more sustainable world. This approach also helps us to meet the goals of sustainable development set out by the UNO.

Technology does not cease to evolve and we are at the forefront of this evolution, fully aware of the challenges that our industry faces, and aware of the strategies followed by counterpart companies around the world.

In an increasingly digital global environment, we know that the opportunities are great, as are the respective risks. We maintain close ties with the best international suppliers of technology and infrastructure, we participate in international energy forums and are always available to collaborate with the Portuguese state. This is the best way of ensuring the long-term quality of our work.

We are a private company with the responsibility of providing a critical public service which is regulated and where compliance is subject to continuous audit. Our management decisions always reflect these rules and responsibilities and it is with special satisfaction that we feel that we are fulfilling our role well. This Report is an important communication tool for us and we believe that reading it will provide a detailed vision of how we work and our indicators.

To close, a suggestion to all our shareholders, stakeholders and anyone who may be interested in our company: install the REN Energy and REN Investors apps in your mobile phones. You'll find a wealth of interesting information which is regularly updated.

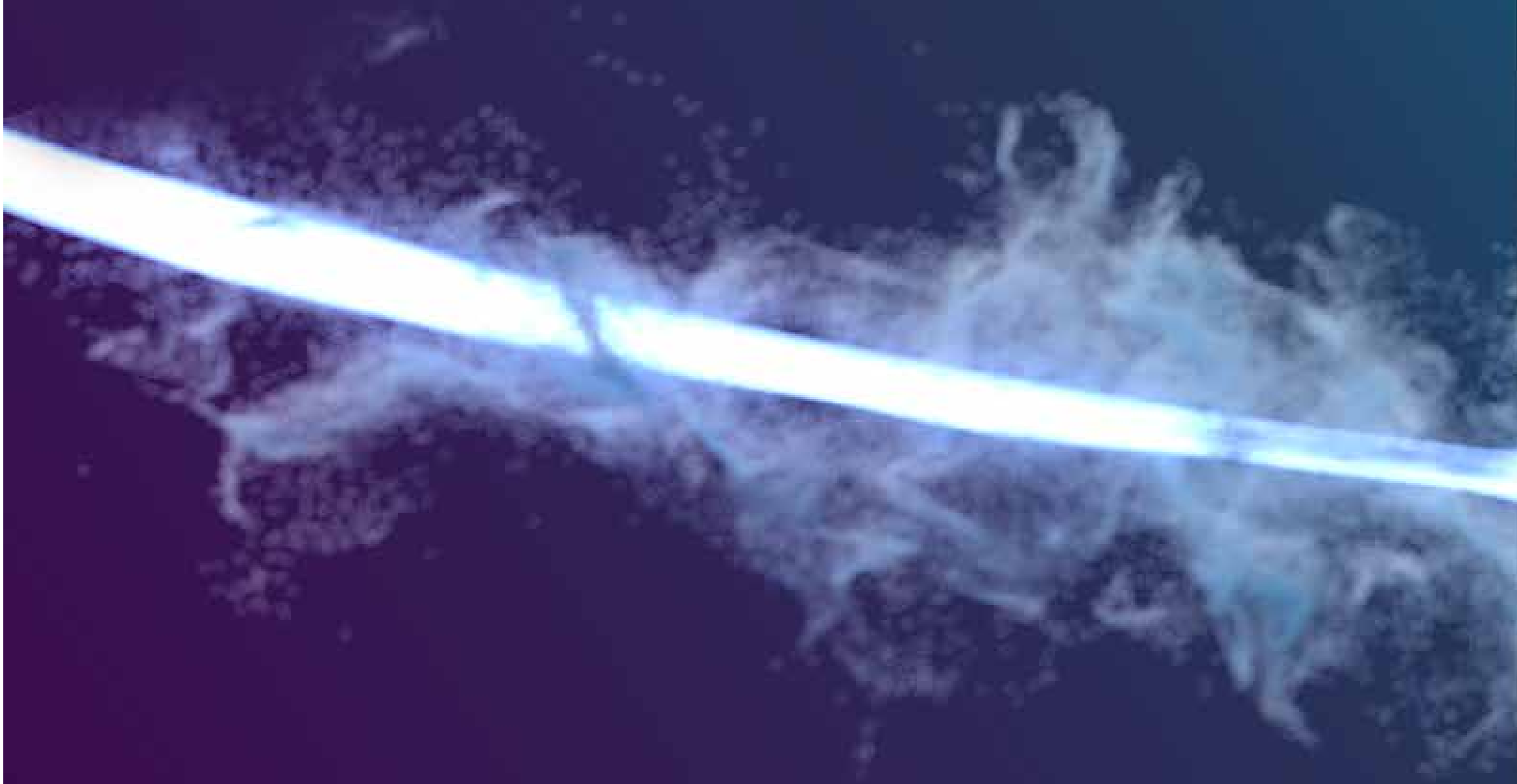
Thank you

Rodrigo Costa


B
A
GAS
GAS
GAS

02.

Approach to Report



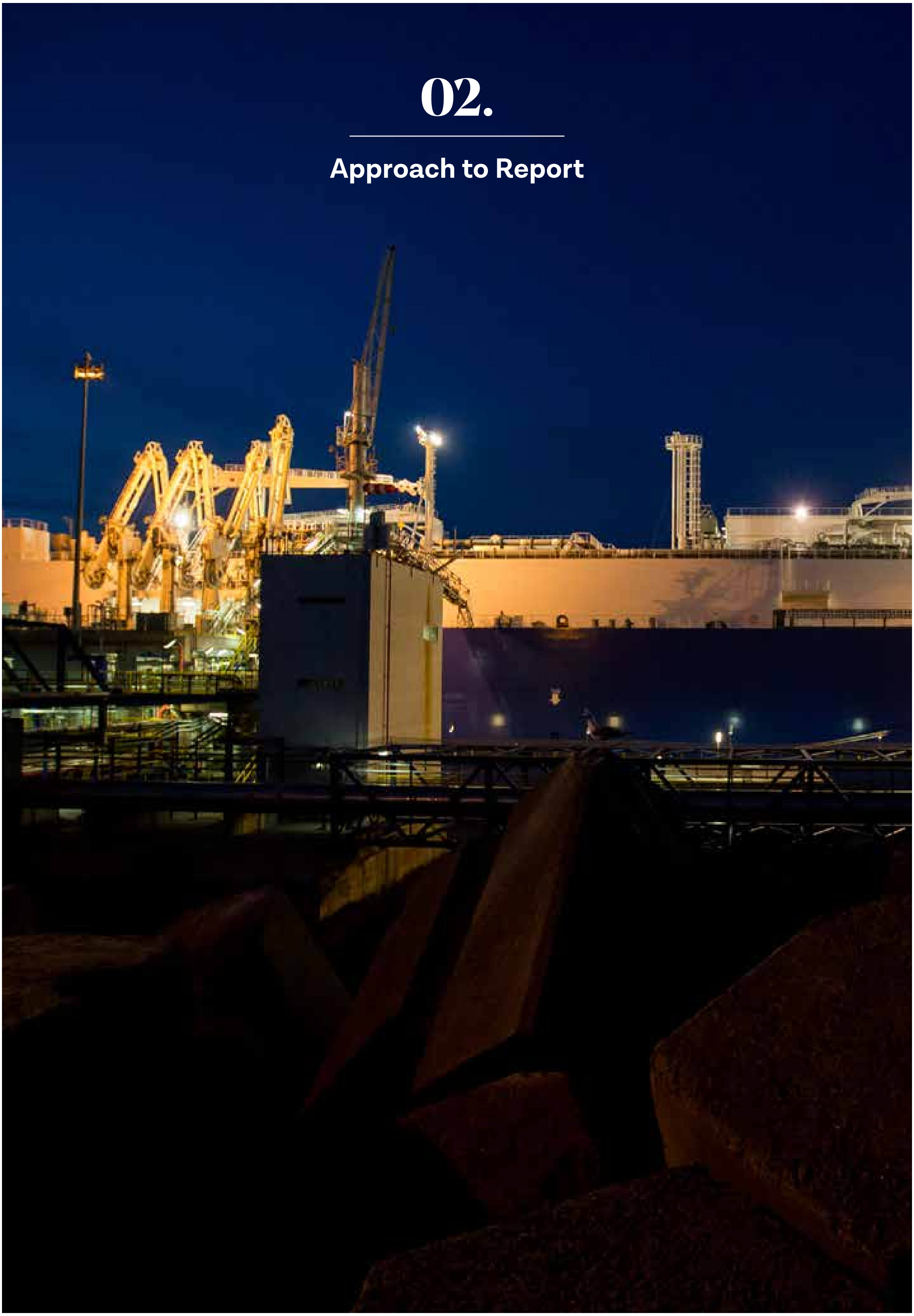
An energy of safety

def.: quality of that which is safe; series of actions and resources used to protect something or someone.


For REN, safety is what drives us.
In the commitment shown every day
by our employees to supply
a permanent service, 24 hours a day,
365 days a year.
Our energy is your energy.

02.

Approach to Report



Transparent information on economic, social and environmental issues.

The information in this report accurately and appropriately reflects the Group's financial position.

This report brings together the information required to meet our commitments and legal and financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders. It also deals with corporate governance and ethics during 2019.
Since 2010, REN has combined financial and sustainability reporting in a single document issued every year.

The consolidated and individual financial statements were approved by the Board of Directors at their meeting of 25 March 2020. The remainder of this report was also generally approved by the Board in 2020. It is the Board of Directors' opinion that the information in this report accurately reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its present situation, policies, organization, practices and operating results in areas of sustainability considered to be most relevant in compliance with the reference Standards and Directives as implemented.

This report is complemented by the following publicly available information:

- Sustainability brochure 2019
- Company Website

Financial reporting

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 01 January 2019. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations – IFRIC and SIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standard Interpretation Committee (SIC), which have been implemented in the EU should be understood as forming part of those standards.

REN meets the principles set out in Standard AA1000AP.

The attached financial statements were drawn up in accordance with Portuguese law, including Decree Law No 158/2009 of 13 July 2009, updated by Decree Law No 98/2015 of 2 June and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2019.

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

The accounts were audited by Ernst & Young – Audit & Associados, SROC S.A..

Sustainability reporting

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

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti corruption measures This report is also the vehicle for this information and as such, the correspondence table between the content of this report and the GRI and UNGC references is included. Further information on the UNGC initiative can be consulted on the REN website[1].

It is REN's aim to meet the principles set out in Standard AA1000AP (inclusion, materiality, responsiveness and impact). This report also demonstrates how these principles are incorporated into the management of our business, more specifically with regard to the information in Chapter 5. Equally relevant and taken into account were the principles of the NP-4469-1 standard, through which REN certified the Social Responsibility Management System.

External Independent Verification

The sustainability information in this report was subject to independent external verification by PwC, in accordance with the principles of Standard ISAE 3000 (International Standard on Assurance Engagements 3000) and with GRI Standards and the Standard AA1000AP (Accountability Principles – 2018), as well as the Portuguese Standard NP-4469-1.

Coverage

This report covers the financial and sustainability performance of all REN Group companies from 01 January 2019 to 31 December 2019.

List of material aspects

In accordance with GRI Standards requirements, this report focuses mainly on the issues identified as relevant in the materiality analysis.

In line with GRI recommendations, REN listened to its stakeholders and took into consideration other external and internal factors such as peer sustainability references and reports. This material was used to sample materially relevant topics for purposes of sustainability management as reflected in this report.

1 www.ren.pt

Environmental policy/Environmental management systems:

- Energy efficiency
- Biodiversity
- Environmental awareness and training

Governance Model:

- Corporate Governance
- Ethics and conduct
- Risk and crisis management
- Stakeholder Involvement
- Anticorruption

Health and Occupational Safety:

- Employee Satisfaction and welfare

Human Capital Management and Diversity:

- Respect for human right
- Human Capital Management and Training
- Diversity and Equal Opportunities

Impact on Communities:

- Local Communities

Supply Safety, Reliability, Quality and Guarantee:

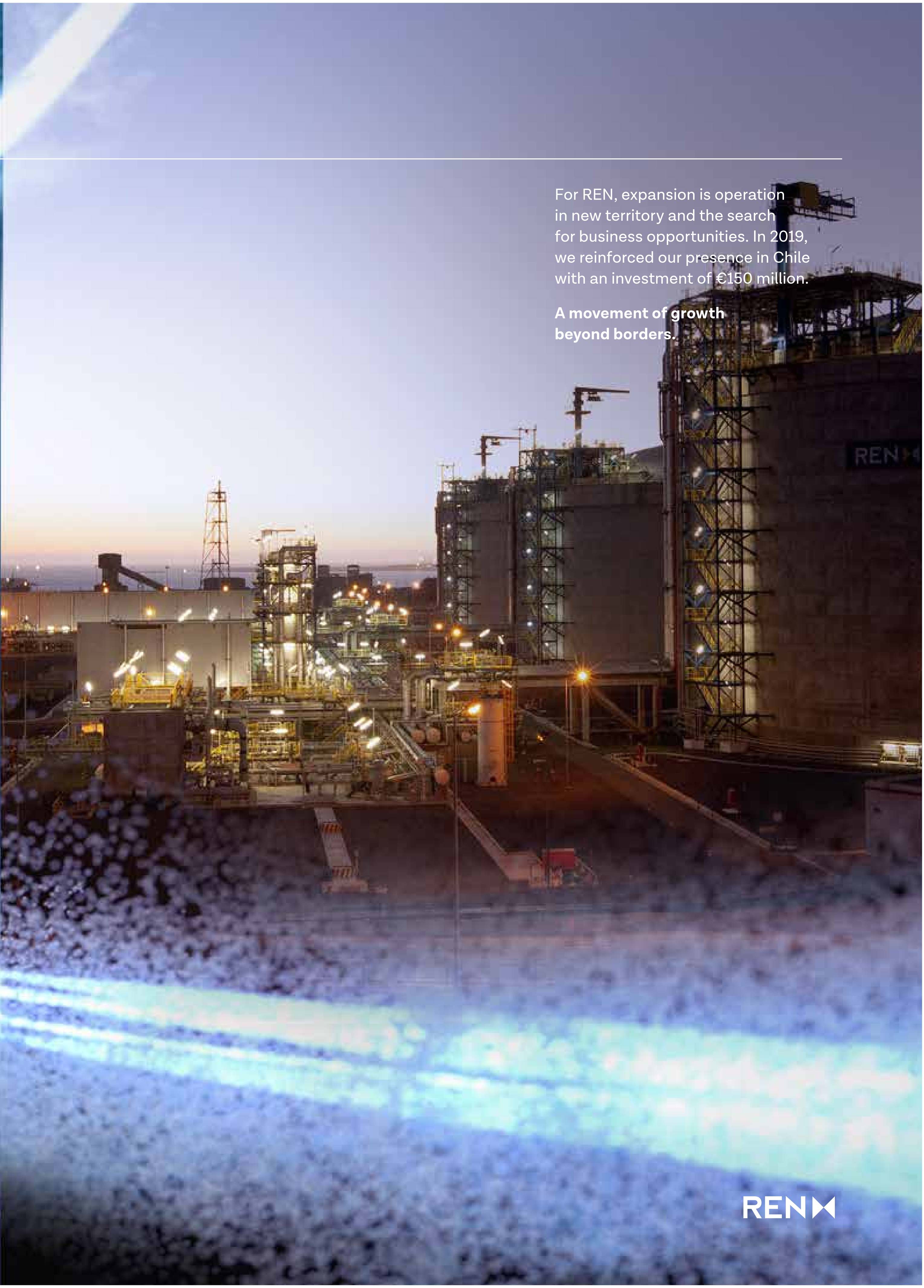
- Innovation, research and technology
- Integration of energy markets
- Integration of renewable energies
- Quality of information on service

03.

REN at a Glance

An energy of expansion

def.: act or effect of expanding, of making larger; development; economy - phase of the economic cycle characterized by an increase in production and demand; physical - dilation of a body or gas.



For REN, expansion is operation in new territory and the search for business opportunities. In 2019, we reinforced our presence in Chile with an investment of €150 million.

A movement of growth beyond borders.

REN

03.

REN at a Glance

Maintain a positive balance reflecting financial solidity.

REN's core business is energy transmission and the management of energy transmission systems.

REN

REN's core business is the management of energy transmission systems and the company is present in the electricity and natural gas markets.

3.1. REN Profile

3.1.1. Our world

REN is one of the few operators in Europe with this characteristic. In more detail:

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

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

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

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

Group business functions are conducted by REN Serviços, S.A. (REN Serviços) more specifically, this includes support functions for the concession holders and with regard to back-office services. In addition to this support work, REN Serviços also operates as a commercial extension of REN, providing consultancy and/or engineering services to third parties within the energy sector.

In October 2017, the REN natural gas segment also came to include the natural gas distribution network in the northern coastal region of Portugal. This was a result of the acquisition by REN Gás, S.A. of all the capital of EDP Gás, S.G.P.S., S.A. and its subsidiary EDP Gás Distribuição, S.A. (now REN Portgás Distribuição, S.A.), under the public service concession, the contract for which was signed by EDP Gás Distribuição, S.A. with the Portuguese State, on 11 April 2008 with validity until 1 January 2048.

This deal also included the acquisition of the subsidiary company EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A., but in July 2018 the shares representing all of the capital of the then REN Portgás GPL, S.A. were sold to ENERGYCO II, S.A.

At the end of 2018, the company REN PRO, S.A. (REN PRO) was formed within the Group. The aim of this company is to differentiate support functions, which are more market directed, from functions more focused on regulated concessions. In addition to this aim, REN PRO also seeks to provide services of greater added value and potential for companies outside the REN Group, more specifically in communication and sustainability, marketing, commercial management, business development and consultancy and I.T. projects.

In October 2019, through its subsidiaries incorporated in Chile (Aerio Chile SpA and Apolo Chile, SpA, subsidiary incorporated in 2019), REN acquired from Compañia General de Electricidad, S.A. and Naturgy Inversiones Internacionales, S.A. the entire share capital of Empresa de Transmisión Eléctrica Transemel, S.A, a company that owns and operates 92 km of electricity transmission lines and 5 substations, located mainly in northern Chile and with approximately 93% of its revenues coming from regulated activities. This operation is the second acquisition that REN group has made in Chile (after the acquisition, in 2017, of a 42.5% stake in the share capital of Electrogas, S.A.).

REN operates in the transmission of high voltage electricity and natural gas at high pressure.

Corporate Holdings
REN maintained its holdings in the following companies:

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

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

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

   ii) 10% holdings in OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., the company formed under Spanish law which is the counterpart of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. These companies also have holdings (direct and/or indirect) of 20% and 10% in the capital of MIBGAS, S.A., respectively;

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

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

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

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

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

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

f) Electrogas, S.A., a Chilean company which operates a key gas pipeline in central Chile, in which REN has had a 42.5% stake in capital since February 2017. The operation was finalised through a company with registered office in Chile (Aerio Chile SpA), in which REN, through its subsidiary REN Serviços, S.A., owns 100%.

This acquisition was an important milestone in REN's internationalization process (followed, in 2019, by the acquisition of the entire share capital of Empresa de Transmisión Eléctrica Transemel S.A.).

g) MIBGAS Derivatives, S.A., a company which has managed the business of the organized market for natural gas futures products, LNG spot products and spot products in underground storage on the Iberian Peninsula, since January 2018, in which REN holds a 9.7% stake, through its subsidiary REN Gás, S.A..

Stake in the capital of Electrogas, S.A. **42.5%**

5 **Transemel substations**

92 Kms **of Transemel electrical power transmission lines**

3.2 Corporate Bodies, Departments and other managing bodies (31.12.2019)

CORPORATE BODIES

Board of the General Meeting
Pedro da Maia, *chairman*
Rui Pereira Dias, *vice-chairman*

Board of Directors
Rodrigo Costa, *chairman*
João Faria Conceição, *member*
Gonçalo Morais Soares, *member*
Guangchao Zhu, *vice-chairman*[1]
Mengrong Cheng, *member*
Lequan Li, *member*
Omar Al-Wahaibi, *member*
Jorge Magalhães Correia, *member*
Manuel Sebastião, *member*
Maria Estela Barbot, *member*
Gonçalo Gil Mata, *member*
José Luis Arnaut, *member*
Ana Pinho, *member*[2]

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

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

Remunerations Committee
João Duque, *chairman*
José Galamba de Oliveira, *member*
Fernando Neves de Almeida, *member*

Corporate Governance Committee
José Luís Arnaut, *chairman*
Jorge Magalhães Correia, *member*
Lequan Li, *member*

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

Statutory auditors
Ernst & Young, Audit & Associados, SROC, S.A., *effective*
Ricardo Miguel Barrocas André, ROC, *alternate*

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

DEPARTMENTS AND OTHER MANAGERS

Internal audit:
Hugo Domingos

Chief Technical Officer:
Zhang Xin

Electricity Unit
Operation:
Albertino Meneses

System Management:
Albino Marques

Natural Gas Transmission Unit
Operation:
Paulo Ferreira

System Management:
Fernando Válter Diniz

1 Representing State Grid International Development Limited.
2 Took office pn 03.05.2019.

Natural Gas Distribution Unit

REN Portgás Distribuição:
Victor Baptista, *chairman*
Maria José Clara, *member*
Nuno Fitas Mendes, *member*
Paulo Pinto de Almeida, *member*

Concession Support Services

Network Planning:
Rui Marmota

Asset Management:
João Afonso

Investment:
Nuno Ribeiro

Regulation and Statistics:
Pedro Furtado

Operational Services:
Isabel Figueira

European Energy Agenda:
Maria José Clara

Studies and Operational Innovation:
Pedro Ávila

Support Duties

Investor Relations:
Ana Fernandes

Control, Accounting and Tax:
Brígida Palma

Human Resources:
Teresa Barreiros

Institutional Relations:
Maria José Clara / Victor Baptista

Information Systems:
Inês Lucas

Buildings and General Services:
João Botelho

Purchasing:
João Botelho

Legal Services:
Marta Almeida Afonso

Financial Management:
Nuno Rosário

REN Pro Unit

Planning and Business Development:
João Pedro Pires

Communication and Sustainability:
Margarida Ferreirinha

Commercial Management:
Isabel Fernandes

I.T. Consultancy and Project Management:
Inês Lucas (called back)

Remaining units

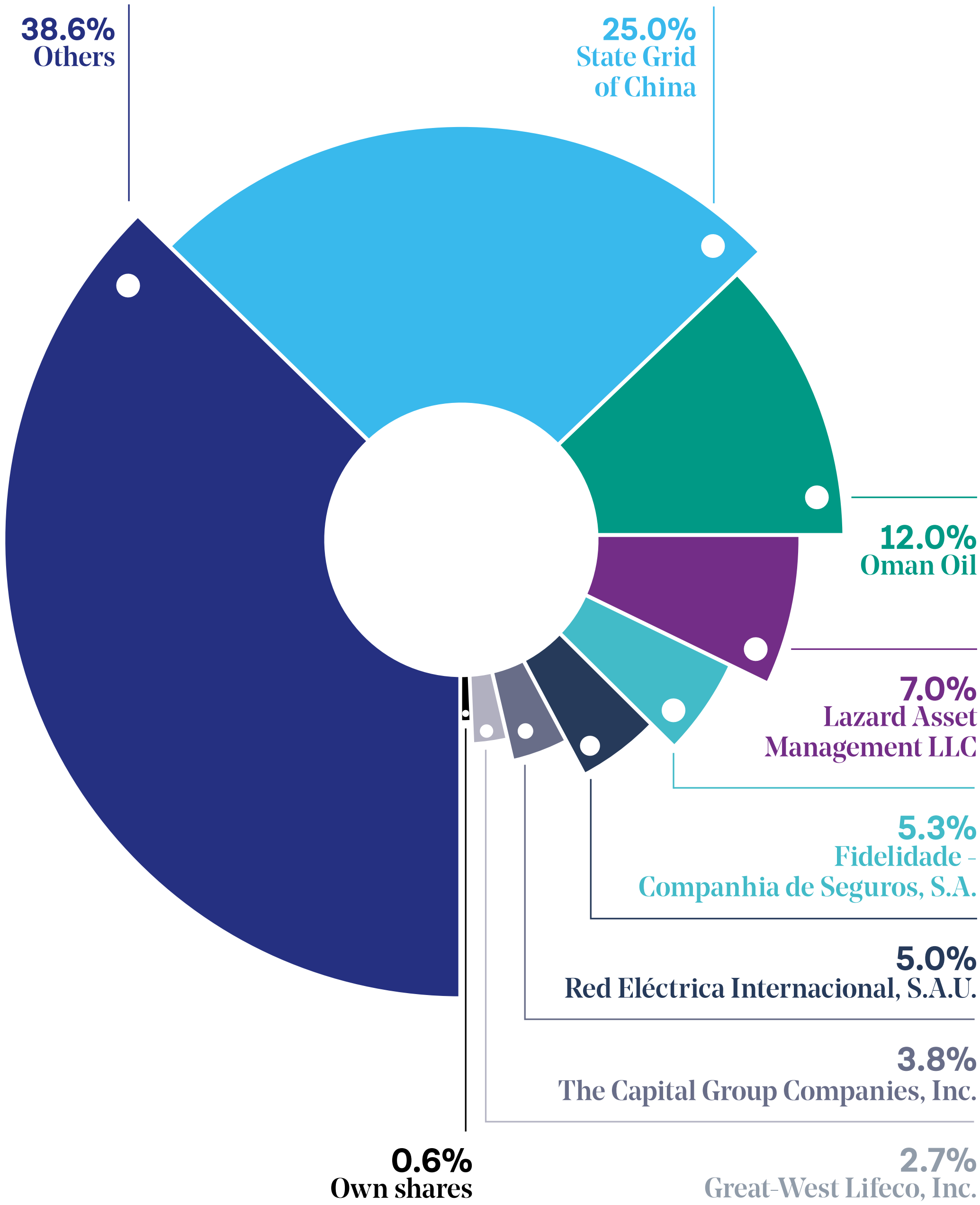
RENTELECOM:
Rui Franco

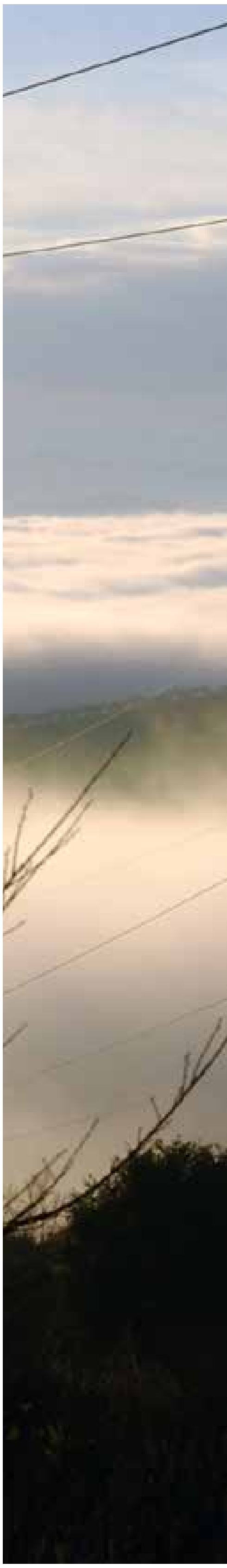
ENONDAS:
Victor Baptista

REN Finance:
Nuno Rosário

REN Trading:
Nelson Cardoso
Tiago Andrade e Sousa

3.3 Shareholder Structure





3.4. Milestones in 2019

Main REN Group Events

A highlight in 2019 was the finalisation of the second investment operation in Chile through the outright purchase of Empresa de Transmisión Eléctrica Transemel, S.A.

55M€

Investment in PDIRTGN 2018-2027

535.1 M€

Investment in PDIRT 2018-2027

01 jan.

Campo Maior Interconnection

First export

For the first time, the National Natural Gas System exported natural gas through the Campo Maior interconnection.

The Secretary of State for Energy approved the Development and Investment Plan for the National Transmission Network, Storage Facilities and Liquefied Natural Gas Terminal for the 2018-2027 period, with total CAPEX of 55 million euros.

02 feb.

PDIRT 2018-2027

Approved by the Secretary of State for Energy

The Secretary of State for Energy approved the Development and Investment Plan for the National Electricity Transmission Network for the 2018-2027 period, with total CAPEX of 535.1 million euros.

05 may

New NG Regulations
ERSE publishes final documents

REN delivered eight vehicles to eight firefighting corporations as part of our support policy for local communities and the prevention of forest fires.

The Energy Services Regulatory Entity (ERSE) published the final documents on tariffs and prices for natural gas for the 2019-2020 gas year and parameters for the regulatory period of 2020-2023.

06 jun.

BBB Rating
Fitch reaffirms REN's rating

REN signed a cooperation protocol with the Angolan National Electricity Transmission Network (RNT).

The American ratings agency Fitch reaffirmed the BBB rating of REN - Redes Energéticas Nacionais, also maintaining the outlook "positive".

07 jul.

Riba de Ave Datacenter
1st supercomputer received

The REN datacenter in Riba d'Ave received the first supercomputer to operate in Portugal, a milestone for MACC – "Minho Advanced Computing Centre" of the Foundation for Science and Technology. This supercomputer represents a 10-fold increase in national installed computing capacity and aims to stimulate new forms of cooperation among scientific and corporate communities in emerging fields of science and artificial intelligence.

REN signed a contract with the companies Compañia General de Electricidad S.A. and Naturgy Inversiones Internacionales, S.A., to acquire 100% of Empresa de Transmisión Eléctrica Transemel S.A..

08 aug.

FACIM
REN once again present

REN was present for the eighth year running at the 54th edition of FACIM (the Mozambique Livestock, Trade and Industrial Fair).

09 sep.

CEO Guide to Human Rights
REN subscribed

REN subscribed to the CEO Guide to Human Rights of the World Business Council for Sustainable Development.

10 oct.

Transemel
New investment in Chile

REN finalised its second investment operation in Chile with the full buyout of Empresa de Transmisión Eléctrica Transemel S.A. for 168.6 million dollars from the companies Compañia General de Electricidad, S.A. and Naturgy Inversiones Internacionales, S.A..

11 nov.

Wind Production
Historic Maximum

On 22 November, the National Electricity System recorded a new historic maxim of 103.9 GWh. Maximum wind power was also achieved on the same day of 4,667 MW.

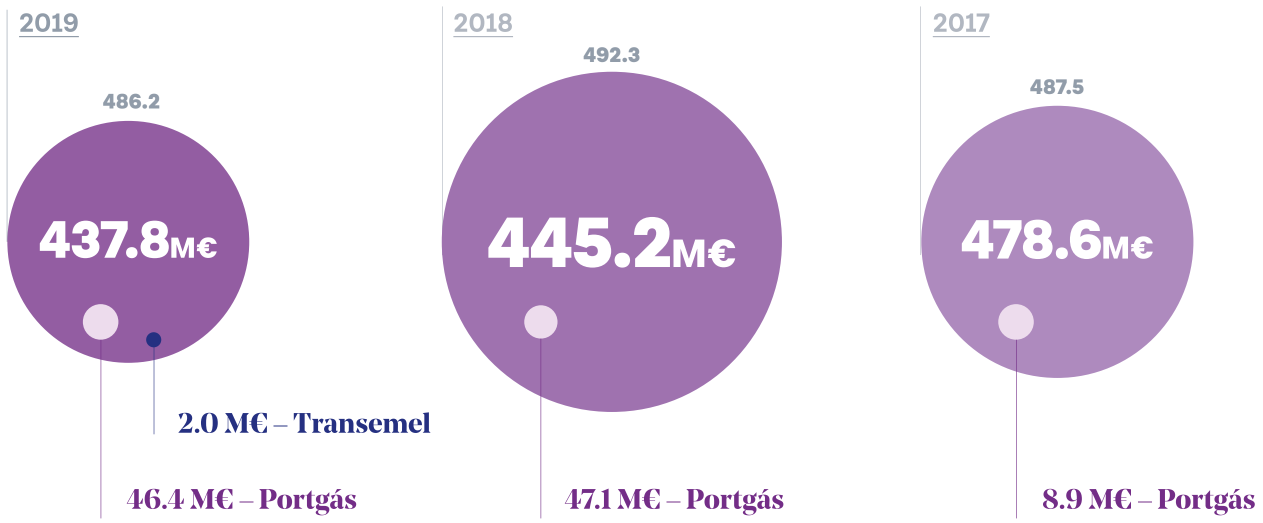
REN renewed certification of its Quality, Environment and Safety and Occupational Health Management System for REN Group companies, which also now includes REN PRO.

3.5. Main performance indicators

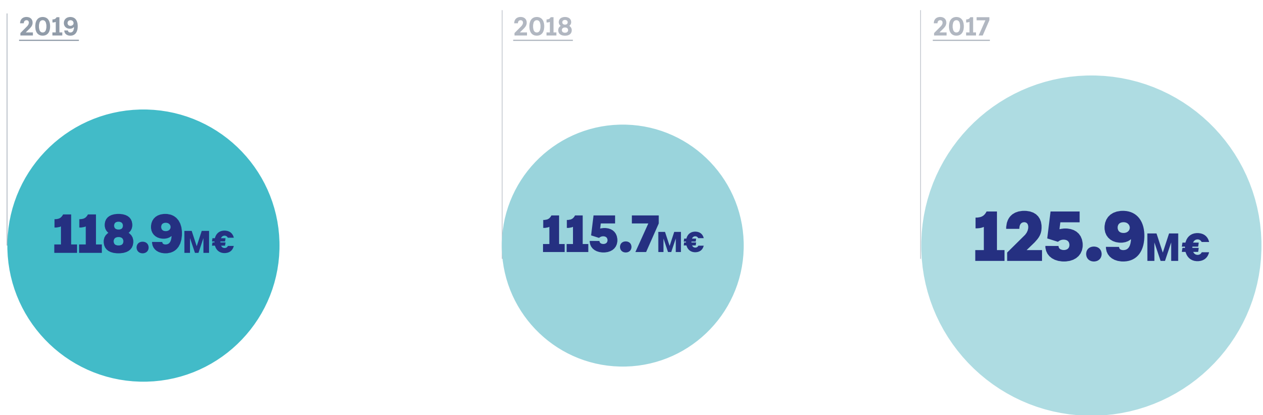
3.5.1. Financial indicators

Operating profits (M€)	'19	'18	'17	'16	'15	Δ% '19-'18
EBITDA	486.2	492.3	487.5	476.0	489.7	-1.2%
EBIT	250.6	257.2	265.5	261.3	280.4	-2.6%
Financial profits	-52.5	-57.8	-61.2	-79.9	-98.8	9.1%
Pre-tax profits	198.1	199.5	204.3	181.4	181.5	-0.7%
Net Income	118.9	115.7	125.9	100.2	116.1	2.8%
Recurrent net income	144.8	137.2	154.8	126.3	118.1	5.5%

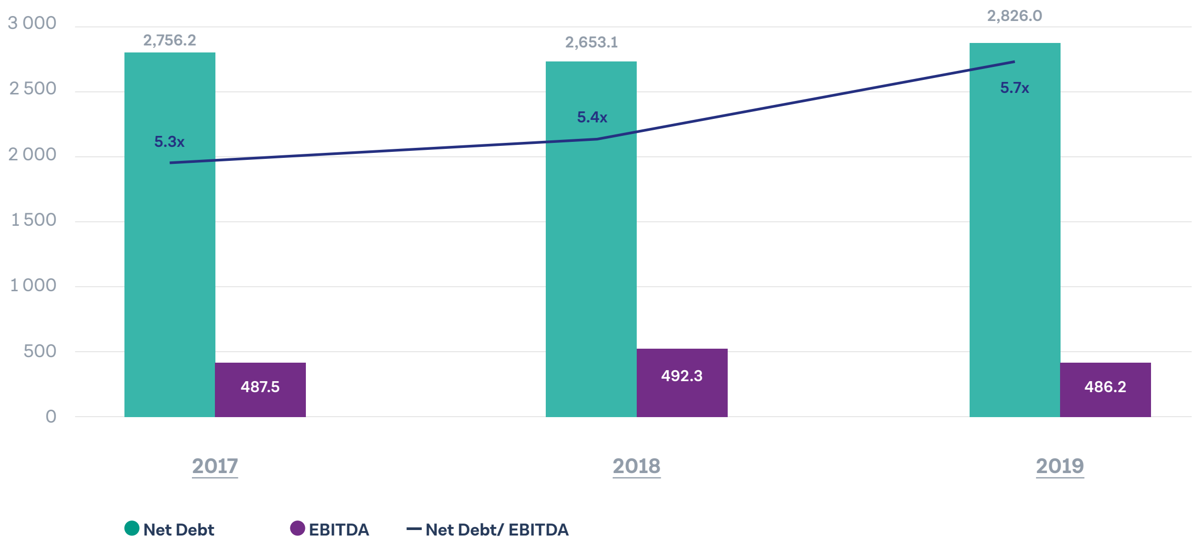
EBITDA (M€)



Net Income (M€)



Net Debt/EBITDA (M€)

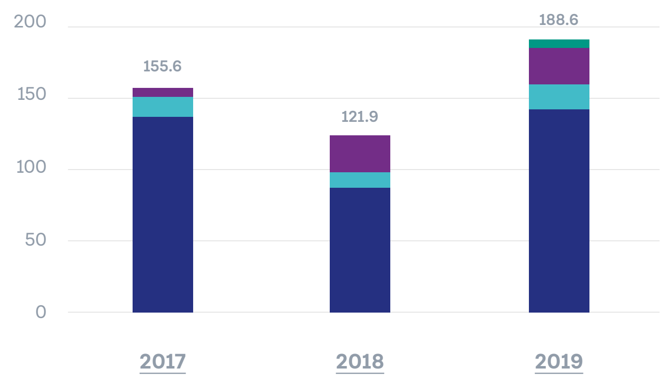


Assets, investment and debt	'19	'18	'17	'16	'15	Δ% '19-'18
RAB Average rate of return, %	5.1%	5.3%	6.1%	6.1%	6.2%	-0.2p.p.
Investment (CAPEX), millions of euros	188.6	121.9	155.6	171.5	240.4	54.7%
Net debt, millions of euros	2,826.0	2,653.1	2,756.2	2,477.7	2,465.5	6.5%
Net debt/EBITDA, x	5.74 x	5.39x	5.30 x	5.20 x	5.04 x	0.35 x

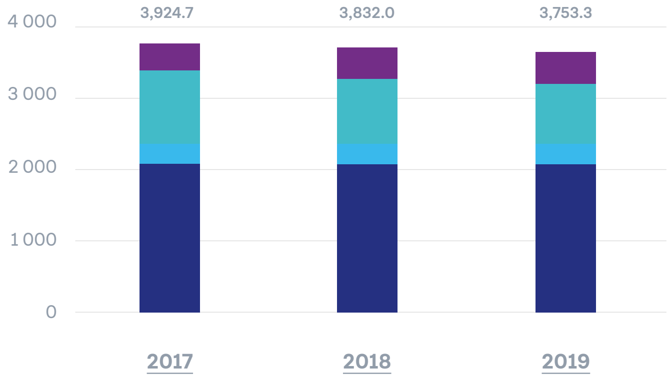
Capex (M€)	'19	'18	'17	'16	'15
Electricity	140.9	85.6	134.8	157.5	148.2
Gas - Transport	16.2	11.3	14.2	13.8	91.8
Gas - Distribution	26.9	24.9	6.3	0.0	0.0
International (Transemel)	4.5	-	-	-	-
Other	0.1	0.1	0.3	0.2	0.4
Total Investment	188.6	121.9	155.6	171.5	240.4

Average RAB (M€)	'19	'18	'17	'16	'15
Electricity	2,061.4	2,091.9	2,138.4	2,152.6	2,149.4
Hydro Land	230.4	242.9	255.6	268.3	281.2
Gas - Transmission	988,5	1,032.6	1,075.5	1,116.1	1,155.2
Gas - Distribution	473.0	464.5	455.2	-	-
Total average RAB	3,753.3	3,832.0	3,924.7	3,537.1	3,585.8

Capex (M€)



Average RAB (M€)

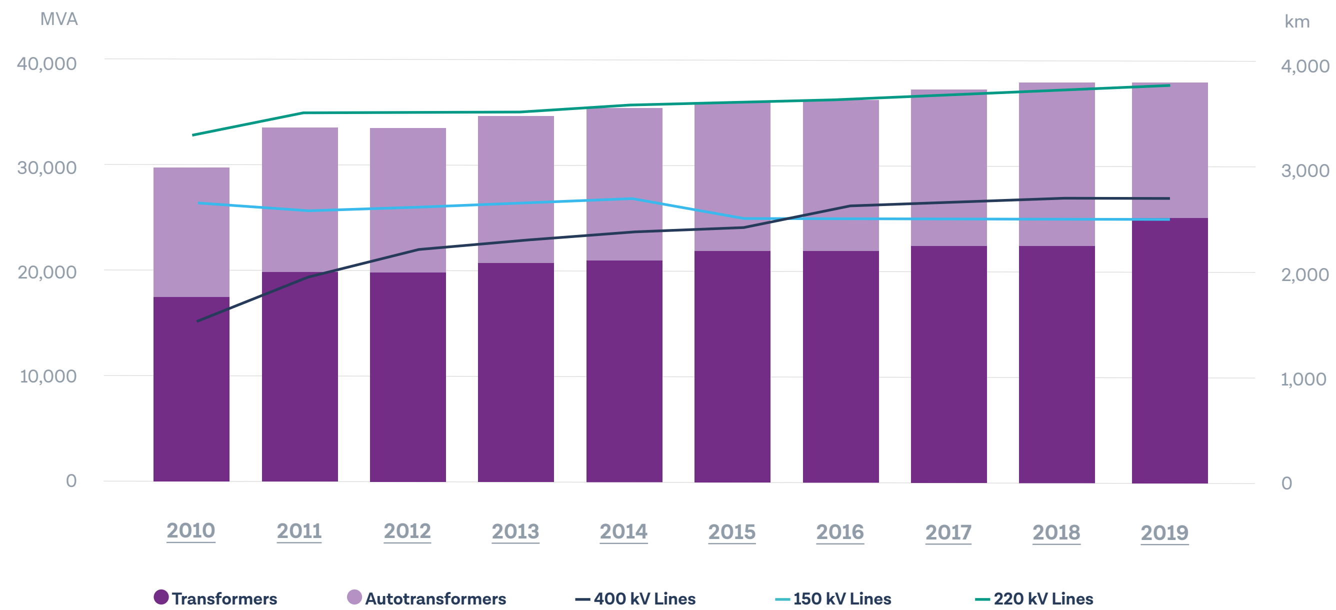


Electricity · Gas - Transmission · Gas - Distribution · Transemel · Others

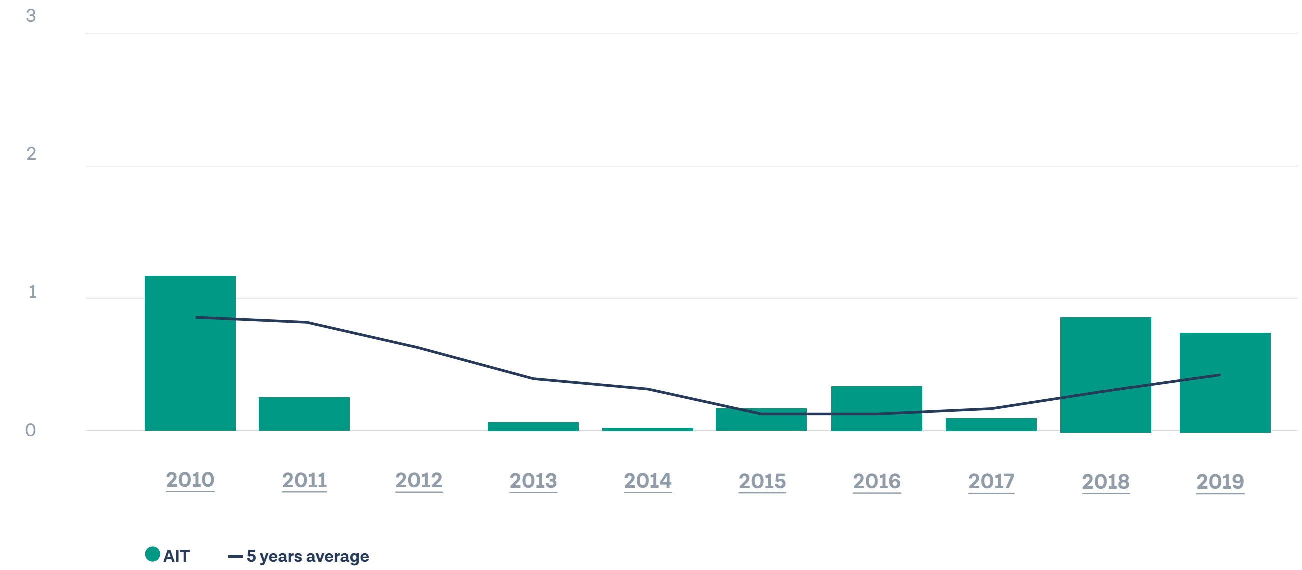
3.5.2. Electricity Indicators

Technical Indicators - Electricity	’19	’18	’17	’16	’15
Consumption, TWh	50.3	50.9	49.6	49.3	49.0
Annual variation in electricity consumption, %	-1.1%	2.6%	0.7%	0.6%	0.3%
Installed capacity, MW	20,208	19,970	19,793	19,523	18,534
Power transmitted on the RNT, TWh	43.0	47.2	47.2	46.7	43.0
Length of lines, km	9,002	8,907	8,907	8,863	8,805
Transformer capacity, MVA	38,463	37,638	37,382	36,636	36,673
Energy transmission losses, %	1.71%	1.66%	1.51%	1.72%	1.56%
Average interruption time, minutes	0.72	0.83	0.11	0.34	0.21

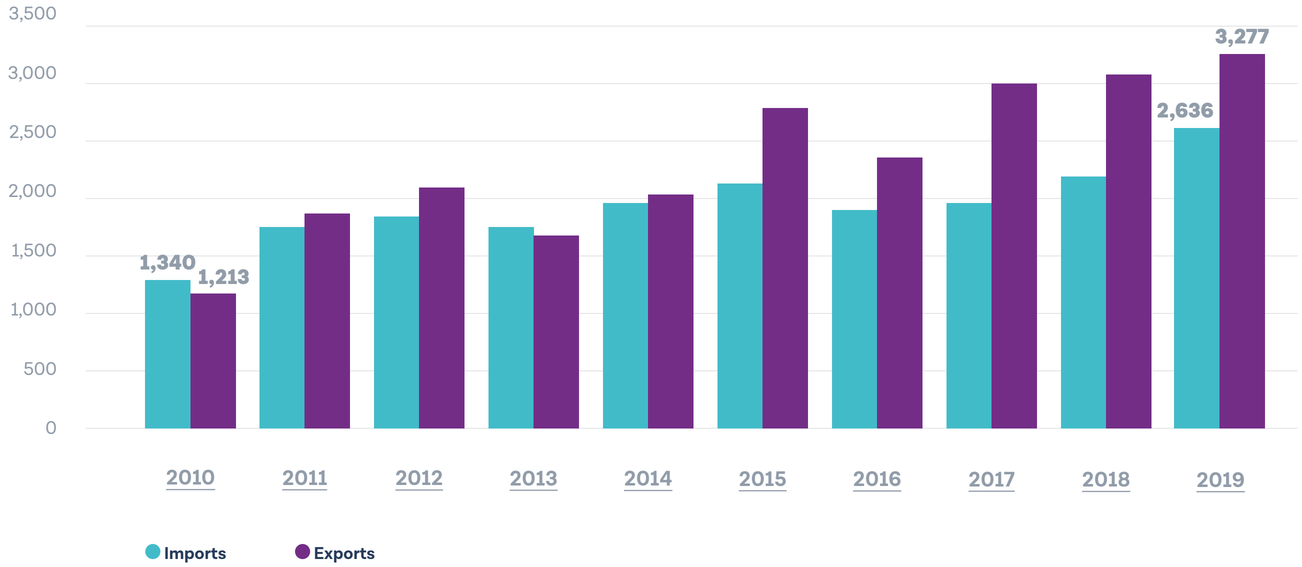
Line Length and Transformation Power



Evolution of Average Interruption Time (AIT)
(Minutes)



Average Import and Export Capacity
(MW)

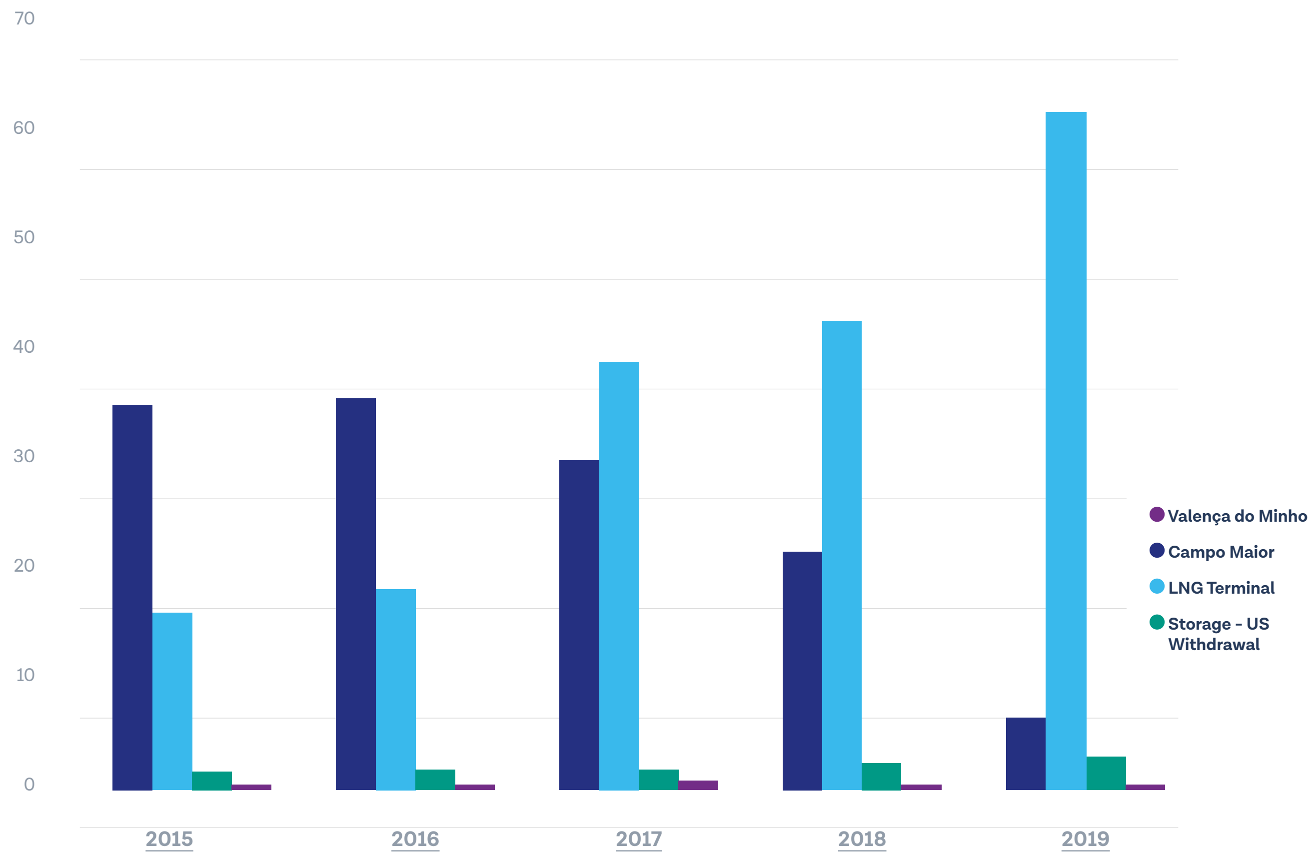


3.5.3. Natural Gas Indicators

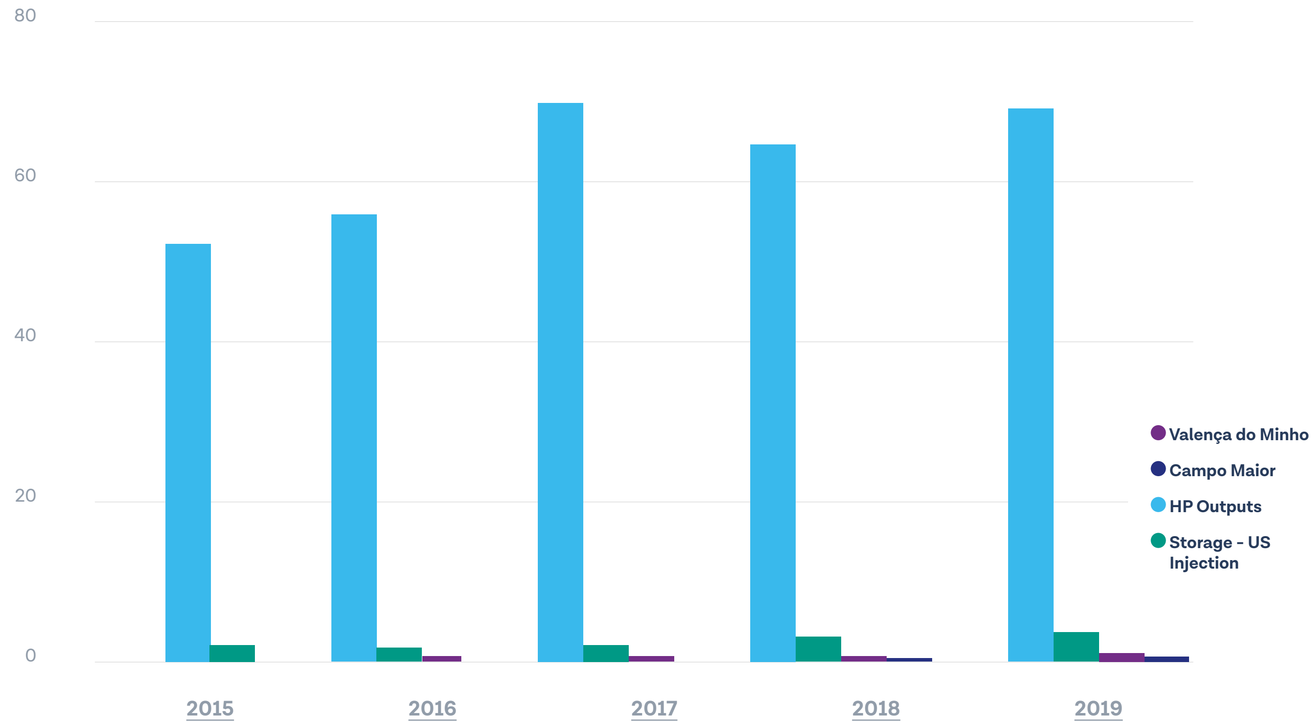
Technical Indicators – Natural Gas	’19	’18	’17	’16	’15
Consumption, TWh	67.9	64.90	69.70	55.80	52.20
Annual variaton in natural gas consumption, %	0.05	-0.07	0.25	0.07	0.15
Outputs from RNTGN, TWh	71.10	66.64	71.09	56.68	53.06
Length of high-pressure gas pipelines, km	1,375	1,375	1,375	1,375	1,375
Underground gas storage capacity, mm^3(*)	300.00	300.00	300.00	300.00	300.00
Supply interruption duration per offtake (SIDO), minutes/offtake	0.00	0.02	0.00	0.00	0.00

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

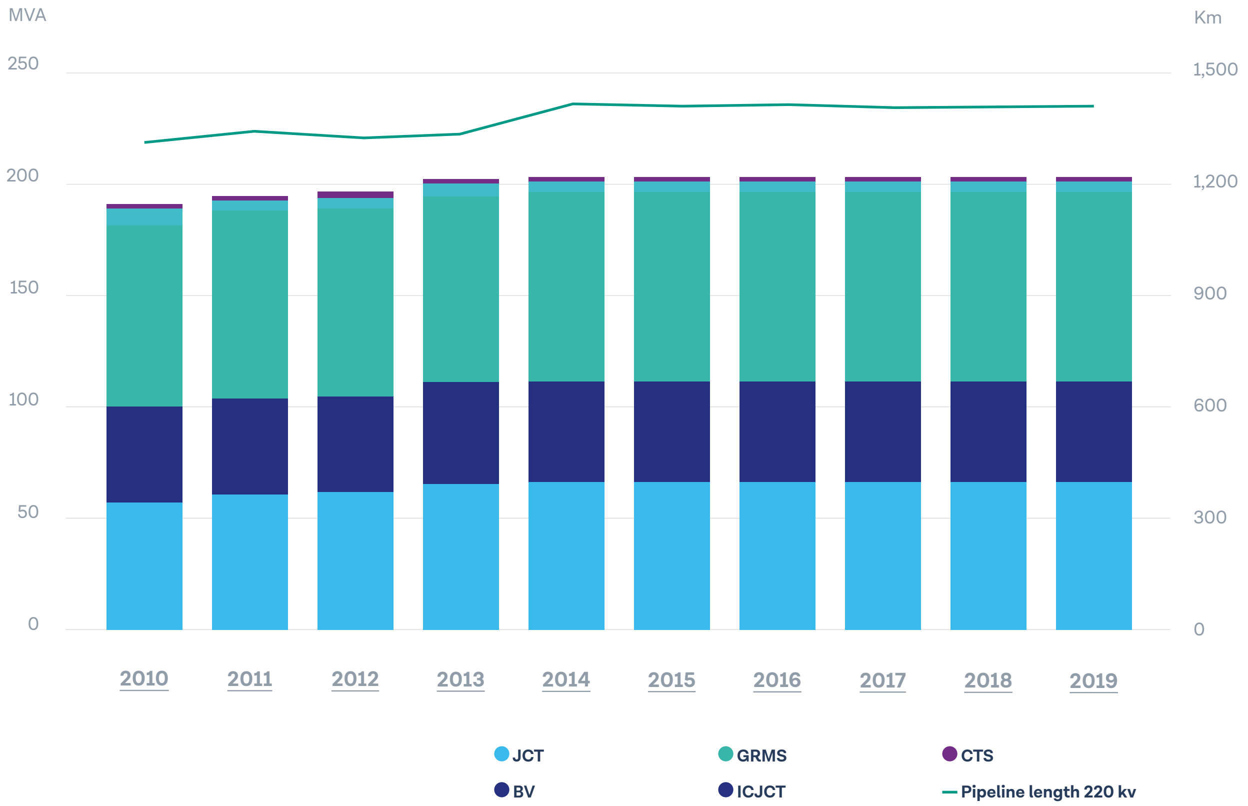
Inputs to RNTGN
(TWh)



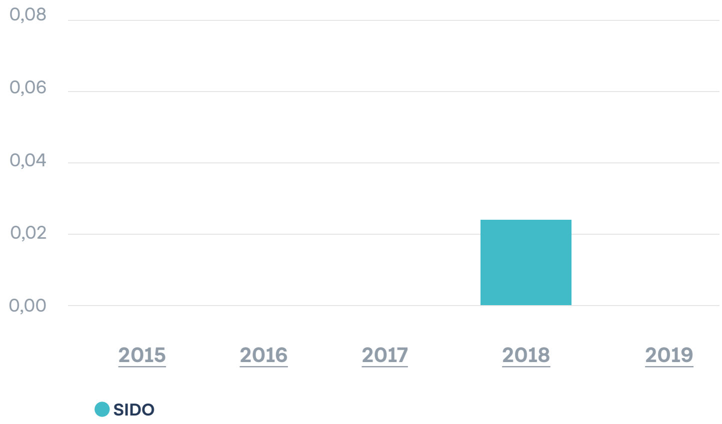
Outputs from RNTGN
(TWh)



RNTGN - Infrastructures
(Stations/Length of gas pipeline)



Supply Interruption Duration per Offtake (SIDO)
(Minutes/Offtake)



24%

of REN employees took part in volunteer work actions

3.5.4. Social and Environmental Indicators

We respect Sustainable Development Goals
REN is committed to respecting the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations.

Fully aware of this commitment, REN promotes, supports and implements actions and projects which are aligned with these goals and which have been identified as priority, in line with the company's sustainability strategy: quality education; gender equality; renewable and accessible energies; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; sustainable production and sustainable consumption; climate action; protecting life of earth; and partnerships to implement these goals.

Based on the four pillars of the REN Sustainability Strategy (internal well-being; stakeholder involvement and satisfaction; protection of the environment; governance and ethics), these objectives are achieved through a range of collaborative actions and projects. These include the different initiatives in the Share Corporate Volunteer Programme, the "Heroes of Every Kind" project, the forest corridor reforesting programme "Planting Tomorrow Together", the MEDEA project, the AGIR Award, the REN Award and the REN Chair in Biodiversity.

As part of the NÓS programme, which pursues actions to foster well-being within the company and quality of life, diversity and inclusion and personal fulfilment helping to conciliate personal and professional life while improving the overall satisfaction of employees, in 2019, 32 initiatives were undertaken involving 526 REN employees in line with the programme's three pillars: Balance, Equality and Inclusion.

In 2019, the 6th REN Agir Award, dedicated to fighting early school leaving and promoting academic success, rewarded the work of several of the 47 applications submitted. Winners included the projects Apps for Good (www.appsforgood.org), promoted by CDI Portugal (www.cdi.org.pt), which received the top prize, and the projects Superpower Schools submitted by the Juvenile Transformers Association (www.movimentotransformers.org), and Dream Fisher, submitted by the APEXA Association (www.apexa.org). Since 2014, this award has directly benefited more than 2,900 people.

Also with regard to stakeholder involvement and satisfaction, in 2019 REN carried our numerous actions through its Corporate Volunteer Programme, Share.

Specific initiatives were defined for each of the three pillars of action in the volunteer work strategy: education, environment and social support. This year, 24% of REN employees took part in volunteer work actions. In total, REN ran 35 volunteer work initiatives with participation by 169 employees, a 47% rise over figures for the previous year. An increase in the number of hours of volunteer work was also seen, rising to 1,647, where 1,342 hours were by employees and 305 by family and friends of employees.

Of special note in the pillar for education was the participation by 40 employees in young people's entrepreneurship programmes in Junior Achievement Portugal (www.japportugal.org), and in the REN Potential initiative, a voluntary project to fight early school leaving and academic underachievement. This project is held in participation with EPIS – Empresários para a inclusão Social (Business people for Social Inclusion) (www.epis.pt) and in 2019 saw the participation of 18 REN volunteers.

Also highly commendable this year was the annual action to raise environmental awareness through the cleaning of the Mafra Forest (www.tapadademafra.pt), in which REN has taken part since 2013. In 2019, the company once again took 60 volunteers to contribute to this cleaning and restoration programme of 12.6 hectares of natural ecosystem in the REN corridor. Merit should also be given to 63 REN employees who took part together with family members in the action to clean Belinho beach, in the North Coast Nature Reserve. Work included removing invasive species of plants from sand dunes and maintenance of the beach's wooden walkway. This is an initiative in which REN employees participate in partnership with ICNF - Institute for the Preservation of Nature and Forests.

Another initiative with a highly positive impact is the #Giving Tuesday movement (www.givingtuesday.pt) which REN has now joined. This a worldwide solidarity initiative bringing together companies, social organizations and civil society to contribute essential goods, make a generous contribution or just volunteer one hour for a good cause/institution. In total, 61 employees put themselves at the service of their communities in Cercisiago (www.cercisiago.org.pt), in Santiago do Cacém, the Sacavém Social Centre (www.centrosocialsacavem.pt), the Bucelas Day Centre (www.iasfbucelas.pt), the Food Bank (www.bancoalimentar.pt), at Refood (www.re-food.org/pt) and at the Life and Peace Community (Comunidade Vida e Paz) (www.cvidaepaz.pt), in Lisbon and at the Gondomar Santa Casa da Misericórdia (www.misericordia-gondomar.pt).

REN supported the activities of social institutions such as the Fifth Essence Association (www.quintaessencia.pt), whose mission is to maximize the autonomy and integration of people with cognitive impairment, and the Portuguese Asperger's Syndrome Association (www.apsa.org.pt) and its employability programme which aims to develop social skills to help inclusion and professional and social integration.

In the area of support for the arts, culture and education, REN continued its partnerships with the Museum of Ancient Art (www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt), the Arpad Szenes Foundation (www.fasvs.pt), where it is patron, and the Lisbon MBA (www.thelisbonmba.com), which was founded by REN.

Also in 2019, REN attended another Adapted Sport Day run by the Salvador Association (www.associacaosalvador.com), where, as in previous years, five volunteers provided support to the Quality of Life Project. In the field of sports, REN continued to support employees in their pursuit of different sporting activities including mountain biking, triathlon, running and golf while also renewing its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia.

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In the 2019 edition, MEDEA saw participation by 57 teams. First place went to a team of students from

the Povoação Primary and Secondary School, in the Azores, while honourable mentions were given to two teams of students from the La Salle College in Barcelos, and the Póvoa Santa Iria Schools Grouping.

With regard to innovation and development in the Portuguese energy sector in cooperation with educational institutions, a special mention should be made of the REN Award. This is the oldest scientific award in Portugal and is now in its 24th year, and in 2019, 36 applications were submitted. Created in 1995, the REN Award continues to demonstrate REN's commitment to accompany the transformations and developments which shape the energy sector, foresee challenges, identify problems and propose innovative solutions. In 2019, the REN Award was given to the best PhD thesis for the first time. The winning Master's theses covered topics relating to artificial intelligence, distribution systems and renewable energies[1].

We defined a Volunteer Strategy so that each person can "give the best of himself or herself"

In the area of social support, of note was the conclusion of REN's first participatory budget. In total, 16 projects were chosen from 46 which went to votes and will thus benefit from REN financial support as part of the company's Social Responsibility Policy and Sustainability Strategy. The aim is to assist local communities and environmental protection and with this support, we now cover 14 municipalities and 9 districts.

Also as part of its social support, REN continued its work with Comunidade Vida e Paz, through participation by 35 volunteers helping serve dinners to the homeless in Lisbon. This work takes place on the last Thursday of every month. A further highlight in this regard was support by 11 volunteers at the Food Bank and in campaigns held at the company's installations to collect clothing and toys for children, and food and equipment for animals. Also of note was support for the third year running in the "Red Nose Operation" (www.narizvermelho.pt), where funds were raised through the sale of merchandising to company employees which reverted to this institution. To combat food waste, REN also donated surplus food both from its canteens as well as from events held to the Re-food, Zero Waste (www.zerodesperdicio.pt) and the Comunidade Vida e Paz movements.

In 2019, the "Em Linha" (On Line) Project was continued which, with assistance from five REN volunteers in the "Chamadas de Conforto" (Comfort Calls) initiative run by the REN/EDP Retiree Association (www.arep.pt), promotes interaction among former employees. With the aim of combating loneliness and the abandonment of the elderly, once again REN organized a traditional Christmas lunch at its installations in Bucelas with the members of the local day support centre.

REN once again provided support for Rock'n'Law (www.rocknlaw.pt), a non-profit initiative promoted by a group of law firms raising funds for solidarity projects. The company also supported the concert "For a New Future", staged by the New Future Association (www.novofuturo.org).

We protect the Environment and Portuguese Forests

With respect to environmental protection, of special note is the "Heroes of Every Kind" programme (Heróis de Toda a Espécie www.heroisdetodaaespecie.pt), an educational initiative for 3rd and 4th year children all over the country, involving five primary schools in 2019. More than 500 students from the north to the south of the country participated in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment and Energy Transition[2].

In 2019, REN continued to support the Common Forest

In 2019, the protocol between REN and Quercus was maintained to support the Common Forest Programme (www.florestacomum.org). Through this educational programme, REN carried out a new reforesting action as part of the "Plant Tomorrow Together" initiative, in partnership with the Figueira da Foz Municipal Council and the EB 2,3 Pedrosa Veríssimo School, in Paião.

REN's hands-on management of its access corridors for the Forest Defence System against Fires was also recognised at the 2nd Session of the Learning by Sharing cycle on Natural Capital, organized by BCSD Portugal (www.bcsdportugal.org), through the presentation of the project "Vegetation management in access corridors" as a case study. This initiative, which took place in the Pampilhosa da Serra Municipal Auditorium, was held as part of the LIFE Volunteer Escapes project (www.lifevolunteerescapes.org). The aims were to share good practices by companies and

1 Further information available at www.ren.pt/pt-PT/sustentabilidade/premios_ren

2 More detailed information can be found in point 5.3

to raise awareness for the importance of preserving our Natural Capital and understanding the resulting opportunities and benefits.

Also in 2019, REN held a meeting in Coimbra with numerous partners on "Communication Networks", at the fifth edition of the Access Corridor Management Forum. This joint initiative brought together more than 160 people and was aimed at the teams working with REN in the management of vegetation and in contact with the owners of the land crossed by energy transmission lines. The goal of the forum was to take stock of 2018 and provide guidelines to increase effectiveness in relationships with owners.

The company's partnership was also maintained with the ECO Movement – Companies against Fires (www.movimentoeco.pt). The aims of this programme are to promote the prevention of forest fires and raise awareness among the public with regard to activities that could lead to fires. This is an area of concern for REN and one where the company plays an important role. The goal is to create a national collaboration network to defend the forest, both with regard to prevention as well as in the response to incidents. With this in mind, eight support vehicles were provided to eight Volunteer Firefighting Corporations (Poiares, Viana do Castelo, Batalha, Fundão, Trafaria, Montijo, Montemor-o-Novo and Ribeira de Pena), which now have new means at their disposal to intervene in the event of fire.

Of further note was the “Security Symposium 2019”, a meeting organized by REN with the aim of sharing the best practices with regard to prevention, safety culture and emergency response, which brought together representatives of ACT - the Working Conditions Authority and ANEPC - National Emergency and Civil Protection Authority, several different companies and REN’s main service providers.

Internally, 2019 was also marked by the “Fazer Por Nós” campaign, an internal awareness and mobilisation programme to defend the environment, launched on World Environment Day. More than just warning about the urgency to do something to help the planet and future generations survive, this initiative seeks to stimulate individual action both personally and professionally. Goals include the reduction of waste, promotion of more careful consumption and more responsible behaviour and it involves different initiatives and communication actions. A challenge was therefore launched to all employees to show what each of us can do for the common good, #oqueeuvoufazer_por_nós. This challenge promoted the use of Instagram, with the #intranetren, and invited employees to share a photo or video showing what they had done (or regularly do) which reflects their commitment under one of the four sustainable development goals (SDG), more specifically, 12, sustainable production and consumption, 13, climate action, 14, protect sea life and 15, protect land life.

Also as part of the campaign “Fazer Por Nós”, REN launched an action to promote reading by setting up areas at the company’s premises to share and reuse books. "Take, donate, read, return" was the motto of this initiative which, inspired by an already existing concept, one which is replicated a little all over the world, seeks to create community libraries at the company, stimulating not only reading, but recycling by giving and sharing books.

We have an ethical and sustainable governance model

With respect to strategic governance and ethics, in 2019 REN became one of the Portuguese companies which has signed the letter of commitment "Business Ambition for 1.5º", an initiative by the United Nations challenging companies around the world to implement measures to fight climate change.

As a founding member of the Portuguese Network of the United Nations Global Compact (www.unglobalcompact.org), a commitment which has been in place since 2005, REN has implemented an action plan in recent years to reduce its direct emissions, particularly with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in high voltage equipment. In this regard, REN has taken part in international working groups where these issues are discussed, and has implemented a range of measures to minimize the environmental effect associated with emissions of GHG.

Also in 2019, REN subscribed to the CEO Guide on Human rights issued by BCSD Portugal - Business Council for Sustainable Development (www.bcsdportugal.org), an initiative whose goal is to motivate business leaders to promote the defence of human rights and improve people's living conditions.

REN is also a signatory to the Transparent Management project - Gestão Transparente.org - Practical Guide to the Management of Corruption Risks in Organizations (www.gestaotransparente.org), (transparent management) which seeks to raise awareness in corporate circles and civil society to the problems associated with corruption. It also highlights the advantages of the prior identification of risks and implementation of policies and internal and external actions to promote transparency and fight corruption.

REN has also established a protocol with the Forum of Organizations for Gender Equality - IGEN (www.forumigen.cite.gov.pt) whose goals include the promotion of actions and good practices in equality and non-discrimination. The REN Group has further implemented a Code of Conduct which is regularly reviewed and monitored.

Additionally, in relation to the governance model, REN maintained certification in 2019 awarded by APCER for its Social Responsibility Management System (standard NP 4469-1). This means that the best practices implemented within the company with respect to sustainability and social responsibility are recognized by an independent entity.

Number of Employees	’19	’18	’17
Full time employees	670	675	664
Fixed term contracts (Fixed, Unspecified duration and commission)	14	12	19
Professional internships	0	4	8
Total	**684**	**691**	**691**

Rotation Rate	’19	’18	’17
Overall	3.57%	3.90%	4.51%
Men	2.82%	3.38%	4.27%
Women	5.81%	5.46%	5.26%

Diversity	’19	’18	’17
Men	518	515	518
Women	166	176	173
Total	**684**	**691**	**691**
% Women	24.27%	25.47%	25.04%

Area of Training (No of hours)	’19	’18	’17
Behavioural	4,877.00	5,685.70	8,003.70
Technical	16,594.10	15,808.70	21,348.77
Quality, Environment and Safety	4,520.40	4,668.10	2,374.99
Management	3,866.50	3,767.90	2,816.43
Total	**29,858.00**	**29,930.40**	**34,543.89**

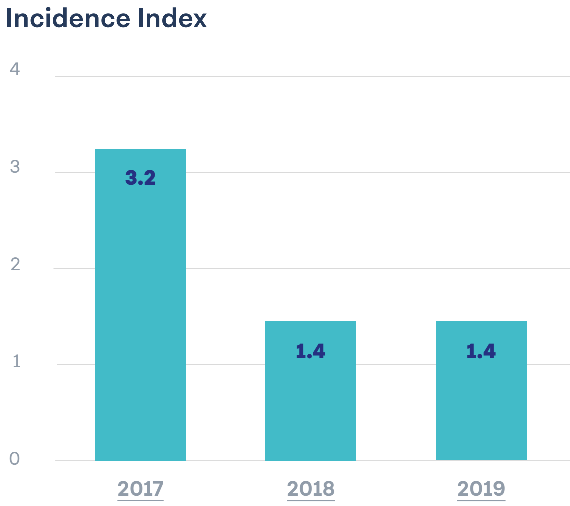
Area of Training (No of participants)	’19	’18	’17
Behavioural	492	536	658
Technical	1,877	2,353	2,125
Quality, Environment and Safety	697	824	375
Management	893	184	182
Total	**3,959**	**3,897**	**3,340**

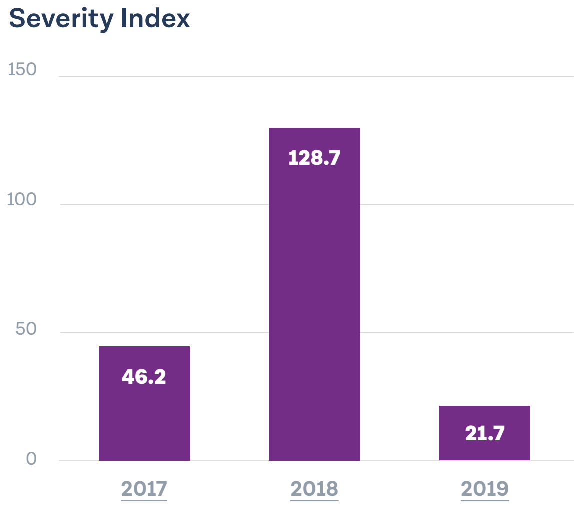
	’19	’18	’17
% of Employees who are union members	38.74%	38.35%	36.90%
% Full-time ACT workers	99.56%	98.84%	97.97%
% Staff who are union members	265	265	255
ACT Employees	681	683	677

Absenteeism Rate	'19	'18	'17
Overall	2.20%	2.11%	2.06%

Indicators	'19
No of Initiatives	32
No of Participations	526

Incidence and severity indexes - REN





Energy Consumption at REN (GJ)	'19	'18	'17
Electrical energy of infrastructure and buildings	366,954	269,580	263,702
Natural gas (boilers, pilots and controlled flares)	337,004	294,248	279,520
Propane Gas	30	117	113
Natural Gas	4,094	38,960	2,940
Fuel (Diesel and Petrol)	27,776	23,477	1,134
Losses in the electricity transmission network	2,647,516	2,826,187	2,565,122
Losses in the gas transmission network (purges)	2,290	1,614	18,749
Total	3,385,664	3,454,183	3,131,280

Greenhouse gas emissions (Ton CO_2 e)	'19	'18	'17
Scope 1	22,812	21,745	28,286
Natural gas purges (CH_4)	1,080	761	8,845
Flare burn	0	17	249
Self-consumption by boilers	18,906	16,491	15,423
Sulphur hexafluoride (SF_6)	541	545	1,398
Natural Gas (buildings)	230	2,186	165
Propane Gas (buildings)	2	7	7
Fuel (equipment and fleet)	2,053	1,739	2,199
Scope 2	232,200	241,607	242,891
Electricity	25,576	21,039	22,647
Electricity losses in the network	206,624	220,568	220,244
Scope 3	557	559	536
Air Travel	557	559	536

	'19	'18	'17
Number of train trips (Lisbon-Porto)	378	326	455
Number of videoconferences	6,129	5,105	21,557

Through its reforesting programme in access ways, REN has planted more than one million trees in recent years (2010-2019) in an area greater than 2,515 hectares and involved more than 14,000 owners for this purpose.

In 2019, a total of 74,856 trees were planted in an approximate area of 276 hectares, where the strawberry tree was the most planted species.

	'19	'18	'17
Critically threatened	2	2	2
Threatened	9	8	8
Vulnerable	28	22	19

3.6. Regulated Assets

3.6.1. Electricity

Electricity Business

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

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

The current regulation period started in 2018, with changes being seen with regard to the form of regulation and the updating of regulatory parameters. The main changes were: (i) introduction of an incentive for the economic rationalisation of RNT operator investment costs replacing the incentive for maintaining equipment at the end of economic working life in operation, (ii) cancellation of the incentive to increase the availability of RNT elements, (iii) extension of the regulation for operating cost incentives in GSM, (iv) actuarial gains and losses are excluded from efficiency targets and accepted with a fixed value over 11 years and, (v) expenditure in the fire protection corridors is now included in the revenue cap.

Limits to the remuneration base rate for the 2018-2020 period are 4.50% and 9.50%.

The efficiency factor applied to operating costs for TEP and GSM was set at 1.5% (applicable in 2019 and 2020). The annual remuneration rate is indexed at the annual arithmetic mean (1 Oct $_{n-1}$ at 30 Sep $_{n}$) of the daily trading yield on 10 year Portuguese Republic Treasury Bonds, where the starting point stands at 270 b.p. for an initial base remuneration rate of 5.5%. Limits to the remuneration base rate for the 2018-2020 period are 4.50% and 9.50%.

Regulation of Activities

In the current regulatory period, which started in 2018, incentives regulation was extended to controllable operating costs in GSM activity. The regulation methodology was maintained for investment costs (remuneration rate applied to assets used in operations, net of amortization and subsidies).

Activity relating to TEP is regulated by incentives: (i) to efficient investment in the transmission network, (ii) to operating cost efficiency by establishing a maximum limit on costs plus a further component depending on the level of company activity, (iii) to economic rationalization of RNT operator investment (IREI).

The aim of the investment incentive is to reward, as additional remuneration, the efficiency obtained in investment subject to reference costs and which falls within set parameters.

The value of operating costs set for the first year of the regulation period evolves in subsequent years in line with the variation rate of the Implicit Price Index of GDP, and with an efficiency target determined by ERSE, which for 2019 and 2020 was 1.5%.

Added to this amount is the change in the OPEX due to the annual growth in the transmission network (in kilometres of lines and in the number of panels at substations), calculated with the corresponding incremental costs, also set by ERSE.

The incentive for economic rationalization of RNT operator investment seeks to: (i) stimulate deferral of investment to replace fully amortized assets still displaying suitable functional performance – seeking to be technologically neutral and flexible in investment decisions and in the choice of the most effective mix between new and existing assets – varying the incentive in line with the ratio between the average value of the asset net of amortizations and subsidies and the average value of the gross asset in operation, and (ii) ensure that, in its investment decisions, the RNT operator continues to ensure good network performance, more specifically with regard to the quality of service provided and RNT efficiency and operating safety.

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

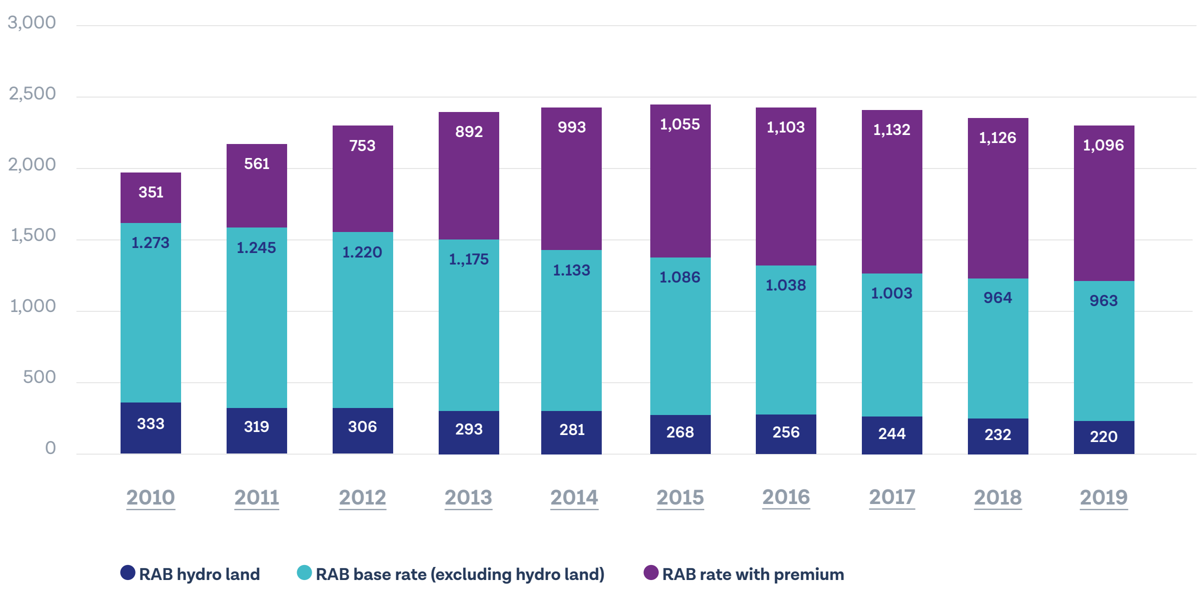
In GSM activity, the principle of RAB valuation is based on historical costs. In these cases, the remuneration rate of 4.88% is applied. In 2019, the average RAB for GSM activity stood at 35.9 million euros. Assets used in this activity also include land in the public water domain used in hydro power production, in the sum of 220.1 million euros, remuneration for which, in accordance with Ministerial Implementing Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder. The rate may vary between -1.5% and +1.5%. As no performance reports have been issued since 2015, ERSE stated that the rate would be zero with retroactive effects to 2017, therefore, the value considered for 2019 was 0%.

With regard to Electrical Power Transmission, with the aim of promoting more efficient behaviour by the transmission system operator in investment, the reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with retroactive application to investment transferred to operations in 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January. In 2019, the average RAB on which the premium rate of 5.63% is applied, was 1,096.5 million euros, while the remaining 927.3 million euros is remunerated at a non-premium base rate of 4.88%.

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

Evolution of the Regulated Asset Base

(M€)



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

The adjustments arising from the differences are recovered or returned two years after they have occurred. This sum is remunerated at a regulated rate equal to the 1 year Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2019, the balance of differences was 38.1 million euros to be recovered by REN-Rede Eléctrica Nacional, SA.

REN Trading

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

2020

A new four year regulatory period started which will terminate at the end of 2023.

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

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

In 2019, the balance of the tariff difference account from the purchase and sale of electrical power, within the scope of PPA management, was 138.1 million euros to be recovered in the tariffs.

3.6.2. Natural Gas

Natural Gas Business

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

- The high-pressure transmission of natural gas – through REN Gasodutos. S.A.
- General technical management of the SNGN – through REN Gasodutos, S.A.
- Reception, storage and regasification of LNG – through REN Atlântico Terminal de GNL, S.A.
- Underground storage of natural gas – through REN Armazenagem, S.A
- Natural gas distribution – through REN - Portgás Distribuição, S.A.

In January 2020, a new four year regulatory period started which will terminate at the end of 2023.

The main changes introduced by the regulator were: (i) extension of the regulatory period to four years, (ii) definition of parameters for the calendar year; (iii) change of the gas year to the period 1 Oct$_{n-1}$ to 30 Sep $_{n}$, which now coincides with the capacity year; (iv) the extension of the regulation by incentives to the overall use of the system, excluding expenditure which cannot be controlled by the company.

The remuneration rate was maintained at the annual arithmetic mean of the daily trading yield on 10 year Portuguese Republic Treasury Bonds. The starting point stands at 150 b.p. for an initial base remuneration rate of 5.2% for NG distribution and 5% for remaining activities. Limits to the remuneration base rate indexed to the 2020-2023 period were changed to 4.5% and 9.0% of distribution activity and 4.5% and 8.8%, for remaining activities.

The efficiency targets to apply to OPEX vary between 2% and 3% per year.

Regulation of Activities

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

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

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

A number of costs in the overall technical management of the system are subject to efficiency targets.

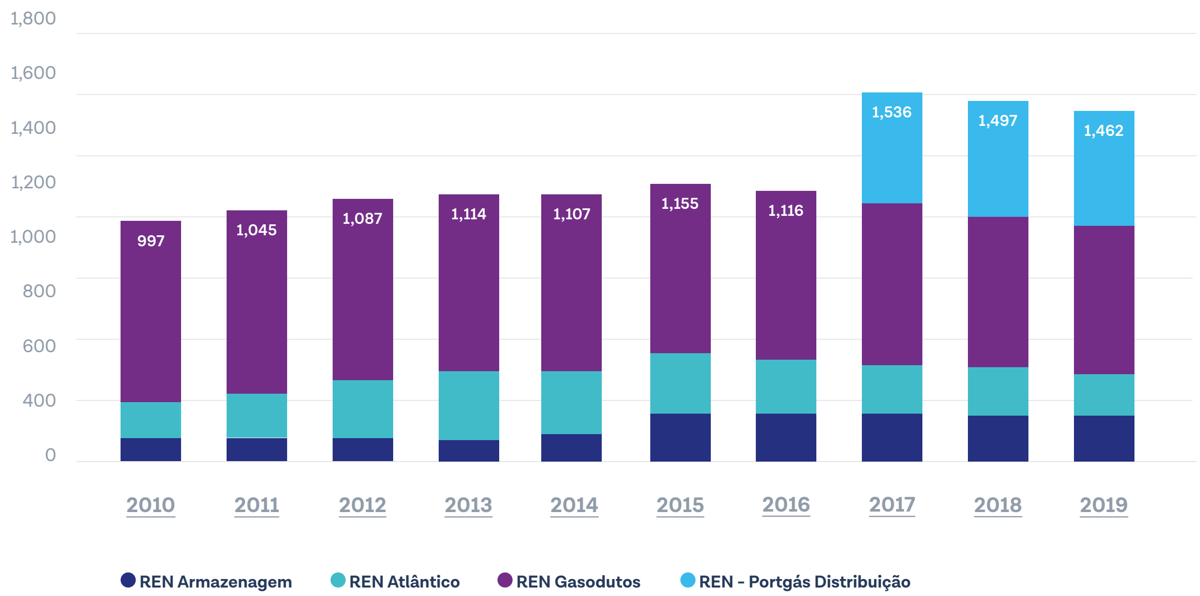
The revenues relating to invested capital stem from the return on fixed assets in operation, net of amortizations and subsidies (RAB), at a rate set by the Regulator at the start of every regulatory period, plus the corresponding amortizations. The return rate applied to the regulated asset base in 2019 was 5.7% for NG distribution and 5.4% for remaining activities.

Due to the extension of the regulatory period in effect up to 31 December 2019, the parameters in force for the first semester were applied throughout the calendar year.

Up to the end of 2019, the RAB for the natural gas companies had the following evolution:

Evolution of the Regulated Asset Base

(M€)



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

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

At the end of 2019, the balance of differences was 66 million euros to be returned to tariffs.

3.7. Technical Infrastructures

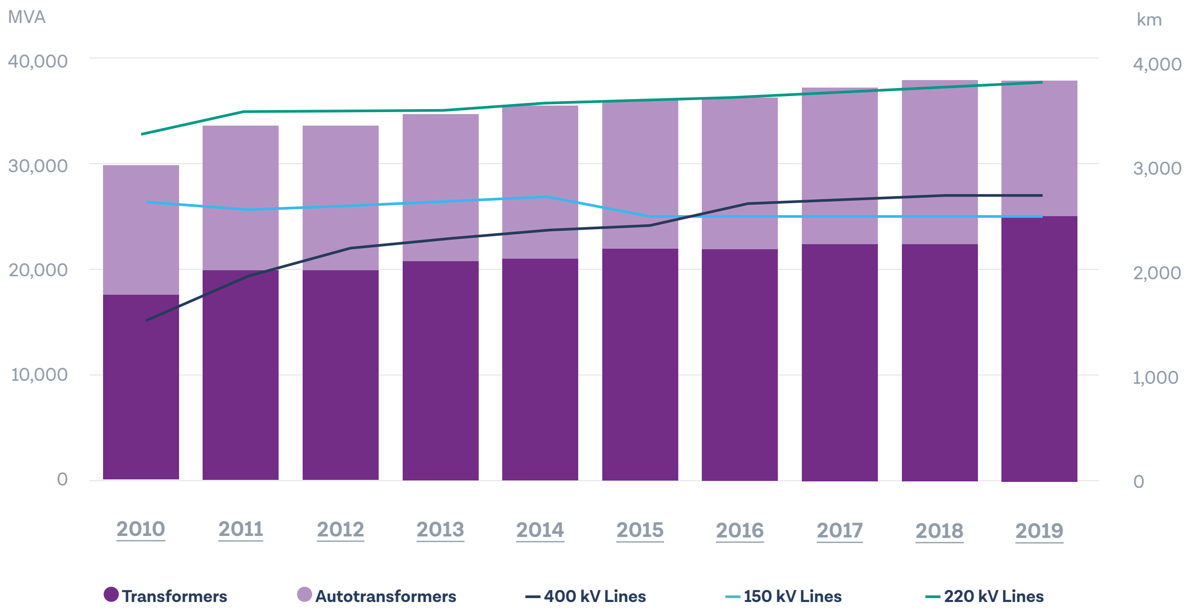
3.7.1 Electricity

At the end of 2019, the National Electricity Transmission System (RNT) consisted of 9,002 km in lines and 68 transformer substations and 14 step-down, switching and transition substations.

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

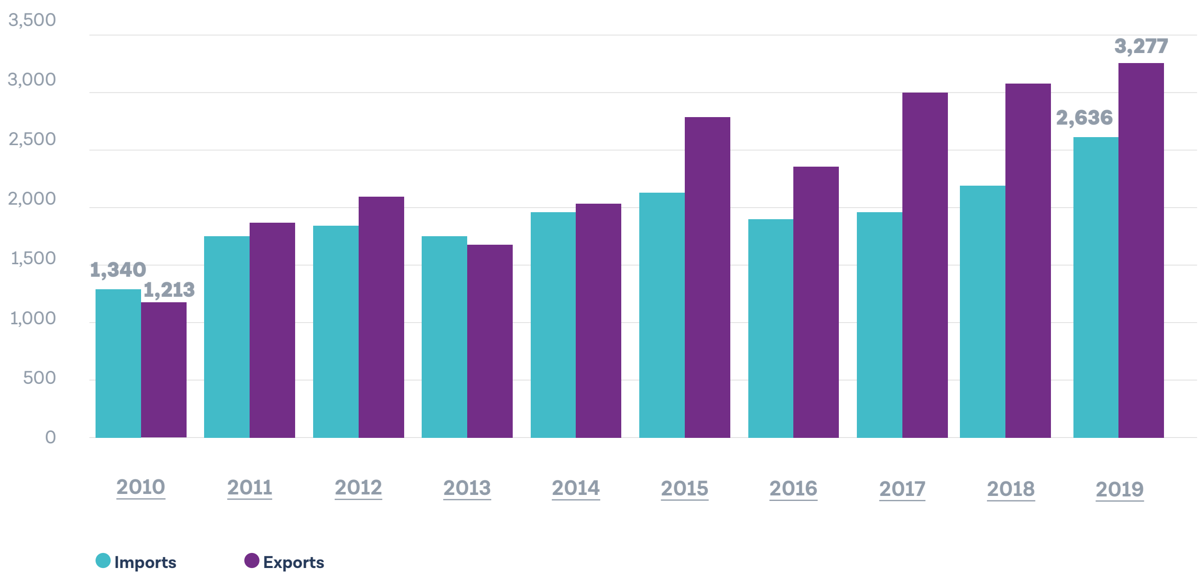
The National Electricity Transmission Network	31/12/2019	31/12/2018	VARIATION
Length of lines in service (km)	**9,002**	**8,907**	**1.1%**
400 kV	2,711	2,714	-0.1%
220 kV	3,746	3,611	3.7%
150 kV	2,544	2,582	-1.5%
Transformation power in service (MVA)	**38,463**	**37,638**	**2.2%**
Autotransformation (MVA)	**14,470**	**14,470**	**0.0%**
400/220 kV	7,200	7,200	0.0%
400/150 kV	6,440	6,440	0.0%
220/150 kV	830	830	0.0%
Transformation (MVA)	**23,993**	**23,168**	**3.6%**
400/60 kV	4,250	4,080	4.2%
220/60 kV	12,977	12,574	3.2%
150/60 kV	6,306	6,054	4.2%
150/130 kV	140	140	0.0%
220/30 kV	320	320	0.0%

Line Length and Transformation Power



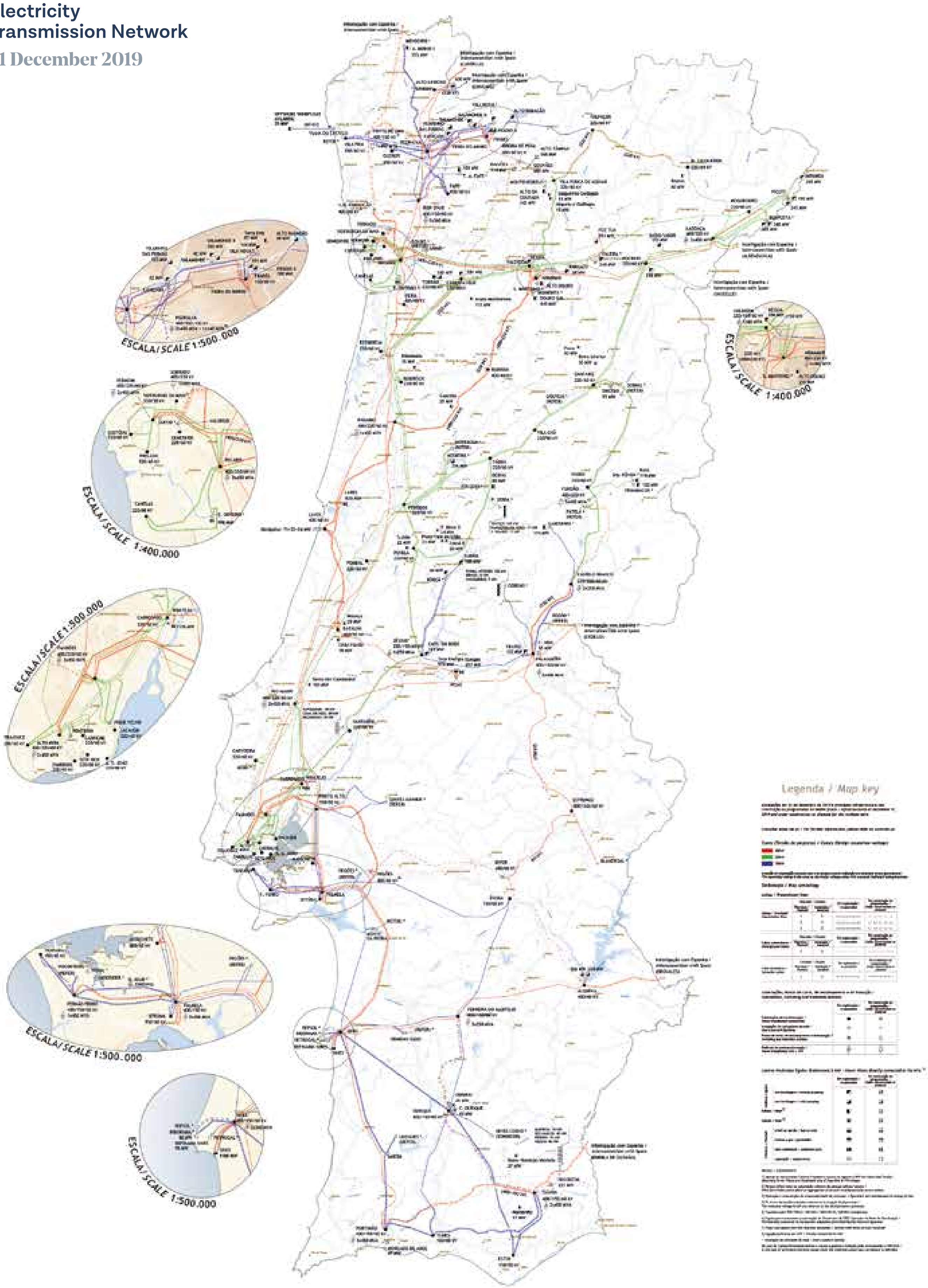
The RNT also connects to the European Transmission System through ten interconnection points (nine lines at 220 and 400 kV and one at 130 kV) with the Spanish Transmission Network. This interconnection is provided bt three 220kV lines at Douro International, including six 400 kV circuits, two between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

Import and Export Capacity, (MW)



The National Electricity Transmission Network

31 December 2019



3.7.2 Natural Gas

Transmission, Storage and LNG Terminal

REN's natural gas infrastructures include:

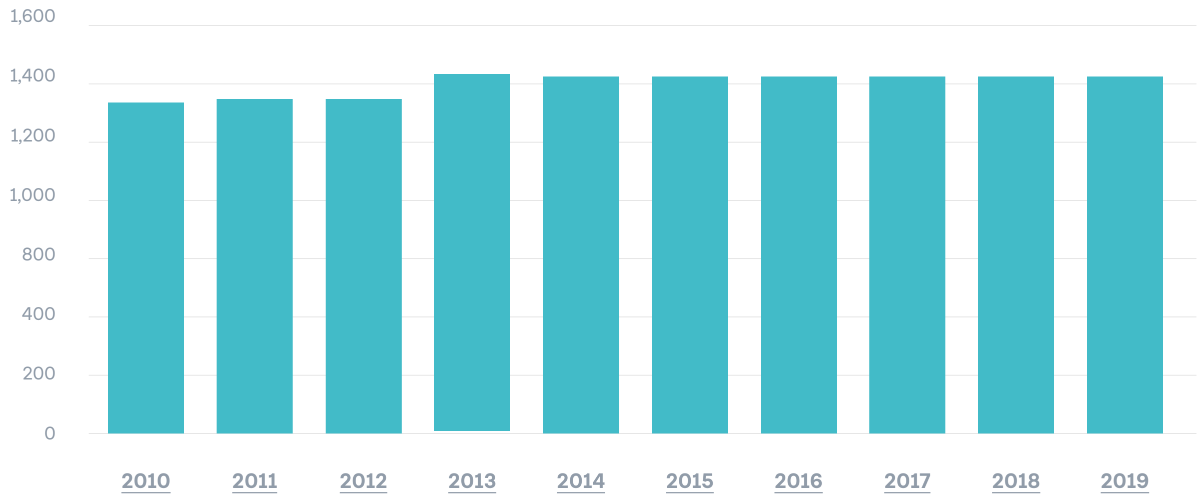
- The National Natural Gas Transmission Network (RNTGN);
- The Sines Natural Gas Liquefaction terminal (NGL);
- The Carriço natural gas underground storage facilities (6 caverns and 1 surface station).

Therefore, at the end of 2019, the RNTGN consisted of the following infrastructures:

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

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

Length of the HP Natural Gas Transmission Network
(Km)

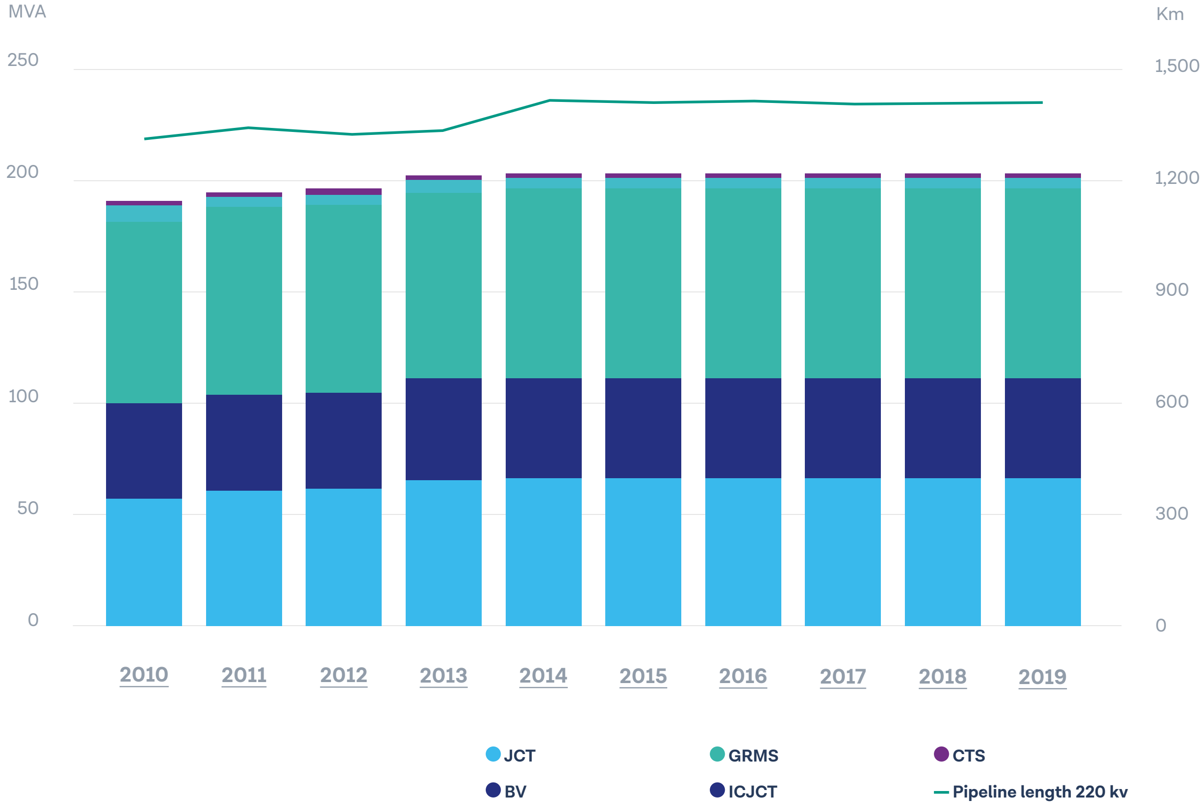


The National Natural Gas Transmission Network

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

RNTGN – Characteristics

(Stations/ Length of gas pipeline)



In 2019, the maximum values of available capacities for commercial purposes at the relevant points of the RNTGN were as follows:

Available capacity of relevant points for commercial purposes	GWh per day	Mm³(n) per day
Input		
Sines	200	17
Carriço (Withdrawal AS)	85.70	7
VIP – Iberian(*)	144	12
Output		
Sines	136	11
Carriço (Injection AS)	24	2
VIP – Iberian(*)	80	7
Delivery points (total)	**92**	**-**

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

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

The Sines LNG Terminal operating capacities are as follows:

- Annual natural gas regasification capacity of 8 bcm;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTGN of 1,350.000 m^3(n)/h;
- Tanker loading capacity: 36 tankers/day

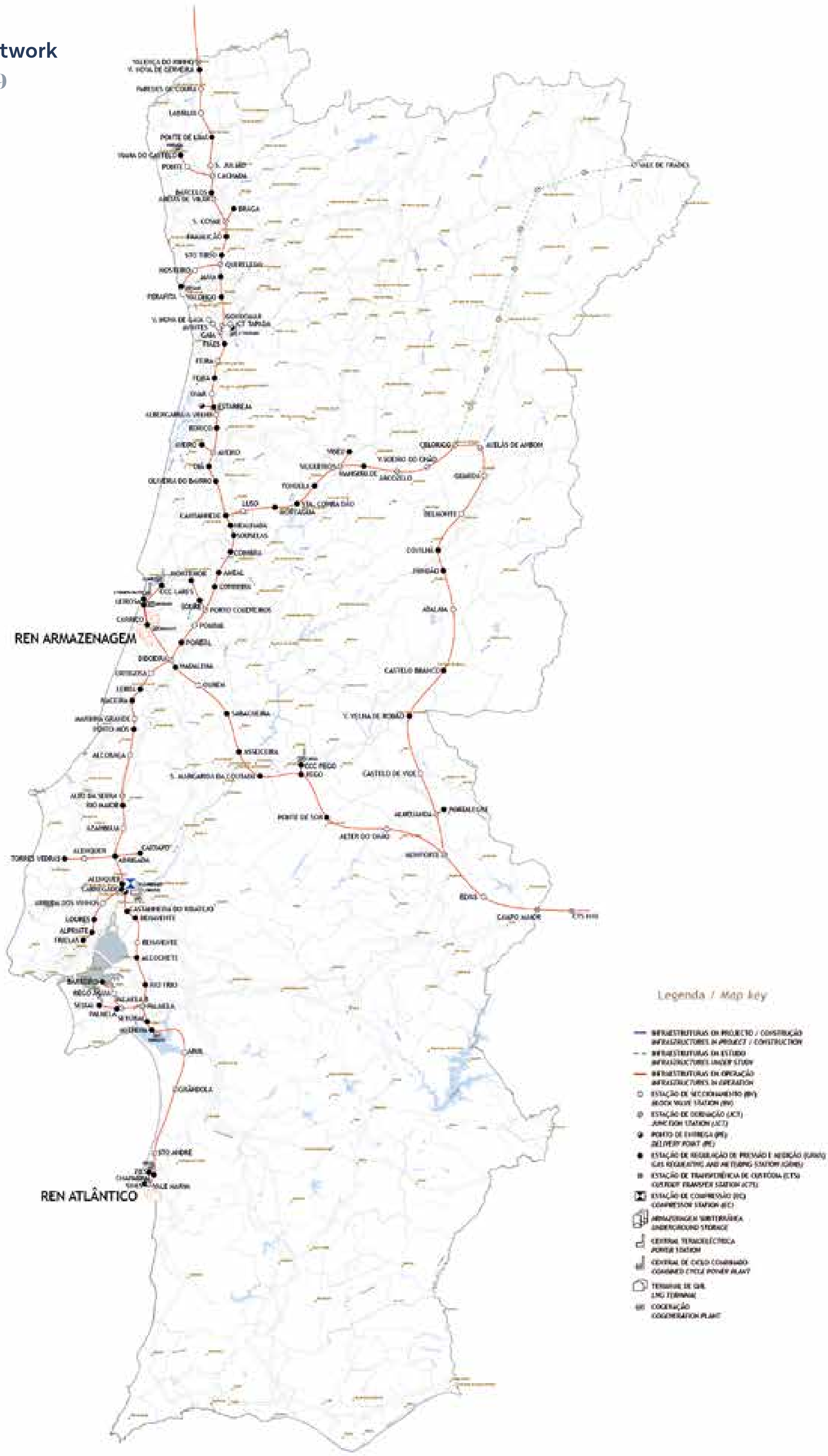
Gas is stored at great depth in underground salt caverns which connect to a gas station allowing the management of gas stored by injection through natural gas compressors and withdrawal through natural gas dehydration systems for subsequent injection into the transmission network.

At the end of 2019, the natural gas underground storage facilities were as follows:

- Six operational caverns;
- Maximum capacity: 3,967 GWh <> 333 Mm^3(n)
- Nominal capacities of the surface station:
  - Injection: 84,000 m^3(n)/h (24 GWh/day);
  - Withdrawal: 300,000 m^3(n)/h (85.7 GWh/day);
- REN Armazenagem is responsible for the operation of the surface station.

The National Natural Gas Transmission Network

31 December 2019



REN Portgás Distribuição

The concession zone for the 29 municipalities in 2019 is summarized in the following table, showing a series of key technical and commercial indicators.

Technical Indicators	’19	’18	’17	’16
Ga distributed	7.3	7.3	7.2	7.1
Length of REN Portgás Distribuição primary and secondary networks, km	5,177	4,986	4,794	4,640
Number of supply branch line, #	166,512	121,132	114,325	107,281
Active supply points #	377,769	366,162	352,786	339,012
Active penetration rate (%)	30.5%	29.6%	28.5%	27.5%
Supply points/km secondary network, accumulated	79.1	79.9	80.3	80.0

In demographic terms, the concession zone corresponds to 4,366 km^2 in area, divided into 29 municipalities, which have a resident population of approximately 3,553,000 people living in around 1,238,000 dwellings. It is important to note that REN Portgás Distribuição works in all the municipalities of the concession area, with the exception of Paredes de Coura, where investment is planned in 2021.

At the end of 2019, the REN Portgás Distribuição natural gas distribution infrastructure included assets consisting of:

- 11 interconnection points with the transmission network (GRMS);
- 403 km of medium-pressure gas pipelines;
- 644 block valve stations in the medium-pressure network;
- 89 Regulating and Metering Posts (PRMs);
- 4,774 km of low-pressure network;
- 43,875 block valve stations in the low-pressure network;
- 166,512 client supply branch lines;
- 527 km of client branch supply lines.

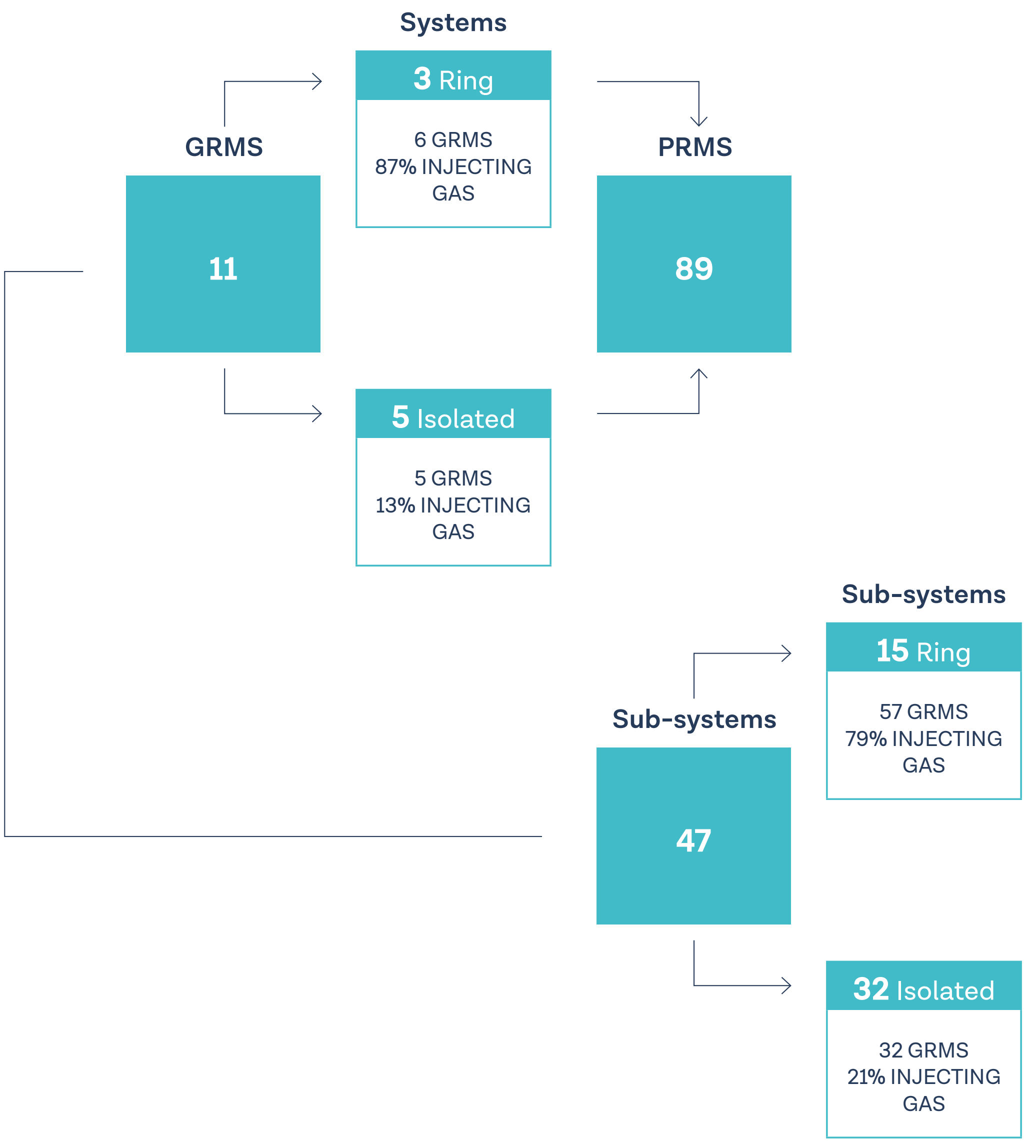
In total, REN Portgás Distribuição infrastructures are supplied by 11 GRMS injecting gas into the primary networks which, in turn, supply 89 network PRMs. There are 6 GRMS interconnected by primary network ring systems and the remaining 5 GRMS are isolated, ensuring the supply of the secondary network sub-systems.

The 6 interconnected GRMS supply the following systems:

- Metropolitan Port Area Network;
- Vale do Ave Network;
- Vale do Cavado Network.

In addition to these three systems which consist of two GRMS each, there are a further two systems which are fed directly by the REN Gasodutos high-pressure network, as there is practically no medium-pressure distribution network. This is the case in the Valença and Ponte de Lima GRMS. In Viana do Castelo, Vila Nova de Gaia and Avintes, REN Portgás Distribuição built a primary network with some extension lines up to the supply of PRMS.

With respect to the secondary network, the 89 PRMS are distributed throughout the concession area and are concentrated in the large urban areas - Metropolitan Porto and Braga - and in Vale do Ave, where there is a high concentration of industrial clients. A significant number of the PRMS are interconnected, with a total of 44 network sub-systems, 30 of which are isolated and 14 in ring formation. The isolated systems only represent 12% of the total volume supplied in the secondary network.



3.8. Supply Chain

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

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

With a view to ensuring the suitability of suppliers in meeting company needs, REN has a single Supplier Qualification and Assessment System.

The main activities of the supply chain are as follows:

A	B	C	D
ANNUAL PLANNING OF PURCHASES	PURCHASE	CONTRACT MANAGEMENT AND PAYMENT	SUPPLIER QUALIFICATION AND ASSESSMENT

A ANNUAL PLANNING OF PURCHASES

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

B PURCHASE

Consist of identification and planning.

1. Definition of requirements
Consists of defining the functional and technical needs of the goods, service or contract work to be acquired in line with requirements and standard levels of service and market conditions which ensure compliance with regulations and environmental legislation and health and safety at work.

2. Market consultation
This stage is the responsibility of the Purchasing Department where consultation documents are prepared based on functional and technical requirements. The type of procedure to be implemented is defined in line with the specificities of the purchase and legislation. Suppliers are selectedto submit bids.

3. Analysis of proposals, negotiation and award
Proposals received from competitors are analysed from a technical and commercial viewpoint in line with the REN segregation and responsibilities model. Should proposals be considered techically valid, the Purchasing Department will deal with the process, notifying competitors which were not considered technically valid and negotiating, should the procedure so provide for, with the remaining competitors.

4. Award proposal
Based on the results of the negotiation, technical and commercial analysis and previously defined ward criteria, the Purchasing Department will propose award to the entity competent for the purpose.

In 2018, the Purchasing Department had a total volume of purchases of 160M€, corresponding to more than 300 purchasing processes. Of the total volume of purchases, around 5% were generated by local areas.

C CONTRACT MANAGEMENT AND PAYMENT

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

D SUPPLIER QUALIFICATION AND ASSESSMENT

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

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

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

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

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

(http://www.ren.pt/pt-PT/o_que_fazemos/fornecedores/codigo_de_conduta_do_fornecedor/).

The Qualification System consists of the following steps:

1	2	3	4
SUBMISSION OF APPLICATIONS	RECEIPT AND ANALYSIS OF APPLICATIONS	CLARIFICATIONS BETWEEN REN AND APPLICATIONS	NOTIFICATION OF QUALIFICATION DECISION

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

REN suppliers are grouped as follows:

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

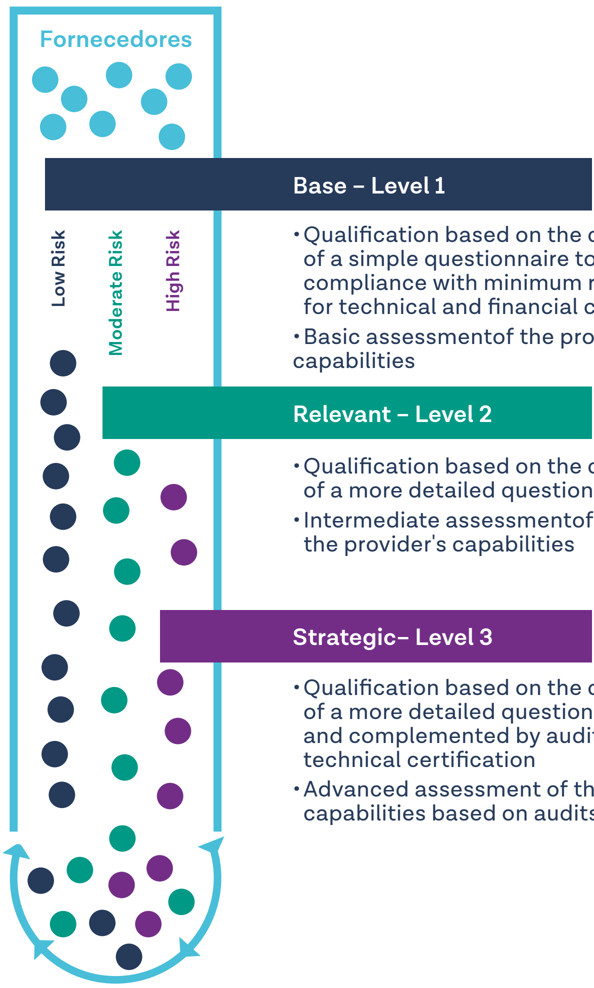
- **Corporate Goods and Services**
  Example: Environmental Impact Studies; Catering, Vending; Micro I.T. and I.T. Consumables; etc.

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

Low Risk
This purchasing category has no impact on the operation or safety of the transmission infrastructure and has minimum representation in annual expenditure (e.g.: professional consultancy)

Moderate Risk
This purchasing category may impact on the safety and operation of the infrastructure and/or represent a high annual expenditure (e.g.: specific construction projects)

High Risk
This purchasing category may impact on the safety and operation of the infrastructure, has high technical complexity and/or represents a high annual expenditure (e.g.: power transformers; control and protection systems)



Base – Level 1
- Qualification based on the completion of a simple questionnaire to assess compliance with minimum requirements for technical and financial capacity
- Basic assessmentof the provider's capabilities

Relevant – Level 2
- Qualification based on the completion of a more detailed questionnaire
- Intermediate assessmentof the provider's capabilities

Strategic– Level 3
- Qualification based on the completion of a more detailed questionnaire and complemented by audits and/or technical certification
- Advanced assessment of the provider's capabilities based on audits

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

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

Description of REN Group suppliers based on payment volume in 2019:

Geography of Suppliers	% Payment volume (~300m€)	% Number (~2.000)
Extra-Community	0.3	2
Intra-Community	4.7	10
Domestic	95	88

Significant changes to the organisation or supply chain

In 2019, improvements were introduced into the I.T. system supporting purchase processes and a new support platform was awarded to support process management for supplier qualification and assessment.

With respect to supplier qualification systems, two new qualification systems were implemented:

- 105001 Construction, operation, maintenance and emergency work on low-pressure infrastructure (REN PORTGÁS DISTRIBUIÇÃO, S.A.)
- 200606 Application Management and Project Implementation in SAP (REN)

The electronic catalogue management platform saw a significant increase as support for recurring purchases under pre-negotiated contracts.

The portfolio of qualified suppliers remained stable in 2019, growing slightly in relation to 2018.

Proportion of expenditure at local suppliers in important operational units

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

95% of REN Group expenditure is concentrated on Portuguese suppliers. Included in this group of suppliers are large multinational companies based in Portugal, with significant weighting in REN Group expenditure.

3.9. Awards and Acknowledgements:

- Gold, Digital Report & Accounts, International Davey Awards
- Gold, Digital R&A ´18, W3 Awards
- APCE Award, Sustainability Report, APCE
- Gold, Digital Report & Accounts 2017, the Communicator Awards
- Gold, "REN´s APP", Mercury Excellence Awards
- APCE Award 2019, Sustainability Report, Portuguese Association of Corporate Communication
- Silver, "Best Annual Report´, Stevie Awards
- Silver, "Best Home Page", International Davey Awards
- Bronze, "Report and Accounts", Lusophone Creativity Awards
- Bronze, REN's APP, Astrid Awards
- Bronze, "Heróis de Toda a Espécie" (Heroes of Every Kind), Lusophone Creativity Awards

04.

Management Report

An energy of proximity

def.: quality of that which is close by; short space; short period of time to an event; social or emotional closeness.

For REN, proximity is knowing our communities and being able to meet their needs effectively. In 2019, we became even closer to people through the acquisition of Portgás.

A path followed alongside those who matter most.

04.

Management Report

The Portuguese economy continued to expand in 2019.

Domestic demand continued to provide a significant contribution to economic growth.

2019

saw a slowdown in the world economy.

4.1. Environment

4.1.1. Economic Environment[1]

World Economy
2019 saw a slowdown in the world economy. For 2019, global GDP is not expected to exceed 2.9%, the weakest figure since the 2009 crisis and significantly below the rate of growth of 3.6% seen in 2018. US-China trade tensions saw a re-intensification and the high levels of policy uncertainty took their toll on global investment, manufacturing and trade.

Despite the weakness in investment and international trade, private consumption in some advanced economies such as the USA's, benefited from the robust labour market, accommodative monetary policies and favourable financing conditions. Globally, GDP growth in advanced economies (excluding Europe) has slowed, falling from 2.5% in 2018 to 1.8% in 2019.

Growth in emerging markets and developing economies was also modest. After the solid expansion seen in 2018 (4.5%), GDP growth in 2019 in these markets slowed to 3.9%, reflecting the widely felt global repercussions of trade tension, fragile business confidence and lower investment. Moreover, the lower commodity prices and the slowdown in the growth of demand in China, weakened growth in several commodity exporting emerging countries.

As a result of the trade war with the USA and the necessary and regulatory efforts needed to control debt, growth in China fell to 6.1% in 2019, as compared to the 6.6% seen in 2018. Internal demand also signalled a slowdown, particularly in domestic demand and investment, leading to tension in the financial sector.

[1] Source: European Commission: European Economic Forecast, Autumn 2019, except when a different source is indicated. The economic statistics for 2019 mentioned in this chapter refer to the European Economic Autumn Forecast published on 7 November 2019, and should not be considered as final figures for the year.

Chile[2]

Economic activity in Chile was more moderate in 2019, impacted by the slowdown in world trade and lower export growth. The social and political crisis that occurred in the last quarter 2019 has weighed on consumption and investment. According to the OECD, GDP in Chile grew 2.2% in 2019, after the high rate of growth of 4.0% recorded in 2018. Inflation remained close to 2%, partially reflecting the continued fall in the price of services, while the current account balance also remained stable (3.6%of GDP in 2019, vs. 3.1% in 2018).

During 2019, the Central Bank reduced its reference rate from 3% to 1.75%, reflecting weaker than expected inflation and economic activity.

Euro Zone

Economic growth in the Euro Zone was slower in 2019. After a 1.9% rise in GDP in 2018, the increase in 2019 was 1.1%, hindered by global trade tension and geopolitical conflicts and by the fall in industrial activity, especially in Germany. Growth in exports also fell (2.4% in 2019 vs. 3.3% in 2018), while the contribution from net exports to growth in GDP was negative (0.3 p.p.).

Despite the slowdown in private consumption to 1.1% (from 1.4% in 2018) driven by the increase in the savings rate, domestic demand remained strong and stable. Labour markets continued to be robust and the unemployment rate also continued its downward trend, falling to 7.6% in 2019, after the 8.2% seen in the previous year.

The rate of inflation remained weak, and the Harmonised Index of Consumer Prices in the Euro Zone was estimated to be 1.2%, lower than the 1.8% of 2018.

Public finances continued to benefit from very low interest rates on debt. The total ratio of public debt in relation to GDP in the Euro area continued to fall for the fifth year running, and is estimated to drop to 86.4% in 2019, from 87.9% in 2018.

Furthermore, the aggregate fiscal deficit-to-GDP ratio increased from an historic low of 0.5% in 2018 to 0.8% in 2019, due to the impact of lower growth and fiscal policies in some Member States.

Interest Rates[3/4]

Public debt financing costs continue very low. Due to the economic slowdown in the Euro Zone and persistently very low levels of inflation, the European Central Bank (ECB) decided to lower deposit interest rates to even more negative territory (from -0.40% to -0.50%). The European refinancing interest has remained at 0% since March 2016. The US Federal Reserve also cut its reference rate three times during 2019. After the most recent reduction of 25 base points in September, the interest rate now stands at between 1.50% and 1.75%.

Following the same trend are ECB reference rates, where Euribor rates continued negative, reaching an historic minimum in the third quarter of 2019. On 31 December 2019, Euribor rates for 3, 6 and 12 months stood at -0.383% (vs. -0.309 at the end of 2018), -0.324% (vs. -0.237%) and -0.249% (vs. -0.117%), respectively.

The Portuguese Economy

The Portuguese economy continued to expand in 2019, despite the slowdown in economic activity from 2.4% in 2018 to 2.0% in 2019, as a result of a less favourable external environment. Domestic demand continued to provide a strong contribute to economic growth, mainly due to a substantial recovery in investment, which grew 6.5% in 2019 (5.8% in 2018). Private consumption, however, decelerated to 2.3% in 2019, as against the 3.1% seen in 2018, penalized by the slow down in job creation (1.0% in 2019, compared to 2.3% in 2018). The rate of unemployment fell to 6.3%, continuing its downward trend since 2013, and below the 7.0% of 2018.

"Investment grew by 6.5% in 2019."

[2] OECD Economic Outlook, November 2019

[3] Source: ECB Reference Rates (www.ecb.int) and Federal Reserve (www.federal reserve.gov)

[4] Source: *European Money Markets Institute*

In 2019, and for the second year running, imports increased much faster than exports, mainly as a result of the strong investment which triggered a deterioration in the country's external balance. After the surplus in the trade balance dropped to 0.1% of GDP in 2018, the deficit is expected to return in 2019, reaching 0.4% of GDP at the end of the year.

With respect to inflation, the Harmonized Index of Consumer Prices for 2019 is estimated at 0.3%, falling from the 1.2% of 2018. This evolution reflected the fall in the price of electricity as well as the reduction of prices in other services such as public transport and telecommunications.

Moreover, the public deficit continued to decrease, dropping from 0.4% in 2018 to 0.1% of GDP in 2019, helped by decreasing interest expenditures and lower-than-budgeted public investment. However, this was negatively affected by a further activation of the Novo Banco contingent capital mechanism (0.6% of GDP). Excluding this effect and other extraordinary measures, the government balance is set to reach a surplus of 0.5% of GDP in 2019. Public debt in relation to GDP also maintained its downward trajectory, and is estimated to fall to 119.5% (vs. 122.2% in 2018).

4.1.2. Sector environment

Electricity demand and production

In 2019, consumption of electrical power supplied by the public grid totalled 50.3 TWh, a decrease of -1.1% over figures for last year. Taking into consideration corrections for the effects of temperature and the number of working days, this variation falls to -0.2%, close to the figure for consumption recorded in 2018. Consumption recorded in 2019 was 3.6% below the historic maximum reached in 2010.

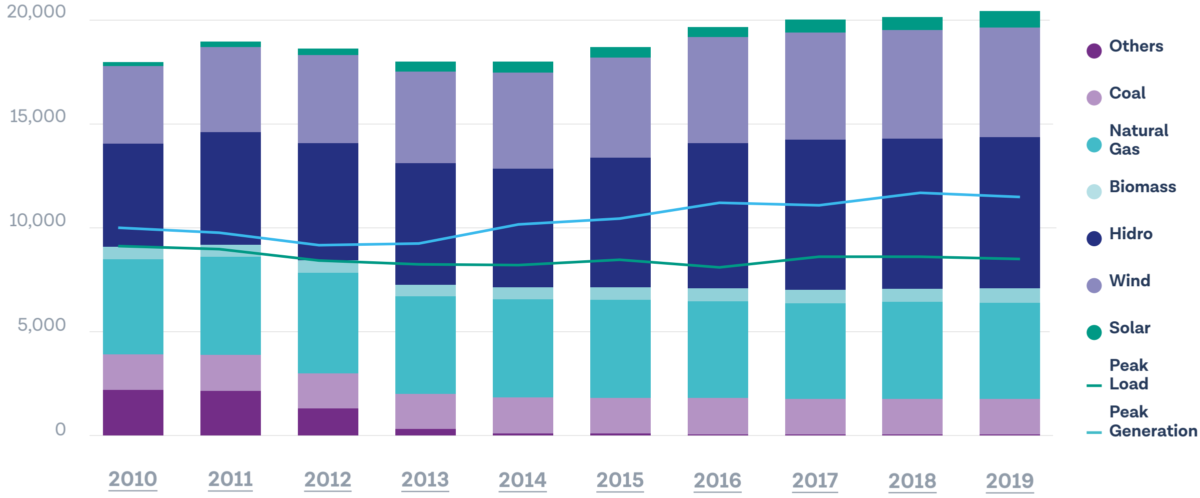
TWh	Consumption	Variation	Corrected
2015	49.0	0.3%	0.1%
2016	49.3	0.6%	0.4%
2017	49.6	0.7%	1.5%
2018	50.9	2.6%	1.7%
2019	**50.3**	**-1.1%**	**-0.2%**

Maximum power requested from the national system, corresponding to the highest instantaneous consumption, was recorded on 15 January at 20:00, with 8,650 MW, around 140 MW below that seen last year and around 750 MW below the historic peak of 2010.

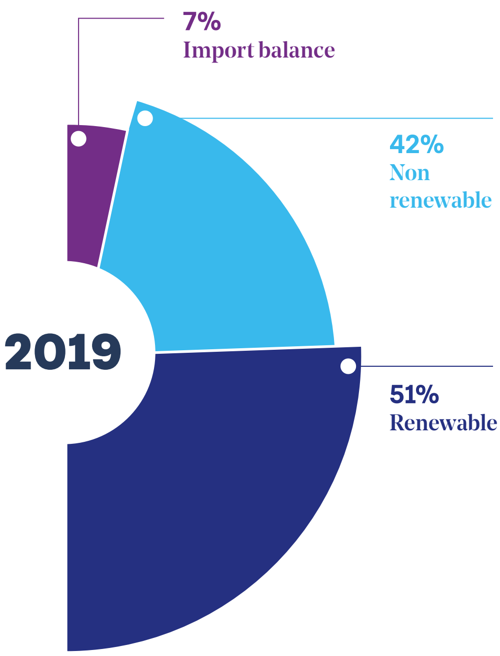
Peak national production was recorded on 14 November at 19:15, with 11,787 MW, around 200 MW below that seen last year, which was the second highest figure ever recorded. At the time of this peak, national production exceeded consumption by around 4,002 MW, a value corresponding to exports which took place at that time.

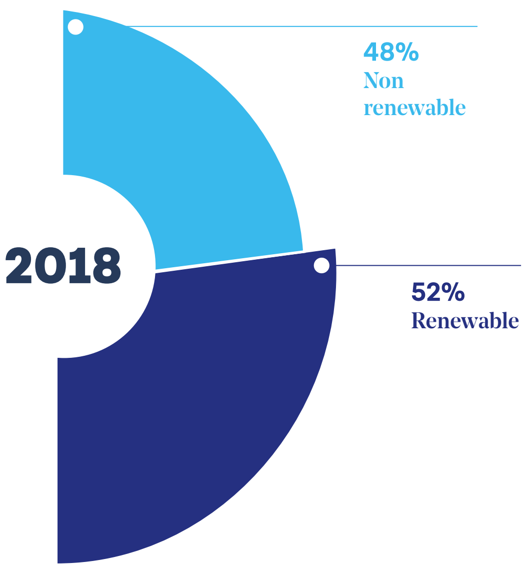
In 2019, power connected to the national electricity system increased by around 240 MW. At the end of the year, power connected to the national electricity system totalled 20,208 MW, of which 14,889 MW was connected to the Transmission Network and the remaining 5,319 MW connected to the Distribution Network. Wind power increased by 63 MW as a result of the new Penacova wind farm providing 45 MW, and at the end of the year, the first group in the WindFloat project accounted for 8.3 MW. Photovoltaic power increased by 160 MW, with a special note for the Ourique plant which with 44 MW, is now the largest photovoltaic plant in Portugal. At the end of the year, around 5,200 MW of wind power and 730 MW of photovoltaic power was connected to the network. Photovoltaic technology is currently experiencing the largest growth and will gradually increase its importance in the national system.

Evolution of Installed Power
(MW)



In 2019, renewable production supplied 51% of consumption, slightly below the 52% for last year. Under average weather conditions, renewable production currently accounts for around 55% of national consumption.



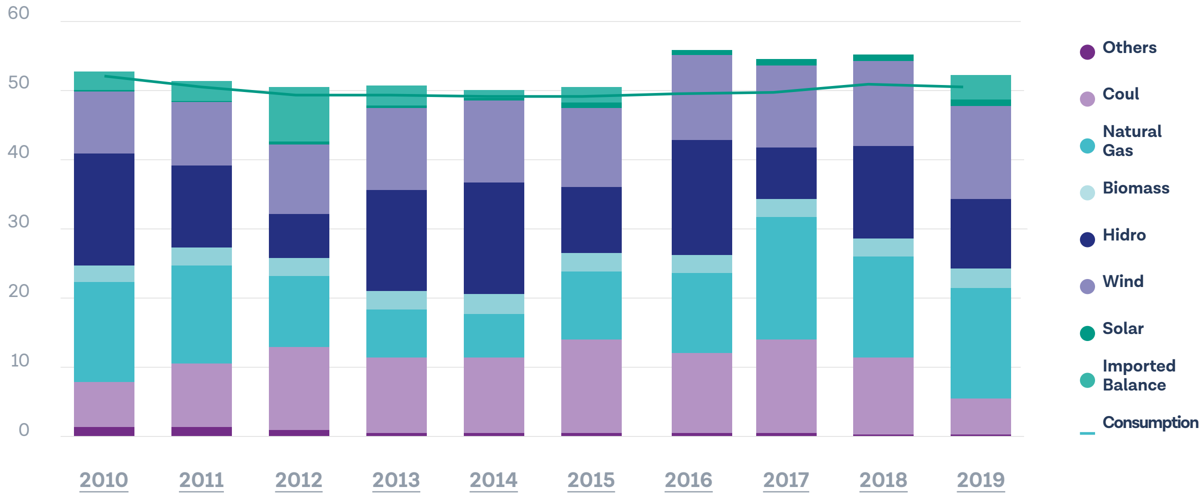


Renewable production was prejudiced this year by the hydro component which had a Hydroelectric Capability Index of 0.81, as opposed to the 1.05 seen in 2018. Wind production had an index of 1.07, against the 1.00 recorded last year, while photovoltaic power was practically in line with the average standing at 0.99.

In 2019, wind production accounted for 26% of consumption, corresponding to the highest share ever for this technology, while hydro supplied 17%, biomass, including classical plants and cogeneration was 5.5% and photovoltaic 2.1%. Both wind production as well as photovoltaic recorded the highest annual production figures ever. In the case of wind the figure reached 13.4 TWh, while photovoltaic exceeded 1 TWh for the first time. In non-renewable production, natural gas plants, including combined cycle and cogeneration, supplied 32% of consumption, while coal-fired plants reduced their participation to just 10%, which is the lowest share recorded since the full entry into service of the Sines thermal plant in 1989.

With highly unfavourable hydrological conditions, the national system interrupted a positive export balance lasting three years. In 2019, there was an import balance equivalent to around 7% of national consumption. For consumption of 50.3 TWh, national production reached 48.8 TWh, due to the export balance of 3.4 TWh and the consumption of 1.8 TWh in pumping.

Meeting Demand
(TWh)



Natural gas demand and supply

In 2019, consumption of natural gas totalled 67.9 TWh, an increase of 4.8% compared to the previous year. This is the second highest annual consumption ever, just 2.5% off the historic maximum recorded in 2017.

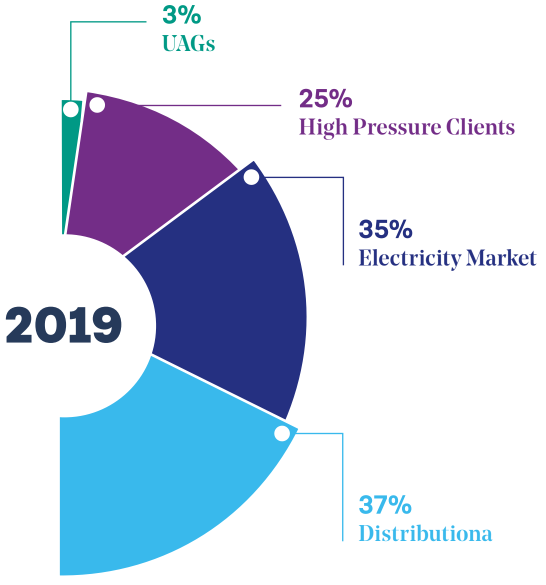
TWh	Convencional Market	Variation	Electricity Market	Variation	Consumption Total	Variation
2015	41.2	-2.1%	11.0	241.6%	52.2	15.3%
2016	40.5	-1.8%	15.4	39.3%	55.8	6.9%
2017	42.1	4.1%	27.6	79.4%	69.7	24.8%
2018	44.0	4.6%	20.8	-24.7%	64.8	-7.0%
2019	**44.1**	**0.2%**	**23.8**	**14.6%**	**67.9**	**4.8%**

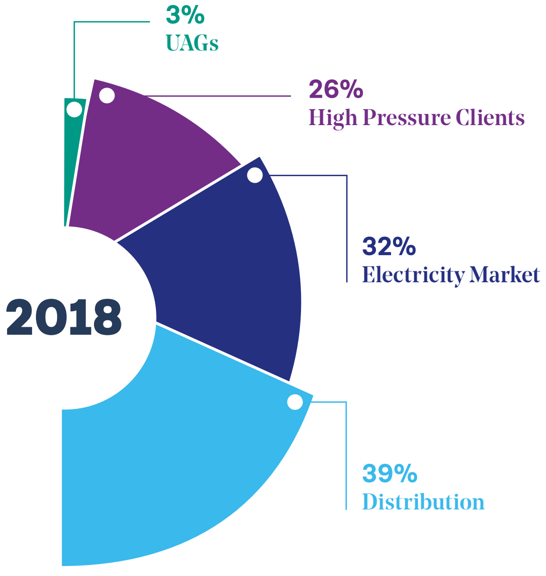
Maximum hourly consumption was seen on 10 December at 08:00, with 12.6 GWh, 800 MWh off the historic maximum recorded on 24 January 2017 of 13.4 GWh.

In the electricity production segment, 23.8 TWh was consumed, an increase of 14.6% compared to the previous year. This growth was caused by the strong contraction in hydro production and the increased competitiveness of natural gas over coal. Therefore, consumption by electrical power stations represented 35% of the total consumption of natural gas, as against 32% last year.

The conventional segment grew 0.2%, with consumption of 44.1 TWh, representing 65% of the total consumption of natural gas.

Consumption



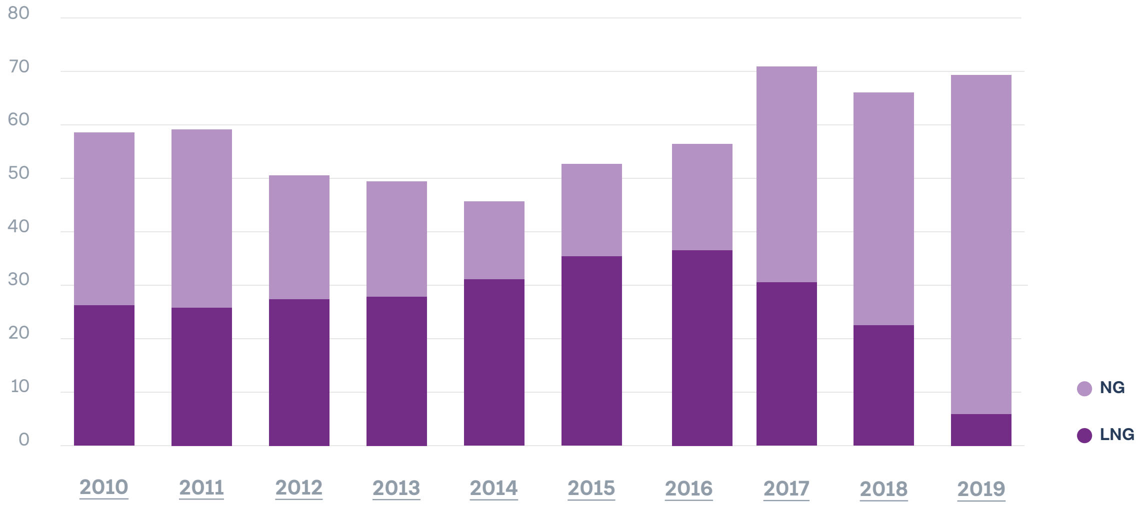


The Sines LNG Terminal accentuated the trend seen in the last two years where it has become the main source of supply for the national system. In 2019, 62.7 TWh were supplied, a figure which was 45% higher than the previous historic maximum, accounting for 91% of all gas entering the system. There were also 66 vessel operations at the Sines Terminal.

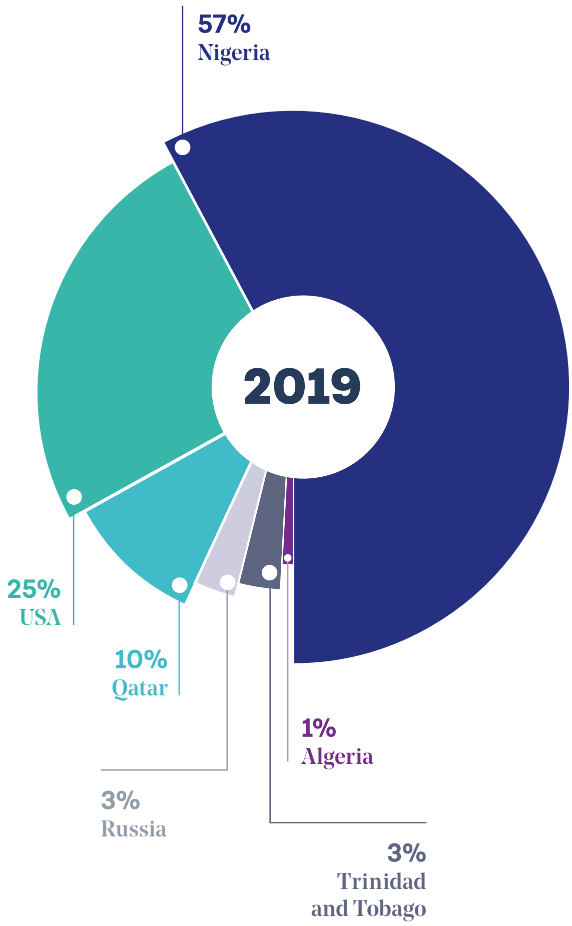
6.0 TWh entered through the Campo Maior and Valença interconnections, which is 73% less than the previous year, corresponding to 9% of all natural gas entering the national system.

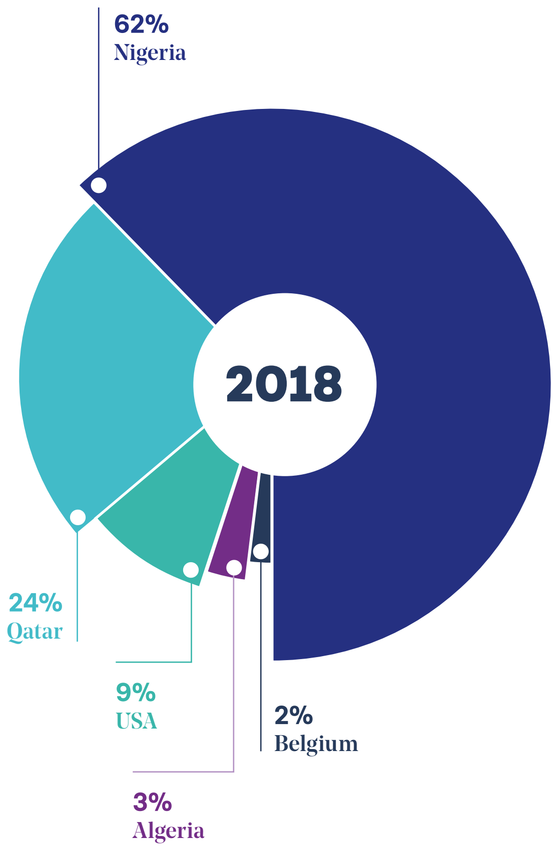
Unlike previous years, the interconnections also saw significant exports, with gas exported totalling 0.7 TWh.

Supply
(TWh)



Gas received through the interconnections was mostly from Algeria, while LNG received at the Sines terminal was principally from Nigeria, representing 57% of energy unloaded. Also of note was an increase in supply from the USA, which is now the second most important origin, replacing Qatar in the ranking.





4.1.3. Regulatory Environment

European Energy Policy

Throughout 2019, EU institutions continued to pursue the transition to cleaner energy and compliance with commitments made under the Paris Agreement to reduce greenhouse gases emissions and reinforce Europe's role in the fight against climate change. The conclusion of the Clean Energy Package for all Europeans marked a significant step towards the implementation of the Energy Union strategy, adopted in 2015.

The European Parliament and Council policy agreement reached in 2018 and in early 2019, enabled the publication of new rules in mid 2019. Member States now have between one and two years to transpose the new directives to national law. As such, on 5 June the following Directives were published: Regulation (EU) 2019/941 of the European Parliament and of the Council on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC, Regulation (EU) 2019/942 of the European Parliament and of the Council establishing a European Union Agency for the Cooperation of Energy Regulators, Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity and Directive (EU) 2019/944 of the European Parliament and of the Council on common rules for the internal market for electricity and amending Directive 2012/27/EU.

The EU considers that, in addition to reinforcing its leadership in the fight against global heating, the changes arising from this package will lead to considerable benefits for the consumer, the environment and the economy. The Clean Energy Package for all Europeans sets the right balance between making decisions at EU, national, and local level. Member States will continue to choose their own energy mix, but observing new commitments to improve energy efficiency and the integration of renewables by 2030.

In the opinion of ACER - Agency for the Cooperation of Energy Regulators, in accordance with the conclusions set out in the document "The Bridge beyond 2025", of November 2019, the priority for the European energy sector is decarbonisation, while also maintaining supply security, company competitiveness and accessible prices for consumers. However, while the Clean Energy Package for all Europeans defines the path for the electricity sector, the gas sector and other transversal aspects such as infrastructure planning, the policy framework and legislative structure require adaptation. More specifically, work is required to improve the functioning of the market and to maximise opportunities arising from sector coupling.

With the arrival of the new Commission at the end of 2019, the European Green Deal was presented on 11 December, a roadmap to make the European economy sustainable. The aim is to turn environmental and climate challenges into opportunities and ensure fair and inclusive transition for all. This package covers all sectors of the economy and is based on the principle that the decarbonisation of the energy system is essential to achieving climate goals. In this regard, the European Commission has set a series of challenges so as to:

- Interconnect energy systems and improve the connection/integration of renewable energy sources into the network;
- Promote innovative technologies and modern infrastructures;
- Drive energy efficiency and the ecological design of products;
- Decarbonise the gas sector and promote smart integration between sectors;
- Empower consumers and help Member States to fight energy poverty;
- Reinforce cross-border and regional cooperation so as to better share clean energy sources;
- Maximise all wind and sea energy in Europe;
- Promote EU energy standards and technologies on a global level.

The transformation of Europe's electrical power network into a "smart grid" through digitalisation leaves the energy system increasingly exposed to cyber attacks and incidents which may compromise supply security, and new risks will have to be faced. With this in mind, Commission Recommendation (EU) 2019/553 of 3 April was published on cyber security in the energy sector.

Domestic Energy Policy

During 2019, the Portuguese government strengthened its focus on energy transition with the aim of achieving carbon neutrality by 2050. New legislation published focused particularly on promoting the expansion of renewable sources, self-consumption and renewable energy communities and electric mobility. The following legislation is of note:

- Decree-Law No 76/2019 of 3 June amending the legal regime applicable to the exercising of activities for the production, transmission, distribution and sale of electricity and the organization of electricity markets, and republishing Decree-Law No 172/2006;

- Decree-Law No 162/2019 of 25 October approving the legal regime applicable to self-consumption of renewable power, partially transposing Directive 2018/2001; and

- ERSE Electricity Mobility Regulation (Regulation No 854/2019) of November, repealing EMR 879/2015 and adapting the regulation to the developments seen since 2015 in both the electrical and mobility sectors.

Responding to EU obligations, the final version of the National Energy and Climate Plan (NECP) 2021-2030 was prepared and submitted. In this plan, Portugal commits to a share of 47% of renewable energies in final gross energy consumption by 2030, corresponding to a share of 80% in the case of electricity. The reinforcement of interconnection capacity on the Iberian Peninsula with the aim of complying with the target of 15% by 2030 is considered vital to supply security and to integration into the European energy market. The role of natural gas in the energy model will be adjusted in a gradual and sustainable manner and this fuel will remain in the electricity generation system for the next two decades, highlighting the need for an approach of interdependence between the electricity and gas systems and pursuing a logic of sector coupling. Also with regard to the planning of the national energy system, it is recognised that the current infrastructure for the reception, storage, transmission and distribution of natural gas will play an important role by allowing the introduction, distribution and consumption of renewable gases, particularly biomethane and hydrogen.

The programme of the XXII Constitutional Government and the focus on Energy Transition
"Portugal has committed to achieving carbon neutrality by 2050 as a contribution to European and international targets set out under the Paris Agreement. In order to comply with this objective, a reduction of more than 85% in greenhouse gas emissions is required in relation to 2005 emissions, and carbon sequestration capacity of 13 million tons. It is during the coming decade that we will have to make the greatest efforts to reduce greenhouse gas emissions. This will require us to set ambitious targets for decarbonisation, incorporating renewable energies and achieving energy efficiency."

Portugal is seeking to reduce energy dependency by around 10%, which will contribute significantly to the trade balance. The government is focusing on a series of measures which are of note for the sector:

- Prepare for the end of electrical power production from coal, with a view to closing or converting the power plants at Pego by 2021, and Sines by 2023;
- Increase solar power production capacity by 2 GW in the coming two years, continuing with capacity auctions and a multi-annual programme;
- Reinforce electrical interconnections as part of a drive for greater electrification and an increase in capacity to produce power from renewable sources, thus also contributing to energy supply security;
- Reinforce capacity to produce power from existing wind farms;
- Foster hybrid systems so as to maximise the capacity available in the power transmission network;
- Focus on offshore renewable production, continuing to support the development of ocean-based renewable energy projects and experimenting with innovative solutions in this field;
- Promote the development of energy communities under a regulatory framework which is open to decentralised production, as a focus point in the fight against energy poverty;
- Foster the digitalisation of the energy system, developing smart electrical networks as well as state-of-the-art meters capable of sensing and communicating, which support the evolution of decentralised production, micro-production, energy storage devices and the charging of energy vehicles;
- Create the conditions to significantly increase the electrification of consumers in the different sectors of activity, to be reflected in plans for the development of the electricity transmission and distribution network;
- Foster the development of storage systems for electricity generated from primary renewable sources as a contribution towards improved system security;
- Promote increased incorporation of the latest generation biofuels in a manner which is sustainable from environmental and economic perspectives, assessing other alternative fuels such as hydrogen;
- Stimulate innovative systems, supporting the development of pilot projects to demonstrate new technologies such as the use of kinetic energy in infrastructure (transport, water, ventilation and cooling) or renewable energy storage (fuel cells, batteries).

"Portugal has committed to achieving carbon neutrality by 2050 ."

Liberalized Market in Portugal
Under Ministerial Implementing Order No 39/2017 of 26 January, consumers supplied by a supplier of last resort have until 31 December 2020 to choose a new electricity and/or natural gas supplier.

Further to discussion currently underway on the State Budget for 2020, the government has manifested its intention to extend regulated tariffs for three more years.

Electricity

In December 2019, the free market for electricity accounted for around 5.2 million consumers. Since December 2018, the number of consumers in the free market has grown by 2.8%.

Annualised consumption in the free market stood at 43 207 GWh. This figure represents YOY growth of approximately 3.0 p.p. (consumption of 43 076 GWh in December 2018).

Almost all consumption by heavy users is carried out on the free market. In the case of household consumers, free market consumption represents around 87% of the total (2.0 p.p. more than in 2018).

Natural Gas

The total number of customers in the liberalised natural gas market in June 2019 was 1 220 000. This number of customers represents an increase of approximately 4.4% over June 2018.

Annualised consumption attributed to the liberalised market stood at 42 148 GWh, an increase of 0.9% over the previous year. In overall terms, the free market represents around 97.5% of the total consumption of natural gas.

96% of industrial consumers are supplied by the liberalised market while the figure for SMEs and household consumers stood at 76% and 83%, respectively.

5.2

million consumers of electricity in 2019

4.2. Electricity

4.2.1. RNT Operation

Use of Transmission System

In 2019, the National Electricity Transmission Network ("RNT") transmitted 43.0 TWh, 9% below the figure recorded last year. This reduction was mainly due to lower national production seen this year caused by the reversal in the foreign exchange balance. While last year saw the export of electricity, this year power was imported. Despite the reduction in electricity transmitted, network power reached a new historic maximum of 9,606 MW on 3 December at 19:30. This was 366 MW above the previous maximum which occurred in 2018.

Production centres injected 32.6 TWh into the transmission network, 6.8 TWh below the figure for the previous year, corresponding to 68% of all national production. Production directly connected to the RNT was 15.6 TWh and corresponded to 32% of national production. However, 2.4 TWh of power was injected into the RNT due to absence of local consumption. This injection into the RNT was the highest ever recorded, with a peak of close to 1,500 MW.

Transmission network losses totalled 735 GWh, representing 1.71 % of energy transmitted, slightly higher than the 1.66 % recorded in 2017.

Transmission System Balance
(TWh)

	'19	'18
Energy Intake into the Network	**43.0**	**47.2**
Power Plants	32.6	39.4
Interconnections	8.1	5.7
Distribution Network	2.4	2.2
Energy Output by the Network	**42.3**	**46.4**
Power plants / Direct Customers	3.8	3.6
Interconnections	4.7	8.3
Distribution Network	33.8	34.5
Own Consumption	0.0	0.0
Losses	**0.7**	**0.8**
Losses (%)	**1.71%**	**1.66%**

Average interconnection capacities offered to the daily market stood at 2,636 MW for import and 3,277 MW for export. Both cases represent the highest values ever, allowing high integration into markets. Unlike that seen over the last three years, in 2019 the national system saw imports during most periods, with congestion occurring (after the daily market) in the import direction in 4% of periods and in 1% for exports.

Quality of Service

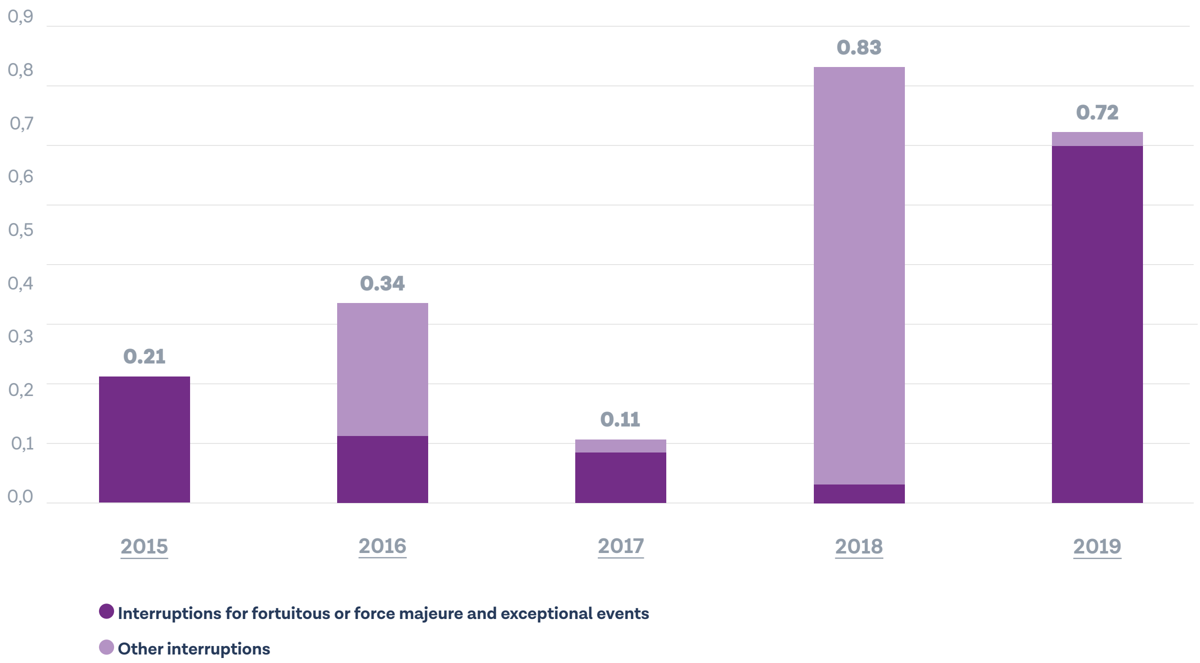
In 2019, RNT quality of service was marked by two service interruptions at the Mourisca and Estarreja delivery points, with durations of 16.6 and 6.7 minutes, corresponding to energy not supplied of 39.5 and 23.5 MWh, respectively. Despite this, the quality of technical service provided - understood as being the security and continuity of supply of electrical power with the necessary technical characteristics - was positive, consolidating the suitable performance of the RNT.

General indicators for continuity of service, set out in the Quality of Service Regulations, saw values which were positive overall. The indicators for Average Interruption Time (AIT) and Energy not Supplied (ENS) were those most affected by the incidents at the Mourisca and Estarreja delivery points. The remaining indicators had figures in line with those of recent years. It can thus be seen that the policies and strategies implemented for electrical power transmission are both suitable and efficient in network operation (attributes which are confirmed by comparative analysis studies of technical-economic performance among electricity TSOs).

EIT, an indicator of overall performance commonly used by electrical utility firms, attributed directly to REN, was 43.2 seconds. This corresponds to energy not supplied of 67.5 MWh. The interruptions at the Mourisca and Estarreja delivery points accounted for 95.8% of this figure, in other words, these interruptions led to 63.0 MWh of ENS. This EIT value represents what would be a practically uninterrupted supply of electrical power (at 99.99986 % of the time, i.e. 999 hours, 59 minutes and 55 seconds in every 1,000 hours) to a single 'equivalent' consumer (corresponding to mainland Portugal), with power and energy which would represent all the different delivery points to the national distribution network and consumers directly connected to the RNT.

Average Interruption Time (AIT)

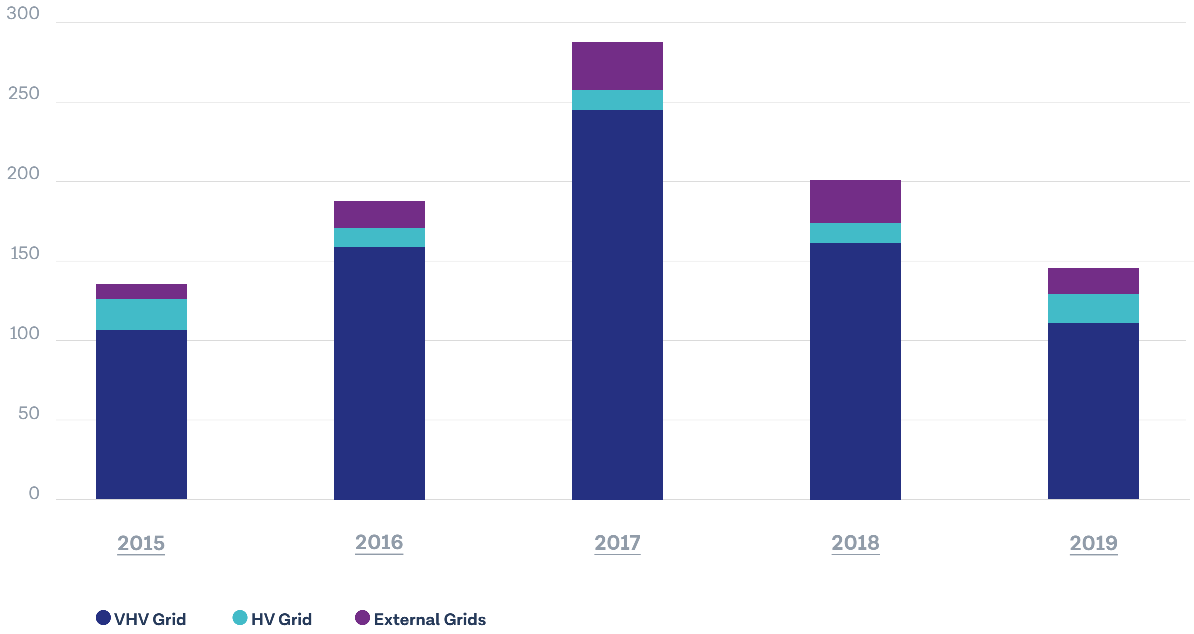
(Minutes)



In 2019, the monitoring of voltage waveform quality continued at delivery and interconnection points on the RNT. The measurements carried out continued to show results that, with a limited number of exceptions in individual and localized cases, match the figures recommended in the Quality of Service Regulations.

The overall level of the electrical energy quality depends on the number of incidents recorded or which impact on the transmission grid. In 2019, the number of incidents recorded fell significantly with respect to the average for the last five years (2017 contributed to this average due to the high number of forest fires). In 2019, there were a total of 140 incidents (29 % less than in 2018), 109 of which originated in the Extra High Voltage Network (EHV), 17 in the High Voltage Network (HV) and 14 in other networks but impacting on the RNT EHV and HV networks. Only eight incidents (5.7 % of the total) actually caused interruptions to the supply of electricity to customers, having caused eight interruptions at delivery points.

Evolution in the Number of Incidents
(No of incidents)



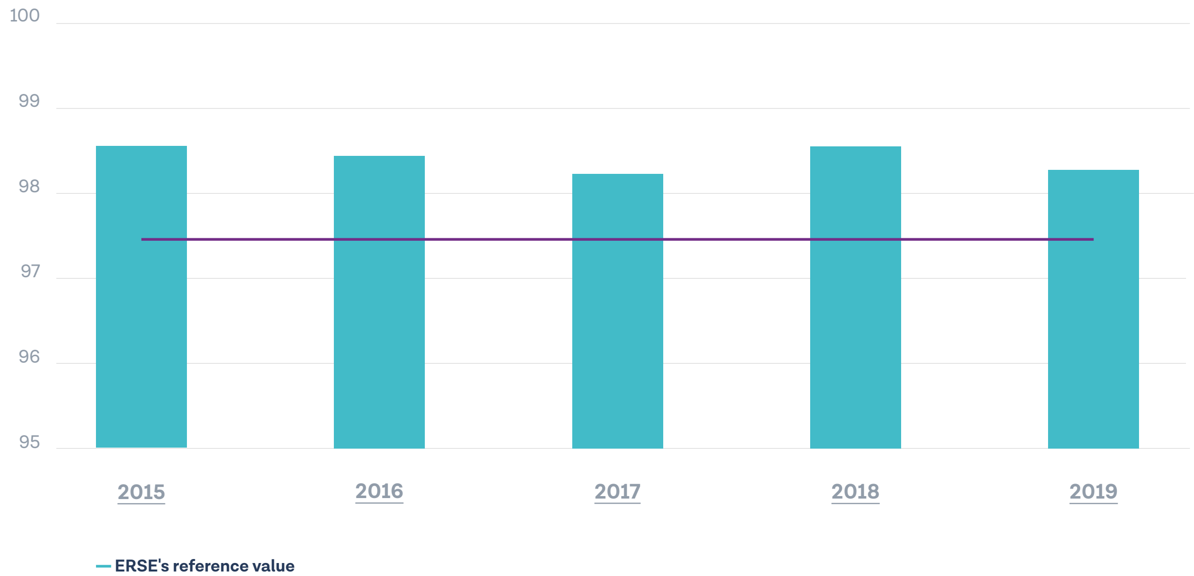
Performance of transmission system assets

Availability

The combined availability rate – an indicator defined by the Energy Services Regulator ("ERSE") which analyses the availability of RNT transformers and lines – was 98.18% in 2019. This figure is less than that seen in 2018, but in line with the average for the last five years. The following graph shows the annual evolution of this indicator over the last five years.

This performance represents effective coordination and programming of grid outages during the period in question and to a certain extent, the reliability of RNT assets.

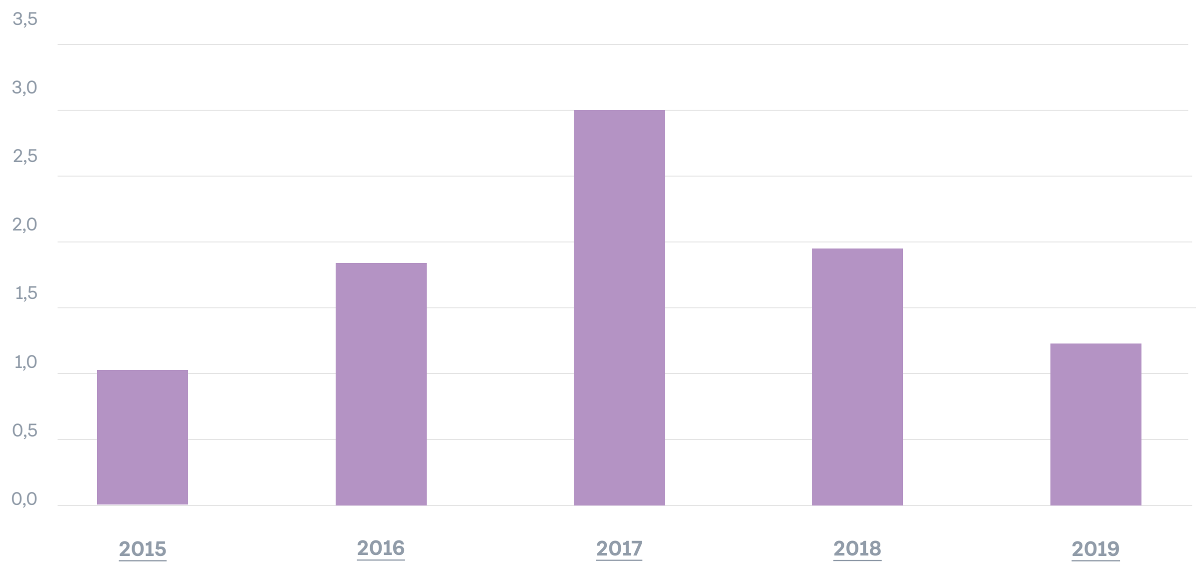
Combined Availability Rate
(%)



Performance of the lines and substation equipment

In general, sub-station and their respective equipment and systems recorded suitable performance. The number of breakdowns in power transformers and trip switches fell in relation to figures for 2018. More in-depth technical detail is available in the Quality of Service Report published annually by REN. The majority of incidents originated in RNT lines, and in 2019, the number of faults per 100 km of circuit was the second lowest ever: 1.2 faults per 100 km of circuit.

Evolution in the Number of Faults Originating in RNT Lines per 100 km of Circuit



Network Behaviour

During 2019, the major congestions that occurred in the RNT were associated with grid element outages, which were solved through generation constraints or the introduction of topological changes to the network. In this regard, of particular note were outages which occurred due to the remodelling of 400-kV lines in the Minho area and in Lisbon which required special topological measures. These measures sought to minimize restrictions on power generation and maximize the commercial capacity of the interconnection with Spain.

System Operation

In 2019, consumption by the Portuguese electricity system saw a slight fall of -1.1 % over the previous year, totalling 50.35 TWh. It should be further noted that in 2019, the national electricity system imported power for the first time since 2015. Over the year, around 3.4 TWh of power was imported.

In July 2019, the external parallel run was started for the coordinated calculation of interconnection capacity in South West Europe, a region which includes Portugal, Spain and France. This procedure took place in accordance with the methodology established in Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management. This Regulation was approved by national regulators in November 2018.

Market Operation

In 2019, five new market agents opened in the National Electricity System (SEN) while three closed down. At the end of the year, there were 47 market agents, three of which are producers.

On 12 July, ERSE Directive No 4/2019 was published which approves Pilot-Project rules for consumer participation in the system services market in the regulatory reserve component. Further to the publication of this Directive, the first two consumer facilities started their participation in the abovementioned regulatory reserve market. At the end of 2019, six electrical power consumer facilities were qualified to participate in this reserve market.

Further to ACER (Agency for the Cooperation of Energy Regulators) Decision No 04/2018 of 24 April 2018 regarding the proposal by all transmission system operators for intraday cross-zonal gate opening and intraday cross-zonal gate closure times, establishing that the intraday market opens at 15:00 on the previous day, on 12 November, the times of several market procedures were changed so as to incorporate this alteration.

On 19 November, another important milestone was successfully reached in the expansion of the European Single Intraday Coupling Market to include the following countries in continuous electrical power trading: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia. These countries joined the countries which already operated in the market: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, Holland, Portugal, Spain and Sweden.

4.2.2. Investment in the RNT

Projects concluded in 2019

In addition to improving the internal safety and reliability of the network and the overall operation of the national electricity system, RNT projects concluded in 2019 also helped reinforce feeding to the National Distribution Network ("RND") and improve new production reception capacity.

In compliance with a decision by the Portuguese State and, under the goals defined in the energy policy, REN installed and placed into service an undersea cable of approximately 17 km in length, to connect renewable production from the Viana do Castelo offshore wind farm. This infrastructure, the first high voltage undersea facility in Portugal, was designed to operate at 150 kV (although at this stage, it is operating at 60 kV), allowing electricity production plants which are already installed or are to be installed at this offshore site, to be connected to the Public Service Electricity Network ("RESP").

Of note with regard to the reinforcement of feeding to distribution networks is the increase in transformation power at the Lavos (400/60 kV/kV), Recarei and Zambujal (220/60 kV/kV) and Sines (150/60 kV/kV) substations.

In addition to the development projects mentioned above and the establishing, through independent support, of the new Alcochete Fanhões 400 kV line, modernization investment was also made in assets at end of working life. This work included the remodelling of the Riba d'Ave Recarei 1 and Rio Maior Alto Mira, 400 kV lines, and Porto Alto Palmela 2, at 150 kV, as well as the conclusion of remodelling on equipment and protection, automation and control systems at the Estarreja, Falagueira and Sacavém substations and the Monte da Pedra step-down station.

Main investments underway

Connection of large hydro-plant to RNT

- 400 kV axis in Minho between the Porto region (Vila Nova de Famalicão substation) and the Pedralva substation, passing through the future Ponte de Lima substation. This reinforcing of the network, which now only requires the closing of the connection between the Ponte de Lima area and the Vila Nova de Famalicão sub-station (under construction), is vital for ensuring the flow of high quantities of power generation from Cávado/Alto Minho, substantially increased after the Salamonde II and Frades II plants came online. This network reinforcement will provide a 400 kv alternative corridor to the current Pedralva – Riba d'Ave – Recarei axis while also strengthening international exchange capacity through integration into the future interconnection with Spain which is planned for this area.
- 400 kV line between the new planned Ribeira de Pena substation and the current Vieira do Minho and Feira, substations to create connection and reception capacity for new generation throughout the Alto Tâmega hydro area (around 1,150 MW de of installed power) — the project for the Ribeira de Pena Vieira do Minho 1/2 line will undergo a new environmental impact assessment and at the end of 2019, the Feira Ribeira de Pena line was awaiting the issue of the respective installation licence.

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

- As part of the work to connect the Viana do Castelo offshore power centres to RESP, a step-down station is under construction in the port of Viana do Castelo. This step-down station, which is expected to be concluded in 2020, will offer a transition facility providing monitoring, switching and step-down functions between the undersea cable and the underground connecting cable to the onland RESP.

- In the Beira Interior, establishing of the new 400 kV Fundão Falagueira axis through the extension of the current Falagueira Castelo Branco 3 line to the Fundão region where a new 400/220 kV sub-station will be built. This will create capacity to receive new generation throughout this region and eliminate the technical restrictions to current and future renewable wind production and production from new photovoltaic plants which are under construction. These plants are expected to be completed during 2020.

Feeding of consumption centres in distribution networks and VHV clients

In the Alto Alentejo, the passage of the 400 kV Falagueira Estremoz Divor Pegões axis, providing power to the railway line between Évora and Elvas/Caia. This project and the respective installation licences since obtained, will also allow reception capacity to be created in the RNT for new generation in the Alto Alentejo, improving power feeding to consumers depending on the Estremoz and Évora substations as well as ensuring better network connection for power transfer between the north and south of Portugal.

In the Setúbal Peninsula, the second 150 kV connection between the Fernão Ferro and Trafaria substations, with conclusion expected during 2020.

In different areas of the network, introduction of RNT/RND transformation or reinforcing of existing power, more specifically, at the Vila Nova de Famalicão, Valdigem, Falagueira, Carregado, Alcochete and Estremoz substations to meet supply security requirements and adaptation to regulatory standards.

Reinforcement of the interconnection capacity between Portugal and Spain

- In order to reinforce exchange capacities between Portugal and Spain, more specifically in the import direction, a project is underway for a new 400 kV interconnection in the Minho region, connecting the future Ponte de Lima substations on the Portuguese side to Fontefría on the Spanish side. This project is still at the environmental assessment stage.

Remodelling of equipment and systems at the end of working life

- In addition to RNT development investment, several modernization projects are also underway for transmission network assets. This involves remodelling and replacing high and very high voltage equipment at sub-stations, protection, automation and control systems, power transformers and overhead lines.

Transmission Network Development and Investment Plan (PDIRT)

A further milestone reached in 2019 was the approval of PDIRT 2018-2027 by order of the Secretary of State for Energy on 14 February. Also in 2019, REN sent the Directorate-General of Energy and Geology (DGEG) the draft version of the Transmission System Development and Investment Plan for the 2020-2029 period (PDIRT 2020-2029), which was later revised by REN to include a number of adjustments requested by DGEG. The new version of PDIRT 2020-2029 was sent to DGEG in July 2019 which has now forwarded this document ERSE.

At the end of 2019, ERSE had still not launched the public consultation process on PDIRT 2020-2029. With respect to the Strategic Environmental Assessment (AAE) process, the draft PDIRT 2020-2029 was accompanied by a “Technical note justifying the non-completion of the AAE for PDIRT 2020-2024 (2029)”, drawn up by REN with the collaboration of the Faculty of Engineering at the University of Porto (FEUP). This note was submitted for consultation to the Entities with Specific Environmental Responsibilities (ERAE).

Projects of Common Interest for Electricity (PIC)

In October 2019, the 4th List of European Union Projects of Common Interest (PIC) was published. The REN projects on this list designated by PCI 2.16.1, PCI 2.16.3 and PCI 2.17, for the integration of new renewable sources and the increase in interconnection capacity between Portugal and Spain, once again had their PCI status renewed, as they had already been included on the 1st, 2nd and 3rd PCI lists in 2013, 2015 and 2017, respectively.

4.2.3. Network connections

With respect to RESP connections, REN coordinates connection and integration processes for consumer and producer facilities which connect directly to RNT, so as to ensure the respective safety and quality of service and the effective integration of renewable energy sources into the National Electricity System.

Decree-Law No 172/2006 of 23 August, republished by Decree-Law No 76/2019 of 3 June, allows access to RESP by renewable energy production plants through three alternative methods, all requiring the prior reservation of reception capacity in RESP:

- General Regime, to reserve existing reception capacity;
- The competitive / auction procedure, under terms to be defined by the Portuguese State;
- Signing of an agreement by the applicant and the operator of RESP ("Agreement") to build new infrastructure not provided for in the respective network development and investment plans, aiming to create reception capacity to enable connection by the energy production plant in question (in this case, the investment cost will be the applicant's responsibility).

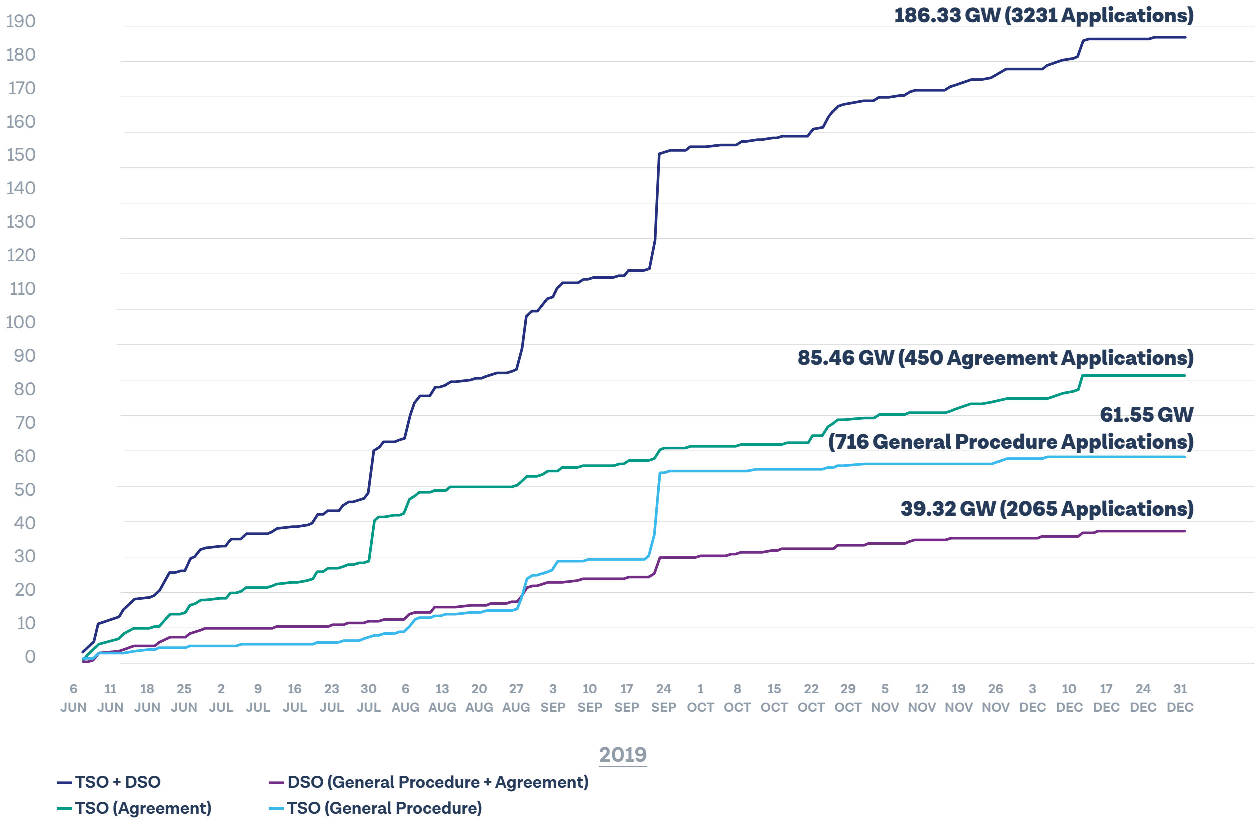
Under the new general regime framework, in 2019, REN issued 10 Capacity Reserve Titles (TRC), corresponding to 862 MVA.

The first RESP capacity auction took place in July/August 2019. In this competitive procedure, reception capacity of 1,022 MVA was awarded to connect 10 photovoltaic plants to the RNT, with the corresponding issue of Capacity Reserve Titles by REN.

At the end of December 2019, total capacity requested of REN through the Agreement regime to connect Photovoltaic plants stood at almost 85 GW, in a total of 450 requests.

The evolution of the number of RNT and RND connection requests from renewable energy production plants, particularly photovoltaic, under the general regime and the Agreement regime, as of June 2019 can be seen in the graph below.

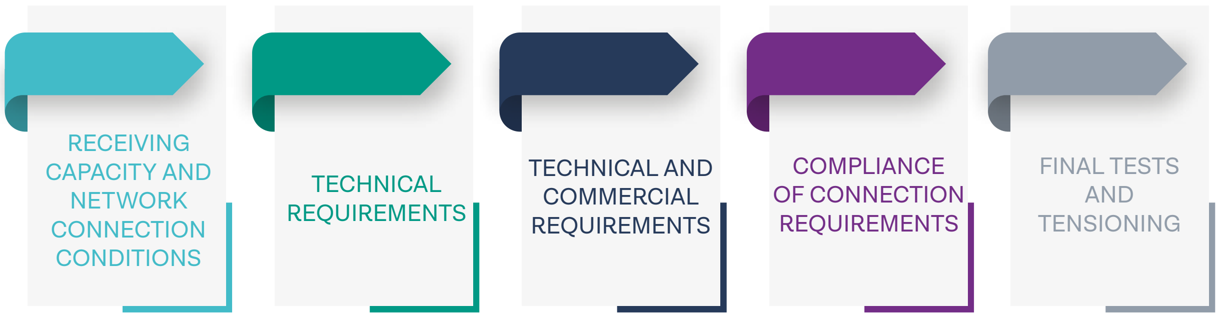
Connection requests from renewable energy production plants
4 June to 31 December 2019
(GW)



Connections underway in 2019

At the end of 2019, RNT connection processes were underway for 10 photovoltaic plants, one wind farm, three hydro power plants and two consumer facilities - one industrial client in Sines and one mining operation in the Alentejo.

In 2019, RNT connection processes were concluded for one biomass plant and two consumer facilities - one traction substation to feed the Minho railway network and one industrial client in Maia, and also the Viana do Castelo offshore wind farm.



Also with regard to network connections in 2019, in collaboration with the Distribution Network Operator and ERSE and under the coordination of DGEG, work was continued in the process to implement three new European network connection codes. They are (i) Network Code on Demand Connection (EU 2016/1388), (ii) network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU 2016/1447) and (iii) network code on requirements for grid connection of generators (EU 2016/631). These codes are currently at the final stage of national implementation.

The aim of the implementation process underway for Commission Regulation (EU) No 2016/631 of 14 April 2016 is to “establish a network code on requirements for grid connection of generators to facilitate Union-wide trade in electricity, ensure system security, facilitate the integration of renewable electricity sources, increase competition and allow more efficient use of the network and resources, for the benefit of consumers”.

4.3. Natural Gas

4.3.1. Operation of the National Natural Gas Transmission Nework (RNTGN)

Quality of Service

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

General quality of service indicators for REN Gasodutos

Average No of interruptions per output point	0
Average time of interruptions per output point	0 minutes/point
Average duration of interruption	**0 minutes**

Notes:
- Average No of interruptions per output point: ratio between the total number of interruptions at output points during a specific period, divided by the total number of output points at the end of the period under consideration.
- Average duration of interruptions per output point: ratio between the sum of interruption durations at output points during a specific period, divided by the total number of output points at the end of the period under consideration.
- Average duration of interruption: ratio between the sum of interruption durations at output points, divided by the total number of interruptions at output points, in the period under consideration.

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

The aggregate indicator for the frequency of incident occurrence per year per 1,000 km of high-pressure transmission infrastructure for 2019 stood at 0.29, taking into account the activity of the last five years. The value of the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.136 for the last five years.

General quality of service indicators for REN Armazenagem

Compliance with nominations for natural gas withdrawal	100.00%
Compliance with nominations for natural gas injection	100.00%
Compliance with energy storage	100.00%

Notes:
- Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations;
- Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations;
- Compliance with energy storage: calculation based on the mean square error between nominated and real energy values resulting from the total requests by the users of both injection and withdrawal of gas

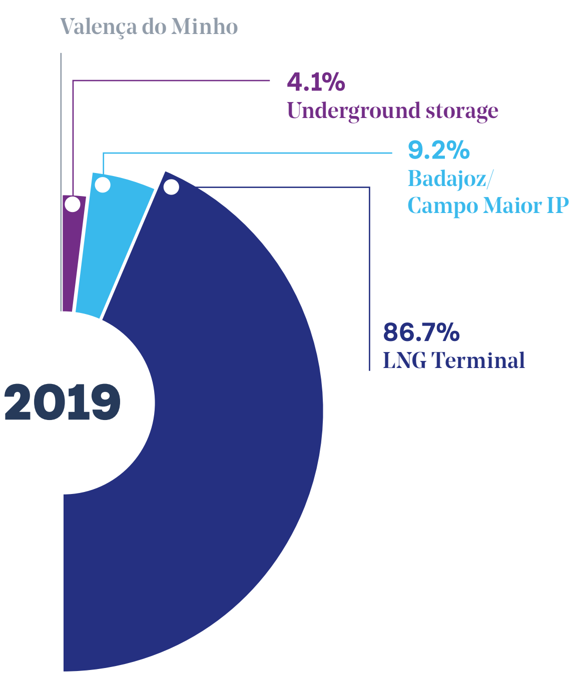
With respect to the unavailability of the REN Atlântico infrastructure in 2019, stoppages of 6 hours 08 minutes were seen, due to sudden interruptions. This resulted in availability of 99.93%.

General quality of service indicators for REN Atlântico

Compliance with commercial service (nominations)	100.00%
Injection of natural gas into the network (injected/requested)	99.79%
Availability of facility	99.93%

System Operation

In 2019, intakes of natural gas into the infrastructure operated by the RNTGN concessionaire were mostly via the REN Atlântico Sines Terminal (86.7%). Intakes by Campo Maior through the interconnection with the Magrebe gas pipeline which supplies Portugal with gas mainly from Algeria accounted for 9.2%. The network input point via Underground Storage corresponded to 4.1%. Only residual entry was through Valença do Minho. The following graph shows the breakdown of intakes into the transmission system:

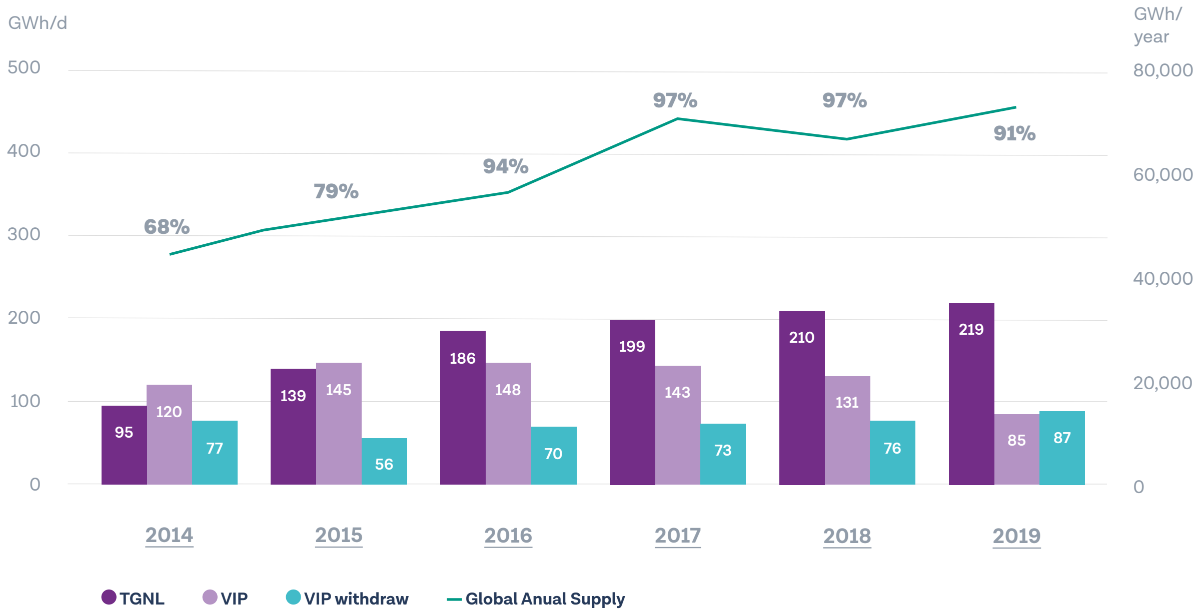


In 2019, the 71 122 GWh (around 5.98 bcm) transmitted through the RNTGN included high-pressure national consumption, with a total of 66 074 GWh (5.55 bcm), the injection of natural gas into underground storage of 3 739 GWh (0.31 bcm) and withdrawal of natural gas for Spain through the Valença do Minho - Tuy interconnection of 743 GWh (0.06 bcm) and the Campo Maior interconnection, with 524 GWh (0.04 bcm).

With regard to the use of system capacity, in 2019 the maximum daily intake figure for the RNTGN through the Badajoz - Campo Maior interconnection was 84.9 GWh recorded on 13 July, and 218.8 GWh through Sines on 21 May.

With respect to use of capacity at RNTGN entry points in 2019, a level equivalent to 91% was recorded of the maximum aggregate value made available commercially at the three entry points in the transmission network, the Sines Terminal, VIP Ibérico and Underground Storage. This figure was slightly below the value recorded in 2018 (97%). The following graph shows the growing peak withdrawal seen in the last six years, which has accompanied overall system use (with regard to natural gas consumption).

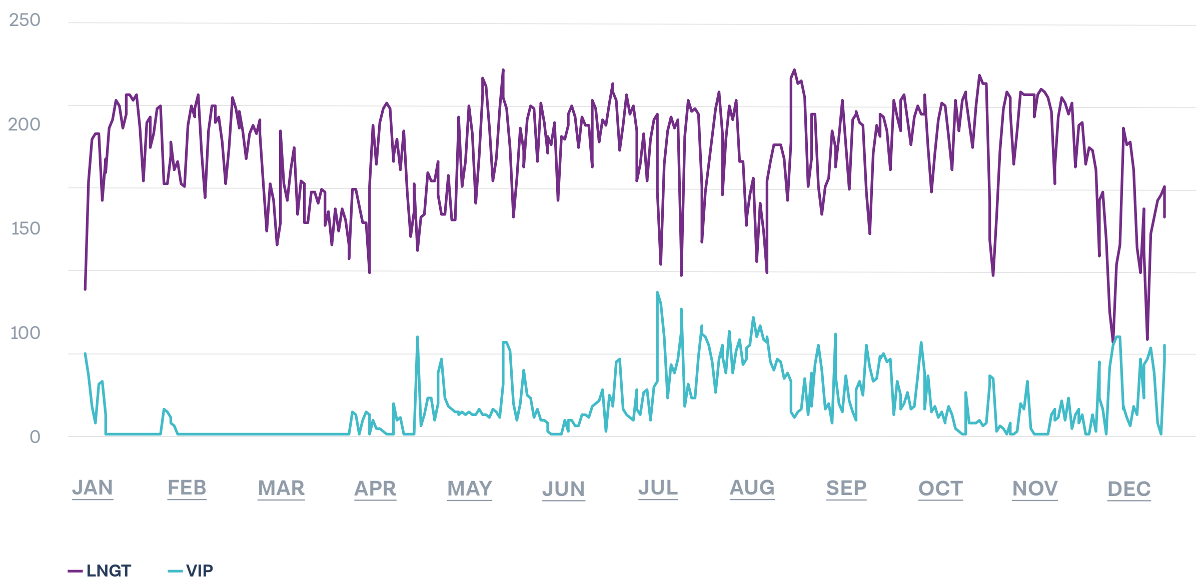
Inputs to RNTGN: VIP + LNGT + US withdrawal
(% of max. commercial cap.)



The increase seen in the use of the LNGT with respect to the Iberian VIP was based on a market logic which has been followed since the start of the 2nd semester of 2018.

The following graph shows the daily use of each of the abovementioned infrastructures.

Supply of the RNTGN: Sines Terminal vs. Iberian VIP
(GWh)



In relation to the interface with underground storage, maximum daily withdrawal reached 87.1 GWh on 04 December, while injection reached 49.0 GWh on 26 August. In 2019, a total of 66 methane tankers were received at the Sines Terminal, 64 of which were to supply the national system. This is a 42% increase in the number of unloading operations over the previous year (Δ%2019/2018) and also established a new maximum (the previous maximum number of tankers was in 2018 with 45). The total number of vessels which have used this infrastructure now stands at 567.

A breakdown of gas intakes to the transmission network shows that the Sines Terminal accounted for 90% while the figure for VIP Ibérico was 10%. With regard to the use of maximum capacities available for commercial purposes at RNTGN entry points, the VIP-Iberian and LNGT recorded figures of 59% and 109%, respectively.

With regard to system management of the high-pressure infrastructures of the National Natural Gas System (SNGN), in 2019, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities with infrastructures in the SNGN, also on occasion, involving the operator of the interconnected network, Enagás. Of special note: (i) the conditioned operation to conduct the supply line inspection programme on large-scale industrial branch lines, (ii) the conditioned operation to work on the US infrastructure to carry out preventive maintenance on compressors; (iii) logistics management to facilitate the commercial vessel programme; (iv) operational support for the Spanish system in the supply of natural gas to Galicia though the passage of gas from Portugal to Spain at the Valença do Minho/Tuy international interconnection point. It should be noted that all this work was undertaken so as to not affect normal market operations.

As was the case last year, 2019 was also highly stable with regard to network balancing processes. During the year, no balancing processes were carried out by the Overall Technical Manager (GTG). In 2019, total accumulated annual imbalance of 1.1 GWh was recorded.

Market Operation

In compliance with Directive No 18/2016, published in the Official Gazette, 2nd series, No 207, on 27 October 2016, which implemented the amendments to the Procedures Manual for the Overall Technical Management of the SNGN brought about by the new network code for the balancing of gas transmission networks, Regulation (EU) No 312/2014 of 26 March, and after publication by ERSE of Directive No 2/19 approving the notice of the Overall Technical Manage regarding the guarantees to be provided under this contract, subscription contracts to the Overall Technical Management of the SNGN were signed with all suppliers qualified to work in the RNTGN, setting out the technical and commercial conditions required for their participation in the market.

With respect to this Network Code on Gas Balancing, infrastructure users have been playing a more important role in network balancing as, in accordance with these new rules, they are responsible for maintaining a permanent balance in their input and output to the transmission network. Similarly, the System Manager is also required to carry out network balancing when necessary, using an auction mechanism determined by ERSE until Mibgás (gas transactions platform) starts operations in Portugal. During 2019, the System Manager did not hold any auctions for the purchase or sale of network balancing gas.

With regard to market agents qualified to operate in high-pressure infrastructure, 2019 ended with a total of 28 active suppliers in the SNGN. Contributing to this number were four new market agents starting up and one which ceased operations.

With respect to coordination responsibilities regarding information of a commercial nature, the response to information requests and complaints plays an important role in ensuring the ongoing satisfaction of infrastructure users. In 2019, 504 information requests and 181 complaints were received. The information requests were processed with an average response time of 2.6 days and the complaints with an average response time of 1.2 days.

Supply Security (Regulation EU Nº 1938/2017)

On 25 October 2017, the new Regulation No 1938/2017 was published, repealing Regulation No 994/2010. This Regulation sets out the new provisions which seek to ensure gas supply security in the European Union. Based on the guiding principle of solidarity among Member States, the new regulation reinforces the role of regional cooperation in gas supply security, allowing agreement on suitable trans-border measures.

With respect to supply security and RNTIAT planning, final drafts were drawn up for reports on Assessment of Risks Affecting Natural Gas Supply Security in Portugal, on the Preventive Action Plan, on the Emergency Plan and on the Solidarity Agreement between Portugal and Spain. This ensured compliance with the provisions of Regulation No 1938/2017 and Decree-Law No 231/2012. The documents were prepared and discussed with DGEG, the competent authority, in the second semester of 2018 and during 2019, with the aim of being provided by DGEG to the European Commission before the end of the year. This was the first time that these documents were updated to reflect the new Regulation No 1938/2017.

In accordance with legislation in force, it is the responsibility of the RNTGN operator to collaborate with DGEG in the preparation of a draft Report on the Monitoring of Natural Gas Supply Security (RMSA-GN), to be submitted every year to the Minister of Economy. The Government publishes the report, sending copies to the European Commission and ERSE. As a contribution to RMSA-GN 2019, the study undertaken by REN covers possible measures to implement reinforcement of SNGN supply security, including an assessment of the sufficiency of RNTIAT underground storage to ensure compliance with security reserves. The analyses carried out refer to the 2020-2040 period and also took into consideration the SEN Supply Security Monitoring Report for the 2020-2040 period (contributions to RMSA-E 2019).

Network Operation (REN Gasodutos)

Also with respect to RNTGN infrastructure operation, in 2019 work was continued on programmes to update technology in management systems and applications, more specifically:

1. Implementation of a new control concept at the Campo Maior station so as to automate NG export operations.
2. Installation of a provisional odorization system at station CTS07000 in Campo Maior, to ensure the odorization rate agreed for gas transfers from Portugal to Spain.
3. Integration of the Linear and Mobility module into the MAXIMO maintenance tool to provide greater efficiency in infrastructure maintenance and operation processes, also allowing future integration with PIMS - Pipeline Integrity Management System;

Operation of the Sines LNG Terminal

With regard to operations, in 2019 the LNG Terminal surpassed all previous historic maximums, having received a total of 66 ships (64 unloading operations, one cooling operation and one gasification operation), corresponding to total unloaded energy of 62.73 TWh and issue of 61.63 TWh to the network. In the same period, 6,621 tankers were loaded, 1,633 of which were for the Island of Madeira, corresponding to total energy of 1,914 TWh.

The maximum daily issue from the Terminal into the network was on 21 May, with a total of 218,775 GWh.

REN Atlântico conducted six audits, all with positive results:

- two audits related to the SEVESO directive (one internal and one external by the Portuguese Environment Agency, APA);
- one audit related to verification of the integrated quality, environment, safety and occupational health management system;
- one audit was conducted by a third party under the APS concession contract;
- one audit was conducted to monitor service quality;
- one audit was conducted with respect to compliance with the ISPS code.

In 2019, IGAMAOT also conducted an inspection of the LNG Terminal.

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

Operation of REN Armazenagem

In 2019, the following aspects were of note in Underground Storage:

- Maintenance of compressors at the Gas Station compression unit.

With regard to the use of underground storage, total natural gas movement was 6,579 GWh, broken down into 2,891 GWh of withdrawals and 3,688 GWh of injection. Overall own consumption by the Gas Station in 2019 corresponded to 26 GWh.

At the end of the year, compared with 2018, the following balance of stocks was seen:

Natural gas stocks at REN Armazenagem (GWh)[5]

At 31 December 2018	At 31 December 2019	Variation 2019/2018 (Energy)
2.881	3.678	+28%

Average daily level of natural gas stocks at REN Armazenagem (GWh)[5]

2018	2019	Variation 2019/2018 (Energy)
2.249	3.130	+39%

At 31 December 2019, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

REN Armazenagem infrastructure capacities (GWh)	'19	'18
Maximum capacity	3.967	3.967
Effective maximum capacity after technical restrictions	3.570	3.570
Commercially available capacity	3.570	3.570
Cushion gas	2.381	2.381

Notes:
- Cushion gas: permanent volume of gas maintained in caverns in order to ensure the minimum pressure required to safeguard their structural stability;
- Maximum capacity: total capacity minus the cushion gas volume;
- Maximum effective capacity after technical restrictions: maximum capacity minus the volume restrictions for using the caverns due to technical constraints;
- Commercially available capacity: maximum effective capacity after technical restrictions minus the capacity allocated to the SNGN overall technical manager for operation gas.

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

4.3.2. Investment

RNTIAT development and investment plan (PDIRGN)

During 2019, the final proposal for PDIRGN 2018-2029 was drawn up, which was sent to DGEG on 2 April. Further to an analysis of the proposal, on 15 May DGEG requested a series of changes which are set out in the Executive Summary and in the points of the document referred to therein. The revised version of PDIRGN 2020-2029 was once again sent to DGEG on 2 July. At the end of 2019, the PDIRGN public hearing had still not been started. This process will be promoted by ERSE for a minimum period of 30 days, in accordance with legislation in force.

With respect to the process of Strategic Environmental Assessment (AAE), this plan was accompanied by a “Technical note justifying the non-completion of the AAE for PDIRGN 2020-2024 (2029)”, drawn up by REN with the collaboration of the Faculty of Engineering at the University of Porto (FEUP). This note was submitted for consultation to the Entities with Specific Environmental Responsibilities (ERAE). Also in 2019, a report was draw up entitled “Environmental Assessment and Control Report (2015-2018)” (RACA).

With the goal of improving the coordination of interconnections in the electricity and natural gas sectors in the Southern Region (Portugal, Spain and France), REN once again in 2019 took part in High Level Group (HLG) meetings. This group was formed by the European Commission in 2015, and consists of representatives from the Commission, Competent Authorities, Regulators and System Operators (TSOs) from all three countries.

Total investment in the RNTIAT in 2019 was 8.85 million euros.

REN Gasodutos

As part of RNTGN projects, REN Gasodutos concluded the following investment in 2019:

- Replacement of the GRMS Heating System at end of working life;
- Replacement of flow computers at the end of working life;
- Inspection by smart tool (pig) of seven gas pipelines to verify the integrity of infrastructure, in accordance with regulatory requirements;
- Replacement of THT controllers (gas odorization);
- Installation of flow limiters at GRMS;

- Adaptation or remodelling of equipment and systems at different stations;
- Implementation of TCP/IP technology in the supervision and control of gas pipeline stations;
- Development of automation devices and technological updating of the SIGO system (Information and Operational Management System);
- Optimisation of the notification parameterizing system at the portal @IGN;
- Optimisation of the exchange reception/ notification process in the system for Network Access by Third-Parties (ATR);
- Automation of settlement/invoicing processes in the ATR system;
- Updating of analysis and monitoring processes for cybersecurity vulnerabilities.

Total investment in 2019 was 4.04 million euros.

REN Armazenagem

In 2019, REN Armazenagem made a series of investments with a view to ensuring supply security and the availability capacity of natural gas storage. This investment included:

- Adaptation an/or upgrade of different equipment and systems;

Total investment in underground storage in 2019 was 0.46 million euros..

REN Atlântico

In 2019, REN Atlântico concluded the following investment projects:

- Extension of the outfall tunnel to eliminate sea water;
- Upgrade of the automatic fire extinguishing system;
- Replacement of the sea water pump and installation of a new vibration monitoring system;
- Replacement of components in the LNG pumping system at end of working life;
- Upgrade of the emergency feed system for integration of fire pumps;
- Exterior rehabilitation of buildings;
- Upgrade of equipment and systems at the end of working life;
- Anti-corrosion protection of tubing and equipment to ensure system integrity.

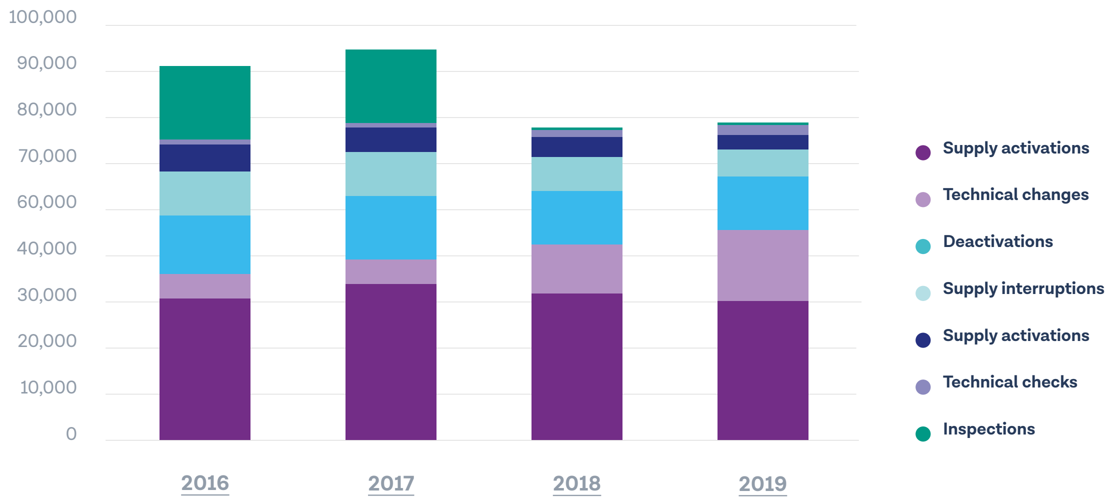
In total, REN Atlântico invested 4.35 million euros.

4.3.3 REN Portgás Distribuição

4.3.3.1. Maintenance and operation of the distribution infrastructure

In 2019, around 76,000 operations were carried out at supply points, most were related to activation (44%), and technical changes (23%), and followed by supply interruption (17%).

Meeting Consumption Needs
(TWh)



Of note is the continuous increase in the number of operations relating to technical changes, rising from 5,808 in 2016 to 17,075 in 2019 as a result of campaigns to replace meters which are more than 20 years old. This number will increase gradually in coming years and is expected to peak in 2022.

The number of service orders relating to inspections has also fallen significantly and in 2019 such inspections accounted for only 0.3% of all volume total of operations. This is the result of Decree-Law No 97/2017 which states that inspection of supply point installations is now no longer necessary when there is a change in the name of the holder, provided that the Inspection Certificate and Compliance Declaration are still valid and that no changes have been made to the gas installation since the documents were issued.

The Quality of Service (QoS) regulations, the latest review of which was published by ERSE in the last quarter of 2017 with effects as of 1 January 2018, require careful planning of orders to be implemented, ongoing improvements in company procedures and effective liaison with the different partners in the field.

Indicators Quality of Service Regulations	Standards	’19	’18	’17	’16
General indicators					
Average number of interruptions per thousand customers, not controllable	n.a	3	10	12	2
Average duration of interruptions per customer, not controllable (minutes)	n.a	10.6	3.8	3	0
Average duration of interruptions, not controllable (minutes)	n.a	228.0	369.3	213	193
Percentage of emergency situations with response time up to 60 minutes	85%	98.5%	96.6%	91.4%	96.1%

The REN Portgás asset management policy follows company strategy to set targets and quantifiable goals in order to assess network performance. Asset management has six objectives:

- Safety: ensure that the operation and maintenance of infrastructure is conducted in a manner which is safe for the community, employees and service providers;
- Supply: guarantee the capacity and resilience of distribution networks, complying with the level of service expected by customers;
- Sustainability: promote development plans based on the pillars of economic, social and environmental sustainability;
- Efficiency: continuously seek to optimize work processes and achieve efficiency in operations;
- Reliability: ensure uninterrupted and permanent access to distribution networks;
- Innovation: develop a modern energy infrastructure which promotes integration, reconfiguration and digitalization, maximizing its flexibility.

SCADA is a vital tool to ensure the safety of the infrastructure, but also for the efficient and effective management of assets, more specifically in the medium-pressure network, regulation and metering posts and cathodic protection valves and stations.

As the SCADA migration process the REN environment was concluded in 2018, the year of 2019 was marked by developments in the application system with a view to obtaining and improving infrastructure management.

2019 proved to be a particularly demanding year, given the increase of more than 50% in project volume over the previous year. Further challenges were seen with regard to the development, implementation and management of the project to replace network Metering and Regulating (M&R) Stations. This project included the comprehensive upgrading of eight M&Rs in a total value of 900 million euros.

A total of 6,579 emergency intervention requests were dealt with at supply points, representing an increase of around 6.75% over 2018. Among these interventions, only 53% were considered as emergency work. The remainder (47%), was considered as technical assistance.

Emergency and Breakdown Line	’19	’18	’17	’16
No of calls	26,741	27,053	31,592	32,435
No of interventions	6,579	6,163	5,975	5,371
No of interventions/1,000 supply points	17	17	17	16
No of emergencies	3,509	3,192	2,466	2,551
Average emergency response time (minutes)	21	30	37	67
No of technical assistance operations	3,070	2,971	3,509	2,820
Average technical assistance response time (minutes)	43	43	50	53

Despite the increase in the number of emergency interventions, response times actually fell due to greater awareness by external service providers to the importance of complying with established times. There were 17 interventions at consumption points, the same number as in 2018.

The main threat to the REN Portgás natural gas distribution network comes from work undertaken in the immediate surroundings of the infrastructure by people outside the company. During 2019, a total of 76 occurrences was recorded which were considered as a threat to company infrastructure. Network ruptures are the most common type of event, generally caused by careless handling of machinery in the immediate vicinity, which in 2019, accounted for 59 of the 76 occurrences.

	'19	'18	'17	'16
Ruptures	59	41	50	41
Km of network	5,177	4,986	4,794	4,640
Ruptures/1000 Km	11	8	10	9

4.3.3.2. Investment

The company invested 26.9 million euros last year, including 1.04 million euros by clients, resulting in net investment of 25.9 million euros, 1.8 million euros more than in 2018.

Investment in the distribution network was 14.5 million euros, 1.7 million euros more than in 2018, resulting in an increase of 190 km in the secondary network and 7,336 more branch lines.

Efforts to capture new supply points resulted in investment of 7.1 million euros, 0.7 million euros less than in 2018. Interior natural gas supply networks were provided for 8,854 dwellings, while 2,086 dwellings already possessing an interior network were adapted and around 31,000 meters were placed or renewed.

A further 2.5 million euros were also applied in information systems to update base hardware and software, as well as operation and application systems for business support.

There was also investment of 0.7 million euros in updating and maintaining buildings and administrative and transport equipment.

The company continued its policy of capitalizing staff costs and structure costs associated with work underway. In 2019, 2.1 million euros was capitalized.

With regard to the Distribution Network Development and Investment Plan 2019-2023, REN Portgás is following an expansionist policy to capture volumes through new supply points. Work is based on both expanding to new areas as well as through the densification of existing infrastructure. More in-depth analysis and improved robustness are also being sought in the planning of networks when assessing infrastructure capacity in order to ensure quality of service.

With this goal in mind, the second edition of the REN Portgás Infrastructure Master Plan was drawn up and published as part of the twice-yearly strategic planning for infrastructure. This Master Plan is the result of the need identified by the company to systematize and consolidate the distribution network planning process, setting out measures impacting on asset capacity. The aim is to ensure that its mission as the operator of the distribution network is fulfilled, meeting criteria for resilience, the sustainability of future expansion, quality of service and risk management.

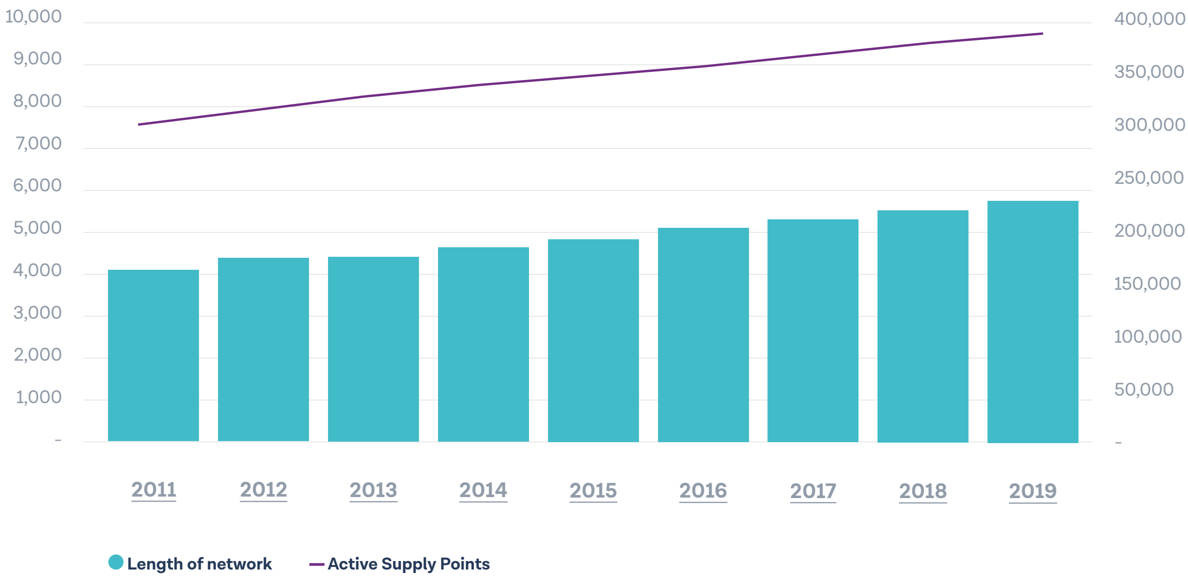
This edition analysed network models, creating infrastructure stress analyses with distinct risk factors and resulted in a series of investment projects aimed at the quality of the infrastructure, and construction of structural networks as part of the plan of corrective action for the system. These projects will contribute to an improvement in the quality of network operations, expansion capacity and resilience.

4.3.3.3. Commercial and Market Development

The company ended 2019 with 377,769 supply points, 11,607 more than at the end of the previous year, as a result of the ongoing efforts for creating infrastructure and adapting buildings to allow them to use natural gas.

Technical indicators

(km)



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

Throughout 2019, REN Portgás established more than 10,000 contracts for access to distribution infrastructure through door-to-door marketing where around 43.3% of the contracts were for densification of existing infrastructure while the remainder was for expansion. Additionally, 1,130 new contracts were established for connections to the new market.

In 2019, REN Portgás Distribuição made 75 connections to large-scale consumers through 55 branch supply lines with the execution of 13.9 km of secondary network.

Market

In 2019, energy provided through the REN Portgás Distribuição network stood at 7,345 GWh of natural gas in the 28 municipal districts currently supplied. With respect to 2018, this represents an increase of 0.13% in distributed energy, corresponding to a rise of 10 GWh.

Energy supplied by each of these market segments is evenly distributed and the segment referred to as LP < accounted for 1,187 GWh, recording a fall of 3.3% over figures for the previous year. The LP> segment accounted for 1 246 GWh, 2.9% up on 2018 while the MP segment accounted for 4 913 GWh, a rise of 0.3% face.

In the same period, the number of supply points connected to the distribution system stood at 377,769, where 376,069 related to the LP< segment, 1,471 to the LP> segment and 153 to the MP segment. Growth in consumption points was also seen with respect to 2017 with an increase of 3.2%. At the end of 2019, the number of consumption points available for contracting in the market reached 429,796.

With regard to market development in consumption points under the REN Portgás Distribuição concession, 90% are now in the free market while the remaining 10% is in the regulated market. This represents a reduction of consumption points in the regulated market. The regulated market accounted for 204 GWh, representing 2.8% of energy delivered to consumption points in the year.

In relation to the functioning of the market, in 2019 a new supplier called G9Telecon started in the REN Portgás concession. As such, in 2019 there were 18 suppliers in operation within the company's distribution networks.

In 2019, switching and messaging between market agents and REN Portgás were changed as a result of ERSE Directive No 15/2018 of 10 December 2018 which sets out the procedures for changing supplier, formalizing the market operation conditions as managed by OLMC – the Logistics Operator for Changing Supplier under the responsibility of the Agency for Energy (ADENE).

Several changes were therefore introduced in 2019, with special focus on the following:

- Integration of the supplier of last resort (SoLR) into the OLMC e_switch platform;
- Change of the e_switch market platform to a new platform with a new data model called "Portal OLMC".

Throughout 2019, a further process was implemented to change how Third-Party Network Access (ATR) invoices are issued and sent to the supplier. In a continuation of the process from previous years, the concept of combined invoice has been gradually broadened to the different suppliers.

With respect to revenue assurance, in 2019 consumption points with zero consumptionin a minimum time of one year were systematically and repeatedly assessed. Around 3,680 consumption points were identified which will be analysed by the operations department.

4.3.3.4. Innovation and Sustainability

During the year, several initiatives were undertaken in Research, Development and Innovation, which included a strategic analysis culminating in changes to the Innovation Policy. In-depth studies were conducted into gases from renewable sources, more specifically with respect to hydrogen and important internal documents were produced to ensure the capitalization of competences. An Innovation Roadmap was also produced with the aim of supporting strategic analysis and prioritizing company investment in R&D&I.

With respect to certified management systems, REN Portgás Distribuição successfully implemented a strategy to integrate the new processes model in the transition to the new Standard for Occupational Health and Safety (ISO 45001:2018). This company is now the first national utility to achieve this milestone in the four areas of Environment, Quality, Safety and Innovation.

In 2019, in the development of its innovation strategy, the company changed its policy, influenced naturally by the sector's external environment. The strategy is now based on three pillars:

- The Sustainable Gas pillar expresses recognition by REN Portgás of the need to be part of the energy transformation process, adapting its assets to new energy requirements, more specifically with regard to the need for equipment able to deal with gases from renewable sources;

- The Smart Gas Company pillar constitutes the most technological component. This vision is business-wide and where assets have a relevant size, but which focuses on digitalization as the path to modernize the organization;

- The Customer Engagement pillar challenges equipment manufacturers to develop different solutions for end customers while also ensuring closer communication.

- Also in this regard, in 2019 the company was key-speaker at the International Forum of Smart and Sustainable Communities, in Braga, dealing with the topic of “Future Cities: The role of natural gas in sustainability”. The company was also a speaker at the Workshop “Uses and applications of Hydrogen and its role in energy transition” organized by the Institute of Science and Innovation in Mechanical and Industrial Engineering (INEGI) on the topic the “Power-to-gas - Hydrogen in natural gas assets”.

At the end of 2019, REN Portgás Distribuição involved its external service providers in the Research, Development and Innovation Management System, creating a space to enable them to submit ideas in relation to the subcontracting chain, in the expectation of generating innovation throughout the value chain.

With regard to the consolidation of best practices, the MoveQAS project was successfully implemented with the aim of creating an information system to provide support in the accreditation of external suppliers enabling Quality, Environment and Safety procedures by providers to be validated. The project involved more than 800 people, internally and externally, culminating with entry into production and generating of value in the checking of requirements and effectiveness in the management of the value chain.

In relation to the Quality, Environment and Safety Integrated Management System, the results of one of the REN Portgás Distribuição permanent committees were produced and approved. More specifically, the findings of the Risk Assessment and Stakeholders Committee whose efforts led to an analysis of the business, identifying and assessing risks and opportunities, as well as creating action plans to mitigate risks and capitalize on opportunities. At the same time, this committee undertook an analysis of the company’s stakeholders, allowing a relational and impact assessment model to be created.

REN Portgás Distribuição currently has a programme underway to obtain certification under two new standards and it is expected that this programme will be concluded within two years. The standards are:

- Business Continuity (ISO 22301)

- Asset Management (ISO 55001)

The implementation of this ambitious programme will allow better preparation and alignment with the pillars of modern management systems which include risk management and stakeholder management, thus ensuring the overall sustainability of the system.

42.5%

Stake in the capital of Electrogas, S.A.

4.4. Business Planning and Development

As part of REN's strategic plan defined for the 2018-21 period, the main goals of the Business Planning and Development Department are to originate, analyse and implement non-organic investment projects which have a regulated profile, preferably located in Portugal or places which offer a suitable risk/return ratio and which allow REN to consolidate its international presence already established in Latin America.

During 2019, the Business Planning and Development Department contributed decisively to complying with the targets established in the strategic plan by identifying, analysing and implementing a non-organic investment opportunity in Chile, corresponding to total investment of approximately 150 million euros.

In 2019, the main milestones in the work of REN's Business Planning and Development Department are as follows:

Non-organic investment activity

- Acquisition of 100% of the capital of Empresa Transemel, S.A., a company which owns and operates 92 Km of electricity transmission lines and five substations in northern and central Chile, from the companies Compañia General de Electricidad S.A.(CGE) and Naturgy Inversiones Internacionales, S.A., for approximately 167 million dollars;

- Ongoing evaluation of opportunities in different markets with emphasis on Chile and Peru, but also on other strategic locations in Europe and Africa.

Engineering consultancy

In the area of engineering services, promoted commercially by the Business Development Unit and with specialized assistance from REN's operational areas of engineering. The following activities are of note:

- Support for Government and Administrative Authorities in the Mozambique Electricity Sector, as well as for EDM – Eletricidade de Moçambique, in the development of regulations and standards applicable to the sector;

- Provision of supervisory services in Portugal, particularly in projects for constructing very high voltage lines connecting power plants to the national grid;

- Provision of engineering consultancy services in Portugal to industrial clients connected to the National Transmission Network;

- Active prospecting for consultancy work through numerous meetings with organizations in Portugal and abroad to promote and inform on REN consultancy services;

In 2020, REN will continue to develop its international work in the areas of non-organic investment and engineering consultancy services, seeking to.

- Develop partnerships with international operators and/or financial entities which can result in cooperation agreements for the technical exchange of information and evaluation of business of common interest

- Formalise relationships with multilateral agencies providing support in the development and financing of infrastructures, with the aims of identifying business opportunities, facilitating access to financing and finalising engineering consultancy proposals.

4.5. Other business

4.5.1. Electrogas

On 7 February 2017, REN concluded the acquisition of a 42.5% stake in the capital of Electrogas, S.A.. This acquisition allowed REN to achieve one of the main goals set out in the strategic plan for the 2015-18 period, more specifically that of an international investment project.

Electrogas owns and operates a natural gas transmission system located in central Chile consisting of two main gas pipelines which connect the Quintero LNG Terminal to the metropolitan area of Santiago, to a branch line feeding power plants and refineries and the GasAndes gas pipeline which connects the natural gas systems of Chile and Argentina.

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

The acquisition forms part of REN's strategic aim to expand internationally. Entry into the Chilean market has allowed income streams to be diversified and permitted the company to grow. REN's risk profile has also improved as a result of the reduction in dependence on the domestic market.

REN considers Chile as a strategic target

Over recent years, REN has shared its operating experience with Electrogas, actively promoting improvements in the company's operating processes. As a shareholder of Electrogas, REN actively participates on the company's Board of Directors and at General Meetings, contributing to strategic, financial and operational decision making. REN considers Chile as a strategic target market due to its good economic indicators, legal security and the growth potentialof the energy sector.

As the sole infrastructure in the region, the Electrogas gas pipeline is vital for supplying the power plants providing electricity to central Chile as well as to the natural gas distributor companies in the Santiago and Valparaíso region. The gas pipeline is technically reversible, allowing both the export and import of natural gas to neighbouring Argentina.

The company's main clients include key electrical power generation companies (ENEL and Colbún), industrial organizations (ENAP) and natural gas distributors (Metrogas and GasValpo).

The Electrogas business model is based on solid Take-or-Pay natural gas transmission contracts, with no volume or price risk.

The Electrogas gas transmission infrastructure was designed and built in accordance with international engineering standards and good practices. The most relevant infrastructure includes:

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

On average, Electrogas transmits 2.7 to 3.1 BCM of natural gas per year. The level of service is excellent, with no supply interruptions recorded in 2018 and with all performance indicators in line with those of European TSOs.

4.5.2. TRANSEMEL

On 1 October 2019, REN concluded the acquisition of 100% of the capital of Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel) for 168.6 million dollars. This acquisition represents REN’s second investment in the Chilean market, where it has had an interest in Electrogás, SA. Since 2017.

In order to ensure the correct transition of the company's operations, REN and CGE established a Services Transition Agreement, with a duration of up to 24 months.

Created in 1999, Transemel owns and operates 92 Km of electricity transmission lines and five substations in northern and central Chile. Approximately 93% of its income is regulated, corresponding to perpetual licences.

The company has an investment plan underway approved by the regulatory entities of around 60 million dollars to be implemented over the next four years, which represents significant growth potential in its asset base.

The northern region of Chile, where most of the company's assets are located, is strongly influenced by the mining industry, and one of the substations is located close to the largest copper mine in the world, in Calama. This area has also seen a significant increase in renewable energy generation projects due to the the high solar irradiation in this part of the country.

The operation falls within REN’s strategic plan, which is based on a conservative growth strategy and focuses on projects in sectors where the company specializes, and on markets with economic stability and preduictable regulatory frameworks.

4.5.3. ENONDAS

During 2019, ENONDAS continued with promotion work. Of note was its integration into the WavEC management and Scientific Council as well as appearances at wave power conferences and forums including the business2sea conference promoted by the Ocean Forum and the WavEC seminar.

In a similar manner to last year, with the evolution of the study and the use of sea or sea-located renewable energy sources to produce electricity and in light of Council of Ministers Resolution No 81-A/2016, and more recently Council of Ministers Resolution No 12/2018, work planned for 2019 was suspended.

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

Main investments

As no changes were made to Council of Ministers Resolutions Nos 81 A/2016 and 12/2018, investment in 2019 was zero.

Perspectives for 2020

In accordance with Council of Ministers Resolution No 12/2018 of 19 February 2018, ENONDAS remains expectant with regard to changes in the location and size of the Pilot Zone under the Industrial Strategy for Renewable Marine Energies (EI-ERO), the Action Plan for Marine Renewable Energies.

Monitoring activity in this regard will continue and information will be supplied when requested, through dissemination of the Pilot Zone at sector events and in key publications.

In 2020, solid interaction will continue to be maintained with the public entities responsible for the areas in question. These include the Directorate-General of Energy and Geology, the Portuguese Environment Agency, the Directorate-General of Maritime Policy, the Directorate-General of the Maritime Authority, the Directorate-General of Natural Resources, Safety and Maritime Services, the Portuguese Sea and Atmosphere Institute and the Institute for the Conservation of Nature and Forests.

In the area of data centre services, the company significantly increased revenue +22%.

4.5.4. RENTELECOM

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

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

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

Although this was another difficult year in the information and communication technology market, RENTELECOM recorded a significant increase in turnover (+7.5%). The company maintained its focus on the corporate market (59%), but also increased exposure to the telecommunications operators market (41%).

In the area of data centre services, the company significantly increased revenue (+22%) as a result of reinforcing commercial activity in this area of business. This focus also allowed long-term contracts to be signed which will contribute to turnover stability in coming years.

In the field of fibre optics rental, income fell (-8%) as a result of extraordinary non-recurring income which was seen in the previous financial year. However, current long-term contracts with international clients for Iberian networks ensure the continuity of results in this area of business in coming years. There are also solid reasons to believe that a number of proposals in hand will be successful in the near future.

In the area of circuit rental, there was a significant fall (-33%) due to the termination of a number of older contracts. However, new contracts were signed which will allow this service to be maintained as one of the company's main business areas.

Project design saw an expected reduction in turnover (-33%). Nevertheless, the company implemented important telecommunications projects at power plants, a number of which involved photovoltaic plants, thus strengthening the role of supplier in

the renewable energies sector which RENTELECOM already plays and is planning to extend. In addition to these implementations, new contracts have also been awarded which ensure growth in this area of business in the near future.

4.5.5. REN Trading

Power Purchase Agreement (PPA) Management

Power Purchase Agreements (PPA) not subject to early termination in accordance with Decree-Law No 172/2006 of 23 August, and subsequent amendments, are managed until they end by REN Trading, a company wholly owned by REN - Redes Energéticas Nacionais, SGPS.

In the management of the PPAs, REN Trading (RENT) acquires all the energy and system services from the Pego and Tapada do Outeiro Power Plants.

The sale of electric power on the market is mainly carried out by means of the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE platform) and on the System Services market, operated by the System Manager.

RENT also closely monitors fuel markets on a daily basis (coal and gas) and respective price indexes. It also monitors and implements the Natural Gas Consumption Management Agreement (AGC) established with GALP Gás Natural, S.A. (GALP).

It is also RENT's responsibility, under the European Emissions Licences Trading scheme (ELT), to acquire all the CO_2 emissions licences required for the two PPA power stations, taking into account the respective annual production of electricity. This consists of acquiring the CO_2 emissions licences on the secondary market though futures contracts, in other words the EUAs (European Unit Allowances).

With respect to EU ELT, active participation was continued in 2019 on the Intercontinental Exchange (ICE), the reference exchange for carbon futures trading.

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

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

Company operating results in 2019 therefore correspond to the value calculated for the incentives defined by ERSE, which are as follows:

I_{PPA} – Annual value of the incentive for optimising management of PPA from the Turbogás and Tejo Energia Power Plants; (limited to 3 M€): reached 1 M€ in 2019, a provisional value to be approved by ERSE)

P_{AM} – corresponds to the annual value of the market suitability premium for PPA management (limited to 0.3 M€, fully reached in 2019)

The total value of incentives obtained in 2019 was therefore 1.3 M€ (provisional vale to be approved by ERSE).

4.6. Financial Performance

In October 2019, REN acquired 100% of the capital of Empresa de Transmisión Eléctrica Transemel, S.A. As a result, the financial statements for 2019 reflect the full consolidation method for the results of Transemel in the last three months and are not entirely comparable with the financial year of 2018.

4.6.1 Results in 2019

In 2019, REN Group net income stood at 118.9 million euros, an increase of 3.2 million euros (+2.8%) over the previous year. This reflected good performance in financial profits (+5.2 million euros; +9.1%), the positive contribution from international business (+2.5 million euros in EBITDA; +2.1 million euros in EBIT) and the reduction in income tax (-3.7 million euros; -6.3%). However, the contribution from domestic business fell (-8.5 million euros in EBITDA; -8.7 million euros in EBIT), reflecting the reduction in remuneration of regulated assets against a background of low interest rates.

It is important to note that in 2019, the Extraordinary Levy on the Energy Sector continues to be seen in results, as has been the case in previous years (24.4 million euros in 2019 and 25.3 million euros in 2018).

Investment by the Group was 188.6 million euros, an increase of 54.7% (66.6 million euros) while transfers to RAB increased by 102.2 million euros over figures for last year (+115.5%) to 190.6 million euros. In turn, average RAB fell by 78.6 million euros (-2.1%) to stand at 3,753.3 million euros.

Financial profits grew by 9.1% (+5.2 million euros) when compared to the previous year. Contributing to this result was the reduction achieved in the cost of debt which dropped from 2.2% to 2.1% due to the ongoing refinancing of maturing debt under more competitive conditions. Net debt stood at 2,826.0 million euros, an increase of 6.5% (+172.9 million euros) over figures for the previous year, as a result of acquiring Transemel (155.5 million euros) and the consolidation of the debt of the new subsidiary (21.1 million euros).

Main indicators (M€)	'19	'18	VAR.%
EBITDA	486.2	492.3	-1.2%
Financial profits[6]	-52.5	-57.8	9.1%
Net income	118.9	115.7	2.8%
Recurrent net income	144.8	137.2	5.5%
Total Capex	188.6	121.9	54.7%
Transfers to RAB[7] (at historical costs)	190.6	88.5	115.5%
Average RAB (at reference costs)	3,753.3	3,832.0	-2.1%
Net debt	2,826.0	2,653.1	6.5%
Average cost of debt	2.1%	2.2%	-0.2p.p.

[6] Financial charges of 0.4 million euros in 2018 and revenue of 0.2 million euros in 2019 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), were reclassified as financial income to Revenue.

[7] Includes direct acquisitions (RAB related).

Operating Income – EBITDA

Domestic Power Transmission and Distribution Business

In 2019, EBITDA in domestic business was 477.3 million euros, a fall of 1.8% (-8.5 million euros) over the previous year.

EBITDA - Domestic (M€)	'19	'18	VAR.%
1) Revenues from assets	**445.1**	**455.3**	**-2.2%**
RAB remuneration	189.2	200.6	-5.7%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Incentive for the economic efficiency of investment	25.0	23.6	5.7%
Recovery of amortization (net of investment subsidies)	212.3	212.4	-0.1%
Amortization of investment subsidies	17.9	17.9	-0.2%
2) Revenues from OPEX	**130.0**	**121.1**	**7.3%**
3) Other revenues	**18.1**	**22.1**	**-18.3%**
4) Own work (capitalised in investment)	**19.3**	**19.4**	**-0.6%**
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	**164.6**	**102.4**	**60.9%**
6) OPEX	**133.5**	**131.2**	**1.7%**
Personnel Costs[8]	55.3	55.8	-1.0%
External costs	78.2	75.4	3.7%
7) Construction Costs – Concession Assets	**164.6**	**102.4**	**60.9%**
8) Provisions	**-0.3**	**0.3**	**n.m.**
9) Impairments	**2.0**	**0.6**	**216.8%**
10) EBITDA (1+2+3+4+5-6-7-8-9)	**477.3**	**485.8**	**-1.8%**

Evolution in EBITDA of domestic business was penalized by the following effects:

- A reduction of 11.4 million euros in the remuneration from regulated assets. Contributing to this reduction were:
  - A reduction of 7.7 million euros in the electricity transmission sector, reflecting (i) the reduction in the base remuneration rate (RoR) from 5.2% in 2018 to 4.9% in 2019 – impacted by the evolution in the rate of 10-year Portuguese Republic Treasury Bonds; and (ii) the reduction of 30.5 million euros (-1.5%) in average RAB;
  - A reduction of 3.7 million euros in the natural gas transmission sector, reflecting (i) the reduction in the remuneration rate from 5.5% in 2018 to 5.4% in 2019 – impacted by the evolution in the rate of 10-year Portuguese Republic Treasury Bonds; and (ii) the reduction of 44.1 million euros (-4.3%) in average RAB;
  - Reduction of 0.1 million euros in the natural gas distribution sector, reflecting the reduction in the remuneration rate from 5.8% in 2018 to 5.7% in 2019 – impacted by the evolution in the rate of 10-year Portuguese Republic Treasury Bonds; despite the increase of 8.5 million euros (+1.8%) in average RAB;
- Reduction of 4.0 million euros in other income, due to the gain of 4.0 million euros recorded in 2018 from the disposal of the company REN Portgás GPL (3.7 million euros net of sales costs);
- Increase in opex of 2.2 million euros (+1.7%), essentially caused by the increase of 6.3 million euros in pass-through costs (non-core costs fully offset in income), of which +3.8 million euros were

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

in costs with ERSE and +2.5 million euros in costs relating to the cross-border tariff. Excluding pass-through costs, opex from domestic business fell by 4.0 million euros (-3.6%) of which -0.6 million euros was in personnel costs (-1.0%) and -3.5 million euros (-6.2%) in core external costs;

- The recognition of an impairment loss of 1.6 million euros relating to fixed assets.

Also of note were the following effects which had a positive contribution to the operating performance of the domestic business:

- Increase of 8.8 million euros (+7.3%) in opex revenues reflecting the increase in pass-through costs and an increase in activity at the LNG Terminal;
- The increase of 1.4 million euros in the incentive for the economic efficiency of investment (+5.7%);

With respect to domestic business it is also important to note that the natural gas distribution business contributed with EBITDA of 46.4 million euros.

International Business

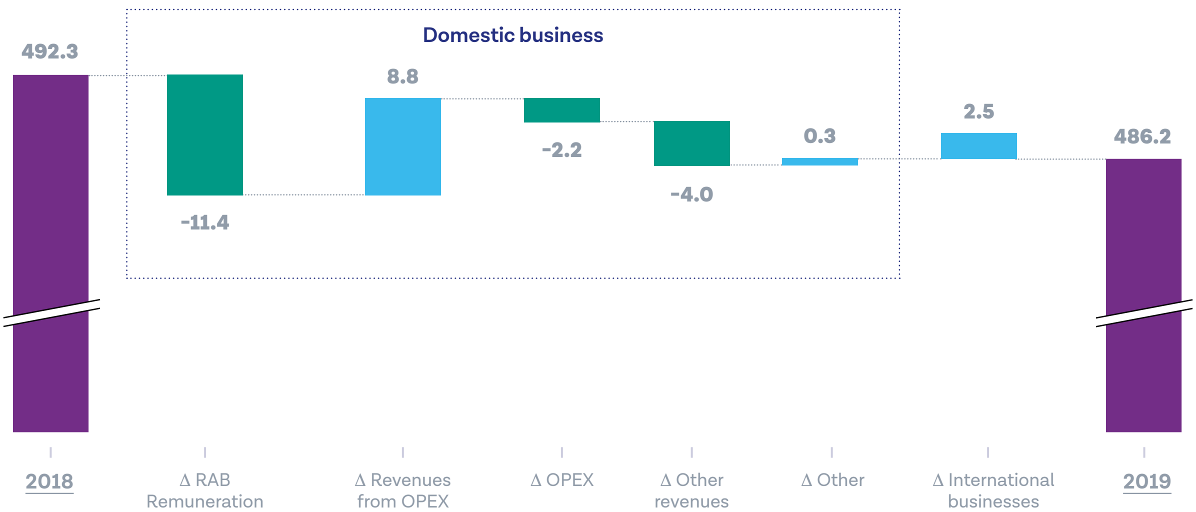
In 2019, EBITDA from international business was 9.0 million euros, a rise of 2.5 million euros (+39.0%) over figures for 2018, reflecting:

- EBITDA of Transemel – an electrical power transmission company in Chile acquired in October 2019 – which stood at 2.0 million euros (corresponding to three months of activity);
- The increase of 0.7 million euros (+10.0%) in recognized income from the 42.5% stake held by REN in the Chilean company Electrogas.

EBITDA - International (M€)

	'19	'18	VAR.%
1) Revenues from the Transmission of Electrical Power	2.7	0.0	
2) Other revenues	7.1	6.5	10.0%
3) OPEX	0.9	0.0	
Personnel Costs[9]	0.0	0.0	
External costs	0.9	0.0	
4) EBITDA (1+2-3)	9.0	6.4	39.0%

Evolution in EBITDA of REN Group (2018-2019)



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

Net income

Net income stood at 118.9 million euros, a rise of 3.2 million euros (2.8%) over the previous year.

This growth was mainly due to the following positive effects:

- The improvement in financial profits (+5.2 million euros, +9.1%), reflected the reduction of 0.17 p.p. in the average cost of financing, which fell from 2.2% in 2018 to 2.1% at the end of 2019, despite the increase of 6.5% in cost of debt (+172.9 million euros);
- The reduction of 4.5 million euros in taxes and the Extraordinary Levy on the Energy Sector (CESE), of which -3.7 million euros (-6.3%) was in income tax and -0.9 million euros (-3.4%) in CESE, reflecting the evolution in the asset base on which this contribution is calculated.

These effects were partially offset by the evolution in EBITDA, which fell by 6.0 million euros (-1.2%), impacted by the decrease in EBITDA from domestic business (-8.5 million euros; -1.8%), despite the increase in EBITDA from international business (+2.5 million euros; +39.0%).

When non-recurrent effects are removed, the recurrent net income for 2019 grew by 7.6 million euros (+5.5%). Non-recurrent items considered in 2019 and 2018 are as follows:

i. In 2019: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2019 (24.4 million euros); ii) costs arising from Transemel acquisition process (1.8 million euros, 1.5 million euros after tax);

ii. In 2018: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2018 (25.3 million euros); ii) capital gains obtained from the disposal of REN Portgás GPL, net of costs relating to the respective disposal process (3.7 million euros, 3.8 million euros after tax);

Net income (M€)	'19	'18	VAR.%
EBITDA	**486.2**	**492.3**	**-1.2%**
Depreciation and amortization	235.6	235.1	0.2%
Financial profits	-52.5	-57.8	9.1%
Tax on financial year	54.8	58.5	-6.3%
Extraordinary Levy on the Energy Sector	24.4	25.3	-3.4%
Income tax expenses	**118.9**	**115.7**	**2.8%**
Non-recurring items	25.9	21.5	20.5%
Recurrent Net Income	**144.8**	**137.2**	**5.5%**

4.6.2 Average RAB and Investment

In 2019, total group investment reached 188.6 million euros, 54.7% more (+66.6 million euros) than the previous year, and transfers to RAB were 190.6 million euros, an increase of 102.2 million euros (+115.5%) over figures for 2018. Transemel, acquired in October 2019, contributed with capex of 4.5 million euros (3 month capex, after acquisition).

Capex (M€) | **Transfers to RAB** (M€) | **Average RAB** (M€)

Investment

In the electricity segment, investment reached 140.9 million euros (+64.6% over 2018).

Highlights in the National Transmission System ("RNT") include the projects for remodelling of lines, protection, automation and control equipment and systems in substations, reinforcing the feed to the National Distribution Network ("RND") and connections to new renewable production, including ocean-based power from the Viana do Castelo offshore windfarm. Work was also carried out to improve the safety and reliability of the functioning of the National Electricity System ("SEN").

Special mention should also be made with respect to investment in 2019 in the remodelling of several lines (20.9 million euros), the construction of new lines (69.7 million euros), including the undersea cable to receive power from the Viana do Castelo offshore windfarm (44.3 million euros), in new substations and substation expansion work (9.9 million euros), and in the remodelling of protection, automation and control equipment and systems at several substations (17.8 million euros).

In the area of natural gas transmission, investment was 16.2 million euros (+42.7% over the previous year).

Total investment by REN Gasodutos in 2019 was 7.7 million euros. Of note among the most significant investments made in 2019 by REN Gasodutos were the projects to replace the heating system of the GRMS 01269 and several flow computers at the end of working life, the installation of flow limiters at meshed GRMS and upgrading and remodelling of equipment and systems at several stations, and the implementation of TCP/IP technology in the supervision and control of RNTGN stations.

Total investment in underground storage in 2019 was 1.1 million euros. The goal of the investment made was to ensure supply security and the availability of natural gas storage, focusing on the suitability and/or upgrading of equipment and systems.

REN Atlântico invested 7.3 million euros, which included the projects to extend the sea water disposal outfall tunnel, an upgrade to the automatic fire extinguishing system and the emergency feed system to integrate fire pumps, replacement of the sea water pump and installation of a new vibration monitoring system, anticorrosion protection for tubing and equipment to ensure the integrity of the system and replacement and/or upgrading of miscellaneous equipment and systems at the end of working life.

In the natural gas distribution sector, investment totalled 26.9 million euros, with around 30% applied to capturing new investment points and around 57% in the expansion of distribution networks. 15.4 million euros (total costs) was invested in the construction of 191 km of network and more than 7,336 branch lines. Investment in supply points was 8.1 million euros (total costs), 6.9 million euros of which was to provide new buildings with their own infrastructure for the supply of natural gas and 1.2 million euros for the installation of 29,000 meters.

Main projects undertaken in 2019



Electricity	
69.7M€	New power lines (includes the Viana do Castelo undersea cable)
20.9M€	Power line remodeling
17.8M€	Equipment and system remodelling at several substations
9.9M€	New substations
7.4M€	IT projects
15.2M€	Other projects

Transmission - Gas	
5.9M€	Investments in LNG Terminal
4.8M€	Investments in REN Gasodutos
1.4M€	Electrochlorination system at LNG terminal
1.1M€	Investments in REN Armazenagem
4.4M€	Other projects

Distribution - Gas	
15.4M€	Networks
8.1M€	Supply points
2.5M€	IT projects
0.9M€	Other projects

Eletricity: 140.9 M€	Transmission Gas: 16.2 M€	Distribution Gás: 26.9 M€	Transemel: 4.5 M€	Other: 0.1 M€

Group's Investment in 2019: 188.6 M€

Transfers to RAB

In the electricity sector, transfers to RAB reached 151.7 million euros, an increase of 97.8 million euros over the previous year.

Of note were the transfers to operations of an undersea cable of around 17 km to connect the Viana do Castelo offshore windfarm and the reinforcing of the National Distribution Network (RND) with the installation of four new transformers: one of 400/60 kV/kV at the Lavos substation, two of 220/60 kV/kV at the Recarei and Zambujal substations and one of 150/60 kV/kV at the Sines substation.

In addition to the network development projects mentioned above and the establishing, through independent support, of the new Alcochete Fanhões 400 kV line, modernization investment was also made in assets at end of working life. This work included the remodelling of the Riba d'Ave Recarei 1 and Rio Maior Alto Mira, 400 kV lines, and Porto Alto Palmela 2, at 150 kV, as well as the conclusion of remodelling on protection, automation and control equipment and systems at the Estarreja, Falagueira and Sacavém substations and the Monte da Pedra switching station.

In the natural gas transmission sector, transfers to operations grew by 1.7 million euros (+15.5%) to 12.7 million euros in 2019.

Average RAB

At the end of 2019, average RAB was 3.7533 million euros, a reduction of 78.6 million euros over the previous year, influenced by the effect of amortizations greater than the transfers to RAB.
In the electricity sector, average RAB (excluding hydro land) was 2.0614 million euros (-30.5 million euros, -1.5%), 1.0965 million euros of which was in assets with premium, while hydro land stood at 230.4 million euros (-12.6 million euros, -5.2%).
In the natural gas transmission sector, average RAB was 988.5 million euros (-44.1 million euros, -4.3%), while in the natural gas distribution sector, RAB was 473.0 million euros (+8.5 million euros; +1.8%).

4.6.3. Financing and Debt

In 2019, the average cost of debt was 2.1%[10], a reduction of 0.17 p.p. over 2018. This downward trend has been seen since 2013 as a result of ongoing refinancing of maturing debt at more competitive terms in a relatively stable macroeconomic environment, of high liquidity and very low interest rates.

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

REN took advantage of this situation to continue to reduce financial charges and reinforce its image of financial liquidity and solidity.

During 2019, the following following operations were undertaken:

- In February, the facility agreement with ICBC- Industrial and Commercial Bank of China of 120 million euros was renegotiated, with a view to reducing its cost and maturity up to February 2024;
- In September, the revolving facility agreement with the Bank of China of 250 million euros was renegotiated, with a view to reducing its cost and returning it to its original maturity of five years;
- In December, a revolving credit facility was signed with SMBC Bank for 150 million euros, with maturity of five years.
- One new commercial paper programme was also negotiated and another already existing programme was renegotiated, with a total amount of 500 million euros.

The amount of funding operations negotiated in 2019 stood at approximately 1,020 million euros.

At the end of 2019, REN Group consolidated net debt stood at 2,826 million euros. This is 173 million euros more than in the previous year.

Financial Debt
(M€)

IFRS	'19	'18	Change Absol.	Change %
Gross debt	2,869.5	2,706.3	163.1	6.0%
Minus hedging swaps	22.4	17.6	4.9	27.8%
Minus cash and cash equivalents	21.0	35.7	-14.7	-41.1%
Net debt	2,826.0	2,653.1	172.9	6.5%

Bond issues were the primary source of funding during 2019, representing almost 61% of total net debt, followed by bank overdrafts with a weighting of almost 23%.

Sources of Capital Financing Outstanding Debt
(M€)

IFRS	'19	'18	Change Absol.	Change %	Weighting '19	Weighting '18
Bond issues	1,720.7	1,750.7	-30.0	-1.7%	60.5%	65.0%
Bank loans	657.4	756.6	-99.2	-13.1%	23.1%	28.1%
Commercial paper	464.0	180.0	284.0	157.8%	16.3%	6.7%
Other	3.9	4.3	-0.5	-10.6%	0.1%	0.2%
Total	2,846.0	2,691.6	154,329	6%	100.0%	100.0%

Although gross debt in 2019 increased by 163.1 million euros over 2018, essentially due to the acquisition of Transemel, net financing costs fell by 5.3 million euros, from 64.5 million euros to 59.2 million euros. This fall is largely explained by the refinancing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions.
It is further due to the systematic renovation of opportunist financing operations of shorter maturity, against a background of negative Euribor rates.

The average cost of gross debt in 2019 was 2.1%[10], less 0.17 p.p. than in 2018.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed rate debt represented 58%[11] of total debt.

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

With regard to the company's credit rating, REN continued at investment grade at the three main ratings agencies. More specifically, REN's ratings are BBB at Fitch (outlook stable), Baa3 at Moody's (outlook stable) and BBB at S&P (outlook stable).

[10] The calculated cost of debt does not include CLP debt.

[11] Figures do not include CLP debt.

4.7. Proposed allocation of net profit

According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A., in the financial year ended on December 31st, 2019, the amount of 118,899,258.51 Euros (One hundred and eighteen million, eight hundred and ninety-nine thousand, two hundred and fifty-eight euros, and fifty one cents) has been established as net income in the IFRS consolidated accounts, and the amount of 124,933,430.70 Euros (one hundred and twenty four million, nine hundred and thirty three thousand, four hundred and thirty Euros and seventy cents) has been established in the individual accounts, in accordance with SNC.

Considering the above and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2019, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 124,933,430.70 Euros (one hundred and twenty four million, nine hundred and thirty three thousand, four hundred and thirty Euros and seventy cents) be transferred as follows:

- To the legal reserve: 6,246,671.54 Euros (six million, two hundred and forty six thousand, six hundred and seventy one Euros and fifty four cents); and
- To retained earnings: 118,686,759.16 Euros (one hundred and eighteen million, six hundred and eighty six thousand, seven hundred and fifty nine Euros and sixteen cents).

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

- As dividends to shareholders from accumulated available reserves: 114,089,705.80 Euros (one hundred and fourteen million, eighty nine thousand, seven hundred and five Euros and eighty cents), corresponding to a distribution of 96 % of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2019, standing at 118,899,258.51 Euros (one hundred and eighteen million, eight hundred and ninety nine thousand, two hundred and fifty eight Euros and fifty one cents), equivalent to a gross dividend per share of 0.171 Euros;
- For distribution to the employees of REN and its subsidiaries: 3,500,000.00 Euros (three million, five hundred thousand Euros). Due to the accounting rules in force, this amount is already reflected in the net profit of the financial year ended on 31 December 2019 of REN, S.G.P.S., S.A. (238,310.43 Euros – two hundred and thirty eight thousand, three hundred and ten Euros and forty three cents) and its subsidiaries (3,261,689.57 Euros – three million, two hundred sixty one thousand, six hundred and eighty nine Euros and fifty seven cents).

4.8. Outlook 2020

The crisis currently gripping the world has reached an unprecedented level. The contention measures to deal with the pandemic have been heightened every day and our government has just announced the closure of all teaching establishments, the shutting down of multiple public venues and a wide range of other steps to slow done the spread of the disease as much as possible. All over the world, governments are implementing economic and social support measures, seeking to mitigate the recession which is now being seen to some degree in many countries.

Recent events are having a particularly negative impact on the economy, significantly affecting the day-to-day lives of people and organizations.

Listed companies in Portugal are not exempt from this pressure and have seen their value fall. By 12 March, the Lisbon stock exchange had seen losses of almost 30% in just one month, the biggest drop ever. Since the beginning of this crisis, REN has lost 20% of its market value.

Despite such negative times, we remain hopeful that the situation will be overcome and in a few short months, life will be back to normal. The measures being implemented are severe, but necessary. Specialists have warned that the worst is yet to come, but if everyone follows official recommendations, then we will soon see improvements.

Against such a background, the outlook which I can honestly and sincerely share with you is simple:

- We are currently operating under a crisis regime and are focused on preserving critical services. The majority of our employees are working from home in order to avoid unnecessary contact. We believe that we are prepared and that any disruption to central services will be avoided.
- In general, these events will lead to delays in the execution of infrastructure projects and the area of energy will be no exception. Although it is difficult to gauge how long work will be stopped, we hope that it will be possible to partially recover lost time.
- We continue focused on our strategic priorities: operational focus, which is now more critical; financial stability and solidity; training and to remain at the forefront of technology. These priorities are the same both in Portugal and in the international projects we manage.
- Energy transition is an effort, which as I mentioned in the foreword, has become an international priority. Portugal is on the front line of countries working to bring about this change and we aim to continue in this fashion. In coming years, REN will continue to be highly involved in the development of energy projects which will allow the objectives of our government to be reached. These projects will be announced over coming months, as will our contribution to them, which will include the expansion of our capacity for energy transformation and transmission.
- In the energy industry, we will continue to see the phasing out of coal-fired generation and an increase in renewable energies, in particular, a significant expansion in solar energy. Hydrogen will also play an important role in the plans for decarbonization to which we are all committed.
- Finally, I must mention that we will maintain our efforts to invest in the updating of technology and in the management of employees, areas which are critical for ensuring the efficiency, quality and safety of the services we provide.

We feel sure that in 2020 we will be able to meet these challenges, and once again continue to comply with the targets we have set.

05.

Sustainability at REN

Sustainable Energy

def.: quality or condition of that which is sustainable; a series of ecologically correct ideas, strategies and attitudes which are economically viable, socially fair and culturally diverse.

For REN, sustainability is how we guide our corporate action, respecting the values on which the company was founded. In 2019, this commitment was further acknowledged through the recognition of our environmental protection initiatives.

A sustainable step in a world in constant change.

05.

Sustainability at REN

Our commitment goes beyond our mission.

Active corporate citizenship is based on the development of communities and improving their quality of life.

REN

REN's mission is to ensure the uninterrupted supply of energy to the entire country, thus contributing to the development of communities and improved quality of life for the residents of Portugal. This is a task requiring ongoing effort and dedication. Our commitment goes beyond our mission.

We believe in active corporate citizenship with significant involvement in the communities in which we work, from both a social as well as an environmental perspective.

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

5.1. Our Approach to Sustainability

The sustainability information provided in this annual report refers to 2019 and encompasses the activities of the REN Group companies - REN – Rede Elétrica Nacional S.A., REN Gasodutos S.A., REN Armazenagem S.A., REN Atlântico S.A., REN Serviços S.A., RENTELECOM S.A., ENONDAS S.A and REN Portgás Distribuição, plus the research company Centro de Investigação em Energia REN – State Grid, S.A..

This report was prepared in compliance with the Global Reporting Initiative (GRI) guidelines, based on the protocols for general indicators and on the sectoral supplement for the electricity sector. The report has adopted and fully complied with the requirements of GRI and the principles of the AA1000AP standard.

AA1000AP Accountability Principles (2018)
The application of the principles of the AA1000AP standard, which are summarized below, was also reflected in the strategic drivers and in the contents of this report.

With regard to Inclusion (participation of stakeholders in the development and implementation of the sustainability strategy), methodologies and processes for the involvement and participation of various stakeholders were defined. The results were integrated into the REN sustainability strategy review.

In relation to Materiality (determination of sustainability topics which are relevant to REN and their impact), a benchmark analysis of leading national and international companies and the main industry trends in the sector was carried out.

The results of stakeholder consultations held in 2011, 2013 and 2016 were also considered. In 2018, a new stakeholder consultation process was held, which was concluded at the end of 2019. Results are available on our website (at REN>Sustentabilidade> A nossa Abordagem>Envolvimento com Stakeholders e Modelo de Governance).

With respect to Response Capacity (REN's response to relevant sustainability issues and their impact, through its decisions, actions, performance and communication), REN seeks to meet the expectations and concerns raised specifically by each stakeholder, either individually or as a group. In general terms, this report and the REN website[1] are the main forms of communication used to inform on the company's strategy, initiatives and performance achieved. The apps REN Energy and REN Investors are also used.

1 www.ren.pt

With regard to Impact (monitoring, measuring and answering how company actions and activities affect stakeholders), through periodic stakeholder consultations REN identifies expectations and assesses its performance. It also evaluates the impacts of the different topics in the sustainability strategy, subsequently defining action plans so as to meet stakeholder expectations.

REN further aligns its performance on the principles set out in its Social Responsibility Policy Statement, Quality, Environment and Safety Policy Statement and Environmental Policy.

Commitments

REN respects the commitment arising from having joined the United Nations Global Compact (UNGC) initiative in 2005 to provide information on its progress in implementing the ten principles regarding human rights, employment practices, environmental protection and anti-corruption measures Further information on this initiative can be consulted on the REN website (REN>Sustentabilidade>A nossa Abordagem> Códigos e Princípios).

REN is also a signatory to gestãotransparente.org, has established a protocol with IGEN (Equality Organizations Forum) and has a REN Group Code of Conduct which is regularly reviewed and monitored [2].

The correspondence table between the contents of this report and GRI references is available on our website (REN>Sustentabilidade>A nossa Abordagem> Principais indicadores de desempenho) e UNGC.

External independent verification

This document was verified by PwC, an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000). It also took into consideration the principles of standard AA1000AS (Accountability 1000 Assurance Standard - 2008), the GRI, the AA1000APS (Accountability Principles - 2018) and the Portuguese Standard NP-4469-1.

5.1.1 Sustainability Strategy

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

Achieving these targets means that all REN work must be based on principles of sustainability. Every two years, REN consults its stakeholders to assess their perception of company performance with regard to sustainability and to validate materially relevant topics. At the most recent consultation, which was concluded at the start of 2019, new materially relevant topics were identified, thus justifying a review of REN’s Sustainability Strategy. In addition to the three existing pillars, priority topics such as Governance and Ethics were also considered.

Promoting well-being within the company

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

Stakeholder involvement and satisfaction

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

Protecting the environment

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

2 More detailed information can be found in point 5.2

Governance and ethics

This new pillar reflects the importance of updating and aligning company performance with the best practices in international governance ethics, involving stakeholders and promoting a culture of fighting corruption and the non-control of risk.

REN has specific programmes to address this topic, such as codes of conduct, the certification of the social responsibility management system, Source - an automated, centralized procurement and supplier qualification programme, and gestãotransparente.org - to which REN is signatory. These programmes are now highlighted in the company's Sustainability Strategy.

List of materially relevant topics

Environmental policy/ Environmental management systems	Energy efficiency
	Biodiversity
	Awareness and environmental training
Governance model	Corporate governance
	Ethics and conduct
	Risk and crisis management
	Stakeholder engagement
	Anti-corruption
Health and safety at work	Employee satisfaction and well-being
Management of human capital and diversity	Respect for human rights
	Management of human capital and training
	Diversity and equal opportunities
Impact on communities	Local communities
Safety, reliability, quality and guarantee of supply	Innovation, research and technology
	Integration of energy markets
	Integration of renewable energies
	Quality of information on service

5.1.2. Stakeholders

REN periodically identifies and evaluates its relevant stakeholders in accordance with the principles of standard AA1000AP - Assurance Principle – 2018, and in 2018, Certification in Social Responsibility in accordance with standard NP 4469-1.

Further to the commitment undertaken with stakeholders, at the beginning of 2019, REN concluded the stakeholder consultation process (started at the end of 2018) to identify materially relevant topics, always with the aim of meeting stakeholder expectations and improving performance based on the fundamental pillars of the company sustainability strategy.[3]

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

3 Further information available at: REN>Sustentabilidade>A nossa Abordagem>Envolvimento com Stakeholders e Modelo de Governance.

5.2. Main Actions Undertaken

We respect Sustainable Development Goals
REN is committed to respecting the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations.

Fully aware of this commitment, REN promotes, supports and implements actions and projects which are aligned with these goals and which have been identified as priority, in line with the company's sustainability strategy: quality education; gender equality; renewable and accessible energies; decent work and economic growth; industry, innovation and infrastructure; sustainable cities and communities; sustainable production and sustainable consumption; climate action; protecting life of earth; and partnerships to implement these goals.

Based on the four pillars of the REN Sustainability Strategy (internal well-being; stakeholder involvement and satisfaction; protection of the environment; governance and ethics), these objectives are achieved through a range of collaborative actions and projects. These include the different initiatives in the Share Corporate Volunteer Programme, the "Heroes of Every Kind" project, the forest corridor reforesting programme "Planting Tomorrow Together", the MEDEA project, the AGIR Award, the REN Award and the REN Chair in Biodiversity.

We promote the well-being of our employees

Ensuring conditions for well-being, quality of life and overall satisfaction to enhance the value of every employee is one of REN's strategic priorities.

As part of the NÓS programme, which pursues actions to foster well-being within the company and quality of life, diversity and inclusion and personal fulfilment helping to conciliate personal and professional life while improving the overall satisfaction of employees, in 2019, 32 initiatives were undertaken involving 526 REN employees in line with the programme's three pillars: Balance, Equality and Inclusion.

We seek to provide answers to social problems, involving our stakeholders

Involvement with the community, one of the fundamental pillars of REN's Sustainability Strategy and is a mark of the company's work in the field of Corporate Social Responsibility.

In 2019, the 6th REN AGIR Award, dedicated to fighting early school leaving and promoting academic success, rewarded the work of several of the 47 applications submitted. Winners included the projects Apps for Good (www.appsforgood.org), promoted by CDI Portugal (www.cdi.org.pt), which received the top prize, and the projects Superpower Schools submitted by the Juvenile Transformers Association (www.movimentotransformers.org), and Dream Fisher, submitted by the APEXA Association (www.apexa.org). Since 2014, this award has directly benefited more than 2,900 people.

With regard to innovation and development in the Portuguese energy sector in cooperation with educational institutions, a special mention should be made of the REN Award. This is the oldest scientific award in Portugal and is now in its 24th year, and in 2019, 36 applications were submitted. Created in 1995, the REN Award continues to demonstrate REN's commitment to accompany the transformations and developments which shape the energy sector, foresee challenges, identify problems and propose innovative solutions. In 2019, the REN Award was given to the best PhD thesis for the first time. The winning master's theses covered topics relating to artificial intelligence, distribution systems and renewable energies[4].

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In the 2019 edition, MEDEA saw participation by 57 teams. First place went to a team of students from the Povoação Primary and Secondary School, in the Azores, while honourable mentions were given to two teams of students from the La Salle College in Barcelos, and the Póvoa de Santa Iria Schools Grouping.

We defined a Volunteer Strategy so that each person can "give the best of himself or herself"

Also with regard to stakeholder involvement and satisfaction, in 2019 REN carried our numerous actions through its Corporate Volunteer Programme, Share. Specific initiatives were defined for each of the three pillars of action in the volunteer work strategy: education, environment and social support. This year, 24% of REN employees took part in volunteer work actions. In total, REN ran 35 volunteer work initiatives with participation by 169 employees, a 47% rise over figures for the previous year. An increase in the number of hours of volunteer work was also seen, rising to 1,647, where 1,342 hours were by employees and 305 by family and friends of employees.

Of special note in the pillar for education was the participation by 40 employees in young people's entrepreneurship programmes in Junior Achievement Portugal (www.japportugal.org), and in the REN

4 Further information available at www.ren.pt/pt-PT/sustentabilidade/premios_ren

Potential initiative, a voluntary project to fight early school leaving and academic underachievement. This project is held in participation with EPIS – Empresários para a inclusão Social (Business people for Social Inclusion) (www.epis.pt) and in 2019 saw the participation of 18 REN volunteers.

Also highly commendable this year was the annual action to raise environmental awareness through the cleaning of the Mafra Forest (www.tapadademafra.pt), in which REN has taken part since 2013. In 2019, the company once again took 60 volunteers to contribute to this cleaning and restoration programme of 12.6 hectares of natural ecosystem in the REN corridor. Merit should also be given to 63 REN employees who took part together with family members in the action to clean Belinho beach, in the North Coast Nature Reserve. Work included removing invasive species of plants from sand dunes and maintenance of the beach's wooden walkway. This is an initiative in which REN employees participate in partnership with ICNF - Institute for the Preservation of Nature and Forests.

In the area of social support, of note was the conclusion of REN's first participatory budget. In total, 16 projects were chosen from 46 which went to votes and will thus benefit from REN financial support as part of the company's Social Responsibility Policy and Sustainability Strategy. The aim is to assist local communities and environmental protection and with this support, we now cover 14 municipalities and 9 districts.

"24% of REN employees took part in volunteer work actions."

Another initiative with a highly positive impact is the #Giving Tuesday movement (www.givingtuesday.pt) which REN has now joined. This a worldwide solidarity initiative bringing together companies, social organizations and civil society to contribute essential goods, make a generous contribution or just volunteer one hour for a good cause/institution. In total, 61 employees put themselves at the service of their communities in Cercisiago (www.cercisiago.org.pt), in Santiago do Cacém, the Sacavém Social Centre (www.centrosocialsacavem.pt), the Bucelas Day Centre (www.iasfbucelas.pt), the Food Bank (www.bancoalimentar.pt), at Refood (www.re-food.org/pt) and at the Life and Peace Community (Comunidade Vida e Paz) (www.cvidaepaz.pt), in Lisbon and at the Gondomar Santa Casa da Misericórdia (www.misericordia-gondomar.pt).

Also as part of its social support, REN continued its work with Comunidade Vida e Paz, through participation by 35 volunteers helping serve dinners to the homeless in Lisbon. This work takes place on the last Thursday of every month. A further highlight in this regard was support by 11 volunteers at the Food Bank and in campaigns held at the company's installations to collect clothing and toys for children, and food and equipment for animals. Also of note was support for the third year running in the "Red Nose Operation" (www.narizvermelho.pt), where funds were raised through the sale of merchandising to company employees which reverted to this institution. To combat food waste, REN also donated surplus food both from its canteens as well as from events held to the Re-food, Zero Waste (www.zerodesperdicio.pt) and the Comunidade Vida e Paz movements.

In 2019, the "Em Linha" (On Line) Project was continued which, with assistance from five REN volunteers in the "Chamadas de Conforto" (Comfort Calls) initiative run by the REN/EDP Retiree Association (www.arep.pt), promotes interaction among former employees. With the aim of combating loneliness and the abandonment of the elderly, once again REN organized a traditional Christmas lunch at its installations in Bucelas with the members of the local day support centre.

Also in 2019, REN attended another Adapted Sport Day run by the Salvador Association (www.associacaosalvador.com), where, as in previous years, five volunteers provided support to the Quality of Life Project. In the field of sports, REN continued to support employees in their pursuit of different sporting activities including mountain biking, triathlon, running and golf while also renewing its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia.

REN supported the activities of social institutions such as the Fifth Essence Association (www.quintaessencia.pt), whose mission is to maximize the autonomy and integration of people with cognitive impairment, and the Portuguese Asperger's Syndrome Association (www.apsa.org.pt) and its employability programme which aims to develop social skills to help inclusion and professional and social integration.

REN once again provided support for Rock'n'Law (www.rocknlaw.pt), a non-profit initiative promoted by a group of law firms raising funds for solidarity projects. The company also supported the concert "For a New Future", staged by the New Future Association (www.novofuturo.org).

In the area of support for the arts, culture and education, REN continued its partnerships with the Museum of Ancient Art (www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt), the Arpad Szenes Foundation (www.fasvs.pt), where it is patron, and the Lisbon MBA (www.thelisbonmba.com), which was founded by REN.

We protect the Environment and Portuguese Forests

With respect to environmental protection, of special note is the "Heroes of Every Kind" programme (Heróis de Toda a Espécie www.heroisdetodaaespecie.pt), an educational initiative for 3rd and 4th year children all over the country, involving five primary schools in 2019. More than 500 students from the north to the south of the country participated in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment and Energy Transition[5].

In 2019, the protocol between REN and Quercus was maintained to support the Common Forest Programme (www.florestacomum.org). Through this educational programme, REN carried out a new reforesting action as part of the "Plant Tomorrow Together" initiative, in partnership with the Figueira da Foz Municipal Council and the EB 2,3 Pedrosa Veríssimo School, in Paião.

REN's hands-on management of its access corridors for the Forest Defence System against Fires was also recognised at the 2nd Session of the Learning by Sharing cycle on Natural Capital, organized by BCSD Portugal (www.bcsdportugal.org), through the presentation of the project "Vegetation management in access corridors" as a case study. This initiative, which took place in the Pampilhosa da Serra Municipal Auditorium, was held as part of the LIFE Volunteer Escapes project (www.lifevolunteerescapes.org). The aims were to share good practices by companies and to raise awareness for the importance of preserving our Natural Capital and understanding the resulting opportunities and benefits.

Also in 2019, REN held a meeting in Coimbra with numerous partners on "Communication Networks", at the fifth edition of the Access Corridor Management Forum. This joint initiative brought together more than 160 people and was aimed at the teams working with REN in the management of vegetation and in contact with the owners of the land crossed by energy transmission lines. The goal of the forum was to take stock of 2018 and provide guidelines to increase effectiveness in relationships with owners.

The company's partnership was also maintained with the ECO Movement – Companies against Fires (www.movimentoeco.pt). The aims of this programme are to promote the prevention of forest fires and raise awareness among the public with regard to activities that could lead to fires. This is an area of concern for REN and one where the company plays an important role. The goal is to create a national collaboration network to defend the forest, both with regard to prevention as well as in the response to incidents. With this in mind, eight support vehicles were provided to eight Volunteer Firefighting Corporations (Poiares, Viana do Castelo, Batalha, Fundão, Trafaria, Montijo, Montemor-o-Novo and Ribeira de Pena), which now have new means at their disposal to intervene in the event of fire.

Of further note was the "Security Symposium 2019", a meeting organized by REN with the aim of sharing the best practices with regard to prevention, safety culture and emergency response, which brought together representatives of ACT - the Working Conditions Authority and ANEPC - National Emergency and Civil Protection Authority, several different companies and REN's main service providers.

5 More detailed information can be found in point 5.3

Internally, 2019 was also marked by the "Fazer Por Nós" campaign, an internal awareness and mobilisation programme to defend the environment, launched on World Environment Day. More than just warning about the urgency to do something to help the planet and future generations survive, this initiative seeks to stimulate individual action both personally and professionally. Goals include the reduction of waste, promotion of more careful consumption and more responsible behaviour and it involves different initiatives and communication actions. A challenge was therefore launched to all employees to show what each of us can do for the common good, #oqueeuvoufazer_por_nós. This challenge promoted the use of Instagram, with the #intranetren, and invited employees to share a photo or video showing what they had done (or regularly do) which reflects their commitment under one of the four sustainable development goals (SDG), more specifically, 12, sustainable production and consumption, 13, climate action, 14, protect sea life and 15, protect land life.

Also as part of the campaign "Fazer Por Nós", REN launched an action to promote reading by setting up areas at the company's premises to share and reuse books. "Take, donate, read, return" was the motto of this initiative which, inspired by an already existing concept, one which is replicated a little all over the world, seeks to create community libraries at the company, stimulating not only reading, but recycling by giving and sharing books.

We have an ethical and sustainable governance model

With respect to strategic governance and ethics, in 2019 REN became one of the Portuguese companies which has signed the letter of commitment "Business Ambition for 1.5º", an initiative by the United Nations challenging companies around the world to implement measures to fight climate change.

As a founding member of the Portuguese Network of the United Nations Global Compact (www.unglobalcompact.org), a commitment which has been in place since 2005, REN has implemented an action plan in recent years to reduce its direct emissions, particularly with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in high voltage equipment. In this regard, REN has taken part in international working groups where these issues are discussed, and has implemented a range of measures to minimize the environmental effect associated with emissions of GHG.

Also in 2019, REN subscribed to the CEO Guide on Human rights issued by BCSD Portugal - Business Council for Sustainable Development (www.bcsdportugal.org), an initiative whose goal is to motivate business leaders to promote the defence of human rights and improve people's living conditions.

REN is also a signatory to the Transparent Management project - Gestão Transparente.org - Practical Guide to the Management of Corruption Risks in Organizations (www.gestaotransparente.org), (transparent management) which seeks to raise awareness in corporate circles and civil society to the problems associated with corruption. It also highlights the advantages of the prior identification of risks and implementation of policies and internal and external actions to promote transparency and fight corruption.

REN has also established a protocol with the Forum of Organizations for Gender Equality - IGEN (www.forumigen.cite.gov.pt) whose goals include the promotion of actions and good practices in equality and non-discrimination. The REN Group has further implemented a Code of Conduct which is regularly reviewed and monitored.

Additionally, in relation to the governance model, REN maintained certification in 2019 awarded by APCER for its Social Responsibility Management System (standard NP 4469-1). This means that the best practices implemented within the company with respect to sustainability and social responsibility are recognized by an independent entity.

5.3 Performance Management

5.3.1. Social indicators

Different indicators were compiled throughout 2019 allowing the impact of internal well-being measures to be gauged under the company sustainability strategy.

Human resource management and development

With the migration of REN Portgás processes and systems finalized in 2018, the year of 2019 was marked by the standardization of main human resource policies, more specifically with regard to careers and benefits.

This was also a year of consolidation for the new business unit, REN PRO, which provides more market oriented support in Communication and Sustainabilty, Marketing, Commercial Management, Business Development and IT Consultancy and Services.

2019 also saw the start of a number of important programmes with a view to creating a single culture for the entire REN Group and preparation for challenges of future business:

- Conclusion of a development plan to activate and promote the strategic values and pillars which define the desired culture at REN, to be implemented in the coming year;
- Start of implementation of the next three-year REN Campus period (2019-2021), a development programme which emphasises selectivity in training and different development initiatives so as to ensure compliance with the main aims of passing on know-how and the updating and sustainability of the organization's specific knowledge;
- Design of a new Gender Equality Plan 2019-2023. Over the years, REN has been a pioneer in the promotion of gender equality in the Portuguese market. In 2019, with the closing of the 2014-2018 cycle, a task-force for Gender Equality considered it vital to conduct a new diagnosis of this topic so as to obtain a vision which is closer to the real situation of companies in this regard, after the implementation of initiatives. It was on the basis of this diagnosis that REN continued to lead the challenge, designing a new plan and maintaining the requirement for excellence in this area;
- From a perspective of continuity, at the end of the year a questionnaire on the organizational climate was launched to support and promote motivation programmes as well as to provide an overview of the employee work experience;
- There was also continued specific focus on communication of human resource activities and the involvement of all stakeholders through initiatives such as the Senior Staff Meeting, Management Meetings and Strategy Workshops, human resource policy dissemination and clarification sessions, as well as other similar events.

Human resources profile

Number of Employees	'19	'18	'17
Full-time employees	670	675	664
Fixed-term contracts (Fixed, Unspecified duration and commission)	14	12	19
Professional internships	0	4	8
Total	**684**	**691**	**691**
Average age	45.39	44.71	44.10
Average length of service	17.08	16.49	16.03

At the end of 2019, there were 684 employees, 7 less than in December 2018. The average age and length of service rose now standing at 45 years old and 17 years of service.

Rotation Rate	'19	'18	'17
Overall	3.57%	3.90%	4.51%
Men	2.82%	3.38%	4.27%
Women	5.81%	5.46%	5.26%

The rotation rate has fallen in recent years as a result of fewer natural departures of staff and respective replacement.

Diversity	'19	'18	'17
Men	518	515	518
Women	166	176	173
Total	**684**	**691**	**691**
% Women	24.27%	25.47%	25.04%

Diversity (Board/Management)	'19	'18	'17
Men	56	60	63
Women	21	21	19
Total	**77**	**81**	**82**
% Women (Board/Management)	27.27%	25.93%	23.17%

Although the weighting of female employees at REN fell slightly in 2019 (still representing around a quarter of the work force), the number of women in management positions rose demonstrating the company's full commitment to promoting gender equality and equal opportunities for all.

Distribution of employees by professional category

Functional Group	'19	'18	'17
Top Management	27	28	29
Men	18	20	21
Women	9	8	8
Management	50	53	53
Men	38	40	42
Women	12	13	11
Senior Managers	375	372	370
Men	270	261	260
Women	105	111	110
Field / Administrative	232	238	239
Men	192	194	195
Women	40	44	44
Total	684	691	691

REN's organizational structure has remained stable in recent years, demonstrating full alignment with current needs and suitability for the challenges of the business.

Employee distribution by age group

Functional Group	'19	'18	'17
Top Management	27	28	29
Up to 29 years old	0	0	0
From 30 to 49 years old	12	15	15
50 or older	15	13	14
Management	50	53	53
Up to 29 years old	0	0	0
From 30 to 49 years old	32	36	38
50 or older	18	17	15
Senior Managers	375	372	370
Up to 29 years old	51	53	55
From 30 to 49 years old	234	236	237
50 or older	90	83	78
Field / Administrative	232	238	239
Up to 29 years old	9	8	8
From 30 to 49 years old	104	110	117
50 or older	119	120	114
Total	684	691	691

REN employees are aged mostly between 30 and 50.

Academic Qualifications	'19	'18	'17
PhD	3	4	4
Men	2	3	3
Women	1	1	1
Master's Degree	143	139	130
Men	94	90	87
Women	49	49	43
Higher education	309	311	319
Men	222	218	222
Women	87	93	97
Secondary education	181	186	186
Men	159	161	162
Women	22	25	24
Primary education	48	51	52
Men	41	43	44
Women	7	8	8
Total	684	691	691

Degree holders (inludes PhDs and Master's Degrees)	66.52%	65.70%	65.56%
Non-Degree holders	33.48%	34.30%	34.44%

The weighting of degree holders at REN (67%) demonstrates the company's sustained focus on the academic qualifications of our personnel.

Hiring

Number of Employees	'19	'18	'17
Full-time employees	670	675	664
Fixed-term contracts (Fixed, Unspecified duration and commission)	14	12	19
Professional internships	0	4	8
Total	684	691	691

'19	Men	Women	Total
Full-time employees	508	162	670
Fixed-term contracts (Fixed, Unspecified duration and commission)	10	4	14
Professional internships	0	0	0
Total	518	166	684

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

Personal and professional development

RENTrainee programme

The REN Trainee Programme is now a consolidated feature, both inside and outside the company. It also enjots a high level of satisfaction and demand in the market. The programme consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects in different areas of the company, creating value for the organization while also enhancing their own skills.

Indicators	'19
Professional internships	16
Academic internships	20
Summer internships	17
Total	**53**

VIVA Programme

The VIVA Programme - Welcome and Integration - has been a huge success and has had a highly positive effect on new employees joining the Company.
In addition to providing an overview of the company, its values, mission and areas of business, it also allows newcomers to identify more quickly with REN and enable networking opportunities among new and existing employees. This programme consists of visits to REN's main installations and an e-learning course providing rapid and simple insight into REN's business.

Indicators	'19
No of Editions	3
Satisfaction Rate – VIVA Programme (%)	94%
Satisfaction Rate – VIVA e-learning (%)	100%

REN Campus

The REN Campus is REN's training model which is dedicated to the full development of human capital. Its mission is to provide differentiating value in the management of knowledge by creating across-the-board and specific training programmes which are in alignment with the company's strategy and business. The main aim is to promote the growth and development of the business through the development of people, with differentiated supply directed at the correct management of intellectual capital and the ongoing transfer of knowledge.
In 2019, implementation of the 2nd REN Campus three-year period started (2019-2021).

Training	’19	’18	’17
No of Hours of training	29,858.00	29,930.40	34,543.89
No of Participants	3,959	3,897	3,340
No of Hours of training per Employee	43.46	43.25	49.49
% Men	41.60%		
% Women	49.04%		

Star Programme – Performance Management

2019 was a year of standardization of the performance assessment model for the entire group, including the recent business unit of REN Portgás.

Indicators	STAR 2018
Number of employees covered	664
% of assessments concluded	100%
Average – final assessments competences (1-3)	2.45
Average – final assessments goals (1-5)	4.09
% of bonuses calculated as compared to the number of assessments	99.70%

Social Dialogue and Benefits

In the area of social dialogue between management and employee representation structures, numerous meetings were held which sought solutions and debate on matters of interest for both parties. As a result of dialogue and based on the ACT agreement established between the parties, a general salary increase of 1.2% was awarded to all employees covered by the REN ACT. This was also extended to the REN Portgás ACT.

Union membership at REN remains stable at 39%.

Functional group (No of hours)	’19	’18	’17
% Staff who are union members	38.74%	38.35%	36.90%
% Full-time ACT workers	99.56%	98.84%	97.97%
Staff who are union members	265	265	255
ACT Employees	681	683	677

The REN benefits policy, centred on supporting its employees in important areas of family and personal life, includes a series of additional supports and benefits with regard to health, education and culture, etc.

The FLEX Programme which provides a choice of benefits adapted to the life cycle of every employee is now consolidated. Employees from REN Portgás have maintained their specific programme of flexible benefits.

Benefits	Employees with Transitional Scheme from previous ACT (1)	Employees with Flex Plan (2)	Employees with Flex-REN Portgás plan (3)	Employees with Individual Work Contract (4)
Life insurance / Mortgage life insurance		X	X	X
Personal accident insurance	X	X	X	X
Health Insurance		X	X	X
Sick leave insurance			X	
Complementary Health Scheme	X			
Pensions Plan - Defined Benefit	X			
Pensions Plan - Defined Contribution		X	X	
Electricity at reduced prices	X		X	
Study subsidy	X			
Education and child care vouchers		X	X	
Social Pass		X	X	
Vocational training reimbursement		X	X	
Holiday Camps	X	X	X	X
Social Support Voucher			X	

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

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

(3) employees covered by this flexible benefits programme have fixed and flexible components and can choose from the benefits available up to the limit of their annual credits;

(4) standard benefits agreed upon for individual work contracts.

Health & Safety

Our awareness that a safe and healthy environment is a determining factor in the satisfaction of different stakeholders has led REN to prioritise the efficient management of occupational health and safety. The occupational health and safety management system is certified by an accredited entity and encompasses most Group companies. Its main objective is to prevent work related accidents and illnesses involving Company employees or the employees of contractors and service providers collaborating with REN.

Safety

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

Data for 2019 are as follow:

Company	Average No* of workers		No of hours worked**		No of fatal accidents		No of non-fatal accidents		No of days lost	
Gender (M/F)	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
REN Eléctrica	184	26	327,302	45,588	0	0	3	0	0	0
REN Serviços	117	82	198,515	131,694	0	0	3	0	0	0
REN Gasodutos	81	13	133,964	23,089	0	0	0	0	23	0
REN Atlântico	27	2	49,084	4,097	0	0	0	0	0	0
REN Armazenagem	6	0	9,647	0	0	0	0	0	0	0
REN Trading	6	2	9,713	1,779	0	0	0	1	0	26
REN TELECOM	3	0	5,250	0	0	0	0	0	0	0
ENONDAS	1	0	1,910	0	0	0	0	0	0	0
REN SGPS	12	16	22,609	27,992	0	0	1	0	31	0
R&D Nester	14	2	23,910	3,382		0	0	0	0	0
REN PRO	22	16	38,468	25,680	0	0	0	0	0	0
REN Portgás Distribuição	55	14	92,717	21,226	0	0	1	0	0	0
Total REN	**528**	**173**	**913,089**	**284,527**	**0**	**0**	**8**	**1**	**54**	**26**
Total No of Service Providers and Contractors	**937**	**139**	**1,946,075**	**288,907**	**1**	**0**	**20**	**6**	**458**	**75**

* This is the average number of workers in the year and not the real number of workers at 31 December 2019.

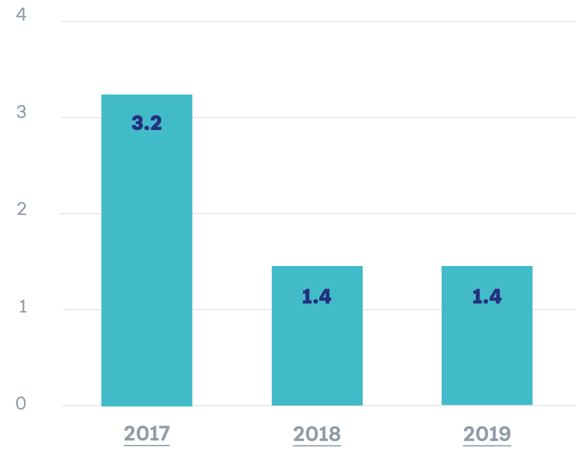
** Potential workable hours = Number of theoretically possible working hours based on the normal working period of employees in business days for the year (i.e. excluding holidays and public holidays)

In 2019, there was one less accident involving REN workers than in 2018. In total, 364 days were lost. Of the nine accidents, only one was in full-time work resulting in days lost. Five were in full-time work but without days lost and three did not involve full-time work (during commuting). Of the 80 days lost, 26 were the result of one full-time work accident, 31 from a commuting accident and 23 from a commuting accident which took place in 2018.

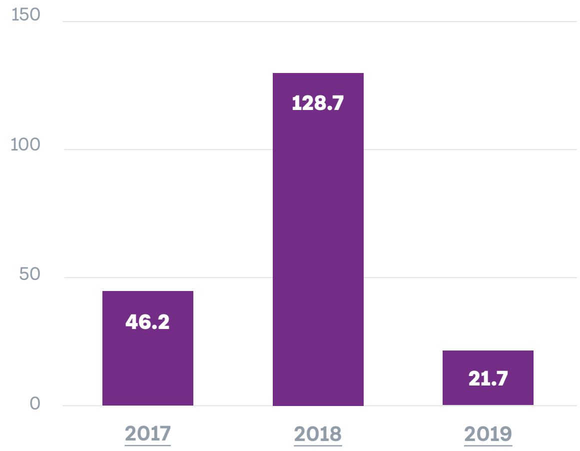
With respect to service providers and contractors, there were twelve more accidents in 2019 than in 2018 and 133 more days lost. Of the 27 accidents, 20 resulted in days lost and there was one fatal accident.

Incidence and severity indexes - REN

Incidence Index

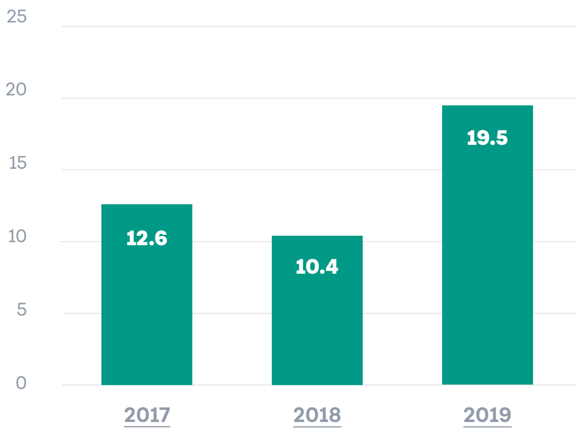


Severity Index

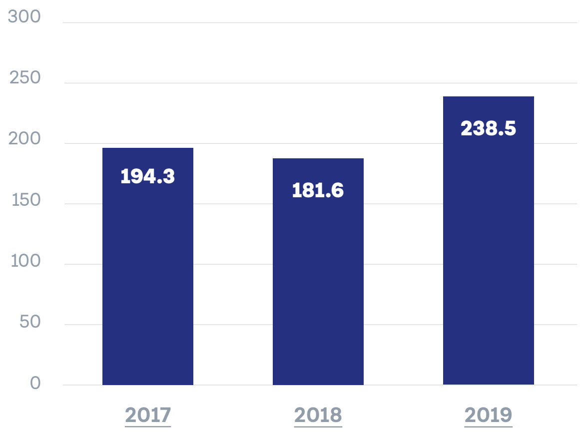


Incidence and severity indexes – service providers and contractors

Incidence Index



Severity Index



With regard to REN workers in 2019 when compared to 2018, the incidence index remained the same while the severity index evolved favourably. It should be noted that compliance with the target set for the severity index (less or equal to 225 days lost per million hours worked) was actually reached.

In relation to contractors and service providers, in 2019 both indicators evolved favourably over figures for 2018. The target set for the severity index was not attained.

All work and services awarded to contractors and service providers are subject to monitoring and operational control in accordance with legislation in force and REN's own requirements. Occupational health and safety requirements are also observed.

During 2019, REN ran training courses and safety awareness actions, involving all contractors and service providers.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and improvement opportunities, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2019, safety drills were undertaken at six REN facilitues (Carriço facility, the Sines LNG Terminal, the Vermoim, Sacavém and Bucelas complexes and the head office building in Lisbon).

Further information on this topic can be consulted on the REN website[7].

Note: To calculate the indices shown in the graphs above, only full-time employee accidents were considered in days lost.

7 www.ren.pt

Health

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

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

The aims of this programme are to:

- Provide healthy workplaces by creating conditions conducive to health and well-being;
- Diagnose situations through a multidisciplinary team of doctors and health professionals;
- Furnish employees and their families with the knowledge and skills to enable healthy lifestyles to be adopted;
- Share responsibility with health organizations, the community and those working in health care management.

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

	’19	’18	’17
Auxiliary diagnostics (per group of examinations)	458	378	424
Medical interventions	688	633 (*)	262
Nursing interventions (per group of examinations)	458	475	304
Visits by doctors to places of work	16	14	10

REN recognizes that healthy routines and health screening bring added value to company stakeholders and promote activities in this regard.

In addition to numerous internal initiatives, all REN employees are also covered by individual health care plans which can also include their families.

It should be noted that the REN absenteeism rate is approximately 2%.

	’19	’18	’17
Absenteeism Rate	2.20%	2.11%	2.06%

* This rise was due to the increase in health surveillance in order to comply with legislation on electromagnetic fields and the integration of REN Portgás

NÓS Programme

The REN NÓS Programme is based on three axes: Balance, Equality and Inclusion and it impacts on improvement in the quality of life, experience and satisfaction of employees. In addition to the continuity initiatives which were maintained, as is the case with curative medicine consultations, screening and vaccination, the academic merit award, wedding and new born gifts and inclusion initiatives, 2019 also saw the conclusion of a diagnosis on gender equality at REN. Highly satisfactory results were obtained and a new Strategic Plan for Gender Equality was designed to be implemented from 2019 to 2023.

Indicators	'19
No of Initiatives	32
No of Participations	526

POP - personal opinion programme

Every two years, REN conducts an organizational climate study – POP (Personal Opinion Programme) so as to get to know the opinion of REN workers and their degree of general satisfaction with topics such as Working Conditions, Commitment and Communication.

In 2019, thanks to a positive involvement of REN employees a participation rate of 84.5% was possible. This high level of participation will allow the company to identify our strong points and areas that require improvement. The results of the POP study will be sent to all employees in 2020, while an action plan will also be designed allowing aspects to be improved which are considered as priority by REN.

Indicators	'19
Participation Rate	84.5%
'I'm satisfied working at REN'	82%
Overall Satisfaction Index	64%

Relations with the community

Aware of its responsibility with regard to sustainable development, and having the goal of growing with the communities where we work so as to build a socially responsible future, REN collaborates with such communities as one of the main pillars of its sustainability strategy, by providing support and working in partnerships in numerous projects.

This involvement with communities, which extends beyond mere compliance with its mission to manage the country's power transmission systems, also includes active corporate citizenship which seeks to contribute to the improved well-being of people. With this in mind, REN's work involves not only the development of communication plans which are suitable to the actual situation of the communities with which the company interacts, but also holds meetings with local government and other local stakeholders, in close coordination with our operational departments.

The MEDEA project, an initiative developed in partnership with the Portuguese Physics Society is an example of this approach. MEDEA promotes knowledge of physics among secondary school students, which every year motivates participating students to develop a scientific project based on the measurement of very low frequency (0-300 Hz) electrical and magnetic fields in environments such as those around their schools, at home and near power lines. The MEDEA project has involved around 1,700 students, 261 schools and 288 teachers. In this 10th edition in 2019, MEDEA involved 158 students from all over the country and 28 teachers, representing 25 teaching institutions in Portugal. As part of this project, REN also organized a course for 21 teachers at its premises in Sacavém with the aim of providing them with better and more in-depth knowledge about Electro Magnetic Fields to enable them to work on this subject in their classes with greater effectiveness and help their students participate in MEDEA.

Heróis de Toda a Espécie (Heroes of Every Kind) is an initiative which fosters good relations with the community in the area of environmental education and awareness. The programme is supported by the Ministry of Education and the Ministry of the Environment and Energy Transition and technical accompaniment is provided by the Portuguese environmental association, Quercus. Started in 2016, this programme is for year three and four primary students and seeks to make these young people more environmentally conscious and impart a greater sense of responsibility in the protection of biodiversity, preservation of the Portuguese forests and conservation of endangered plants and animals. This project involves 4,900 primary schools around the country, which every year receive the new materials for the programme. They are also able to access all content via the website (www.heroisdetodaaespecie.pt). In 2019, special programmes were held in Oeiras, Vieira do Minho, Montalegre and Ribeira de Pena which were attended by around 562 students and 30 teachers. In four years, this project has taken place in 21 different locations around the country and involved more than 2,000 students and around 110 teachers.

“REN is responsible for cleaning 21,000 hectares of forest all over the country.”

REN also continued in 2019 with its programme to reforest electricity line access corridors, an action which brought together 100 students from the EB 2,3 Pedrosa Veríssimo School, in Paião, Figueira da Foz to plant more than 2,000 trees, once again under the slogan “Plant Tomorrow Together”. Raising awareness among the surrounding community to the need to create a sustainable ecosystem, these initiatives seek to stimulate more active intervention by owners on their land, which in turn, leads to better management of the corridors in the prevention of fires and creating economic value for the owners themselves. Currently, REN is responsible for cleaning 21,000 hectares of forest all over the country. During access corridor reforesting and conversion initiatives promoted by REN, in the last ten years, more than one million trees have been planted, representing 10% of the forest area occupied by its power transmission infrastructure. The aim is to reach 25% by 2025.

Innovation, Research and Technology

The REN Group working philosophy is based on a set of values and principles which the company seeks to implement so as to foster an image of excellence as an energy transmission network operator and to create the largest possible sustained value for shareholders.

It is against this background that the REN Group recognizes the importance and the impact which its work represents for society in general where R&D and Innovation are seen to be a strategic factor. In this regard, it is important to highlight the following:

i. The setting up of the research centre, Centro de Investigação em Energia REN-State GRID, S.A (R&D NESTER), a joint initiative with the shareholder SGCC State Grid of China in the field of science. The aim of this centre is to undertake research projects in different areas, and is today involved in numerous successful international initiatives;

ii. The REN Award, given annually with the aim of recognizing outstanding Master's and PhD theses.
iii. Support for a significant number of Research and Development (R&D) projects through partnerships with national academic institutions;
iv. Participation in Associations, National/International Bodies;
v. The company is a member of the Collaborative Laboratory (CoLAB) ForestWISE for the Integrated Management of the Forest and Fire.

R&D Investment and Subsidies

R&D investment by the REN Group from 2016 to 2018 (3 years) stands at approximately 2 million euros.

For the same period, R&D NESTER invested more than 4 million euros.

This sum relates essentially to expenditure in R&D projects developed internally and/or in cooperation with national and international organizations, including academic institutions recognized by the national scientific and technological system.

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

R&D Projects in Cooperation with Other Entities

Participation by REN and R&D NESTER in collaborative R&D projects with other partners in the sector has increased. Of note is participation in the European Horizon 2020 Programme (H2020), where Rede Electrica Nacional, S.A., in the role of TSO, is currently participating in four (4) projects and R&D NESTER, in the role of R&D centre, is currently participating in eight (8) projects.

It should also be noted that other projects are underway relating to other R&D funding programmes (national and international), such as the INTEREG and Portugal 2020 programmes. In this regard, please see the tables below.

HORIZONT Programme 2020	REN GROUP	R&D NESTER
TDX_ASSIST (2017-2020) - Coordination of Transmission and Distribution data eXchanges for renewables integration in the European marketplace through Advanced, Scalable and Secure ICT Systems and Tools	X	X
OSMOSE (2017-2021) - Optimal System-Mix of flexibility Solutions for European electricity	X	X
INTERRFACE (2019-2022) - TSO-DSO-Consumer INTERFACE aRchitecture to provide innovative grid services for an efficient power system	X	X
FlexPlan (2019-2022) - Advanced methodology and tools taking advantage of storage and FLEXibility in transmission and distribution grid PLANning	X	X
GIFT (2019-2022) - Geographical Islands FlexibiliTy		X
FLEXITRANSTORE (2017-2021) - An Integrated Platform for Increased FLEXIbility in smart TRANSmission grids with STORage Entities and large penetration of Renewable Energy Sources		X
INTERPRETER (2019-2022) - Interoperable tools for an efficient management and effective planning of the electricity grid		X
FleXunity (2019-2021) - Scaling-up Power Flexible Communities business models empowered by Blockchain and AI		X

INTERREG ATLANTIC AREA programme	REN GROUP	R&D NESTER
ARCWIND (2017-2020) - Adaptation and implementation of floating wind energy conversion technology for the Atlantic region		X

PORTUGAL 2020 programme	REN GROUP	R&D NESTER
OPTIGRID (2018 - 2021) - Analysis Methodology on the Dynamic Capacity of Lines and Optimized Management of Electrical Networks		X
GreenEst (2018 - 2021) - Green Ester Transformers	X	

A highlight in 2019 was the conclusion of the European Projects: BigDataOcean and RESUCI which saw participation by R&D NESTER.

The BigDataOcean Project – Exploiting Oceans of Data for Maritime Applications - was the first H2020 project involving R&D NESTER. Coordinated by the National Technical University of Athens, this european project saw participation by 10 entities from different countries (Greece, Portugal, the UK, Germany, Cyprus and Italy). The main aim was to introduce big data technologies into how sea-related industries operate, providing a positive economic, social and environmental impact. With this in mind, the project focused on the combination of four pilot cases which were at the origin of the development of the largest maritime database currently existing. At the same time, a platform was developed allowing this data to be accessed and where participants can also submit their own data, both public as well as private, and extract useful information. R&D Nester's main contribution to this project lies with the implementation of a pilot case which seeks to improve the characterization of the ocean as a resource for wave energy. Access to the platform and a detailed description of the project can be found at http://www.bigdataocean.eu/site/.

The RESUCI Project – Space-based services for Resilient and Sustainable Critical Infrastructures, resulted in a partnership between GMV and R&D Nester which was supported by REN from the design and planning stage of activities until its conclusion. The project was funded by the programme ARTES Integrated Applications Promotion of the European Space Agency (ESA). A pilot project was first implemented in protection corridors in an area of 100 km² over a period of one year where three proposed services were tested. These services involved a series of requirements to be complied with, which were previously identified with the entities supporting the project. It was concluded that two of the three services proposed and tested showed technical and economic viability, thus demonstrating their potential impact in areas of asset and access corridor management. This is a service to monitor access corridors to detect activity and obstacles and provide a management and control service for maintenance operations in these corridors.

A detailed description of the project can be found at https://business.esa.int/projects/resuci.

Internal R&D Projects

Within the REN universe, and in line with what has taken place since R&D NESTER was set up, it is common practice for joint teams to collaborate in projects with a direct impact on REN's activities, more specifically with regard to the creation and maintenance of forecasting tools and/or simulation models which allow the network operator to overcome current and future challenges in the management of electricity networks, involving the significant integration of new renewable resources, such as wind and solar and electric vehicles.

The national and international scientific community has come to recognise the R&D nature of these projects via:

i. publication of articles in scientific magazines;
ii. presentations at different conferences;
iii. patent claims.

Internal projects

Internal projects	REN	R&D NESTER
Remodelling of Auxiliary Services at the Pontinha switching station	X	
Monitoring of leakage and flash-over currents in VHV overhead lines	X	
Prot.MPLS - Line differential protection tests and teleprotection of the IP/MPLS communications network	X	X
Smart substation testing and implementation	X	X
RESFOR - Research into methods to predict wind energy in Europe and America, including prediction methods, weather forecasting numerical data and service prediction methods.		X
GRID4RES - The aim of this project is to contribute to the study of RES connection conditions against a background of high RES penetration in network.		X

Sustainability and Innovation at REN Portgás Distribuição

During the year, several initiatives were undertaken with respect to the Research, Development and Innovation Investment Plan, which included a strategic analysis culminating in changes to the Innovation Policy. In-depth studies were carried out in the field of renewable gases, more specifically, hydrogen, and important internal documents were produced to ensure the maximization of competences. An Innovation Roadmap was also produced with the aim of supporting strategic analysis and prioritizing company investment in R&D&I.

With respect to certified management systems, REN Portgás Distribuição successfully implemented a strategy to integrate the new processes model in the transition to the new Health and Occupational Safety Standard (ISO 45001:2018). An historic milestone was thus reached as REN Portgás Distribuição became the first national utility company to obtain this certificate in the four areas of Environment, Quality, Safety and Innovation.

In 2019, in the development of its innovation strategy, the company changed its policy, influenced naturally by the sector's external environment. The strategy is based on three pillars:

- The Sustainable Gas pillar, expresses recognition by REN Portgás of the need to be part of the energy transformation process, ensuring the adaptation of its assets to the new requirements to be able to deal with gases from renewable sources;
- The Smart Gas Company pillar constitutes the most technological component. The vision is business based, where assets have a relevant size, but focuses on digitalization as the path to modernize organization;
- The Customer Engagement pillar challenges equipment manufacturers to develop different solutions for end customers, and to provide communication offering greater proximity;

The Portgás Distribuição R&D&I strategy is based on a model of internal innovation so as to promote the creation of value in the organization, and externally so as to ensure that value is created through an ecosystem of partners. Of note among the partnerships established by REN Portgás Distribuição is the strategic partnership with Innoenergy, an innovation community at the European Institute of Innovation and Technology.

Also in this regard, in 2019 the company was key-speaker at the International Forum of Smart and Sustainable Communities, in Braga, with the topic of "Future Cities: The role of natural gas in sustainability". We also participated as speakers at the Workshop "Uses and applications of hydrogen and its role in energy transition" organized by INEGI, with the topic "Power-to-gas-hydrogen in natural gas assets".

Also, at the end of 2019, REN Portgás Distribuição involved its external service providers in the Research, Development and Innovation Management System, creating a space to enable them to submit ideas in relation to the subcontracting chain, in the expectation of generating innovation throughout the value chain.

With regard to the consolidation of best practices, the MoveQAS project was successfully implemented with the aim of creating an information system to provide support in the accreditation of external suppliers, enabling the holistic validation of their Quality, Environment and Safety requirements. Both internal and external training courses were given with the goal of ensuring standardization in the accreditation and document management process. The project involved more than 800 people, internally and externally, culminating with entry into production and generating of value in the checking of requirements and effectiveness in the management of the value chain.

In relation to the Quality, Environment and Safety Integrated Management System, the results of one of the REN Portgás Distribuição permanent committees were produced and approved. More specifically, the findings of the Risk Assessment and Stakeholders Committee whose efforts led to an analysis of the business, identifying and assessing risks and opportunities, as well as creating action plans to mitigate risks and capitalize on opportunities. At the same time, this committee undertook an analysis of the company's stakeholders, allowing a relational and impact assessment model to be created.

REN Portgás Distribuição currently has a programme underway to obtain certification under two new standards and it is expected that this programme will be concluded within two years. The standards are:

- Business Continuity (ISO 22301)
- Asset Management (ISO 55001

The implementation of this ambitious programme will allow better preparation and alignment with the pillars of modern management systems which include risk management and stakeholder management, thus ensuring the overall sustainability of the system.

Participation in Associations and National / International Bodies

REN and R&D NESTER continue active in establishing protocols and partnerships with numerous entities in the national scientific system and sector associations, more specifically with INESC-TEC, ISEL, LABLEC, EFACEC, LNEG, the University of Coimbra and IST to develop projects and provide representation at entities such as COTEC, APREN, CCILC, IEEE and more recently at UN CTNC (United Nations – Climate and Technology Center and Network).

In this regard, the active participation by the company international working groups should also be mentioned, they include:

- **ENTSO-E** – Research, Development & Innovation Committee; Market Committee; System Development Committee; System Operations Committee.
- **CIGRÉ** (Conseil International des Grands Réseaux Électriques) Representation of R&D NESTER on the study committees: C5.22 - "The Management of Systemic Market Risk in Electricity Markets"; C5.24 - "Exploring the Market-based value of Smart Grid developments"; C5.25 - "Regulation & Market design perspectives raised by new storage

technologies" e B5.60 - "Protection, Automation and Control Architectures with Functionality Independent of Hardware" | Representation of REN on the study committees: B2 "Overhead lines"; B3 "Substations and electrical installations"; B5 "Protection and automation"; C2 "Power system operation and control"; C3 "Power system environmental performance" and D2 "Information systems and telecommunication"

- **European Technology & Innovation Platforms (ETIPs)** R&D NESTER participates in the Working Groups (WG): WG1: Reliable, economic and efficient smart grid system; WG4: Digitisation of the electricity system and Customer participation; WG5: Innovation implementation in the business environment.

Participation in international working groups

I – ENTSO

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

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

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

With regard to Network Codes, REN contributed to the implementation of the codes nationally in collaboration with DGEG and ERSE.

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

ENTSO-G continued active during 2019 with working groups in its three main areas of business: Market, System Development and System Operation.
With respect to Regulation (EC) No 715/2009, REN participated in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development - WG Investment; WG Market, WG Market Codes, WG Market Development, System Operations - WG Transparency and Interoperability.

II – EUROPEAN INSTITUTIONS

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

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

The company continued to monitor the development of the Clean Energy Package which the European Commission launched in 2016 and which led to the publication of different legislative components at the end of 2019.

With the appointment of the New Committee, further to the European elections and the launch of the "Green Deal", monitoring was also started of this initiative, a central element in European Energy Policy in coming years.

III - WORKING GROUPS PRESIDED OVER BY THE EUROPEAN COMMISSION

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

IV - MED-TSO

REN, a founder member of this association of Mediterranean Electricity Transmission System Operators, plays an active role through its Vice-Presidency of this Association and through participation on several Med-TSO technical committees.

V – GIE (Gas Infrastructure Europe)

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings particularly with regard to the development of the Energy Union and the future perspectives for the European Energy System taking into account the decarbonisation of the natural gas sector in the 2050 horizon and its impact on gas infrastructures.

5.3.2. Environmental

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. As environmental protection is one of the three axes which govern REN's sustainability strategy, it is important to analyse the indicators which were compiled in 2019 in this regard.

Environmental Management

Environmental Policy

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

The Company approach on this topic can be consulted on the REN website[8].

Energy

REN's energy consumption in 2019 is shown in the table below.

Energy Consumption at REN (GJ)	'19	'18	'17
Electrical energy of infrastructure and buildings	366,954	269,580	263,702
Natural gas (boilers, pilots and controlled flares)	337,004	294,248	279,520
Propane gas	30	117	113
Natural Gas	4,094	38,960	2,940
Fuel (Diesel and Petrol)	27,776	23,477	1,134
Losses in the electricity transmission network	2,647,516	2,826,187	2,565,122
Losses in the gas transmission network (purges)	2,290	1,614	18,749
Total	**3,385,664**	**3,454,183**	**3,131,280**

8 www.ren.pt

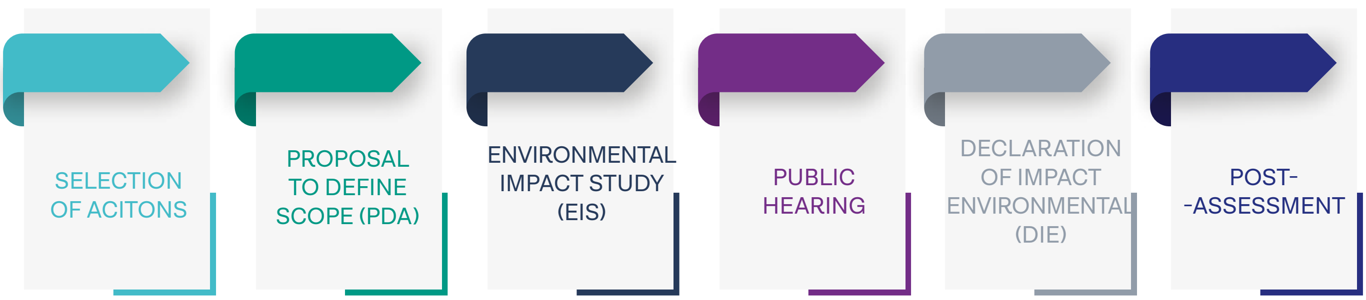
Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is an environmental policy instrument (Decree-Law No 232/2007 of 15 June 2007, amended by Decree-Law No 58/2011 of 4 May) which seeks to ensure an assessment of the environmental consequences of specific plans and programmes and its respective prior implementation.

The draft versions of the Electricity Transmission Network Development and Investment Planfor the 2020-2029 period (PDIRT 2020-2029) and the Development and Investment Plan for the National Liquefied Natural Gas Transmission, Storage Infrastructure and Terminal Network (PDIRGN 2020-2029) were accompanied by a "Technical note justifying the non-completion of the AAE for PDIRT 2020-2024 (2029)" and a "Technical note justifying the non-completion of the AAE for PDIRGN 2020-2024 (2029)", drawn up by REN with the collaboration of the Faculty of Engineering at the University of Porto (FEUP). These Technical Notes were submitted to consultation to the Entities with Specific Environmental Responsibilities.

It should also be noted that in 2019, the "Environmental Assessment and Control Report (2015-2018)" (RACA) was drawn up and is available on the REN website.

Project Assessment



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

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

	'19	'18	'17
Environmental Impact Assessment Processes	6	7	2
Environmental Impact Statements Issued	5	2	1
Environmental Project Studies	0	0	0
Environmental Impact Studies (EIA)	1	4	0
Environmental Compliance Report on the Execution Project (RECAPE)	0	3	0

During network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with goals and targets defined both by REN and the provisions of environmental impact declarations or decisions on the environmental compliance of and execution project.

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

In 2019, monitoring actions were also undertaken at different REN infrastructures, covering the following descriptors:

No of infrastructures monitored by descriptor	'19	'18	'17
Bird life	2	8	8
Soundscape	2	3	2
Hydro resources	0	0	0
Flora	0	1	0
Iberian Wolf	0	0	0
Electromagnetic Fields	0	5	2

In 2019, seven REN projects were subject to external environmental monitoring and supervision.

Prevention of climate change

Economic performance

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

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

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

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

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

Climate change and energy challenges

Since 2010, REN has provided information on company policies and activity with regard to climate change in accordance with the Carbon Disclosure Project (CDP).

In the most recent assessment, the company obtained a classification of C. This assessment reinforces the fact that REN is aware of the impacts which its activities have on the environment, particularly in relation to its contribution to climate change. This awareness will allow steps to be taken to reduce GHG emissions and measure and manage their impact. It will also allow medium and long-term reduction objectives to be defined and implemented while also monitoring the progress of these objectives and implementing activities for emissions reduction.

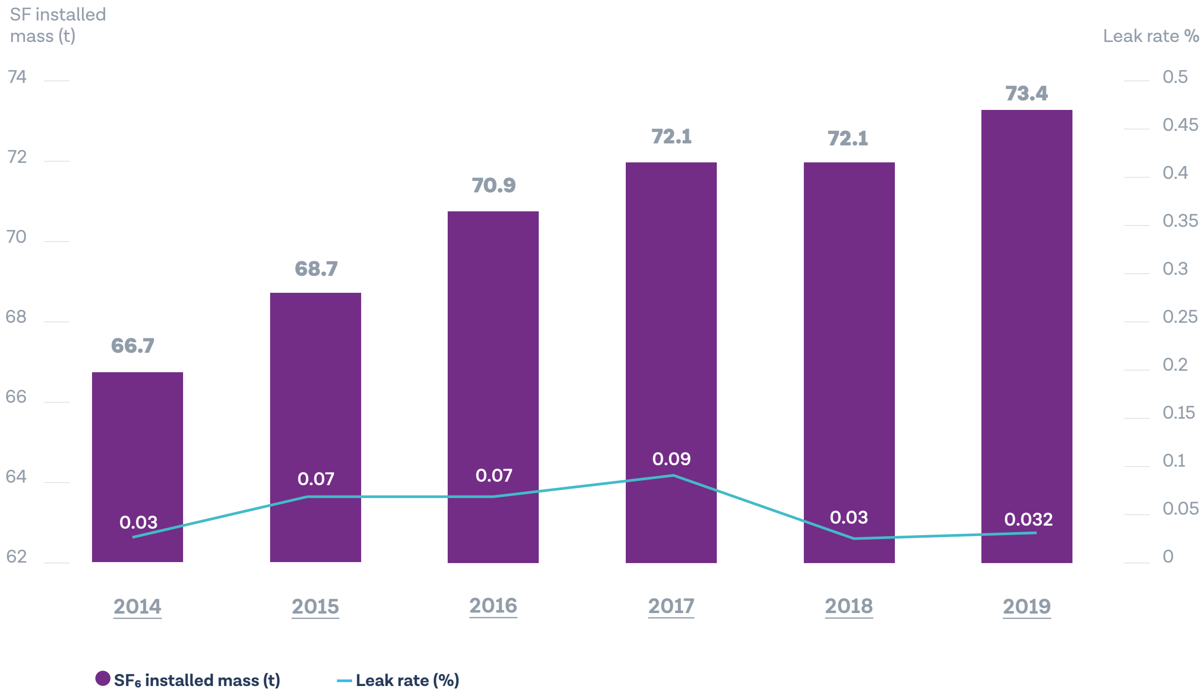
Further information is available on the Carbon Disclosure Project at https://www.cdp.net/en.

Greenhouse gas emissions ($Ton\ CO_2\ e$)	'19	'18	'17
Scope 1	22,812	21,745	28,286
Natural gas purges (CH_4)	1,080	761	8,845
Flare burn	0	17	249
Self-consumption by boilers	18,906	16,491	15,423
Sulphur hexafluoride (SF_6)	541	545	1,398
Natural Gas (buildings)	230	2,186	165
Propane Gas (buildings)	2	7	7
Fuel (equipment and fleet)	2,053	1,739	2,199
Scope 2	232,200	241,607	242,891
Electricity	25,576	21,039	22,647
Electricity losses in the network	206,624	220,568	220,244
Scope 3	557	559	536
Air Travel	557	559	536

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

Greenhouse gas emissions ($Ton\ CO_2\ e$)	'19	'18	'17
Number of train trips (Lisbon-Porto)	378	326	455
Number of videoconferences	6,129	5,105	21,557

In the area of preventing and controlling greenhouse gas emissions, over the course of recent years REN has implemented a strategy to minimize its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment. In 2019, the leak rate was maintained at practically the same level. The company's efforts to reduce SF_6 leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level.



Climate change and energy challenges

Fleet

The REN fleet now has 10 vehicles in operation which are 100% electric, seven of them benefit form recent technological advances as the have an autonomy of 400 Km as measured by the NEDC – the new European standard to assess emission levels and fuel economy in passenger cars. This autonomy allows the majority of travel needs to be met.

The reduction in the ecological footprint of the company vehicle fleet is a concern of REN, which is constantly searching for solutions which promote greater sustainability and are better for the environment.

Buildings

In 2019, the renovation of dispatch areas was concluded with the installation of more efficient and modern climate control equipment and replacement of all lighting with LEDs.

The process to replace the climate control system in the building on Avenida EUA was started. The new system is more efficient and modern and will lead to a reduction in the building's energy consumption of 5% to 10%. Air conditioning with fluorinated greenhouse gases (e.g. R22) is also being replaced.

All lighting at the Vermoim warehouse was replaced allowing a reduction of 80% in energy consumption. Asbestos-cement coverings were removed at the Vermoim building and oil retention basins were installed.

Managing CO_2 emissions from plants with PPAs

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

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

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GHG, after the international consensus achieved in the Paris Agreement of 2015 and the implementation agreed at the Katowice Conference in December 2018. Through the allocation of a price on CO_2, (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), the goal is to reduce the emissions of the main industrial facilities and covers sectors such as the production of electricity from fossil fuels, steel making, ceramics, petrol refineries and more recently, aviation.

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

With the aim of minimizing annual expenditure on the purchase of emissions licences (on the total amount of emissions made by PPA plants, with the end of allocations for the national electricity production sector), and as such, the total costs incurred by consumers of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2019 as a member of the ICE (Intercontinental Exchange), the key market in CO_2 emissions licence futures trading in the EU. It is the responsibility of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the two PPA plants, which requires buying EUA (European unit allowance) licenses.

The strategy of REN Trading with regard to the market sale of electricity production from these plants has always taken into account the most recent emissions forecast and the associated cost, measured through the EUA market price. It can be seen that, under certain circumstances, as was the case in 2019, the incorporation of CO_2 costs into production costs at the Pego plant (coal fired, a more polluting fuel) could alter its position in the order of merit of supply in the electricity market, making it less competitive. This would therefore require it to be replaced with a less polluting alternative, such as Turbogas (natural gas fired and producing less emissions than coal for power production). In essence, through ELT, impact on the operation of the

electricity market is managed and the consequence of this European mechanism can be seen on the emissions of plants and the electrical power programme.

In 2019, there was a decrease in activity compared with the previous year. REN Trading was active in the futures market only in transactions for the purchase of around 2,375 million tonnes of CO_2, 40% less than in 2018.

With respect to market behaviour, there was a significant rise in YOY prices. The average spot market price rose by around 56% (from 15.91 €/t to 24.85 €/t).

This price increase related to the market stabilization reserve mechanism, which entered operation in 2019, with the aim of establishing a robust price signal for the cost of GHG with subsequent reflection on production and investment decisions (by internalizing this important environmental externality), thus contributing to the decarbonisation effort.

Biodiversity

Biodiversity[9] is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities in the different phases of the life cycle of its infrastructure.

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

Infrastructure	Occupation in sensitive areas	% of total occupation
Stations/substations	0.37 km²	9%
Length of gas pipelines/lines	1,210.29 km	12%

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

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

	'19	'18	'17
Critically threatened	2	2	2
Threatened	9	8	8
Vulnerable	28	22	19

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REN Chair in Biodiversity

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

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

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

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

In 2019, the REN Chair in Biodiversity allowed work already carried out to be systematized and disseminated: identifying impacts on biodiversity; assessing risks and implementing minimizing measures; promoting activities with positive impacts; integrating biodiversity into the Company's activities and supporting nature conservation.

In November, a parallel session was organized (Session F3 – "New Manual for Monitoring and Mitigating the Impacts of Power Transmission Lines on Birdlife – a CIBIO/ICNF/REN Initiative") at the National Conference of Impact Assessment (CNAI'2019), held in Coimbra, where the initiative was presented.

During 2019, a proposal was drawn up for the scientific assessment of the effectiveness of anti-nesting devices (fans), which was approved and is now awaiting implementation by REN.

Intensive Energy Consumption

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

Now integrated into the SGCIE system, both companies are currently implementing a Plan to Rationalize Energy Consumption (PREn) for the 2015-2022 period.

With respect to REN Armazenagem, of note in 2019 was the preparation of the 2nd Progress Report on the 2017-2018 period of the current PREn. This report is now being validated by Agency for Energy (ADENE). Of further note was the finalization of the measure set out in the PREn for upgrading the interior/exterior lighting system, which has brought significant gains in efficiency.

In relation to REN Atlântico, in 2019 the respective progress report for 2017-2018 was drawn up and is also now being validated by Agency for Energy (ADENE). Another highlight was the conclusion of the implementation of the measure for converting the Terminal lighting system in accordance with the target set out in the respective PREn.

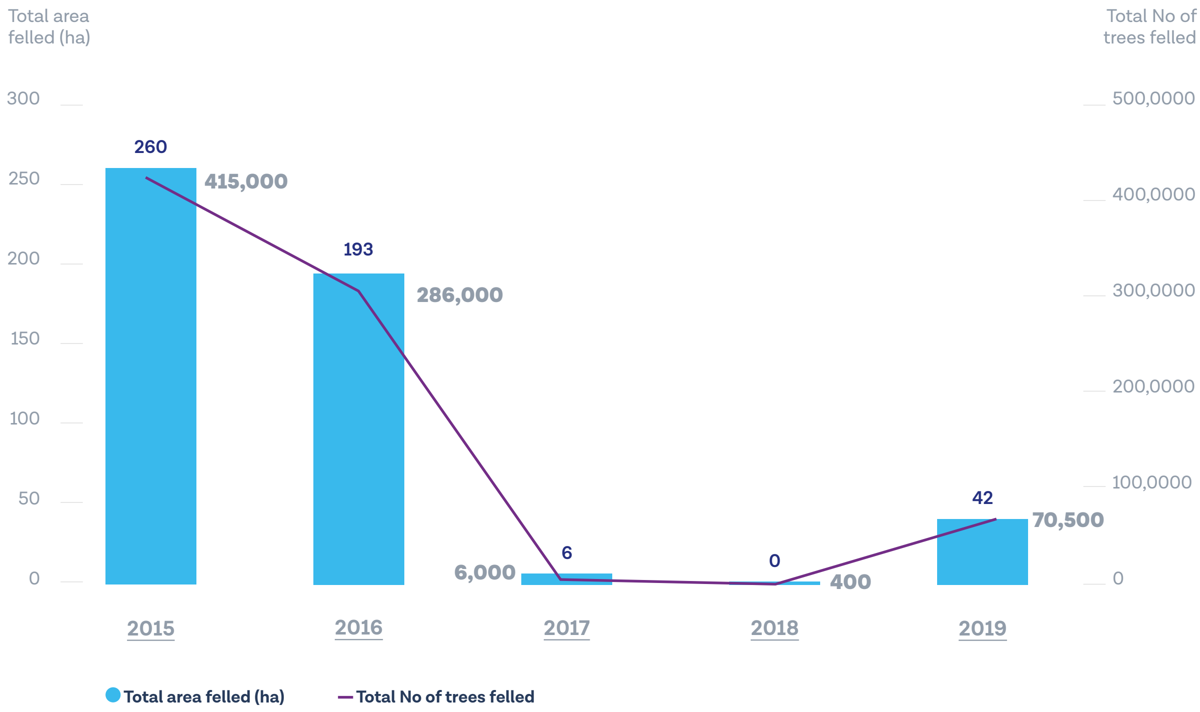
Flora and Soil Use

Number of trees felled (installation of new RNT and RNTGN infrastructures)

After having compiled the information available on the different construction projects, below is a calculation of the number of trees felled, per REN construction. This calculation takes into account not only the number of trees felled but also the area covered. In the latter case the figure is based on an average density estimate (trees/ha) for each region.

As such, in 2019 approximately 70,500 trees were felled due to construction work carried out by REN for new lines.

	'19		'18		'17
Total area felled	Total No of trees felled	Total area felled	Total No of trees felled	Total area felled	Total No of trees felled
± 42 ha	± 70,500	0	± 400	±6 ha	± 6,000



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

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

Through its reforesting programme in access ways, REN has planted more than one million trees in recent years (2010-2019) in an area greater than 2,515 hectares and involved more than 14,000 owners for this purpose.

In 2019, a total of 74,856 trees were planted in an approximate area of 276 hectares, where the strawberry tree was the most planted species.

The strawberry tree is the species which we have most increased in conversion and soil use processes as it is perfectly compatible with the presence of electricity transmission lines. It also has significant economic interest due to the use of its fruit to make brandy (most well-known use) and in the foodstuffs industry. This is an emerging area where potential growth is high.

Table – Number of trees felled in the construction of new REN infrastructure.

In a joint programme with the Portuguese Strawberry Tree Cooperative (CPM) and the Coimbra Higher School of Agriculture (ESAC), we created the Strawberry Tree Manual to inform owners about this amazing species, thus promoting good practices when growing these trees.

Relationships with owners

In 2019, 28,191 land owners were contacted. The land in question is either already used or about to be used for our electricity transmission networks and 1,038 owner compensation processes were concluded.

These figures clearly demonstrate the importance of this group of company stakeholders, especially in light of the small size of Portugal when compared to most European countries.

Further information on this topic can be consulted on the REN website[10].

Protection against Rural Fires

REN is one of the companies which most contributes to the protection and recovery of Portugal's native forest. As 60% of our access corridors can be found within forests, the installation and maintenance of electricity lines integrated into these areas is of particular importance. Permanent care is required in relation to compliance with safety distances between vegetation and REN facilities.

"REN is one of the companies which most contributes to the protection and recovery of Portugal's native forest."

The cumulation of inflammable material, the non-adaptation of species to the location, climate change and monoculture are factors which increase the risk of fire. For this reason, work undertaken by REN seeks to mitigate such occurrences while also promoting the defence of the forest against fires.

With the setting up of the National System of Forest Defence against Fires (SNDFCI), also created were Fuel Management Corridor Networks where REN infrastructure is integrated into the so-called secondary network. Decree-Law No 124/2006 of 28 June (republished by Decree-Law No 17/2009 of 14 January) requires the entity responsible for operating the electricity transmission lines to manage inflammable material in forests as set out in the Municipal Forest Defence Plans against Fires (PMDFCI).

In order to comply with these legal provisions, we maintain the protection corridor for our infrastructure clean. This corridor is a minimum of 45 metres wide for electricity lines and 10 metres wide for gas pipelines. Within this area, we manage inflammable material which accumulates, in other words, we clean undergrowth and fell the trees necessary to ensure the operation of our infrastructure. Land owners are also made aware of species which endanger the safety of our infrastructure and to avoid planting such species. By maintaining the corridors clean, we help prevent the occurrence of fires and we create better access for Civil Protection Agents to these areas thus facilitating firefighting operations.

REN complies with all its obligations in the defence of the forest against fires. This is long-term strategic work which has been praised by both the competent authorities and the communities where we work. In 2019, our service providers worked more than 425 000 hours, which is the equivalent of 205 people per working day assigned to the forest. This number of hours means that this area represents the 4th largest outsourcing of work by REN.

In 2019, a total area of 8,889 hectares of vegetation was managed, 7,873 of which are corridors and 1,016, is concession properties. In the last five years, more than 30,000 hectares have been cleaned.

Part of this area was cleaned by the five machines (high-yield forestry material shredders) acquired by REN in 2019. This approach was designed to overcome the poor levels of mechanization in companies providing services in the forestry sector in Portugal, particularly in preventive forestry work.

Also in this regard, REN implements a Prevention, Warning and Action plan during the so-called fire season, which applies to all REN operations and locations. This plan is based on the level of preparedness of ANEPC resources (National Emergency and Civil Protection Authority), defined every year in the Special Programme for Combating Rural Fires.

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A Rural Fire Monitoring Group was formed for this plan and involves those responsible for operational areas who meet periodically during the rural fire season. Other extraordinary meetings are also held whenever justified which are also attended by the Executive Committee.

In 2019, from June to 30 September, we maintained six prevention and surveillance teams in operation (EPV). These teams consist of three members and one vehicle with forest firefighting equipment. The teams were operational 24 hours a day, seven days a week and are provided with first intervention equipment allowing them to immediately tackle fire incidents. In addition to other REN workers who are on stand-by at this time of year, these teams also support operation and dispatch rooms for the REN gas and electricity networks in mainland Portugal.

All of this work is carried out in close liaison with civil protection authorities (ANEPC, GNR and Fire Departments), and REN has participated in numerous coordination meetings with these authorities.

For example, REN participated actively in the national exercise Cascade'19 organized by ANEPC in collaboration with the Directorate-General of the Maritime Authority with the aim of training and testing the joint response capacity which is part of the National Civil and European Union Protection System. Scenarios involve multiple and complex emergency situations caused by earthquakes, extreme weather events, waterway floods, reservoir accidents, industrial complex accidents and sea pollution.

Birdlife

Offsetting Measures

A very important area for REN is the implementation of offsetting measures, arising from the Environmental Impact Assessment process for new infrastructure. The measures underway and the main results are available for consultation on the REN website[11].

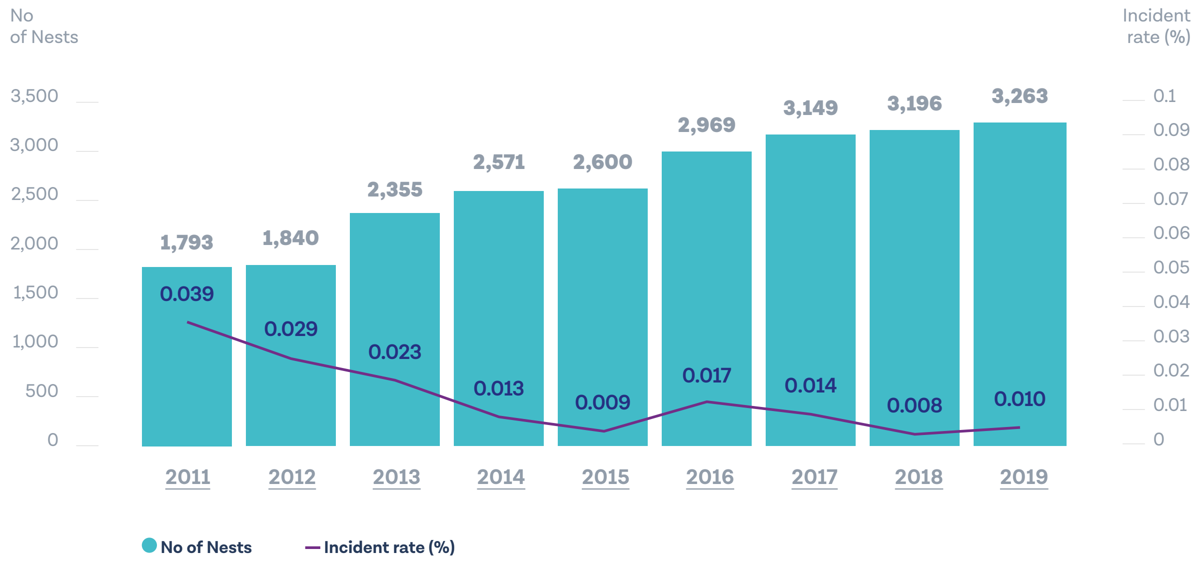
Compatibility between REN's infrastructures and the white stork population

For over 20 years, REN has carried out control operations in its infrastructure relating to white stork nesting, creating nesting conditions for this bird in favourable habitats and installing devices that minimize the risk of accidents of electrical origin.

More actions were implemented in 2019 as compared to the previous year, broken down below by type:

	'19	'18	'17
Number of Platforms Installed	87	70	74
Number of Anti-Perching Devices Installed	87	597	148
Number of nests transferred	111	311	180

During the year, there was a significant fall in the rate of incidents involving white storks as compared to 2018.



The fitting of fans and platforms stops nesting in places with greater likelihood of incidents and despite the considerable rise in the population of storks and a relevant increase in the number of nests, the number of incidents has remained low.

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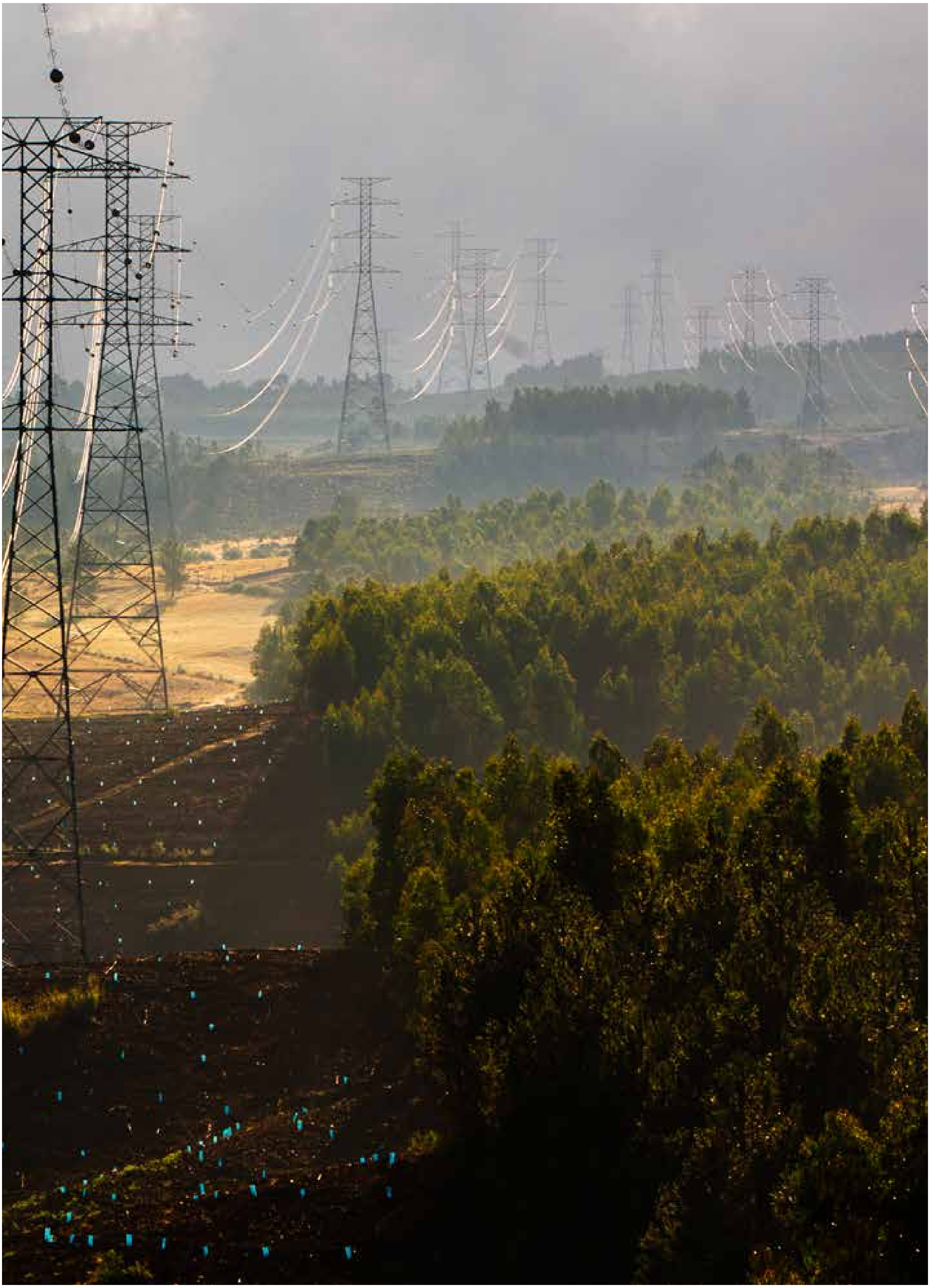
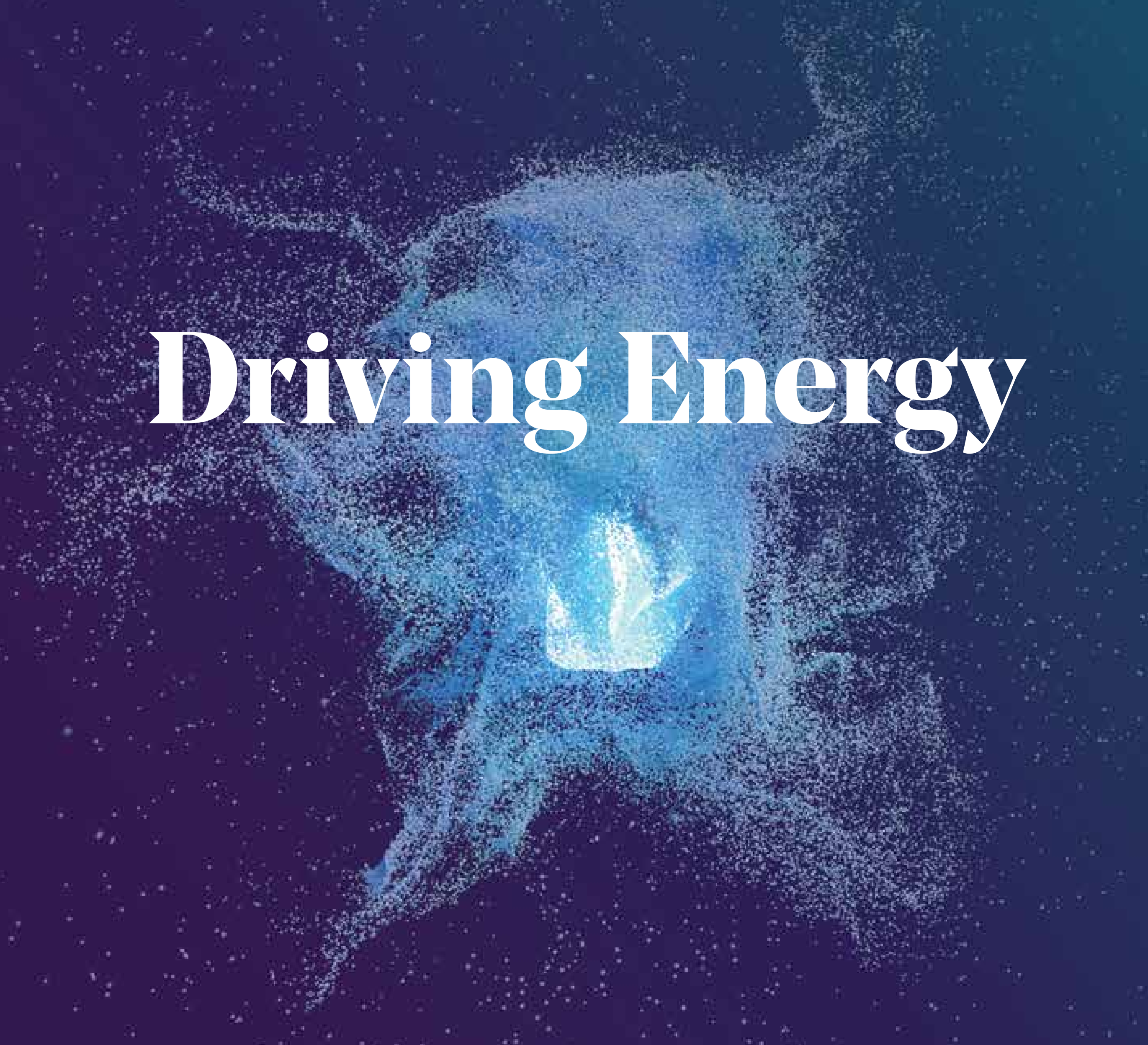


Driving Energy



REPORTS & ACCOUNTS 2019

Consolidated
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06.

Consolidated and individual accounts

An energy of evolution

def.: gradual transformation from one state to another, better, more complex or more perfect state than the previous one; improvement; development; progress.

For REN, evolution means being aware of the environmental impact of our operations. For this reason, we focus on knowledge so as to be able to integrate renewable energies, which in 2019 alone, supplied 51% of national consumption.

A mission for the future and for the community.

Consolidated

1. Consolidated Financial Statements

Consolidated statements of financial position as of 31 december 2019 and 2018

(Amounts expressed in thousands of Euros – tEuros)

(Translation of statements of financial position originally issued in Portuguese - Note 37)

		31 December	
Assets	Notes	'19	'18
Non-current assets			
Property, plant and equipment	8	125,649	561
Intangible assets	8	4,214,916	4,192,619
Goodwill	9	5,969	3,877
Investments in associates and joint ventures	10	172,278	167,841
Investments in equity instruments at fair value through other comprehensive income	12 and 13	155,676	162,552
Derivative financial instruments	12 and 16	27,229	21,010
Other financial assets	12	71	45
Trade and other receivables	12 and 14	114,509	50,246
Deferred tax assets	11	93,666	92,495
		4,909,964	4,691,247
Current assets			
Inventories	15	3,919	2,095
Trade and other receivables	12 and 14	353,725	427,126
Current income tax recoverable	11 and 12	14,921	35,371
Derivative financial instruments	12 and 16	1,732	-
Cash and cash equivalents	12 and 17	21,044	35,735
		395,341	500,327
Total assets	7	5,305,305	5,191,574
Equity			
Shareholders' equity			
Share capital	18	667,191	667,191
Own shares	18	(10,728)	(10,728)
Share premium	18	116,809	116,809
Reserves	19	316,681	326,906
Retained earnings		242,853	253,505
Other changes in equity	18	(5,561)	(5,561)
Net profit for the period		118,899	115,715
Total equity		1,446,144	1,463,837
Liabilities			
Non-current liabilities			
Borrowings	12 and 20	2,112,296	2,274,939
Liability for retirement benefits and others	21	103,309	98,288
Derivative financial instruments	12 and 16	24,848	12,952
Provisions	22	8,416	8,852
Trade and other payables	12 and 23	340,627	367,743
Deferred tax liabilities	11	141,774	113,644
		2,731,269	2,876,418
Current liabilities			
Borrowings	12 and 20	757,158	431,401
Trade and other payables	12 and 23	370,733	419,917
		1,127,891	851,319
Total liabilities	7	3,859,160	3,727,737
Total equity and liabilities		5,305,305	5,191,574

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2019.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of profit and loss for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros – tEuros)

(Translation of statements of profit and loss originally issued in Portuguese - Note 37)

		Year ended	
	Notes	31.12.2019	31.12.2018
Sales	7 and 24	79	117
Services rendered	7 and 24	565,707	567,371
Revenue from construction of concession assets	7 and 25	183,944	121,775
Gains / (losses) from associates and joint ventures	10	8,984	5,787
Other operating income	26	28,049	32,156
Operating income		**786,763**	727,207
Cost of goods sold	15	(904)	(1,456)
Costs with construction of concession assets	25	(164,636)	(102,351)
External supplies and services	27	(60,500)	(58,752)
Personnel costs	28	(54,745)	(55,287)
Depreciation and amortizations	8	(235,626)	(235,055)
Provisions	22	310	(301)
Impairments	8, 9 and 14	(2,050)	(647)
Other expenses	29	(18,240)	(15,799)
Operating costs		**(536,391)**	(469,646)
Operating results		**250,372**	257,560
Financial costs	30	(65,438)	(69,656)
Financial income	30	6,254	5,125
Investment income - dividends	13	6,905	6,423
Financial results		**(52,278)**	(58,108)
Profit before income tax and ESEC		**198,094**	199,453
Income tax expense	11	(54,795)	(58,471)
Energy sector extraordinary contribution (ESEC)	35	(24,400)	(25,267)
Net profit for the year		**118,899**	115,715
Attributable to:			
Equity holders of the Company		118,899	115,715
Non-controlled interest		-	-
Consolidated profit for the year		**118,899**	115,715
Earnings per share (expressed in euro per share)	**31**	**0.18**	0.17

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2019.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of other comprehensive income for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros – tEuros)

(Translation of statements of other comprehensive income originally issued in Portuguese - Note 37)

		Year ended	
	Notes	31.12.2019	31.12.2018
Consolidated Net Profit for the period		118,899	115,715
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax		(9,893)	18,488
Tax effect on actuarial gains / (losses)	11	2,964	(5,547)
Other changes in equity		(336)	(19)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(553)	6,914
Increase / (decrease) in hedging reserves - cash flow derivatives	16	(12,887)	(1,366)
Tax effect on hedging reserves	11 and 16	3,563	492
Gain/(loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	13	(6,876)	6,069
Tax effect on items recorded directly in equity	11 and 13	1,131	(2,136)
Other changes in equity		84	(120)
Comprehensive income for the period		96,097	138,490
Attributable to:			
Equity holders of the company		96,097	138,490
Non-controlled interest		-	-
		96,097	138,490

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2019.

THE ACCOUNTANT

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Consolidated statements of changes in equity for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros – tEuros)

(Translation of statements of changes in equity originally issued in Portuguese - Note 37)

		Attributable to shareholders										
Changes in the year	Notes	Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 13)	Hedging reserve (Note 16)	Other reserves	Other changes in equity	Retained earnings	Profit for the year	Total
At 31 December 2017		667,191	(10,728)	116,809	106,800	53,778	(9,702)	159,315	(5,541)	225,342	125,925	1,429,189
Adoption of IFRS 9 - Financial instruments		-	-	-	-	-	-	-	-	9,223	-	9,223
At 1 January 2018		667,191	(10,728)	116,809	106,800	53,778	(9,702)	159,315	(5,541)	234,565	125,925	1,438,412
Net profit of the period and other comprehensive income		-	-	-	-	3,933	(875)	6,943	(19)	12,793	115,715	138,490
Allocation plan to Shares		-	-	-	-	-	-	363	-	-	-	363
Transfer to other reserves		-	-	-	6,352	-	-	-	-	119,573	(125,925)	-
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 31 December 2018		667,191	(10,728)	116,809	113,152	57,711	(10,577)	166,620	(5,561)	253,505	115,715	1,463,837
At 1 January 2019		667,191	(10,728)	116,809	113,152	57,711	(10,577)	166,620	(5,561)	253,505	115,715	1,463,837
Net profit of the period and other comprehensive income		-	-	-	-	(5,745)	(9,324)	(469)	-	(7,265)	118,899	96,097
Allocation plan to Shares		-	-	-	-	-	-	(363)	-	-	-	(363)
Transfer to other reserves		-	-	-	5,676	-	-	-	-	110,039	(115,715)	-
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 31 December 2019		667,191	(10,728)	116,809	118,828	51,966	(19,901)	165,787	(5,561)	242,853	118,899	1,446,144

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2019.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of cash flow for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros – tEuros)

(Translation of statements of cash flow originally issued in Portuguese - Note 37)

	Notes	Year ended 31.12.2019		31.12.2018	
Cash flow from operating activities:					
Cash receipts from customers		2,425,093	a)	2,665,900	a)
Cash paid to suppliers		(1,909,369)	a)	(2,082,327)	a)
Cash paid to employees		(74,296)		(73,230)	
Income tax received/paid		(16,889)		(114,353)	
Other receipts / (payments) relating to operating activities		(80,372)		(582)	
Net cash flows from operating activities (1)		344,166		395,407	
Cash flow from investing activities:					
Receipts related to:					
Investments in associates	10	292		-	
Property, plant and equipment		-		120	
Other financial assets		-		4,040	
Investment grants		7,177		6,777	
Interests and other similar income		30		10	
Dividends	10 and 13	13,970		12,805	
Payments related to:					
Financial investments		(162,347)		-	
Equity instruments through other comprehensive income		-		(49)	
Property, plant and equipment		(5,279)		(156)	
Intangible assets - Concession assets		(170,567)		(144,007)	
Net cash flow used in investing activities (2)		(316,724)		(120,459)	
Cash flow from financing activities:					
Receipts related to:					
Borrowings	20	5,088,550		2,397,999	
Payments related to:					
Borrowings	20	(4,956,395)		(2,519,425)	
Interests and other similar expense		(59,707)		(65,688)	
Dividends	32	(113,426)		(113,426)	
Net cash from / (used in) financing activities (3)		(40,978)		(300,540)	
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		(13,537)		(25,592)	
Effect of exchange rates		(190)		(101)	
Cash and cash equivalents at the beginning of the year	17	34,096		60,448	
Changes in the perimeter	9 and 17	152		(659)	
Cash and cash equivalents at the end of the period	17	20,521		34,096	
Detail of cash and cash equivalents					
Cash	17	-		-	
Bank overdrafts	17	(523)		(1,638)	
Bank deposits	17	21,044		35,735	
		20,521		34,096	

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

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2019.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. Notes to the Consolidated Financial Statements as of 31 December 2019

(Translation of notes originally issued in Portuguese - Note 37)

1. GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the spin-off of the EDP Group, in accordance with Decree-Laws 7/91 of 8 January and 131/94 of 19 May, approved by the Shareholders' General Meeting held on 18 August 1994, with the objective of ensuring the overall management of the Public Electric Supply System (PES).

Up to 26 September 2006 the REN Group's operations were concentrated on the electricity business through REN – Rede Eléctrica Nacional, S.A. On 26 September 2006, as a result of the unbundling transaction of the natural gas business, the Group went through a significant change with the purchase of assets and financial participations relating to the transport, storage and re-gasification of natural gas activities, comprising a new business.

In the beginning of 2007, the Company was transformed into a holding company and, after the transfer of the electricity business to a new company incorporated on 26 September 2006, renamed REN – Serviços de Rede, S.A., changed its name to REN – Rede Eléctrica Nacional, S.A..

The Group presently has two main business segments, Electricity and Gas, and a secondary business of Telecommunications.

The Electricity business includes the following companies:

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

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

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

d) Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel), was incorporated on 1 October 2019, following the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

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

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

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

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

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

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

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

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

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

On 14 December 2016, Aério Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations.

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

On 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations of entities essentially related to the electric transmission sector.

As of 31 December 2019, REN also holds:

a) 42.5% interest in the share capital of Electrogas, S.A., a provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017;

b) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (OMIP SGPS), being its purpose the management of participations in other companies as an indirect way of exercising economic activities;

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

d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. (REE), entity in charge of the electricity network management in Spain;

e) 7.9% interest in the share capital of Coreso, S.A. (Coreso), entity that assists the European transmission system operators (TSO), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. (HCB), participation of 7.5%; (ii) MIBGÁS, S.A., participation of 6.67%; and (iii) MIBGÁS Derivatives, S.A., participation of 9.7%.

2. INFORMATION ON THE CONCESSION CONTRACTS AWARDED TO REN

2.1. Electricity concession contract

The concession for the National Transmission Network operator (NTN) was granted to REN – Rede Eléctrica Nacional, S.A. in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) to manage the PES system, using the National Transmission Network as well as development of the necessary infrastructures.

The objective of this concession contract consists of the following activities:

i) Purchase and sale of electricity

In this activity REN, S.A. operated up to 30 June 2007 as an agent between electricity producers and distributors. The electricity was acquired based on purchase and sale contracts entered into with producers and sold in accordance with tariffs defined by the regulator, ERSE (Entidade Reguladora de Serviços Energéticos). REN was agent in the sale of the available excess production. In these intermediary operations, REN had the right to retain 50% of the commercial profits.

As from 1 July 2007, upon termination of the majority of power purchase agreements (PPA), REN has managed the two remaining PPA`s not terminated, with Tejo Energia (Pego power plant) and Turbogás (Tapada do Outeiro CCGT power plant), through REN Trading, selling the energy of these producers into the market.

ii) Electricity transmission

This activity, the object being to transmission of electricity through the National Transmission Network to distributors in HT (high tension) and MT (medium tension), to consumers connected to the National Transmission Network and VHT networks (very high tension), networks to which REN is connected. This activity also includes the planning and development of the National Transmission Network, the construction of new infrastructures and the operation and maintenance of the National Transmission Network.

iii) Global Management of the System

The objective of this activity is global management of the electricity system, REN being responsible for the technical management through systematic coordination, of the National Transmission System installations, in order to ensure its integrated functionality and harmonization and continuity and security of the electricity delivery.

REN can carry out other activities directly, or through subsidiary companies, when authorized by the Government, if this is in the best interests of the concession or its clients.

The concession of the electric transmission activity which includes the global management of the system is performed in an exclusive concession regime through the exploration of the National Transmission Network. The concession was granted for a period of 50 years as from 15 June 2007.

The model of the concession contract ensures the contractual equilibrium, in the conditions of an efficient management, through the recognition of investment costs, operation and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to the operator.

Assets considered concession assets are the very high tension lines, connections and locations of the system manager, which includes:

- the lines, substations, sectioning points and related installations;
- the installations related to the central dispatch and overall management of SEP, including all the equipment essential for its operations;
- the installation of electro producing centres owned by REN; and
- the telecommunications, telemetry and remote control installations relating to the transmission and coordination of the electricity producer system.

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

- the real estate belonging to REN on which the assets referred to above are installed, as well as the related land rights;

- other moveable or immovable assets necessary for the operation of the activities under concession; and
- the legal relationships directly related with the concession, such as labour, works, lease, the rendering of services, the reception and delivery of electricity, as well as the rights to use hydric resources and transport through networks located outside the concession area.

REN has an obligation to, during the concession period, maintain the assets and related means a good operating performance, maintenance and security of the assets and related means, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

In accordance with ERSE Order 14.4020/2010 of 15 September 2010, REN S.A. became subject to a new remuneration mechanism for the electricity segment, referred to as standard prices, which is applicable to for all investment in lines and substations which start operating from 1 January 2009 onwards.

2.2. Gas Transport and Global Management of the System

The concession for the use the National Natural Gas Transport Network was granted to REN - Gasodutos, S.A., with a 40 years period, under Decree-Law 140/2006 of 26 July 2006, for the purpose of managing the National Natural Gas System (Sistema Nacional de Gás Natural - SNGN), operation of the high pressure gas transport network and development of the necessary infrastructures, under the public service regime.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system

The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás - SNGN) through coordination of the national and international connections to the National Natural Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the natural gas safety reserves. The operators which perform any activity integrated in the SNGN, as well as the users are subject to this activity.

ii) Gas Transport

The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Natural Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the assets, to be reflected in the tariffs applicable to the operator.

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System; and
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, as rendering of services or any other legal form of contract.

2.3. Reception, Storage and Regasification of Liquid Natural Gas (LNG)

The concession of the operations of the LNG terminal was granted to REN Atlântico, Terminal de GNL, S.A., for a 40 years period, under Decree-Law 140/2006 of 26 July 2006, to carry out the following activities under the rendering of public services regime:

i. reception, storage, treatment and regasification of liquid natural gas unloaded;

ii. the injection of high pressure natural gas into the National Natural Gas Transport Network (Rede Nacional de Transporte de Gás Natural - RNTGN) or its dispatch by specialised trucks; and

iii. the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures (buildings, tanks, gas pipelines, etc.).

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification,

including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;

- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

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

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.4. Natural underground gas storage

The concession to operate the underground storage was granted to REN – Armazenagem, S.A., for a period of 40 years, under Decree-law 140/06 of 26 July of 2006, to carry out the following activities, under a rendering of public service regime:

- reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and
- construction, utilization, maintenance and expansion of the underground storage tanks.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;
- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and

- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

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

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

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

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.5. Distribution of Natural Gas

The concession of the natural gas distribution activity in low and medium pressure, in the concession area defined in the concession contract, was attributed to REN Portgás for a period of 40 years, under Decree-Law 140/2006, of 26 July 2006, to carry out the following activities, under a rendering of public service regime:

- reception, transportation and delivery of natural gas through the medium and low pressure network;
- construction, maintenance, operation and exploration of all the infrastructures that integrate the RNDGN, in the area corresponding to the present concession, and of the installations necessary to the operation;
- promotion of the construction, conversion or adequacy and eventual reimbursement of facilities for the use of natural gas owned by final customers, in order to guarantee the supply of natural gas;
- planning, development, expansion and technical management of the RNDGN, in the concession area;
- management of RNDGN interconnection with RNTGN.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;

- autonomous gas units;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system;
- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

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

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services;
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network;
- all intangible assets, not mentioned as assets assigned to the concession, incorporated before the publication of Decree-Law no. 140/2006.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, the concession contract can be extended for the maximum period of one year, rendering of services or any other legal form of contract.

2.6. Operation of a pilot site for the energy of ocean waves

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

On April 23, 2018, a second amendment to the concession contract was signed between the Portuguese State and REN - Rede Eléctrica Nacional, S.A., through which the Portuguese State determined REN, as a concessionaire, in particular, the execution of the installation work of an underwater cable off Viana do Castelo to the Public Service Electricity Network on land, including the development of studies and projects that prove necessary, the operation, maintenance and exploration of the cable, as well as the execution of interconnection work both at sea and on land.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. Basis of presentation

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union (IAS/IFRS), in force for the years starting on 1 January 2019.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2019, current liabilities in the amount of 1,127,891 thousand Euros are greater than current assets, which total 395,341 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2020, the Group has, as of 31 December 2019, credit lines in the form of commercial paper available for use in the amount of 836,000 thousands Euros, with a substantial part with guaranteed placement (Note 20). In addition, the Group has, with reference to 31 December 2019, a Revolving Credit Facility with SMBC EU AG in the amount of 150,000 thousand Euros, a new loan line with the Industrial Commercial Bank of China, available for use in the amount of 85,000 thousand Euros and also has 87,500 thousand Euros in credit lines contracted and not used (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the financial statements.

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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

The accounting policies adopted in these consolidated financial statements are consistent, in all material respects, with the policies used in the preparation of the consolidated financial statements for the year ended 31 December 2018, as described in the notes to the consolidated financial statements of 2018, except regarding the adoption of new effective rules for periods beginning on or after 1 January 2019.

The Group has not previously adopted any standard, interpretation or amendment that is not yet in force.

These consolidated financial statements were approved by the Board of Directors at a meeting held on 25 March 2020. The Board of Directors understands that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions endorsed by the European Union are mandatory applicable for the financial year ended 31 December 2019:

- **IFRS 16 – Leases**
  This standard replaces IAS 17 – Leases and the associated interpretations, with impact on the accounting performed by lessees, which are obliged to recognize for lease contracts a lease liability corresponding to future lease payments and, respectively, an asset related with the "right of use". The standard provides for two exemptions of recognition for tenants - lease contracts where assets have low value and short-term lease contracts (ie contracts with a duration of 12 months or less). It should be noted that this standard is not applicable to the assets assigned to the concession contract (IFRIC 12 – Service Concession Arrangements).

I. Right-of-use assets

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

II. Lease liabilities

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

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

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

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

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

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

- **IFRIC 23 - Uncertainty Over Income Tax Treatments**
  Clarifies how the recognition and measurement requirements of IAS 12 - Income Tax are applied when there is uncertainty about the tax treatment. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures**
  These amendments clarify that long-term investments in associates and joint ventures, which are not being measured by the equity method, are accounted under IFRS 9. This clarifies that long-term investments in associates and joint ventures are subject to the IFRS 9 impairment rules (3-step model of expected losses), before being considered for impairment testing of the global investment in an associate or when there are indicators of impairment. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

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

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**
  If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- **Amendments to References to the Conceptual Framework in IFRS (new standard to be applied for periods beginning on or after 1 January 2020)**
  The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 1 and IAS 8: Definition of Material (new standard to be applied for periods beginning on or after 1 January 2020)**
  The changes in Definition of Material all relate to a revised definition of 'material' which is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (new standard to be applied for periods beginning on or after 1 January 2020)**

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2019.

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

Standard	Applicable for financial years beginning	Resume
IFRS 17 - Insurance Contracts	01-jan-21	This standard is intended to replace IFRS 4 and requires that all insurance contracts to be accounted for consistently.
Amendment to IFRS 3 - Business Combinations	01-jan-20	These amendments: (i) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (ii) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (iii) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01-jan-22	These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2019 consolidated financial statements.

3.2. Consolidation bases

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)
Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IFRS 9.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition / attribution price is contingent upon the occurrence of specific events agreed with the seller / shareholder (eg, realization of fair value of assets acquired).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

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

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

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

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

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company’s financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group’s share of the investee’s post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group’s equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a caption of Investments in associates and joint ventures. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Group’s proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

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

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as investments in equity instruments at fair value through other comprehensive income in accordance with IFRS 9, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. Balances and transactions in foreign currency

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and / or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against "Other Reserves".

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

Divisa	'19	'18
US Dollar (USD)	1.12	1.15
Pound sterling (GBP)	0.85	0.90
Japan Yen (Yen-JPY)	121.94	125.85
Chilean pesos (CLP)	844.85	794.63

3.4. Tangible and intangible assets

Tangible and intangible assets are valued at cost less accumulated amortization / depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible and Intangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

	Number of years
Property, plant and equipment:	
Transmission and electronic equipment	5 to 55
Transport equipment	4 to 5
Office equipment	3 to 10
Property, plant and equipment in progress	5 to 60
Intangible assets:	
Industrial property	1 to 8
Other intangible assets	20

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

Concession/Regulated Assets – IFRIC 12 – Service Concession Arrangements

The Group has: (i) five concessions for the operations and development of the National Transmission Network, for the global management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the distribution of natural gas in low and medium pressure, the underground storage of natural gas and global management of the natural gas system and (ii) a concession to explore a pilot zone for the electricity production from ocean waves. The assets acquired / constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 – Service Concession Arrangements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. IFRIC 12 was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 1 January 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls/ regulates:

- The services to be rendered by the operator (through utilization of the infrastructure), to whom and at what price; and
- Any residual interest over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- constructed or acquired by the operator from third parties;
- already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

i. the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State (Conceding Entity) for a predefined period;

ii. the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

iii. the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

iv. the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

i. Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

ii. Intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset;

iii. Bifurcated/mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2019.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: “ A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method and production unit method. The method used is selected based on the expected consumption model of future economic benefits included in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits”. Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN’s tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN’s concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business.

Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset". Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. Leases

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

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

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

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with an initial application date of 1 January 2019.

3.6. Financial assets and Liabilities

Financial Assets

The Board of Directors determines the classification and measurement of investments in financial assets according to the business model, evaluated in the initial application data (1 January 2019), used in its management and the characteristics of the contractual cash flows.

Investments in financial assets may be classified under the following categories:

a) Financial assets at amortised cost - The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Financial assets at fair value through other comprehensive income (equity instruments) - The financial asset is held within a business model whose objective is both to hold to collect contractual cash flows, and to sell financial assets, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the date of the transaction - the date on which REN commits itself to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption “Financial costs” for the period in which they arise, which also includes interest income and dividends received.

These assets are subsequently measured at fair value, with the income and expenses resulting from changes in fair value, recognized in the finantial results under net financial costs account, which also includes the amounts of interest and dividend income obtained.

Equity instruments at fair value trought other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, being the change in fair value recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its acquisition cost for an extended period, where the accumulated gain or loss is recorded in the income statement.

Dividends and interest income from financial assets at fair value through other comprehensive income are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

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

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Loans and receivables are classified as “Trade and other receivables” in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

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

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

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/or interests, by the delivery of cash or another financial asset, independently on its legal form.

IFRS 9 established the classification of financial liabilities in two categories:

i. Finantial liabilities at fair value trought profit and loss;

ii. Other financial liabilities.

Other financial liabilities include “Borrowings” and “Trade and other payables”.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions “Finance income” or “Finance costs”. If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

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

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

Derivative financial instruments are classified and presented as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

Hedge accounting

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting rules are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;
- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio);
- The hedge relationship meets all of the following hedge effectiveness requirements:

  i) There is an economic relationship between the hedged item and the hedging instrument;

  ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

  iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

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

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- Counterparty credit risk has a different impact on movements in the fair value of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. Borrowing costs

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8. Government grants and others

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption “Trade and other payables”.

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. Impairment of assets, except goodwill

Financial Assets

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can measured reliably.

The adoption of IFRS 9 led to a fundamental change in the way the Group accounts for its impairment losses on financial assets, replacing IAS 39 "loss incurred" approach with a prospective approach to “expected credit loss”. IFRS 9 requires the Group to recognize an impairment loss for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

When there is evidence of impairment on the financial asset held for sale exists, the accumulated loss - determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded – is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Non-financial assets

Whenever events or changes in circumstances indicates that the amount by which the asset is recorded may not be recovered, impairment tests are undertaken in order to determine the recoverable amount of the asset, and when necessary an impairment loss recorded. An impairment loss is considered by the excess of the carrying amount of an asset when compared with its recoverable amount.

The recoverable amount is the higher amount between the asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10 Employee benefits

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

i) Pension Plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the annual discount rate, was based on the high quality risk bonds (Aa risk notation from Bloomberg). The credit risk notation is attributed by rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity.

3.11. Provisions, contingent assets and liabilities

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

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

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

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. Inventories

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. Capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption “Share Premium”. Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

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

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

The Group's purpose in relation to capital management is to safeguard the continuity of the Group, to grow sustainably in order to meet the established objectives and to maintain an optimal capital structure in order to reduce the cost of capital.

3.14. Income tax

REN is taxed based on the special regime for the taxation of group companies (RETGS), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax (CIT).

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit.

However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

Following the new interpretation on IAS 12 - Income taxes, IFRIC 23, the Group carried out an analysis of all contingencies and disputes, with the tax authorities regarding income taxes, with no changes, with reference to 1 January 2019, in the estimates previously made by management.

3.15. Accruals basis

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. Revenue

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It’s probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It’s probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte - RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i. amortization of the concession assets related with the electricity transmission activity;

ii. a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii. operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i. amortization of the concession assets relating to global management of the system;

ii. amortization of the concession assets relating to the generating station sites;

iii. a return on the average net book value of the generating station sites (land);

iv. a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v. operating costs related with the activity.

The “Commercial Agent” activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA’s (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE in the beginning of 2008.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the “Commercial Agent” activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Regarding the activities of transmission and transformation of electricity and the development, operation and commercialization of transmission systems, carried out by the Group's company, Transemel, these consist of allowing free access to the electricity market in Chile.

The revenue obtained from electricity transmission and transformation services is recorded based on the actual billing of the consumption period, as well as includes an estimate of the services provided until the end of the period, since the contracts define a performance obligation . Additionally, interest income is recognized based on the effective rate method.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company

RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August f or the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. Segment reporting

An operational segment is a component of an entity which:

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements (PPA) not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

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

The column "Others" includes the operations of REN SGPS, REN Serviços, REN Finance, B.V., Aerio Chile SPA, Apolo Chile SPA and REN PRO, S.A..

Financial information relating to income of the identified business segments is included in Note 7.

3.18. Cash flow statement

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

3.19. Share-based payments

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payments (IFRS 2).

The payments settled in cash or cash equivalents (cash settled), which are based on the company shares quotation, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in the consolidated statement of profit and loss.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service is fulfilled (the vesting period).

The share-based payments are not material for the purpose of disclosure in the notes to the consolidated financial statements.

3.20. Subsequent events

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

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1. Financial risk factors

The Group's activities are exposed to a variety of financial risks including: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

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

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks, in strict cooperation with REN's operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of liquidity excess.

i) Foreign exchange rate risk

REN has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens (JPY) is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2019, and all other factors remaining constant, would lead to a decrease on equity in the amount of 1,378 thousands Euros (645 thousand Euros as of 31 December 2018), while a decrease of that exchange rate would lead to a decrease on equity in the amount of 293 thousand Euros (709 thousand Euros as of 31 December 2018).

Additionally, the Group is exposed to changes in the exchange rate of Euro/USD and Euro/Chilean Peso, related with its financial investment in Electrogas, S.A., acquired in February 2017 (Note 10) and related with the company acquired on 1 October 2019, Empresa de Transmisión Eléctrica Transemel, S.A..

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2019, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,537 thousand Euros (7,400 thousands Euros as of 31 December 2018), while a decrease of that exchange rate would lead to an increase on equity in the amount of 8,331 thousand Euros (8,588 thousand Euros as of 31 December 2018).

An increase of 5% in the exchange rate of Euro/Chilean Peso, with reference to 31 December 2019, and all other factors remaining constant, would lead to a decrease on equity in the amount of 2,816 thousand Euros, while a decrease of that exchange rate would lead to an increase on equity in the amount of 3,113 thousand Euros.

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight, on one hand, 530,000 thousand Euros available in commercial paper programmes with subscription guarantee and, on the other hand, 475,000 thousand Euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 87,500 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts:

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	83,993	436,701	165,907	686,600
Bonds	334,658	715,456	825,892	1,876,007
Commercial paper	364,016	100,000	-	464,016
Others	1,488	2,386	-	3,874
	784,155	1,254,543	991,799	**3,030,497**
Derivative financial instruments	3,461	19,105	4,287	26,853
Trade and others payables	287,710	59,051	-	346,761

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	213,289	386,324	209,166	808,779
Bonds	70,264	963,571	918,124	1,951,959
Commercial paper	180,001	-	-	180,001
Others	1,293	2,776	-	4,069
	464,847	1,352,670	1,127,291	2,944,808
Derivative financial instruments	3,218	14,516	3,243	20,977
Trade and others payables	345,300	49,474	-	394,774

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

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1,168)	(3,495)	(73,483)	(78,146)
Inflows	2,222	6,667	83,119	92,008
	1,054	3,173	9,636	13,863

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(2,695)	(3,691)	(74,744)	(81,130)
Inflows	2,153	6,460	82,690	91,303
	(541)	2,769	7,945	10,173

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on the borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings. Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates.

Borrowing at fixed rates exposes the REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps.
In this kind of operation REN Group exchanges with banking counterparties in specific dates and with

defined maturities, the difference between the fixed interest rates and the variable rates with reference to the notional amounts contracted. All operations undertaken with this purpose can be considered, in most cases, perfect interest rate hedging operations.

A sensitivity analysis was performed based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2019 and 2018, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2019 would result in a decrease of profit before tax of, approximately, 2,938 thousand Euros (2,206 thousand Euros as of 31 December 2018).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 2,840 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2018 corresponded to an increase of 2,955 thousand Euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2019 would have an impact on equity of 9,706 thousand Euros (10,556 thousand Euros in 31 December 2018).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. Capital risk management

The REN Group's objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt over the total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as presented in the consolidated statement of financial position), adjusted by the amounts of cash and cash equivalents and hedge derivatives. Total capital is calculated as equity (as presented in the consolidated statement of financial position) plus net debt. The Group's Gearing ratio comfortably meets the limits set by contract, being on 31 December 2019 above the minimum in 83%.

5. MAIN ESTIMATES AND JUDGEMENTS

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. Provisions

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. Actuarial assumptions

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. Tangible and intangible assets

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. Impairment

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. Fair Value of Financial Instruments

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. Impairment of Goodwill

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

6. CONSOLIDATION PERIMETER

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

		'19		'18	
		% Owned		% Owned	
Designation / adress	Activity	Group	Individual	Group	Individual
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiárias:					
REN - Rede Eléctrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, n.º7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group	100%	100%	100%	100%
REN PRO, S.A. Av. Estados Unidos da América, 55 - Lisboa	Communication and Sustainability, Marketing, Business Management, Business Development and Consulting and IT Projects	100%	100%	100%	100%
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Apolo Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	-	-
Owned by REN Gás, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-
REN Gás Distribuição SGPS, S.A. Av. Estados Unidos da América, 55 - Lisboa	Management of holdings in other companies as an indirect form of economic activity	-	-	100%	-
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Distribution of natural gas	100%	-	100%	-
"Owned by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001%):"					
Empresa de Transmisión Eléctrica Transemel, S.A. - Santiago do Chile	Transmission and transformation of electricity, allowing free access to different players in the electricity market in Chile	100%	-	-	-

Changes in the consolidation perimeter

2019

On January 22, 2019, a merger of the entities REN Gás, S.A. and REN Gás Distribuição SGPS, S.A. was effected by means of the global transfer of the assets of REN Gás Distribuição SGPS, S.A. to REN Gás, S.A..

Additionally, on 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Chile.

Finally, on 1 October 2019, Empresa de Transmisión Eléctrica Transemel, SA (Transemel), headquartered in Chile, was held by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001 %). The REN Group, taking into account the change in the perimeter, appropriated the results of the company acquired since the acquisition date.

2018

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

7. SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007, the pilot zone for electricity production from sea wave and the transmission and transportation of electricity in Chile. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal, the distribution of natural gas in low and medium pressure and the underground storage of natural gas.

Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to the same users and they are complementary services, it was considered that it is subject to the same risks and benefits.

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

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

The results by segment for the year ended 31 December 2019 were as follows:

						31 December 2019
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	353,414	213,371	6,593	38,857	(46,450)	565,786
Inter-segments	1,683	7,388	-	37,380	(46,450)	-
Revenues from external customers	351,732	205,983	6,593	1,477	-	565,786
Revenue from construction of concession assets	140,868	43,075	-	-	-	183,944
Cost with construction of concession assets	(126,527)	(38,109)	-	-	-	(164,636)
Gains / (losses) from associates and joint ventures	-	-	-	8,984	-	8,984
Personnel costs	(52,433)	(42,864)	(2,758)	(15,089)	52,644	(60,500)
Employee compensation and benefit expense	(18,395)	(11,968)	(282)	(24,099)	-	(54,745)
Other expenses and operating income	12,896	818	(63)	1,449	(6,194)	8,906
Operating cash flow	**309,822**	**164,324**	**3,490**	**10,102**	**-**	**487,738**

	31 December 2019					
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Investment income - dividends	-	-	-	6,905	-	6,905
Non reimbursursable expenses						
Depreciation and amortizations	(155,248)	(80,174)	(33)	(171)	-	(235,626)
Provisions	433	(124)	-	1	-	310
Impairments	(1,650)	(22)	-	(377)	-	(2,050)
Financial results						
Financial income	1,246	6,241	27	150,759	(152,019)	6,254
Financial costs	(43,339)	(21,692)	-	(152,426)	152,019	(65,438)
Profit before income tax and ESEC	111,264	68,552	3,484	14,793	-	198,094
Income tax expense	(32,336)	(17,860)	(843)	(3,755)	-	(54,795)
Energy sector extraordinary contribution (ESEC)	(17,444)	(6,955)	-	-	-	(24,400)
Profit for the year	61,484	43,737	2,641	11,038	-	118,899

The results by segment for the year ended 31 December 2018 were as follows:

	31 December 2018					
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	353,102	218,355	6,137	38,779	(48,884)	567,487
Inter-segments	1,649	10,313	-	36,923	(48,884)	-
Revenues from external customers	351,453	208,042	6,137	1,856	-	567,487
Revenue from construction of concession assets	85,608	36,167	-	-	-	121,775
Cost with construction of concession assets	(70,871)	(31,479)	-	-	-	(102,351)
Gains / (losses) from associates and joint ventures	-	-	-	5,787	-	5,787
Personnel costs	(50,534)	(45,277)	(3,201)	(15,648)	55,908	(58,752)
Employee compensation and benefit expense	(19,745)	(12,227)	(283)	(23,032)	-	(55,287)
Other expenses and operating income	15,625	6,147	(43)	197	(7,024)	14,902
Operating cash flow	313,185	171,686	2,610	6,082	-	493,562
Investment income - dividends	-	-	-	6,423	-	6,423
Non reimbursursable expenses						
Depreciation and amortizations	(155,472)	(79,362)	(28)	(193)	-	(235,055)
Provisions	(408)	(12)	-	119	-	(301)
Impairments	-	(268)	-	(378)	-	(647)
Financial results						
Financial income	633	11,207	29	150,866	(157,609)	5,125
Financial costs	(44,338)	(27,802)	-	(155,126)	157,609	(69,656)
Profit before income tax and ESEC	113,600	75,449	2,610	7,793	-	199,453
Income tax expense	(36,135)	(19,959)	(618)	(1,760)	-	(58,471)
Energy sector extraordinary contribution (ESEC)	(18,004)	(7,263)	-	-	-	(25,267)
Profit for the year	59,461	48,227	1,992	6,034	-	115,715

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

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

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2019 were as follows:

	31 December 2019					
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	794,895	-	2,240,687	(3,035,581)	-
Property, plant and equipment and intangible assets	2,732,838	1,607,368	15	344	-	4,340,565
Other assets	516,262	410,651	7,474	6,341,104	(6,310,752)	964,739
Total assets	**3,249,099**	**2,812,914**	**7,490**	**8,582,135**	**(9,346,333)**	**5,305,305**
Total liabilities	**2,373,095**	**1,342,211**	**3,015**	**6,451,071**	**(6,310,232)**	**3,859,160**
Capital expenditure - total	**145,431**	**43,075**	**-**	**171**	**-**	**188,678**
Capital expenditure - property, plant and equipment (Note 8)	4,396	-	-	171	-	4,567
Capital expenditure - other intangible assets (Note 8)	167	-	-	-	-	167
Capital expenditure - intangible assets (Note 8)	140,868	43,075	-	-	-	183,944
Investments in associates (Note 10)	-	-	-	169,642	-	169,642
Investments in joint ventures (Note 10)	-	-	-	2,636	-	2,636

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

	31 de dezembro de 2018					
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	1,048,895	-	1,806,895	(2,855,790)	-
Property, plant and equipment and intangible assets	2,556,204	1,636,523	48	404	-	4,193,180
Other assets	542,992	537,379	7,618	6,374,865	(6,464,460)	998,394
Total assets	**3,099,196**	**3,222,798**	**7,666**	**8,182,164**	**(9,320,250)**	**5,191,574**
Total liabilities	**2,398,236**	**1,509,250**	**3,940**	**6,280,771**	**(6,464,460)**	**3,727,737**
Capital expenditure - total	**85,608**	**36,167**	**-**	**173**	**-**	**121,948**
Capital expenditure - property, plant and equipment (Note 8)	-	-	-	173	-	173
Capital expenditure - intangible assets (Note 8)	85,608	36,167	-	-	-	121,775
Investments in associates (Note 10)	-	-	-	165,207	-	165,207
Investments in joint ventures (Note 10)	-	-	-	2,635	-	2,635

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

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

8. TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2019, the changes in tangible and intangible assets were as follows:

	1 January 2019					
	Cost	Accumulated depreciation	Net book value	Changes in the perimeter (Note 9)	Additions	Disposals, write-offs and impairments
Property, plant and equipment:						
Transmission and electronic equipment	107	(107)	-	107,051	-	-
Transport equipment	1,008	(572)	437	3	159	(226)
Office equipment	404	(288)	116	316	13	(27)
Property, plant and equipment in progress	27	(19)	8	1,330	-	-
Assets in progress	-	-	-	17,489	4,396	-
	1,546	**(985)**	**561**	**126,189**	**4,567**	**(253)**

	1 January 2019					
	Cost	Accumulated depreciation	Net book value	Changes in the perimeter (Note 9)	Additions	Disposals, write-offs and impairments
Intangible assets:						
Other intangible assets	-	-	-	66,503	167	(17)
Concession assets	8,161,166	(4,073,426)	4,087,740	-	4,352	4,285
Concession assets in progress	104,880	-	104,880	-	179,592	-
	8,266,046	**(4,073,426)**	**4,192,619**	**66,503**	**184,111**	**4,268**
Total of property, plant and equipment and intangible assets	**8,267,591**	**(4,074,411)**	**4,193,180**	**192,692**	**188,678**	**4,015**

Changes				31 December 2019		
Transfers	Depreciation charge	Exchange rate differences	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
-	(893)	-	(3,221)	103,937	(1,000)	102,937
-	(208)	213	-	944	(567)	377
-	(51)	6	(21)	685	(333)	353
-	(11)	-	(87)	1,270	(30)	1,240
-	-	-	(1,142)	20,743	-	20,743
-	**(1,163)**	**219**	**(4,470)**	**127,579**	**(1,929)**	**125,649**

Changes				31 December 2019		
Transfers	Depreciation charge	Exchange rate differences	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
-	(2)	-	(72)	66,581	(2)	66,579
186,866	(234,461)	1,949	-	8,356,669	(4,305,938)	4,050,731
(186,866)	-	-	-	97,606	-	97,606
-	**(234,463)**	**1,949**	**(72)**	**8,520,856**	**(4,305,940)**	**4,214,916**
-	**(235,626)**	**2,168**	**(4,542)**	**8,648,435**	**(4,307,869)**	**4,340,564**

The changes in tangible and intangible assets in the in the year ended 31 December 2018 were as follows:

	1 January 2018				
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs
Property, plant and equipment:					
Transmission and electronic equipment	259	(107)	152	-	(152)
Transport equipment	1,112	(365)	748	138	(242)
Office equipment	1,791	(386)	1,405	35	(1,422)
Property, plant and equipment in progress	27	(14)	13	-	-
Assets in progress	910	-	910	-	(910)
	4,099	**(871)**	**3,227**	**173**	**(2,726)**

	1 January 2018				
	Cost	Accumulated depreciation	Net book value	Additions	Disposals and write-offs
Intangible assets:					
Concession assets	8,072,173	(3,838,256)	4,233,918	4,158	(1,311)
Concession assets in progress	72,499	-	72,499	117,617	910
	8,144,672	**(3,838,256)**	**4,306,417**	**121,775**	**(401)**
Total of property, plant and equipment and intangible assets	8,148,770	(3,839,128)	4,309,644	121,948	(3,127)

Changes			31 December 2018		
Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
-	-	-	107	(107)	-
-	(360)	153	1,008	(572)	437
-	(44)	142	404	(288)	116
-	(5)	-	27	(19)	8
-	-	-	-	-	-
-	**(409)**	**295**	**1,546**	**(985)**	**561**

Changes			31 December 2018		
Transfers	Depreciation charge	Depreciation - disposals, write-offs and other reclassifications	Cost	Accumulated depreciation	Net book value
86,146	(234,646)	(524)	8,161,166	(4,073,426)	4,087,740
(86,146)	-	-	104,880	-	104,880
-	**(234,646)**	**(524)**	**8,266,046**	**(4,073,426)**	**4,192,619**
-	(235,055)	(229)	8,267,591	(4,074,411)	4,193,180

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

	'19	'18
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	61,597	24,108
Power line construction (400 KV)	33,007	13,394
Construction of new substations	3,990	290
Substation Expansion	21,252	29,906
Other renovations in substations	7,296	5,460
Telecommunications and information system	7,129	5,807
Pilot zone construction - wave energy	170	208
Buildings related to concession	1,191	2,702
Transmission and transformation of electricity in Chile	4,563	-
Other assets	5,235	3,733
Gas segment:		
Expansion and improvements to gas transmission network	7,749	6,362
Construction project of cavity underground storage of natural gas in Pombal	1,091	1,703
Construction project and operating upgrade - LNG facilities	7,342	3,277
Natural gas distribution projects	26,894	24,825
Others segments:		
Other assets	171	173
Total of additions	**188,678**	121,948

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

	'19	'18
Electricity segment:		
Power line construction (150 KV, 220 KV and others)	73,829	12,610
Power line construction (400 KV)	19,895	1,957
Substation Expansion	40,082	26,221
Other renovations in substations	4,829	3,965
Telecommunications and information system	7,299	5,153
Buildings related to concession	695	1,442
Other assets under concession	2,345	1,215
Gas segment:		
Expansion and improvements to natural gas transmission network	6,808	4,724
Construction project of cavity underground storage of natural gas in Pombal	604	1,734
Construction project and operating upgrade - LNG facilities	4,576	3,556
Natural gas distribution ans transmission projects	25,904	23,570
Total of transfers	**186,866**	86,146

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

	'19	'18
Electricity segment:		
Power line construction (150KV/220KV e 400KV)	51,179	50,298
Substation Expansion	16,566	32,015
New substations projects	9,331	6,113
Buildings related to concession	2,359	2,006
Transmission and transformation of electricity in Chile	20,743	-
Other projects	1,800	1,700
Gas segment:		
Expansion and improvements to natural gas transmission network	7,310	6,906
Construction project of cavity underground storage of natural gas in Pombal	2,820	2,350
Construction project and operating upgrade - LNG facilities	2,758	106
Natural gas distribution projects	3,483	3,386
Total of assets in progress	**118,349**	104,880

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2019 amounted to 2,562 thousand Euros (2,017 thousand Euros as of 31 December 2018), while overhead and management costs capitalized amounted to 16,745 thousand Euros (17,408 thousand Euros as of 31 December 2018) (Note 25). The average rate of the financial costs capitalized was of 0.1873%.

During the year ended 31 December 2019, an impairment loss of 1,650 thousand Euros was recorded in relation to fixed assets.

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

	'19	'18
Cost	7,066	6,525
Accumulated depreciation and amortization	(3,036)	(2,481)
Net book value	**4,030**	4,044

9. GOODWILL

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

Subsidiaries	Year of acquisition	Acquisition cost	%	2019	2018
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	2,264	2,642
REN Portgás Distribuição, S.A.	2017	503,015	100%	1,235	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2019	155,482	100%	2,470	-
				5,969	3,877

The movement in the Goodwill caption for the years ended 31 December 2019 and 2018 was:

Subsidiaries	At 1 January 2018	Increases	Decreases	Correction to purchase price	At 31 December 2018	Increases	Decreases	At 31 December 2019
REN Atlântico, Terminal de GNL, S.A.	3,020	-	(377)	-	2,642	-	(377)	2,264
REN Portgás Distribuição, S.A.	16,082	-	-	(14,847)	1,235	-	-	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	-	-	-	-	-	2,470	-	2,470
	19,102	-	(377)	(14,847)	3,877	2,470	(377)	5,969

During the year ended 31 December 2018, the Group recorded the acquisition price allocation definitively (PPA), as a result of the receipt of (i) the amount of 215 thousand Euros due to Leakages and (ii) the amount of 741 thousand Euros, as a result of adjustments to the Price of the Share by EDP Iberia, SLU and also as a result of the acquisition agreement for the Company, amounting to 13,891 thousand Euros, related to a liability that will be reimbursed by EDP Iberia, S.L.U..

On 1 October 2019, the REN Group acquired, through its subsidiaries Apolo Chile SpA and Aerio Chile SPA, the entire share capital of Empresa de Transmisión Eléctrica Transemel, SA.. The defined acquisition value, with reference to 1 October 2019, amounted to 155,482 thousand Euros.

The purchase price allocation process (PPA - Purchase Price Allocation) was provisionally recorded on 31 December 2019, resulting in the recognition of Goodwill as follows:

Acquisition value	155,482
Fair value of assets acquired and liabilities assumed	153,012
Goodwill	(2,470)

The assets and liabilities (presented in aggregate) resulting from the acquisition are as follows:

	Book value in subsidiaries	Adjustments to fair value	Fair value
Property, plant and equipmen (Note 8)	68,523	57,666	126,189
Intangible assets (Note 8)	1,098	65,405	66,503
Trade and other receivables	7,643	-	7,643
Cash and cash equivalents (Note 17)	152	-	152
	77,416	123,071	200,487
Other financial liabilities (Note 20)	22,447	-	22,447
Borrowings	354	-	354
Trade and other payables	7,890	-	7,890
Deferred tax liabilities (Note 11)	780	16,004	16,784
	31,472	16,004	47,476
Net assets acquired	45,945	107,067	153,012
Acquisition price			155,482
Goodwill			(2,470)

The acquisition of Transemel was evaluated by an independent entity, based on a model for estimating the fair value of the assets “The Income Approach” which is considered the most appropriate for concession companies. To determine the fair value of the assets, the main assumptions considered were as follows:

- Regulated assets - “Discounted Free Cash Flow method”, projection period of 30 years (in line with the remaining fixed assets at the valuation date);
- Concession rights - “Discounted Free Cash Flow method”, indefinite projection period, taking into account that Transemel has indefinite usage licenses;
- Non-regulated assets (contracts) - “Multiperiod excess earnings method”, projection period defined based on the useful life defined in each contract.

As of 31 December 2019, no impairment loss was identified.

Impairment test of Goodwill – REN Atlântico, Terminal de GNL, S.A.

REN made the impairment test of goodwill at 31 December 2019 and 2018, at the cash generating unit level to which REN Atlântico belongs. The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2019 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 5% (post-tax discount rate of 3.8%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5% (pre-tax) 3.8% (post-tax)

In accordance with the assumptions considered and the analysis made, the Group recorded an impairment loss in the amount of 377 thousand Euros.

Impairment test of Goodwill – REN Portgás Distribuição, S.A.

REN made the impairment test of goodwill at 31 December 2019 and 2018, at the cash generating unit level to which REN Portgás Distribuição, S.A belongs. The business of the company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 30 years and 3 months beginning on October 2017), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 4.9% (post-tax discount rate of 3.5%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Portgás Distribuição, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	4.9% (pre-tax) 3.5% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) considering an increase of 50 basis points and the RoR rate after 2019 considering an increase of 50 basis points; and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

10. INVESTMENTS IN ASSOCIATES AND JOIN VENTURES

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

	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	990	28,228	300
Electrogas, S.A.	Gas Transportation	Chile	18,930	7,666	41,495	4,346
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,405	64	1,182

	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	1,229	28,244	377
Electrogas, S.A.	Gas Transportation	Chile	18,573	6,178	44,843	5,834
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,015	83	806

31 December 2019

Non-current liabilities	Revenues	Net profit/(loss)	Share capital	%	Carrying amount	Group share of profit / (loss)
-	1,086	553	28,919	40	11,360	1,835
10,268	32,292	16,760	34,548	42,5	158,282	7,148
					169,642	**8,983**
8	1,656	2	5,278	50	2,636	1
					172,278	**8,984**

31 December 2018

Non-current liabilities	Revenues	Net profit/(loss)	Share capital	%	Carrying amount	Group share of profit / (loss)
-	1,211	729	29,095	40	9,817	(531)
11,069	30,695	15,764	34,118	42,5	155,390	6,495
					165,207	**5,964**
16	1,447	(353)	5,276	50	2,635	(176)
					167,841	**5,787**

Associates

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

Investments in associates	
At 1 de january de 2018	159,216
Effect of applying the equity method	5,964
Changes in equity	6,914
Dividends of Electrogas	(6,917)
Others	29
At 31 December 2018	165,207
Effect of applying the equity method	8,983
Currency Translation Reserves	2,952
Dividends of Electrogas	(7,168)
Receipt of Supplementary Obligations of OMIP	(292)
Other changes in equity	(40)
At 31 December 2019	169,642

The total amount of dividends recognized as associates during the year ended 31 December 2019 was 7,168 thousand Euros, related to the distribution of results 2018 (4,933 thousand Euros) and the anticipated distribution of dividends for the year 2019 (2,235 thousand Euros), of which 7,214 thousand Euros were received and included in the cash flow statement, with an exchange rate difference between the date of recognition and the date of receipt of dividends.

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application. This participation is recorded as an Associate.

Joint ventures

The movement in the caption "Investments in joint ventures" during the years ended 31 December 2019 and 2018 was as follows:

Investments in joint ventures	
At 1 January 2018	2,811
Effect of applying the equity method	(176)
At 31 December 2018	2,635
Effect of applying the equity method	1
At 31 December 2019	2,636

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

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

At 31 December 2019 and 2018, the financial information of the joint venture was as follows:

31 December 2019	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax-(cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,658	7	8	(62)	(2)	(7)

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

11. INCOME TAX

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

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or appeals in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2016 to 2019 are still subject to review.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2019 and 2018.

In 2019, the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2019, the computation of the deferred taxes, was updated in accordance with Law 71/2018, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2020.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2019, was updated for each Company included in the consolidation perimeter, using the average tax rate expected in accordance with future perspective of taxable profits of each company recoverable in the next periods.

Income tax registered in the years ended 31 December 2019 and 2018 was as follows:

	'19	'18
Current income tax	35,678	50,405
Adjustaments of income tax from previous years	1,438	(1,473)
Deferred income tax	17,679	9,540
Income tax	54,795	58,471

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

	'19	'18
Consolidated profit before income tax	198,094	199,453
Permanent differences:		
Non deductible/taxable Costs/Income	5,603	7,270
Timing differences:		
Tariff deviations	(70,705)	(45,555)
Provisions and impairment	1,722	(178)
Revaluations	(3,383)	(2,464)
Pension, helthcare assistence and life insurance plans	(5,618)	(4,421)
Derivative financial instruments	(5)	3
Others	(259)	(50)
Taxable income	125,448	154,059
Income tax	26,064	31,326
State surcharge tax	6,844	15,100
Municipal surcharge	1,984	3,297
Autonomous taxation	786	681
Current income tax	35,678	50,405
Deferred income tax	17,679	9,540
Adjustments of income tax from previous years	1,438	(1,473)
Income tax	54,795	58,471
Effective tax rate	27.7%	29.3%

Income tax

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

	'19	'18
Income tax:		
Corporate income tax - estimated tax	(35,559)	(50,405)
Corporate income tax - payments on account	49,255	85,367
Income withholding tax by third parties	845	895
Income recoverable / (payable)	380	(487)
Income tax recoverable	14,921	35,371

Deferred taxes

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

	'19	'18
Impact on the statement of profit and loss:		
Deferred tax assets	(5,518)	(1,833)
Deferred tax liabilities	(12,161)	(7,706)
	(17,679)	(9,540)
Impact on equity:		
Deferred tax assets	6,689	(3,310)
Deferred tax liabilities	808	(6,404)
	7,497	(9,714)
Net impact of deferred taxes	(10,182)	(19,254)

The changes in deferred tax by nature were as follows:

Change in deferred tax assets – December 2019

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2019	2,818	29,403	38,621	1,259	18,360	2,034	92,495
Increase/decrease through reserves	-	2,964	-	3,563	-	162	6,689
Reversal through profit and loss	(113)	(1,414)	(4,654)	(162)	-	(80)	(6,423)
Increase through profit and loss	-	-	-	-	904	-	904
Change in the period	(113)	1,550	(4,654)	3,401	904	82	1,171
At 31 December 2019	2,705	30,953	33,967	4,659	19,264	2,116	93,666

Change in deferred tax assets – December 2018

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

Deferred tax assets at 31 December 2019 correspond essentially to: (i) to liabilities for benefit plans granted to employees; (ii) tariff deviations liabilities to be settled in subsequent years; and (iii) revalued assets.

Revalued assets

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand Euros as deferred tax assets.

In the period ended 31 December 2016, the caption of revalued assets refers to the net effect of the tax revaluation of eligible assets, pursuant to Decree-Law no. 66/2016, of 3 November, which led to an increase in its tax base of 46,137 thousand Euros. As a result, REN Portgás recognized deferred tax assets of 12,593 thousand Euros, which will be recovered by tax deduction from the revaluation reserve inherent to revalued assets, to be amortized over 8 years from 2018. The tax revaluation reserve was taxed in 2016 at a rate of 14% (the amount calculated is settled in three equal installments, with the first due on 20 December 2016, the second due on 15 December 2017 and the third will expire on 15 December 2018).

In the year ended 31 December 2019, based on the response to a Binding Information Request, the value of the caption of revalued assets was updated to the amount of 57,271 thousand Euros, which led to the additional payment of autonomous taxation. As a result, deferred tax assets were restated to the amount of 15,632 thousand Euros, to be amortized over 8 years from 2018.

Evolution of deferred tax liabilities – December 2019

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2019	37,784	21,398	37,855	12,926	3,682	113,644
Changes in the perimeter (Note 9)	-	-	16,004	-	780	16,784
Increase/decrease through equity	-	-	-	(1,131)	323	(808)
Reversal trough profit and loss	-	(1,416)	(1,502)	-	(662)	(3,581)
Increase through profit and loss	15,742	-	-	-	-	15,742
Exchange rate differences	-	-	-	-	(7)	(7)
Change in the period	15,742	(1,416)	14,502	(1,131)	434	28,130
At 31 December 2019	53,526	19,981	52,357	11,795	4,115	141,774

Evolution of deferred tax liabilities – December 2018

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

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

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)

Electricity segment	Segmento gás natural
Decree-Law nº 430/78	Decree-Law nº 140/2006
Decree-Law nº 399-G/81	Decree-Law nº 66/2016
Decree-Law nº 219/82	
Decree-Law nº 171/85	
Decree-Law nº 118-B/86	
Decree-Law nº 111/88	
Decree-Law nº 7/91	
Decree-Law nº 49/91	
Decree-Law nº 264/92	

12. FINANCIAL ASSETS AND LIABILITIES

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

	Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	468,234	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	155,676
Income tax receivable	11	14,921	-
Derivative financial instruments	16	-	28,961
		483,155	**184,638**
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Drivative financial instruments	16	-	21,670
		-	**21,670**

	Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	477,372	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	162,552
Income tax receivable	11	35,371	-
Derivative financial instruments	16	-	10,940
		512,743	**173,493**
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Drivative financial instruments	16	-	10,877
		-	**10,877**

31 December 2019

Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	21,044	21,044	21,044
-	-	-	468,234	468,234
-	-	71	71	71
-	-	-	155,676	155,676
-	-	-	14,921	14,921
-	-	-	28,961	28,961
-	**-**	**21,115**	**688,908**	**688,908**
-	2,869,454	-	2,869,454	3 004 161
-	451,044	-	451,044	451,044
3,177	-	-	24,848	24,848
3,177	**3,320,498**	**-**	**3,345,346**	**3,480,053**

31 December 2018

Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	35,735	35,735	35,735
-	-	-	477,372	477,372
-	-	45	45	45
-	-	-	162,552	162,552
-	-	-	35,371	35,371
10,070	-	-	21,010	21,010
10,070	**-**	**35,780**	**732,086**	**732,086**
-	2,706,340	-	2,706,340	2,765,151
-	515,196	-	515,196	515,196
2,076	-	-	12,952	12,952
2,076	**3,221,536**	**-**	**3,234,489**	**3,293,299**

Loans obtained, as referred to in Note 3.6, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

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

The range of market rates used to calculate the fair value ranges between -0.499% and 0.249% (maturities of one week and twelve years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2019 is 3 004 161 thousand Euros (at 31 December 2018 was 2,765,151 thousand Euros), of which 411,262 thousand Euros are recorded partly at amortized cost and includes an element of fair value resulting from movements in interest rates (at 31 December 2018 was 406,336 thousand Euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2019 in accordance with the following hierarchy levels of fair value:

- Level 1: the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- Level 2: the fair value of financial instruments is not determined based on active market quotes but using valuation models. The main inputs of the models are observable in the market, with a range of rates used for the Euro curve between -0.363% to 1.010% (for maturities of one month and twelve years, respectively) in relation to derivative finantial instruments;
- Level 3: the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ended 31 December 2019, there was no transfer of financial assets and liabilities between fair value hierarchy levels.

’19

		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	97,060	55,035	-	152,095
Financial assets at fair value	Cash flow hedge derivatives	-	13,712	-	13,712
Financial assets at fair value	Fair value hedge derivatives	-	15,249	-	15,249
		97,060	83,996	-	181,056
Liabilities:					
Financial liabilities at fair value	Loans	-	411,262	-	411,262
Financial liabilities at fair value	Cash flow hedge derivatives	-	21,670	-	21,670
Financial liabilities at fair value through profit and loss	Trading derivatives	-	3,177	-	3,177
		-	436,109	-	436,109

		’18			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	105,562	53,409	-	158,971
Financial assets at fair value	Cash flow hedge derivatives	-	10,940	-	10,940
Financial assets at fair value	Fair value hedge derivatives	-	10,070	-	10,070
		105,562	74,419	-	179,981
Liabilities:					
Financial liabilities at fair value	Loans	-	406,336	-	406,336
Financial liabilities at fair value	Cash flow hedge derivatives	-	10,877	-	10,877
Financial liabilities at fair value through profit and loss	Trading derivatives	-	2,076	-	2,076
		-	419,288	-	419,288

During the year ended 31 December 2019, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 13). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts. Despite the fact that the entity is not listed, the data used in the price calculation is observable market information. The fair value of the investment amounted to 55,035 thousand Euros for the period ended on 31 December 2019.

Quality of Finantial Assets

The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	’19	’18
Trade and other receivables		
BBB-	115,904	13,210
Others without rating	352,330	464,162
	468,234	477,372
Cash and cash equivalents		
A+ to A-	12,704	37
BBB+ to BBB-	508	2,182
Until BB+	7,810	33,498
Without rating	23	17
	21,044	35,735

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorized distributors in each of the businesses, such as EDP, GALP and some European distributors.

At 31 December 2019, overdue or impaired credits are as follows:

i. Trade and other receivables include 2,964 thousand Euros (Note 14) which have been adjusted for impairment; and

ii. There are some aged receivables relating to transactions with EDP group companies for which the credit risk is considered as nil.

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

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

13. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Head office			Book value	
	City	Country	% owned	'19	'18
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. (REE)	Madrid	Spain	1.00%	97,060	105,562
Hidroeléctrica de Cahora Bassa (HCB)	Maputo	Mozambique	7.50%	55,035	53,409
Coreso, S.A.	Brussels	Belgium	7.90%	164	164
MIBGÁS, S.A.	Madrid	Spain	6.67%	202	202
MIBGÁS Derivatives, S.A.	Madrid	Spain	9.70%	48	48
				155,676	162,552

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	Others	Total
At 1 January 2018	3,167	51,591	101,311	164	202	-	5	156,439
Acquisitions	-	-	-	-	-	48	-	48
Fair value adjustments	-	1,818	4,251	-	-	-	-	6,069
Others	-	-	-	-	-	-	(5)	(5)
At 31 December 2018	3,167	53,409	105,562	164	202	48	-	**162,552**
At 1 January 2019	3,167	53,409	105,562	164	202	48	-	162,552
Fair value adjustments	-	1,626	(8,502)	-	-	-	-	(6,876)
At 31 December 2019	3,167	55,035	97,060	164	202	48	-	**155,676**

Red Eléctrica Corporácion, S.A. (REE) is the transmission system operator of electricity in Spain. The Group acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 December 2019.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA (HCB), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública - Participações Públicas, SGPS, SA, CEZA - Companhia Eléctrica do Zambeze, SA and EDM - Electricidade de Moçambique, EP. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 12).

REN Company holds a financial stake in the Coreso's share capital, a Company which is also hold by other important European TSO's which, as initiative of the Coordination of Regional Security (CRS), assists the TSO's in the safely supply of electricity in Europe. In this context, Coreso develops and executes operational planning activities since several days before until near real time.

On 31 December 2019, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016, a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade – OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand Euros.

On 31 December 2019, REN also holds a 9.7% financial interest, acquired for the amount of 48 thousand Euros, of the share capital of MIBGÁS Derivatives, SA, the management company of the organized futures market natural gas, spot products of liquefied natural gas and spot products in underground storage in the Iberian Peninsula.

As there are no available market price for these investments (OMEL, MIBGÁS, MIBGÁS Derivatives and Coreso) and as it is not possible to determine the fair value of the period using comparable transactions, these investments are recorded at acquisition deducted of impairment losses, as describe in Note 3.6 - Financial Assets and Liabilities.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso, MIBGÁS and MIBGÁS Derivatives at 31 December 2019.

REN Portgás holds other financial interests, which are recorded at the acquisition cost in the amount of 29 thousand Euros, deducted of impairment losses, with a net value of zero thousand Euros.

Name
PRIMUS MGV - Promoção e Desenv.. Regional, S.A.
ADRAVE - Ag. Desenv. Reg-do Vale do Alve, S.A.
AREALIMA - Ag. Reg. Energia e Amb. Vale Lima
ADEPORTO - Agência de Energia do Porto

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

	Fair value hedge (Note 19)
1 January 2018	53,778
Changes in fair value	6,069
Tax effect	(2,136)
31 December 2018	57,711
1 January 2019	57,711
Changes in fair value	(6,876)
Tax effect	1,131
31 December 2019	51,966

In the year ended 31 December 2019, the total amount of 6,905 thousand Euros recognized in the consolidated statement of profit and loss is relative to associated companies' dividends, of which 5,279 thousand Euros were received during 2019. Additionally, the amount of 1,477 thousand Euros was received relative to dividends recognized during the year ended 31 December 2018. These amounts were included in the cash flows statement.

In the year ended 31 December 2019 and 2018, the dividends attributable to the Group are as follows:

	'19	'18
Red Electrica Corporación, S.A. (REE)	5,323	5,072
Hidroeléctrica de Cahora Bassa, S.A (HCB)	1,495	1,260
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	87	91
	6,905	6,423

14. TRADE AND OTHER RECEIVABLES

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

	'19			'18		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	215,699	155	215,854	294,602	6,005	300,607
Impairment of trade receivables	(2,964)	-	(2,964)	(2,942)	-	(2,942)
Trade receivables net	212,735	155	212,890	291,660	6,005	297,665
Tariff deviations	100,153	114,354	214,507	116,561	44,241	160,802
State and Other Public Entities	40,837	-	40,837	18,905	-	18,905
Trade and other receivables	353,725	114,509	468,234	427,126	50,246	477,372

The most relevant balances included in the trade receivables caption as of 31 December 2019 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 92,763 thousand Euros (80,037 thousand Euros at 31 December 2018); (ii) the receivable of Galp Gás Natural, S.A., in the amount of 12,973 thousand Euros (11,547 thousand Euros at 31 December 2018); and (iii) the amount of 4,388 thousand Euros, as defined by the regulator ERSE in the context of sustainability measures of the National Electric System (31,638 thousand Euros at 31 December 2018).

In the trade and other receivables also stands out the amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 19,006 thousand Euros (22,722 thousand Euros at 31 December 2018) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 49 thousand Euros (7,975 thousand Euros at 31 December 2018) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23).

This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

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

	’19	’18
Begining balance	(2,942)	(3,043)
Perimeter changes	-	453
Increases	(22)	(352)
Ending balance	(2,964)	(2,942)

The ageing of trade receivables, net of impairment, is as follows:

	’19	’18
Not due and due up to 30 days	193,527	272,828
31-60 days	2,134	6,943
61-90 days	201	896
91-120 days	65	520
More than 120 days	16,963	16,478
	212,890	297,665

15. INVENTORIES

Inventories at 31 December 2019 and 2018 are made up as follows:

	'19	'18
Goods	-	934
Other materials	3,924	1,167
Inventories adjustment	(5)	(5)
Inventories	3,919	2,095

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand Euros.

The cost of goods sold and materials consumed, recognized in the year ended 31 December 2019 and 2018, is detailed as follows:

	'19	'18
Opening balance	2,095	2,958
Acquisitions	2,728	594
Closing balance	3,919	2,095
Cost of goods sold and materials consumed	904	1,456

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	31 December 2019				
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	21,670
Currency swaps	72,899 TEUR	-	13,712	-	-
		-	13,712	-	21,670
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	1,732	13,516	-	-
		1,732	13,516	-	-
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	3,177
		-	-	-	3,177
Derivative financial instruments		1,732	27,229	-	24,848

	31 December 2018				
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	10,877
Currency swaps	72,899 TEUR	-	10,940	-	-
		-	10,940	-	10,877
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	-	10,070	-	-
		-	10,070	-	-
Trading derivatives					
Trading derivatives	60,000TEUR	-	-	-	2,076
		-	-	-	2,076
Derivative financial instruments		-	21,010	-	12,952

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

The amount recognized in this item refers to:

- eight interest rate swap contracts negotiated by REN SGPS to hedge the interest rate fluctuation risk (Note 4.1);
- a cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 4.1).

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the "Dollar offset method" and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2019 related to these financial instruments, in the net amount receivable of 2,323 thousand Euros (at 31 December 2018 it was 2,136 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2019 and 2018 were as follows:

	Notional	REN pays	REN receives	Maturity	Fair value at 31 December 2019	Fair value at 31 December 2018
Cash flow hedge						
Interest rate swaps	600,000 TEuros	[0.75%;1.266%]	[Euribor 3m; Euribor 6m]	[dez-2024; fev-2025]	(21,670)	(10,877)
Currency swaps	72,899 TEuros	[Euribor 6m; +1.9%]	2.71%	2024	13,712	10,940
					(7,958)	64
Fair value hedge						
Interest rate swaps	300,000 TEuros	[Euribor 6m]	[0.611%]	[fev-2025]	13,516	10,070
Interest rate swaps	100,000 TEuros	[Euribor 6m; +0.3332%]	[1.724%]	[out-2020]	1,732	-
					15,249	10,070
Trading						
Interest rate swaps	60,000 TEuros	[0.99%]	[Euribor 6m]	2024	(3,177)	(2,076)
					(3,177)	(2,076)
Total					**4,114**	**8,058**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is quarterly, semiannual and annual for cash flow hedging contracts, semiannual and annual for fair value hedging contracts and semiannual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2019 and 2018 is presented in the following table:

2019

	’20	’21	’22	’23	’24	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	72,899	-	72,899
Interest rate swap (fair value hedge)	100,000	-	-	-	-	300,000	400,000
Interest rate swap (trading)	-	-	-	-	60,000	-	60,000
Total	100,000	-	-	-	432,899	600,000	**1,132,899**

2018

	'19	'21	'22	'23	'24	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	-	600,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	100,000	-	-	-	300,000	400,000
Interest rate swap (trading)	-	-	-	-	-	60,000	60,000
Total	-	100,000	-	-	-	1,032,899	**1,132,899**

Swaps:

Cash Flow Hedge - Interest Rate Swaps

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2019, the Group has a total of four cash flow hedging interest rate swap contracts for a total amount of 600,000 thousand Euros (as of 31 December 2018 it was 600,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2019, is negative 21,670 thousand Euros (at 31 December 2018 it was negative 10,877 thousand Euros).

Of the derivatives described above, two contracts in a total amount of 300,000 thousand Euros (at 31 December 2018 it was 300,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 21,517 thousand Euros (at 31 December 2018 it was 10,744 thousand Euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged notional	Interest rate	Hedged Carrying Amount	Note
Cash Flow Hedging Instruments					
European Investment Bank (EIB) Loan	16/12/2024	300,000 TEuros	Euribor 3m	299,694	20
Bond Issue (Euro Medium Term Notes)[1]	12/02/2025	300,000 TEuros	2.50%	293,363	20

[1] This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300,000 thousand Euros (see conditions on the table above) in an aggregate exposure hedge to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow hedge.

Cash Flow Hedge – Interest and Exchange Rate Swaps

The Group hedged the exchange rate risk of the 10,000 million yen bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2019 is positive 13,712 thousand Euros (at 31 December 2018 it was positive 10,940 thousand Euros).

Changes in the fair value of the hedging instrument are also being recognized in equity hedging reserves, with exception of:

- the offsetting of the exchange rate effect of the spot revaluation of the hedged item (bond issue in yen) at each reference date, arising from the hedging of the exchange rate risk[1];
- the ineffective effect of the hedge arising from the accounting designation made (REN contracted a trading derivative to economically hedge this ineffectiveness - see Trading Derivative)[2]. This inefficiency is caused by the change in the interest profile of the hedging instrument, which pays a variable rate in the period from 2019 to 2024.

Integral Income:
The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

’19

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(10,773)	(10,773)	-	-
Swaps of exchange rate	2,721	(2,114)	2,287	2,548
	(8,052)	(12,887)	2,287	2,548

’18

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,788)	(4,788)	-	-
Swaps of exchange rate	10,214	3,422	1,401	5,391
	5,426	(1,366)	1,401	5,391

1 The currency effect of the underlying (loan), in the year 2019, was unfavorable in the amount of 2,548 thousand Euros, and was offset, in the same amount, by the favourable effect of the hedging instrument in the income statement for the year (as of 31 December 2018 was unfavorable in 5,391 thousand Euros).

2 The ineffective cash flow hedge component of the exchange rate risk recognised in the income statement, was positive 2,287 thousand Euros which was offset by the effect of the trading derivative negotiated in negative 1,088 thousand Euros (as of 31 December 2018 it was positive 1,401 thousand Euros against negative 1,101 thousand Euros of the effect of the trading derivative). Therefore, the net effect on the income statement for the period ended on 31 December 2019 amounted to positive 1,199 thousand Euros (as of 31 December 2018 was positive 300 thousand Euros).

Hedging Reserve:

The movements recognised in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves (Note 19)
1 January 2018	(12,281)	2,580	(9,702)
Changes in fair value and ineffectiveness	(1,366)	492	(875)
31 December 2018	(13,647)	3,071	(10,577)
1 January 2019	(13,647)	3,071	(10,577)
Changes in fair value and ineffectiveness	(12,887)	3,563	(9,324)
31 December 2019	**(26,534)**	**6,634**	**(19,901)**

Fair Value Hedge

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2019, the Group has a total of three fair value hedging derivative contracts amounting to 400,000 thousand Euros (as of 31 December 2018 it was 400,000 thousand Euros). The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged.
At 31 December 2019, the fair value of interest rate swaps designated as fair value hedging instruments was positive 15,249 thousand Euros (as of 31 December 2018 it was positive 10,070 thousand Euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement. The hedged items of fair value hedging relationships have the following conditions:

'19

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2019	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	16/10/2020	100,000 TEuros	4.75%	97,188	136	1,546	20
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEuros	2.50%	304,761	(11,398)	(6,472)	20
					(11,262)	(4,926)	

'18

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2018	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	16/10/2020	100,000 TEuros	4.75%	98,726	(1,409)	1,353	20
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEuros	2.50%	298,289	(4,926)	(4,000)	20
					(6,335)	(2,647)	

In 2019, the change in fair value of the debt related to interest rate risk recognized in the income statement was negative 4,926 thousand Euros (at 31 December 2018 it was negative 2,647 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 83 thousand Euros (at 31 December 2018 it was positive 246 thousand Euros).

The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Integral Income:
The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follows:

	'19	'18
Fair value Hedging instruments	**Hedging inefficiency recorded in Profit for the Year**	**Hedging inefficiency recorded in Profit for the Year**
Swaps of interest rate	83	246

Trading Derivative
The Group negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand Euros as of 31 December 2019 (at 31 December 2018 it was 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2019, is negative 3,177 thousand Euros (on 31 December 2018 it was negative 2,076 thousand Euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2019, related to the effect of the fair value of the trading derivative was negative 1,088 thousand Euros (as of 31 December 2018 it was 1,225 thousand Euros negative).

17. CASH AND CASH EQUIVALENTS

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

	'19	'18
Cash	-	-
Bank deposits	21,044	35,735
Cash and cash equivalents in the statement of financial position	**21,044**	**35,735**
Bank overdrafts (Note 20)	(523)	(1,638)
Cash and cash equivalents in cash flow statement	**20,521**	**34,096**

Following the sale of the liquefied petroleum gas (LPG) business in the year ended 31 December 2018, a decrease of 659 thousand Euros was recorded in the caption "Cash and cash equivalents", changes in perimeter.

Following the acquisition of the entire share capital of Transemel, in the year ended 31 December 2019, an increase of 152 thousand Euros was recorded in the caption "Cash and cash equivalents", changes in perimeter (Note 9).

In addition, in the years ended 31 December 2019 and 2018, there are no cash and cash equivalents that are not available for the group to use.

18. EQUITY INSTRUMENTS

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

	'19		'18	
	Number of shares	Share Capital	Number of shares	Share Capital
Share Capital	667,191,262	667,191	667,191,262	667,191

The caption "Other changes in equity" in the years ended 31 December 2019 and 2018 amounted to 5,561 thousand Euros.

Additionally, and following the share capital increase in 2017, the caption "Share Premium" in the years ended 31 December 2019 and 2018 amounted to 116,809 thousand Euros.

At 31 December 2019, REN SGPS had the following own shares:

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

No own shares were acquired or sold in the years ended 31 December 2019 and 2018.

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

19. RESERVES AND RETAINED EARNINGS

The caption "Reserves" in the amount of 316,681 thousand Euros includes:

- Legal reserve: The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. This reserve can only be used to cover losses or to increase capital. At 31 December 2019 this caption amounts to 118,828 thousand Euros;
- Fair value reserve: includes changes in the fair value of available for sale financial assets (51,966 thousand Euros positive), as detailed in Note 13;
- Hedging reserve: includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 19,901 thousand Euros) as detailed in Note 16; and
- Other reserves: This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders; except for the limitation set by the Companies Code in respect of own shares, (ii) exchange rate changes associated to the financial investment whose functional currency is different of Euros and (iii) changes in equity of associates recorded under the equity method. On 31 December 2019, this caption amounts to 165,787 thousand Euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. Portuguese legislation establishes that the difference between the equity method income and the amount of paid or deliberated dividends is equivalent to legal reserve.

20. BORROWINGS

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

	'19			'18		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	297,755	1,445,327	1,743,082	30,000	1,738,207	1,768,207
Bank Borrowings	75,736	581,675	657,411	200,134	556,430	756,564
Commercial Paper	364,000	100,000	464,000	180,000	-	180,000
Bank overdrafts (Note 17)	523	-	523	1,638	-	1,638
Leases	1,488	2,386	3,874	1,557	2,776	4,333
	739,502	2,129,388	2,868,890	413,329	2,297,413	2,710,742
Accrued interest	25,396	-	25,396	24,555	-	24,555
Prepaid interest	(7,740)	(17,092)	(24,832)	(6,482)	(22,474)	(28,956)
Borrowings	757,158	2,112,296	2,869,454	431,401	2,274,939	2,706,340

The change in borrowings during the year ended 31 December 2019 was as follows:

	Opening balance 01.01.2019	Changes in the perimeter (Note 9)	Subscriptions	Reimbursement	Exchange evaluation	Fair value	Reclassification Non-Current to Current	Others	Exchange rate differences	Closing balance 31.12.2019
Non-current										
Bonds	1,738,207	-	-	-	2,548	2,327	(297,755)	-	-	1,445,327
Bank Borrowings	556,430	8,383	355,000	(275,000)	-	-	(62,590)	-	(548)	581,675
Commercial Paper	-	-	100,000	-	-	-	-	-	-	100,000
Finance Lease	2,776	-	-	-	-	-	-	(390)	-	2,386
	2,297,413	8,383	455,000	(275,000)	2,548	2,327	(360,345)	(390)	(548)	2,129,388
Current										
Bonds	30,000	-	-	(30,000)	-	-	297,755	-	-	297,755
Bank Borrowings	200,134	14,064	-	(200,134)	-	-	62,590	-	(918)	75,736
Commercial Paper	180,000	-	4,633,550	(4,449,550)	-	-	-	-	-	364,000
Bank overdrafts	1,638	-	-	-	-	-	-	(1,115)	-	523
Finance Lease	1,557	-	-	-	-	-	-	(69)	-	1,488
	413,329	14,064	4,633,550	(4,679,684)	-	-	360,345	(1,183)	(918)	739,502
Borrowings	2,710,742	22,447	5,088,550	(4,954,684)	2,548	2,327	-	(1,573)	(1,466)	2,868,890

The borrowings settlement plan was as follows:

	'20	'21	'22	'23	'24	Following years	Total
Debt - Non current	-	211,236	108,107	617,709	227,857	964,479	2,129,388
Debt - Current	739,502	-	-	-	-	-	739,502
	739,502	211,236	108,107	617,709	227,857	964,479	**2,868,890**

Detailed information regarding bond issues as of 31 December 2019 is as follows:

					31 December 2019
Issue date	**Maturity**	**Inicial amount**	**Outstanding amount**	**Interest rate**	**Periodicity of interest payment**
Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	TEUR 72,899 (i) (ii)	TEUR 72,899	Fixed rate	Semi-Annual
16/01/2013	16/01/2020	TEUR 150,000 (i)	TEUR 30,000	Floating rate	Quarterly
17/10/2013	16/10/2020	TEUR 400,000 (ii)	TEUR 267,755	Fixed rate EUR 4.75%	Annual
12/02/2015	12/02/2025	TEUR 300,000 (ii)	TEUR 500,000	Fixed rate EUR 2.50%	Annual
01/06/2016	01/06/2023	TEUR 550,000	TEUR 550,000	Fixed rate EUR 1.75%	Annual
18/01/2018	18/01/2028	TEUR 300,000	TEUR 300,000	Fixed rate EUR 1.75%	Annual

(i) These issues correspond to private placements.
(ii) These issues have interest currency rate swaps associated

As of 31 December 2019, the Group has seven commercial paper programs in the amount of 1,300,000 thousand Euros, of which 836,000 thousand Euros are available for utilization. Of the total amount 530,000 thousand Euros have a guaranteed placement.

In 2019, the Group renegotiated the loan of 120,000 thousand Euros with the Industrial Commercial Bank of China, having been repaid for that purpose 35,000 thousand Euros that were issued at that date. As at 31 December 2019, 35,000 thousand Euros have been disbursed under the new line.

During 2019, the Group also renegotiated the Revolving Credit Facility of 250,000 thousand Euros with Bank of China, having been repaid for that purpose 10,000 thousand Euros that were issued at that date. As at 31 December 2019, 10,000 thousand Euros have been disbursed under the new line.

Finally, still in 2019, the Group contracted a Revolving Credit Facility with SMBC Bank EU AG in the global amount of 150,000 thousand Euros, which are not yet disbursed.

As part of the financing contract, signed in 2015, with the European Investment Bank (EIB) for the financing of projects in the electricity business, in November 2019, the first of three tranches in the amount of 80,000 thousand Euros was disbursed.

Bank loans are mostly composed of loans contracted with the European Investment Bank (EIB), which at 31 December 2019 amounted to 435,714 thousand Euros (at 31 December 2018 it was 409,388 thousand Euros).

The Group also has credit lines negotiated and not used in the amount of 87,500 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose).

The balance of the caption Prepaid interest includes the amount of 16,733 thousand Euros (21,617 thousand Euros in 31 December 2018) related with the refinancing of bonds through an exchange offer completed in 2016.

As a result of the fair value hedge related to the debt emission in the amount of 400,000 thousand Euros, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 4,926 thousand Euros (negative) (at 31 December 2018 was 2,647 thousand Euros (positive)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 83% above the minimum.

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

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

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

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	'19	'18
6 month or less	1,186,570	1,040,162
6 - 12 month	169,813	-
1 - 5 years	4,615	178,565
Over 5 years	1,477,699	1,485,175
	2,838,697	2,703,903

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by hedge derivate in place.

The average interest rates for borrowings including commissions and other expenses were 2.08% in 2019 and 2.24% in 2018.

Leases

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

	'19	'18
Lease liabilities - minimum lease payments		
No later than 1 year	1,515	1,583
Later than 1 year and no later than 5 years	2,413	2,813
	3,928	4,396
Future finance charges on leases	(54)	(63)
Present value of lease liabilities	**3,874**	4,333

	’19	’18
The present value of lease liabilities is as follows		
No later than 1 year	1,488	1,557
Later than 1 year and no later than 5 years	2,386	2,776
	3,874	4,333

21. POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

As explained in Note 3.10, REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as “Other benefits”). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement (ACT) which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- Health care plan: were considered new reimbursement limits;
- Other benefits: (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

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

	’19	’18
Liability on statement of financial position		
Pension plan	57,696	56,904
Healthcare plan and other benefits	45,613	41,384
	103,309	98,288

During the years ended 31 December 2019 and 2018, the following operating expenses were recorded regarding benefit plans with employees:

	’19	’18
Charges to the statement of profit and loss (Note 28)		
Pension plan	3,170	4,294
Healthcare plan and other benefits	1,246	1,203
	4,416	5,497

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

	'19	'18
Annual discount rate	1.00%	1.80%
Expected percentage of serving employees elegíble for early retirement (more than 60 years of age and 36 years in service) - by Collective work agreement	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement - by Management act	10.00%	10.00%
Rate of salary increase	2.50%	2.50%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	1.30%	1.30%
Inflation rate	1.50%	1.50%
Medical trend	1.50%	1.50%
Management costs (per employee/year)	€297	€290
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

The annual discount rate of 1% used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the scenario where a discount rate of 2% and 0% have been considered in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	0.00%	1.00%	2.00%
Pension plan			
Liabilities	106,752	95,442	86,033
Impact on liabilities	11,310	-	(9,409)
Healthcare plan			
Liabilities	18,713	16,207	14,215
Impact on liabilities	2,506	-	(1,992)
Other benefits			
Liabilities	35,036	29,406	25,085
Impact on liabilities	5,630	-	(4,321)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	'19	'18
Active (Pension plan, Healthcare plan and Other benefits) (a)	272	281
Active (Long service award benefit)	688	692
Pre-retires and earlier retires	142	179
Retires	674	645

(a) The Other benefits excludes the long award benefit

21.1. Pension plan

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous Pension fund.

In the years ended 31 December 2019 and 2018, no contributions were made to the REN Pension Fund.

No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	'20	'21	'22	'23	'24	'25-'29
Expected benefits payments	8,636	7,774	6,371	5,686	5,021	19,737

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2019 and 2018 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	'19	%	'18	%
Bonds	32,807	87%	33,333	87%
Shares	3,656	10%	3,988	12%
Readily available deposits	1,250	3%	561	2%
Absolute return	33	0%	-	0%
Total	**37,746**	**100%**	37,882	100%

The assets effective rate of return in 2019 was 5.31% (-1.42% in 2018).

Evolution of the assets of the Pension Fund in 2019 and 2018 was as follows:

	'19	'18
At 1 January	37,882	40,827
Actuarial gain / (loss)	1,297	(1,276)
Benefits paid	(2,093)	(2,380)
Return on plan assets (i)	659	711
At 31 December	37,746	37,882

(i) Unique rate applied to the obligation and assets pension plan

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

	'19	'18
Present value of the liability	(95,442)	(94,786)
Fair value of plan assets	37,746	37,882
	(57,696)	(56,904)

The reconciliation of the remeasurement of liability net of benefits is as follows:

	'19	'18
At 1 January	56,904	79,154
Current service costs	2,210	2,948
Net interest on net defined benefit liability	960	1,346
Actuarial gains/(losses)	5,676	(17,290)
Benefits paid	(8,054)	(9,256)
At 31 December	57,696	56,904

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

Reconciliation of the obligation of the pension plan

	’19	’18
At 1 January	94,786	119,981
Current service costs	2,210	2,948
Interest costs	1,619	2,058
Benefits paid	(10,147)	(11,636)
Actuarial(gains)/losses	6,973	(18,566)
At 31 December	95,442	94,786

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

	’19	’18
Current service costs	2,210	2,948
Net interest on net defined benefit liability	960	1,346
Total included in personnel costs	3,170	4,294

Historical analysis of the actuarial gains and losses

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	’19	’18
Discount rate	1.00%	1.80%
Liabilities amount	(95,442)	(94,786)
Value of the fund	37,746	37,882
Actuarial gains/(losses) on liabilities	(6,973)	18,565
- for change in assumptions	(7,661)	17,388
- from experience	688	1,177
Actuarial gains/(losses) on fund assets	1,297	(1,276)

21.2. Healthcare and other benefits

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	'19	'18
Present value of the obligation	45,613	41,384
Liability in the statement of financial position	45,613	41,384

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

	'19	'18
At 1 January	41,384	42,823
Current service costs	513	537
Interest costs	728	753
Benefits paid	(1,302)	(1,696)
Actuarial (gain)/loss	4,289	(1,190)
Beneficiaries contributions	-	157
At 31 December	45,613	41,384

The effects of the plan on the consolidated statements of profit and loss were as follows:

	'19	'18
Current service costs	513	537
Interest costs	728	753
(Gains)/losses of other long term employee benefit plans	5	(87)
Total included in personnel costs	1,246	1,203

Medical expenses trend rate in the Healthcare plan

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 1.5%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 10% increase in liabilities, where a decrease of one percentage point results in a decrease of 8% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	0.50%	1.50%	2.50%
Current service and interest costs	315	358	414
Impact on current service and interest costs	(43)	-	56
Past service liabilities	14,926	16,207	17,772
Impact on past service liabilities	(1,281)	-	1,565

Historical analysis of the actuarial gains and losses in the medical and other benefits plan

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	'19	'18
Discount rate	1.00%	1.80%
Liabilities amount	(45,613)	(41,384)
Actuarial (gains)/losses on liabilities	(4,289)	1,190
- for change in assumptions	(5,293)	1,304
- from experience	1,004	(114)

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	'20	'21	'22	'23	'24	'25–'29
Expected benefits payments	1,916	1,946	1,894	1,854	1,889	9,023

The weigh average duration of these liabilities is 14 years for healthcare and 16.3 years for other benefits.

22. PROVISIONS FOR OTHER RISKS AND CHARGES

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

	'19	'18
Begining balance	8,852	9,035
Changes in the perimeter	-	(20)
Increases	124	511
Reversing	(434)	(210)
Utilization	(126)	(464)
Ending balance	8,416	8,852
Non-current provision	8,416	8,852
	8,416	8,852

At 31 December 2019, the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a restructuring provision amounting to 415 thousand Euros related to the on-going restructuring process.

23. TRADE AND OTHER PAYABLES

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

	'19			'18		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	149,388	-	149,388	208,416	-	208,416
Other creditors						
Other creditors (Note 12)	62,236	59,051	121,287	54,935	49,474	104,409
Tariff deviations (Note 12)	66,595	37,688	104,283	56,814	63,608	120,423
Fixed assets suppliers (Note 12)	54,530	-	54,530	52,213	-	52,213
Tax payables (Note 12) (i)	16,367	-	16,367	24,404	-	24,404
Deferred income						
Grants related to assets	16,428	243,888	260,316	17,803	254,661	272,465
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,189	-	5,189	5,331	-	5,331
Trade and other payables	370,733	340,627	711,360	419,917	367,743	787,661

The caption “Trade and other payables” includes: (i) the amount of 40,507 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (54,796 thousand Euros at 31 December 2018); (ii) the amount of 15,013 thousand Euros of investment projects not yet invoiced (14,603 thousand Euros at 31 December 2018); (iii) the amount of 19,006 thousand Euros (22,722 thousand Euros at 31 December 2018) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 49 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (7,975 thousand Euros at 31 December 2018), also reflected in the caption “Trade receivables” (Note 14).

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

The caption "Other creditors" includes: (i) the amount of 19,326 thousand Euros (25,682 thousand Euros at 31 December 2018) related with the Efficiency Promotion Plan on Energy Consumption (PPEC), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	’19	’18
Not due and due up to 30 days	240,372	294,423
31-60 days	2,117	1,000
61-90 days	344	421
91-120 days	3,992	501
More than 120 days	78,380	68,694
	325,205	365,039

The movement in the caption “Grants related to assets” current and non-current, in the years ended 31 December 2019 and 2018 was as follows:

Grants	
At 1 January 2018	285,626
Increases	4,784
Recognition of investment subsidies in profit and loss (Note 26)	(17,946)
At 31 December 2018	272,465
Increases	5,755
Recognition of investment subsidies in profit and loss (Note 26)	(17,904)
At 31 December 2019	260,316

24. SALES AND SERVICES RENDERED

Sales and services rendered recognized in the consolidated statement of profit and loss for the years ended 31 December 2019 and 2018 is made up as follows:

	'19	'18
Goods:		
Domestic market	79	117
	79	117
Services - Domestic market:		
Electricity transmission and overall systems management	346,888	348,671
Natural gas transmission	84,660	91,009
Natural gas distribution	58,757	61,243
Regasification	45,766	38,519
Underground gas storage	16,800	16,053
Telecommunications network	6,514	6,020
Trading	2,089	2,781
Others	1,500	3,074
Services - External market (Chile):		
Transmission and transformation of electricity	2,732	-
	565,707	567,371
Total sales and services rendered	**565,786**	567,487

25. REVENUE AND COSTS FOR CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets.

The detail of the revenue and expenses with the acquisition of concession assets as of 31 December 2019 and 2018 were made up as follows:

	'19	'18
Revenue from construction of concession assets		
Acquisitions	164,636	102,351
Own work capitalised :		
Financial expenses (Note 8)	2,562	2,017
Overhead and management costs (Note 8)	16,745	17,408
	183,944	121,775
Cost of construction of concession assets		
Acquisitions	164,636	102,351
	164,636	102,351

26. OTHER OPERATING INCOME

The caption "Other operating income" loss for the years ended 31 December 2019 and 2018 is made up as follows:

	'19	'18
Recognition of investment subsidies in profit and loss (Note 23)	17,904	17,946
Underground occupancy tax	4,439	4,321
Supplementary income	3,045	2,177
Disposal of unused materials	1,249	1,727
Others	1,412	5,985
	28,049	32,156

The caption "Others" for the year ended 31 December 2018, includes the profit of the sale of the liquefied petroleum gas (LPG) business that amounts to 3.8 million Euros (net value of selling costs). The operation was carried out, on July 2, 2018, through REN Portgás Distribuição, which entered into a share purchase and sale agreement in which it disposed of the total shares representing the share capital of REN Portgás GPL, to ENERGYCO II, S.A. for 4,030 thousand Euros.

27. EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the years ended 31 December 2019 and 2018 is made up as follows:

	'19	'18
Maintenance costs	16,879	16,448
Fees relating to external entities i)	14,846	17,475
Electric energy costs	8,466	7,380
Cross border interconnection costs ii)	5,219	2,687
Gas transport subcontracts	4,016	4,006
Insurance costs	2,710	2,628
Security and surveillance	2,095	1,948
Travel and transportation costs	1,632	1,512
Advertising and communication costs	966	1,055
Other	3,670	3,613
External supplies and services	60,500	58,752

i)The fees paid to external entities refer to specialized work and fees paid by REN for contracted services and specialized studies.
ii)The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity.

This caption includes audit services as well as consulting services rendered by audit companies recorded as expenses in 2019, as follows:

	'19	'18
Audit and statutory audit	258	232
Other assurance services	116	119
Services other than audit and statutory audit	92	97
	466	448

28. PERSONNEL COSTS

Personnel costs for the years ended 31 December 2019 and 2018 are made up as follows:

	'19	'18
Remuneration:		
Board of directors	2,898	2,838
Personnel	37,475	36,681
	40,373	39,519
Social charges and other expenses:		
Social security costs	8,066	7,850
Post-employement and other benefits cost (Note 21)	4,416	5,497
Social support costs	1,546	2,236
Other	344	185
	14,372	15,768
Total personnel costs	**54,745**	55,287

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

The average number of employees of the Group in 2019 was 687 (692 in 2018).

29. OTHER OPERATING COSTS

Other operating costs for the years ended 31 December 2019 and 2018 are made up as follows:

	'19	'18
ERSE operating costs i)	11,054	7,214
Underground occupancy tax	3,856	3,839
Donations and quotizations	1,377	1,518
Taxes	1,211	1,161
Others	741	2,067
	18,240	15,799

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

30. FINANCIAL COSTS AND FINANCIAL INCOME

Financial costs and financial income for the years ended 31 December 2019 and 2018 are made up as follows:

	'19	'18
Financial costs		
Interest on bonds issued	48,336	52,147
Other borrowing interests	12,001	10,196
Interest on commercial paper issued	2,078	3,651
Derivative financial instruments	1,288	2,419
Other financing expenditure	1,735	1,242
	65,438	69,656
Financial income		
Derivative financial instruments	3,535	2,599
Other financial investments	2,719	2,522
Interest income	-	4
	6,254	5,125

31. EARNINGS PER SHARE

Earnings per share were calculated as follows:

		'19	'18
Consolidated net profit used to calculate earnings per share	(1)	118,899	115,715
Number of ordinary shares outstanding during the period (note 18)	(2)	667,191,262	667,191,262
Effect of treasury shares (note 18) (average number of shares)		3,881,374	3,881,374
Number of shares in the period	(3)	663,309,888	663,309,888
Basic earnings per share (euro per share)	(1)/(3)	0,18	0,17

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

32. DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 3 May 2019, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2018, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

During the Shareholders General Assembly meeting held on 3 May 2018, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2017, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

33. CONTINGENT ASSETS AND LIABILITIES

33.1. Commitments

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2019 and 2018, were as follows:

	'19	'18
Substations	52,670	27,321
Power lines	40,153	60,734
Gas pipelines	965	870
Sines Terminal	786	1,523
Underground gas storage	276	504
	94,850	90,952

Regarding joint ventures and associates, there are no other commitments assumed by the Group and which are not included in the consolidated statement of financial position, for the years ended 31 December 2019 and 2018.

33.2. Contingent liabilities

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

According to the CAE, Tejo Energia and Turbogás act as producers and sellers and REN Trading as purchaser of the energy produced in power plants. REN Eléctrica is jointly and severally liable with REN Trading, regarding the execution of the CAE with Tejo Energia and Turbogás. According to the information received, the total costs incurred by these companies until 31 December 2019 amounts to, approximately, 65 million Euros.

REN Trading and REN Elétrica consider that, with the existing legal framework, this possibility depends on the recognition that the associated charges can be considered as general costs of the national electricity system, the only way to guarantee the economic neutrality of REN Trading's contractual position .

All of these disputes have already been dealt with by the financial panels provided for in the PPAs, which rejected the requests made by the plaintiffs. The two disputes with Tejo Energia were subsequently the subject of arbitration requests submitted by it to the International Chamber of Commerce (ICC).

33.3. Guarantees given

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

Beneficiary	Scope	'19	'18
European Investment Bank (EIB)	To guarantee loans	212,924	238,143
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	23,788	23,032
District Court of Lisbon	Guarantee for suspension of continuation of pending enforcement proceedings	10,707	10,707
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	8,416	5,229
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Municipal Council of Seixal	Guarantee for litigation	3,133	2,777
Portuguese State	Guarantee for litigation	2,185	2,185
Municipal Council of Maia	Guarantee for litigation	1,564	1,564
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
Municipal Council of Porto	Guarantee for litigation	368	368
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT - Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
EP - Estradas de Portugal	Guarantee for litigation	195	95
Municipal Council of Matosinhos	Guarantee for litigation	-	817
Others (loss then 100 thousand Euros)	Guarantee for litigation	144	220
		270,646	292,359

The given guarantees have the following maturities:

	31 December 2019			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	25,692	104,986	82,247	212,924
Other guarantees	-	-	57,722	57,722
	25,692	104,986	139,968	270,646

	31 December 2018			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	25,219	104,345	108,579	238,143
Other guarantees	-	-	54,216	54,216
	25,219	104,345	162,795	292,359

33.4. Guarantees received

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 131,641 thousand Euros as of 31 December 2019 (123,292 thousand Euros as of 31 December 2018).

34. RELATED PARTIES

Main shareholders and shares held by corporate bodies

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

	'19		'18	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc.	25,365,000	3.8%	25,365,000	3.8%
Great-West Lifeco, Inc.	18,225,165	2.7%	17,794,967	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	257,354,676	38.6%	257,784,874	38.6%
	667,191,262	100%	667,191,262	100%

The number of shares of REN SGPS held by corporate bodies at 31 December 2019 and 2018 is detailed in the Director's Report.

Management remuneration

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

REN has not established any specific retirement benefit system for the Board of Directors.

Remuneration of the Board of Directors of REN, SGPS in the year ended 31 December 2019 amounted to 2,401 thousand Euros (2,346 thousand Euros in 31 December 2018), as shown in the following table:

	'19	'18
Remuneration and other short term benefits	1,545	1,490
Management bonuses (estimate)	856	856
	2,401	2,346

Transaction of shares by the members of the Board of Directors

During the year ended 31 December 2019, there were no transactions carried out by members of the corporate bodies.

Transactions with group or dominated companies

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

In the consolidation process, the amounts related to such transactions or open balances are eliminated (Note 3.2) in the financial statements.

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

Balances and transactions held with shareholders, associates and other related parties

During the years ended 31 December 2019 and 2018, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue	'19	'18
Sales and services provided		
Invoicing issued- OMIP	43	29
Invoicing issued - REE	2,757	1,506
Invoicing issued - Centro de Investigação em Energia REN - State Grid	220	201
Dividends received		
REE (Nota 13)	5,323	5,072
	8,343	6,808

Expenses	'19	'18
External supplies and services		
Invoicing received - REE	4,281	6,190
Invoicing received - Centro de Investigação em Energia REN - State Grid	204	171
Invoicing received - CMS Rui Pena & Arnaut[1]	110	146
	4,595	6,507

Balance

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

	'19	'18
Trade and other receivables		
Centro de Investigação em Energia REN - State Grid - Other receivables	31	25
REE - Trade receivables	154	193
	186	218
Trade and other payables		
Centro de Investigação em Energia REN - State Grid - Other payables	-	165
REE - Trade payables	583	1,051
CMS - Rui Pena & Arnaut - Trade payables [1]	9	16
	592	1,232

[1] Entity related to the Administrator José Luís Arnaut. During 2019, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, accountability, equality and impatience.

35. EXTRAORDINARY CONTRIBUTION OVER THE ENERGY SECTOR

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

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. The entities subject to this regime are, among others, entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ECES is levied on the value of the assets with reference to the first day of the financial year 2019 (1 January 2019) that include cumulatively, the tangible fixed assets, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ECES is levied on the value of regulated assets (i.e. the amount recognized by ERSE in the calculation of the allowed income with reference to 1 January 2019) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

The ECES line of the income statement for the year ended 31 December 2019 amounted to 24,400 thousand Euros (25,267 thousand Euros at 31 December 2018). The Group payed the ECES for the year ended 31 December 2019 in October 2019.

36. SUBSEQUENT EVENTS

In March 2020, as a result of the pandemic corona virus (COVID-19), there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets in the short term. Additionally, and as a result of this pandemic, a state of emergency was recently declared in Portugal. The REN Group is actively monitoring this situation, has activated all the necessary plans and, although the situation is unpredictable, REN Group does not estimate, as of this date, significant effects on its operability and regulatory duties and considers that the medium and long term perspectives, which were incorporated into the impairment tests, remain unchanged.

37. EXPLANATION ADDED FOR TRANSLATION

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

Statement provided for in Article 245, No 1, paragraph c) of the Securities Code

Pursuant to and for the purposes of Article 245, No 1, paragraph c) of the Securities Code, each member of the Board of Directors of REN - Redes Energéticas Nacionais, SGPS, SA, identified on next page by their name, endorsed the statement which is transcribed herein[1]:

"I hereby declare, pursuant to and for the purposes specified in Article 245, No 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me, that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and of the companies included in its scope of consolidation, and that the management report relating to the tax year of 2019 faithfully describes the evolution of the business, the performance and position of the Company and those companies, within such period, and the impact on the respective financial statements, also containing a description of the main future risks and uncertainties."

Lisbon, 25 March 2020

1 The individual statement are available for consultation at the head office of the Company..

The Certified Accountant

Pedro Mateus

The Board of Directors:

Rodrigo Costa
Chairman of the Board of Directors
and Chief Executive Officer)

Omar Al Wahaibi
(Member of the Board of Directors)

João Faria Conceição
(Member of the Board of Directors
and Chief Operational Officer)

Jorge Magalhães Correia
(Member of the Board of Directors)

Gonçalo Morais Soares
(Member of the Board of Directors
and Chief Financial Officer)

Manuel Sebastião
(Member of the Board of Directors
and Chairman of the Audit Committee)

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

Gonçalo Gil Mata
(Member of the Board of Directors
and of the Audit Committee)

Mengrong Cheng
(Member of the Board of Directors)

Maria Estela Barbot
(Member of the Board of Directors
and of the Audit Committee)

Lequan Li
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

Ana Pinho
(Member of the Board of Directors)

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

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2019 which consist of the Consolidated Financial Statement, evidencing a total of 5,305,305 thousand Euros and 1,446,144 thousand Euros of Equity Capital, including a Consolidated Net Profit of 118,899 thousand Euros, the Consolidated Profit and Loss Accounts, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

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

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 25 March 2020

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

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(Translation from the original document in the Portuguese language. In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2019 (showing a total of 5,305,305 thousand euros and a total equity of 1,446,144 thousand euros, including a net profit for the year of 118,899 thousand euros), and the Consolidated Statement of Profit and Loss by Nature, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Concession assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2019, the Intangible assets caption amounts to 4,214,916 thousand euros (4,192,619 thousand euros in 2018), which represents all assets constructed and acquired under the public service concession agreements that the Group entered with the Portuguese State. As disclosed in Note 3.4 of the notes to the consolidated financial statements, these assets were recorded in accordance to the intangible	Our approach included the following procedures: ► We updated the understanding of the Asset Management and Purchasing processes, as well as identified and assessed the internal control procedures established in the Group, mainly in relation to the investments approval policies and monitoring of the execution of it; ► We held regular meetings with the Concession Support Services Department to evaluate the compliance with the annual investment budgets; ► We have read the correspondence exchanged with the Entidade Reguladora de Serviços Energéticos ("ERSE") in

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
model of IFRIC 12 - Service Concession Arrangements. Since the annual Revenue of the Group is directly correlated to the average annual balances of the intangible assets and their total carrying amount, as at 31 December 2019, represents 79% of the Group's total assets (81% in 2018), the initial recognition and subsequent measurement of those intangible assets have been considered as a key audit matter.	order to understand the matters being analyzed with the Group; ► We have read the minutes of the Board of Directors meetings of the several Group entities in order to validate the approved investments; and ► We performed substantive audit procedures on the value of the investments carried out during the period ended 31 December 2019, to corroborate the initial recognition, measurement, appropriate cut off and presentation as Concession assets. We also assessed the appropriateness of the applicable disclosures included in Notes 2, 3.4 and 8 of the notes to the consolidated financial statements.

2. Tariff deviations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.16 of the notes to the consolidated financial statements as a result of the Tariff Regulations of the electricity and gas sectors, the Group determines, on each reporting date and in accordance with the criteria set by the tariff regulations published by ERSE, the tariff deviations between the regulatory revenue allowed and the actual revenue invoiced by the Group. As at 31 December 2019, the tariff deviations assets and liabilities amount to 214,507 thousand euros and 104,283 thousand euros respectively (2018: 160,802 thousand euros and 120,423 thousand euros, respectively). Due to the complexity of the computation, the use of multiple sources of data and the relevance of the balances in the consolidated financial statements, the tariff deviations have been considered as a key audit matter.	Our approach has included the following procedures: ► We obtained an understanding and assessed the internal control procedures inherent to the information capture and to the tariff deviations calculation. Furthermore, we assessed the Group's regulatory framework in view of the Tariff Regulations of the electricity and gas sectors; ► We obtained the computation of the tariff deviations and reconciled them to the accounting records; ► We analyzed the accuracy of the data used from the several sources of information, testing the reasonableness of the various components of the calculation, namely the average annual balances of the concession assets and the applicable remuneration rate; ► We carried out substantive audit procedures, namely for a representative sample of the invoices issued during 2019; ► We performed the recalculation of the tariff deviations and compared the results obtained with the amounts reported by the Group; ► We have read the correspondence exchanged with ERSE in order to understand the matters being discussed with the Group; ► We reviewed the definition of tariff deviations assets and liabilities and their appropriate classification as Current or Non-current Assets or Liabilities, based on the recovery period thereof, as defined by the Tariff Regulations of the electricity and gas sectors; and ► We evaluated the consistency of the criteria used in relation to previous years.

REN – Redes Energéticas Nacionais, SGPS, S.A.
Statutory and Auditor's Report
(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)
31 December 2019

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	Our approach also included analysis of the applicable disclosures included in Note 3.16, 14 and 23 of the notes to the consolidated financial statements.

3. Transemel acquisition, purchase price allocation and accurate incorporation in the consolidation perimeter

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Notes 6 and 9, on 1 October 2019, the Group acquired the total shares of Empresa de Transmissión Eléctrica Transemel S.A. ("Transemel") for the amount of 155,482 thousand euros (equivalent to 168,600 thousand US dollars) which became a fully owned subsidiary from that date. As a result of the acquisition and of the application of IFRS 3 - Business Combinations requirements, the Group identified a Goodwill in the amount of 2,470 thousand euros, which corresponds to the excess between the purchase price and the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The purchase price allocation process was carried out by the Group, with the support of an external specialist, and involved the identification of assets acquired and liabilities assumed as well as their valuation at fair value, considering the business plan endorsed by the Group. Due to the materiality of the transaction and the complexity of purchase price allocation process, together with relevance of the associated judgments and estimates, this matter has been considered a key audit matter for the purposes of our audit.	Our approach has included the following procedures: ► We obtained the contract and other relevant documentation associated with the Transemel acquisition, and based on the analysis of these elements: • We determined the purchase price and the absence of any contingent consideration; • We determined the date when the Group obtained control of Transemel; • We identified the representations and warranties provided between the seller and the Group and evaluated whether they represented liabilities to be assumed. ► We reviewed Transemel's financial statements as of 30 September 2019 and the limited review report, prepared by EY Chile, and: • We confirmed the consistency of the accounting policies used by Transemel with those of the Group; • We determined that there were no relevant adjustments to be considered in the inclusion of Transemel into the Group's consolidation perimeter, as well as for the purchase price allocation process. ► We obtained the report, produced by the external specialist hired by the Group, that supports the purchase price allocation to the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date, and performed the following procedures: • We assessed the competence and independence of the external specialist hired by the Group; • We analyzed the process of identification of the assets acquired and the liabilities assumed and their consistency with the audit evidence obtained; • We discussed with the Group's Management the objectives associated with this acquisition as well as the business plan underlying to the purchase price allocation process;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	• With the support of our transaction advisory specialists: (i) we assess the appropriateness of the methodology used in the purchase price allocation process, as well as the arithmetic accuracy of the underlying calculations; (ii) we assessed the reasonableness of the main assumptions considered, namely, the defined useful lives for identifiable assets considering their expected use and the discount rate applied; (iii) we tested the reasonableness of Goodwill determined in the purchase price allocation process through a sensitivity analysis. ► We assessed the consistency of the conclusions obtained with the Group's accounting records regarding the integration of Transemel in the consolidation perimeter. Our audit approach also included the adequacy of the applicable disclosures, included in Notes 3.2, 5.6 and 9 of the notes to the consolidated financial statements, to ensure that those disclosures fulfill the applicable accounting standards.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code, as well as the verification that the statement of non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Statement of non-financial information set out in article 66-B of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Group has prepared a separated report of the Management Report, which includes non-financial information, as per article 66-B of the Commercial Companies Code, that has been published with the Management Report.

REN – Redes Energéticas Nacionais, SGPS, S.A.
Statutory and Auditor's Report
(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)
31 December 2019

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the REN – Redes Energéticas Nacionais, SGPS, S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on XX March 2020;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 25 March 2020

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

SEPARATE FINANCIAL STATEMENTS

REN

Separate Financial Statements

1. Separate financial statements

Statements of financial position as of 31 december 2019 and 2018

(Amounts expressed in thousands of Euros)

(Translation of statements of financial position originally issued in Portuguese - Note 30)

Assets	Notes	'19	'18
Non-current			
Tangible assets	5	342	402
Investments - equity method	7	1,369,393	1,185,579
Goodwill	8	2,264	2,642
Investments in equity instruments at fair value for other comprehensive income	12	58,201	56,576
Other receivables	10	2,385,548	2,507,685
Other financial assets	10	16	11
Derivative financial instruments	11	27,229	21,010
Deferred tax assets	9	6,636	3,095
Total non-current assets		**3,849,629**	3,777,001
Current			
State and other public entities	16	15,438	37,420
Other receivables	10	722,845	521,274
Deferrals		163	160
Derivative financial assets	11	1,732	-
Cash and bank deposits	4	6,405	33,393
Total current assets		**746,583**	592,247
Total assets		**4,596,212**	4,369,248
Equity and liabilities			
Equity			
Share Capital	13	667,191	667,191
Own shares	13	(10,728)	(10,728)
Shares premium	13	116,809	116,809
Legal reserve	13	118,828	113,152
Other reserves	13	172,765	181,609
Adjustments to financial assets	13	(50,808)	(36,822)
Retained earnings		300,147	305,717
Other changes in equity		(5,561)	(5,561)
		1,308,643	1,331,366
Net profit for the period		**124,933**	113,533
Total equity		**1,433,576**	1,444,899
Liabilities			
Non-current			
Borrowings	15	2,110,982	2,284,480
Provisions	14	-	71
Post employment benefit liabilities		10	7
Derivative financial instruments	11	24,848	12,952
Deferred tax liabilities	9	4,161	3,377
Total non-current liabilities		**2,140,001**	2,300,888
Current			
Borrowings	15	993,531	588,067
Trade payables	15	778	1,475
State and other public entities	16	315	191
Other payables	15	28,011	33,728
Total current liabilities		**1,022,635**	623,461
Total liabilities		**3,162,636**	2,924,349
Total equity and liabilities		**4,596,212**	4,369,248

The accompanying notes form an integral part of the statement of financial position as of 31 December 2019.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

Statements of profit and loss by nature for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros)
(Translation of statements of profit and loss originally issued in Portuguese - Note 30)

Revenues and expenses	Notes	'19	'18
Services rendered	17	9,876	13,356
Gains/(losses) from associates and joint ventures	7 and 18	118,438	111,886
Supplies and services	19	(4,348)	(6,726)
Personnel costs	20	(6,080)	(6,867)
Other income	21	1,768	302
Other expenses	22	(282)	(621)
Profit before amortization, depreciation, finance costs and taxes		**119,372**	111,330
Depreciation and amortization (charge)/reversal	5 and 8	(548)	(570)
Operating profit (before finance costs and taxes)		**118,824**	110,760
Interest and similar income	23	76,626	76,666
Interest and similar costs	23	(69,646)	(75,265)
Dividends	24	1,582	1,352
Profit before taxes		**127,386**	113,512
Income tax expense for the period	9	(2,452)	22
Net profit for the period		**124,933**	113,533
Basic earnings per share		**0.19**	0.21

The accompanying notes form an integral part of the statement of financial position as of 31 December 2019.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

Statement of changes in equity for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros)

(Translation of statements of equity changes originally issued in Portuguese - Note 30)

	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)
Balances at the beginning of 2019		667,191	(10,728)	116,809	113,152	(10,577)
Changes in the year:						
Changes in fair value	11 and 12	-	-	-	-	(9,324)
Appropriation of the profit for the preceding year	13	-	-	-	5,676	-
Stock Plan		-	-	-	-	-
Adjustments in financial assets	7	-	-	-	-	-
		-	-	-	5,676	(9,324)
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	-	-	-	-
Net profit for the year						
Comprehensive income	-	-	-	-	-	(9,324)
Balances at the end of 2019		667,191	(10,728)	116,809	118,828	(19,901)

	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)
Balances at the end of 2017		667,191	(10,728)	116,809	106,800	(9,702)
IFRS 9 Adoption - Financial Instruments	3	-	-	-	-	-
Balances at the beginning of 2018		667,191	(10,728)	116,809	106,800	(9,702)
Changes in the year:						
Capital increase	13	-	-	-	-	-
Changes in fair value	11 and 12	-	-	-	-	(875)
Appropriation of the profit for the preceding year	13	-	-	-	6,352	-
Stock Plan		-	-	-	-	-
Adjustments in financial assets	7	-	-	-	-	-
		-	-	-	6,352	(875)
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	-	-	-	-
Net profit for the year						
Comprehensive income	-	-	-	-	-	(875)
Balances at the end of 2018		667,191	(10,728)	116,809	113,152	(10,577)

The accompanying notes form an integral part of the statement of financial position as of 31 December 2019.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

’19

	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7, 13)	Net profit for the period	Total equity
	11,632	180,553	(5,561)	305,717	(36,822)	113,533	1,444,899
	844	-	-	-	-	-	(8,481)
	-	-	-	(5,570)	-	(106)	-
	-	(363)	-	-	-	-	(363)
	-	-	-	-	(13,986)	-	(13,986)
	844	**(363)**	**-**	**(5,570)**	**(13,986)**	**(106)**	**(22,831)**
	-	-	-	-	-	(113,426)	(113,426)
	-	**-**	**-**	**-**	**-**	**(113,426)**	**(113,426)**
						124,933	124,933
	844	-	-	-	(13,986)	124,933	102,466
	12,476	180,190	(5,561)	300,147	(50,808)	124,933	1,433,576

’18

	Fair value reserve (Note 12)	Other reserves	Adjustments/other Changes in Equity	Retained earnings	Adjustment of financial assets (Note 7, 13)	Net profit for the period	Total equity
	10,421	180,189	(5,541)	295,707	(59,240)	127,030	1,418,936
	-	-	-	2,757	-	-	-
	10,421	180,189	(5,541)	298,464	(59,240)	127,030	1,418,936
	-	-	(19)	-	-	-	(19)
	1,212	-	-	-	-	-	337
	-	-	-	7,253	-	(13,604)	-
	-	363	-	-	-	-	363
	-	-	-	-	22,418	-	22,418
	1,212	**363**	**(19)**	**7,253**	**22,418**	**(13,604)**	**23,118**
	-	-	-	-	-	(113,426)	(113,426)
	-	**-**	**-**	**-**	**-**	**(113,426)**	**(113,426)**
						113,533	113,533
	1,212	-	-	-	22,418	113,533	136,288
	11,632	180,553	(5,561)	305,717	(36,822)	113,533	1,444,899

Statements of cash flow for the years ended 31 december 2019 and 2018

(Amounts expressed in thousands of Euros)

(Translation of statements of cash flow originally issued in Portuguese - Note 30)

	Notes	'19	'18
Cash flow from operating activities:			
Cash receipts from customers		19,111	19,931
Cash paid to suppliers		(9,180)	(12,512)
Cash paid to emplyees		(9,230)	(9,347)
Cash generated by operations		701	(1,928)
Income tax received/(paid)		53,844	(22,457)
Other receipts/(payments) relating to operating activities		(2,649)	(1,456)
Flows generated by/(used in) operating activities [1]		51,896	(25,841)
Flows from investing activities:			
Payments relating to:			
Financial Investments	7	(174,000)	(50)
Tangible assets		(16)	(18)
		(174,016)	(68)
Receipts relating to:			
Derivative financial instruments	7	292	6,432
Interest and other similar income		69,069	73,213
Dividends	7 and 24	95,778	93,691
		165,139	173,336
Flows generated by investing activities [2]		(8,877)	173,269
Flows from financing activities:			
Receipts relating to:			
Borrowings		5,564,557	4,021,738
		5,564,557	4,021,738
Payments relating to:			
Borrowings		(5,224,584)	(4,006,431)
Interest and other similar expense		(296,555)	(71,614)
Dividends	13	(113,426)	(113,426)
		(5,634,565)	(4,191,471)
Flows used in financing activities [3]		(70,008)	(169,734)
Changes in cash and cash equivalents [4]=[1]+[2]+[3]		(26,989)	(22,306)
Cash and cash equivalents at the beginning of the year	4	33,393	55,699
Cash and cash equivalents at the end of the year	4	6,405	33,393

The accompanying notes form an integral part of the statement of financial position as of 31 December 2019.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2. Notes to the Financial Statements as of 31 december 2019

(Amounts expressed in thousands of Euros)

(Translation of the Notes to the financial statements originally issued in Portuguese – Note 30)

1. INTRODUCTORY NOTE

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

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

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

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

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December.
In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring;

d) Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel), acquired on October 1, 2019, as part of the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

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

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

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

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

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

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

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

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

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN SGPS, S.A. – State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

The subsidiaries REN Gás, S.A., Aério Chile Spa, Apolo Chile Spa, Empresa de Transmisión Eléctrica Transemel, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Portgás Distribuição, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A.

(fully owned by REN SGPS).

As of 31 December 2019, REN SGPS also holds:

a) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (OMIP SGPS), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. (OMIP), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

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

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB); and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017.

The Board of Directors meeting held on 25 March 2020 approved the accompanying financial statements. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

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

2. ACCOUNTING FRAMEWORK FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2019.

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

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

3.1. Bases of presentation

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

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date.

So In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2019, has credit lines contracted and not used in the amount of 80,000 thousand Euros, an open credit facility in the amount of 80,000 thousand Euros and five commercial paper programmes, in the amount of 1,300,000 thousand Euros, being available 836,000 thousand Euros as of 31 December 2019. From the total amount of commercial paper programmes, 530,000 thousand Euros have subscription guarantee (of which 530,000 thousand Euros were available as of 31 December 2018) (Note 15).

In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

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

The accounting policies adopted in these financial statements are consistent, in all material respects, with the policies used in the preparation of the financial statements for the year ended 31 December 2018, as described in the notes to the 2018 financial statements.

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), for approval in separate, which reflects, as of 31 December 2019, in relation to the accompanying separate financial statements, the following differences:

	Increase/(Decrease)
Total net assets	709,093
Total liabilities	696,525
Net profit for the period	(6,034)
Total revenue	578,473
Total equity	12,568

As of December 31, 2019, the differences between net income and equity (individual and consolidated accounts) essentially result from: i) the fact that the participation of the associate OMIP SGPS in the consolidated accounts, prepared in accordance with IFRS, was revalued in 2011, following the loss of control, from subsidiary to associate; ii) the impact of the application of IFRS 9 on the consolidated accounts under IFRS; iii) refinancing bond issues through an exchange offer, and; iv) also from Goodwill of REN Portgás Distribuição S.A. which is being amortized over the remaining concession.

3.2. Investments in subsidiaries and associates

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

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

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

3.3. Tangible assets

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

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

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

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

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

	Years
Transport Equipment	4 years
Administrative Equipment	Between 3 and 10 years

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. Leases

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

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

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

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

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

3.5. Financial assets and liabilities

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IFRS 9 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification and measurement of investments in financial assets based on the business model, measured at the date of initial application, used in its management and the characteristics of the contractual cash flows.

Financial assets

Investments in financial assets can be classified as:

a) Financial assets at amortized cost - Financial assets are held within the scope of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

b) Investment in equity instruments at fair value through other comprehensive income - Financial assets are held under a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets and the contractual terms of financial assets give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset up to twelve months after the reporting date; or (iv) the asset is cash or cash equivalents.

Purchases and sales of investments in financial assets are recorded at the date of the transaction, that is, on the date that the Company undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the income statement. These assets are subsequently measured at fair value, and the income and expenses resulting from the change in fair value are recognized in the income statement for the period under the heading of net financial costs, which also include the amounts of interest income and dividends obtained.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, and the change in fair value is recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its cost of acquisition, in which the accumulated gain or loss is recorded in the income statement.

Dividends and interest earned on equity instruments at fair value through other comprehensive income are recognized in income for the period in which they occur, under the heading of financial income, when the right to receive is established.

The fair value of quoted financial assets is based on market prices (bid). If there is no active market, the Company establishes fair value through valuation techniques. These techniques include the use of prices charged in recent transactions, provided that market conditions, comparison with substantially similar instruments, and the calculation of discounted cash flows when information is available, making the maximum use of market information in internal information of the target entity.

In situations where investments are in equity instruments that are not admitted to listing on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at their acquisition cost less any impairment losses, and these impairment losses are recorded against income.

Loans and receivables are classified in the statement of financial position as "Customers and other accounts receivable" and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. The adjustment for the impairment of accounts receivable is made when there is objective evidence that the Company will not be able to receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it and is recorded in the income statement in the line item "Impairment of receivables".

Financial assets are derecognized when the rights to receive the cash flows arising from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

The caption "Cash and cash equivalents" includes cash, bank deposits, other short-term investments of high liquidity and with initial maturities of up to three months and bank overdrafts. Bank overdrafts are presented in current liabilities under the caption "Current loans" in the statement of financial position and are considered in the preparation of the statement of cash flows as "Cash and cash equivalents".

Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation on the part of the issuer to settle capital and/or interest, through the delivery of cash or other financial asset, regardless of its legal form.

IFRS 9 provides for the classification of financial liabilities into two categories:

i) Financial liabilities at fair value through profit or loss;

ii) Other financial liabilities.

Other financial liabilities include “Borrowings” and “Trade and other payables”.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified in current liabilities, unless the Company has an unconditional right to defer payment of the liability for at least 12 months after the date of the statement of financial position, in which case they are classified as non-current liabilities.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are cancelled or expire.

3.6. Derivative financial instruments and hedge accounting

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions “Finance income” or “Finance costs”. If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to their market value. In the absence of market value, fair value is determined by external and independent entities using valuation techniques accepted in the market.

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

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

Hedge accounting

As part of its policy for managing interest rate and exchange rate risks, the Group contracts a variety of derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;
- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio);
- The hedge relationship meets all of the following hedge effectiveness:

  i) There is an economic relationship between the hedged item and the hedging instrument;

  ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

  iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There must be an "economic relationship" between the hedged item and the hedging instrument;
- The credit risk effect does not "dominate the changes in value" that result from that economic relationship;´
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the hedging movements in the reserves are disclosed in Note 11.

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

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk has a different impact on the movements in the fair value of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Company assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. Revenue

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

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

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

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

The revenue from dividends is recognised as gain in the year they are assigned to the shareholders.

3.8. Critical accounting judgments and main sources of uncertainties relating to estimates

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

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

Significant accounting estimates

3.8.1 Provisions

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

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

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

3.8.2. Fair value

The fair value of listed investments is based on current market prices (bid). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. Income tax

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

Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit, given it excludes revenue or expenses items that will be taxable or deductible in other years and items that will never be taxable or deductible.

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

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

3.10. Foreign currency transactions and balances

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

3.11. Accrual basis of accounting

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

3.12. Distribution of dividends

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

3.13. Share capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

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

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

3.14. Cash flow statement

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

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. Borrowing costs

Borrowings costs are recognized as costs in the period they are incurred.

3.16. Financial risk management policies

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

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

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issued totalling 10,000 million Yens (JPY) is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2019, all other factors remaining constant, would lead to a decrease on equity in the amount of 1,378 thousand Euros as of 31 December 2019 (645 thousand Euros as of 31 December 2018), while a decrease of 5% of that exchange rate would lead to an decrease on equity in the amount of 293 thousand Euros as of 31 December 2019 (709 thousand Euros as of 31 December 2018).

Additionally, the Company is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro / USD, related with its financial investment in Electrogas, S.A., acquired in February 2017 Note 10) and related to the company acquired on October 1, 2019, Empresa de Transmisión Eléctrica Transemel, S.A..

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2019, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,537 thousands Euros (7,400 thousand Euros as of 31 December 2018), while a decrease of that exchange rate would lead to an increase on equity in the amount of 8,331 thousand Euros 8,588 thousand Euros as of 31 December 2018).

A 5% increase in the Euro exchange rate against the Chilean peso, with reference to December 31, 2019, and keeping all other variables constant, would result in a decrease in the Group's equity of 2,816 thousand Euros, while a decrease of 5 % of that exchange rate would result in an increase of 3,113 thousand Euros in equity.

ii) Credit risk

REN's exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

REN's counterparty risk on bank deposits, financial applications, and contracting of derivative instruments is mitigated by the selection of top ratting international institutions with solid credit rating and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through central treasury management. All the liquidity excess and needs of each group company are transferred to REN SGPS, which manages the consolidated balances with financial institutions.

In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2019, has credit lines contracted a nd not used in the amount of 80,000 thousand Euros and seven commercial paper programmes, in the amount of 1,300,000 thousand Euros, being available 836,000 thousand Euros as of 31 December 2019. From the total amount of commercial paper programmes, 530,000 thousand Euros have subscription guarantee (of which 530,000 thousand Euros were available as of 31 December 2018) (Note 15).

The following table presents the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments, the financial liquidation of the related cash flows of which is made by the net amount. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest; as therefore, do not correspond to its carrying amounts:

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	52,301	232,443	162,663	447,408
Bonds	359,426	934,986	839,341	2,133,753
Commercial paper	570,562	100,000	-	670,562
Others	249	203	-	452
	982,538	1,267,632	1,002,004	3,252,174
Derivative financial instruments	3,461	19,105	7,754	30,320
Trade and others payables	28,788	-	-	28,788
Total	1,014,787	1,286,737	1,009,759	3,311,283

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	56,386	220,486	166,830	443,701
Bonds	82,987	1,154,670	983,453	2,221,110
Commercial paper	483,481	-	-	483,481
Others	6,965	119	-	7,084
	629,819	1,375,275	1,150,282	**3,155,377**
Derivative financial instruments	3,218	12,903	3,243	19,364
Trade and others payables	35,203	-	-	35,203
Total	668,240	1,388,178	1,153,526	**3,209,943**

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

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate *Swap*				
Outflows	(1,168)	(3,495)	(73,483)	(78,146)
Inflows	2,222	6,667	83,119	92,008
	1,054	3,173	9,636	**13,863**

	31 December 2018			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(2,695)	(3,691)	(74,744)	(81,130)
Inflows	2,153	6,460	82,690	91,303
	(541)	2,769	7,945	**10,173**

iv) Interest rate risk

The Company presents exposure to interest rates risk mainly on borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs; using simple derivative financial instruments such as interest rate swaps. In this kind of operations REN exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2019 and 2018, using the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2019 would result in a decrease of profit before tax of, approximately, 3,671 thousand Euros, (3,130 thousand Euros as of 31 December 2018).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately,

2,840 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2018 corresponded to an increase of 2,995 thousand Euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. Share-based payment

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payment (IFRS 2).

Payments settled on cash settlement or cash settled, which are based on the share price, give rise to the recognition of a liability initially measured at fair value determined on the date the corresponding benefits are attributed. Benefits granted are recorded as personnel costs as beneficiaries provide the service against liabilities. The fair value of the liability is reviewed on each reporting date, and the effects of any change are recorded in income for the period.

The cost of equity settled transactions is determined at fair value at the date the concession is made using an appropriate valuation model. This cost is recognized in employee benefit expenses, together with a corresponding increase in the Company's capital (other capital reserves), during the period in which the service and the performance conditions are met (vesting period).

The share-based payments assume no material amounts for the purpose of disclosure in the notes to the financial statements.

3.18. Subsequent events

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

4. CASH FLOW

For the purpose of the statement of cash flow, the caption cash and cash deposits equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents.

The caption "Cash and cash equivalents" at 31 December 2019 and 2018 is detailed as follows:

	'19	'18
Bank deposits repayable on demand	6,405	33,393
Cash and cash equivalents	6,405	33,393

Receipts and payments relating to borrowings mainly include emissions and reimbursements of commercial paper.

5. TANGIBLE ASSETS

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2019 and 2018 were as follows:

'19

	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	735	255	990
Acquisitions	379	22	402
Sales/write offs	(381)	(16)	(397)
Ending balance	734	261	995
Accumulated depreciation and impairment losses			
Beginning balance	394	194	588
Depreciation for the year	159	12	171
Depreciation Sales/write offs	(99)	(6)	(106)
Ending balance	453	200	653
Net assets	281	61	342

'18	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	776	244	1,020
Acquisitions	187	17	203
Sales/write offs	(228)	(6)	(234)
Ending balance	735	255	990
Accumulated depreciation and impairment losses			
Beginning balance	332	185	517
Depreciation for the year	178	15	193
Sales/write offs	(116)	(6)	(122)
Ending balance	394	194	588
Net assets	342	61	402

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2019 and 2018:

	'19			'18
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment	397	(184)	213	231
	397	(184)	213	231

The minimum payments under finance lease contracts at 31 December 2019 and 2018 are as follows:

	Present value of minimum payments		Minimum payments	
	'19	'18	'19	'18
Up to 1 year (Note 15)	75	94	77	96
From 1 to 5 years (Note 15)	128	119	131	120
	203	213	207	216

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates as of 31 December 2019 and 2018 are as follows:

Entity	Head office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,805,053	2,098,359
REN Trading, S.A.	Lisbon	50	234,557	232,110
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	219,483	151,822
RENTELECOM - Comunicações, S.A.	Lisbon	100	7,490	3,015
REN Serviços, S.A.	Lisbon	336,050	1,646,994	1,243,788
Enondas, Energia das Ondas, S.A.	Pombal	250	2,197	1,413
REN PRO, S.A.	Lisbon	50	3,738	2,742
Ren Finance, BV	Amsterdam	20	2,031,181	1,857,481
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,218	300
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,468	1,191

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity met

Entity	Head office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,866,775	2,168,639
REN Trading, S.A.	Lisbon	50	230,412	228,000
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	233,363	165,578
RENTELECOM - Comunicações, S.A.	Lisbon	100	7,666	3,940
REN Serviços, S.A.	Lisbon	170,050	1,495,178	1,254,976
Enondas, Energia das Ondas, S.A.	Pombal	250	2,323	1,597
REN PRO, S.A.	Lisbon	50	1,413	1,227
Ren Finance, BV	Amsterdam	20	2,176,094	2,011,571
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	27,359	353
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,098	822

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application o

31 December 2019			Investment held		
Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
706,694	369,505	60,474	100	706,694	60,474
2,448	2,095	36	100	2,448	36
67,661	45,851	5,974	100	67,661	5,974
4,475	6,595	2,641	100	4,475	2,641
403,207	22,263	40,430	100	403,207	40,430
785	599	59	100	785	59
996	6,807	810	100	996	810
173,700	84	6,177	100	173,700	6,177
				1,359,965	116,601
28,919	1,086	553	40	6,794	1,835 (i)
5,278	1,656	2	50	2,634	1
				9,428	1,836
				1,369,393	118,438

thod by REN SGPS.

31 December 2018			Investment held		
Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
698,136	373,195	59,507	100	698,136	59,507
2,412	2,786	(118)	100	2,412	(118)
67,785	44,499	6,098	100	67,785	6,098
3,726	6,139	1,992	100	3,726	1,992
240,202	63,534	38,268	100	240,202	38,268
726	629	67	100	726	67
186	1,125	136	100	186	136
164,523	465	6,643	100	164,523	6,643
				1,177,695	112,594
27,006	1,117	(1,360)	40	5,251	(531)(i)
5,276	1,447	(353)	50	2,633	(176)
				7,883	(707)
				1,185,579	111,886

f the equity method by REN SGPS.

As of 31 December 2019, the accumulated amount recognized in the caption “Investments – equity method”, in consequence of the use of the equity method, amounts to 460,098 thousand Euros. According to the current legislation in Portugal, any income and other positive equity fluctuations recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

On July 17, 2019, REN Serviços, SA set up a share company, called Apolo Chile SPA, headquartered in Santiago, Chile and with a share capital of 84,500,000 Euros, whose corporate purpose is to make investments in assets, shares, Company rights and associations of entities linked essentially to the electric transmission sector.

On September 27, 2019, a capital increase of REN Serviços, S.A. was fully subscribed by the Company, corresponding to an investment of 166,000,000 Euros.

The changes in these captions in 2019 and 2018 were as follows:

’19

Investment - equity method	Proportion of capital held (assets)
Beginning balance	1,185,579
Result appropriated by the equity method (Note 18)	118,438
Distribution of dividends by subsidiaries and associates	(94,345)
Other appropriation of changes in equity in subsidiaries (Note 13)	(13,986)
Devolution Premium Share REN Finance	8,000
Devolution Supplementary Payments OMIP	(292)
Capital increase on REN Serviços	166,000
Ending balance	1,369,393

’18

Investment - equity method	Proportion of capital held (assets)
Beginning balance	1,150,122
Result appropriated by the equity method (Note 18)	111,886
Distribution of dividends by subsidiaries and associates	(92,465)
Other appropriation of changes in equity in subsidiaries (Note 13)	22,418
REN Finance Premium Share Devolution	(6,432)
Capital REN PRO	50
Ending balance	1,185,579

8. GOODWILL

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2019 and 2018, the amount is as follows:

	Percentage interest hel					Goodwill		
Entity	Year of acquisition	Acquisition cost	%	Amount	Amount at 01.01.2019	Decreases	Amount at 31.12.2019	Amount at 31.12.2018
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	2,642	(377)	2,264	2,642

9. INCOME TAX

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

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2016 to 2019 are still subject to review.

The Company's Board of Directors understands that any correction to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2019 and 2018.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iv) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2019, the computation of the deferred taxes, was updated in accordance with Law 71/2018, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2020.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2019, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax credit / (expense) of the years ended 31 December 2019 and 2018 was as follows:

	'19	'18
Current tax	(2,444)	(744)
Adjustments relating to previous years income tax	15	758
Deferred tax	(24)	8
Income tax	(2,452)	22

The reconciliation of current income tax as of 31 December 2019 and 2018 is as follows:

	'19	'18
Profit before income tax	127,386	113,512
Positive net worth variation	-	3,490
Permanent differences		
Non tax deductible costs	659	1,564
Non taxable income	(118,680)	(112,985)
Timing differences		
Provisions and impairments	(67)	-
Derivative Financial Instruments	(5)	3
Others	(25)	25
Taxable profit	9,267	5,608
Cost/(credit) of income tax at the rate of 21%	1,946	1,178
Statesurcharge tax	268	123
Municipal taxation	139	84
Autonomous taxation	90	92
Income tax from previous years	-	(733)
Current tax	2,444	744
Deferred tax	24	(8)
Adjustments relating to prior years income tax	(15)	(758)
Income tax	(2,453)	22
Efective rate	1.93%	0.02%

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2019 and 2018, in accordance with the underlying temporary differences are as follows:

	31 December					
	'19		'18		Increase/ (decrease) in the period	
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets						
Restructuring provision	-	-	71	16	(16)	-
Provision for post employment benefits	10	3	7	2	1	-
Derivative financial instruments - Cash Flow	26,534	6,634	13,647	3,071	-	3,563
Derivative financial instruments - Fair Value	-	-	5	1	(1)	-
Others	-	-	25	6	(6)	-
	26,544	**6,636**	13,756	3,095	(22)	3,563
Deferred tax liabilities						
Derivative financial instruments-Fair value	8	2	-	-	2	-
Fair value of assets	16,635	4,159	15,009	3,377	-	781
	16,643	**4,161**	15,009	3,377	2	781
Deferred tax					(24)	2,781

10. FINANCIAL ASSETS

Trade receivables and other receivables

Trade receivables and other receivables at 31 December 2019 and 2018 are as follows:

	'19	'18
Non current:		
Other receivables:		
Group companies - Shareholders loans (Note 25)	2,385,548	2,507,685
Current:		
Group companies - Shareholders loans (Note 25)	122,137	111,707
Group companies - Treasury management (Note 25)	529,665	309,752
Group companies - RETGS (Note 25)	30,813	60,741
Group companies - Other debtors (Note 25)	4,124	4,341
Group companies - Interest receivable from shareholders loans (Note 25)	34,969	32,394
Group companies - Accruals (Note 25)	1,008	1,833
Other	130	506
	722,845	521,274
	3,108,393	3,028,959

As of 31 December 2019, the Company made shareholders loans to its subsidiaries in the total amount 2,507,685 thousand Euros (2,619,392 thousand Euros as of 31 December 2018), which terms and conditions reflect actual market conditions.

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

The caption “Other receivables – Group companies - RETGS” includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

Other financial assets

The caption “Other financial assets” as of 31 December 2019 and 2018 is as follows:

	’19	’18
Non current:		
Labor compensation fund	16	11
	16	11
Other financial assets	16	11

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018, the Company had the following derivative financial instruments negotiated:

	31 December 2019				
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	21,670
Currency swaps	72,899 TEUR	-	13,712	-	-
		-	13,712	-	21,670
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	1,732	13,516	-	-
		1,732	13,516	-	-
Trading derivatives	60,000 TEUR	-	-	-	3,177
Derivative financial instruments		1,732	27,229	-	24,848

	31 December 2018				
			Assets		Liabilities
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 tEUR	-	-	-	10,877
Currency swaps	10,000,000 tJPY	-	10,940	-	-
		-	**10,940**	**-**	**10,877**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	10,070	-	-
		-	10,070	-	-
Trading derivatives	60,000 tEUR	-	-	-	2,076
Derivative financial instruments		**-**	**21,010**	**-**	**12,952**

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

The amount recorded in this caption relates to:

- Eight interest rate swap contracts contracted by REN SGPS in order to hedge the risk of interest rate fluctuation (Note 3.16);
- A cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 3.16).

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the "Dollar offset method" and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2019 related to these financial instruments, in the net amount receivable of 2,323 thousand Euros (at 31 December 2018 it was 2,136 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2019 and 2018 were as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31/12/2019	Fair value at 31/12/2018
Cash flow hedge							
Interest rate swaps	600,000 TEUR	EUR	[0.75%;1.266%]	[Eur3m; Eur6m]	[dec-2024; feb-2025]	(21,670)	(10,877)
Currency swaps	10,000,000 JPY / 72,899 TEuros	EUR/JPY	[Eur6m; +1,9%]	2.71%	2024	13,712	10,940
						(7,958)	64
Fair value hedge:							
Interest rate swaps	300,000 TEuros	EUR	[Eur6m]	[0.611%]	[feb-2025]	13,516	10,070
Interest rate swaps	100,000 TEuros	EUR	[Eur6m + 0.3332%]	[1.724%]	[oct-2020]	1,732	-
						15,249	10,070
Trading derivatives:							
Interest rate swaps	60,000 TEUR	EUR	[0.99%]	[Eur6m]	2024	(3,177)	(2,076)
						(3,177)	(2,076)
Total						**4,114**	**8,058**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is quarterly, semi-annual and annual for cash flow hedging contracts, semi-annual and annual for fair value hedging contracts and semi-annual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2019 and 2018 is presented in the following table:

2019

	’20	’21	’22	’23	’24	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	72,899	-	72,899
Interest rate swap (fair value hedge)	100,000	-	-	-	-	300,000	400,000
Trading derivatives	-	-	-	-	60,000	-	60,000
Total	100,000	-	-	-	432,899	600,000	**1,132,899**

2018

	'19	'20	'21	'22	'23	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	-	600,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	-	72,899	72,899
Interest rate swap (fair value hedge)	-	100,000	-	-	-	300,000	400,000
Trading derivatives	-	-	-	-	-	60,000	60,000
Total	-	100,000	-	-	-	1,032,899	**1,132,899**

Swaps:

Cash flow hedge - Interest rate swaps

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2019, the Group has a total of four cash flow hedging interest rate swap contracts for a total amount of 600,000 thousand Euros (as of 31 December 2018 it was 600,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2019, is negative 21,670 thousand Euros (at 31 December 2018 it was negative 10,877 thousand Euros).

Of the derivatives described above, two contracts in a total amount of 300,000 thousand Euros (at 31 December 2018 it was 300,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 21,517 thousand Euros (at 31 December 2018 it was 10,744 thousand Euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged Capital	Interest Rate	Hedged Outstanding Amount	Note
Cash Flow Covered Instruments					
Banco Europeu de Investimento (BEI) Loan	16/12/24	TEUR 300,000	Eur3m	299,694	Note 15
Bonds (Euro Medium Term Notes)[1]	12/02/25	TEUR 300,000	2.5%	293,363	Note 15

[1] This hedged instrument is designated jointly with derivatives of fair value hedging amounting to Euro 300 million (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow coverage.

Cash flow hedge – Interest and exchange rate swaps

The Group hedged the exchange rate risk of the 10,000 million yen bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2019 is 13,712 thousand Euros positive (at 31 December 2018 it was 10,940 thousand Euros positive).

Changes in the fair value of the hedging instrument are also being recorded in the hedge reserves in equity, with the exception of:

- The offsetting of the exchange rate effect of the spot update of the hedged instrument (bond issue in yen) at each reference date, resulting from the coverage of the exchange rate risk[1];
- The ineffective effect of the hedge resulting from the accounting designation made (REN hired a trading derivative to hedge this inefficiency economically - see Trading Derivative[2].

Integral Income:
The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

2019

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(10,773)	(10,773)	-	-
Swaps of exchange rate	2,721	(2,114)	2,287	2,548
	(8,052)	(12,887)	2,287	2,548

2018

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,788)	(4,788)	-	-
Swaps of exchange rate	10,214	3,422	1,401	5,391
	5,426	(1,366)	1,401	5,391

Hedging Reserve:
The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact (Note 9)	Hedging reserves
1 January 2018	(12,281)	2,579	(9,702)
Changes in fair value and ineffectiveness	(1,366)	492	(875)
31 December 2018	(13,647)	3,071	(10,577)
1 January 2019	(13,647)	3,071	(10,577)
Changes in fair value and ineffectiveness	(12,887)	3,563	(9,324)
31 December 2019	(26,534)	6,634	(19,901)

1 The exchange effect of the underlying (loan), in the year of 2019, was unfavorable in the amount of 2,548 thousand Euros, having been offset, in the same amount, by the favorable effect of the hedging instrument in the income statement for the year (on 31 December 2018 was unfavorable at 5,391 thousand Euros).

2 The ineffective component related to the cash flow hedging of foreign exchange risk, recorded in the income statement, was 2,287 thousand Euros positive, having been offset by the effect of the trading derivative contracted in 1,088 thousand negative Euros (on December 31, 2018 it was 1,401 thousand Euros positive compared to 1,101 thousand Euros negative from the effect of the trading derivative). Accordingly, the net effect on the income statement for the period ended 31 December 2019 amounts to 1,199 thousand Euros positive (on 31 December 2018 it was 300 thousand Euros positive).

Fair value hedge

The Company hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2019, the Group has a total of three fair value hedging derivative contracts amounting to 400,000 thousand Euros (as of 31 December 2018 it was 400,000 thousand Euros). The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged. At 31 December 2019, the fair value of interest rate swaps designated as fair value hedging instruments was positive 15,249 thousand Euros (as of 31 December 2018 it was positive 10,070 thousand Euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement. The hedged items of fair value hedging relationships have the following conditions:

	Maturity	Hedged Capital	Interest Rate	Outstanding Amount"	There of Fair Value adjustments	Variation	Note
Fair value hedged Instruments							
Bonds (Euro Medium Term Notes)	16/10/2020	TEUR 100,000	4,75%	97,188	136	1,546	Note 15
Bonds (Euro Medium Term Notes)	12/02/2025	TEUR 300,000	2,50%	304,761	(11,398)	(6,472)	Note 15
					(11,262)	(4,926)	

In 2019, the change in fair value of the debt related to interest rate risk recognized in the income statement was negative 4,926 thousand Euros (at 31 December 2018 it was negative 2,647 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 83 thousand Euros (at 31 December 2018 it was positive 246 thousand Euros). The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Trading derivatives

The Company negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand Euros as of 31 December 2019 (at 31 December 2018 it was 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2019, is negative 3,177 thousand Euros (on 31 December 2018 it was negative 2,076 thousand Euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2019, related to the effect of the fair value of the trading derivative was negative 1,088 thousand Euros (as of 31 December 2018 it was 1,225 thousand Euros negative).

12. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE FOR OTHER COMPREHENSIVE PERFORMANCE

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

	Head office		% owned		Book value	
	City	Country	'19	'18	'19	'18
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	55,035	53,409
					58,201	**56,576**

The changes in this caption were as follows:

	OMEL	HCB	Total
At 1 January 2018	3,167	51,591	54,757
Fair value adjustments	-	1,819	1,819
At 31 December 2018	3,167	53,409	56,576
At 1 January 2019	3,167	53,409	56,576
Fair value adjustments	-	1,625	1,625
At 31 December 2019	3,167	55,035	58,201

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. (Parpublica), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2019, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. (OMEL). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses. At this date, no evidences of impairment losses related with OMEL exist.

Adjustments to the fair value investments in equity instruments at fair value for other comprehensive income are recorded in equity under the caption "fair value reserve", which as of 31 December 2019 and 2018 presents the following amounts:

	Fair value reserve
1 January 2018	10,421
Changes in fair value	1,819
Fiscal effect (Note 9)	(607)
31 December 2018	11,632
1 January 2019	11,632
Changes in fair value	1,625
Fiscal effect (Note 9)	(781)
31 December 2019	12,476

The dividends distributed are detailed in Note 24.

13. EQUITY INSTRUMENTS

Share Capital

As of 31 December 2019, the Company's subscribed and paid up capital was made up of 667,191,262 shares with nominal value of 1 Euro each.

Share capital at 31 December 2019 and 2018 is detailed as follows:

	'19		'18	
	Number of shares	Share Capital	Number of shares	Share Capital
Share capital	667,191,262	667,191	667,191,262	667,191

The main shareholders at 31 December 2019 and 2018 and were as follows:

	'19		'18	
	Shares	%	Shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc.	24,355,192	3.7%	25,365,000	3.8%
Great-West Lifeco, Inc.	18,225,165	2.7%	17,794,967	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Free float	258,364,484	38.7%	257,784,874	38.6%
	667,191,262	100.0%	667,191,262	100.0%

At 31 December 2019 and 2018, the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.6%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2019 and 2018.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

Share issue premium

Following the capital increase in 2017, REN SGPS recorded an amount of 116,809 thousand Euros in the "Share issue premium" caption.

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 2019 the caption "Legal reserve" amounted to 118,828 thousand Euros.

Other reserves

The caption "Other Reserves" includes changes in the fair value of investments in equity instruments at fair value for other comprehensive income, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used.

As of 31 December 2019, the Company has in Equity the amount of 7,425 thousand Euros negative (1,055 thousand Euros positive in 2018) related to reductions arising from the application of fair value, namely: (i) fair value reserve of Investments in equity instruments at fair value for other comprehensive income in the amount of 12,476 thousand Euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 19,901 thousand Euros negative (Note 11).

The caption “Other Reserves” includes free reserves in the amount of 180,190 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption “Adjustments to financial assets” reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2019 this caption amounted to 50,808 thousand Euros negative (36,822 thousand Euros negative as of 31 December 2018).
The change in the amount of 13,986 thousand Euros (Note 7) includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses of the year in the total amount of 6,916 thousand Euros and; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 7,070 thousand Euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 3 May 2019, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2018, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

The dividends paid during the year ended 31 December 2018, determined on the 2017 net profit amounted to 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGEN ASSETS

Guarantees given

At 31 December 2019 and 2018, the Company had given the following bank guarantees:

Beneficiary	Object	’19	’18
European Investment Bank	For loan outstanding balances	208,309	231,989
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	8,212	5,024
Municipal Council of Vila Nova de Gaia	Ensure the suspension of tax enforcement proceedings n.º412/13	-	2
		216,521	237,016

The guarantees given have the following maturities:

	31 December 2019			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowing	24,153	101,909	82,247	208,309
Other guarantees	-	-	8,212	8,212
	24,153	101,909	90,458	**216,521**

	31 December 2018			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowing	23,680	99,730	108,579	231,989
Other guarantees	-	-	5,026	5,026
	23,680	99,730	113,606	**237,016**

Provisions

At 31 December 2019 and 2018 the caption "Provisions" was made up as follows:

	'19		'18	
	Other provisions	Provisions	Other provisions	Provisions
Non current:				
Beginning balance	71	71	71	71
Utilizations	(71)	(71)	-	-
Ending balance	-	-	71	71

15. FINANCIAL LIABILITIES

Trade Payables and Other Payables

At 31 December 2019 and 2018 the captions "Trade payables" and "Other payables" were made up as follows:

	'19	'18
Current		
Trade payables:		
National	187	965
Foreign	590	510
	778	1,475
Other payables:		
Capex suppliers	-	2
Group companies - RETGS (Note 25)	4,315	18,647
Group companies - Treasury management (Note 25)	199	6,868
Accrued costs:		
Remunerations	309	372
Others	2,428	1,946
Other Creditors:		
Group (Note 25)	20,732	5,430
Others	29	463
	28,011	33,728
	28,788	35,203

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods.

The terms and conditions of this agreement are market conditions.

Borrowings

The borrowings are detailed, in terms of maturity (current and non-current) and nature, as of 31 December 2019 and 2018 as follows:

	'19	'18
Non-current		
Commercial paper	100,000	-
Bonds	95,327	120,452
Bank loans	387,763	355,714
Finance leases (Note 6)	128	119
Group Companies - Bonds (Note 25)	1,533,000	1,812,755
Other deferred borrowing costs	(2,088)	(230)
Other deferred borrowing costs - Group companies (Note 25)	(3,149)	(4,330)
	2,110,982	2,284,480
Current		
Commercial paper	364,000	180,000
Group Companies - Commercial Paper (Note 25)	243,400	301,500
Bonds	30,000	30,000
Group Companies - Bonds (Note 25)	279,755	-
Bank loans	47,950	47,521
Finance leases (Note 6)	75	94
Group Companies - Interests and other similar costs (Note 25)	31,031	31,522
Interest payable	588	980
Other deferred borrowing costs	(612)	(1,102)
Other deferred borrowing costs - Group companies (Note 25)	(2,656)	(2,448)
	993,531	588,067
	3,104,513	2,872,547

The company external borrowings have the following capital repayment schedule:

	'20	'21	'22	'23	'24	Following years	Total
Debt - Non current	-	161,783	57,819	58,306	140,831	164,479	583,219
Debt - Current	542,025	-	-	-	-	-	542,025
	542,025	161,783	57,819	58,306	140,831	164,479	**1,125,244**

The company internal borrowings have the following capital repayment schedule:

	'20	'21	'22	'23	'24	Following years	Total
Commercial paper	243,400	-	-	-	-	-	243,400
Bonds	279,755	39,000	48,000	559,000	87,000	800,000	1,812,755
	523,155	39,000	48,000	559,000	87,000	800,000	**2,056,155**

Detailed information regarding bond issues as of 31 December 2019 is as follows:

31 de dezembro de 2019

Issue date	Maturity	Initial amount	Outstanding amount	Interest rate	Schedule of interest payments
'Euro Medium Term Notes' programme issues					
26/06/2009	26/06/2024	TJPY 10,000,000 (i)	TJPY 10,000,000	Fixed rate (ii)	Semi-annual
16/01/2013	16/01/2020	TEUR 150,000 (i)	TEUR 60,000	Floating rate	Quarterly

(i) These issues correspond to private placements.
(ii) These issues has interest and currency rate swaps associated.

In 2019, a total loan repayment with Industrial Commercial Bank of China in the amount of 35,000 thousand euros was agreed. Additionally, a new line of financing was agreed with the Industrial Commercial Bank of China in the total amount of 120,000 thousand Euros, of which 35,000 thousand Euros are disbursed.

During 2019, the total repayment of the loan with Bank of China in the amount of 10,000 thousand Euros was also agreed. Additionally, it agreed with Bank of China a new line of financing in the global amount of 250,000 thousand Euros, of which 10,000 thousand Euros are being disbursed.

Finally, still in the year of 2019, a Revolving Credit Facility was agreed with SMBC Bank EU AG in the global amount of 150,000 thousand Euros, which are not yet disbursed.

As part of the financing contract signed in 2015 with the European Investment Bank to finance projects in the electricity business, the first of three tranches in the amount of 80,000 thousand euros was disbursed in November 2019.

Bank loans consist mostly of loans contracted with the European Investment Bank, which on December 31, 2019 amounted to 435,714 thousand Euros (on December 31, 2018 it was 403,234 thousand Euros).

As a result of the fair value hedging amounting to 400,000 thousand Euros made on debt issues (Note 11), the change in the fair value of these issues related to interest rate risk directly in profit and loss amounting to 4,926 thousand negative Euros was recognized. (on December 31, 2018 it was negative 2,647 thousand Euros).

Subscribed within the Group, the Company had, on December 31, 2019, issued commercial paper in the amount of 243,400 thousand Euros (on December 31, 2018 it was 301,500 thousand Euros) and held bond loans contracted in the amount of 1,812,755 thousand Euros (on December 31, 2018 it was 1,812,755 thousand Euros). The financial conditions of these loans are in line with market conditions.

As of December 31, 2019, the Company has seven commercial paper programs, in the amount of 1,300,000 thousand Euros, with 836,000 thousand Euros available. Of the total value of commercial paper programs, 530,000 thousand Euros are guaranteed to be placed.

The Company also holds 80,000 thousand Euros in credit lines contracted and not used with maturities of up to one year, which are automatically renewable periodically (if they are not reported in the contractually stipulated period for that purpose), of which 70,000 thousand Euros concern two grouped lines that can be used in their entirety and alternately by several companies in the group.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Gearing (ratio of total consolidated equity to the amount of the Group's total concession assets). The Gearing ratio comfortably meets the limits defined being 87% above the minimum at 31 December 2019.

Financing entered into with the European Investment Bank also includes covenants related to rating ratings and other financial ratios in which the Company may be called upon to provide an acceptable guarantee to the European Investment Bank in the event of rating ratings or financial ratios below the stipulated levels.

The Company and its subsidiaries are parties to some financing and debt issuance contracts, which include clauses on changes in control typical of this type of transaction (covering, albeit not expressly, changes in control as a result of takeover bids) and essential for the completion of such transactions in the respective market context. In any case, the practical application of these clauses is limited considering the legal restrictions on the ownership of REN shares. According to legal rules on competition, contractual terms and usual market practices, neither REN nor its counterparties in financing contracts are authorized to disclose other information regarding the characteristics of the respective financing operations.

16. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2019 and 2018 the caption "State and other public entities" is detailed as follows:

	'19	'18
Current assets		
Income tax	15,438	37,418
Other taxes	-	2
State and other public entities - Asset	15,438	37,420

	'19	'18
Current liabilities		
VAT payable	136	-
Retained tax	89	94
Social security	90	97
State and other public entities - Liability	315	191

The REN Group entities are included in the CIT – RETGS regime (Note 9).

17. REVENUE

The revenue recognized by the Company in the year ended 31 December 2019 and 2018 was as follows:

	'19	'18
Services rendered		
Technical and admninistrative management of REN Group (Note 25)	9,863	13,345
Other services (Note 25)	13	10
	9,876	13,356

18. GAINS AND LOSSES FROM SUBSIDIARIES AND ASSOCIATES

The gains and losses from subsidiaries and associates in the years ended 31 December 2019 and 2018 are detailed as follows:

	'19	'18
Subsidiaries:		
REN - Rede Eléctrica Nacional, S.A.	60,474	59,507
REN Atlântico, Terminal de GNL, S.A.,	5,974	6,098
Rentelecom - Comunicações, S.A.	2,641	1,992
REN Serviços, S.A.	40,430	38,268
Enondas – Energia das Ondas, S.A.	59	67
REN PRO, S.A.	810	136
REN Trading, S.A.	36	(118)
REN Finance, B.V.	6,177	6,643
Associates:		
OMIP, SGPS, S.A.	1,835	(531)
Centro de Investigação em Energia REN - State Grid, S.A.	1	(176)
	118,438	111,886

19. SUPPLIES AND SERVICES

The caption “Supplies and services” for the years ended 31 December 2019 and 2018 is as follows:

	'19	'18
Specialized services	2,495	3,579
Services rendered to Group companies (Note 25)	968	1,809
Advertising and promotional expenses	33	253
Travel and lodging	357	468
Other services	495	617
	4,348	6,726

20. PERSONNEL COSTS

The caption "Personnel costs" for the years ended 31 December 2019 and 2018 is as follows:

	'19	'18
Remunerations		
Board of directors	2,401	2,346
Personnel	2,643	3,315
	5,044	5,661
Charges on remuneration and other		
Charges on remuneration	898	1,034
Other	63	70
Insurance	76	102
	1,036	1,206
Personnel costs	**6,080**	6,867

The board of Directors caption includes the Board of Directors members' remunerations.

Personnel employed
During the years ended 31 December 2019 and 2018 the average number of personnel employed by the Company was 28 and 40, respectively.

21. OTHER INCOME

The caption "Other income" for the years ended 31 December 2019 and 2018 is as follows:

	'19	'18
Supplementary income	1,762	301
Other income	6	1
	1,768	302

22. OTHER EXPENSES

The caption "Other expenses" for the years ended 31 December 2019 and 2018 is as follows:

	'19	'18
Donations	-	189
Subscriptions	94	90
Taxes	132	314
Other expenses	56	28
	282	621

23. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption “Interest and similar income and expenses” for the years ended 31 December 2019 and 2018 is as follows:

	’19	’18
Interest and similar costs		
Bonds	1,667	4,764
Bank loans	7,539	7,967
Commercial paper	2,078	3,651
Swaps (Note 11)	1,102	1,225
Centralized treasury management (Note 25)	196	57
Commercial paper - Group companies (Note 25)	1,692	2,694
Bonds - Group companies (Note 25)	55,109	54,702
Other financial costs	264	206
	69,646	75,265
Interest and similar income		
Interest on sharehoders loans (Note 25)	69,442	68,862
Interest on centralized treasury management (Note 25)	2,199	3,558
Interest on bank deposits	3	1
Derivative financial instruments (Note 11)	4,982	4,246
	76,626	76,666

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. DIVIDENDS

During the years ended 31 December 2019 and 2018, the Company received the following dividends from investments in equity instruments at fair value for other comprehensive income:

	’19	’18
Dividends received:		
- HCB	1,495	1,260
- OMEL	87	91
	1,582	1,352

The total amount of dividends received from subsidiaries, associates and investments in equity instruments at fair value for other comprehensive income amounted to 95,778 thousand Euros.

25. RELATED PARTIES

During the years ended 31 December 2019 and 2018 the following transactions were carried out with related parties:

Group

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	5,304	40,838	495
REN Trading, S.A.	-	-	940
ENONDAS, S.A.	9	-	8
REN Serviços, S.A.	1,286	25,396	223
RENTELECOM - Comunicações, S.A.	94	-	-
REN Gás, S.A.	-	-	7
REN Gasodutos, S.A.	1,588	-	104
REN Armazenagem, S.A.	295	-	10
REN Portgás Distribuição, S.A.	431	-	165
REN Atlântico, Terminal de GNL, S.A.	643	3,208	241
REN PRO, S.A.	214	-	6
REN Finance, B.V.	-	-	-
	9,863	**69,442**	**2,199**

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	7,633	42,385	654
REN Trading, S.A.	3	-	806
ENONDAS, S.A.	17	-	10
REN Serviços, S.A.	1,573	22,841	1,508
RENTELECOM - Comunicações, S.A.	105	-	-
REN Gás, S.A.	-	-	153
REN Gasodutos, S.A.	2,196	-	105
REN Armazenagem, S.A.	400	-	53
REN Gás Distribuição SGPS S.A.	-	-	7
REN Portgás Distribuição, S.A.	505	-	26
REN Atlântico, Terminal de GNL, S.A.	876	3,636	187
REN PRO, S.A.	37	-	-
REN Finance, B.V.	-	-	50
	13,345	68,862	3,558

’19

Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs - Bonds (Note 23)
446	31	-	-
-	-	-	-
-	-	-	-
406	3	-	-
-	27	-	-
-	129	1	-
-	2	-	-
-	3	-	-
-	-	-	-
-	-	-	-
68	-	-	1
48	-	1,691	55,109
968	**196**	**1,692**	**55,109**

’18

Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs - Bonds (Note 23)
746	1	-	-
-	-	-	-
-	-	-	-
588	-	-	-
-	29	-	-
-	-	-	-
-	13	-	-
-	-	-	-
-	1	-	-
-	10	-	-
-	4	-	-
12	-	-	-
464	-	2,694	54,702
1,809	57	2,694	54,702

Other Related Parties	'19	'18
Services rendered		
Centro de Investigação em Energia REN - State Grid, S.A.	13	10
	13	10
External supplies and services		
Centro de Investigação em Energia REN - State Grid, S.A.	-	176
CMS - Rui Pena & Arnaut [1]	15	5
OMIP	-	531
	15	714

[1] Entity related to the administrator José Luís Arnaut.

During 2019, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

As of 31 December 2019 and 2018, the Company had the following balances with related parties:

Group Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	34,231	162,069	17,402
REN Trading, S.A.	-	159,904	-
REN Serviços, S.A.	80,000	57,982	17,445
REN Gasodutos, S.A.	-	19,423	-
REN Armazenagem, S.A.	-	-	-
REN Atlântico, Terminal de GNL, S.A.	7,906	46,940	122
REN Gás, S.A.	-	-	-
REN Portgás Distribuição, S.A.	-	82,090	-
ENONDAS, S.A.	-	1,257	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN PRO, S.A.	-	-	-
REN Finance, B.V.	-	-	-
	122,137	529,665	34,969

’19

	Current assets			Non current assets
	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
	17,420	150	449	1,263,654
	-	73	-	-
	-	26	185	1,075,000
	6,225	9	167	-
	4,349	-	44	-
	98	20	77	46,894
	-	12	-	-
	1,697	52	16	-
	12	1	-	-
	806	-	28	-
	206	37	41	-
	-	3,745	-	-
	30,813	**4,124**	**1,008**	**2,385,548**

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bond (Note 15)	Others creditors (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	89
REN Trading, S.A.	-	2,065	-	20,459
REN Serviços, S.A.	-	1,140	-	56
REN Armazenagem, S.A.	14	-	-	1
REN Atlântico, Terminal de GNL, S.A.	-	-	-	-
REN Gás, S.A.	57	1,110	-	17
ENONDAS, S.A.	-	-	-	-
RENTELECOM - Comunicações, S.A.	123	-	-	2
REN PRO, S.A.	6	-	-	43
REN Finance, B.V.	-	-	31,031	64
	199	**4,315**	**31,031**	**20,732**

Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	34,231	92,087	17,254
REN Trading, S.A.	-	138,688	-
REN Serviços, S.A.	70,000	-	15,011
REN Gasodutos, S.A.	-	17,497	-
REN Armazenagem, S.A.	-	5,421	-
REN Atlântico, Terminal de GNL, S.A.	7,476	39,382	129
REN Gás, S.A.	-	690	-
REN Gás Distribuição SGPS S,A,	-	-	-
REN Portgás Distribuição, S.A.	-	14,534	
ENONDAS, S.A.	-	1,402	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN PRO, S.A.	-	50	-
REN Finance, B.V.	-	-	-
	111,707	309,752	32,394

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from Bonds (Note 15)	Others creditors (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	478
REN Trading, S.A.	-	16,723	-	3,736
REN Serviços, S.A.	1,286	838	-	3
REN Gás, S.A.	-	1,086	-	-
REN Gás Distribuição SGPS S,A,	575	-	-	-
RENTELECOM - Comunicações, S.A.	5,007	-	-	3
REN PRO, S.A.	-	-	-	123
REN Finance, B.V.	-	-	31,522	1,088
	6,868	18,647	31,522	5,430

’19

	Current liabilities			Non Current liabilities	
	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	2,250	-	-	-	-
	-	-	-	-	-
	73,200	-	-	-	-
	-	-	-	-	-
	4,750	-	-	-	-
	700	-	-	-	-
	162,500	279,755	(2,656)	1,533,000	(3,149)
	243,400	**279,755**	**(2,656)**	**1,533,000**	**(3,149)**

’18

	Current assets			Non current assets
	Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
	43,635	60	1,019	1,297,885
	-	73	-	-
	-	-	173	1,155,000
	9,254	10	17	-
	4,389	3	4	-
	2,859	20	74	54,800
	-	1	-	-
	-	12	-	-
	-	31	504	-
	20	1	5	-
	584	-	1	-
	-	339	37	-
	-	3,793	-	-
	60,741	4,341	1,833	2,507,685

’18

	Current liabilities		Non Current liabilities	
	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	301,500	(2,448)	1,812,755	(4,330)
	301,500	(2,448)	1,812,755	(4,330)

Other Related Parties	'19	'18
Assets		
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	16	13
	16	13
Suppliers		
CMS - Rui Pena & Arnaut [1]	-	6
	-	6

[1] Entity related to the administrator José Luís Arnaut.

During 2019, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

Information on share transactions by members of the Board of Directors

During the period ended 31 December 2019, no transactions were made by Board of Directors members.

26. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of REN were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN in the years ended 31 December 2019 and 2018 was as follows:

	'19	'18
Remuneration and other short term benefits	1,545	1,490
Management bonuses (estimated)	856	856
	2,401	2,346

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

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	3,108,393	-	-
Other financial assets	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Income tax receivable	16	-	-	-
Derivative financial instruments	11	-	27,229	-
Total financial assets		**3,108,393**	**27,229**	**-**
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payables	16	-	-	-
Drivative financial instruments	11	-	21,670	3,177
Total financial liabilities		**-**	**21,670**	**3,177**

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	3,028,959	-	-
Other investments	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Income tax receivable	16	-	-	-
Derivative financial instruments	11	-	21,010	-
Total financial assets		**3,028,959**	**21,010**	**-**
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payable	16	-	-	-
Derivative financial instruments	11	-	10,877	2,076
Total financial liabilities		**-**	**10,877**	**2,076**

’19

	Fair value – Equity instruments for other comprehensive income	Fair value – through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
	-	-	6,405	6,405	6,405
	-	-	-	3,108,393	3,108,393
	-	16	163	178	178
	58,201	-	-	58,201	58,201
	-	-	15,438	15,438	15,438
	-	-	-	27,229	27,229
	58,201	**16**	**22,005**	**3,215,844**	**3,215,844**
	-	-	3,104,513	3,104,513	-
	-	-	28,788	28,788	3 043 751
	-	-	315	315	315
	-	-	-	24,848	24,848
	-	**-**	**3,133 616**	**3,158,464**	**3,068,914**

’18

	Fair value – Equity instruments for other comprehensive income	Fair value – through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
	-	-	33,393	33,393	33,393
	-	-	-	3,028,959	3,028,959
	-	11	160	171	171
	56,576	-	-	56,576	56,576
	-	-	37,420	37,420	37,420
	-	-	-	21,010	21,010
	56,576	**11**	**70,973**	**3,177,530**	**3,177,530**
	-	-	2,872,547	2,872,547	2,645,320
	-	-	35,203	35,203	35,203
	-	-	191	191	191
	-	-	-	12,952	12,952
	-	**-**	**2,907,941**	**2,920,893**	**2,693,666**

Estimated fair value – assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2019 in accordance with the following levels of fair value hierarchy:

- Level 1: fair value of financial instruments is based on quoted prices of active liquid markets at the date of the statement of financial position;
- Level 2: the fair value of financial instruments is not determined based on active market quotes but using valuation models. The main inputs of the models are observable in the market, with a range of rates used for the Euro curve between -0.363% to 1.010% (for maturities of one month and twelve years, respectively) in relation to derivative finantial instruments;
- Level 3: the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ending 31 December 2019, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		'19			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value for other comprehensive income	Shares	-	55,035	-	55,035
Financial assets at fair value	Cash flow hedge derivatives	-	13,712		13,712
Financial assets at fair value	Fair value hedge derivatives	-	15,249	-	15,249
		-	83,996	-	83,996
Liabilities:					
Financial liabilities at fair value	Borrowings	-	2,058	-	2,058
Financial liabilities at fair value	Cash flow hedge derivatives	-	21,670	-	21,670
Financial liabilitie at fair value recorded in income	Trading derivatives	-	3,177	-	3,177
		-	26,905	-	26,905

During the year ended 31 December 2019, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 12). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts. Despite the fact that the entity is not listed, the data used in the price calculation is observable market information.

Quality of financial assets

The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	’19	’18
Cash and cash equivalents		
A+ to A-	24	14
BBB+ to BBB-	42	76
BB+ to B-	5,926	29,442
Until CCC+	390	3,843
Whitout rating	23	17
Total cash and cash equivalents	**6,404**	33,393
Other financial assets		
Without rating	178	171
Total other financial assets	**178**	171

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

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

28. DISCLOSURES REQUIRED BY LAW

Fees invoiced by the statutory auditor

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

29. SUBSEQUENT EVENTS

In March 2020, as a result of the pandemic corona virus (COVID-19), there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets in the short term. Additionally, and as a result of this pandemic, a state of emergency was recently declared in Portugal. The REN Group is actively monitoring this situation, has activated all the necessary plans and, although the situation is unpredictable, REN Group does not estimate, as of this date, significant effects on its operability and regulatory duties and considers that the medium and long term perspectives, which were incorporated into the impairment tests, remain unchanged.

30. EXPLANATION ADDED FOR TRANSLATION

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

The Certified Accountant

Pedro Mateus

The Board of Directors:

Rodrigo Costa
Chairman of the Board of Directors
and Chief Executive Officer)

Omar Al Wahaibi
(Member of the Board of Directors)

João Faria Conceição
(Member of the Board of Directors
and Chief Operational Officer)

Jorge Magalhães Correia
(Member of the Board of Directors)

Gonçalo Morais Soares
(Member of the Board of Directors
and Chief Financial Officer)

Manuel Sebastião
(Member of the Board of Directors
and Chairman of the Audit Committee)

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

Gonçalo Gil Mata
(Member of the Board of Directors
and of the Audit Committee)

Mengrong Cheng
(Member of the Board of Directors)

Maria Estela Barbot
(Member of the Board of Directors
and of the Audit Committee)

Lequan Li
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

Ana Pinho
(Member of the Board of Directors)

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

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
INDIVIDUAL ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2019 which consist of the Balance Sheet as of December 31, 2019, evidencing a total of 4,596,212 thousand Euros and 1,433,576 thousand Euros of Equity Capital, including Net Profit of 124,933 thousand Euros, the Profit and Loss Accounts, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

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

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 25 March 2020

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

Ernst & Young
Audit & Associados - SROC, S.A.
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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the Entity), which comprise the Statement of Financial Position as at 31 December 2019 (showing a total of 4,596,212 thousand euros and a total equity of 1,433,576 thousand euros, including a net profit for the year of 124,933 thousand euros), and the Statement of Profit and Loss by Nature, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Subsequent Measurement of investments in subsidiaries and associates

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.2 of the notes to the financial statements, the investments in subsidiaries and associates are recorded by the equity method. As at 31 December 2019, the investments in subsidiaries and associates amounts to 1,369,393 thousand euros (2018: 1,185,579 thousand euros), equivalent to 30% of total Assets (27% in 2018). Additionally, as at 31 December 2019, a substantial part of the Entity's revenues, in the amount of 118,438 thousand euros (2018: 111,886 thousand euros), is related to the equity method. The subsequent measurement and the impairment assessment of the investments in subsidiaries and	Our approach included the following procedures: ► We assessed the adequacy of the accounting policies used by the Entity in the measurement of the investments in subsidiaries and associates ; ► We obtained the supporting calculation of the valuation of the investments in subsidiaries and associates and of the application of the equity method and we compared it with the Entity's financial statements; ► We assessed the use, by the Entity, of the correct financial information of its subsidiaries and associates as at 31 December 2019, including the

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
associates has been considered a key audit matter due to the materiality of the carrying amount of those investments and the significant impact of the application of the equity method. Furthermore, the determination of the recoverable amount of those investments is complex and includes the use of relevant Management estimates and assumptions. The Entity's Board of Directors did not identify any impairment evidence.	harmonization of the accounting policies to the financial statement of those entities; and ► We assessed the estimates and assumptions made by Management regarding the absence of impairment evidence. We also assessed the appropriateness of the applicable disclosures included in Notes 3.2, 7 and 18 of the notes to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- the preparation of the Management Report, including the Corporate Governance Report in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

Building a better working world

REN – Redes Energéticas Nacionais, SGPS, S.A.
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- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code, as well as the verification that the statement of non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Statement of non-financial information set out in article 66-B of the Commercial Companies Code

Pursuant to article 451, nr. 6, of the Commercial Companies Code, we inform that the Entity has prepared a separated report of the Management Report, which includes non-financial information, as per article 66-B of the Commercial Companies Code, that has been published with the Management Report.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Commercial Companies Code, in our opinion, the Corporate Governance Report includes the information required to the Entity to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

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On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Entity for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity on XX March 2020; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 25 March 2020

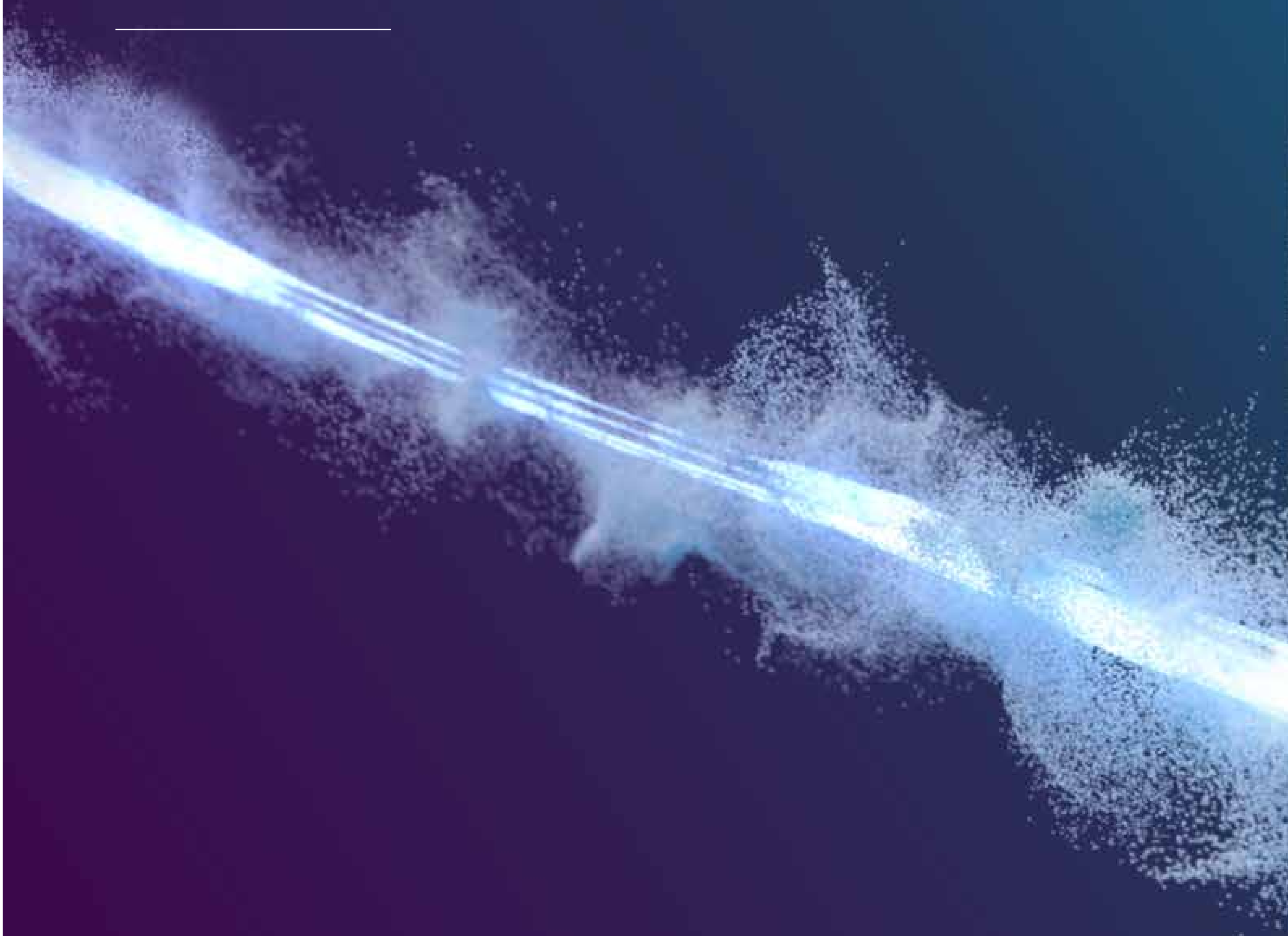
Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

07.

Corporate Governance



An energy of trust

def.: firm belief in the reliability, honesty, effectiveness, loyalty of someone or something.

For REN, trust starts in the relationships we create. Last year we signed the CEO Guide to Human Rights of the World Business Council for Sustainable Development, an incentive promoting the defence of human rights and the improvement of living conditions.

Because trust leads to trust

REN

07.

Corporate Governance

We are guided by the principles of citizenship and sustainability

PART I

7.1. Information on Shareholder Structure, Organization and Corporate Governance

REN is in a mission to ensure the continuous provision of energy to the whole country, and as such to contribute to the delevolpment of comunities and to improve the quality of life of Portuguese people.

This is a task which requires a continuous and devoted effort. But our commitment goes beyond our mission.

We believe in the exercise of an active corporate citizenship, with a strong involvement with the comunities we belong to, both at a social and at an environmental level.

To take this commitment, this requires that all REN activites are guided by sustainability principles, by means of obeying to rigorous and measurable criteria and respecting demanding standards of excelence, without ever losing sight of the positive impact we want to have on the comunities and ecosytems we work close to.

7.1.1. Economic Environment

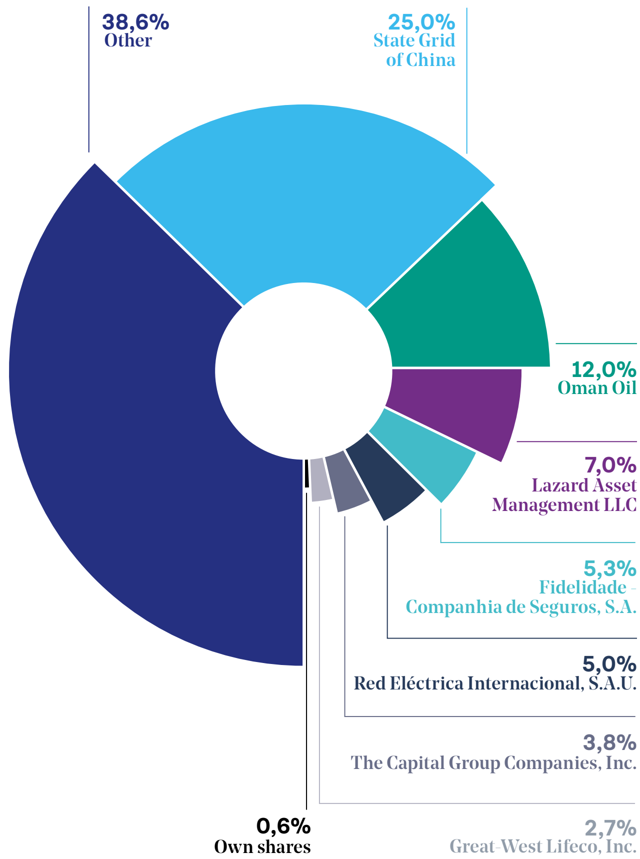
I. Capital Structure

I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 245-A(1)(a)).

The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of € 667,191,262 is represented by 667,191,262 ordinary shares with a face value of € 1.00 each, in the form of nominative book-entry shares.

Shareholder structure at 31 december 2019

For more detailed information on the main company shareholders of the company see II.7 bellow.



REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with code PTREL0AM0008.

I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 245-A(1)(b)).

No restrictions currently exist and REN has not implemented any measures which hinder the transferability of shares (such as consent clauses in the event of transfer. REN shares are freely tradable on the regulated market.

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[1].

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures. This limitation was implemented by means of a provision included in REN's Articles of Association that provides for the non-count of votes cast by any shareholder, in the shareholder's own name or as a representative of another shareholder, that exceed 25% of the total votes corresponding to the share capital. The votes are counted in accordance with Article 20 of the Portuguese Securities Code (Securities Code)[2].

1 See Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (current wording), and Article 20-A(3)(b) and Article 21(3)(h) of Decree-Law No 30/2006 of 15 February (current wording).

2 See paragraphs 3 and 4 of Article 12 of REN's Articles of Association.

It should be further noted that on 9 September 2014[3], ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling which remains in force.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, inter alia, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- Shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;
- The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Portugês de Corporate Governance) (IPCG Code) cannot overturn. As such, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

I.3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which own shares would correspond (Art. 245-A(1)(a)).

REN has 3,881,374 own shares, representing 0.6% of its capital. These shares would correspond to 0.6% of voting rights.

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 245-A(1)(j)).

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change of control which are typical of such transactions (including, although not expressly stated, changes of control arising from takeover bids) and essential for carrying out such transactions on the market. It should be noted that the mentioned clauses are in line with market practice and are only intended to regulate the relevant contracts in scenarios of change of control over REN, not entailing any payments or the assumption of obligations by REN capable of harming the economic interest in the transfer of REN shares or the free appraisal by its shareholders of the performance of the directors, in the event of a change of control or change in the composition of the board of directors.

3 ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2., making an acquisition or change of control over REN unfeasable, in light of the current legal framework.

There are no other significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or taking on encumbrances by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, the Recommendation II.6 of the IPCG Code is fully addopted.

I.5. Framework to which the renewal or repeal of defensive measures are subject, in particular those that limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders

The only provisions in the REN Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2 above.

Such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.

As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

There are no other defensive measures.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 245-A(1)(g)).

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. Shareholdings and bondholdings

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 245-A(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Based on the communications submitted to the Company, in particular in accordance with Article 16 of the Securities Code and CMVM Regulation No 5/2008, with reference to 31 December 2019, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Securities Code, were as follows:

State Grid Corporation of China	No of shares	% Share capital with voting rights
Directly	0	0%
Through State Grid Europe Limited (SGEL), controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China	166,797,815	25.0%
Total attributable	**166,797,815**	**25.0%**

Oman Oil Company SAOC	No of shares	% Share capital with voting rights
Directly	0	0%
Through Mazoon B.V. and Oman Oil Holding Europe, B.V., which are controlled by Oman Oil Company SAOC	80, 100,000	12.006%
Total attributable	80,100,000	12.006%

Lazard Asset Management LLC	No of shares	% Share capital with voting rights
Directly	0	0
Indirectly[4]	46,611,245	6.986%
Total attributable	46,611,245	6.986%[5]

Fidelidade Companhia de Seguros, S.A.[6]	No of shares	% Share capital with voting rights
Directly	35,176,796	5. 272%
Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade	119,889	0.018%
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	37,537	0.006%
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[7]	98,732	0.015%
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder Longrun[8]	63,470	0.010%
Total attributable	35,496,424	5.320%

Red Eléctrica Corporación, S.A.	N.º de ações	% Capital social com direito de voto
Directly	0	0%
Through its branch Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%
Total attributable	33,359,563	5.0%

4 This qualified shareholding, calculated under Article 20 of the Securities Code, is held by Lazard Asset Management LLC on behalf of Clients, and is attributable to it since it agreed with the Clients that it would exercise the voting rights. The qualified shareholding is also attributable to (i) Lazard Freres & Co, which holds the total share capital of the firstly mentioned company; (ii) Lazard Group LLC, which holds the total share capital of the secondly mentioned company; and (iii) Lazard Limited, company with shares admitted to trading in the NYSE market, as controlling entity of the abovementioned company.

5 According to the information provided by Lazard Asset Management LLC on 31 January 2019, with reference to 31 December 2018.

6 This qualified shareholding, calculated under Article 20 of the Securities Code, is also attributable to LongRun Portugal, S.G.P.S., S.A., Millenium Gain Capital, Fosun Financial Holdings Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings, Ltd. and to Mr. Guo Guangchang, as natural or legal persons ou control directly or indirectly Fidelidade - Companhia de Seguros, S.A.

7 Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

8 Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

The Capital Group Companies, Inc.[9]	No of shares	% Share capital with voting rights
Directly	0	0%
Through Capital Income Builder[10, 11].	24,355,192	3.6504%
Through accounts under the discretionary management of fund management companies in a controlling or group relationship with The Capital Group Companies, Inc.	1,009,808	0.1514
Total attributable	25,365,000	3.8018%

GreatWest Lifeco, Inc.[12, 13]	No. of shares	% Share capital with voting rights
Directly	0	0%
Through the collective investment undertakings managed by Setanta Asset Management Limited[14], being this company controlled by Great-West Lifeco, Inc.	17,468,588	2.618%
Through three sub-funds of Beresford Funds plc, managed by Irish Life Investment Managers Limited	326.379	0.049%
Total attributable	17,794,967	2.667%

9 On its communication of 26 February 2020 The Capital Group Companies informed REN of the decrease of its (indirect) holding being attributable to it from that date 12,852,308 shares representing 1,9263% of share capital and voting rights in REN. I has also informed that before the attributable votes corresponded to a holding of 4.75%, corresponding to its position in the communication to REN of March 2017 and previously to REN's share capital increase operation in 2017. Being this the most updated information provided by this investor, REN has assumed, for the purposes of this report, that this was the relevant holding at 31 December 2019. For more detail please refer to: https://web3.cmvm.pt/sdi/emitentes/docs/PQ63588.pdf, https://web3.cmvm.pt/sdi/emitentes/docs/PQ71116.pdf and https://web3.cmvm.pt/sdi/emitentes/docs/PQ74637.pdf

10 In accordance with information received on March 8, 2019 by Capital Income Builder (CIB) and SMALLCAP World Fund, Inc. (SCWF), Capital Research and Management Company was granted powers to exercise voting rights corresponding to SCWF's stake as well as the stake acquired by CIB of 24,355,192 shares representing 3,6504% of REN's share capital. CIB is a mutual fund registered in the United States of America, under the Investment Company Act of 1940, and by virtue of the powers attributed to Capital Research and Management Company, the respective voting rights are attributed to this entity, in accordance with article 20 of the Securities Code. Regarding SCWF, a mutual fund registered in the United States of America under the Investment Company Act of 1940, it should be noted that the notification submitted on behalf of Capital Group Companies, Inc., disclosing the shares held since March 24, 2017 includes SCWF's shares, which, for the time being, correspond to zero (0% of shares representing the share capital of REN).

11 Capital Income Builder informed REN of the decrease of its stake on 21 February 2020 its holding decreased to 12,618,332 shares, representing 1.8913% of the share capital and voting rights in REN. For more detail please refer to https://web3.cmvm.pt/sdi/emitentes/docs/PQ74622.pdf.

12 According to a communication received by the company on October 5, 2016 and updated on February 13, 2019, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and its trustees Sophie Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin, to whom are attributed, under the terms of article 20(1)(b) of the Securities Code, the 2,056% voting rights in REN. The same voting rights are also attributable to the following companies controlled by The Demarais Trust: Power Financial Corporation, 17123 Canada Inc., Power Corporation of Canada and Pansolo Holdings Inc.

This qualified holding results from the aggregation of the holdings of several collective investment undertakings managed by entities that are either controlled or in a group relationship with Great-West Lifeco Inc. Information updated pursuant to the communication received by the company on January 31, 2019, by reference to December 31, 2018.

13 In its communication of January 3, 2020, shareholder Great-West Lifeco, Inc. informed REN. of its indirect qualifying holding corresponding to 18,225,165 shares, representing 2.73% of its share capital, with effect from January 1, 2020. Further details on the collective investment undertakings and respective shareholdings are available at https://www.ren.pt/files/2020-01/2020-01-09171724_4c65f7f1-2e56-4968-a1af-585420fa64e0$$f7ccbca3-1839-4b33-af32-24602a9b0fd3$$65049402-6190-4fde-82ae-b90fa3d1a8a7$$file$$pt$$1.pdf. The voting rights connected with the shares referred to therein are also attributed, under the terms of article 20, no. 1, paragraph b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc., The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited and to the following companies controlled by The Desmarais Trust, which in turn controls Great-West Lifeco, Inc. Power Financial Corporation, 171263 Canada Inc., Power Corporation of Canada and Pansolo Holding Inc.

14 Further details on the collective investment undertakings and respective shareholdings are available at https://www.ren.pt/files/2019-02/2019-02-14111744_4c65f7f1-2e56-4968-a1af-585420fa64e0$$f7ccbca3-1839-4b33-af32-24602a9b0fd3$$cb54eb58-6db6-4b6c-9396-e5b715c07382$$file$$pt$$1.pdf. The voting rights ancillary to those shares are also attributable, under Article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.; The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[15], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2019, based on communications with the company, were as follows:

Board of Directors (including the Audit Committee)

Board of directors	Acquisitions (in 2019)	Encumbrances (in 2019)	Disposals (in 2019)	No of shares at 31.12.2019
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	500
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu (representing State Grid International Development Limited)	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Lequan Li	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Magalhães Correia[16]		-	-	35,496,424
José Luís Arnaut[17]		-	-	7,587
Manuel Ramos de Sousa Sebastião	-	-	-	35,000
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)
Ana Pinho	-	-	-	0 (zero)

15 This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable,(i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by minor descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and by persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

16 Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of duties of member of the board of directors and the executive committee of that company, as set out in: http://web3.cmvm.pt/sdi/emitentes/docs/fsd430883.pdf

17 480 shares held directly and the remainder held by Platinumdetails - Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[18], as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2019, based on communications sent to the company, were as follows:

Board of Directors

Board of Directors	Acquisitions (in 2019)	Encumbrances (in 2019)	Disposals (in 2019)	No of bonds at 31.12.2019
Rodrigo Costa	-	-	-	0 (zero)
João Faria Conceição	-	-	-	0 (zero)
Gonçalo Morais Soares	-	-	-	0 (zero)
Guangchao Zhu (representing State Grid International Development Limited)	-	-	-	0 (zero)
Mengrong Cheng	-	-	-	0 (zero)
Lequan Li	-	-	-	0 (zero)
Omar Al-Wahaibi	-	-	-	0 (zero)
Jorge Magalhães Correia[19]		-	-	1,200,000
José Luís Arnaut		-	-	0 (zero)
Manuel Ramos de Sousa Sebastião	-	-	-	0 (zero)
Gonçalo Gil Mata	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)
Ana Pinho	-	-	-	0 (zero)

II.9 Special powers of the management body, notably regarding resolutions on capital increase (Art. 245-A(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association[20] (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

Particularly, concerning resolutions on any increase in capital, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

18 This comprises the shares held by members of the REN management and supervisory bodies and, if applicable,(i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of minor descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

19 Corresponding to the shares held by Fidelidade – Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of the duties of member of the board of directors and on the executive committee of that company.

20 See Article 15 of the Articles of Association and Article 3 of the Board of Directors Regulations.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

There are no significant relationships of a commercial nature between the holders of qualified shareholdings and the company.

In accordance with internal regulations on the assessment and control of transactions with related parties[21] and prevention of conflict of interests, approved by the Board of Directors following a proposal presented by the Audit Committee, significant transactions with related parties are considered to be those which:

a) are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;

b) are based on the acquisition or disposal of shareholdings;

c) require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;

d) should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding € 1,000,000 or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit every transactions with related parties to the Audit Committee for appraisal[22], in particular:

(i) transactions considered significant are subject to prior opinion from the Audit Committee (and are communicated to the Audit Committee, a minimum of 15 days in advance of the transaction);

(ii) all other transactions are only subject to subsequent appreciation, and must be communicated to the Audit Committee before the last day of January or July, depending on whether the Transactions occurred in the current previous semester.

Moreover, in accordance with the Board of Directors internal regulations, the approval of transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2019, there were a number of significant transactions with related parties as further described in I.90 below.

7.1.2. Corporate bodies and committees

I. General Meeting

a) Composition of the Board of the General Meeting in the year of reference

II.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2018-2020:

Name	Position	Date of 1.ª Appointment	Term of office in course
Pedro Maia	Chairman	27.03.2012	2018-2020
Rui Dias	Vice-chairman	03.05.2018	2018-2020

21 The definition of “related party” in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.

22 See section III and section VI.

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

b) Exercise of Voting Rights

II.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245-A(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of «one share one vote»[23].

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the «Record Date» may attend, participate in and vote at the REN General Shareholders' Meeting, provided that they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the Chairman of the Board of the General Meeting and the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the «Record Date»[24]. This communication may be sent by e-mail[25].

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the «Record Date», information on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[26].

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the «Data de Registo», stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest.

d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the «Record Date», stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting[27].

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE[28].

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail[29].

23 See Article 12(2) of Articles of Association.
24 See Article 23-C of the Securities Code.
25 See Article 12(9) of the Articles of Association.
26 See Article 12(10) of the Articles of Association.
27 See Article 12(12)(13) and (15) of the Articles of Association.
28 See article 12(14) of the Articles of Association.
29 See Article 12(11) of the Articles of Association.

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, provided that they submit this fact to the Chairman of the Board of the General Shareholders' Meeting prior the 'Record Date'and deliver proportional and sufficient proof of: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[30].

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place[31].

It is also established that votes cast by correspondence are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website[32] which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call[33].

In any case, REN considers the participation of its shareholders to be fully ensured through vote by correspondence and methods of representation (as outlined above). Moreover, REN considers that voting by electronic means would not represent added value for shareholders, especially taking into account the absence of votes cast by correspondence at its last General Shareholders' Meeting.

As regards the attendance in the General Shareholders' Meetings by electronic means, REN gives preference to in person attendance (or representation in person) in its General Shareholders' Meetings as it promotes participation and discussion and avoids possible violations of privacy and data protection arising from the use of electronic means. REN's shareholder structure and the fact it includes a large number of professional investors which, according to market practice, are typically represented at the General Shareholders' Meeting by their relevant financial intermediary also appears as an inherent circumstance in the proximity goal pursued by REN and preference for in person attendance promoted in its General Shareholders' Meetings.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in 1.2 and 1.5 above, which seeks to make current regulations and the legal regime effective.

II.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to Article 20(1) of the Securities Code.

As referenced above in I.2, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they

30 See article 12(5) of the Articles of Association.
31 See Article 12(5) and (7) of the Articles of Association.
32 www.ren.pt
33 See article 12(6) of the Articles of Association.

maintain a relationship pursuant to paragraph 1 of Article 20 of the Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in 1.2 and 1.5 above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors (including members of the Audit Comittee) or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

II.14. Identification of shareholder resolutions that, in accordance with the Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities.

In accordance with Article 11(1) of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Shareholders' Meeting can be held and can resolve on the first call.

In accordance with Article 11(2) of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second call, regardless of the percentage of capital represented (which, in the case of the second call, is more demanding than the provision of the Portuguese Companies Code).

Furthermore, in accordance with paragraph 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7-A, 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued (which is more demanding than the provision of the Portuguese Companies Code).

The company considers that these majorities that are more demanding than those defined by law are justified by the fact that the matters in question are strategic and of structural importance, so that their change requires a broader consensus among shareholders. As regards in particular the articles referred to in the previous paragraph, the specially qualified majority required for their amendment is justified by the fact that such articles are intended to enable the company to monitor compliance with several legal obligations and the ERSE Decision, relating to full ownership unbundling, as best described in section I.2 above.

II. Management and supervision

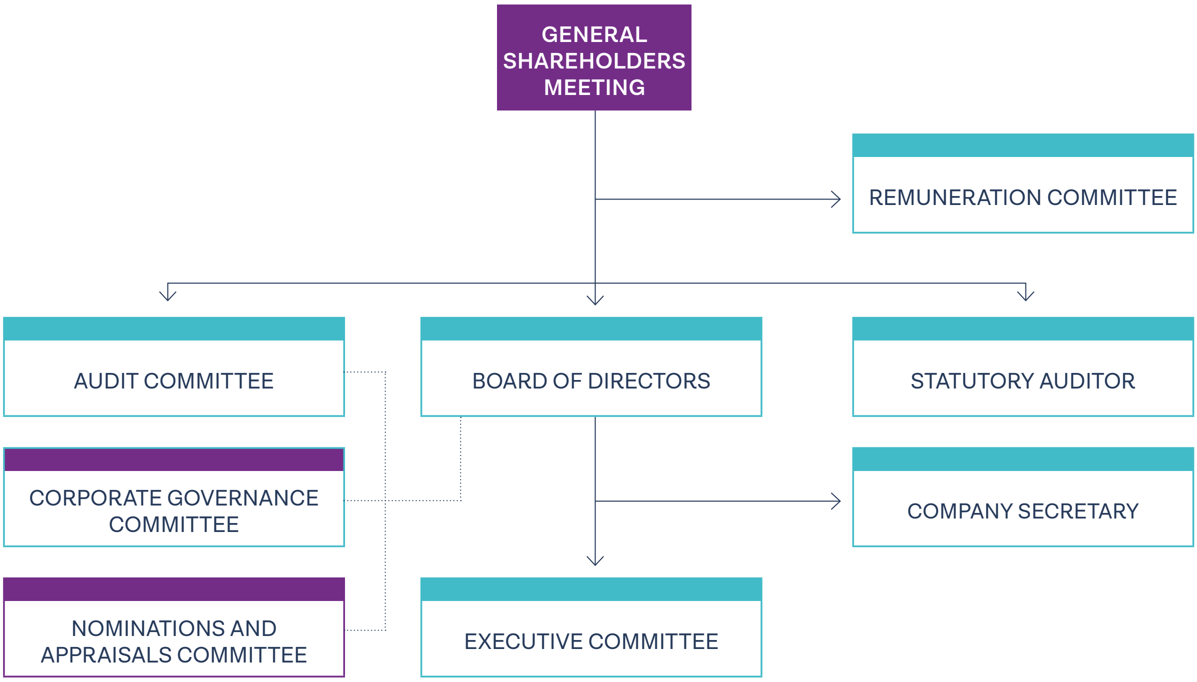
(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[34]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee[35] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[36].

34 See article 8(2)(b) of the Articles of Association.
35 See article 8(1) of the Board of Directors regulations.
36 See article 3(3) of the Audit Committee regulations.



II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of, where appropriate, the Board of Directors, Executive Management Board and General and Supervisory Board (Art. 245-A(1)(h)).

In accordance with the law and the Articles of Association[37] the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors.
It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According the Articles of Association[38], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

Within the scope of REN's Nominations and Appraisals Committee's functions, in particular with regard to the support provided in the identification and selection of potential candidates for REN's Board of Directors[39], with reference to the financial year 2019, it should be highlighted the role of REN's Nominations and Appraisals Committee in the selection process that led to the proposal for the appointment of Director Ana Pinho as a non-executive member of REN's Board of Directors at the General Shareholders' Meeting of May 3, 2019.

The selection procedure followed, which led to the selection of three profiles for the final phase and the issuance of a duly substantiated election proposal, took into account the fact that the members of REN's corporate bodies must bring together, individually and collectively, technical and professional skills appropriate to the function to be performed, supported by academic qualifications or specialised training and professional experience with duration and levels of responsibility that are in line with the characteristics, complexity, size and strategy of REN, as well as enjoying recognised integrity, ethics and irreproachable professional and personal values, together with an assessment of their independence and availability for the performance of the position.

37 See Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.
38 See article 14(2).
39 See Article 3(2)(a)(i) and (ii) of the Nominations and Appraisals Committee Regulation.

The Portuguese Companies Code rules apply[40] with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is a non-delegable competence of the Board of Directors, all Directors are involved in the co-option resolution, except in the event of conflicts of interest.

The Company's Articles of Association[41] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Shareholders' Meeting that elects the said members[42].

Currently, the Board of Directors consists of 13 members, including a total of 10 non-executive members.

At 31 December 2019, the REN Board of Directors consisted of the following members, who have been appointed for the 2018-2020 term of office:

Name	Position	Year of first appointment	Final year of term of office
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2020
João Faria Conceição	Executive Director	2009	2020
Gonçalo Morais Soares	Executive Director	2012	2020
Guangchao Zhu (representing State Grid International Development Limited)	Vice-Chairman	2012	2020
Mengrong Cheng	Director	2012	2020
Lequan Li	Director	2018	2020
Omar Al-Wahaibi	Director	2015	2020
Jorge Magalhães Correia	Director	2015	2020
Manuel Ramos de Sousa Sebastião	Director/Chairman of the Audit Committee	2015	2020
Gonçalo Gil Mata	Director/Member of the Audit Committee	2015	2020
Maria Estela Barbot	Director/Member of the Audit Committee	2015	2020
José Luís Arnaut	Director	2012	2020
Ana Pinho	Director	2019	2020

40 See article 393(3).
41 See article 8(19) and (9).
42 See Articles 8(2)(b) and 14(1) both of the Articles of Association.

In accordance with the Articles of Association[43], members of corporate bodies perform their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

As of December 31, 2019 and on this date, ten of the thirteen members of REN's Board of Directors are non-executive directors, as detailed in section II.17 above. The Board of Directors includes, therefore, a number of non-executive members that is adequate to the size of the company and the complexity of the risks related to its activity, which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind, the small size of the Executive Committee, the size and complexity of company's activities, the shareholder structure and breakdown of REN capital.

Taking into account the Anglo-Saxon governance structure of the company, the Audit Committee is also composed of non-executive members of the Board of Directors. Its composition is also deemed appropriate, namely taking into account the number of members and their availability, which are appropriate to the size of the company and the complexity of the risks inherent to its activity, efficiently ensuring the functions assigned to them.

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation III.4 of the IPCG Code and item II.18 of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during the 2019 financial year to be independent:

Name	Position
Manuel Ramos de Sousa Sebastião	Director / Chairman of the Audit Committee
Gonçalo Gil Mata	Director / Member of the Audit Committee
Maria Estela Barbot	Director / Member of the Audit Committee
José Luís Arnaut	Director
Ana Pinho	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

i. the adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting of three independent members and a further seven non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

ii. the size of the company, its shareholder structure and the relevant free float (which was 38.6% of share capital at 31 December 2019).

In light of the above, REN fully complies with CMVM recommendations III.2, III.3 and III.4 of the IPCG Code, as the Board of Directors consists of an adequate number of non-executive members (considerably superior to the number of executive members) and, among these, more than one third are independent members.

43 See Article 27(1).

Moreover, Article 7-A and 7-B of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of Article 7-A of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electricity or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7-B of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest. Additionally, and in accordance with Article 12 of the Board of Directors' regulations, all directors are obliged to report any circumstance that could create a potential conflict.

Although there are no written rules formalised on this matter, the members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. These procedures include leaving the room at the time of discussion and voting of the points where a conflict of interest may occur and informing the Chairman of the corporate body or committee in question of the facts that may trigger such potential conflict (in without prejudice to the duty to provide information and clarifications requested by the body or committee and its respective members). The Corporate Governance Committee is also responsible for preventing conflicts of interest (see section II.29 below), paying a particular attention to the compliance with such procedures. In view of the above, REN considers that materially complies with recommendations I.4.1 and I.4.2 of the IPCG Code.

Organization of the non-executive members of the Board of Directors

In accordance with the Board of Directors Regulations, during 2019 this corporate body established efficient mechanisms for the coordination and development of the work of its members with non-executive functions, in particular to facilitate the exercising of their right to information and to assure the conditions and means necessary for the performance of their duties, as follows[44].

a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors with a non-executive function supervise the performance of the executive management;

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the response should be provided in an adequate and timely manner;

Whenever they consider it necessary or convenient, directors with non-executive duties also hold ad hoc meetings with the aim of analysing company management.

Furthermore, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion and in advance, to the non-executive members of the Board of Directors, and the Executive Committee's resolutions and supporting documentation shall always be available for consultation[45].

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent, informed and efficient decisions.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors at 31.12.2019

RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005,

44 See article 11 of the Board of Directors Regulations.
45 See Article 5 of the Executive Committee Regulations.

Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT Group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO at Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014 and designated CEO with effects as from February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of April 2015.

Over the years he has contributed to different organizations and has been member of the General Counsel of Coimbra University and also a member of the General Counsel of Porto Business School; Vice-President of the Portuguese – American Chamber of Commerce; Member of the Portuguese Council for Foreign Investment; Member of the Advisory Board for the National Technological Plan. He was awarded by the Portuguese Republic President as Great Officer of *Ordem do Infante D. Henrique* for services to Portugal; he is frequently invited as Speaker/Moderator - to local and international forum's (Industry, Government, Universities, Investors Conferences). He holds a Corporate Governance Certificate from Insead and attended Corporate Governance training at the Harvard Business School.

GONÇALO MORAIS SOARES

Holds a degree in Economy from the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington) in 2010 and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University and, in 2018, the LEAP ("Leadership Excellence through Awareness and Practice") programme at INSEAD Business School.

Since 2012 is the Chief Financial Officer of REN.

Previously, he was director at ZON TV Cabo and ZON Lusomundo Audovisuais from 2007 to 2012, at Portugal Telecom from 2003 to 2007, at Jazztel from 2000 to 2003, at Santander Investment from 1996 to 2000, and at Reditus from 1993 to 1994.

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at INSEAD Business School (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he supported the Ministery of Economy and Innovation. Since 2009 is member of the Board of Directors and of the Executive Committee of REN.

GUANGCHAO ZHU

Holds a degree in Relay Protection Systems from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009, he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines (NGCP), and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of NGCP. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid International Development Co. Ltd.. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China. He is also Chairman of the Board of Directors at NGCP in the Philippines and Board Member of HKEI in Hong Kong, China.

MENGRONG CHENG

Completed a Master's Degree in Business Management from Tsinghua University (Beijing, China). She started her career in 1991 at the Department of International Cooperation of the China Electricity Council. Since then, she has been intensely involved in international cooperation business in major projects and events between China's power sector and international community. She worked in the then Ministry of Power Industry since 1993, and later held major positions in charge of international affairs in China State Power Corporation (1996-2003) and State Grid Corporation of China (2003 till now). Mengrong Cheng is also a Director of Sherpa on the Management Committee of the Global Sustainable Electricity Partnership (G-SEP).

Currently, she is the Deputy Director General of the Department of International Cooperation of State Grid Corporation of China (SGCC), President of SGCC U.S. Office and Acting Chief of GEIDCO (Global Energy Interconnection Development and Cooperation Organisation) North America Office.

LEQUAN LI

Holds a degree in Atmospheric Physics from Nanjing University and a Master's Degree in Atmospheric Physics and Atmospheric Environment from the Research Institute of Atmosphere Physics of the Chinese Academy of Sciences. He also holds a Master Degree in Business Administration from the City University, Washington, USA.

He began his career in the China Electricity Council in 1988 and has been in the power industry over a span for over 30 years. Since 2009, he has worked at State Grid International Development Co. Ltd. and is in charge of the merger and acquisition of overseas power transmission and distribution assets. From July 2015 to December 2019, his responsibilities have been extended to include the management of the company's legal affairs.

From to 2009 to 2012, he was Vice Chief Economist, Head of the Business Development & Strategy Department of State Grid International Development Co. Ltd.. Since 2012, he has been Senior Vice President of State Grid International Development Co. Ltd..

From December 2012 to October 2018, he was Board Member of ElectraNet Pty Limited in Australia on behalf of State Grid International Development Co. Ltd.. In October 2018, he was appointed to represent State Grid International Development Co. Ltd. on the Board of Directors of AusNet Services, Australia.

Currently, he is Senior Vice President of State Grid International Development Corporation Limited and a Board Member of AusNet Services, Australia.

OMAR AL-WAHAIBI

Holds a degree in Mechanical Engineering from Manchester University, Institute of Science & Technology (UMIST) – United Kingdom.
He carried out numerous duties in new business development including portfolio management and corporate planning at Shell E&P International Ventures registered in the Hague in the Netherlands between 1998 and 2001.
He was in charge of the engineering team and was manager of the Oman North project at Petroleum Development Oman between 2001 and 2002.
He was CEO of Oman Wastewater Services Company (Haya Water), between 2003 and 2011 and is currently CEO of the Electricity Holding company and Nama Group. This is a group of state companies, which covers business in the acquisition of electricity and water and in the production, transmission, distribution and supply of electricity. He is currently a member of the Board of Directors of Oman Broad Band Company, and the Gulf Cooperative Council Interconnection Authority.

JORGE MAGALHÃES CORREIA

Chairman of the Board of Directors and Chairman of the Executive Committee of the insurance company Fidelidade. He is also Chairman of the Board of Directors of Luz Saúde, S.A..

With regard to professionally related associations he is vice-president of the Portuguese Insurers Association and a member of the Geneva Association. He is also member of several consulting bodies of cultural institutions and universities.

He started his professional career as a lecturer at the Lisbon Faculty of Law and has worked in management roles at the Portuguese Inspectorate-General of Finance and at the Securities Market Commission and has also worked as a lawyer. He has undertaken duties at different companies in the field of finance and insurance, including director and/or chairman of the board of directors at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies. In the area of health, he was a director of USP Hospitales (Barcelona) and director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS. He was also Vice-President of the Board of Directors of Caixa Seguro e Saúde, SGPS, S.A..

MANUEL RAMOS DE SOUSA SEBASTIÃO

Mr. Manuel Sebastião is Non-Executive Director and President of the Audit Committee of REN – Redes Energéticas Nacionais, SGPS, S.A. (Electricity and Natural Gas Transmission System Operator of Portugal) since April 2015, and President of the Supervisory Board of Banco BPI since July 2018.

Previously, he was advisor to the Board of Directors of Banco de Portugal (the central bank of Portugal), September 2013 – April 2015, President of the Portuguese Competition Authority, March 2008 –

September 2013, member of the Board of Directors of Banco de Portugal, February 2000 – March 2008, member of the Board of Directors of the Portuguese Insurance and Pension Funds Supervisory Authority, 1998-2000, member of the Board of Directors of the state-owned bank Banco de Fomento e Exterior, 1992-1996, economist with the International Monetary Fund, 1988-1992, and economist with Banco de Portugal, 1986-1988. He was a professor of economics and finance at different stages of his career.

He has an undergraduate degree from the School of Economics, Technical University of Lisbon in 1973, a Doctorate de 3ème Cycle from Université de Paris I, Panthéon-Sorbonne in 1978, and a Ph.D in economics from Columbia University in the city of New York in 1986. He is a Portuguese national, born in Luanda, Angola, in 1949.

GONÇALO GIL MATA

Holds a Degree in Software Engineering awarded by the University of Coimbra and an MBA awarded by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo – Sociedade de Capital de Risco and a member of the board (non-executive) of Arquiled, S.A. (LED lighting solutions), Summer Portugal, SA and Vila Monte, SA (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

For the last five years he has held positions as a director in Corporate Finance at Deutsche Bank (Portugal), S.A. and as a Non-Executive Director at MVMS, S.A., ISA Intelligent Sensing Anywhere, S.A. and Gypfor – Gessos Laminados, S.A as a representative of funds managed by Capital Criativo – Sociedade de Capital de Risco, S.A.

MARIA ESTELA BARBOT

Has time management skills and ability to manage priorities expressed by the accomplishment of many tasks simultaneously in the course of the her professional career.

Over 20 years of relevant business and corporate experience in the area of chemical industrial products with consequent in-depth knowledge of the corporate world both nationally and internationally.

Responsible for negotiating and for developing partnerships with various multinational companies (Dupont, BP Chemicals, Rhone Poulenc among others) both for raw-materials and packaging products (namely, Signode Packaging Solutions).

Headed the acquisition process of the Company AGA - Álcool e Genéros Alimentares, S.A. which culminated in the purchasing of this Portuguese state-owned company's (1994), in its restructuring and in the development of new business areas (pharmaceutical products).

In Banking, experience in institutional and business monitoring with corporate / retail / private customers (member of the Board of Banco Santander de Negócios).

Extensive experience with associations both at a national (namely as vice-president of AIP) and international level (member of IMF European Advisory Board and of the and President of the Portuguese Group at Trilateral Commission).

JOSÉ LUÍS ARNAUT

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and he started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner and is a member of the Executive Committee of CMS Legal Services EEIG.

He is Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports), member of the International Advisory Board of Goldman Sachs, member of the Consulting Board of AON, Deputy-President of the Lisbon Turism Association, Chairman of the General Meeting of PORTWAY - Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., Chairman of the General Meeting of Grupo Super Bock, Chairman of the General Meeting of Tabaqueira II, S.A. and Chairman of the General Meeting of the Portuguese Football Federation. In 1999, he was elected General Secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 - European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of *Ordem do Infante Dom Henrique* by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

ANA PINHO

Holds a degree in economics from the School of Economics, University of Porto, an MBA from the Cass Business School, and a Corporate Finance Executive Program diploma from London Business School. She is Chairwoman of the Board of Directors and Executive Committee of Serralves Foundation (Fundação de Serralves) since January 2016 and she has been a Director at such foundation since January 2010. She has also been a member of the board of TAP SGPS since June 2017 of the Porto British School since April 2014. She is also Manager of ARSOPI – Indústrias Metalúrgicas Arlindo S. Pinho, Lda. and Director of ARSOPI – Holding, Sociedade Gestora de Participações Sociais, S.A. and TECNOCON-Tecnologia e Sistemas de Controle, S.A.

She is a former board member of the Porto Commercial Association and a former CEO of UBS Portugal and a fromer member of the executive committee of UBS España, before which she held several positions at UBS AG. She was previously an equity analyst at Schroder Securities in London and a financial analyst at Banco Português de Investimentos in Porto.

The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, no 55, Alvalade, Lisbon.

It should be noted that the members of the Board of Director, as demonstrated above, were educated, and/or have relevant professional experience in REN's branch of industry, such as management of companies, engineering, activities related with electricity and natural gas, economics and law, thus demonstrating their qualification and suitability for the position.

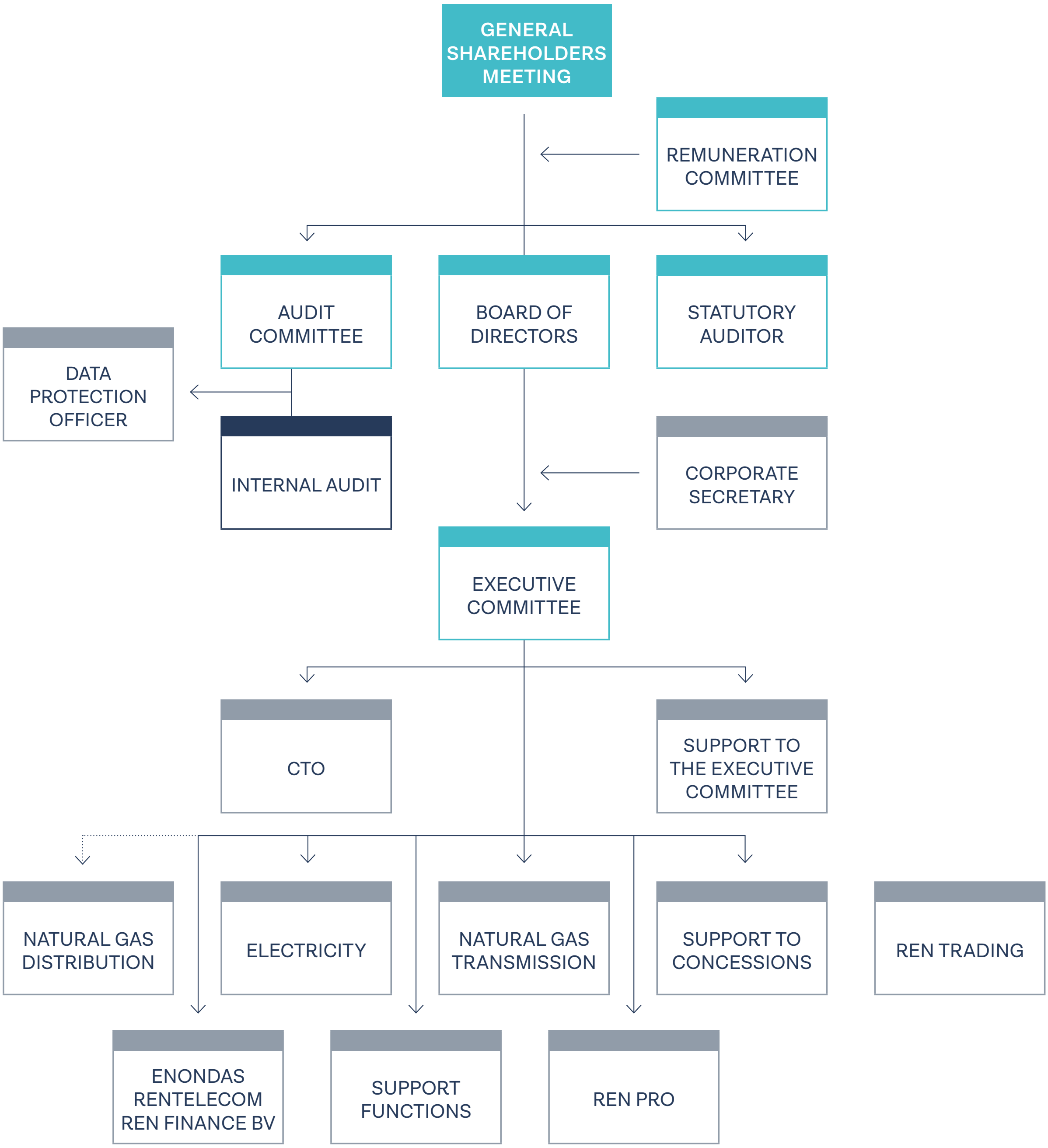
II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Management Board at 31.12.2019

Director	Owner of qualified holdings	Relationship
Rodrigo Costa	-	-
João Faria Conceição	-	-
Gonçalo Morais Soares	-	-
Guangchao Zhu (representing State Grid International Development Limited)	State Grid Corporation of China	Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19 and 26)
Mengrong Cheng	State Grid Corporation of China	Deputy Director General of the Department of International Cooperation of State Grid Corporation of China and President of the State Grid Corporation of China, US Office. (see II.19 and 26)
Lequan Li	State Grid Corporation of China	Senior Vice-President of State Grid International Development Corporation Limited (see II.19 and 26)
Omar Al-Wahaibi	-	-
Jorge Magalhães Correia	Fidelidade – Companhia de Seguros, S.A.	Chairman of the Board of Directors and CEO of Fidelidade – Companhia de Seguros, S.A. (see II.26)
Manuel Ramos de Sousa Sebastião	-	-
Gonçalo Gil Mata	-	-
Maria Estela Barbot	-	-
José Luís Arnaut	-	-
Ana Pinho	-	-

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[46]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[47] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

In order to better understand the division of powers among the different corporate bodies, the organization chart below outlines REN's business units:



46 See article 8(2)(b) of the Articles of Association.

47 See article 8(1) of the Board of Directors regulations.

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is a corporate body comprising all the company shareholders, and its responsibilities are in particular:

a) Appraise the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;

b) Elect the members of the General Shareholders' Meeting Board, the directors and the statutory auditor;

c) Resolve on any amendments to the Articles of Association;

d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a Remunerations Committee; and

e) Resolve on any other matter falling within its power and for which it has been summoned.

BOARD OF DIRECTORS

Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered[48]. Of special note are the powers to:

a) Define the Company's goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders' Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012[49], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's fixed assets is subject to prior approval from the General Shareholders' Meeting[50].

EXECUTIVE COMMITTEE

On 3 May 2018, the Executive Committee was delegated, to the extent permitted by law, the Company's Articles of Association and by the Board of Directors' own regulations, with all the powers necessary or convenient to the performance of the management acts regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors:

a) Manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' own regulations;

48 See article 15(1) of the Articles of Association.
49 See Article 3(3) and (5).
50 See Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

b) Approve, on a case-by-case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal to or lower than € 15,000,000.00 (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25,000,000 (twenty-five million euros);

c) Propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) Without prejudice to article 3(3)(f) of the Board of Directors' Regulations, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

e) Represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) Incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed € 7,500,000 (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;

g) Negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than € 5,000,000 (five million euros);

h) To approve and promote any and all acts necessary to update the Euro Medium Term Note Program[51], under such terms as may at any time be more appropriate, including, without limiting the negotiation and conclusion of the all contractual instruments or related accessories and the pursuit of any steps or taking of any measures necessary for such updating, namely before any supervisory, market or other entity;

i) To approve and practice any and all necessary, useful or convenient acts, including through the execution of contractual instruments, the intra-group allocation of funds obtained through external financing operations;

j) Negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

k) Open, operate and close bank accounts;

l) Resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

m) Present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

n) Present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group;

o) Appoint attorneys with the powers deemed convenient, including those of sub-delegation;

p) Indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

q) Take or give in lease any real estate or individual parts of real estate; and

r) Manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms;

s) Appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.

Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegates to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument[52] with respect

51, 52 Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.

to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The delegation of powers to the Executive Committee does not exclude the possibility for the Board of Directors to resolve on delegated matters and does not include matters reserved by law, by the Articles of Association or by the Board of Directors Regulations.

The powers delegated to the Executive Committee do not exclude the possibility of the Board of Directors deciding on those matters and do not include any matters reserved by law, by the Company's Articles of Association or the Board of Directors' own regulations, notably:

a) appointment of the Chairman of the Board of Directors;

b) co-optation of directors;

c) request to convene the general shareholders' meetings;

d) approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) provision of deposits and personal guarantees or security interests by the Company;

g) change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) projects for the merger, demerger and transformation of the Company;

i) appointment of the Company Secretary and the respective alternate;

j) definition of the Company's strategy and general policies;

k) definition of the Company's goals and management policies;

l) approval of the annual budget, the business plan and other long-term development plans;

m) definition of the Group's corporate structure;

n) the approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than € 15 million, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total € 25 million;

o) incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an single or aggregate or value which does not exceed € 7.5 million or which have been approved in the annual budget;

p) adoption of resolutions to contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) approval of the Company's systems of internal control, risk management and internal audit;

s) the appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;

t) the indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) the participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

v) the entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

w) transactions with related parties in excess of € 500,000 or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;

x) the resolution on all the matters which are deemed strategic, notably because they are related to strategic agreements entered into by REN or due to their risk or special characteristics.

Taking into account the above, non-executive directors participate in the definition by the management body of the strategy, main policies, corporate structure and decisions that should be considered strategic for the company by virtue of their amount or risk, as well as in the evaluation of the compliance with those measures, as these decisions were not delegated to the Executive Committee, but should be decided by the Board of Directors, of which non-executive directors are members, and who in the terms described above, have access to all the information necessary for their duties.

Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2019, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart:

AUDIT COMMITTEE AND STATUTORY AUDITOR
The Audit Committee and the Statutory Auditor are the Company's supervisory bodies, and their main powers are set out in III.38.

REMUNERATIONS COMMITTEE
The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

b) Operation

II.22. Existence and place where the operating regulations can be found for the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors

The Board of Directors Regulations and the Executive Committee Regulations, which establish, inter alia, the performance of their respective duties, chairmanship, attendance of meetings, functioning and the framework of duties of its members, are available on the REN website[53] in Portuguese and English.

As detailed in the law and its regulations, at the meetings of the Board of Directors and the Executive Committee, detailed minutes are drawn up, approved and signed by all members present.

II.23. Number of meetings held and attendance by each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors

BOARD OF DIRECTORS
The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time the meetings shall be monthly[54].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor[55].

In 2019, the Board of Directors held 5 meetings.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

53 www.ren.pt
54 See Article 19(1) of the Articles of Association and Article 4(2) of the Board of Directors Regulations.
55 See Article 19(1) of the Articles of Association.

Attendance of members of the board of directors at meetings

Name	Present	Representation	Absent	% Attendance
Rodrigo Costa	5	0	0	100%
João Faria Conceição	5	0	0	100%
Gonçalo Morais Soares	5	0	0	100%
Guangchao Zhu representing State Grid International Development Limited)	4	1	0	100%
Mengrong Cheng	2	3	0	100%
Lequan Li	2	3	0	100%
Omar Al-Wahaibi	5	0	0	100%
Jorge Magalhães Correia	4	1	0	100%
Manuel Ramos de Sousa Sebastião	5	0	0	100%
Gonçalo Gil Mata	5	0	0	100%
Maria Estela Barbot	5	0	0	100%
José Luís Arnaut	5	0	0	100%
Ana Pinho[56]	3	1	0	100%

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/conselho_de_administracao/

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Board of Directors, whenever the Board of Directors deems that their presence is necessary or convenient.

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week[57].

In 2019, the Executive Committee held 35 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[58]. This mechanism ensures that the members of the administrative and supervisory bodies have permanent access to all information for the evaluation of the company's performance, situation and prospects for development.

56 Held office from 3 May 2019.
57 See article 1(2) of the Audit Committee regulations.
58 See Article 5 of the Executive Committee Regulations.

Attendance of members of the executive committee at meetings

Name	Present	Representation	Absent	% attendance
Rodrigo Costa	35	0	0	100%
João Faria Conceição	35	0	0	100%
Gonçalo Morais Soares	35	0	0	100%

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/comissao_executiva

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of members of the Executive Committee has been assessed by the Nominations and Appraisals Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

The Board of Directors, through its Nominations and Appraisals Committee, within the scope of its powers, assesses the overall performance of the Board of Directors and the specialized committees, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member, and the relationship between the company's bodies and committees.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

II.26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors and, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2019:

Director	Duties carried out on management or supervisory bodies
Rodrigo Costa	Chairman of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Chairman of the Board of Directors of REN Gasodutos, S.A. Chairman of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Chairman of the Board of Directors of REN Armazenagem, S.A. Chairman of the Board of Directors of REN Serviços, S.A. Chairman of the Board of Directors of REN PRO, S.A. Chairman of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Chairman of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN RENTELECOM – Comunicações, S.A. Chairman of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Apolo Chile, Spa Chairman of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
João Faria Conceição	Member of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Member of the Board of Directors of the Centro de Investigação em Energia REN – State Grid, S.A.. Non-executive Member of the Board of Directors of Hidroeléctrica de Cahora Bassa Member of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
Gonçalo Morais Soares	Member of the Board of Directors of REN - Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A.. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN Finance BV Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of Aerio Chile, Spa Member of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role – seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

In fact, although not formalized in internal regulations specifically addressing Executive Directos, in practice, REN's policy is that its executive directors perform executive functions during their term of office only in the REN Group. This practice has always been followed in previous terms of office. In addition, the Code of Conduct establishes that, without prejudice to the provisions regarding the performance of certain duties or the exercise of corporate positions, and exccept with a prior authorisation of the Board of Directors[59], no employee of REN may engage in professional activies in an entity external to REN, whenever the exercise of such activity interferes with the performance of his duties as an employee of the company or in any way affects the performance r availability for the duties performed by the employee at REN.

Moreover, it should be noted that, upon their appointment, the executive directors declared their full dedication to carrying out their role and pursuing the objectives laid out, and have proven this through their attendance at Board of Directors and Executive Committee meetings and through their work carried out within REN.

59 See The framework of "Incompatibilities" established in articles 7-A and 7-B of REN's Articles of Association, as well as article 12(3) of the Board of Directors' Regulations.

Duties of non-independent non-executive directors performing duties at 31.12.2019[60]

Director	Duties carried out on management or supervisory bodies
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China Chairman of the Board of Directors at NGCP, Philippines Board Member of HKEI in Hong Kong, China
Mengrong Cheng	Deputy Director General of the Department of International Cooperation at the State Grid Corporation of China President of the State Grid Corporation of China US Office Acting Chief of GEIDCO North America Office President of SGCC U.S. Office Director of Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP)
Lequan Li	Senior Vice-President of State Grid International Development Corporation Limited Member of the Board of Directors of AusNet
Omar Al-Wahaibi	CEO Electricity Holding Member of the Board of Directors of Oman Broad Band Company Member of the Board of Directors of Gulf Cooperative Council Interconnection Authority CEO of Nama Group
Jorge Magalhães Correia	Chairman of the Board of Directors and CEO of Fidelidade - Companhia de Seguros, S.A. Chairman of the Board of Directors of Luz Saúde, S.A. Non-executive Vice President of the Board of Directors of Banco Comercial Português, S.A.

Upon their appointment, the non-executive directors named above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

Duties of independent non-executive directors at 31.12.2019[61]

Director	Duties carried out on management or supervisory bodies
Manuel Ramos de Sousa Sebastião	President of the Supervisory Committee of Banco BPI, S.A.
Gonçalo Gil Mata	Executive director and a member of the Board of Directors of Capital Criativo -Soc. Capital de Risco Non-executive member of the Board of Directors of Arquiled, S.A., Summer Portugal, S.A. and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Maria Estela Barbot	President of the General Council of the Universidade Nova de Lisboa Managing Partner at ALETSE, Lda (Real Estate, Management Consulting and Public Relations and Communication) International Senior Adviser of Roland Berger Holding GmbH Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual, Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves President of Fórum Portugal Global – FPG Member of the General Board of FAE – Fórum de Administradores de Empresas

60 None of the companies identified belong to the REN Group.

61 None of the companies identified belong to the REN Group.

Director	Duties carried out on management or supervisory bodies
José Luis Arnaut	Managing Managing Partner of CMS Rui Pena, Arnaut & Associados Member of the Executive Committee of CMS Legal Services EEIG (Frankfurt) Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports) Member of the International Advisory Board of Goldman Sachs (London) Member of the Advisory Board of AON Deputy-President of the Lisbon Tourism Association Chairman of the General Meeting of Portway, Handling de Portugal (Vinci Airports) Chaiman of the General Meeting of Siemens Portugal Chairman of the General Meeting of Grupo Super Bock Chairman of the General Meeting of Tabaqueira II, S.A. Chairman of the General Meeting of Portuguese Football Federation
Ana Pinho	**Chairman of the Board of Directors and of the Executive Committee of the Serralves Foundation** **Member of the Board of Directors of TAP SGPS, S.A.** **Member of the Board of Directors of Oporto British School** **Manager of ARSOPI - Indústrias Metalúrgicas Arlindo S. Pinho, LDA.** **Member of the Board of Directors of ARSOPI - Holding, Sociedade Gestora de Participações Sociais, S.A.** **Member of the Board of Directors of TECNOCON-Tecnologia e Sistemas de Controle, S.A.**

From the above it can be concluded that 10 non-executive members of the Board of Directors (as opposed to the executive members) hold positions outside the REN group, at an average of circa 5 positions per director.

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

c) Committees within the management or supervisor bodies and delegated directors

II.27. Identification of committees set up within, where appropriate, the Board of Directors, the General and Supervisory Board and the Executive Management Board, and place where the operating regulations may be found

In 2019, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees.

Their internal regulations can be consulted at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

At 31 December 2019, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the powers of each of the committees created

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Corporate Governance Committee and the Nominations and Appraisals Committee.

The Corporate Governance Committee has the powers and competences conferred by its internal regulations[62]. Among these, of special note are those to:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

i. structure, role and functioning of the corporate bodies;

ii. liaison between the corporate bodies and the internal committees;

iii. incompatibilities and independence of the members of corporate bodies;

iv. efficiency of the role of non-executive members of the Board of Directors;

v. voting, representation and equal treatment of shareholders;

vi. the prevention of conflicts of interests;

vii. transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders;

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;o governo e organização globais da Sociedade e das suas subsidiárias;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations[63]. Among these, of special note are:

a) In relation to appointments, to

i. support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment;

ii. make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors;

iii. assist the Board of Directors in the preparation of the succession of its members;

iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

b) In relation to appraisals,

i. advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators;

ii. support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

62 See Article 3 of the Corporate Governance Committee Regulations.

63 See Article 3 of the Nominations and Appraisals Committee Regulations.

iii. prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year;

iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

REN understands that the definition of senior management[65] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the Nominatons and Appraisals Committee for the purpose of appointing other management staff.

With regard to the Executive Committee, see II.21.

The Regulations of the Corporate Governance Committee and the Nominations and Appraisals Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website[64] in Portuguese and in its English translation.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

III. Supervision

(Supervisory Board, Audit Committee or General and Supervisory Board)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[66], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[67] (including the Chairman), possessing the necessary powers to perform their duties.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, General and Supervisory Board or the Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At 31 December 2019, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

As regards the remaining appropriate information, please also refer to point II.17.

III.32. Identification of, where appropriate, the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés, where appropriate, of each of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted, where appropriate, for the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulations, which establish, inter alia, the peformance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members which can be consulted on the official REN website[68] in Portuguese and English.

64 According to the Note on the interpretation of the IPCG Code - note 2, the notion of "senior management" should be read in line with the legal notion of "directors" for the purposes of art. 248-B of the Securities Code and Regulation (EU) No. 596/2014.

65 www.ren.pt

66 *See II.15. above.*

67 See Article 3(3) of the Audit Committee regulations.

68 www.ren.pt

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

III.35. Number of meetings and attendance, where appropriate, for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee meetings are convened and chaired over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members[69].

In 2019, the Audit Committee held 14 meetings.

Attendance of members of the audit committee at meetings

Name	Present	Representation	Absent	% Attendance
Manuel Ramos de Sousa Sebastião	14	0	0	100%
Gonçalo Gil Mata	13	1	0	100%
Maria Estela Barbot	14	0	0	100%

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade

III.36. Duties of, where appropriate, each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[70], it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46).

In 2018, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The intervention of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

69 www.ren.pt
70 See Article 8(1) and (2) of the Audit Committee Regulations.

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Audit Committee, whenever the Audit Committee deems that their presence is necessary or convenient to the smooth running of the work.

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for[71]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code and in CMVM Regulation No 4/2013, as amended;

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying the accuracy of books, accounting records and documents they use as support;

f) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

g) Inspecting the accuracy of accounting documentation;

h) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

i) Preparing the annual report on their supervisory work;

j) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

k) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

l) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;

m) Supervising the preparation and disclosure of financial information;

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several of its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;

p) Complying with other provisions set out in law or the Articles of Association.

In its relationship with other corporate bodies, the Audit Committee is also responsible for[72]:

a) Supervising the effectiveness of the risk management, internal control and internal audit systems implemented by the Board of Directors or Executive Committee, including through the submission of proposals for improving operation and adjustment to REN's requirements;

b) Assisting the Board of Directors and the Executive Committee in complying with their supervisory responsibilities for internal and external audit processes, including through the submission of proposals for improving operation;

c) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate[73];

d) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;

e) Representing the Company, for all purposes, with the External Auditor;

f) Proposing to the General Shareholders' Meeting the appointment of the External Auditor, the respective remuneration and their removal whenever justified;

71 See Article 6(2) of the Audit Committee regulations.

72 See Article 6(3) and (2) of the Audit Committee Regulation.

73 See Article 7 of the Audit Committee Regulation.

g) Issuing a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement[74];

h) Ensuring that the proper conditions for the provision of audit services by the REN External Auditor are provided within the company;

i) Performing the duties as REN's interlocutor with the External Auditor and be the first recipient of the respective reports;

j) Monitoring the activities of the External Auditors and the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditors or the Statutory Auditor;

k) Assessing the work carried out by the External Auditor on an annual basis;

l) Providing prior approval on the contracting of any audit services from the External Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

m) Supervising the work of REN's Internal Audit Office and proposing the recruitment of the respective human resources to the Executive Committee.

Notwithstanding the set of specific competences and considering the Audit Committee's relationship with the corporate bodies listed above, a proposal to amend the Audit Committee's Regulation is being discussed and approved in order to better adjust the such regulation to new Corporate Governance requirements.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website[75], and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor, representing it before the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the Statutory Auditor[76].

As REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code[77], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

IV. Statutory Auditor

IV.39. Identification of the Statutory Auditor and of the key auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Ernst & Young, Audit & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Ricardo Miguel Barrocas André, registered with the Portuguese Institute of Statutory Auditors under No 1461.

74 In accordance with Article 6 (3) (g) of the Audit Committee Regulation, the opinion shall be issued in accordance with recommendation III.1.3. of the Code of Corporate Governance of CMVM 2010, regarding the principle of rotation of the External Auditor. However, that provision should be read by reference to the legal provisions currently in force on the rotation of the Statutory Auditor, in particular paragraphs 1 and 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council , of 16 April, 2014, and in Article 54(4) of Law No 140/2015 of 7 September. It is further considered that such competence contributes in part to compliance with Recommendation VII.2.3 of the IPCG Code.

75 www.ren.pt

76 See Article 6(3)(j) of the Audit Committee Regulation.

77 See Article 420.

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

The REN Statutory Auditor (Ernst & Young, Audit, SROC SA) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

In light of the applicable legal and regulatory framework, the appointment of Ernst & Young, Audit & Associates, SROC SA took place following a selection process for a new Statutory Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to the services as Statutory Auditor detailed in III.38., the services referred to in V.46 were also provided.

V. External Auditor

V.42. Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Ernst & Young, Audit & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119)

V.43. Indication of the number of years during which the External Auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's External Auditor (Ernst & Young, Audit & Associados, SROC SA), and the respective partner, was initially hired to carry out these duties in 2018.

V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Ernst & Young & Associados, SROC S.A.) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

The appointment of Ernst & Young, Audit & Associados, SROC S.A. took place following a selection process for a new External Auditor. he REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

V.45. Indication of the body responsible for assessing the External Auditor and frequency of the assessment

The Audit Committee is responsible for undertaking an annual assessment of the External Auditor and has the power to propose the dismissal of the External Auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditor.

The Audit Committee is also responsible for overseeing the independence of the External Auditor and issuing prior approval of the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said External Auditor or which is part of the same network.

In 2019, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor provided its services in a satisfactory manner and complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high technical accuracy.

V.46. Identification of non-audit services provided by the External Auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for their contracting

Non-audit services provided by the External Auditor / Statutory Auditor for REN consisted essentially in agreed auditing procedures to validate financial ratios and issuance of comfort letters.

As part of compliance with the independence rules established in relation to the External Auditor/ Statutory Auditor, in 2019, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it complies with Article 77 of Law No 140/2015 of 7 September.

It should also be noted that the amendment to the Audit Committee's Regulations is under discussion and approval, and, among other aspects, should expressly regulate these matters.

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from EU Recommendation C(2002) 1873 of 16 May[78])

In the financial year ending 31 December 2019, the statutory auditor for REN SGPS and its subsidiaries was Ernst & Young, Audit & Associados, SROC S.A. The exception was REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A.

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2019, was € 466,325, broken down as follows:

- Ernst & Young, Audit & Associados, SROC S.A. and its network – € 324,475;
- Pricewaterhousecoopers & Associados – SROC, S.A. – € 141,850.

ERNST & YOUNG, AUDIT & ASSOCIADOS, SROC S.A. AND ITS NETWORK

	Company (REN SGPS)[79]	Other companies[80]	Total	%
Audit and legal review of accounts	13,780	235,667	249,447	76.9%
Other reliability guarantee services	59,420	15,608	75,028	23.1%
Services other than audit services or legal review of accounts	-	-	-	-
	73,200	251,275	324,475	

PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.

	Company (REN SGPS)[81]	Other companies[82]	Total	%
Audit and legal review of accounts	-	8,500	8,500	6.0%
Other reliability guarantee services	-	41,000	41,000	28.9%
Services other than audit services or legal review of accounts	1,590	90,760	92,350	65.1%
	1,590	140,260	141 ,850	

78 In accordance with the Corporate Governance Report Model approved by CMVM Regulation No 4/2013, for the purposes of this information this is the applicable concept of "network". However, Article 3 of the later Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) states that the concept of network must be satisfied as defined in Article 2(7) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. As this is the legislation currently in force for the specific requirements for the legal review of accounts of public-interest entities, this is the concept of network which has been adopted by REN.

79 Including individual and consolidated accounts.

80 Including individual and consolidated accounts.

81 Including individual and consolidated accounts

82 Including individual and consolidated accounts.

7.1.3. Internal Organization

I. Articles of Association

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 245-A(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[83] and in the Articles of Association themselves[84]. In this regard, please see point 7.1.1, II.14.

II. Whistleblowing policy

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group[85].

This system covers the communication of irregular practices by shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies, due to or during the performance of their respective duties.

In this regard it is important to note that the concept of "Irregularity[86]" includes all situations that any of the individuals detect, or is made aware of or has grounded doubts regarding non-compliance with REN Group's Code of Conduct, legal, statutory, deontological or professional ethics rules, or rules contained in any internal documents or regulations, recommendations, guidance or guidelines applicable to REN, or to any company in the REN Group, which may constitute criminal, misdemeanour or civil offence, concerning acts or omissions, documentation (in physical or electronic form) decisions, orders, guidelines, recommendations, opinions and communications, and which relate to:

- accounting and financial matters;
- the internal risk management system;
- supervisory activities performed at REN or at any of the REN Group's companies.

Such communications must be submitted in writing to the registered office and addressed to the Chairman of the Audit Committee or to the email comissão. auditoria@ren.pt, an account which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity[87].

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigation should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations approved by the Board of Directors, under a proposal by the Audit Committee[88].

The investigation process by the Audit Committee includes a preliminary stage which is followed by an investigation and a final report. Based on this report, should the conclusions so justify, penalty measures are proposed for approval by the Board of Directors or Executive Committee.

REN implemented the mechanisms with regard to the prevention and detection of fraud and errors and the verification of the operations and business of the REN Group with the applicable legal and regulatory provisions, including the general policies and regulations of REN, carried out by the Risk Committee, further described in III.54 below.

83 See Article 383 of the Portuguese Companies Code.

84 See Article 11 of REN's Articles of Association.

85 See Articles 6(2) and 7 of the Audit Committee Regulations and the document on "Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities", available at www.ren.pt.

86 See Section VI (Concept of "Irregularity") on the applicable procedures for processing communications regarding irregularities and the assessment of irregularities.

87 See Chapter VII (Whistleblowing) in the Guidelines.

88 Available at www.ren.pt.

Together with the ongoing work to evaluate the implementation of a REN Group integrity policy, are embodied in the adopted REN Group Code of Conduct[89], the fight and prevention of the practice of illicit acts, namely corruption, money laundering and terrorist financing crimes, constitute fundamental bases for the principles of action and duties of the Group, and their employees. Within this context reference should be made to the considerations included in chapter 5 of the 2019 Management Report dedicated to "Sustainability at REN" which details the implementation of stakeholder consultation and its results, priorities and new topics materially relevant, including those relating to governance and ethics.

III. Internal control and risk management

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives, which, with the various contributions of the relevant committees and comissions, is responsible for establishing the ultimate risk policy of REN and the Group.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements[90]. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

For the purposes of this control, the Audit Committee has implemented in particular the following measures: (i) meeting twice a year with the Risk Management Committee; (ii) periodic audits (performed by the internal audit department); (iii) implementing risk detection systems; (iv) implementing mechanisms to verify the obligations of Group comanies, in particular, monitoring their compliance with concession agreements.

In addition to this annual risks assessment, the Audit Committee assesses the Company's management which comprises, in particular, the assessment of the internal functioning of the management body, its committees, the accounts and compliance with plans and budgets. It also follows-up on the implementation of recommendations.Therefore, in its action plan for activities to be carried out in 2019, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: Acquisitions, Control, Accounting and Tax, Environment and Security, Regulation and Statistics, Institutional Relations, Legal Services and Operational Services. The Audit Committee added to the activity plan the monitoring of the implementation of recommendations arising from the internal control system. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff with audit functions.

The External Auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

89 Available at https://www.ren.pt/files/2018-12/2018-12-17095938_f7664ca7-3a1a-4b25-9f46-2056eef44c33$$72f445d4-8e31-416a-bd01-d7b980134d0f$$B438D8D8-09C0-4744-B79B-D8C8C30AAA73$$storage_image$$pt$$1.pdf.

90 See Article 3(6)(a) of the Audit Committee regulations.

The Internal Audit Department, under the oversight of the Audit Committee[91], has the mission to scrutinize the different Departments, activities, systems, procedures, processes, policies and governance of REN Group, through objective, independent and systematic auditing actions. Internal Audit is also responsible for proposing improvements to established processes and policies, and also propose actions for the monitoring indicators and risks, in order to improve the internal control system, as well as optimize the performance of the various areas of the REN Group.

The mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified
- Identify and define the persons responsible for risk management
- Monitor significant risks and REN's general risk profile
- Approve regular risk reporting mechanisms by different businesses areas
- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks

In 2019, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group, policies that were ultimately approved by the Board of Directors after gathering this contribution, and the internal disclosure of best practices for Risk Management.

III.51. Explanation, even though by organisational chart, of the hierarchical and/or functional relationships of other Company bodies or committees

The Internal Audit Department reports in terms of functions and hierarchy to the Audit Committee, notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, notably through the presentation of proposals to improve its operation[92]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to the Internal Audit Department, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by Gonçalo Morais Soares, an executive director, and is responsible for the first line of defence, reporting to the Executive Committee.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The «appetite for risk» reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2019, the Risk Management Committee, with support from those responsible for managing activities and/or situations with inherent risk, «risk owners», reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

91 See Article 3(6)(m) of the Audit Committee regulations.

92 See Article 3(6)(a)(b) and (m) of the Audit Committee regulations.

	Category	Subcategory	Nature	Risk event
1	Surrounding Environment	External Context	Regulatory	Changes to the regulatory model and parameters
			Energy Markets	Financial non-compliance by the market agents
2			Financial Markets	Evolution of REN's rating
3				Evolution of interest rates
4	Processes	Operational	Interruption of business	Occurrence of a generalized incident
5			Investment projects	Delay in implementing investment plans
6				Non-entry into operation of assets within planned deadlines of the project
7			Health & Safety	Occurrence of serious work accidents
8			Information technology	Unavailability of information systems
				I.T. attacks - cybersecurity

Changes to the regulatory model and parameters

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/analyse the impacts of possible changes.

Evolution of REN's rating

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any deterioration in Portugal's rating.

Evolution of interest rates

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

Non-compliance by ENERGY market agents

Network infrastructures are used by agents of the respective gas and electricity markets, in particular energy suppliers.

Non-compliance with the corresponding financial obligations by these market agents constitutes a risk the importance of which increased with the entry of the Portgas Distributor into the REN universe.

Occurrence of a generalized incident

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, etc.), which could cause interruptions to the service.

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing the potential impact of this risk.

Delay in implementing investment plans

The existence of delays both in the approval of investment plans, and in the execution plans, by the grantor or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

In this regard, it should be mentioned that the approval of new indicators to monitor the indicated risks, are to come into force from 2020 onwards.

Non-entry into operation of assets within planned deadlines

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization, may compromise the entry into operation of assets within planned deadlines, in several projects.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

Occurrence of serious work accidents

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness.

Unavailability of information systems

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures are in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

I.T. Attacks - Cybersecurity

The current context of profound technological disruption, to which REN is no stranger, implies a reinforcement of existing information security capabilities, resulting not only from the increased complexity of system architectures and the perimeters in which they operate, but also from the speed at which they are expected to change. In this sense, REN has been training in the management of the resulting risks, investing in good practices in cyber security matters, both in terms of resilience and prevention, using specific systems, processes and controls, but also responsible for an organisation with REN's mission. III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation, processing, reporting and disclosure of all information, including financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information producing, treating and processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2019:

- Review and updating of the list of greatest risks;
- Implementing of a technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the review of the regulations on 'Assessment and Control of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities'.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components previously provided for in CMVM Recommendations and currently provided for in the IPCG Code. It has also been guided by the rules of the International Organization for Standardization (ISO).

In 2019, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 245-A(1) (m))

REN regularly provides information, including financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations and to the market, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information and other information, as better described in the previous section.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and External Auditor and with those responsible for accounts and management planning and control.

In addition, it is the responsibility of the Corporate Governance Committee to promote the adoption of guidelines regarding information disclosed to the market. It is the responsibility of the Investor Relations Office (IRO) to coordinate, prepare and disclose all the information made available by the REN Group regarding the disclosure of inside information and other communications to the market. IRO is also responsible for the publication of the periodic financial statements, as well as developing and maintaining the investor relations page on the company's website.

IV. Investor support

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the IRO. It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts. This office ensures communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders. It also provides clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes (Director): ana.fernandes@ren.pt

Alexandra Martins: alexandra.martins@ren.pt

Telma Mendes: telma.mendes@ren.pt

Address: REN - Redes Energéticas Nacionais, SGPS, S.A.
C/O: Investor Relations Office
Avenida dos Estados Unidos da América, 55
1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 I Fax: 21 001 31 50

The IRO has the following main duties:

a) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;

b) Ensure that feedback from institutional investors is communicated to the Executive Committee;

c) Guarantee timely compliance with CMVM obligations and other financial authorities;

d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;

e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;

f) Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;

g) Attract the interest of potential institutional investors, as well as a greater number of financial analysts;

h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;

i) Develop and maintain the Investor Relations page on the Company's website[93] / Investors APP.

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in cases where the request required the receipt of information from third parties, soon after they were received. In 2019, almost 365 requests were received attended to by telephone, 405 by email and 120 in person at conferences and roadshows, with both debt and equity investors.

Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

93 http://www.ren.pt/en-GB/investidores/

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. Internet site

V.59. Address(es)

The Company's[94] website is available in Portuguese and English.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code;

On the REN website[95], under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as opencapital company («sociedade aberta»), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found.

https://www.ren.pt/en-GB/investidores/informacao_da_sociedade

V.61. Place where the Articles of Association and operating regulations for the bodies and/or committees can be found

On the REN website[96], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association
- Board of Directors Regulations
- Audit Committee Regulations
- Executive Committee Regulations
- Corporate Governance Committee Regulations
- Nominations and Appraisals Committee Regulations
- Remuneration Committee Regulations
- Regulations on transactions with related parties
- Regulations on transactions of financial instruments by REN directors;
- Whistleblowing procedures
- Regulations on procedures relating to the compliance with the Market Abuse Regulation

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked «Investors», there is a tab marked «Corporate Governance», under which the composition of the corporate bodies can be found.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade

Furthermore, on the REN website[97], under the tab marked «Investors», there is a tab marked «Investor Relations» which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

https://www.ren.pt/en-GB/investidores/relacoes_com_investidores

V.63. Place where accounting records are made available, which must be accessible for at least ten years[98], as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website[99], under the tab marked «Investors», there is a tab marked «Investors» where there is a further tab marked «Results». Here it is

94 www.ren.pt

95 www.ren.pt

96 www.ren.pt

97 www.ren.pt

98 In accordance with the CMVM Regulation No 4/2013 which approves the model of the corporate governance report, accounting documents may be accessible for five years. Nevertheless, under the current version of Article 245 (1) of the Securities Code, those documents must by available for 10 years.

99 www.ren.pt

possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

https://www.ren.pt/en-GB/investidores/resultados

On the same website[100], a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website[101], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/assembleias_gerais

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[102], REN provides extracts from the minutes of General Meetings.

On the website[103] REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

See V.64. with regard to where this information is provided.

7.1.4. Remuneration

I. Competence to determine remuneration

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[104], which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of management and supervisory bodies.
The Remunerations Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements[105]. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

The aforementioned declaration on the remuneration policy covers all company officers (within the meaning of Article 3(1)(25) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), by reference to Article 248-B of the Securities Code. The Board of Directors of REN understands that these officers are only members of the company's management and supervisory bodies, since only those, having regular access to privileged information, also have the power to take management decisions likely to affect the evolution and future prospects of REN.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors, but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

Considering the above, and the details described in point II.29, it can be concluded that REN complies with recommendation III.9 of the IPCG Code, being the Remunerations Committee materially equivalent to the internal committee referred to therein, taking into account the intrinsic connection between the Remunerations Committee and the Nominations and Appraisals Committee - for this purpose it should be noted that the annual report prepared by the latter, which must be submitted to the Remunerations Committee by the end of March of each year - and the fact that the attributions of the Remunerations Committee exceed the mere setting of the remuneration of REN's directors[106].

100 www.ren.pt
101 www.ren.pt
102 www.ren.pt
103 www.ren.pt
104 See Article 8(2)(d) of the Articles of Association.
105 See Article 26 of REN's Articles of Association.
106 See Article 3(2)(b)(iv) and 3(3) of the Nominations and Appraisals Committee's Regulation and Article 3(1) of the Remunerations Committee's Regulation

II. Remuneration Committee

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

On 31 December 2019, the following three members, appointed at the annual General Meeting of 3 May 2018, were on the Remunerations Committee (three-year period of 2018-2020):

Name	Position
João Duque	Chairman
José Galamba de Oliveira	Member
Fernando Neves de Almeida	Member

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at:

https://www.ren.pt/en-GB/investidores/governo_da_sociedade

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

As set out in its Regulations, and as was already the case prior to the adoption of these regulations, detailed minutes are drawn up, approved and signed by all the members present at the meetings.

At the Annual General Meeting of 2019, João Duque was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, being executive coordinator of Ph.D., master and bachelor programmes in the fields of strategic management and human resources areas and has published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) positions of management and consulting in financial regulators, and (iii) positions of management at consultancies in the fields of management, technology and human resources, thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. Remuneration structure

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 2 of Law No 28/2009 of June 19 2009

As an issuer of shares admitted to trading on the regulated market, REN is subject to Law No 28/2009 of 19 June 2009 as well as to the recommendations of the IPCG Code of 2018.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2018 financial year for the appraisal of the Annual General Meeting, attached to which is the remuneration policy for the members of the corporate bodies for the year 2019 as approved by the Remunerations Committee[107], the terms of which reflected the decision made by this Committee on this matter and which set out a number of systematic improvements and updates of remuneration amounts, but which essentially reflect the previous remunerations policy.

On 3 May 2019, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by a majority of 99,8 %, at the General Meeting, attached to which is the remuneration policy for the members of the corporate bodies for the year 2019. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009. In accordance with IPCG Code, recommendation V.2.3 the abovementioned declaration also contains, although in generic terms, when applicable: (i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied; (ii) remuneration from companies belonging to the same group; (iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions (not applicable); (iv) information on the possibility or impossibility of requesting the return of variable remuneration; (v) information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation (not applicable); and (vi) information on the enforceability or unenforceability of payments for the termination of the directors' service. Some of this information is included in more detail in this report, considering the nature of the declaration and in order to avoid duplication of information.

The remuneration policy of REN's corporate bodies for the year 2019 follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen in Portugal and in Europe, particularly with regard to REN's peers, that attracts, at an economically justifiable cost,

107 Available at https://www.ren.pt/files/2019-04/2019-04-03044750_3600afd9-7cec-4a36-a8c2-a17a20bbd204$$25055b9b-7643-490a-992e-69493ffb834b$$18b311cc-464e-4538-8514-aa47ba1307e5$$en_gb__Docs$$pt$$1.pdf

qualified professionals, that induces the alignment of interests with those of shareholders - taking into consideration the wealth effectively created by society, the economic situation and that of the market - and to constitute a factor for the development of a culture of professionalisation, and to promote merit and transparency in REN;

- To be evolutionary, but not disruptive; and
- To incorporate a fixed remuneration adjusted to functions, availability, competence and responsabilities of the Board of Directors' Members.

Regarding the components of the remuneration ofthe executive members of the Board of Directors, the remuneration policy is mainly determined based onthe following principles: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) uniform, consistent, fair and balanced criteria, that award perfomance; (iii) assessment of perfomance, in accordance with duties and responsabilities, as well as real performance, the assumption of suitable levels of risk and compliance with the rules applicable to REN activity, also taking into account compliance with the strategic plan and REN's budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees; (iv) incorporation of a variable remuneration component that is globally reasonable in relation to the fixed remuneration component, without encouraging the assumption of excessive risks; (v) aligment of executive directors' interests with the Company's and its sustainability and creation of long-term wealth, including by indexing the medium/long term remuneration to the evolution of REN's share price; and (vi) the variable remuneration indexed to REN's actual performance, measured against specific, unambiguous and measurable objectives in line with the interests of REN's stakeholders.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium-term performance, as described in further detail below. In the case of unfair dismissal and termination of duties of an executive member of the board of directors, no compensation, other than that legally owed, shall be due in the event of inadequate performance of a director.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market. The remuneration policy for non executive members of the Board of Directors is guided by the main purpose of compensating the dedication and responsibility required for the performance of their duties.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed sum.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

III.70.Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69 above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is adequate proportionality between both components, as explained in III.69 above.

In accordance with the remuneration policy applicable to remuneration awarded in 2019, attacted, and set out in the Remunerations Committee declaration approved by the Annual General Meeting of 2019, the variable component of remuneration for 2019 may include a short-term parcel (STVR) and a medium-term parcel (MTVR). Both parcels are based on performance assessment, reflecting the weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, described in more detail in III.71 below, aim to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

Particularly, MTVR has the following characteristics which contribute to the alignment of the interests of REN executive directors with those of the Company and shareholders:

- MTVR is assigned in Remuneratory Units (RU) being the number of RU calculated by dividing the value assigned to RVMLP by the unit value of RU;
- Each RU has a value corresponding to the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year and being this value adjusted, over time and after their initial calculation, by an amount equal to the Total Shareholder Return (TSR) for REN shares and the number or value of the assigned RUs may be adjusted in accordance with the corporate facts/events affecting REN's shares.

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between a minimum of 0% and a maximum of 120% of fixed annual remuneration, in a gradual manner, without prejudice to the evolution in RU) are to discourage taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

As has already been mentioned, the remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2019, the variable component of remuneration for 2019 may include short and medium-term parcels – STVR and MTVR[108].

The awarding of STVR and MTVR is subject to the following common requirements:

- Annual evaluation of the Executive Directors' performance for the purpose of granting the variable component of remuneration is carried out by the Remunerations Committee, based on the opinion of the main shareholders of the company, as well as non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of the following year, based on the achievement of predefined objectives (based on Key Performance Indicators ("KPIs"), indexed to metrics of REN's strategic plan.
- By the end of March each year, the Audit Committee shall validate the figures that serve as reference for the assessment of compliance with REN's KPIs.
- Annual assessment of final performance and the setting of variable remuneration by the Remunerations Committee must be concluded before the General Shareholders' Meeting that approves the accounts for the financial year in question, in accordance with the level of compliance with the KPIs, defined below, and is subject to the approval of the annual accounts by the General Shareholders' Meeting in their exact terms.
- Individual performance appraisal in relation to an Executive Director shall only be taken into account when negative, in which case the variable remuneration shall not be attributed to that Executive Director.
- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration is awarded. However, if compliance with targets lies between 80% and 120% or greater, the corresponding total variable remuneration will be set, in a gradual manner, between 20% and 120% of the fixed remuneration. In the case of targets between 100% and 119%, the percentage of fixed remuneration to be awarded as global variable remuneration is fully proportional to the level of achievement (instead of being indexed by layers).

The objectives related to REN's KPIs, defined on a consolidated basis, are the following:

v. Cost of Debt;

vi. Return on Invested Capital (ROIC);

vii. EBITDA in investments abroad;

viii. EBITDA in investments in Portugal;

ix. Earnings Per Share;

x. Health & Safety;

xi. Service Quality.

108 See points III.69. and III.70 above.

Short-Term Variable Remuneration

a. Short-Term Variable Remuneration (STVR) is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of targets relating to certain Key Performance Indicators.

b. Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or greater, the corresponding STVR will be set between 10% and 60% of fixed remuneration

c. The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year.

Medium-Term Variable Remuneration

Medium-Term Variable Remuneration (MTVR) aims to strengthen the alignment of the interests of REN executive directors with those of the Company and shareholders. This payment will vary depending on the annual performance assessment (already described in the previous point) and will follow the same model as that for STVR.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of variable remuneration is divided into two components, each corresponding to 50% of the total variable remuneration granted for the relevant annual period, as follows.

The STVR is allocated and paid in cash within 30 days of the annual shareholder meeting approving the annual accounts.

In turn, MTVR is set in RU which refer to every financial year of the term of office and is structured to ensure deferral of payment in cash for a period of three years from the date of the award, one third being paid per year, starting one year after the award and within 30 days of the date of the general meeting of shareholders approving the accounts for each financial year.

The right of each Executive Director to receive a MTVR is conditioned to:

- REN's continued positive perfomance during the period in question, excluding any extraordinary movements that occurred after the end of the relevant year, and deducted, for each year, and an amount corresponding to a payout of 40% on the net income calculated in the consolidated accounts of each deferment period (regardless of the actual payout), that must be greater than that calculated at the end of that year;
- The non-violation by an Executive Director of any mandatory rules applicable to REN, whether they are legal, regulatory or internal;
- The non-occurrence of any extinction event that leads the Executive Director to terminate his mandate or terminate his professional relationship with REN.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the board of directors of the Company have not entered into agreements either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2019, Executive Directors were entitled to transport inteded for the regular perfomance of their duties, and were also provided with health and life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is approximately € 25,000/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. Disclosure of remuneration

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

Remuneration paid in 2019 to members of REN's management body, individually and collectively, was as follows:

Name	Position	Fixed rem.	Corporate committees rem.[109]	Variable short-term rem.	Variable medium-term rem, in relation to the financial years of 2015 and 2017 and paid in 2019	Total
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	388,888.08 €		206,360.00 €	279,325.32 €	874,573.40 €
João Faria Conceição	Executive Director	308,080.20 €		163,480.00 €	235,765.27 €	707,325.47 €
Gonçalo Morais Soares	Executive Director	308,080.20 €		163,480.00 €	235,765.27 €	707,325.47 €
Guangchao Zhu	Vice-Chairman	80,807.88 €		-	-	80,807.88 €
Mengrong Cheng	Director	36,363.60 €		-	-	36,363.60 €
Lequan Li	Director	36,363.60 €	8,583.34 €	-	-	44,946.94 €
Omar Al-Wahaibi	Director	36,363.60 €	4,291.67 €		-	40,655.27 €
Jorge Magalhães Correia	Director	36,363.60 €	4,291.67 €		-	40,655.27 €
Manuel Sebastião	Director / Chairman of the Audit Committee	75,757.44 €	7,152.84 €		-	82,910.28 €
Gonçalo Gil Mata	Director / Member of the Audit Committee	60,606.00 €			-	60,606.00 €
Maria Estela Barbot	Director / Member of the Audit Committee	60,606.00 €			-	60,606.00 €
José Luís Arnaut	Director	36,363.60 €	7,152.84 €	-	-	43,516.44 €
Ana Pinho	Director	-	-	-	-	-
Total		1,464,643.80 €	31,472.36 €	533,320.00 €	750,855.86 €	2,780,292.02 €

109 The amounts herein referred include remuneration due as consequence of the appointment for Corporate committees between 26 July 2018 and 31 December 2018, only processed in January 2019, and the amounts related to the 2019 financial year and monthly processed in 2019.

STVR paid in 2019, as indicated in the table above, refers to the financial year of 2018.

Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, for MTVR referring to the 2018 financial year, set in RU. Considering that the REN share price on the date MTVR was set was € 2,536, the number of RU awarded to each member of the Executive Committee is as follows:

i. Rodrigo Costa – 81,372.24 RU
ii. João Faria Conceição – 64,463.72 RU and
iii. Gonçalo Morais Soares – 64,463.72 RU

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79. Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex Executive Directors for the termination of their duties during the term of office

In 2018, there were no amounts due or paid in the form of compensation to Ex-Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Law No 28/2009, of 19 July.

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2019, the Chairman of the General Meeting received the fixed annual amount of €15,000 for carrying out the respective duties.

V. Agreements with remuneration implications

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2019, which REN considers to be the adequate legal instrument for these purposes, in the event of unfair dismissal or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required, if such termination or dismissal is due to the unsuitable performance of the director. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

In the event of unfair dismissal or termination of duties of an Executive Director, no compensation, other than that legally owed, shall be due in the event of their inadequate performance.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (Article 245-A(1)(l)).

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. Plans to allocate shares or stock options

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration plans or programmes that consist of the awarding of shares, options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

VI.86. Characteristics of the plan (conditions of allocation, shares non-transferability clauses, criteria relating to the share price and exercise price, period during which options can be exercised, characteristics of the allocated shares or options to be awarded, existence of incentives for the acquisition of shares and/or the exercising of options)

See VI.85. above.

VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the Company workers or employees

See VI.85. above.

VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 245-A(1)(e)

There are no schemes for worker participation in the share capital of the Company.

7.1.5. Transactions with related parties

I. Control mechanisms and procedures

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to provide for monitoring by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed to the Board of Directors an internal regulations for the «Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest», which were approved by the Board of Directors on 8 November 2012 and remain in effect.

In accordance with the internal regulations on «Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest», which are in line with IAS 24 and recommendation I.V.1 of the IPCG Code, transactions conducted between a related party[110] and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee[111]:

a) The purchase and/or sale of goods, provision of services or contract work valued at over € 1,000,000.00;

b) The acquisition or disposal of shareholdings;

c) New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000.00, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions.

d) Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds € 1 million or must be considered relevant for this purpose by the Board of Directors by virtue of its nature or its particular liability to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration[112].

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN

110 That is, a) a member of a REN management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to Article 21 of the Securities Code ('Subsidiaries') or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with Article 20 of the Securities Code, or d) a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.

111 See Point II.I(a) of the abovementioned internal regulation.

112 See Point III(b) of the abovementioned internal regulation.

or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee[113].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[114].

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding € 500,000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

Pursuant to the internal regulations on the analysis and control of transactions with related parties and prevention of situations of conflict of interests, the Audit Committee had prior intervention in the following transactions, carried out between companies of REN Group and a holder of qualifying shareholdings or entities with which it is in a relationship pursuant Article 20 of the Securities Code, having issued a prior favourable opinion of such:

a) Procurement of health insurance for REN Group companies and supplementary brokerage services entered into with a related party (Insurer Fidelity/ Multicare), for a period of one year renewable for one additional year, with the following characteristics:

- Approved by the competent bodies on 21 May 2019, with prior favourable opinion from the Auditing Committee;
- Competitive consultation procedure with award of the most cost-effective proposal;
- Amounts: REN - Redes Energéticas Nacionais, SGPS, S.A. – 68,173.72€; REN – Rede Eléctrica Nacional, S.A. – 161,019.96€; REN - Gasodutos, S.A. – 274,513.40€; REN - Armazenagem, S.A. – 22,053.64€; REN Atlântico, Terminal de GNL, S.A. – 100,294.86€; Centro de Investigação em Energia REN - State Grid, S.A. – 29,477.96€; RENTELECOM -Comunicações, S.A. – 5,249.20€; REN Serviços, S.A. – 268,172.18€; and REN PRO, S.A. – 65,469.86 €.

b) Award of contract with a related party (SPECO - Shandong Power Equipment Company, LTD., shareholder-related entity State Grid) to provide a 400/63kV transformer, 170 MVA for Alcochete substation and a 220/63 kV transformer, 170 MVA for Valdigem substation, with the following characteristics:

- Approved by the competent body on November 15, 2019, with prior favourable opinion from Auditing Committee;
- Tender limited by prior qualification with award to the most economically viable proposal;
- Amount: Lot 1 awarded to SPECO for a total amount of 2,629,912.00€ (the remaining lots were awarded to other companies).

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code, given that these are by definition considered to be related parties in accordance with internal regulations for the «Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest».

II. Information relating to business

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2019 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

113 See Points 4 and 5 of point VI of the abovementioned internal regulation.

114 See Point IX(I)(a) of the abovementioned internal regulation.

PART II

7.2. Assessment of Corporate Governance

1. Identification of the Code of Corporate Governance adopted

With regard to the disclosure of information on corporate governance, as an issuer of shares that are admitted to trading on the Euronext Lisbon regulated market, REN is subject to the regime established in the Securities Code, Law No 28/2009 of June 19, and CMVM Regulation No 4/2013 (the latter was approved in 2013 and is applicable to government reports for this year).

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code(s) to which the Company is subject is made available to the public shall also be indicated (Article 245-A(1)(p))

When preparing this report, REN referred to the Portuguese Institute of Corporate Governance Code, approved in 2018, available at https://cgov.pt/images/ficheiros/2018/codigo-pt-2018-ebook.pdf, as well as its rules of interpretation, available at the same address.

2. Analysis of compliance with the Corporate Governance Code adopted

Pursuant to Article 245-A(1)(o) of the Securities Code, a statement shall be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from the said code and the reasons for the divergence.

In accordance with Regulation 4/2013, in conjunction with the Corporate Governance Code of the Portuguese Institute of Corporate Governance and its respective interpretative rules, the information submitted should include, for each recommendation:

a) Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);

b) Grounds for the potential non-compliance or partial compliance thereof (i.e. compliance with only part of the sub-recommendations, where applicable);

c) In the event of non-compliance or partial compliance (i.e. compliance with only part of the sub-recommendations, where applicable), the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation, in this case, the company's judgment as to the existence of equivalence to compliance may be included.

As mentioned above, REN took the decision to adopt all recommendations laid out in the IPCG Code.

Therefore, REN hereby declares that it fully adopts all the abovementioned Portuguese Institute of Corporate Governance recommendations on corporate governance matters laid down in said Code, except for Recommendations III.1 and VII.2.1 which are not adopted for the reasons described below, Recommendations II.5, III.5, III.7, V.3.4, V.4.2, VII.2.4 and VII.2.5 which are not applicable to REN, Recommendation III.9 which is in part adopted and in what regards the Remmuneration Committee should be considered materially adopted, Recommendation V.2.4, which is in part not applicable and in part adopted, Recommendation V.4.3 which is in part non applicable and in part não adopted, Recommendation V.4.4 which is in part not applicable and in part should be considered materially adopted, and without prejudice to Recommendations I.2.1, II.2, II.3, II.4, III.8 and IV.1 which should be considered materially adopted.

The chart below identifies IPCG Code recommendations and individually mentions those that have been adopted by REN and those that have not. It also indicates the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said recommendations.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
I.	**General provisions**		
	General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies		
I.1.	**Company's relationship with investors and disclosure** *Principle: Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.*		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Part I, chapter 7.1.3. s. III 55 and chapters 7.1.2. s. II 18 and III 38 and 7.1.3. ss. III 54 and IV 56
I.2.	**Diversity in the composition and functioning of the company's governing bodies** *Principle I.2.A: Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.* *Principle I.2.B: Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.*		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted (equivalent explain)	Part I, chapter 7.1.2. s. II.16, II.27, II.29 and Part II, chapter 3 Considering the shareholders' structure of REN, the company believes that the choice and appointment of the members of its governing bodies must firstly fall on the shareholders, without prejudice of Nominations and Appraisals Committee, within the scope of its functions, submitting lists of persons recommended for appointment, preparing recommendations based on the, on one side, individual attributes (such as professional qualifications, knowledge, availability, integrity and professional experience) and, on the other side, diversity requirements (with particular attention to gender diversity as an essential vector for professional development, efficiency and competitiveness), required for the members of the corporate bodies, being in the process of discussing the adoption of a policy to formalise these principles.
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Part 1, chapter 7.1.2. ss. II.22, II.27, II.29, II.34 and chapter 7.1.4. s. II.67
I.2.3.	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.	Adopted	Part 1, chapter 7.1.2. ss. II.22, II.27, II.29, III.34 and chapter 7.1.3. s. V.61
I.2.4.	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part 1 chapter 7.1.2. ss. II.23, III.35 and chapter 7.1.4. s. II.67
I.2.5.	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	Adopted	Part 1, chapter 7.1.3. s. II.49, II.54 and Part II, chapter 3
I.3.	**Relationships between the company bodies** *Principle: Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.*		

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	Part 1, chapter 7.1.2. ss. II.18 and III 38
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	Part 1, chapter 7.1.2. ss. II 18 II 23 and III 38
I.4.	**Conflicts of interest** *Principle: The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed*		
I.4.1.	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	Adopted	Part 1, chapter 7.1.2. ss. II.18 and II 29
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Part 1, chapter 7.1.2. s. II.18
I.5.	**Related party transactions** *Principle: Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.*		
I.5.1.	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	Adopted	Part 1, chapters 7.1.1. s. II 10 and 7.1.5 s. I 89
I.5.2.	The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.	Adopted	Part 1, chapter 7.1.1. s. II 10
II.	**Shareholders and general meetings**		
II.A.	*Principle: As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*		
II.B.	*Principle: The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself*		
II.C.	*Principle: The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.*		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part 1, chapter 7.1.2. s. II 12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. II 14 The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
II.3.	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. II 12 As regards the vote by electronic mail, where there is an express reference in the notice of the meeting of the General Meeting, the shareholders may exercise the right to vote in such a manner, under the terms, period and conditions that may be defined in the relevant notice[115]. In addition, in view of the absence of postal votes received at the last general meeting[116], REN has considered that electronic voting is not an added value for its shareholders. In general, REN deems that the participation of its shareholders in general meetings is assured through correspondence voting and representation mechanisms. In summary, REN considers that it has the necessary mechanisms to encourage its shareholders to participate and to vote in general meetings.
II.4.	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	Adopted (equivalent explain)	Part I, chapter 7.1.2. s. II 12 REN gives preference to in person attendance in the Annual General Meeting, whether it be for promoting participation and discussion or for avoiding eventual issues regarding violation of privacy and data protection. With the mechanisms implemented, REN considers that it has the necessary mechanisms to entice its shareholders to participate and vote in the general meetings.
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.	N/A	Part 1, chapter 7.1.1. ss. I 2 e I 5 There is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, this recommendation must be considered not applicable to REN.
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part 1, chapter 7.1.1. s. I.4
III.	Non executive management, monitoring and supervision		
III.A.	*Principle: The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.*		
III.B.	*Principle: The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.*		
III.C.	*Princípio*: O órgão de fiscalização deve desenvolver uma fiscalização permanente da administração da sociedade, também numa perspetiva preventiva, acompanhando a atividade da sociedade e, em particular, as decisões de fundamental importância para a sociedade.		

115 See Article 12(6) of REN's Articles of Association

116 REN's shareholder structure and the fact it includes a large number of professional investors which, according to market practice, are typically represented at the General Shareholders' Meeting by their relevant financial intermediary also appears as an inherent circumstance in the proximity goal pursued by REN and preference for in person attendance promoted in its General Shareholders' Meetings.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not adopted	Part 1 chapter 7.1.2. s. II.18 Under the terms of the BoD Regulation, a number of mechanisms were adopted in 2019 for the efficient coordination and performance of the members with non-executive functions, in particular with a view to facilitating the exercise of their right to information and ensuring the necessary conditions and means to the performance of their duties, in the terms best described in the above section of this report. In addition, some of the independent board members are also members of board committees, thus the development of their functions therein should be preserved.
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Part 1, chapter 7.1.2. ss. II 18, II 31
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors.	Adopted	Part 1, chapter 7.1.2. s. II 18
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. Having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted	Part 1, chapter 7.1.2. s. II 18
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	N/A	There is no REN director in this situation.
III.6.	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	Adopted	Part 1, chapter 7.1.2. s. II 21
III.7.	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.	N/A	Not applicable to REN's corporate governance model.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
III.8.	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. III 38, chapter 7.1.3. s. III 50 et seq as regards the risk policy. Considering the Anglo-Saxon model of corporate governance adopted by REN, under which the members of the supervisory body are also members of the Board of Directors, the Audit Committee decided not to specifically comment on the monitoring and evaluation of strategic lines.
III.9.	As sociedades devem constituir comissões internas especializadas adequadas à sua dimensão e complexidade, abrangendo, separada ou cumulativamente, as matérias de governo societário, de remunerações e avaliação do desempenho, e de nomeações.	Adopted, regarding the Remunerations Committee, Adopted by equivalent explain	Part 1, chapter 7.1.2. s. II 29, chapter 7.1.4. s. I 66 Taking into consideration the functions attributed to the, the intrinsic connection between the Remunerations Committee and the Nominations and Appraisals Committee and the fact that the attributions of the Remunerations Committee exceed the mere setting of the remuneration of REN's directors, this committee is materially equivalent to the internal committee in question.
III.10.	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.	Adopted	Part 1, chapter 7.1.3. s. III 50 et seq
III.11.	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.	Adopted	Part 1, chapters 7.1.2. s. III 38 and 7.1.3. s. III 50 et seq
III.12.	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.	Adopted	Part 1, chapter 7.1.2 s. III 38, chapter 7.1.3. s. III 50
IV.	**Executive management**		
IV.A.	*Principle: As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*		
IV.B.	*Principle: In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. II 26 Although the Recommendation is not formalized in an internal regulation specifically addressed to executive directors, REN has a Code of Conduct that regulates the topic in section 2.5, in addition to the fact that REN's practice consists in its executive directors exercising executive functions during their mandate exclusively in REN Group. This practice has been followed consistently over the past mandates, and REN therefore considers the recommendation materially adopted.
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part 1, chapter 7.1.2. s. II 21
V.3.	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	Adopted	Part 1, chapter 7.1.3. s. III 50
V.4.	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	Adopted	Part 1, chapter 7.1.3. s. III 50, III 51 and III 54

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
V.	Evaluation of performance, remuneration and appointment		
V.1.	Annual evaluation of performance *Principle: The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.*		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part 1, chapter 7.1.2. s. II 24
V.1.2.	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part 1, chapter 7.1.2. s. III 38 and III 50 Due to contributions received by the various committees, the Audit Committee has sufficient information to assess the management of the company, in particular theAudit Committee analysis all resolutions adopted by the Executive Committee, issues its opinion on the accounts and assessess the compliance with plans and budgets.
V.2.	Remuneration *Principle: The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.*		
V.2.1.	The remuneration should be set by a committee, the composition of which should ensure its independence from management.	Adopted	Part 1, chapter 7.1.4. s. I 66
V.2.2.	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	Adopted	Part 1, chapter 7.1.4. s. III 69 et seq Since a new policy was not adopted in 2018, the recommendation should be considered as not being adopted, notwithstanding the fact that a new policy is being prepared and clarifying that for 2018 the prior policy shall apply.
V.2.3.	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following: i. The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied ii. Remunerations from companies that belong to the same group as the company; iii. The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date; iv. Information on the possibility to request the reimbursement of variable remuneration; v. Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation; vi. Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	Adopted	Part 1, chapter 7.1.4. s. III 69 ss (i) Part 1, chapter 7.1.4. s III 69, III 70, III 71 and III 72; (ii) Part 1, chapter 7.1.4. s III 69 and IV 78; (iii) Part 1, chapter 7.1.4. s III 69, III 73 and III 74; (iv) Part 1, chapter 7.1.4. s III 69; (v) Part 1, chapter 7.1.4. s III 69; (vi) Part 1, chapter 7.1.4. s III 69 and V 83.
V.2.4.	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	N/A / Adopted	Part 1, chapter 7.1.4. ss. III.76 and IV 80 and V 83 The Recommendation is not applicable to the pension benefit policies, as none currently exist.
V.2.5.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part 1, chapter 7.1.4. ss. II.67

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
V.2.6.	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.	Adopted	Part 1, chapter 7.1.4. ss. II.67
V.3.	**Director remuneration** *Principle: Directors should receive compensation:* *i. that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;* *ii. that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and* *iii. that rewards performance.*		
V.3.1.	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	Adopted	Part 1, chapter 7.1.4. s. III 70 – 71
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	Adopted	Part 1, chapter 7.1.4. s. III 72
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	N/A	Part 1, chapter 7.1.4. s. III 74 Variable remuneration does not include the relevant requirements for the purposes of applying the Recommendation.
V.3.5.	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	Adopted	Part 1, chapter 7.1.4. s. III 69 and III 70
V.3.6.	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	Adopted	Part 1, chapter 7.1.4. s. IV 83
V.4.	**Appointments** *Principle: Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.*		
V.4.1.	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.	Adopted	Part 1, chapter 7.1.2. s II 16
V.4.2.	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	N/A	Part 1, chapter 7.1.2 ss. II 27 and 29 REN understands that the definition of senior management[117] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.

117 According to the Note on the interpretation of the IPCG Code - note 2, the notion of "senior management" should be read in line with the legal notion of "directors" for the purposes of art. 248-B of the Securities Code and Regulation (EU) No. 596/2014.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
V.4.3.	This nomination committee includes a majority of nonexecutive, independent members.	N/A / Not adopted	REN understands that the definition of senior management[118] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As regards the Nominations and Appraisals Committee, such committee only has one independent non executive director hence this recommendation is not adopted.
V.4.4.	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	N/A / Adopted (equivalent explain)	REN understands that the definition of senior management[119] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As regards the Nominations and Appraisals Committee please refer to recommendation I.2.1 above.
VI.	Risk management		
	Principle: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.		
VI.1.	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Adopted	Part 1, chapter 7.1.2. s. II 21 and II 24 ; chapter 7.1.3. s. III 50 et seq
VI.2.	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Adopted	Part 1, chapter 7.1.3. s. III 50, III 53 and III 54
VI.3.	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Adopted	Part 1, chapter 7.1.3. s. III 50 et seq
VII.	Financial statements and accounting		
VII.1.	Informação financeira Financial information *Principle VII.A: The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.* *Principle VII.B: The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part 1, chapter 7.1.3. ss. III 38 and III 55
VII.2.	Statutory audit of accounts and supervision *Principle: The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations*		

118, 119 See previous footnote.

Corporate governance code		Assessment	Reference to the Corporate Governance Report/ Comments
VII.2.1.	Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Not Adopted	Part 1, chapter 7.1.2. s. III 38, V.46 Notwithstanding the set of specific competences and considering the Audit Committee's relationship with the corporate bodies listed above, a proposal to amend the Audit Committee's Regulation is being discussed and approved in order to better adjust such regulation to the new Corporate Governance requirements.
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part 1, chapter 7.1.2. s. III 38
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Part 1, chapter 7.1.2. s. III 38
VII.2.4.	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	N/A[120]	
VII.2.5.	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	N/A[121]	

3. Other information

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

In relation to 2019, for the purpose of paragraph r) of Article 245-A of the Securities Code, it should be highlighted that REN has in force (i) a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non-discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; and (ii) a "Plan for Equal Gender Equal Treatment" aplicable to the REN Group.

REN considers diversity as a value that encourages efficiency, creativity and innovation, in selection of candidates for members of the corporate bodies, as a cross-pilar. As such, diversity has been adequately promoted in relation to qualifications and skills required for the exercise of those functions, as well as an adequate gender representation without negative discrimination of any kind. In addition, with regard to the procedures for selecting members of corporate bodies, which are supported by the Nominations and Appraisals Committee, the adoption of a policy formally encompassing these guiding principles is in the process of discussion.

In addition, in this respect, in 2015 REN also endorsed the committment agreement with the Portuguese Government for gender equality in the corporate bodies of listed companies.

REN has continued the work of evaluating the implementation of an integrity policy at the REN Group to establish the principles of action and duties of Group companies and respetive employees, so as to combat and prevent ilicit actions, such as corruption, money laundering, or the financing of terrorism. This policy also promotes ethics, integrity and transparency in business conducted. In particular, in 2018, REN once again consulted its stakeholders. The result of this process, which takes place every two years, reflects stakeholder perception in relation to the performance of the company and it will serve as basis for reflecting on REN's sustainability strategy, as well for establishing the company's communication priorities.

REN does not possess any other additional information which is relevant for understanding the governance model and practices implemented.

120, 121 See previous footnote.

ANNEXES

01.

Report & Accounts 2019

1.1. Electricity and Natural Gas Legislation published in 2019

1.1.1. Electricity

Directive (extract) No 3/2019 (ERSE) of 11 January, Portuguese Official Journal No 8, Series II
Approves the profiles for losses applicable in 2019.

Directive No 5/2019 of 18 January, Portuguese Official Journal No 13, Series II
Approves the tariffs and prices for electrical power and other services in 2019.

Directive (extract) No 6/2019 (ERSE) of 18 January, Portuguese Official Journal No 13, Series II
Approves the profiles for consumption, production and own-consumption applicable in 2019.

Regulation No 76/2019 (ERSE) of 18 January, Portuguese Official Journal No 13, Series II
Amends the Tariff Regulations for the Electricity Sector.

Decree-Law No 10/2019 of 18 January, Portuguese Official Gazette No 13, Series I
Amends the scheme for greenhouse gas emission licence trading.

Official Order No 895/2019 of 23 January, Portuguese Official Journal No 16, Series II
Sets out the parameter for the impact of extra-market measures and events, recorded in the European Union, in the formation of average prices for electricity on the wholesale market in Portugal.

Ministerial Implementing Order No 43/2019 of 31 January, Portuguese Official Journal No 22, Series I
Amends procedures for the input of additional power and for the authorization of extra-equipment for windfarms, defining the respective rates.

Corrections of 1 February 2019, OJEU No 31, Series L
Corrects Regulation (EU) 2017/2196 establishing a network code on electricity network emergency and restoration.

Directive No 7/2019 (ERSE) of 26 February, Portuguese Official Journal No 40, Series II
Updates the price formation for the secondary regulation band.

Directive No 9/2019 (ERSE) of 10 April, Portuguese Official Journal No 71, Series II
Approves the General Conditions of the Contract to Join the System Services Market under the consumption participation Pilot-Project in the regulated reserve market.

Directive No 10/2019 (ERSE) of 22 April, Portuguese Official Journal No 78, Series II
Approves the parameters for connections to electrical power networks.

Directive No 11/2019 (ERSE) of 6 May, Portuguese Official Journal No 86, Series II
Approves the Terms and Conditions for holding Special Scheme Production (SSP) Placement Auctions.

Decree-Law No 76/2019 of 3 June, Portuguese Official Journal No 106, Series I
Amends the legal regime for performing the activities of production, transmission, distribution and the sale of electricity and the organization of electricity markets. (Correction: Declaration of Rectification No 36/2019, Portuguese Official Journal No 144, Series I

Regulation (EU) No 2019/941 of the European Parliament and of the Council of 14 October, OJEU No 158, Series L
Sets out preparation rules for risks in the electricity sector.

Regulation (EU) No 2019/942 of the European Parliament and of the Council of 14 October, OJEU No 158, Series L
Institutes the European Union Agency for the Cooperation of Energy Regulators.

Regulation (EU) No 2019/943 of the European Parliament and of the Council of 14 October, OJEU No 158, Series L
Lays down rules for the operation of the internal market for electricity.

Directive (EU) No 2019/944 of the European Parliament and of the Council of 14 June, OJEU No 158, Series L
Lays down common rules for the internal market for electricity

Directive No 14/2019 (ERSE) of 24 July, Portuguese Official Gazette No 140, Series II
Names the entities qualified to be part of the diverted sale unit in accordance with the Procedures Manual for Overall System Management.

Law No 52/2019 of 31 July, Official Gazette No 145, Series I
Approves the regime for performing functions by holders of political and high public office.

Council of Ministers Resolution No 130/2019 of 2 August, Portuguese Official Gazette No 147, Series I
Approves the Action Programme for Adapting to Climate Change.

Regulation No 628/2019 of 9 August, Portuguese Official Journal No 152, Series II
Lays down the rules applicable to the appointment and characteristics of the members of the Advisory Board, the Fuel Board and the Tariff Board of the Energy Services Regulatory Authority.

Decree-Law No 104/2019 of 9 August, Portuguese Official Gazette No 152, Series I
Amends the regulatory mechanism tending to ensure the balance in competition in the electricity wholesale market in Portugal.

Official Order No 8521/2019 of 26 September, Portuguese Official Gazette No 185, Series II
Sets the value of payments on account to be applied to electrical power producers covered by the competition balance mechanism in 2019.

Official Order No 8900/2019 of 7 October, Portuguese Official Journal No 192, Series II
Sets the discount to be applied to electricity network access tariffs, as of 1 January 2020.

Official Order No 8965/2019 of 8 October, Portuguese Official Journal No 193, Series II
Requires the National Transmission Network concession holder to create a platform to manage the certification of electricity cogeneration installations using renewable sources of energy and the issue of guarantees of origin for the respective production.

Decree-Law No 162/2019 of 25 October, Portuguese Official Gazette No 206, Series I
Approves the legal regime applicable to own consumption of renewable energy.

Directive No 16/2019 (ERSE) of 6 December, Portuguese Official Journal No 253, Series II
Approves the coding of the individualized agent record.

Official Order No 12424-A/2019 of 27 December, Portuguese Official Gazette No 249, Series II
Identifies the internal measures and events of the National Electricity System to be considered in the study to be undertaken by ERSE in 2020.

1.1.2. Natural gas

Decision (EU) No 2019/504 of the European Parliament and of the Council of 27 March, OJEU No 85, Series L
Amending Directive 2012/27/EU and Regulation (EU) 2018/1999, by reason of the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union.

Directive No 8/2019 (ERSE) of 4 April, Portuguese Official Journal No 67, Series II
Approves the methodology for setting reference prices for the natural gas network usage tariff.

Official Order No 4001/2019 of 10 April, Portuguese Official Journal No 71, Series II
Sets the discount on the social tariff for the supply of natural gas and to be applied to economically vulnerable end customers, in the 2019-2020 tariff period.

Decree-Law No 48/2019 of 12 April, Portuguese Official Gazette No 73, Series I
Amends the measures to promote the production and use of forest biomass.

Regulation No 361/2019 (ERSE) of 23 April, Portuguese Official Journal No 79, Series II
Approves the Tariff Regulations for the Natural Gas Sector.

Regulation No 362/2019 (ERSE) of 23 April, Portuguese Official Journal No 79, Series II
Amends the Regulations for Access to Natural Gas Networks, Infrastructure and Interconnections.

Regulation No 365/2019 (ERSE) of 24 April, Portuguese Official Journal No 80, Series II
Approves the second amendment to the Commercial Relationships Regulations in the Natural Gas Sector.

Directive (EU) No 2019/692 of the European Parliament and of the Council of 3 May, OJEU No 117, Series L
Amends the common rules for the internal market for natural gas.

Directive No 12/2019 (ERSE) of 1 July, Portuguese Official Gazette No 123, Series II
Approves natural gas tariffs and prices for the gas year of 2019-2020 and parameters for the regulatory period of 2020-2023.

Directive No 15/2019 (ERSE) of 26 July, Portuguese Official Gazette No 142, Series II
Approves natural gas consumption profiles and average daily consumption in effect from 1 July 201 to 30 June 2020.

GLOSSARY

Financial Glossary

ACRONYMS

CAPEX
Capital expenditure on acquisitions and upgrades of tangible fixed assets

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation (operating profit, excluding amortisation and depreciation)

NET DEBT
Short and long-term financial debt – cash balances

OPEX
Operational expenditure

RAB
Regulated Asset Base

VAB
Gross Value Added

Technical Glossary

ACRONYMS

AA1000AP
Accountability Principles (2018)

AA1000AS
Accountability 1000 Assurance Standard (2008)

AAE
Strategic Environmental Assessment

ACER
Agency for the Cooperation of Energy Regulators

ACT
Collective Bargaining Agreement

ADENE
Agency for Energy

AGC
Natural Gas Consumption Management Agreement

AGU
Autonomous Gasification Units

ANEPC
National Emergency and Civil Protection Authority

APA
Portuguese Environment Agency

APCE
Portuguese Corporate Communication Association

APCER
Portuguese Certification Association

APD
Portuguese Disabled Association

APEXA
Algarve Association for the Support of Exceptional People

APP
Application program

APREN
Portuguese Renewable Energy Association

APS
Sines Port Authority

Baa3
Moody's credit rating

BBB
Fitch or S&P credit rating

BCSD
Business Council for Sustainable Development

BV
Block valve station

CCILC
Luso-Chinese Chamber of Commerce and Industry

CDI
Center for Digital Inclusion

CDP
Carbon Disclosure Project

Ce
Specific Reference Consumption

CEO
Chief Executive Officer

CESE
Extraordinary Levy on the Energy Sector

CFO
Chief Financial Officer

CH_4
Methane

CIBIO
Research Center in Biodiversity and Genetic Resources

CIGRÉ
Conseil International des Grands Réseaux Électriques

CIT
Individual Employment Contract

CMVM
Portuguese Securities Market Regulator

CNAI
National Conference of Impact Assessment

CO_2
Carbon dioxide (greenhouse gas)

CoLAB
Collaborative Laboratory

CPM
Portuguese Strawberry Tree Cooperative

CSC
Commercial Company Code

CTS
Custody transfer station

DGEG
Directorate-General of Energy and Geology

DL
Decree-Law

EC
European Community

ECB
European Central Bank

ECO Movement
Companies against Fires

ECSI
European Customer Satisfaction Index

EDP
Energias de Portugal, S.A.

EFACEC
Group of companies currently formed as Efacec Power Solutions

EGIG
European Gas Pipeline Incident Data Group

EIA
Environmental Impact Assessment

EID
Environmental Impact Declaration

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

EMTN
Euro Medium Term Notes

ENS
Energy not Supplied

ENTSO-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

EPT
Electrical Power Transmission

EPV
Prevention and surveillance teams

ERSE
Energy Services Regulatory Authority

ESA
European Space Agency

ESAC
Coimbra Higher School of Agriculture

EU
European Union

EUA
European Union allowances

EU ETS
European Emissions Trading Scheme

FCT
Foundation for Science and Technology

FE
Full-time Employees

FED
Federal Reserve of the United States

FEUP
School of Economics, University of Porto

GDP
Gross Domestic Product

GHGE
Greenhouse Gas Emissions

GIE
Gas Infrastructure Europe

GMV
Gross Merchandise Value

GN
Natural Gas

GNR
Guarda Nacional Republicana [Portuguese National Guard]

GreenEst
Green Ester Transformers

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSM
General System Management

GSUT
General System Usage Tariff

H2020
European Horizon 2020 Programme

HP
High-Pressure

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IASC
International Accounting Standards Committee

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICNF
Institute for the Conservation of Nature and Forests

IEA
International Energy Agenda

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards

IGAMAOT
Inspectorate-General of Agriculture, Sea, Environmental and Spatial Planning

INEGI
Institute of Science and Innovation in Mechanical Engineering and Industrial Engineering

INESC
Institute of Systems Engineering and Computers

IPCC
Intergovernmental Panel on Climate Change

IPCG
Portuguese Institute of Corporate Governance

IREI
Incentive for the economic rationalisation of investment in the national transmission system

ISAE 3000
International Standard on Assurance Engagements 3000

ISEL
Lisbon Higher Institute of Engineering

ISO
International Organization for Standardization

ISPS
International Ship and Port Security Code

IST
Higher Technical Institute

IT
Information Technology

IUCN
International Union for Conservation of Nature

JCT
Junction Station

LABLEC
Laboratory Studies, Developments and Activities

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied Natural Gas

LNGT
Liquefied Natural Gas Terminal

MACC
Minho Advanced Computing Centre

MAXIMO
Management and Maintenance Support System

MB
Mountain Biking

MBA
Master of Business Administration

MC
Market Committee

ME
Member State

MIBEL
Iberian Electricity Market

MRS
Metering and Regulating Stations

MTVR
Medium-Term Variable Remuneration

NECP
National Energy and Climate Plan

NEDC
New European Driving Cycle

NEMO
Nominated Electricity Market Operator

O&M
Organization and Methods

OECD
Organisation for Economic Cooperation and Development

OHSAS
Occupational Health and Safety Advisory Services

OLMC
Logistics Operator for Changing Supplier

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMI
Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energía (Pólo Português), S.A. [Portuguese Cluster]

OTM
Overall Technical Manager

PCI
Projects of Common interest

PDIRGN
RNTIAT development and investment plan

PDIRT
Transmission Network Development and Investment Plan

PEI-Seveso
Internal Emergency Plan-Seveso

PIMS
Pipeline Integrity Management System

PMDFCI
Municipal Forest Defence Plans against Fires

POP
Personal Opinion Programme

PPA
Power Purchase Agreement

PS
Portuguese Standard

PSEG
Public Service Electricity Grid

PSES
Public Service Electricity System

PwC
PricewaterhouseCoopers

QAS
Quality, Environment and Safety

QSR
Quality of Service Regulations

QUERCUS
National Association for the Conservation of Nature

R&C
Report and Acounts

R&D
Research and Development

RACA
Environmental Assessment and Control Report

RDI
Research, Development and Innovation

RECAPE
Environmental Compliance Report on the Execution Project

REE
Spanish Grid Operator

REN PRO
REN PRO, S.A.

RENTELECOM
RENTELECOM – Comunicações, S.A.

REP
Progress Report

RESUCI
Space-based Services for Resilient and Sustainable Critical Infrastructures

RMSA-GN
Natural Gas Supply Security Monitoring Report

RND
National Distribution Network

RNT
National Electrical Power Transmission Network

RNTGN
National Natural Gas Transmission Network

RNTIAT
National Transmission Network, Storage Infrastructures and LNG Terminal

RU
Remuneration Units

S.A.
Public Limited Company

S CODE
Securities Code

SEN
National Electricity System

SEVESO
Decree-Law No 254/2007 of 12 July transposed SEVESO Directive II 2003/105/EC (amending European Council Directive 96/82/EC of 9 December) into national law, and reconfigured the regime for the prevention and control of serious accidents involving hazardous substances and limitation of the respective consequences for humans and the environment, repealing Decree-Law No 164/2001 of 23 May and Implementing Order No 193/2002 of 4 March.

SDGs
Sustainable Development Goals

SF_6
Sulphur hexafluoride

SGCIE
Intensive Energy Consumption Management System

SGIDI
State Grid International Development Limited

SGPS
Holding Company

SIC
Standard Interpretation Committee

SIFIDE
System of Tax Incentives for Research and Development

SIGQAS
Integrated Management System for Quality, Environment and Safety

SME
Small and medium enterprises

SNDFCI
National System of Forest Defence against Fires

SNGN
National Natural Gas System

SPF
Portuguese Physics Society

SS
Substation

SSP
Special Status Production

STVR
Short-Term Variable Remuneration

TCP/IP
Transmission Control Protocol / Internet Protocol

THT
Tetrahydrothiophene

TPA
Third-Party Access

TSO
Transmission System Operator

TSUT
Transmission System Usage Tariff.

UK
United Kingdom

UN CTNC
United Nations – Climate and Technology Center and Network

UNGC
United Nations Global Compact

UNO
United Nations Organization

UP
University of Porto

US
Underground Storage

U.S.A.
United States of America

VHV
Very High Voltage

VIP
Virtual Interconnection Point

WHO
World Health Organization

Units

bcm	109 cubic metres
cent	Euro cents
CO_2	carbon dioxide
EUR	Euro
€	Euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt/hour
k€	thousand of Euro
km	kilometre
kV	kilovolt
kWh	kilowatt /hour
m^3	cubic metre
$m^3(n)$	normal cubic metre (volume of gas measured at 0º Celsius and at the pressure of 1 atmosphere)
M€	million Euros
mEuros	thousand of Euro
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt/hour
p.p.	percentage points s
s	second
t	tonne
tcm	1012 cubic metres
tCO_2eq	Tonne of CO2 equivalent
TWh	terawatt/hour

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